

**AUDIT COMMITTEE – STRUCTURAL OPTIONS**

The Audit Committee was created pursuant to M.C.O 178.80 *et seq.*, which provides for the committee’s composition and appointing authority, duties, and general responsibility which includes, among other matters, oversight of the internal audit function and the appointment and supervision of the Internal Auditor. That ordinance also provides for the independent status of the Audit Committee as an important element in preserving the autonomy and objectivity of the audit function. Subsequent to its creation, the Audit Committee was classified as a standing committee of the City Council pursuant to City Council Rules. The Audit Committee now wishes to review how it is to be classified within the City Government and to submit its recommendation for consideration by the City Council.

The following table illustrates three options open to the Audit Committee.

ISSUES ↓   CLASSIFICATION →	Standing Committee	Standing Committee “with powers”	Independent Committee
<b>AUTHORITY</b>	As a Council committee, the Audit Committee would be subject to the authority and rules of Council. Committees are charged with making recommendations within a prescribed jurisdiction or on specific subject matters; final authority is vested in the full Council unless the Council provides otherwise.	As a Council committee, the Audit Committee would be subject to the authority and rules of the Council, except where powers are specifically delegated and assigned, either by ordinance or by action of the Council.	As an independent committee, the Audit Committee would have and exercise specific powers and functions delegated by Council pursuant to the ordinance or as the same may hereafter be amended from time to time.
<b>RULES</b>	Council rules would need to be amended to reflect the ordinance provisions which make the Audit Committee unique.	Council rules would need to be amended to reflect the quasi-independent nature of the Audit Committee, both as provided by the enabling ordinance as well as under new or amended rules to accommodate the specific delegated powers Council would vest in the Audit Committee.	The Audit Committee would need to develop its own set of rules to govern its proceedings and general operation (similar to the Executive Committee).
<b>RELATIONSHIP TO COUNCIL</b>	The Audit Committee would need to regularly report back to the full Council, in accordance with its rules, for direction or action by Council.	The Audit Committee would report to Council on all matters or questions not specifically delegated and assigned to the Audit Committee, subject to both the standing rules of the full Council as well as any special rules developed for the Audit Committee.	For those matters not specifically delegated to the Audit Committee, authority would be vested in the City Council, and the Council would need to receive and consider the recommendations of the Audit Committee; other matters that are within the purview of the Audit Committee could be reported to the full Council, at the discretion of the Audit Committee.
<b>EXAMPLE</b>	Under this scenario, the Audit Committee would be equivalent to other standing committees established by the Council except for the powers granted by ordinance	Under this scenario, the Audit Committee would be similar to the Council’s standing committees in its general operation, but would stand apart from those committees in recognition of its delegated powers pursuant to ordinance	Under this scenario, the Audit Committee would—like the Executive Committee—be separate from the Standing Committee structure. However, the Executive Committee is created by the City Charter; the Audit Committee is created by ordinance.

Procedure: The Audit Committee is currently classified as a Standing Committee of City Council. If the Audit Committee wishes to be reclassified within the structure of Minneapolis City Government, it will need to submit its recommendation to the City Council for consideration and action.