

## **TOWNSHIP OF KING**

### **AUDIT COMMITTEE - TERMS OF REFERENCE**

#### **PURPOSE:**

To provide oversight responsibilities for the Township's:

- financial reporting processes;
- overall guidance and direction to the CAO and Management related to the Township's system(s) of internal control;
- external audit processes; and,
- processes for monitoring compliance with laws and regulations (applicable law) and Township Policies and make recommendations for new policies and procedures.

#### **AUTHORITY:**

The Audit Committee is empowered to:

- recommend the appointment, dismissal and compensation of the Township's external auditors;
- oversee the work of the external auditors of the Township;
- resolve any disagreements between management and the auditor(s) regarding financial reporting;
- pre-approve all auditing and non-audit services;
- retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation, if considered necessary;
- seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests or external parties;
- meet with the Township's management team, external auditors, or outside legal counsel, as required, independently or together; and
- review and recommend for approval the final audit fee billings for the completed audit of the period year

**COMPOSITION:**

- the Audit Committee is comprised of all Members of Council, the CAO and the Director of Finance, and reports directly to the Council of the Township;
- Council will appoint the Chair and Vice-Chair of the Audit Committee;
- members will serve during the term of Council or as otherwise directed by Council.

**MEETINGS:**

- the Audit Committee will meet a minimum two (2) times per year with authority to convene additional meetings, as circumstances require;
- meetings of the Audit Committee will be open to the public subject to exceptions pursuant to Section 239(2) of *The Municipal Act, 2001*;
- the Audit Committee will invite members of management, auditors and/or others to attend meetings and provide pertinent information, as necessary;
- meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials; and
- minutes will be prepared.

**FINANCIAL STATEMENTS:**

- review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on financial statements;
- review with management and the external auditors the results of the audit, including any difficulties encountered;
- receive and review the annual financial statements with management, and consider whether they are complete, consistent with information known to Committee Members, and reflect appropriate accounting principles;
- recommend to Township Council the approval of the annual financial statements; and
- review the management and external auditors all matters required to be communicated to the Committee under General Accepted Auditing Standards.

**INTERNAL CONTROL:**

- consider the effectiveness of the Township’s internal control system(s), including information technology security and control;
- understand the scope of the external auditor’s review of internal control and obtain reports on significant findings and recommendations, together with Management’s responses and the timing of the disposition of significant findings; and
- review the external auditor’s Management Letter (if any) together with Management’s responses.

**EXTERNAL AUDIT:**

- review the external auditor’s proposed audit scope and approach;
- subject to Section 296 of The Municipal Act, 2001 to review the performance of the external auditors, and recommend to Township Council the appointment or discharge of the auditors;
- review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Township, including non-audit services, and discussing the relationship with the auditors; and
- review the audit plan and audit fees for the ensuing year end.

**COMPLIANCE:**

- review the effectiveness of the system(s) for monitoring compliance with laws and regulations and the results of Management’s investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- review the findings of any examinations by regulatory agencies, and any auditor observations;
- review the process for the communication of Township Policies and Procedures to Township personnel, and for monitoring compliance therewith; and
- obtain regular updates from Management and the municipality’s legal counsel regarding compliance matters.

**RISK MANAGEMENT:**

- review the function and effectiveness of the Risk Management Committee, and obtain updates on their activities, including receiving minutes of meetings;
- receive and review a yearly report on insurance claims and dispositions of such claims.

**REPORTING RESPONSIBILITIES:**

- report to the Township Council about Audit Committee activities, issues and related recommendations;
- provide an open avenue of communication between the external auditors and Township Council; and
- review any other reports the Municipality issues that relate to Audit Committee responsibilities.

**OTHER RESPONSIBILITIES:**

- perform other activities related to these Terms of Reference as requested by Township Council;
- institute and oversee special investigations as required; and
- review and assess the adequacy of the Audit Committee Terms of Reference annually, requesting Council approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation.