

NO: R040

COUNCIL DATE: March 11, 2019

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **March 7, 2019**

FROM: **General Manager, Corporate Services
General Manager, Finance**

FILE: **0540-20**

SUBJECT: **Audit Committee Terms of Reference Update**

RECOMMENDATION

The Corporate Services Department and the Finance Department recommend that Council:

1. Receive this report for information; and
2. Approve revised Audit Committee Terms of Reference.

INTENT

The purpose of this report is to request that Council approve the proposed amendments to the Audit Committee Terms of Reference.

BACKGROUND

The Terms of Reference (“TOR”) for the Audit Committee were approved in 2000 and updated in 2001. Over the past 18 years the TOR has become outdated with respect to the City’s current practice. At this time, it is recommended that the TOR be updated to reflect the changes in staff titles, references to legislation and member composition. The proposed draft TOR is attached as Appendix “I” and a marked-up version showing the changes made to the original TOR is attached as Appendix “II”.

DISCUSSION

The Audit Committee is a standing committee of Council. It differs from other standing committees in that the membership must be comprised of council members. The amendments proposed to the TOR include changing the committee membership from three members to a minimum of two members. Additional amendments proposed are housekeeping updates that relate to staff titles, department names and references to legislation. The proposed amendments are intended to bring the TOR in accordance with the City’s current practice.

Legal Services Review

Legal Services has reviewed this report and has no concerns.

SUSTAINABILITY CONSIDERATIONS

The recommendations of this report support the objectives of the City's Sustainability Charter 2.0. In particular, the recommendations support the Sustainability Charter 2.0 theme of Inclusion. Specifically, the amended Terms of Reference supports the following Desired Outcomes ("DO"):

- Community Pride and Engagement DO23: Numerous active local clubs, groups and agencies contribute to the community's well-being.

CONCLUSION

It is recommended that the Council approve the proposed amendments to the Audit Committee Terms of Reference.

Rob Costanzo
General Manager,
Corporate Services

Kam Grewal
General Manager,
Finance

Appendix "I": Draft Amended Terms of Reference

Appendix "II": Marked-up Amended Terms of Reference

AUDIT COMMITTEE

TERMS OF REFERENCE

1. PURPOSE

The primary function of the Audit Committee is to assist Council in fulfilling its oversight responsibilities by reviewing the audited annual financial statements and other financial information, and the City staff’s governance of internal controls and auditing processes.

2. COMPOSITION

- (a) The Audit Committee shall be composed of a minimum of two Council members to be appointed annually by the Mayor.
- (b) The Chair will be determined yearly by the Mayor.
- (c) A quorum shall be two members of the Committee.

3. MEETINGS

- (a) The Audit Committee shall meet at least twice annually in the spring and in the fall, as needed. Additional meetings shall be held as deemed necessary by the Chair, who shall ensure the external auditor has adequate opportunity to bring issues forward.
- (b) The City Manager, and the General Manager, Finance, or their designate shall attend meetings to provide input and answer questions. The independent external auditor shall be requested to attend the spring meeting in relation to the year-end audit, and other meetings at the Chair's discretion.

4. AUTHORITY

The Audit Committee is established in accordance with Section 170 of the Community Charter, whereby a council may only delegate its audit powers, duties and functions to a committee comprised of council members. The Audit Committee has the authority to request a review and/or investigate any activity of the City, and the Committee shall ensure internal and external auditors receive the co-operation of all City employees and have unrestricted access to records. Any expenditures initiated by the Committee shall be in accordance with approved City budget provisions and authority levels.

5. COMMUNICATIONS

- (a) Minutes of Audit Committee meetings and any recommendations shall be forwarded to and approved by City Council prior to implementation.
- (b) Supporting information and schedules reviewed by the Audit Committee shall be made available for review by any Council member upon request.
- (c) The Audit Committee shall receive a copy of all reports issued to the City by the independent external auditor.

- (d) The Audit Committee shall receive a copy of all internal audit reports issued by either the Internal Audit Division or the Risk Management Division of the Finance Department and addressed to a General Manager or the City Manager, and further that a sampling of other reports as selected by the General Manager, Finance.

6. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee include the following:

(a) Documents and Reports Review

- (i) To review and periodically update the Audit Committee's Terms of Reference;
- (ii) To review and accept the City's annual audited financial statements;
- (iii) To approve the date and format for the Council or public meeting (prior to June 30th) to present the audited financial statements and Council remuneration reports;
- (iv) To review internal audit and management reports submitted to the Committee.

(b) Independent External Auditors

- (i) To recommend to Council the appointment or termination of the external auditor;
- (ii) To consult with the external auditor concerning internal controls and risk management.

(c) Financial Reporting Principles and Processes

- (i) To review the integrity of the City's internal and external financial reporting processes;
- (ii) To review the appropriateness of the City's accounting principles and reasonableness of its estimates;
- (iii) To consider significant changes to auditing and accounting principles and practices.

(d) Process Improvement

- (i) To review any significant issues identified during the course of audits;
- (ii) To resolve restrictions limiting the scope of an audit or access to City records;
- (iii) To review internal control and risk management improvements, as appropriate;
- (iv) To review the extent to which recommendations have subsequently been implemented;
- (v) To deal with matters referred to the Audit Committee by City Council.

(e) **Ethical and Legal Compliance**

- (i) To review and periodically recommend updates to the City's Code of Conduct By-law;
- (ii) To review the monitoring of and compliance with the Code of Conduct By-law;
- (iii) To review with the City Solicitor any legal matters that could have a significant impact on the City's financial statements;
- (iv) To satisfy itself that the City has implemented appropriate systems of internal control to ensure compliance with legal, ethical, and regulatory requirements;
- (v) To satisfy itself that the City has implemented appropriate systems of internal control to ensure compliance with City policies and procedures.

(f) **Risk Management**

To satisfy itself that the City has implemented appropriate systems to identify, monitor and mitigate significant business risks.

Approved by Council: May 29, 2000

Revised: May 14, 2001

Draft: February 27, 2019

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- (a) The Audit Committee shall be composed of ~~the Chair~~ a minimum of ~~the Finance Committee and two other~~ Council members to be appointed annually by the Mayor ~~at the inaugural meeting of Council following an election, or a January meeting of Council in non-election years.~~
- (b) The Chair ~~of~~ will be determined yearly by the Mayor ~~the Finance Committee shall serve as Chair of the Audit Committee.~~
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- (b) The City Manager, and the General Manager ~~of~~ Finance, ~~Technology & HR, and the Manager of the Financial Reporting Division~~ or their ~~designates~~ designate shall attend meetings to provide input and answer questions. The independent external auditor shall be requested to attend the spring ~~and fall~~ meeting in relation to the year-end audit, and other meetings at the Chair's discretion.

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The Audit Committee, is established in accordance with Section ~~331.2170~~ of the ~~Municipal Act~~, Community Charter, whereby a council may only delegate its audit powers, duties and functions to a committee comprised of council members. The Audit Committee has the authority to request a review, and/or investigate any activity of the City, and the Committee shall ensure internal and external auditors receive the co-operation of all City employees and have unrestricted access to records. Any expenditures initiated by the Committee shall be in accordance with approved City budget provisions and authority levels.

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