

# Audit Committee Charter

## STATUS

The Audit Committee is appointed by the Board of Directors of the Regional Transportation District (RTD).

## PURPOSE

The Audit Committee shall represent and assist the Board of Directors in fulfilling its oversight responsibilities of the organization's governance, risk management, and internal control practices. The Audit Committee provides the Board of Directors and management independent advice and guidance on the adequacy of the organization's initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of the internal audit function, independent certified public accounting firm, and other providers of assurance
- Financial statements and public accountability reporting

Except as otherwise required by applicable laws or regulations, all major decisions are considered by the Board of Directors as a whole.

## AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Oversee and recommend to the Board the appointment and compensation of all external attestation services and internal audit services performed by any certified public accounting firm employed by the organization
- Resolve any disagreements between management and the external auditor regarding financial reporting and other matters
- Report to the Board on all auditing and non-audit services performed by auditors
- When appropriate circumstances apply, retain independent counsel, accountants, or others to advise or assist in the conduct of an investigation
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties
- Meet with District officers, external auditors, or counsel, as necessary



## **COMPOSITION**

The Audit Committee will consist of at least three and no more than five members, all of whom, in the judgment of the Board of Directors, shall be independent in accordance with all applicable laws and regulations. To qualify as independent, an audit committee member may not be employed by, or provide any services to, the organization beyond their duties as a committee member or Board Member. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk, and control. Because the responsibilities of the Audit Committee evolves in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the committee in response to emerging needs. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

The Board of Directors shall have three members of the Audit Committee, each of whom shall have served on the Board of Directors for at least one year. Should a Director cease to maintain a position on the Board of Directors, such a Director can, with the approval of the Board of Directors, continue to serve on the Audit Committee for a period of up to one year.

The members of the Audit Committee, by a majority vote, will designate a chair and vice chair, for a period of one year

The term of office for an Audit Committee member is two years for a Board Member, except for two initial one-year terms upon initial formation of the Audit Committee. Board Members will have a two-year term, staggered with at least two Board members' terms overlapping an election year. External members of the Audit Committee will have two or three-year terms, staggered to overlap election years. Continuance of Audit Committee members will be reviewed annually. To ensure continuity within the Audit Committee, the appointment of members should be staggered to avoid full turnover in the Audit Committee.

Each member of the Audit Committee shall serve for such term or terms as the Board may determine or until his or her earlier resignation, removal or death. Any vacancy on the Committee shall be filled by the Board. No member of the Audit Committee shall be removed as a member, except upon the affirmative vote of ten Directors.

## **MEETINGS**

The Audit Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or virtually, and are obligated to prepare for and participate in meetings. The quorum for the Audit Committee will be a majority of its members.

The Chief Audit Executive (as defined in the internal audit charter) and Chief Financial Officer are required to attend all Audit Committee meetings. The Chief Audit Executive or designee will facilitate and coordinate meetings as well as provide ancillary support to the committee, as time and resources permit.

Meeting agendas will be prepared in consultation with Audit Committee members, management, and its auditors, to be provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and all documentation related to the Audit Committee and its dealings may be subject to the Colorado Open Records Act, C.R.S. § 24-72-201 et seq., as amended. The Audit Committee will provide updates to the Board of Directors at least quarterly.

The Audit Committee will invite members of management or others to attend meetings and provide pertinent information, as necessary.

Audit Committee members will receive formal orientation training on the purpose and mandate of the committee and on the organization's objectives. A process of continuing education will be established.



## RESPONSIBILITIES

The committee will carry out the following 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 results of the audit, including any difficulties encountered
- Review the annual financial statements, and 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 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 before filing with regulators, and consider whether they are complete and consistent with the information known to committee members

### Internal Control

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

### Internal Audit

Consistent with the Internal Audit Function Charter and subject to Board approval:

- Recommend annual approval of the internal audit charter
- Recommend approval of the risk-based annual audit plan and all major changes to the plan.
- Review the internal audit function's performance relative to its plan
- Review with the Chief Audit Executive the internal audit budget, resource plan, activities, and organizational structure of the internal audit function
- Review and evaluate in consultation and collaboration with the General Manager and Chief Executive Officer (GM/CEO) and Chief Financial Officer, the appointment, replacement or dismissal of the Chief Audit Executive. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive
- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the *International Standards for Professional Practice of Internal Auditing*
- Review and evaluate the results of Quality Assurance Review (QAR) once every five years
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The Audit Committee may meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed in executive session consistent with the Colorado Open Meetings law, C.R.S. § 24-6-401 et seq., as amended



### External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit
- Review the performance of the external auditors, and exercise final 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 the District, including non-audit services, and discussing the relationships with the auditors
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed in executive session consistent with the Colorado Open Meetings law, C.R.S. § 24-6-401 et seq., as amended

### 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
- Review the process for communicating the code of conduct to the District's personnel, and for monitoring compliance therewith
- Obtain regular updates from management and District legal counsel regarding compliance matters

### Reporting Responsibilities

- Regularly report (at least quarterly) to the Board of Directors about committee activities, issues, and related recommendations
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors
- Report annually to the stakeholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services
- Review any other reports the District issues that relate to committee responsibilities

### Other Responsibilities

- Ensure that all audit and related activities are conducted in accordance with applicable professional standards or guidance
- Perform other activities related to this charter as requested by the Board of Directors
- Institute and oversee special investigations as needed
- Review and assess the adequacy of the Audit Committee charter annually, requesting Board of Directors 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 Audit Committee's and individual members' performance on a regular basis

A handwritten signature in blue ink is written over a horizontal line. The signature is stylized and appears to be "Chris".

Chair, Board of Directors