



# California Public Utilities Commission Audit Committee Charter

## **Purpose**

The Audit Committee shall assist the California Public Utilities Commission (CPUC) in fulfilling its oversight responsibilities for the system of internal controls, the internal audit process (executed by Internal Audit Services [IAS]), and the CPUC's process for monitoring compliance with laws and regulations.

## **Authority**

The Audit Committee (Committee) has authority to approve audits, operational reviews, or investigations into any matters within its scope of responsibility. It is empowered to:

- Review the annual internal audit plan, discuss the extent to which it addresses high-risk areas, and approve the final audit plan and all major changes to the plan. Pre-approve all auditing and non-audit services.
- Review internal audit reports and responses, and monitor the completion of recommendations.
- Approve the internal audit mission statement, charter, and other governance documents related to internal audit activities.
- Assure the effectiveness of the internal audit function, including its organizational structure, adequacy of staffing and budget, performance relative to its annual plan, and ensure there are no unjustified restrictions or limitations.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Retain independent counsel, accountants, subject matter experts, or others to advise the committee or assist in the conduct of an investigation.
- Meet with CPUC staff, directors, external auditors, outside counsel, and others, as necessary.
- Have full access to CPUC's IAS, management, staff, and internal/external audit reports as necessary to carry out its responsibilities.
- Make recommendations for and have final approval over the appointment, dismissal, and compensation of the Chief Internal Auditor.

## **Composition**

The Committee shall be comprised of the Commission President and one appointed Commissioner. At least one member of the Committee shall have a familiarity with fiscal, programmatic, and auditing issues. Committee members shall have other such qualities as the Commissioners determine appropriate. The appointed Committee member shall serve on the Committee until replacement, with or without cause, by the Commission President.

## **Meetings**

The Committee shall meet every other month, or more frequently as their responsibilities dictate. Meetings may be in person or via tele- or video-conference. The Committee may invite members of management, staff, internal or external auditors, or others to attend meetings and provide pertinent information, as necessary. In accordance with applicable laws, the Committee may also hold executive sessions or private meetings with the internal auditors. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared for review and approval.

## **Responsibilities**

The Committee shall carry out the following oversight responsibilities:

### System of Internal Control

- Consider the effectiveness of CPUC's internal control system, including information technology security practices and governance.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain report on significant findings and recommendations, together with management's response.

### Internal Audit process

- Be informed of the results of internal audit reports, reviews, assessments, and management letters, including any difficulties encountered. As necessary, meet with IAS management and internal auditors for clarification.
- Be informed of the status of corrective actions taken to address audit findings.
- Be apprised of IAS' performance relative to its plan.
- Ensure that IAS follows the Institute of Internal Auditors' International Professional Practices Framework and other auditing standards as appropriate, and maintains an effective quality assessment and improvement program.
- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and the *International Standards for Professional Practice of Internal Auditing*.

- Receive confirmation from the Chief Internal Auditor of the independence of the internal audit organization and its activities.

Reporting

- Regularly report to the commissioners about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between IAS and the commissioners.

**Approval**

Approved by the Audit Committee of the CPUC on June 27, 2019

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Committee Member

Gonaise Shumway

Committee Member

President

Title

Commissioner

Title