

## **LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT AUDIT COMMITTEE CHARTER**

### **PURPOSE**

To assist the Board of MSD in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and MSD's process for monitoring compliance with laws and regulations and the code of conduct.

### **AUTHORITY**

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered, subject to the approval of the Board of MSD, to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by MSD.
- Resolve any disagreements between management and the Internal Audit department regarding reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in conducting an investigation.
- Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties.
- Review work performed by the Internal Audit Department at any point in the audit process.
- Meet with MSD's officers, external auditors, or outside counsel, as necessary.

### **COMPOSITION**

The Audit Committee will consist of at least three members of the MSD Board. The Chairman of the Board will appoint committee members and the committee chair.

In making appointments to the committee, the Chairman shall appoint members, when possible, with experience and knowledge of financial statements and reporting requirements or shall provide training for members.

### **MEETINGS**

The committee will meet at least four (4) times a year, on a quarterly basis, with the authority to convene additional meetings as circumstances require. The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared. All committee members are expected to attend each meeting.

## **RESPONSIBILITIES**

### **Financial Statements**

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the audit results, including any difficulties encountered.
- Review the annual financial statements, consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings (if applicable) before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under *Generally Accepted Auditing Standards*.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors, and consider whether they are complete and consistent with the information known to committee members.

### **Internal Control**

- Consider the effectiveness of MSD's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over-reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### **Internal Audit**

- Review with management and the Director - Internal Audit the charter, plans, activities, staffing, and organizational structure of the internal audit department. Review the Annual Audit Plan and recommend approval by the MSD Board.
- Review for approval all requests for audit engagements, special tasks, or projects to be performed by the Internal Audit Department. Requests that are confidential by nature may be approved by the Chair of the Audit Committee in writing.
- Review for approval the funds estimated as necessary to fulfill the annual audit plan for the internal audit department.
- Ensure the objectives of the internal audit engagement are completely addressed prior to the Audit Committee's approval of the internal audit report.
- Approve internal audit reports and recommend review and approval by the MSD Board.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- Provide the Executive Director with input for the performance evaluations for the Director - Internal Audit.

- On an as-needed basis, and if permitted by the Kentucky open meetings statute, KRS 61.800 et seq., meet separately with the Director - Internal Audit to discuss any matters that the committee or internal audit believes should be discussed privately.

### **External Audit**

- Review the external auditors' proposed audit scope and approach, including coordination of audit efforts with internal audit.
- Review the performance of the external auditors, and recommend to the Board of MSD approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and MSD, including non-audit services, and discussing the relationships with the auditors.
- On an as-needed basis, and if permitted by the Kentucky open meetings statute, KRS 61.800 et seq., meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

### **Compliance**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations.
- Obtain regular updates from management and company legal counsel regarding compliance matters.
- The Audit Committee ensures that any Board Member, MSD Official, or MSD employee has the opportunity to report any concern regarding actual or suspected mismanagement, waste, fraud, abuse of authority, or a substantial and specific danger to public health or safety; and individuals that report concerns are not subject to discharge, disciplinary action, reprisal, or discrimination.
- Review and make findings and recommendations concerning alleged violations of the Ethics Policy for the MSD Board and MSD Officials and the Ethics Policy for MSD Employees.

### **Reporting Responsibilities**

- Regularly report to the Board of MSD about committee activities, issues, and related recommendations.
- Present internal audit reports approved by the Audit Committee to the Board of MSD for approval.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Review any other reports MSD issues that relate to committee responsibilities.

### **Other Responsibilities**

- Perform other activities related to this charter as requested by the Board of MSD.
- Institute and oversee special investigations as needed.

- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

DocuSigned by:

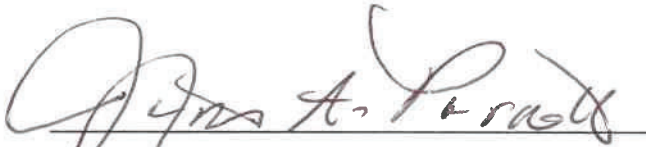


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Gerald Joiner  
Chair, MSD Board Audit Committee



Kellie Watson  
General Counsel MSD Legal Director



James A. Parrott  
Executive Director, MSD

1/22/2024

Date