

## Audit Committee Terms of Reference

### **Purpose/Objective**

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An audit committee enhances the credibility of financial reporting, the independence of external auditors, and increases the reliability of financial reporting. The primary purpose of an audit committee is to procure, liaise and oversee the work of the external auditor. The Committee assures fair presentation of the financial position and results of operations of the municipality.

### **Authority**

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The Committee is empowered to make inquiries and investigate information and explanations from management as it considers reasonably necessary; and to require management to inform the Committee and the auditor of any material misstatement or error in the financial statements following discovery, if any. The Committee has authority to engage outside advisors where appropriate.

### **Appointment of the Committee**

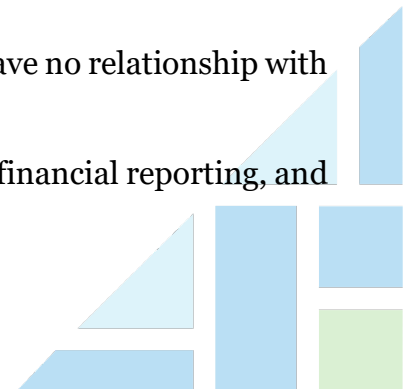
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As per Section 44 of the Municipal Government Act (MGA), Council shall appoint an audit committee. Council is responsible to appoint the Committee members as well as the Committee chair.

Upon appointment, audit committee members will be provided with a copy of the terms of reference to review and sign, acknowledging their role and responsibilities as a member.

Members of the Committee should be independent and should have no relationship with the external auditors.

Audit committee members should possess accounting, auditing, financial reporting, and finance expertise.



Appointments shall be annually for a period of up to three years with any such member so appointed eligible for one further term of appointment. Appointments shall be made by Council at a regular public meeting.

### **Responsibilities of the Committee**

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As per Section 44 of the Municipal Government Act, the responsibilities of the Audit Committee include:

- a) Detailed review of the financial statements of the municipality with the auditor;
- b) An evaluation of internal control systems and any management letter with the auditor;
- c) A review of the conduct and adequacy of the audit;
- d) Such matters arising out of the audit as may appear to the audit committee to require investigation;
- e) Such other matters as may be determined by the Council to be the duties of an audit committee;
- f) Any other matters as may be determined by the Council.

### **External Auditor Relationship**

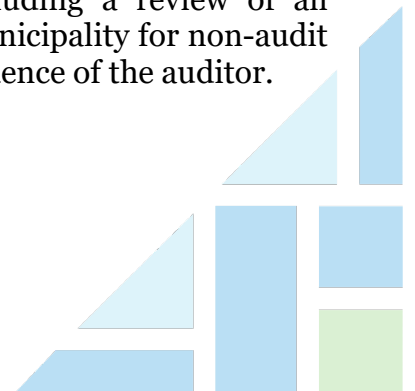
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The Committee members should recommend the appointment of the municipal auditors.

The Committee members shall review and approve the overall scope and approach of the auditors audit plan.

The Chief Administrative Officer will determine through internal administration policy who is authorized to sign the Engagement and Representation letters on behalf of the municipality.

The Committee shall review the auditor's performance, including a review of all relationships and engagements between the auditor and the Municipality for non-audit services that may reasonably be thought to bear on the independence of the auditor.



## **Internal Controls**

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The Director of Corporate Services is responsible for setting financial and accounting policies except where legislation requires Council to do so. Changes to Council policy will be presented to the Audit Committee and approved by Council.

The Committee shall be responsible for reviewing, on an annual basis, the adequacy of the internal control system established to minimize risk.

The Committee shall be responsible for reviewing and considering any matters relating to the adequacy of internal controls and any reports from management or others on significant control deviations or indications of fraud and the corrective action undertaken.

## **Committee Meetings**

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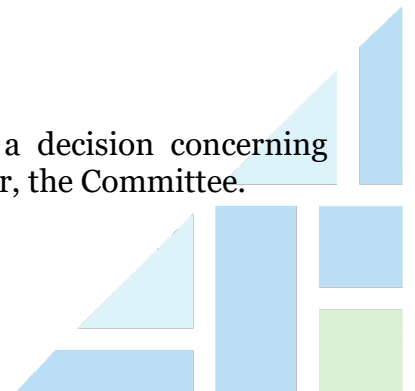
Each committee meeting agenda, where the external auditor is present, will include a time for Committee members to meet with the external auditor in-camera with no staff present.

The Committee may hold in-camera meetings to discuss matters relevant to the Committee's mandate when the Committee deems in-camera meetings appropriate, or at the request of the external auditor. Such in-camera meetings may be attended by the external auditor and/or management as determined by the Committee.

The Committee may hold in-camera meetings to discuss matters relating to:

- a) Setting a price for professional services;
- b) Personnel matters;
- c) Labour relations;
- d) Contract negotiations;
- e) Litigation or potential litigation;
- f) Legal advice eligible for solicitor/client privilege; and
- g) Public security.

No decision shall be made at an in-camera meeting except a decision concerning procedural matters or to give direction to staff or, or solicitors for, the Committee.



A record which is open to the public shall be made, noting the fact that the Committee met in-camera, the type of matter that was discussed, the date, but no other information.

Any Committee member or employee of the municipality who discloses any report submitted to, or details of matters discussed at, an in-camera meeting of the Committee, as a result of which the municipality loses financially or the Committee or employee gains financially, is liable in damages to the municipality for the amount of the loss or gain.

Meetings may be convened at the request of any member of the Committee, at the request of the municipality appointed external auditor, or at the request of the CAO or management, but in no circumstances less than twice each year. The required minimum twice a year meetings shall occur: (1) prior to the year-end audit, in order for the Committee to review and approve the audit scope; and (2) after the audit is complete, for the Committee to review the draft financial statements, audit findings, and the auditor's performance for the current audit.

The municipality's external auditor shall receive notice of all meetings of the Committee and is entitled to appear and be heard. Any member of the Committee may require the attendance of the external auditor at any meeting of the Committee.

All meetings, with the exception of in-camera meetings, are open to the public as per the Municipal Government Act.

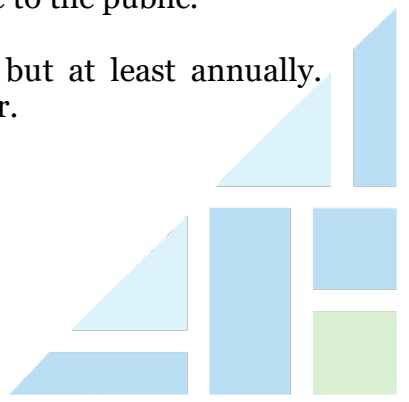
A quorum consists of the majority of the voting members of the Committee. Each Committee member is entitled to one vote and decisions shall be by majority vote of those present. In the absence of the Chair of the Committee, the members shall appoint one of the members to act as Chair of the meeting.

## **Disclosure**

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A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee in a timely fashion and made available to the public.

The Committee shall report to Council as often as necessary but at least annually. Reporting shall normally be made through the Committee's Chair.



### **Accountability**

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The Committee is required to review the composition on an annual basis and make a recommendation to Council on Committee membership.

The Committee is accountable to Council. These Terms of Reference are subject to Council approval.

### **Additional Information**

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For additional information on the Audit Committee, please contact Stephanie Roe at 902-893-6076 or via email at [stephanie.roe@truro.ca](mailto:stephanie.roe@truro.ca)

