



City of Laguna Woods

ADMINISTRATIVE POLICY 1.5

AUDIT COMMITTEE

1.5.01. Statement of Purpose.

This Administrative Policy is intended to establish a practical means for the City Council to provide independent review and oversight of the City of Laguna Woods' financial reporting processes, internal controls, and independent auditors.

This Administrative Policy is additionally intended to ensure that the City of Laguna Woods' senior management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess the practices of the City of Laguna Woods' senior management, and that independent auditors, through their own review, objectively assess the City of Laguna Woods' financial reporting practices.

1.5.02. Establishment.

An Audit Committee is established as a standing committee of the City Council.

1.5.03. Membership.

The City Council shall appoint three of its members to serve on the Audit Committee for terms two calendar years in length, commencing on January 1 of each odd-numbered year. In making such appointments, the City Council shall designate one appointee to serve as the Chair of the Audit Committee and another to serve as Vice Chair.

The City Council may remove or replace any member of the Audit Committee, or modify Chair or Vice Chair designations, with or without cause, following a publicly noticed vote of a majority of the quorum of the members of the City Council present at the time.

1.5.04. Responsibilities.

The Audit Committee shall be responsible for the following:

1. Making recommendations to the City Council regarding the selection, compensation, retention, and oversight of the work of any independent accountants engaged by the

City of Laguna Woods for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services. This includes, but is not limited to, preparing requests for proposals and screening and interviewing such prospective independent accountants.

2. Managing agreements entered into by the City of Laguna Woods with any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services.
3. Establishing procedures for the receipt, retention, and treatment of complaints from internal or external parties regarding the City of Laguna Woods' accounting, internal accounting controls, or auditing matters. Such procedures shall, at a minimum, provide for confidential and anonymous submission of concerns by City of Laguna Woods employees regarding questionable accounting or auditing matters.
4. Monitoring internal controls performed directly by the City Manager or department heads (hereinafter, "senior management"), as well as internal controls designed to prevent or detect senior-management override of other internal controls.
5. Receiving reports of independent audits of the City of Laguna Woods conducted by other governmental agencies (e.g., the Orange County Transportation Authority periodically audits Measure M2 and Senior Mobility funds, and the South Coast Air Quality Management District periodically audits the Mobile Source Reduction Fund).
6. Notifying the City Council when the Audit Committee believes it is necessary to retain outside financial experts, legal counsel, or other appropriate specialists to support the Audit Committee's work. This provision shall not be interpreted as limiting the Audit Committee's ability to consult with or receive services from the City Attorney's Office.
7. Annually reviewing the adequacy of this Administrative Policy and, if modifications are identified as necessary or advantageous, making recommendations regarding the same to the City Council.
8. Receiving an biennial presentation from the City Attorney's Office regarding the role of the Audit Committee and the responsibilities of members thereof.
9. Annually preparing and submitting a written report to the City Council and members of the public describing how the Audit Committee has discharged its duties and met its responsibilities. Each annual report, which may take the form of a letter, shall state whether the Audit Committee has discussed the financial statements included in the Annual Comprehensive Financial Report with the independent auditors and senior management, and believes that such financial statements are fairly presented, to the extent such a determination can be made solely on the basis of such conversations. This Administrative Policy shall be included as an appendix to each annual report.

Members of the Audit Committee are hereby advised to exercise an appropriate degree of professional skepticism in the performance of their responsibilities.

1.5.05. Meetings.

The Audit Committee shall meet regularly on the second Wednesdays of February, June, and November at 2 p.m. Additional meetings including, but not limited to, special meetings, may be called by the Chair or all members of the Audit Committee.

The Audit Committee shall be subject to all applicable provisions of the Ralph M. Brown Act (California Government Code Section 54950-54963).

1.5.06. Staff Support.

The City Manager and/or their designee shall provide clerical, analytical, professional, and technical support to the Audit Committee, but shall not be members thereof.

1.5.07. Administrative Policy Dissemination.

All members of the Audit Committee shall be provided with and acknowledge receipt of a copy of this Administrative Policy when this Administrative Policy is adopted or amended, as part of their appointment to the Audit Committee, and in conjunction with each biennial City Attorney’s Office presentation pursuant to Section 1.5.04 of this Administrative Policy.

This Administrative Policy shall be posted on the City of Laguna Woods’ website.

1.5.08. Relationship to Federal and State Laws.

Where federal or state laws are more restrictive than or contradict this Administrative Policy, such laws shall take precedence. Where this Administrative Policy is more restrictive than federal or state laws, this Administrative Policy shall take precedence.

City Council Approval: May 20, 2026