



**Water & Sewerage
Department**

AUDIT COMMITTEE CHARTER

BOARD OF WATER COMMISSIONERS | Audit Committee
City of Detroit Water and Sewerage Department

Effective Date: 4/15/2026

(Version 1.0)

I. INTRODUCTION

The Board of Water Commissioners (“**BOWC**”) established the Audit Committee as an advisory subset to assist the BOWC in performing its responsibilities for organizational governance of the Detroit Water and Sewerage Department (“**DWSD**”).

II. PURPOSE

The purpose of the Audit Committee is to provide structured, systematic oversight of DWSD’s governance, risk management, and internal control practices, in addition to providing support and oversight of the independent and objective evaluations of these practices performed by DWSD’s Internal Audit function for adequacy and effectiveness, among other activities. The Audit Committee fulfills its purpose by providing advice and guidance to the BOWC on these matters.

III. SCOPE

The Audit Committee operates pursuant to this Audit Committee Charter, as authorized through the mandate derived from the BOWC. This Audit Committee Charter applies to all Audit Committee members and authorizes the Audit Committee to have the necessary support to fulfil its mandate.

IV. MANDATE

The Audit Committee mandate is derived from the **BOWC By-Laws, Article IX – Section 7**, which establishes the Audit Committee as an advisory subset of the BOWC to support and provide sufficient independent oversight of the DWSD Internal Audit function’s activities. The responsibilities for the committee’s oversight of Internal Audit are detailed within section **IX. Oversight of Internal Audit** below.

This Audit Committee Charter is reviewed and approved by the BOWC at least annually and additionally, as necessary, for significant changes requested by the Audit Committee. The Audit Committee Charter is not intended to supplement any BOWC actions or policies.

V. AUTHORITY

This Audit Committee Charter establishes the authority of the Audit Committee in discharging its responsibilities, as mandated by the BOWC.

The Audit Committee shall have unrestricted access to members of DWSD’s Internal Audit function, management, employees, physical properties, and relevant information it considers necessary to discharge its duties, including unrestricted access to relevant records, data, and reports.



Additionally, as requested, the Audit Committee shall receive explanatory information that it deems necessary for discharge of its responsibilities.

The Audit Committee shall have the authority to engage with and rely upon the information provided by other advisors, internal or external to DWSD, as it deems necessary.

Consistent with the Michigan Open Meetings Act, Act 267, Public Acts of Michigan, 1976, as amended (the “**Open Meetings Act**”), the Audit Committee has the authority to conduct non-public meetings with DWSD’s Internal Auditors, Executive Director, Deputy Director, Chief General Counsel, Chief Compliance Officer, Chief Financial Officer, and other members of executive management; other assurance providers; and/or any other officials that the Audit Committee may deem appropriate for the purpose of facilitating deliberations between the appropriate parties regarding pre-decisional matters relevant to discharging its duties.

This Audit Committee Charter does not delegate or grant any final decision-making authority to the Audit Committee. All matters advised on by the Audit Committee must be recommended to the BOWC for final approval.

VI. COMPOSITION OF THE AUDIT COMMITTEE

The composition of the Audit Committee is derived from the ***BOWC By-Laws, Article IX, Section 7***.

The Audit Committee shall consist of at least three (3) members, with additional members appointed at the discretion of the BOWC. The Audit Committee shall be chaired by the Chairperson of the Finance Committee. Membership is composed of active members of the BOWC; thus, Audit Committee term of membership shall coincide with their BOWC terms of membership.

1. KNOWLEDGE, SKILLS, & CONTINUING EDUCATION

The Audit Committee members shall, collectively, possess the relevant knowledge and skills capabilities for performing their Internal Audit oversight responsibilities, which shall be aligned with Internal Audit professional standards and tailored to DWSD’s industry, objectives, and initiatives. These capabilities shall be documented within the Internal Audit Competency Framework, which is prepared by Internal Audit, and shall be re-evaluated at least annually for any necessary adjustments, as the oversight responsibilities of the Audit Committee may evolve in response to regulatory, economic, reporting developments, and emerging needs.

VII. MEETINGS

Consistent with the ***BOWC By-Laws, Article IX, Section 7***, the Audit Committee shall establish a regular meeting schedule on at least a quarterly basis. The committee may meet more frequently by calling for a special meeting, as the committee deems it necessary in discharging its duties.

The quorum for meetings shall be a majority of its members, no less than two (2) members. The committee shall ensure an appropriate representative from Internal Audit is in attendance of all meetings.

The Audit Committee meeting materials and minutes shall be handled consistent with the **BOWC By-Laws, Article VII**, which provides specification for the preparation, distribution, and retention of the meeting package, meeting agenda, and meeting minutes, which shall be conducted in compliance with the **Open Meetings Act**.

VIII. PRIMARY RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for, among other things, providing oversight of DWSD's policies, procedures, and processes with respect to the organization's governance, risk management, and internal controls processes, in addition to Internal Audit recommendations.

At least annually, and more frequently for significant changes expected to impact the Internal Audit function, the Audit Committee's responsibilities may be re-evaluated and adjusted.

The Audit Committee shall establish an annual work plan to support the performance of its responsibilities by scheduling out committee goals, objectives, and responsibilities. At least annually, a report on the committee's performance of its duties shall be provided.

1. ETHICS & CONFLICTS OF INTEREST

The Audit Committee shall adhere to the requirements for ethics and conflicts of interest, as described within the **BOWC By-Laws, Article XI**.

Audit Committee members shall disclose any conflicts of interest, in fact or appearance, to the committee Chairperson. If the conflict, in fact or appearance, is with the Chairperson of the committee, the conflict shall be disclosed to the Chairperson of the BOWC. If there is any dispute as to whether a committee member with a potential conflict of interest should recuse themselves from a vote, the committee shall vote to determine whether the member should recuse themselves.

2. INTERACTION WITH THE BOARD OF WATER COMMISSIONERS

The Audit Committee performs its role by providing advisory recommendations to the BOWC regarding the adequacy and effectiveness of DWSD's governance, risk management, internal controls, and Internal Auditing activities, which may include recommendations to strengthen DWSD's practices in these areas. This advice is to ensure the BOWC is well informed, knowledgeable, and best positioned for executing its responsibilities. The Audit Committee shall also advise the BOWC on any internal auditing activities, auditor recommendations, and other matters that require final approval of the BOWC.

IX. OVERSIGHT OF INTERNAL AUDIT

The Audit Committee plays an important role supporting and providing oversight of the DWSD Internal Audit function, which is an independent, objective assurance and advisory service designed to add value and improve DWSD's operations, through systematic evaluations of, and recommendations for, DWSD's governance, risk management, and internal controls processes.

The Audit Committee shall ensure the DWSD Internal Audit function is designed, implemented, and managed in conformance with the mandatory elements of the Institute of Internal Auditors' Professional Practices Framework ("IPPF"), which includes the: (1) *Global Internal Audit Standards* and *Topical Requirements*. To enable Internal Audit's conformance with the professional standards, the Audit Committee shall:

- Review and become knowledgeable of the Global Internal Audit Standards.
- Review, discuss, and commit to the "*Essential Conditions*" for enabling effective internal auditing, which describe the necessary critical actions to be fulfilled by the Audit Committee and executive management in supporting Internal Audit's conformance with the Global Internal Audit Standards, and hold the committee and management accountable for the performance of those conditions.
- Advise on and recommend for approval the Internal Audit Mandate, which establishes the appropriate authority, roles, responsibilities, scope, and type of services for Internal Audit.
- Advise on and recommend for approval the Internal Audit Charter, which documents Internal Audit's purpose, commitment to conformance with professional standards, mandate, organizational position, and reporting relationships.
- Advise on and recommend for approval the appointment, replacement, reassignment, or dismissal of the Chief Audit Executive, who is responsible for effectively leading and managing the Internal Audit¹ function.
- Establish a direct functional reporting relationship with the Chief Audit Executive and discuss the expectations for reporting and oversight, including the information requirements to be disclosed, provided, and/or reported to the Audit Committee and the timing requirements for such information to be received. These requirements shall include the disclosures, attestations, and other communications required to be in conformance with the Global Internal Audit Standards.
- Review and advise on all other reporting relationships established with the Chief Audit Executive to ensure the independence and objectivity of internal auditors remain free from

¹ Due to the infancy of the DWSD Internal Audit function, the internal audit roles, competencies, and requirements are still being developed, thus, the role of Chief Audit Executive has not yet been appointed. DWSD executive management has charged the Internal Audit Manager, with support from the Audit Committee, with assuming the duties and responsibilities of a Chief Audit Executive.

impairment and conflicts, in fact or appearance, and maintain communications with the Chief Audit Executive to enable the direct disclosure of potential impairments.

- Review and advise on the internal auditing methodologies, which describe Internal Audit's approach to achieve conformance with the Global Internal Audit Standards.
- Review and advise on the resources allocated to support Internal Audit's achievement of its strategic objectives, mandate, plans, conformance with the Global Internal Audit Standards, and other performance expectations, including human resources (staffing), financial (budget), and technological (systems).
- Discuss resource limitations with the Chief Audit Executive and executive management² on the impacts of these resource limitations. Review and discuss any such resource limitations and advise the BOWC on recommendations for resolution as appropriate.
- Review and advise on the knowledge and skills capabilities that are necessary for the different internal audit roles.
- Receive the final reports containing the results of internal auditing assurance engagements, including any findings and recommended actions.
- Receive updates on Internal Audit's follow-up activities regarding management's implementation of auditor recommendations.
- Advise on and recommend for approval all Internal Audit Policies, which define the requirements for the performance of Internal Audit responsibilities and activities.
- Receive and review the results of self-assessments conducted at least annually by the Chief Audit Executive as a part of the Internal Audit Quality Assurance and Improvement Program.
- Discuss and advise on the frequency of the independent external assessments conducted as a part of the Internal Audit Quality Assurance and Improvement Program, which must be performed at least every 5 years, by competent professionals, with at least one team member holding an active Certified Internal Auditor (CIA) designation.
- As necessary, escalate the disclosure of certain matters, including any conflicts or impairments, in fact or appearance, to the BOWC and other appropriate members of executive management and advise on recommended actions for handling and/or resolving the matter appropriately.

1. ACTIVITIES SUBJECT TO REVIEW AND BOWC APPROVAL

At least annually, or more frequently as necessary, the Audit Committee shall review the following and recommend changes to the BOWC for final approval:

- The Internal Audit Charter, which documents the Internal Audit Mandate

² Resource limitations shall be discussed with the appropriate members of executive management, which shall include: the Director, Deputy Director, Chief General Counsel, and Chief Financial Officer.

- The Internal Audit Strategy
- The risk-based rolling three-year Internal Audit Plan
- The Internal Audit Methodologies and Procedures Manual
- The Internal Audit Competency Framework
- Internal Audit Policies
- The plans, recommended actions, and resources for an effective Internal Audit Quality Assessment and Improvement Program

2. FUNCTIONAL REPORTING OF THE CHIEF AUDIT EXECUTIVE

The Audit Committee shall ensure the Internal Audit function is effectively led and managed by the Chief Audit Executive, in conformance with the Global Internal Audit Standards, to achieve the Internal Audit Mandate and the objectives and responsibilities established within the Internal Audit Charter.

The Audit Committee shall establish and maintain a functional reporting relationship with the Chief Audit Executive, providing for direct accountability of DWSD's Internal Audit function and support for the performance of internal auditing objectives, including the Chief Audit Executive's interactions with management.

X. RESOLUTION OF CONFLICTS WITH EXISTING ORGANIZATIONAL POLICIES, PROCEDURES, & EXPECTATIONS

The Audit Committee and Internal Audit function are newly created, uniquely positioned roles within the organization that are required to maintain independence and objectivity. To support the Audit Committee's oversight and accountability for Internal Audit's conformance with professional standards and organizational expectations, the Audit Committee shall be notified of any organizational policies, procedures, processes, and/or other organizational expectations that do not support, or create conflicts with, the independence and objectivity of Internal Audit. The Audit Committee shall discuss with the Chief Audit Executive and executive management the appropriate resolution to support Internal Audit's conformance with the Global Internal Audit Standards, and recommend changes to the BOWC for approval, as necessary.



APPROVAL OF THE AUDIT COMMITTEE CHARTER

Recommended to the BOWC for approval by the Audit Committee at its meeting on 04/01/2026.
Approved by the BOWC at its meeting on 04/15/2026 and effective immediately.

ACKNOWLEDGMENTS/SIGNATURES:

_____	_____
Chief Audit Executive	Date
_____	_____
Audit Committee Chair	Date
_____	_____
Board of Water Commissioners Chair	Date