

AUDIT COMMITTEE

DEPARTMENT RELATING TO THIS COMMITTEE

Town Clerk's Office - Audit Section

TERMS OF REFERENCE

1. Purpose

The Audit Committee, working closely with the Finance Committee, is responsible for assisting the Council in discharging its responsibilities for monitoring the integrity of the Mayor and City Council's financial statements and the effectiveness of the systems of internal controls and risk management system and provide oversight to monitor the effectiveness, performance and objectivity of the internal and external audit functions.

2. Membership

- 2.1 The members, including the chairman of the Committee, shall be appointed by the Council.
- 2.2 The Committee shall consist of five members and should not be filled by no sitting member of the Finance Committee.

3. Quorum and meeting proceedings

In the absence of the Committee chairman, the Vice Chairman will function in the capacity of the Chairman, if both are absent, then the remaining members present shall elect one member from among themselves to chair the meeting.

4. Attendance at meetings:

- 4.1 All members of the committee are required to attend Committee meetings. The Mayor, the Deputy Mayor, the Town Clerk, the City Treasurer and the Internal Auditor will normally be invited to attend Committee meetings.
- 4.2 Other Councillors may attend any meeting of the Committee and members of Management and any advisers appointed by the Council shall attend, if invited by the Committee but will not be granted voting rights.

- 4.3 At least once a year, and at any other time as the Committee shall see fit, it shall meet separately with the Internal Auditor and the External Auditor in the absence of other members of Management.

5. Frequency of Meetings

- 5.1 Meetings shall be held not less than five times each year and at such other times as required.
- 5.2 The Internal Auditor, the Town Clerk or the Chairman of the Committee may request a meeting if any of them considers that an urgent meeting is necessary to address any matter of grave concern.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the committee.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an Agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend, no later than Two (2) working days before the meeting. Supporting papers shall be sent to the Committee members and to other invitees, at the same time.

7. Minutes of Meetings

- 7.1 The Secretary of the Committee shall ensure that a formal record of Committee proceedings (Minutes Report) and resolutions is maintained.
- 7.2 Following approval of the Minutes by the Chairman of the Committee they shall be circulated to all members of the Committee for confirmation at the next meeting of the committee.

8. Authority

The Committee is authorized by the Council to:

- 8.1 Investigate or cause to be investigated, any activity within its terms of reference;

- 8.2 Obtain at the Council's expense external legal or independent professional Advice from such advisers as the Committee shall recommend, who may, at the Invitation of the Committee, attend meetings as necessary; however, any such engagement or payment will be subjected to the approval of the council.
- 8.3 Seek any information that it requires from any employee of the Council in order to perform its duties and require all employees to co-operate with any request made by the Committee;
- 8.4 Meet for dispatch of its business, adjourn and otherwise regulate its business as it shall see fit, including approving items of business by the written resolution procedure set out in the Municipal & District Council's Act Chapter 28.01
- 8.5 Cause the Council to pay (to the extent it has not already done so) all:
 - a. Compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Council;
 - b. Compensation to any advisers employed by the Committee under these terms of reference; and
 - c. Ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties;
- 8.6 Delegate any of its duties as is appropriate to such person or persons as it thinks fit; and
- 8.7 Attend the meetings of the audit committee of the council or for any member of the Committee to attend the meetings of the audit committees.

9. **Duties**

The duties of the Committee, which will be carried out in relation to the mandate and authority of the full Council, as appropriate; shall be to:

- 9.1 Assess, and keep under review, the independence and objectivity of the internal Auditor.

- 9.2 Approve the external auditor's engagement letter and any amendments there to, and recommend the external audit fee to the council when necessary.
- 9.3 Review the internal auditor's control themes and observations report and the Administration response thereto;
- 9.4 Establish and monitor the implementation of policies or procedures for the receipt, retention, and treatment of complaints received by the Committee regarding accounting, accounting controls and auditing matters and for confidential, anonymous submission by Administration employees of concerns regarding questionable accounting or auditing matters or any other major issue relevant to the duties of the Committee;
- 9.5 Review the Annual Internal Audit Plan and the effectiveness of the Administration's internal audit function, and ensure that it is adequately resourced and has appropriate standing within the Council.
- 9.6 Consider (in the absence of Administration if necessary) Administration's response to any material recommendations made by the external auditor or by the Internal Auditor.
- 9.7 Approve the appointment or dismissal of the Internal Auditor and to participate jointly with the Human Resource Management committee in the determination of the objectives of the internal Auditor and the evaluation of his levels of achievement, and to help determine and approve his remuneration;
- 9.8 Review and assess the adequacy and effectiveness of the council's existing systems for internal control, including financial reporting and financial controls;
- 9.9 Review, and challenge where necessary, the actions and judgments of Management, in relation to the interim, quarterly and annual financial statements, and any formal announcements relating to the Council's financial performance having particular regard to the following points without being limited to them:
 - A. Critical accounting policies, practices and methods, and any changes thereto;

- B. Decisions requiring a major element of judgment or significant estimates; disclosure controls and procedures;
 - C. Significant adjustments resulting from the audit;
 - D. The going concern assumption;
 - E. Compliance with accounting standards; and
 - f. Any other Audit Disclosures report and recommendations.
- 9.10 After completing its review of the financial statements, regulatory financial returns and announcements the Committee shall (other than in relation to the review of the Administration's quarterly management statement, which the Committee is authorized to approve) make a recommendation to the council regarding their approval; where requested by the council, provide advice to the council as a whole on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Council's performance, business model and strategy;
- 9.11 Note any significant pending legal actions against or by the council;
- 9.12 Receive and review, at least semi-annually, reports on compliance on the council banking covenants;
- 9.13 Receive and review, at least annually, reports on the financial position relating to the revenue and expenditures general financial operations of the council.
- 9.14 Be available to advise the Council, or the Mayor and/or Town Clerk, on any questions relating to the financial affairs of the Council on which advice might be sought;
- 9.15 Consider other topics, as referred to it from time to time by the council.
- 9.15 Determine the type of audit report to be submitted to the council.

10. **Reporting Procedures**

- 10.1 The Chairman of the Committee shall report to the council at regular intervals on the matters it has reviewed, making recommendations when requested or when he considers appropriate.
- 10.2 The Council shall undertake a review of the Committee's performance and these terms of reference annually and, if necessary, make recommendations for the committee to follow.
- 10.3 The Committee shall produce an annual report of the Committee's duties and activities during the year, which will form part of the Council's Annual Report and Accounts.
- 10.4 The committee has the reporting responsibility to the council on all audits conducted by both the internal and external auditor.
- 10.5 The internal auditor reports all findings and reports of all audits conducted directly to the committee.