

AUDIT COMMITTEE MEETING

Kiawah Island Municipal Center

Council Conference Room

March 17, 2025; 11:00 am

Minutes

I. **Call to Order:** *Chairman Farrell called the meeting to order at 11:00 am.*

II. **Roll Call:**

Present: Luke Farrell, Chairman
Peter Ashton
Paul Curth
William Donovan
John Wilson

Also Present: Dorota Szubert, *Finance Director*
Stephanie Tillerson, *Town Administrator*
Brad Belt, *Mayor*

III. **Approval of Minutes:**

A. Minutes of the Audit Committee meeting of October 7, 2024

Chairman Farrell indicated that none of the current members were in attendance at the October 7, 2024, Audit Committee meeting, so he accepted the minutes as presented.

IV. **Old Business:**

None

V. **New Business:**

A. Welcome the new team

- a. Review of the Audit Committee Charter
- b. Goals for the Year

B. Discussion of the Scope of the Internal Controls Audit

Committee Members engaged in a comprehensive discussion about strengthening organizational financial controls, the critical role of the Audit Committee, and the delicate balance between maintaining robust financial oversight and managing the practical limitations of committee work.

Members discussed the role of auditing in financial controls and risk management, highlighting the need to address a broad range of risks, including cybersecurity and legal compliance, while prioritizing financial controls as the initial step. The audit committee is viewed as a crucial check on management, ensuring a comprehensive range of risks are addressed. Emphasized was the importance of the audit committee being proactive in understanding the audit scope and testing strategy rather than relying solely on the auditors' findings.

Members explored the auditing process and the role of the Audit Committee, discussing the auditor's responsibilities in understanding the organization, determining the level of reliance on internal controls, and deciding on the testing approach. They also address the challenges of managing the audit process, including the extensive documentation and the necessity for the Audit

Committee to be involved throughout the process. The conversation underscored the intricacies of the auditing process. It emphasized the importance of open communication between the organization and its auditors to ensure a comprehensive understanding and effective mitigation of the organization's risks. The discussion also addressed concerns regarding transparency and public records, noting that email discussions among members could be considered public meetings. The speakers emphasize the importance of avoiding any appearance of deliberations or decision-making outside of official public meetings. They caution against committee members directly lobbying each other or the chairman and recommend sharing educational resources instead.

The discussion emphasized the importance of a planning meeting between the Audit Committee and the auditors, where the scope, risk areas, and testing strategy can be discussed and questioned. Members discussed inviting the audit firm to provide an overview of their audit strategy and findings from the previous year rather than immediately requesting a separate internal controls audit. Also emphasized was the importance of educating committee members and ensuring that everyone felt comfortable with the process while also considering time and budget constraints. Members discussed scheduling the audit firm's presentation for April 7th as a potential date.

Members discussed the process of conducting an internal control audit and having the auditors present their findings and expectations to determine if a separate internal controls audit is necessary. Also discussed was the feasibility of completing an internal control audit by June 30, given the existing work plan, as well as the benefits of conducting the internal controls audit simultaneously with the financial audit. Ms. Szubert expressed a desire to prioritize completing the audit quickly, addressing some ongoing issues, and finding the most efficient and effective approach to ensure that proper financial controls and procedures are in place.

Members discussed coordinating a meeting schedule and planning a review process. They discuss potential meeting times, such as the first Monday or Wednesday of the month, and the need to balance scheduling with other existing commitments.

C. Review of Budget Report for the First Seven Months Ended 1/31/2025

Ms. Szubert outlined the process of presenting budget reports monthly and balance sheets quarterly to the Ways and Means Committee.

Ms. Szubert discussed the Town's Budget-to-Actual Report for the first seven months, ending January 31, 2025. The Budget-to-Actual Report is compiled on a modified cash basis, with all funds consolidated.

Overall, for the first seven months, the Town's consolidated revenues of \$8.8 million are 7%, or \$612,000, higher when compared to the YTD for FY2024 and are at 57% of the total budgeted revenues for the current year. Overall, revenues are within budget, with Building Permits and Interest Income exceeding the originally budgeted amount.

With almost 60% of the year elapsed, the expenditures of \$6.5 million are 10%, or \$ 570,000, higher than for the fiscal year FY2024 and 46% of the current year's budget. Ms. Szubert pointed out the conservative budgeting approach and the current fiscal year's financial performance, noting that expenditures are within budget.

Ms. Szubert stated the first draft of the FY budget was presented at the Ways and Means Committee meeting.

Chairman Farrell explained that a significant portion of the Town's revenue comes from tax revenues, including State and Local accommodations taxes, which have specific requirements for how they must be spent. He noted that the Town has approximately \$2 million per year to allocate towards tourism-related initiatives.

VI. Chairman's Comments:

None

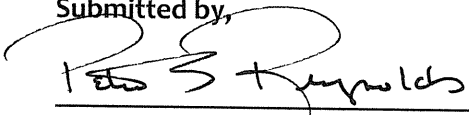
VII. Citizens' Comments:

None

VIII. Adjournment:

Chairman Farrell adjourned the meeting.

Submitted by,

A handwritten signature in black ink, appearing to read "Petra S. Reynolds", written over a horizontal line.

Petra S. Reynolds, Town Clerk

4.8.2025

Date