

Municipality of the District of Shelburne
AUDIT AND INTERNAL CONTROL COMMITTEE

Terms of Reference

Purpose

The purpose of the Audit and Internal Control Committee is to assist Municipal Council with its fiduciary responsibilities and financial oversight of the Municipality's daily operations ensuring that the financial resources entrusted to the Municipality by its residents are spent appropriately according to the policies of Council and provide for public reporting and accountability.

Authority

The Audit and Internal Control Committee has been granted its legal authority to oversee the financial and fiduciary process of the Municipality by virtue of being delegated this responsibility with Council's approval on November 3, 2016, of this Terms of Reference and thereafter appointing members to the Committee. Council gains its responsibility and authority for this under Sections 42-44 of the *Municipal Government Act*.

Scope

The scope of the Audit and Internal Control Committee shall be to review and assess all of the financial information within the Municipality listed below as well as those issues noted under Responsibilities, specifically:

1. Annual audited financial statements; and
2. Management letter; and
3. Quarterly internal financial reports; and
4. Appropriateness of current accounting policies and financial reporting practices; and
5. Significant financial estimates to be used for future budget projections; and
6. Impact of new or changed provincial and federal accounting policies.

Role of Chairperson

The Chairperson is ultimately responsible for organizing, chairing and facilitating all meetings, ensuring that appropriate research, directions and recommendations are given to the Committee, including the provision for adoption of work plans, policy directions, strategies, financial commitments, human resource management, as well as all other items incidental to the effective financial oversight of the Municipality. The Chairperson shall also ensure that the Municipal Auditor's performance is reviewed annually.

Role of Vice Chairperson

A Vice Chairperson shall be appointed and act in the place of the Chairperson during absences, unavailability or conflicts of interest of the Chairperson.

Role of Municipal Auditor

Municipal Auditor's role is to conduct the yearly financial audit of the Municipality's accounts and funds in order to provide an independent opinion on the financial condition of the Municipality, including confirmation that the funds and accounts of the Municipality clearly represent the financial position of

the Municipality on a given date. The Auditor will meet with the Committee at least twice annually to review the engagement and audit process, materiality limits, timetable and proposed fees at the outset, followed by a review of the draft financial statements and management letter after the audit.

Role of Director of Finance

Director of Finance shall carry out the functions and roles as directed by the Audit and Internal Control Committee from time to time, and shall act as a staff resource to the Committee. This person shall lead the research and report writing aspect of the Committee's work to ensure the Committee has the best available information upon which to make a decision or recommendations to Council.

Membership

Membership on the Audit and Internal Control Committee shall include two elected representatives from the Municipality of the District of Shelburne and three members of the public, duly appointed by Council annually pursuant to Section 44(1) of the *Municipal Government Act*. Members of the public appointed to this committee should have strong financial backgrounds and be able to comprehend complex financial and regulatory processes.

Member applications shall be vetted by the CAO and member appointment will be by Council motion.

All appointments shall be for a two-year term, at the end of each term a Committee member may express their interest in continuing as a member or resign as a member.

Where a vacancy occurs on the Committee, the Council shall appoint a person to fill the position as soon as possible; that person shall hold office for the remainder of the term of the member in whose place that person is appointed.

Each member will serve without remuneration but shall be reimbursed for such expenses as are necessarily incurred by such member in the discharge of the member's duties, with prior approval from the CAO.

Reporting Relationship

The Audit and Internal Control Committee shall report directly to the Council of the Municipality of the District of Shelburne and indirectly to the Chief Administrative Officer for operational and administrative support.

Duration of Mandate

The mandate of the Audit and Internal Control Committee shall be from November 1, 2016 to October 31, 2018, and is subject to renewal each two years thereafter according to Section 44(1) of the MGA and at the discretion of Council.

The duration of the role of Chairperson and Vice-Chairperson shall be one-year. Annually, in November or the next scheduled meeting, an Election of Officers by Committee shall take place appointing a Chairperson and Vice-Chairperson.

Frequency of Meetings

Meetings of the Audit and Internal Control Committee shall be held on such day as the Committee decides at the first meeting of the Committee, with such meetings taking place at the time agreed to by the Committee. Additional meetings may be held, or the above meetings date and times changed, when agreed to by consensus of the Committee and prior notification is provided to Council.

Quorum Requirements

No decisions may be made at any Audit and Internal Control Committee meeting unless at least one elected representative and two community representatives are present.

Agenda, Minutes and Resolutions

Minutes and recommendations of the Audit and Internal Control Committee shall be provided to each member of the Committee within a reasonable time after the conclusion of such meeting. Director of Finance will endeavour to provide each member of the Committee with the agenda and required supporting documentation at least five days prior to every meeting.

Conflict of Interest

It is expected that all members of the Audit and Internal Control Committee will adhere to the *Municipal Conflict of Interest Act*, disclosing any pecuniary or indirect pecuniary interest in any matter before the Committee and refraining from taking part in, or trying to influence either before or after the meeting, any directions or decisions respecting such matters. Any breach of this guideline will require the Chairperson to ask Council to remove that member and appoint another member in their stead. If the breach is by the Chairperson, this shall be reported to Council by the Vice Chairperson.

Resources

The Audit and Internal Control Committee shall have access to the resources of the Director of Finance, and the Municipal Auditor through the Director of Finance, to undertake the required research it needs in order to make the most appropriate decisions in a timely manner. Requests for resources above the annual budgeted amount for auditor fees shall be made by the Committee through the Chairperson to Council, on an as needed basis.

Decision Making Process

All decisions of the Audit and Internal Control Committee shall be made by majority vote of committee members. Where a majority is not forthcoming, the vote shall be determined in the negative. The Committee has authority to oversee and facilitate the audit process by giving direction to the auditor, but must seek council's approval to change the terms and conditions of an audit or expend funds above those approved in the annual budget.

Confidentiality

All meetings of the Audit and Internal Control Committee are considered public, except those matters deemed to be private and confidential in nature and subject to Section 22 of the Municipal Government Act. Minutes and subsequent resolutions of such meetings shall be recorded and publicly available upon approval by the Committee. Information and reports of the Committee shall be subject to normal Freedom of Information and Protection of Privacy (FOIPOP) regulations.

Communications

All communications and messaging from the Audit and Internal Control Committee's work and activities shall come solely from the Chairperson or their designate. It is expected that all decisions of the Committee will be supported by all members of the committee upon ratification. This does not limit the ability of individual member's from speaking freely with the media, but in all such cases the individual committee member should be clear that it is their personal opinion and not that of the Audit and Internal Control Committee.

Reporting

At least quarterly, the Director of Finance and Chairperson shall provide written reports to Council concerning the Committee's work plan, focus and directions. Should Council require, an oral presentation may be requested of the Chairperson at any time if Council wishes to have further clarification or reporting on the Committee's work.

Responsibilities

Audit and Internal Control Committee shall be responsible for overseeing the financial processes and policies of the Municipality, request and analyze information brought before it, seek additional information when necessary, discuss options, and make timely decisions and recommendations to Council that are in the best interests of residents and businesses. To this end, Audit and Internal Control Committee shall endeavour to carry out the following functions:

Risk Management and Internal Controls

1. Review the Municipality's system of internal controls.
2. Review the Municipality's financial policies.
3. Complete a financial risk assessment to ensure all financial risks are identified, assessed and mitigation strategies or policies developed and implemented.
4. Review of the security of financial information, financial hardware and software, and development of business interruption plans.
5. Review of financial compliance with provincial and federal regulations.

Investments

6. Review the Municipality's investment portfolio and investment policy to ensure both are compliant with legislation and maximize the Municipality's financial performance and resources.

Banking Services

7. Review and assess the Municipality's banking services at least six months prior to any contract expiry to determine if a new procurement process is required or if the current contract should be negotiated to be extended with the same or different conditions.
8. Review the current banking services contract at any time to ensure the Municipality is maximizing liquid and long term investments effectively, subject to provincial and federal legislation.

Insurance Coverage

9. Periodically review the adequacy of the Municipality's insurance policy and coverages to ensure the Municipality has appropriate insurance coverage to cover significant risks and uncertainties.

Approved by Council: November 3, 2016

Amended by Council: October 22, 2018