
Municipality of Cumberland Policy 22-04
Audit Committee Terms of Reference Policy

Purpose

1. The Audit Committee (the "Committee") assists Municipal Council ("Council") in fulfilling its oversight responsibilities relating to finance and audit matters delegated to management by Council, as set out in Section 5(3) of the Financial Reporting and Accounting Manual.
2. In particular, the Committee assists Council by reviewing:
 - a. Key financial information that will be provided to the province or made public;
 - b. Compliance with strategic financial plans, operating and capital budgets;
 - c. External and/or internal audit activities;
 - d. The system of internal controls, risk management and financial information technology;
 - e. Cash and investment management activities;
 - f. Insurance coverage of significant risks and uncertainties
 - g. Financial Condition Indicators.

Composition, Operations and Accountability

3. The Committee shall be comprised of all members of Council plus one Citizen Appointment. The Committee shall be appointed by Council.
4. Citizen appointments will be for two-year terms, ending in the calendar year of an election. Citizen appointees shall possess knowledge and understanding of financial and investment matters. This person cannot be related to a member of council or to an employee of the municipality.
5. The Chief Administrative Officer (CAO) OF THE Municipality or their appointee shall be the secretary of the Committee.
6. The Chief Administrative Officer and Director of Finance shall be elected annually by the Committee.
7. The Chair shall be a member of Council and shall be elected annually by the Committee.
8. The Committee shall meet at least four times each year. The Committee Chair will make periodic reports to Council on matters relating to the Committee's duties and responsibilities.
9. 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.

10. Through the CAO the Committee may request members of the Municipality's senior management to attend meetings of the Committee as deemed necessary.
11. The Committee provides open avenues of communication among management, employees, external auditors and Council.

Duties and Responsibilities

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

Financial Information

- a. The Committee will review the following financial information that will be provided to the Province or made public:
 - I. Annual audited financial statements
 - II. Management discussion and analysis that accompanies the audited financial statements
- b. 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.
- c. Review quarterly internal financial reports.
- d. Review:
 - I. The appropriateness of accounting policies and financial reporting practices and any proposed changes thereto;
 - II. Any new or pending developments in accounting and reporting standards; and significant estimates contained in the financial statements and other financial information.
- e. The Committee will:
 - I. Assess the performance of the external auditor;
 - II. Review and recommend that Council approve the engagement or reappointment of the external auditor as required;
 - III. Oversee the activities of the external auditor by:
 1. reviewing, assessing and receiving assurances as to the independence of the external auditor;
 2. reviewing the provision of non-audit services performed by the external auditor;
 3. reviewing the external audit plan including the engagement letter, materiality limits, staffing, timetable and proposed fees;
 4. if necessary, requesting to meet with the external auditor without management present;
 5. 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
 6. receiving and reviewing the external auditor's;

- a. audit report;
 - b. findings with respect to the appropriateness of accounting policies, management estimates and significant accounting and/or reporting issues;
 - c. management letter including managements responses thereto and the evaluation o the internal control system; and
 - d. other matters of relevance identified in the audit.
- f. The Committee will periodically evaluate the need for the establishment of an internal audit function and make appropriate recommendations to the Council.

Internal Control, Risk Management and Financial Information Systems

- g. The Committee will review;
- I. the system of internal control;
 - II. financial policies;
 - III. the strategic and financial risk assessment process to ensure that key strategic and financial risks are identified, assessed and risk mitigation strategies are implemented;
 - IV. financial information technology to ensure that it effectively supports or provides for current and future planning, financial activities;
 - V. the security of financial information, financial information technology and financial information disaster recovery plans; and
 - VI. compliance with financial statutory and regulatory obligations.

Banking Services

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

Insurance Coverage of Significant Risks and Uncertainties

- i. the Committee will review the adequacy of insurance program and coverage for significant risks and uncertainties.

Terms of Reference for the Committee

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

Clerks Annotation For Official Policy Book

Date of Notice to Council [7 days minimum]: **November 16th, 2022**

Date of Passage of Current Policy: **November 23rd, 2022**

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

Clerk

Shelley Hoy

Date

Nov. 24/22