



Section: Financial	Audit Committee Policy	Authority: Section 44 of the MGA
Policy No. F-2000-13	Effective Date October 23, 2018	Revision Date

Audit Committee Mandate

The primary function of the Audit Committee (the “Committee”) is to assist Council in fulfilling its oversight responsibilities outlined in the *Municipal Government Act* by ensuring the adequacy and effectiveness of financial reports, risk management and internal controls.

Authority

The Committee is empowered to make such enquiry and investigation and require such information and explanation from management as it considers reasonably necessary; and to require management to inform the Committee and the auditor of any material misstatement or error in the financial statements following discovery of such situation. The Committee has authority to engage outside advisors where appropriate.

Definitions:

- 1) **CAO** means the Chief Administrative Officer of the Municipality of the District of Digby;
- 2) **DCAO** means the Deputy Chief Administrative Officer of the Municipality of the District of Digby;
- 3) **Independent** means not an employee, Council member, or immediate family member, or not an employee of an agency funded in whole or in part by the Municipality of the District of Digby;

Policy

Committee Composition

- 1) As per the *Municipal Government Act* Council shall annually appoint members to an Audit Committee;
- 2) The Committee will consist of seven members: All members of Council and two citizen members who are not members of Council or a municipal employee.
- 3) The Committee is required to review the composition on an annual basis and make a recommendation to Council on Committee membership each year.
- 4) Citizen members shall be independent, and meet the criteria set out in Schedule A of this policy.



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- 5) The Warden of the Municipality shall be chair of the Committee;
- 6) Citizen member(s) shall serve a two-year term and will rotate off in opposite years to maintain continuity. In the first year one of the citizen members will sit for a two-year term, with the option to extend for a one-year term;
- 7) All Committee members serve without pay;
- 8) Where the Committee does not include any citizen members, the Committee shall continue to meet and perform its duties and may exercise its powers. The Municipality shall advertise to recruit members at large at least once every six months until the vacancy is filled;
- 9) The CAO, and/or the Deputy CAO and the Manager of Corporate Services will provide staff support to the Committee. They are not voting members of the Committee;

Standard of Care and Reliance on Experts

In the discharge of their duties under the Committee's mandate, each member of the Committee shall be obliged to exercise all the care and diligence that a Councillor would be expected to exercise in comparable circumstances where they are dealing with the affairs of the Municipality.

All members of the Committee must be financially literate, apart from which the standard of care and diligence imposed on the Committee is no more onerous or extensive than that to which all Council members are subject.

In the discharge of their duties the members of the Committee may rely in good faith upon the report and findings of any expert engaged by the Committee to report upon the matter under consideration.

Operating Principles

The Committee shall conduct itself in accordance with the following operating principles:

- 1) The Committee members are expected to operate in compliance with Council's Code of Conduct, and the policies, laws and regulations governing the Municipality of the District of Digby;
- 2) The Committee members will maintain direct, open and frank communications with management, Council, and the external auditors;



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- 3) All members of the Committee should be sufficiently versed in financial matters to understand the Municipality's accounting practices and policies and the major judgements involved in preparing the financial statements.
- 4) Each Committee meeting agenda, where the external auditor is present, will include a time for Committee members to meet with the external auditor in-camera with no staff present.

Operating Procedures

- 1) Meetings:
 - i. Meetings may be convened at the request of any member of the Committee, at the request of the external auditor, or at the request of the CAO, but in no circumstance less than twice each year.
 - ii. The required minimum twice a year meeting shall occur (1) prior to the year-end audit in order for the Committee to review and approve the audit scope; and (2) after the audit is complete, for the Committee to review the draft financial statements, audit findings, and the auditor's performance for the current audit.
 - iii. The Municipality's external auditor shall receive notification of all meetings of the Committee and is entitled to attend.
 - iv. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee in a timely manner.
 - v. All meetings are open to the public as per the *Municipal Government Act*.
- 2) Quorum and Decision Making:

A quorum consists of the majority of the voting members of the Committee. Decisions shall be by majority of vote of those present. In the absence of the Chair, the members shall appoint one of the members to act as Chair of the meeting.

Duties and Responsibilities

- 1) Audit:
 - i. Carry out the responsibilities of an Audit Committee contained in Section 44 of the Municipal Government Act;
 - ii. Approve the audit approach as established by the external auditor, including the engagement letter, materiality limits, timetable and proposed fees;
 - iii. Disclose any areas of concern in relation to the audit and/or internal controls prior to the completion of the audit plan;
 - iv. Review with management and the external auditor, the annual audited financial statements and recommend the approval to Council;




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- v. Review with management the internal control management letter received from the auditors and recommend any changes to Council, as required.
- vi. review the conduct and adequacy of the audit and provide a recommendation to (re)appoint the external auditor as required by policy or otherwise;
- vii. any other matters determined by Council to be the duties of the Committee.

2) Finance and Risk Management

- i. Review with management the financial reports as at September 30th and March 31st;
- ii. Review with Management annually on all financial/accounting policies including those used in the preparation of the external financial statements;
- iii. Review with Management the adequacy of internal controls and any reports from management or others on significant control deviations or indications of fraud and the corrective action undertaken with regard thereto;
- iv. Review with Management annually risk management practices, including insurance coverage.

RECORD OF ADOPTION/AMENDMENTS AUDIT COMMITTEE POLICY F-2000-13	
Effective Date	Reason for Adoption/Amendment
October 22, 2018	As per amendment to Section 44 MGA

Annotation for Official Policy Book	
Date of First Notice	Oct 15, 2018 – (By-law & Policy)
Effective Date	Oct. 22, 2018 – (Council)
I certify that this Policy was adopted by Council as indicated above.	
 Linda Fraser, CPA, CGA CAO/Clerk	<u>October 23, 2018</u> Date



Schedule A

REQUIREMENTS AND CRITERIA FOR CITIZEN APPOINTEES TO THE AUDIT COMMITTEE

- Satisfactory police check (paid for by the Municipality)
- Be independent as defined in the Audit Committee Policy
- Be a resident of the Municipality of the District of Digby
- Be financially literate (the ability to read and understand basic financial statements)
- Have an aptitude for complex organizational effectiveness and governance
- Have a general understanding of the Municipality's major economic, operating, and financial risks
- Have a broad awareness of the interrelationship of the Municipality's operations and its financial reporting
- Have an understanding of the difference between the oversight function of the Committee and the decision-making function of management
- Be willing to challenge management when necessary
- Preferably a member of a professional accounting association