



Administrative Policy # 2018-01

Audit Committee Terms of Reference Policy

1. Purpose:

- 1.1. The primary purpose of the Audit Committee is to provide advice to Council on all matters relating to audit and finance.

2. Objectives:

- 2.1. The objectives of the Committee are to
 - 2.1.1. fulfil the requirements outlined in Section 44 of the Municipal Government Act and
 - 2.1.2. assist Council in meeting its responsibilities by ensuring the adequacy and effectiveness of financial reporting, risk management and internal controls.

3. Scope:

- 3.1. This Policy is applicable to all serving members of the Town of Digby Audit Committee.

4. Authority

- 4.1. Section 44 of the Municipal Government Act provides the Town of Digby with the authority to appoint an Audit Committee. This Audit Committee Terms of Reference Policy has been adopted by the Town of Digby pursuant to Section 44 of Municipal Government Act.

5. Definitions:

- 5.1. **CAO** – means the Chief Administrative Officer of the Town of Digby.
- 5.2. **Director of Finance** – means the Director of Finance of the Town of Digby.
- 5.3. **Citizen Member** - a person who is a resident of the Town of Digby and is not a member of council or an employee of the Town.
- 5.4. **Committee** – means the Audit Committee

6. Policy Statement:

6.1. Composition, Operations and Accountability.

- 6.1.1. The committee will consist of 4 members – the Mayor, 2 Councillors and one citizen member.
- 6.1.2. The term of appointment of the council members shall be in accordance with the Town of Digby's Committees of Council Policy. The term of appointment and the appointment by Council of the Citizen Member shall be in accordance with the Town of Digby's Citizen Appointments to Committees, Boards and Commissions Policy.
- 6.1.3. When the Committee does not include a citizen member; the Committee shall continue to meet and perform its duties and may exercise its powers; and the town shall advertise to recruit a citizen member at least once every six months until the vacancy is filled.
- 6.1.4. The Chief Administrative Officer (CAO) of the Town or his or her appointee shall be the secretary of the Committee
- 6.1.5. The Chief Administrative Officer, and Director of Finance shall be non-voting members of the Committee.
- 6.1.6. The Chair shall be a member of Council and shall be elected annually by the Committee.
- 6.1.7. The Committee shall meet quarterly. The Committee Chair will make periodic reports to Council on matters relating to the Committee's duties and responsibilities.
- 6.1.8. All meetings minutes, and records of the Committee shall be open to the public except as expressly authorized by law.
- 6.1.9. A quorum of the Committee shall be the same as that which applies to Council pursuant to provincial legislation, with any necessary changes for context.
- 6.1.10. The operations of the Audit committee is subject to Section 4 of the Town of Digby Committees of Council Policy and the Municipal Government Act as Amended from time to time.
- 6.1.11. The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of Council.
- 6.1.12. Through the CAO the Committee may request members of the Town's senior management Team to attend meetings of the Committee as deemed necessary.
- 6.1.13. The Committee provides open avenues of communication among management, employees, external auditors and Council.

6.2. Duties and Responsibilities

6.2.1. The Committee has the following responsibilities and will perform the following duties:

6.2.1.1. Financial Information

- 6.2.1.1.1. The Committee will review the following financial information that will be provided to the Province or made public:
- Annual audited financial statements;
 - Management discussion and analysis that accompanies the audited financial statements
- 6.2.1.1.2. Ensure that meaningful financial information regarding current financial results and up to date forecasts is received on a timely basis, and that it provides information required for decision making.
- 6.2.1.1.3. Review quarterly internal financial reports.
- 6.2.1.1.4. Review:
- the appropriateness of accounting policies and financial reporting practices and any proposed changes thereto;
 - any new or pending developments in accounting and reporting standards; and
 - significant estimates contained in the financial statements and other financial information.
- 6.2.1.1.5. The Committee will:
- Assess the performance of the external auditor;
 - review and recommend that Council approve the engagement or reappointment of the external auditor as required;
 - oversee the activities of the external auditor by:
 - reviewing, accessing and receiving assurances as to the independence of the external auditor;
 - reviewing the provision of non-audit services performed by the external auditor
 - reviewing the external audit plan including the engagement letter, materiality limits, staffing timetable and proposed fees;
 - if necessary requesting to meet with the external auditor without management present;
 - reviewing matters with respect to the conduct and reporting of the external audit with particular reference to any difficulties encountered or restrictions imposed by management; and
 - receiving and reviewing the external auditor's:
 - audit report

- findings with respect to the appropriateness of accounting policies, management estimates, and significant accounting and/or reporting issues
- management letter including managements responses thereto and the evaluation of the internal control system; and
- other matters of relevance identified in the audit.

6.2.1.1.6. The Committee will periodically evaluate the need for the establishment of an internal audit function and make appropriate recommendations to the Council.

6.2.1.2. Internal Control, Risk Management, and Financial Information Systems

6.2.1.2.1. The Committee will review:

- The internal control system
- Financial policies
- The strategic and financial risk assessment process to ensure that key strategic and financial risks are identified, assessed and risk mitigation strategies are implemented;
- Financial information technology to ensure that it effectively supports or provides for current and future planning, financial activities;
- The security of financial information, financial information technology and financial information disaster recovery plans; and
- Compliance with financial statutory and regulatory obligations

6.2.1.3. Investment Management Activity

6.2.1.3.1. The Committee shall be responsible for the management of the Town's investment portfolio in accordance with Section 100 of the MGA.

6.2.1.4. Banking Services

6.2.1.4.1. The Committee will periodically assess banking services and oversee the procurement of these services in accordance with Council policy.

6.2.1.5. Insurance Coverage of Significant Risks and Uncertainties.

6.2.1.5.1. The Committee will review the adequacy of insurance program and coverage for significant risks and uncertainties.

6.2.1.6. Terms of Reference for the Committee

6.2.1.6.1. The Committee will review its terms of reference annually.

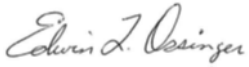
Clerk's Annotation for Official Policy Book

Date of Notice: **January 24, 2018**

Date of adoption: **February 6, 2018**

Policy effective date: **February 6, 2018**

I certify that this **Audit Committee Terms of Reference Policy** was adopted by Council as indicated above.



Clerk

February 6, 2018

Date