

# Township of Puslinch

## Audit Committee Agenda

February 15, 2012 9:30 am

1. Calling the meeting together and order
2. Declaration of Pecuniary interest and the general nature thereof
3. Minutes of the previous meeting
4. Adoption of the minutes
5. Business arising out of the minutes
6. Review of the Committee Mandate
7. Current Audit process
8. County of Wellington Audit Planning Report
9. Port Hope Audit information
10. New business
11. Closed meeting
12. Adjournment



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AUDIT

# County of Wellington

## Audit Planning Report

For the year ended December 31, 2011

**KPMG LLP**, Chartered Accountants, Licensed Public Accountants

[kpmg.ca](http://kpmg.ca)

Dear Committee members,

Audit planning is the cornerstone of an effective, efficient and high quality audit. In developing our audit plan, we have worked with management to obtain a common understanding of the issues and related financial reporting risks facing the County of Wellington and have designed our audit to focus on those areas of risk.

As members of the Administration, Finance & Personnel ("AF&P") Committee, you have a significant role to play in the oversight of our audit and we welcome any and all observations you may have regarding the decisions reflected in this audit plan.

At KPMG, we are committed to audit quality and outstanding client service. Audit quality is integral to our business and is engrained in our training, our processes and our systems and controls. We believe this audit plan embodies our commitment to audit quality.

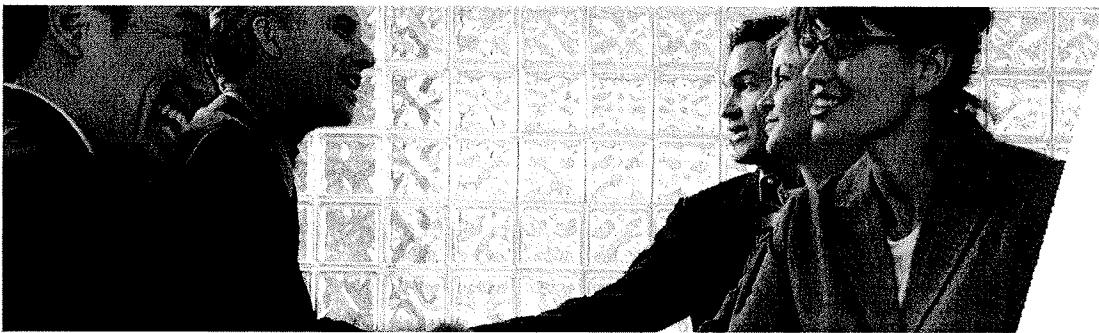
We would like to take this opportunity to remind you that KPMG's Audit Committee Institute is committed to providing information, resources and knowledge-sharing opportunities to help audit committees and their boards of directors strengthen the integrity of their financial reporting process and the quality of their corporate governance practices. For more information, and to register to receive updates, publications and invitations to Audit Committee Institute events, please visit [www.kpmg.ca/auditcommittee](http://www.kpmg.ca/auditcommittee).

We sincerely hope this Audit Planning Report is of assistance to you, and we look forward to discussing it in detail and answering any questions you may have at the upcoming audit committee meeting.

Yours sincerely,

**Matthew Betik, CA**

Partner



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## Audit plan

We have prepared this audit plan to inform you of the planned scope and timing of the audit for the purpose<sup>1</sup> of carrying out and discharging your responsibilities and exercising oversight over our audit of the consolidated financial statements.

### **What has changed from last year**

We have set out below a summary of changes that have been taken into consideration in planning the audit for the current period:

#### **Accounting standards**

- No current year accounting standard changes.
- There are new accounting standards that will affect your fiscal year ending December 31, 2013.
- Refer to the appendices for further discussion on these future accounting standards.

#### **Auditing standards**

- No significant auditing standard changes this year.

### **Annual inquiries related to risks of fraud:**

Canadian Auditing Standards require that we ask you the following questions in connection with your oversight of management's process for identifying and responding to the risks of fraud:

- How do you provide effective oversight of management's process for identifying and responding to fraud risks, including programs and controls to prevent, detect and deter fraud?
- Are you aware of any instances of actual, suspected or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, how have the allegations been addressed?

### **Scope of the audit**

The purpose of an audit is to enhance the degree of confidence of the users of the financial statements through the expression of an opinion on whether the financial statements fairly present, in all material respects, the financial position, results of operations, changes in accumulated surplus changes in net financial assets, and cash flows of the County of Wellington in accordance with Canadian Public Sector Accounting Standards.

<sup>1</sup> KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this document has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

In planning our audit, we have considered the level of audit work required to support our opinion, including each of the following matters:

### **Our responsibilities**

- Our responsibilities in carrying out our audit, as well as management’s responsibilities, are set out in the appendices to this report.
- We will also prepare separate audit reports for the following entities:
  - Trust Funds
  - Wellington Terrace Long-Term Care Report
  - Federal Gas Tax Compliance Audit
- The reporting entity also includes the accounts of the Wellington-Dufferin-Guelph Health Unit. As this entity is defined as a Government Partnership under the relevant PSAB accounting guidance, the County includes its proportionate share of assets, liabilities, revenues, and expenses in its consolidated financial statements.
- As KPMG are not the auditors of the Health Unit, we will be relying on the audit work performed by the Health Unit’s auditors, Deloitte.

### **Materiality**

- We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.
- For the current period, materiality of \$1.9M has been determined.
- We will reassess materiality at period-end to confirm whether it remains appropriate for evaluating the effects of uncorrected misstatements on the financial statements.
- We will communicate corrected and uncorrected misstatements to you that are in excess of \$94,000.
- Should uncorrected misstatements remain, in accordance with professional standards, we will:
  - request that all uncorrected misstatements be corrected.
  - communicate the effect that uncorrected misstatements, individually or in aggregate, may have on our audit opinion.

## Significant financial reporting risks

As part of our audit planning, we identify significant financial reporting risks that, by their nature, require special audit consideration. By focusing on these risks, we are able to target our procedures and deliver a high quality audit that is both efficient and effective.

The significant financial reporting risks identified during our audit planning are listed below:

<b>Tangible Capital Assets</b>
<b>Risk of material misstatement</b>
Given the large volume of capital activity and the key decision points regarding the identification of capital vs. operating work orders, there exists risks of misstatement due to inappropriate capitalization of maintenance activities or vice versa.  This can impact both the net book value of tangible capital assets, depreciation expense in the current and future periods and operations and maintenance expense.
<b>Summary of planned audit approach</b>
<i>Audit approach</i> <ul style="list-style-type: none"><li>• identify and evaluate the operative effectiveness of internal controls over capitalization of costs</li><li>• review and evaluate the process for allocating overhead to constructed assets</li><li>• calculations of depreciation expense</li></ul>

<b>Accounting for other post-employment benefits</b>
<b>Risk of material misstatement</b>
There is a risk of misstatement due to the estimates and judgements used by management and the complexity of the accounting guidance.
<b>Summary of planned audit approach</b>
<i>Audit approach</i> <ul style="list-style-type: none"><li>• communicate with management's actuarial specialists</li><li>• assess the reasonableness of assumptions used</li><li>• test the appropriateness of the underlying data, including employee populations</li></ul> <i>Use of management's expert</i> <p>We will communicate with and use the work of the County's actuaries in our audit of the accounts and disclosures.</p>

<b>Accounting for landfill closure and post-closure liabilities</b>
<b>Risk of material misstatement</b>
There is a risk of misstatement due to the estimates and judgements used by management and the complexity of the accounting guidance.
<b>Summary of planned audit approach</b>
<p><i>Audit approach</i></p> <ul style="list-style-type: none"> <li>• communicate with management's 3<sup>rd</sup> party engineering specialists</li> <li>• assess the reasonableness of assumptions used</li> <li>• test the appropriateness of the underlying data, including employee populations</li> </ul> <p><i>Use of management's expert</i></p> <p>We will communicate with and use the work of the County's specialist in our audit of the accounts and disclosures.</p>

<b>Accounting for government grants and developer contributions</b>
<b>Risk of material misstatement</b>
There is a risk of misstatement due to the nature of government grants (being capital or operating) and whether or not the County has met the requirements of the grants for recognition as revenue in the current period. For developer contributions, there is risk of recording the revenue in the incorrect period as these revenues are recognized as the related expenditures are incurred and not when cash is received.
This can impact current period's revenues as well as deferred revenue and/or receivables.
<b>Summary of planned audit approach</b>
<p><i>Audit approach</i></p> <ul style="list-style-type: none"> <li>• confirm significant government grants with granting agencies</li> <li>• review relevant contribution agreements</li> <li>• assess the revenue recognition policies and application of those policies</li> <li>• review transactions in the development contributions reserve funds</li> </ul>

## Other Areas of Audit Focus

For other significant accounts and disclosures, the following summarizes our planned audit approach:

Significant account/disclosure	Planned approach
Investments and related income	Substantive test of details.
Taxation revenue	Substantive analytical procedures recalculating tax revenue using confirmations of amounts levied by lower tier municipalities.
User Charge Revenue	Substantive analytical procedures comparing current year's revenues on a disaggregated basis to the current year budget and prior year, adjusting for known changes in assumptions.
Expenses – current	Evaluate the design and implementation of controls over payroll and non-payroll expenditures.  Test the operating effectiveness of the controls.  Substantive analytical procedures comparing current year's expenses on a disaggregated basis to the current year budget and prior year, adjusting for known changes in assumptions.

Substantive approach refers to the application of substantive analytical procedures or test of details procedures.

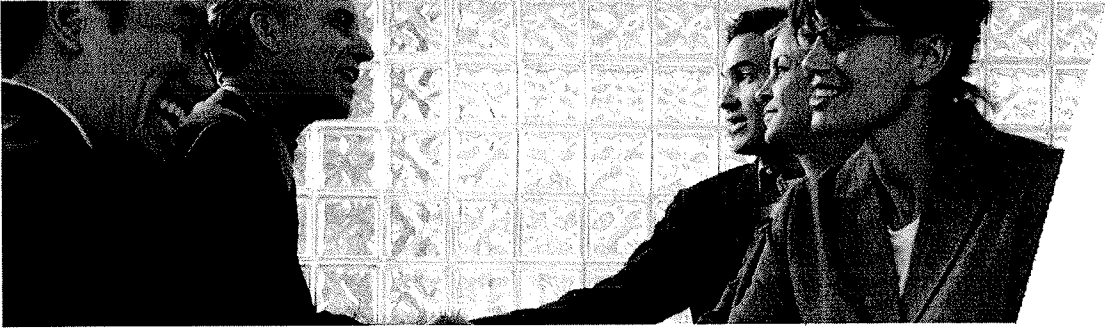
Substantive analytical procedures consist of the evaluation of financial information through a study of plausible relationships among both financial and non-financial data. They also encompass the investigation of identified fluctuations and relationships that are seemingly inconsistent with other relevant information or deviate significantly from predicted amounts.

Test of details are the application of one or more of the following techniques to individual items or transactions: inspection of records or documents; inspection of tangible assets; observations; confirmations; recalculation; re-performance.

## Timing of the audit

We have discussed the key audit deliverables with management and the expected dates indicated below have been agreed upon:

Key deliverables and expected dates	
Deliverables	Expected date(s)
Conduct interim audit field work	November 2011
Present the Audit Planning Report to the AF&P Committee	January 17, 2012
Conduct year-end audit field work	Starting the week of March 26, 2012
Present the Audit Findings Report to the AF&P Committee	May 15, 2012



## Appendices

**Current developments**

**Auditor Responsibilities**

## Current developments

### Government Transfers

- Sets out recognition principles for government transfers.
- May allow deferral of transfers received if certain conditions exist that create a liability.
- This standard is effective for fiscal years beginning on or after April 1, 2012. The standard may be applied retroactively or prospectively.

### Tax Revenue

- *PS 3510 – Tax Revenue* was approved by PSAB in November 2009.
- This standard sets out revenue recognition principles for tax revenue.
- Provides principles for recognition of taxes collected on behalf of others.
- This standard is effective for fiscal years beginning on or after April 1, 2012.

### Financial Instruments

- Sets out principles to be used in establishing an accounting standard with respect to financial instruments and derivative instruments.
- Fair value measurement proposed for derivatives and portfolio investments that are equity instruments quoted in an active market. Fair value can be applied to non-equity instruments through an accounting policy choice.
- This standard is effective for fiscal years beginning on or after April 1, 2015.

### Foreign Currency Translation

- PSAB has approved amendments to Section PS 2600 to be consistent with the new standard for Financial Instruments.
- This standard requires all monetary items and those non-monetary items included in the fair value category to be translated using the exchange rate on the financial statement date. Hedge accounting and the scope exclusion for foreign exchange reserves in PS 2600 have been removed.
- The amended standard is effective for fiscal years beginning on or after April 1, 2015 and must be adopted when the new Financial Instruments standard is adopted.

### Liability for Remediation and Mitigation of Contaminated Sites

- *PS 3260 – Liability for Contaminated Sites* was approved by PSAB in March 2010.
- A liability for remediation of contaminated sites should be recognized when an environmental standard exists, the contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility, it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made.
- This standard is effective for fiscal years beginning on or after April 1, 2014.

# Auditor Responsibilities

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above

We will conduct the audit of the Entity's financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- form an opinion on the Entity's financial statements based on conclusions drawn from the audit evidence obtained.
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or Council.

## **AUDIT COMMITTEE**

Chair:

Secretary:

Staff Rep.: Barb Spry, Treasurer - [audit@porthope.ca](mailto:audit@porthope.ca)

Council Rep.: Councillor Rick Austin - 905-885-9262

### **TERMS OF REFERENCE**

#### **Objective:**

The Audit Committee, as a committee of Council, will be responsible for overseeing the administrative systems regarding financial accounting, reporting, internal controls, safeguarding of corporate assets, compliance with legal, ethical and regulatory requirements and the effective and efficient use of resources.

The Audit Committee provides a focal point for communication between Council, the external auditor and management and facilitates an impartial, objective and independent review of management practices.

The Audit Committee shall meet at least four times per year, with additional meetings at the call of the Chairperson in order to properly discharge its responsibilities as set out in the Establishing by-law.

#### **Responsibilities:**

Management is directly responsible for the Municipality's financial reporting, internal controls and compliance with laws and regulations. The Audit Committee is responsible to oversee and monitor how management carries out these functions. The Audit Committee must also satisfy itself that the responsibilities of the external auditor are effectively discharged. The Audit Committee will advise and make recommendations, where necessary, to Council on the following:

#### **4.1 The External Audit Function**

##### *Oversight of the independent audit process*

- 4.1.1. Recommend appointment of the external auditor to Council for approval;
- 4.1.2. Review the terms of engagement, fees and scope of the external audit and any non-audit services provided;
- 4.1.3. Review any reports and correspondence from the external auditor relating to the Municipality, including the annual communication from the external auditor on independence matters;
- 4.1.4. Review the external auditor's findings including evaluation of accounting principles applied, significant accounting estimates, significant audit misstatements, the effectiveness of, or weaknesses in, internal controls, significant related party transactions and any difficulties encountered during completion of the audit;
- 4.1.5. Receive reports from management summarizing progress made in resolving issues raised by the external auditors;
- 4.1.6. Meet privately with the external auditors to discuss any matters that the Audit Committee or the external auditors believe should be discussed.

#### **4.2 Financial and Other Reporting**

##### *Oversight of the financial reporting process to ensure the integrity and transparency of financial reports*

- 4.2.1 Review the annual financial statements of the Municipality and its local boards and recommend approval of these financial statements to Council;
- 4.2.2 Review financial and fiscal policies, practices and procedures (eg. accrual policies, investment policies, policies for establishing reserves, reserve funds, etc.);
- 4.2.3 Review significant accounting and reporting developments, including recent and contemplated professional and regulatory requirements and understand their impact on financial reports;
- 4.2.4 Review information used for decision making (including management reports, affirmations, etc.), as to integrity, timeliness and comprehensiveness.

#### **4.3 Internal Control Systems**

##### *Oversight of the effectiveness of the internal control environment*

- 4.3.1 Review and understand the effectiveness of the internal control systems pertaining to the safeguarding of assets and the authorization and recording of transactions;
- 4.3.2 Review and understand the adequacy of internal controls over data processing operations and computer-accessible data;
- 4.3.3 Be satisfied that appropriate monitoring devices are in place to detect dysfunctions, including fraudulent activities;
- 4.3.4 Review the effectiveness of corporate reporting systems regarding administrative and program performance (for example, budget monitoring systems);

#### **4.4 Compliance and Business Risk Management**

*Oversight of the Municipality's compliance with legal, statutory and regulatory requirements and oversight of the Municipality's risk management environment*

- 4.4.1 Review and understand how compliance with laws and regulations is achieved and the adequacy of the systems established to ensure compliance;
- 4.4.2 Review with management all legal claims and other contingencies that could have an effect on the financial position of the Municipality and the adequacy of related insurance coverages;
- 4.4.3 Review with management any significant financial risk exposures and processes in place to identify, monitor and manage these risks, including potential risks such as loss of key staff, loss of revenue sources, erroneous financial reporting, regulatory noncompliance, conflicts of interest, fraudulent activities resulting from weaknesses in internal controls.
- 4.4.4 Review by-laws and policies specifically regulating the conduct of members of council, staff, and suppliers (for example, fraud and theft policies, conflict of interest policy, purchasing by-law, budget control by-law, expense claims policies, etc.);
- 4.4.5 Review and understand procedures that are in place for communication and follow up of complaints regarding ethics, integrity, internal controls and accounting or auditing matters.

#### **4.5 Other**

- 4.5.1 Review and approve the scope, terms of reference and fees of professional services retained for purposes related to the Audit Committee's responsibilities;
- 4.5.2 Provide opportunities for private discussion of sensitive matters raised by the external auditor, management relating to personnel, legal, or other matters which could be prejudicial to the corporate interest if discussed in open committee;
- 4.5.3 Ensure that Audit Committee members receive appropriate orientation regarding the work of the Committee and that training to enhance financial literacy is made available;
- 4.5.4 Complete periodic self-assessments of the effectiveness of the Audit Committee against its mandate;
- 4.5.5 Review the Audit Committee Mandate periodically and recommend modifications to Council, as necessary.

**For more information click on the following link:**

*BY-LAW NUMBER: (#22/2011) Being A By-law To Establish and Adopt The Terms of Reference for An Audit Committee.*

THE CORPORATION OF THE MUNICIPALITY OF PORT HOPE

BY-LAW NO 22/2011

*Being A By-Law To Establish and Adopt the Terms of Reference for an  
Audit Committee for the Corporation of the Municipality of Port Hope*

WHEREAS Section 11 of the Municipal Act 2001, S.O. 2001, c.25, as amended, in part provides that a lower-tier municipality may pass by-laws respecting the governance and structure of the municipality and its local boards;

AND WHEREAS the Council of the Corporation of the Municipality of Port Hope wishes to continue to demonstrate a high level of public accountability and to continue to provide assurance to the public that municipal services are administered in an efficient, effective and economical manner;

AND WHEREAS Council has responsibilities regarding financial and other reporting, internal control and compliance with laws, regulations and ethics;

AND WHEREAS Budget Committee on June 20, 2005 authorized the establishment of an Audit Committee;

AND WHEREAS the Council of the Corporation of the Municipality of Port Hope deems it advisable to establish by By-law, an Audit Committee for the Corporation of the Municipality of Port Hope.

NOW THEREFORE the Council of The Corporation of the Municipality of Port Hope ENACTS as follows:

1. Committee Title

That a Committee to be known as the Audit Committee is hereby established.

2. Definitions

That the definitions as outlined in the Corporation of the Municipality of Port Hope Procedural By-law shall apply.

3. Policies/Procedures

3.1 That the rules and regulations of the Corporation of the Municipality of Port Hope Procedural By-law shall govern all proceedings of the Audit Committee.

3.2 That policies, practices and procedures governing the provisions of its goods or services are consistent with the Corporation's Accessibility Standards for Customer Service Policy and Procedures as adopted in accordance with the requirements of the Accessibility for Ontarians with Disabilities Act (AODA), Customer Service Standard – Ontario Regulation 429/07.

4. Records

That the records of the Audit Committee shall be retained and preserved in accordance with the provisions of the Corporation of the Municipality of Port Hope Records Retention By-law.

5. Composition

That the Audit Committee shall consist of not more than three (3) members appointed by Council as follows:

- 2 members of Council, being the Mayor and Chairperson of General Government and Finance Committee
  - 1 member with consideration given to individuals with business background practicing in accounting or finance, who is a resident and/or ratepayer of the Municipality, being a minimum of 18 years of age and not an employee of the Municipality
- All being voting members.

Ex-officio

The Treasurer or designate and other staff as required and shall be an ex-officio member of the Committee who shall act in an advisory capacity and shall be a non-voting member.

6. Term of Office

That the member at large shall be appointed by Council for the term of Council, or until their successors is appointed. Council may reappoint the member whose term has expired and otherwise has discretion in filling any vacancy by appointment for the remainder of any applicable term. There shall be no limit on the number of terms a member may be appointed and all appointments shall be at the discretion of Council. In the event a Committee member resigns prior to the completion of their term, a replacement appointed by Council, will assume the duties to the completion of the term.

7. Mandate

That the Terms of Reference of the Audit Committee are set out in Schedule "A" attached hereto and forming part of this By-law.

That in carrying out the provisions of this By-law, the Committee shall at all times be the agent of the Municipal Corporation and while acting bona fide within the limits of the authority of this By-law neither the Committee nor any member thereof shall incur any liability by reason of anything done or left undone by the Committee; provided however, that nothing in this section contained shall authorize or empower the Committee to incur any debt, liability or obligation for which the Municipal Corporation shall become liable without having previously obtained the consent of the Council of the Municipality of Port Hope.

8. Repeal of By-laws

That By-law 04/2006 pertaining to the establishment of an Audit Committee is hereby repealed.

9. Force and Effect

That this By-law comes into force and takes effect upon the final passing thereof.

READ A FIRST, SECOND and THIRD TIME and finally passed in Open Council this 29<sup>th</sup> day of March, 2011

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Linda Thompson, Mayor

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S.C. Dawe, Municipal Clerk

SCHEDULE "A" TO BY-LAW 22/2011  
AUDIT COMMITTEE  
TERMS OF REFERENCE

**1. Objective**

The Audit Committee, as a committee of Council, will be responsible for overseeing the administrative systems regarding financial accounting, reporting, internal controls, safeguarding of corporate assets, compliance with legal, ethical and regulatory requirements and the effective and efficient use of resources.

The Audit Committee provides a focal point for communication between Council, the external auditor and management and facilitates an impartial, objective and independent review of management practices.

**2. Composition**

The Audit Committee will be comprised of three members, the Mayor and Chairperson of General Government and Finance Committee and one member of the general public, appointed by Council following a suitable application process with consideration given to individuals with business background practicing in accounting or finance.

Staff representation shall consist of the Treasurer and other staff as required.

The term of office for the Audit Committee will be the term of Council.

Quorum to be determined in accordance with the Municipality of Port Hope Procedural By-law.

**3. Meetings and Attendance**

The Audit Committee shall meet at least four times per year, with additional meetings at the call of the Chairperson in order to properly discharge its responsibilities as set out in this by-law.

Members of the Audit Committee are to be present at all meetings. It is also important, at the request of the Chairperson, that management and the external auditors, when required, attend the meetings. The Chairperson may also invite other officials of the Municipality to attend meetings to assist with discussions on any particular matter. Minutes shall be prepared for each meeting and presented to the next succeeding meeting of the Audit Committee for confirmation. The Audit Committee shall formally report to Council in accordance with the procedural by-law.

**4. Responsibilities**

Management is directly responsible for the Municipality's financial reporting, internal controls and compliance with laws and regulations. The Audit Committee is responsible to oversee and monitor how management carries out these functions. The Audit Committee must also satisfy itself that the responsibilities of the external auditor are effectively discharged. The Audit Committee will advise and make recommendations, where necessary, to Council on the following:

#### 4.1 The External Audit Function

##### *Oversight of the independent audit process*

- 4.1.1. Recommend appointment of the external auditor to Council for approval;
- 4.1.2. Review the terms of engagement, fees and scope of the external audit and any non-audit services provided;
- 4.1.3. Review any reports and correspondence from the external auditor relating to the Municipality, including the annual communication from the external auditor on independence matters;
- 4.1.4. Review the external auditor's findings including evaluation of accounting principles applied, significant accounting estimates, significant audit misstatements, the effectiveness of, or weaknesses in, internal controls, significant related party transactions and any difficulties encountered during completion of the audit;
- 4.1.5. Receive reports from management summarizing progress made in resolving issues raised by the external auditors;
- 4.1.6. Meet privately with the external auditors to discuss any matters that the Audit Committee or the external auditors believe should be discussed.

#### 4.2 Financial and Other Reporting

##### *Oversight of the financial reporting process to ensure the integrity and transparency of financial reports*

- 4.2.1 Review the annual financial statements of the Municipality and its local boards and recommend approval of these financial statements to Council;
- 4.2.2 Review financial and fiscal policies, practices and procedures (eg. accrual policies, investment policies, policies for establishing reserves, reserve funds, etc.);
- 4.2.3 Review significant accounting and reporting developments, including recent and contemplated professional and regulatory requirements and understand their impact on financial reports;
- 4.2.4 Review information used for decision making (including management reports, affirmations, etc.), as to integrity, timeliness and comprehensiveness.

#### 4.3 Internal Control Systems

##### *Oversight of the effectiveness of the internal control environment*

- 4.3.1 Review and understand the effectiveness of the internal control systems pertaining to the safeguarding of assets and the authorization and recording of transactions;
- 4.3.2 Review and understand the adequacy of internal controls over data processing operations and computer-accessible data;

- 4.3.3 Be satisfied that appropriate monitoring devices are in place to detect dysfunctions, including fraudulent activities;
- 4.3.4 Review the effectiveness of corporate reporting systems regarding administrative and program performance (for example, budget monitoring systems);

#### 4.4 Compliance and Business Risk Management

##### *Oversight of the Municipality's compliance with legal, statutory and regulatory requirements and oversight of the Municipality's risk management environment*

- 4.4.1 Review and understand how compliance with laws and regulations is achieved and the adequacy of the systems established to ensure compliance;
  - 4.4.2 Review with management all legal claims and other contingencies that could have an effect on the financial position of the Municipality and the adequacy of related insurance coverages;
  - 4.4.3 Review with management any significant financial risk exposures and processes in place to identify, monitor and manage these risks, including potential risks such as loss of key staff, loss of revenue sources, erroneous financial reporting, regulatory noncompliance, conflicts of interest, fraudulent activities resulting from weaknesses in internal controls.
  - 4.4.4 Review by-laws and policies specifically regulating the conduct of members of council, staff, and suppliers (for example, fraud and theft policies, conflict of interest policy, purchasing by-law, budget control by-law, expense claims policies, etc.);
  - 4.4.5 Review and understand procedures that are in place for communication and follow up of complaints regarding ethics, integrity, internal controls and accounting or auditing matters.
- #### 4.5 Other
- 4.5.1 Review and approve the scope, terms of reference and fees of professional services retained for purposes related to the Audit Committee's responsibilities;
  - 4.5.2 Provide opportunities for private discussion of sensitive matters raised by the external auditor, management relating to personnel, legal, or other matters which could be prejudicial to the corporate interest if discussed in open committee;
  - 4.5.3 Ensure that Audit Committee members receive appropriate orientation regarding the work of the Committee and that training to enhance financial literacy is made available;
  - 4.5.4 Complete periodic self-assessments of the effectiveness of the Audit Committee against its mandate;
  - 4.5.5 Review the Audit Committee Mandate periodically and recommend modifications to Council, as necessary.