



THE MUNICIPALITY OF THE COUNTY OF
LA MUNICIPALITÉ DU COMTÉ DE
RICHMOND

Audit Committee Terms of Reference

The Municipality of the County of Richmond (hereafter “the Municipality”) is required by the Province of Nova Scotia to have an Audit Committee.

The following is the terms of reference for the Audit Committee for the Municipality of the County of Richmond and based on the Financial Reporting and Accounting Manual (FRAM) which is the regulation pursuant to the MGA Sections 451 and 520, produced by the Department of Municipal Affairs.

Mandate:

An audit committee acts as an advisory board carrying out critical review functions on behalf of council. The primary function of the audit committee is to assist council in fulfilling oversight responsibilities related to quality and integrity of financial reporting along with ensuring the appropriate systems and controls for the proper recording of transaction and protection of assets are in place.

Audit Committee Composition

1. The audit committee will be composed of the Warden and Councillors, Chief Administrative Officer, Chief Financial Officer and one member-at-Large.
2. Subject to sub-section (3), an audit committee must include a minimum of one person who is not a member of council or an employee of the municipality. This person cannot be related to a member of council or to an employee of the municipality.
3. Where an audit committee does not include the person referred to in sub-section (2): the audit committee shall continue to meet and perform its duties and may exercise its powers; and the municipality shall advertise to recruit a person who is not a member of council or an employee of the municipality at least once every six months until the requirement is met.
4. Audit committee members should be financially literate. It is recommended that at least one of the committee members should have a financial designation or relevant financial management expertise. Financially literate means the member has the ability to read and understand a set of financial statements which present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of the issues reasonably that can be expected to be raised by a municipal financial statement.

Objectives of an Audit Committee

The audit committee will have unrestricted and complete authority to delve into any affair of the municipality with full access to the management and auditor.

- To help council meet its fundamental responsibilities of protecting the municipal assets and managing operations as efficiently as possible;
- To provide better communication between the auditor and council and promote better understanding of the audit process;
- To enhance the external auditor's independent position;
- To increase the credibility and objectivity of the municipality's financial report; and;
- To strengthen the role of council and committee members.
- The audit committee must maintain minutes of its meetings and submit written reports to council or council as a committee of the whole.

Meeting Requirements

- An audit committee should convene whenever circumstances demand such a meeting; however, the committee must meet at least twice in each fiscal year.
- It is recommended the audit committee meet at least four times, and the meeting should coincide with the stages of the audit. The following topics are recommended to be included on the audit committee's agendas at various stages:
 1. role and responsibilities of the auditor;
 2. review of the roles and responsibility of the audit committee;
 3. recommended appointment of municipal auditor;
 4. audited Financial Statements and auditor's work;
 5. management or Internal Control letter and management's response;
 6. adequacy and effectiveness of internal controls;
 7. financial condition indicators;
 8. financial risk management
- There is a requirement that audit committee meeting dates be specifically established and agendas developed to address its terms of reference and responsibilities.
- There will on occasion, be a need for the auditor to meet with the audit committee, without any appointed officials present. This would be accommodated through a request by either the committee or the auditor to one another.

Audit Committee Responsibilities and Functions

The functions of a municipal audit committee can be categorized in four (4) distinct functions as follows:

1. Financial Reporting Function – Responsibilities Related to Financial Reporting

The Committee shall:

- a. review the audited annual financial statements in depth with management and the external auditor; if satisfied the committee will present fairly the financial position and results of operations, and recommend acceptance to council;
- b. review with management any changes in accounting principles and practices followed by municipalities;
- c. review any significant variance in comparison to prior year and/or budget; and
- d. review and discuss the financial condition indicators.

2. External Audit Function – Responsibilities Related to the Work of the Auditor

The Committee shall:

- a. discuss the extent, timing and completion of the audit including the level of materiality to be used;
- b. review estimated and final audit fee;
- c. discuss whether the terms of the letter of engagement were met;
- d. recommend to council the change of the municipal auditor if management questions the competence of the incumbent auditor and the committee confirms the view; the recommendation to appoint a new auditor would follow an adequate inquiry into the auditor's competence and reputation;
- e. review the problems and restrictions encountered by the auditor and degree of cooperation received; and
- f. promote cooperation between the management and the auditor.

3. Accounting System and Internal Controls Function – Responsibilities Related to Internal Controls.

The Committee shall:

- a. obtain and review the management and internal control letter addressed to council;
- b. discuss with the auditor the annual evaluation of the internal control systems related to the financial reporting and the recommendations for improvements of accounting procedures and internal controls related to the financial reporting, together with management's response;
- c. discuss management's response to the recommendations and adequacy of management's action plan;

- d. Obtain reasonable assurance that the municipality has implemented appropriate systems of internal controls:
 - i. Over the financial reporting and that these systems are operating effectively;
 - ii. Obtain assurance the municipality is in compliance with its policies and procedures and that these systems are operating effectively; and
 - iii. Identify, monitor, mitigate and report significant financial or operational risk exposures and that these systems are operating effectively; and
- e. receive and review any internal reports relating to accounting procedures and internal controls.

4. Risk Management Function – Responsibilities Related to Risk Management
(These functions could be prepared by another committee; however, the audit committee should be aware and understand the risks to the municipality.)

The Committee shall:

- a. understand the risks of the municipality;
- b. review the municipality risk management controls and policies;
- c. obtain reasonable assurance that management's systems to eliminate or manage the risks are effective; and
- d. receive reports on the management of financial risks.

Conflict of Interest

Committee Members shall declare possible conflicts of interest before agenda items are presented and leave the meeting or part of the meeting during which the matter is under consideration.

- A Committee member is in a conflict of interest when he or she exercises power, influence, duty or function that provides an opportunity to further his or her private interests or those of his or her relatives or friends or to improperly further another person's private interests.
- No Committee member shall make a decision or participate in making a decision related to the exercise of power, influence, duty or function if the Committee member knows or reasonably should know that, in the making of the decision, he or she would be in a conflict of interest.
- No Committee member shall use his or her position to seek to influence a decision of another person so as to further the committee member's private interests or those of the committee member's relatives or friends or to improperly further another person's private interests.

- No Committee member shall allow himself or herself to be influenced in the exercise of duty or function by plans for, or offers of monetary value or employment.
- No Committee member or member of his or her family shall accept any gift or other advantage that might reasonably be seen to have been given to influence the committee member in the exercise of duty or function.

Confidentiality

- During the incumbent's tenure as a member of the RCMP/Police Advisory Committee certain information of a confidential nature may be disclosed. As such, Committee members may gain knowledge of, or have access to, information relating to the business and affairs of Policing Services in Richmond County.
- Identified confidential information, regardless of the form in which it is recorded, transmitted, observed or expressed, or to which it may be converted or transcribed, shall remain strictly confidential and shall not be revealed to any person or entity, or use any Information at any time, except as expressly directed by the Committee.
- The member-at-large will be required to sign a Confidentiality Agreement upon commencement of the term.