



Terms of Reference

Committee Name: Audit Committee	Committee Type: Advisory
Staff Support/Departmental Support: Treasury Department	Created by By-law No. 2014-1
Date Approved: January 27, 2014	Amendments:

Mandate/General Statement

As a Committee of Council, the Audit Committee is responsible for overseeing all material aspects of the corporation's financial reporting, control and audit functions. The role includes a particular focus on the qualitative aspects of financial reporting and on the organization's processes for the management of business/financial risk and for compliance with significant applicable legal, ethical and regulatory requirements. The role also includes maintenance of strong, positive working relationships with management, external auditors and other advisors.

The Audit Committee provides a focal point for communication between Council, the external auditor and management and facilitates an impartial, objective and independent review of management practices.

Strategic Plan Priorities/ Legislative Requirements

Fiscal Responsibility & Cost Containment:

Committee Composition

1. Members shall be appointed by Council for a term of four (4) years to coincide with the term of the Council that appointed them or until replaced or re-appointed by a new incoming Council, whichever provides more consistent project overview.

The committee shall consist of five (5) members as follows:

Three (3) Public representatives

Two (2) Council representatives

Legislative/statutory requirement for Council representation (Y/N).

2. A Chair and Vice Chair shall be elected annually by the voting member, but shall not be a member of Council.

3. If the office of Chairperson becomes vacant for any reason during a term of office of the Audit Committee, the Audit Committee shall elect a new Chairperson from among its members.
4. The Human Resources Sub Committee shall review all committee applications.

Committee Criteria

1. Preference will be given to persons who are residents and/or property owners within the Town of Midland.
2. Members shall be appointed based on the following skills and/or knowledge:

Consideration shall be given to individuals with business background practicing in accounting or finance. Committee members should have:

- 1) knowledge of the municipal environment in which the corporation operates;
- 2) the ability to read and understand financial statements (internal and external); and
- 3) the ability to understand key business and financial risks and related controls and control processes.

At least one member, preferably the chair, should be literate in business and financial reporting and control, including knowledge of regulatory requirements, and should have past employment experience in finance or accounting or other comparable experience or background.

3. Members must be able to commit the necessary time to Committee meetings and events (if applicable).
4. Members shall provide adequate notice to staff if unavailable to attend meetings.
5. Members should demonstrate a strong interest in the committee's mandate, etc.
6. Acting on behalf of the Town/Code of Conduct, members shall conduct themselves as a representative of the Town.
6. Resignations from Committee members shall be tendered in writing to the Clerk or designated staff support. The Clerk will advise Council.
7. Attendance
 - a) If a member misses three (3) consecutive meetings and the Chair of the respective Committee has not granted permission for same, the Chair shall notify Council in writing concerning the absence.
 - b) Upon notification by the respective Committee Chair regarding the absence, Council may declare the seat of any member of the committee vacant.

Committee Duties

Financial Reporting:

- 1) Review and assess the annual and quarterly financial statements before they are brought forward to Council;
- 2) Review and assess the key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditors' views, and the basis for audit conclusions;
- 3) Approve changes in important accounting principles and the application thereof in both interim and annual financial reports;
- 4) Review reports from the independent auditors as well as any audit problems or difficulties and management's response.

Risks and Controls

- 1) Review and assess the corporation's business and financial risk management process, including the adequacy of the overall control environment and controls in selected areas representing significant risk and ensure compliance with regulations and standards
- 2) Review and assess the corporation's system of internal controls for detecting accounting and financial reporting errors, fraud and defalcations, legal violations, and non-compliance with the corporate code of conduct.
- 3) Review the related findings and recommendations of the external auditors, together with management's responses.

External Audits

1. Recommend to Council the external auditor firm to be engaged.
2. Instruct the external auditors that they are responsible to Council and the audit committee as representatives of taxpayers. In that regard, confirm that the external auditors will report all relevant issues to the committee in response to agreed-upon expectations.
3. Review the performance of the external auditors.
4. Obtain a formal written statement from the external auditors on their independence. Additionally, discuss with the auditors any relationships or non-audit services that may affect their objectivity or independence.
5. Consider, in consultation with the external auditors, their audit scopes and plans to ensure completeness of coverage, reduction of redundant efforts and the

effective use of audit resources.

6. Review with management and the external auditors the results of the annual audits and related comments, including any difficulties or disputes with management, any significant changes in the audit plans, the rationale behind adoptions and changes in accounting principles, accounting estimates requiring significant judgments, and the quality of the accounting principles and financial disclosures adopted.

Other

1. Review and approve the scope, terms of reference and fees of professional services retained for purposes related to the Audit Committee's responsibilities.
2. Provide opportunities for private discussion of sensitive matters raised by the external auditor, management relating to personnel, legal, or other matters which could be prejudicial to the corporate interest if discussed in open committee.
3. Ensure that Audit Committee members receive appropriate orientation regarding the work of the Committee and that training to enhance financial literacy is made available.
4. Complete periodic self-assessments of the effectiveness of the Audit Committee against its mandate.
5. Review the Audit Committee Mandate periodically and recommend modifications to Council, as necessary.

General Powers of the Committee

The Committee may by motion request a report from the Director of Finance/Treasurer on matters within its mandate and within approved budgets.

When the Committee reviews a report, it may:

- (a) receive it for information;
- (b) send it to Council with or without recommendations;
- (c) request additional information about matters relating to the report before sending it to Council with or without recommendations;

Staff Support and Duties

Council shall determine the staff resources at the time of establishing the Committee.

1. The Director of Finance/Treasurer shall attend as required in an advisory capacity. Other municipal staff shall attend as required, as well as any other external expert as is deemed appropriate, to participate in committee meetings as applicable, to carry out the committee's responsibilities.

2. The Treasurer or designated staff support shall confirm meeting dates and provide proper notice.
3. The Treasurer or designated staff support shall publish and distribute agendas, and record and distribute the minutes to the Committee for approval.
4. The chair and others on the committee shall maintain an open avenue of contact throughout the year with senior management, as applicable, to strengthen the committee's knowledge of relevant current and prospective organizational issues.

Meetings

1. The Audit Committee shall meet at least four times per year, with additional meetings at the call of the Chairperson in order to properly discharge its responsibilities as set out in this by-law.
2. Committee shall determine the meeting schedule at the commencement of each Council term. Notice of any changes to the meeting dates shall be provided to the public in accordance with the Town's Procedural By-law. Meetings during the months of July and August shall be at the discretion of the Chair.
3. Meetings shall be held at the Town Municipal Offices or in such other place as appointed.
4. A quorum for meetings shall be 50% plus one (1) of the voting members
5. Items which are recommendations to Council will require a Committee resolution.
6. Committee meetings shall follow the Town Procedural By-law as amended from time to time.

Reporting Structure

1. The Committee shall report directly to Council through the Clerk (or designate) by way of a Committee report. Report format shall be in accordance with the Town's standard report format.
2. Minutes of the Committee meetings shall be approved by the Committee at its next meeting and forwarded to Council as information through the Council Information Package (CIP).
3. The Committee, through the committee chair, shall report periodically, as deemed necessary.

Budget

No applicable.

Remuneration

Not applicable.

Review of Terms of Reference / Sunset Clause

Prior to the end of the first quarter of the fourth year of the Council Term, the Committee shall review the Terms of Reference and recommend to Council any amendments by way of a Committee report.

Definitions

1. "Town" means the municipal corporation of the Town of Midland;
 2. "Committee" means the Audit Committee established by this bylaw;
 3. "Council" means the governing body of the Town;
"Councillor" means an elected official of the Town including the Mayor;
 4. "External Auditor" means an auditor appointed for the Town as required by the *Municipal Act*,
 - a. "Internal Controls" means systems, processes and procedures developed to:
 - i. safeguard assets;
 - ii. ensure the accuracy of the financial data;
 - iii. promote operational efficiency; and
 - iv. promote adherence to policies;
 5. "Mayor" means the chief elected official of the Town;
 6. "Member" means an individual appointed to the Committee;
 7. "Municipal Act" means the Municipal Act 2001, as amended;
 8. "Procedural Bylaw" means the Town bylaw which provides for the Rules of Procedure for Council and its' Committees, Bylaw 2010-42.
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File: