

NORTH BROWARD HOSPITAL DISTRICT CHARTER OF THE INTERNAL AUDIT DEPARTMENT AND THE AUDIT COMMITTEE

The Board of Commissioners by resolution 88-11-16-3, established the Audit Committee as a permanent standing committee of the District declaring that it is vital that the North Broward Hospital District operates in compliance with the law, rules and regulations, established policies and procedures, applies sound management practices, and be held accountable for the use of public funds. To accomplish this goal, the District established the Internal Audit Department, independent from Administration and reporting to the Board.

The Board directed that the Internal Audit Department should independently review, evaluate and report on the accuracy of financial record keeping, compliance with applicable laws, rules and regulations, established policies and procedures, and the efficient and effective use of resources.

The Board of Commissioners by a majority vote can retain (appoint) or terminate a Director of Internal Audit, who shall be the executive and administrative head of the Internal Audit Department, reporting to the Board of Commissioners. The Audit Committee shall annually appraise the performance of the Director of Internal Audit.

THE AUDIT COMMITTEE

The Audit Committee shall oversee the Audit function. The Committee shall consist of three (3) members of the Board of Commissioners (Board) who shall be appointed by the Chairperson of the Board and two (2) outside members who shall be appointed by the Board. These five (5) members shall be voting members of the Committee. Each member shall be independent and free from any relationship that, in the reasonable opinion of the Board, would interfere with the exercise of independent judgment as a member of the Committee. All members shall have a working familiarity with basic finance and accounting. At least one of the outside members shall be a CPA, licensed in the State of Florida (State). The outside members shall be appointed and/or reappointed every two (2) years by the Board and shall have the ability to serve a maximum of three (3) two-year terms or a total of six (6) years (consecutively or non-consecutively). The term of an outside member shall expire at the end of the two (2) years of service unless reappointed by the Board. No outside member shall serve more than a total of six (6) years. The outside members shall serve without compensation but may be reimbursed for travel expenses in accordance with Broward Health policy and State law. Prior to serving, all outside members shall be required to fully, accurately and timely complete and submit all forms required by Broward Health or State law, including, without limitation, a Conflict of Interest Disclosure Form. The President/Chief Executive Officer, the General Counsel or his or her designee, and the Director of Internal Audit shall be non-voting members of the Committee.

It shall be understood that should any one of the voting members or the Director of Internal Audit feel that a minority report is warranted such report shall be presented to the Board. The

Commented [BBA1]: "Background and Role" Section

Commented [BBA2]: Opening paragraph of "Oversight of the Internal Audit Department and External Auditors"

Commented [BBA3]: # 1 in the "Audit Committee Organization and Structure" Section

Commented [BBA4]: # 7 in the "Audit Committee Organization and Structure" Section

Commented [BBA5]: # 8 in the "Audit Committee Organization and Structure"

Commented [BBA6]: # 9 in the "Audit Committee Organization and Structure" Section

Commented [BBA7]: # 11 in the "Audit Committee Organization and Structure" Section

Commented [BBA8]: Not included.

Audit Committee shall work to assure maximum coordination among the Audit function, the Board and the Administration. It shall meet no more than quarterly, except at the request of one or more of its members and shall be responsible to:

- A. Provide general direction to the Internal Audit function by reviewing and approving the Internal Audit Department's annual audit plan and modifications thereto.
- B. Make recommendations to the Board on the selection and termination of the Internal Auditor.
- C. Annually approve a budget for the Internal Audit Department.
- D. Review internal audit reports, and evaluate the activities, organization and qualifications of the Internal Audit Department.
- E. Monitor the external auditor's work including coordination with internal audit and interaction with administration.

As such, this shall include:

- Recommendation to the Board of Commissioners for the selection or reappointment of an external auditor.
- Review of the proposed external audit scope and approach.
- Review of the external auditors Reports to Management and Management's response.
- Post audit reviews with the external auditors and management.
- Review of all additional services that are proposed to be provided to the organization by the external auditor and assure that independence has been maintained. The District 's external auditor shall not perform any of the following functions:
 - (1) Bookkeeping or other services related to the accounting records or financial statements;
 - (2) Financial information systems design and implementation;
 - (3) Appraisal or valuation services, fairness opinion s, or contribution-in-kind reports;
 - (4) Actuarial services;
 - (5) Internal Audit outsourcing services;
 - (6) Management functions or human resources;
 - (7) Investment adviser or investment banking services;
 - (8) Legal services and expert services unrelated to the audit; and
 - (9) Any other service that the Board determines, by regulation, is impermissible.
- Forward any recommendations for additional services to the full Board of Commissioners for pre- approval.
- The pre-approval requirement is waived with respect to non-audit services

Commented [BBA9]: #s 1-5 under the "Authority of Audit Committee" Section

Commented [BBA10]: # 3 in the "Chief Internal Auditor Performance" Section

Commented [BBA11]: # 2 in the "Internal Audit Charter and Resources"

Commented [BBA12]: # 10 in the "Internal Audit Engagement and Follow-up" Section

Commented [BBA13]: #s 1-5 under the "Authority of Audit Committee" Section

Commented [BBA14]: #s 16 and 17 in the "External Auditors" Section but reworded to provide clarity and conform to District practices

Commented [BBA15]: Not included. This is implicit.

Commented [BBA16]: Not included. This is implicit authority.

if the aggregate annual amount is less than 5% of the fees paid to the external auditor during the year in which the non-audit services are provided.

- Evaluation, with input from management, of the external auditors effectiveness and the appropriateness of proposed audit fees.

F. Report significant financial operational and compliance matters to the Board, when appropriate.

G. Develop guidelines to achieve the purposes set forth herein.

H. Hire experts to assist in special reviews if necessary. Such experts shall have no financial interests in the affairs of the District or its officers.

Commented [BBA17]: Not included. 4 members are needed for a quorum and the Board should approve payment of any services and is responsible for the budget.

Commented [BBA18]: #'s 16 and 17 in the "External Auditors" Section but reworded to provide clarity and conform to District practices

Commented [BBA19]: Not included. This is implicit authority.

Commented [BBA20]: #2 under the "Authority of Audit Committee" Section but reworded consistent with the Charter and Florida law.

DIRECTOR OF INTERNAL AUDIT

1. The Director of Internal Audit shall recommend to the Audit Committee the staffing and salary levels of the Internal Audit Department. The Director shall select the approved staff.
2. The Director of Internal Audit shall analyze the District's financial records, determine its risk profile, determine whether adequate controls exist and evaluate operations for compliance with Board direction and applicable law.
3. The Director of Internal Audit must be a Certified Internal Auditor, or Certified Public Accountant and must also maintain active membership in the Institute of Internal Auditors or American Institute of Certified Public Accountants.
4. The Director of Internal Audit shall adhere to Generally Accepted Auditing Standards and shall maintain independence and objectivity in the performance of all audit work in accordance with the "Standards for the Professional Practice of Internal Auditing" as promulgated by the Institute of Internal Auditors.

Commented [BBA21]: All of the below is not included. This is partly addressed in Article IV. s. 4 of the Board's Bylaws and is more well suited for the Internal Audit Department Charter and not the Audit Committee Charter.

The Director of Internal Audit shall also be charged with the following responsibilities;

SECTION 1. Assistants and Employees.

The Director of Internal Audit shall have such assistants and employees as are necessary to perform the duties enumerated herein, subject to normal budgetary constraints.

SECTION 2. Scope of Audits.

The Director of Internal Audit shall have the authority to conduct audits of all departments, offices, boards, activities and agencies under the control of the Board. Such audits may include operations, compliances, performances, management and other audits which are intended to independently determine whether:

1. activities and programs being implemented have been authorized by the Board;
2. activities and programs are being conducted in a manner contemplated to accomplish the objectives intended by the Board:

3. activities and programs are operated in compliance with applicable laws, policies, and procedures;
4. revenues are being properly collected, deposited and accounted for;
5. financial and other reports are being provided that disclose fairly and fully all information that is required bylaw, that is necessary to as certain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the programs and activities;
6. during the course of audit work, there are indications of fraud, abuse of illegal actions, and
7. there are adequate operating and administrative procedures and practices, system s, or accounting internal control systems and internal management controls which have been established by management.

SECTION 3. Annual Audit Plan.

a Prior to the beginning of each fiscal year, the Director of Internal Audit shall submit an annual plan to the Audit Committee for review and comment. The plan shall include the departments, offices, boards, activities, and programs scheduled for audit during the year and will include any additional duties to be performed in accordance with this Charter. This plan may be amended during the year by the Audit Committee. Additionally, the Internal Auditor may initiate and conduct any other audit after notification to and approval by the Chairman of the Audit Committee.

b In the selection of audit areas, the determination of audit scope and the timing of the audit work, the Director of Internal Audit should consult, when appropriate, with federal and state auditors and independent auditors so that the desirable audit coverage is provided and audit efforts may be properly coordinated.

SECTION 4. Funding.

Sufficient funds shall be provided to carry out the responsibilities specified herein, subject to normal budgetary constraints.

SECTION 5. Access to Personnel, Property and Records.

In performing their duties and responsibilities, the Internal Audit Department shall have full and unrestricted access to all of the District's personnel, property and records.

SECTION 6. Records.

The Director of Internal Audit shall retain a complete file of all audit reports, audit workpapers, and other supportive material in accordance with record retention requirements established by state law. In no instance shall such records be disposed of sooner than three (3) years from the date of the report.

Working papers must be capable of standing the sharpest scrutiny. They should be accurate, clear, organized, understandable, relevant and complete; supporting all findings listed in the audit reports.

They should also contain evidence of supervisory review of the work performed.

SECTION 7. Audit Reports.

- a. Each audit shall result in a written report. Audit reports will be numbered sequentially by year, and the Director of Internal Audit shall maintain a cross-reference of audit reports by department and/or program.
- b. A draft of the audit report shall be provided to the audited body for review and comment regarding factual information before the report is finalized. The audited body shall be provided with a final report and will respond in writing specifying agreement with the audit findings and recommendations or reasons for disagreement, plans for implementing solutions to identified problems, and a time table to complete such activities. The responses must be forwarded to the Internal Audit Department within two weeks.
- c. The final audit report and the full text of the audited body's response shall be submitted to the Audit Committee. Reports shall also be provided to the Board of Commissioners and/or administration upon request or upon determination by the Audit Committee of significant findings.
- d. The report shall contain the professional conclusion of the auditor regarding the activities audited. The Director of Internal Audit shall include in the audit reports:
 1. a precise statement of the scope of the audit;
 2. a statement the audit was performed in accordance with generally accepted auditing standards, if appropriate;
 3. a statement that an examination for compliance with applicable law, policies, and regulations was conducted and findings associated with such examination presented;
 4. a summary of findings, including a statement of the underlying cause, evaluative criteria used, and the current and prospective significance of the findings;
 5. a statement that internal control systems were examined and a report of any material weaknesses found in the internal control system, if appropriate;
 6. a concise statement of the corrective actions already taken as a result of the audit findings or on the auditee's own initiative; and
 7. recommendations for additional necessary or desirable action.
 8. any other relevant information.

If the Director of Internal Audit detects apparent violations of law or apparent instances of misfeasance or nonfeasance by an officer or employee or information that indicates derelictions may be reasonably anticipated, the Director of Internal Audit shall report the irregularities in writing to the Audit Committee. If, after review, the Audit Committee determines that the report is significant and substantially supported by facts, it will provide the report to the Board. If the irregularity may be criminal in nature, the Director of Internal Audit shall, in consultation with the Audit Committee, immediately notify General Counsel in addition to those previously cited.

SECTION 9. External Auditors.

In addition to the audit functions described above, the Director of Internal Audit shall be responsible for providing available staff or other assistance to the external auditors in assisting them in completing the annual audit. As such, there shall be communication of audit plans and schedules in order to avoid conflicts and duplication of effort. Arrangements shall be made for review of the latest working papers of the external auditors and for communication of the intended scope of audit coverage.

SECTION 10. Corporate Compliance

The Audit Committee shall provide general direction to the Corporate Compliance Program, as established by the Board of Commissioners in April, 1998. The Corporate Compliance Officer shall provide annually to the Audit Committee, reports of audits and progress in the implementation and on-going development of the Corporate Compliance Program. This will provide a forum for open communication between the Corporate Compliance Officer and the Board. Reports of non-compliance shall be provided and on recommendation of the Audit Committee in consultation with Legal Counsel, a report to the full Board of Commissioners shall be made.