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The Metropolitan Water District of Southern California Audit Committee: Audit Committee Presentation

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Agenda

- General Board of Director Responsibilities
- Responsibilities from The Metropolitan Water District of Southern California Administrative Code
- Typical Responsibilities of Audit Committees
- Best Practices of Audit Committees
- Issues of Current Government Focus for Consideration
- About KPMG Institutes
- Contact Information

General Board of Director Responsibilities

- Examples of Board responsibilities noted in the California Government Code
 - Purpose of existence is to aid in the conduct of the people’s business
 - Ensure all meetings are open and public and that all persons are permitted to attend any meeting of the board, except as otherwise provided in § 54954 of the California Government Code

- Examples of Board responsibilities noted in The Metropolitan Water District Act (the Act)
 - Voting on all questions, orders, resolutions and ordinances coming before the board including contracts, employments, investments, borrowing, taxing, rate setting, etc.
 - Making and passing ordinances, resolutions and orders necessary for the government and management of the affairs of the Metropolitan, for the execution of the powers vested in the district and for carrying into effect the provisions of the Act.

Responsibilities from The Metropolitan Water District of Southern California Administrative Code

- Examples of responsibilities noted in The Metropolitan Water District Administrative Code
 - Board of Directors
 - Govern with an emphasis on outward vision, encouragement of diversity in viewpoints, strategic leadership more than administrative detail, and clear distinction of Board and general manager goals.
 - Serve on committees of the Board for the purpose of advising and recommending actions to the Board of Directors.

 - Audit and Ethics Special Committee
 - Meet at least 4 times a year on a quarterly basis
 - Study, advise and make recommendations with regard to:
 - All reports of the General Auditor and external auditors
 - The Audit Department’s annual business plan and biennial budget
 - The Ethics Department’s annual business plan and biennial budget
 - Requests from other committees of the Board for audits and reviews not included in the Audit Department’s annual business plan
 - The policies and procedures of Metropolitan’s ethics program.

Responsibilities from The Metropolitan Water District of Southern California Administrative Code (Continued)

- Examples of responsibilities noted in The Metropolitan Water District Administrative Code
 - Audit and Ethics Special Committee (Continued)
 - Oversight of the General Auditor’s performance and activities; and, for monitoring and overseeing the duties and responsibilities of the Audit Department and the external auditors as those duties and responsibilities relate to the effectiveness of the District’s internal control system.
 - Oversight of the performance and activities of the Ethics Officer. It shall also review and approve the comprehensive business plan and annual goals and work objectives for the Ethics Office at the start of each fiscal year.

Typical Responsibilities of Audit Committees

- Primary Responsibilities of an Audit Committee usually include oversight of the following:
 - Open communication between the committee, financial and program management and the auditor
 - Internal accounting controls to safeguard assets, ensure compliance and avoid fraud
 - Budgetary and finance
 - Quality and timely financial and compliance reporting
 - Selecting the auditor
 - The annual audit process
 - Reporting to the Governing Board

Best Practices of Audit Committees

The following are examples of best practices of Audit Committees:

- Include at least one member who has a level of financial and programmatic knowledge to read and understand the audit reports and comprehend the associated risks identified.
- Meet at least 4 times a year, and at additional times when necessary
- Meet with their auditors at least twice a year
- Have the authority to meet privately with the organization's external and internal auditors
- Oversee the appointment of the independent auditors
- Oversee the work of the organization's internal auditor
- Establish corporate governance policies including a conflict-of-interest and whistle-blower policy
- Assess the risks within the organization

Issues of Current Government Focus for Consideration

- Expansion of transparency and accountability concepts
 - Public reporting of government spending
 - Evolving financial reporting concepts
- Enterprise Risk Management
 - Focusing on issues of primary importance
 - Fraud risk management
 - Right-sizing internal controls – balance of effectiveness and efficiency
 - Adoption of continuous monitoring program / forensics
- Business realities of today's fiscal challenges – both short and more importantly long-term focus
- Focus on reducing infrastructure costs

About KPMG Institutes

KPMG Government Institute

The KPMG Government Institute was established to serve as a strategic resource for governments, higher education and non-profit entities seeking to achieve high standards of accountability, transparency, and performance. The Institute is forum for ideas, a place to share leading practices, and a source of thought leadership as a catalyst to help address difficult challenges.

For more information: www.kpmginstitutes.com/government-institute

KPMG Audit Committee Institute

Recognizing the challenges that audit committees face in meeting their demanding responsibilities, KPMG created the Audit Committee Institute (ACI) to serve as a resource for audit committee members and senior management. ACI's primary mission is to communicate with audit committee members to enhance their awareness of, commitment to, and ability to implement effective audit committee processes.

Wholly sponsored by KPMG International, the ACI provides complimentary guidance and engages in a variety of initiatives to assist audit committee members. Board members can turn to the Institute at any time for help and advice or to share knowledge.

For more information: www.kpmginstitutes.com/aci

Information Available on KPMG's Audit Committee Institute Website

■ Latest News & Insights

- KPMG's 9th Annual Audit Committee Issues Conference – Planning the 2013 (February 05, 2013)
- Audit Committee Roundup – Beyond Risk Management (August 31, 2012)
- KPMG's 2012 Spring Roundtable Report: Is Governance Keeping Pace? (July 20, 2012)
- Good Judgment Requires Discipline, Awareness of Traps and Biases

■ Upcoming Webcasts

- KPMG/NACD Quarterly Audit Committee Webcast (September 27, 2012)

■ Webcasts on Demand

- KPMG/NACD Quarterly Audit Committee Webcasts
- Deterring and Detecting Financial Reporting Fraud – Implications and Practical Insights for Audit Committee/Board Oversight
- Reporting, Accounting and Legal/Regulatory Developments

■ Resources

- Audit Committee Insights
- Reports from ACI Conferences
- ACI Surveys
- ACI Articles

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