

Audit and Accountability Committee

Terms of Reference

Committee Purpose

The Audit and Accountability Committee assists Council in fulfilling its due diligence, fiduciary, financial reporting and audit responsibilities. The Committee approves, monitors, evaluates and provides advice on matters affecting the external audit, internal audit, risk management and the financial reporting and accounting control policies and practices of the Municipality.

Committee Mandate

The Mandate of the Committee is to make recommendations directly to Council regarding the following:

- Financial Statements;
- External Audit Function;
- Internal Audit Function;
- Corporate Control Framework;
- Risk Management.

Financial Statements

The Committee is responsible for the following recommendations regarding financial statements:

- Review and recommend for approval the annual audited consolidated financial statements and associated statements;
- Review quarterly actual financial performance as per Budget Policy G14;
- Review and discuss with management
 - The appropriateness of accounting or other financial policies and financial reporting practices
 - Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Municipality
 - Any new or pending developments in accounting and reporting standards that may affect the Municipality
 - Management's key estimates and judgments that may be material to financial reporting

External Audit Function

The Committee is responsible for the following regarding the external audit function:

- Confirm and ensure the independence of the external auditor, including the approval and review of all additional audit, management consulting and other fees of the external auditor;
- Recommend the selection or dismissal of the external auditor to Council as required including participation in the selection committee with staff, approval of the selection process and annual evaluation of the external auditor's performance;
- Review the terms of engagement, scope and performance of the external audit services provided;
- Approve the fees for the audit;
- Review any matters brought to the committee's attention by the external auditor and determine the appropriate disposition thereof;
- Review and discuss with the external auditor the Management Letter, agree with management on the proper course of action, and make recommendations to Council, where necessary;
- Discuss with the external auditor the annual evaluation of the internal control systems, if appropriate, together with any related recommendations for improvement;
- Meet with the external auditor to discuss all material issues and ensure any matter the external auditor brings forth has been given adequate attention, including any appropriate action; and
- Provide an open avenue of communication between the external auditor and Committee, including the ability to meet in closed session, in the absence of management, at Audit Committee meetings regarding matters deemed allowable under the *Municipal Act, 2001*.

Internal Audit Function (Manager of Internal Audit)

The Committee is responsible for the following regarding the internal audit function:

- Confirm and assure the independence of the Manager of Internal Audit;
- Review and approve the annual audit work plan, and subsequent significant changes as recommended by the Manager of Internal Audit;
- Review audit reports issued and, where required, recommend the acceptance, amendment or rejection of the report recommendations;
- Review the adequacy of management responses to audit concerns in relation to risks and costs involved;

- Review reports from the Manager of Internal Audit on the status and implementation of approved audit recommendations; and
- Provide an open avenue of communication between the Manager of Internal Audit and Committee, including the ability to meet in closed session, in the absence of Municipal management, at Audit Committee meetings regarding matters deemed allowable under the Municipal Act 2001, c 25.

Corporate Control Framework

The Committee is responsible for the following regarding the corporate control framework function:

- Review and discuss with management their responsibility for:
 - Reliability and integrity of financial and operating information and the processes to identify, measure, classify and report such information,
 - Internal control processes and systems to ensure compliance with policies, plans, procedures, laws and regulations,
 - Safeguarding Municipal assets, and as appropriate, verifying the existence of those assets.
- Obtain reasonable assurance on an annual basis, the information technology systems are reliable and secure, and the systems of internal controls are adequately designed and effectively implemented through discussions with and report from management,
 - Review and discuss reports related to the investigation of significant non-compliance, conflicts of interest, misconduct, or fraud and their resolution and make recommendations to Council thereunder the *Municipal Act, 2001*.

Risk Management

The Committee is responsible for the following regarding the risk management function:

- Review and discuss with management their responsibility for assessing and managing the Municipality's exposure to risk,
- Review policies governing risk management,
- Review and discuss with management the Municipality's significant emerging risk exposures.

Responsibilities and Obligations of Members

All Committee members shall abide by the Terms of Reference for the Committee as approved by Council. Members must be willing to commit to the time required to understand and evaluate the information provided, as well as be open-minded to various opinions and perspectives.

The Chair or a spokesperson appointed by the Committee may speak on behalf of the Committee to Council or the public. Other members shall not act or speak on behalf of the Committee without prior approval of the Committee.

The Committee or its members will not use petitions, resolutions, or position papers on behalf of the Committee, unless specifically authorized by Council resolution.

The Chair may ask any Committee member to leave a meeting if, in the opinion of the Chair, that person is being disruptive or disrespectful. The Committee also has the right to censure members that, in the Committee's opinion, are misrepresenting the Committee and may request Council to remove that person from the Committee.

Members who wish to resign shall notify the Chair in writing of their decision who, in turn shall notify the Municipal Clerk in writing of the resignation. Council shall appoint new members to the Committee to fill any vacancies as required.

Duty of Council

Council shall seek advice from the Committee on items within these terms of reference.

Council may assign other roles and responsibilities to the Committee; however, Council must ensure that the Committee is still able to meet its legal responsibilities.

Committee Composition

The Committee shall be comprised of three members of Council each casting one vote per member. Council shall appoint members to the Committee, one of which shall be the Council liaison to the Finance Department. Where the Mayor is not appointed to the Committee, he/she shall be an ex-officio member of the Committee.

It is important that Committee members have the following skills to effectively serve on the Audit and Accountability Committee.

- A general understanding of the Municipality's major economic, operating and financial risks;
- A broad awareness of the interrelationship of the Municipality's operations and its financial reporting; and
- Understand the difference between the oversight function of the Committee and the decision-making function of management;

Committee Chair

The Council liaison to the Finance Department shall act as Chairperson for the Committee. The Committee shall select Vice-Chair from among its membership.

The Chair provides leadership to the Committee, ensures that the Committee carries out its mandate, and acts as the Primary liaison between the Committee and Staff. The Chair shall set the agenda for each meeting in consultation with the staff liaison.

If the Chair is temporarily absent, the Vice-Chair will assume the position and responsibilities for the Chair in the interim. If the position of Chair becomes vacant, the Vice-Chair shall assume the responsibilities of the Chair until a new Chair can be elected. If the Vice-Chair becomes vacant, the Chair may appoint a member of the Committee as Interim Vice-Chair until a new Vice-Chair can be elected. Election, when required, will be held at the next meeting of the Committee.

Length of Term

Council shall conduct a review of the appointments to the Committee at the end of the second year of the term of Council to enable Council to determine if any changes to the appointments are desired. If Council makes any changes to the appointments, the term of office of any new appointee shall be concurrent with the balance of the term of Council. Frequency of Meetings

The Committee will meet at least four times per year, with additional meetings at the call of the Chairperson in order to properly discharge its responsibilities. Exceptions to this may include:

- During a municipal election year.
- Where quorum is not reached
- When circumstances warrant special consideration

Committee meetings shall generally be held at in the Clarington Municipal Administrative Centre or virtually online if deemed necessary or appropriate by the Chair.

Quorum

A majority of voting members shall constitute a quorum. In the event that a quorum is not met, the meeting may proceed but members cannot vote or make decisions.

Committee Resolutions

Recommendations and decisions reached by the Committee must be based on consensus wherever possible. In the event that a consensus cannot be reached and there are different opinions on the issue, the Chair may call for a formal vote by show of hands. Decisions will be carried by a simple majority of the voting members present. Each member of the committee has one vote.

Recommendations are “carried” when supported by a majority. Only recommendations as they appear in the adopted Minutes can be considered as officially representing the position of the Committee.

Delegations at Committee Meetings

Any person(s) wishing to appear before the Committee as a delegation must submit a request to the Finance Department, advising of the topic or item they wish to speak. All requests for delegations must be received at least one week before the meeting to ensure the topic is within the mandate of the Committee and that the delegation is included in the agenda.

Any person wishing to address the Committee as a delegation, who has not previously arranged to do so, may be granted permission to do so only by Committee resolution. All delegations will be limited to 10 minutes.

Council members, who are not members of the Committee, may attend meetings without requesting to appear as a delegation. Council members who are not on the Committee may speak for 10 minutes during the delegation section of the meeting. They do not have the right to vote or comment during Committee meetings.

Staff Resources, Minutes and Agendas

The Finance Department Administrative Assistant shall provide clerical and administrative assistance to the Committee, as deemed appropriate by the Director of Finance to ensure the proper functioning of the Committee. Specifically, the Finance Department Administrative Assistant will provide the following resources to the Committee:

- Preparing and forwarding meeting materials to members;
- Preparation of meeting minutes and Committee correspondence (including assistance in drafting);

The Director of Finance and the Manager of Internal Audit will provide technical assistance to the Committee. This will include the following resources to the Committee.

- Professional advice on matters within the mandate of the Committee; and
- Assist the Committee in participating in events and activities related to its mandate.

Staff resources are provided only to assist the Committee in undertaking their mandate. Additional requests of staff resources shall be at the discretion of the Director of Finance and within staff, time, and budget constraints.

The minutes of each Committee meeting will be amended as necessary and approved at the following meeting. The unapproved minutes will be included in the next regularly scheduled Council meeting.

Committee agendas will be prepared by the Manager of Internal Audit, with input from the Committee Chair.

Absences

If a Committee member is absent for three consecutive meetings, they have forfeited their membership unless their absence is justifiable.

Conflict of Interest

All members of the Committee must abide by the *Municipal Conflict of Interest Act*.

These Terms of Reference will be reviewed by the Committee at the beginning of each term of Council.

Last updated: July 14, 2020