



STAFF REPORT

TO: Municipal Council

FROM: Erin Hartley, Deputy CAO

APPROVED BY: Warren MacLeod, CAO

DATE: December 11, 2024

SUBJECT: **Audit Committee - Terms of Reference Amendments**

ORIGIN

Audit Committee Terms of Reference updates.

RECOMMENDATION

Be it resolved that the Council of the Municipality of the District of Shelburne approve the attached amended Audit Committee Terms of Reference.

BACKGROUND

The Terms of Reference for the Audit Committee were approved by Council in June 2023. A few minor items have been added for clarity.

DISCUSSION

Section 3 (h) has been added to ensure the committee members are held accountable to the Municipality's Code of Conduct.

Section 4 (4) has been amended to clarify the two (2) year term for appointment of members.

Section 4 (8) has been amended to clarify that the onus of obtaining the required training is on the member to complete it on their own time. Also, that proof of training is supplied to the staff resource for appropriate record keeping.

ATTACHMENTS

Draft Amended Audit Committee Terms of Reference

Municipality of the District of Shelburne
AUDIT COMMITTEE

Terms of Reference

1. Purpose

The purpose of the Audit Committee is to act as an advisory board carrying out critical review functions on behalf of Council. The function of the audit committee is to assist Council in fulfilling their oversight responsibilities related to quality and integrity of financial reporting.

2. Authority

Council and Committee gains its responsibility and authority under Sections 44 of the *Municipal Government Act*.

3. Duties and Responsibilities

1. The duties and responsibilities of the Audit Committee are to:
 - a) carry out a detailed review of the financial statements of the Municipality with the auditor;
 - b) receive information regarding the evaluation of internal control systems and any management letter with the auditor;
 - c) carry out a review of the conduct and adequacy of the audit;
 - d) make recommendations to Council to carry out such matters arising out of the audit as may appear to the audit committee to require investigation;
 - e) carry out such other matters as may be determined by Council to be the duties of an audit committee;
 - f) make recommendations to Council regarding the acceptance of the yearly audit;
 - g) advise on any other matters as may be determined by Council from time to time.

2. The Audit Committee is committed to effective decision making and once a decision has been made, speaking with one voice. Towards this end, committee members will:
 - a) refrain from “lobbying” outside of committee meetings that might have the effect of limiting free and open discussion;
 - b) on important issues, encourage consensus decisions as well as ones that strive for collaborative rather than compromise solutions;
 - c) once made, support majority decisions, even if one’s view is a minority one;
 - d) respect the confidentiality of information on sensitive issues;
 - e) refrain from speaking for the committee unless authorized to do so by motion of the committee;
 - f) disclose one’s involvement with other organizations, businesses or individuals where such a relationship might be viewed as a conflict of interest;
 - g) not act or speak on behalf of the Municipality.
 - h) **adhere to the Municipality’s Code of Conduct.**

4. Committee Composition

1. Membership on the Audit Committee shall include two elected representatives and an alternate from the Municipality of the District of Shelburne and one member of the public, duly appointed by Council annually pursuant to Section 44(1) of the *Municipal Government Act*. Members of the public appointed to this committee should have strong financial backgrounds and be able to comprehend complex financial and regulatory processes.
2. The Director of Finance shall act as the staff resource for the Audit Committee. The Finance Clerk shall act as the recording secretary for the Audit Committee.
3. Member applications shall be vetted by the CAO and member appointment will be by Council motion. Members of the public can not be related to a member of Council or to an employee of the Municipality.
4. At the end of each **two (2) year** term a Committee member may express their interest in continuing as a member or resign as a member.
5. Where a vacancy occurs on the Committee, the Council shall appoint a person to fill the position as soon as possible; that person shall hold office for the remainder of the term of the member in whose place that person is appointed.
6. Where there is a member of the public vacancy the Committee shall continue to meet and perform its duties and may exercise its powers; and the municipality shall advertise to recruit a new community member at least once every six months until the position is filled.
7. Each member will serve without remuneration but shall be reimbursed for such expenses as are necessarily incurred by such member in the discharge of the member's duties, with prior approval from the CAO.
8. Each member must complete training as prescribed by the Department of Municipal Affairs **on their own time and provide proof of training to the staff resource.**
9. The Audit Committee shall elect a Chairperson and Vice Chairperson annually from among its members.
 - a) The Chairperson is accountable to Council for their performance.
 - b) The Chairperson has no formal authority to direct the Committee, unless specifically authorized by Council by resolution.
 - c) Primary duties of the Chairperson include:

- i. Chairing all meetings of the Committee;
 - ii. Enforcing rules as they apply to the Committee and its individual members;
 - iii. Disciplining members of the Committee in consultation with the CAO;
 - iv. Ensuring full and timely communication with members of the Committee;
 - v. Ensuring effectiveness of the Committee;
 - vi. When any person uses profanity and/or obscene language or unbecoming behaviour, that person shall be advised by the Chair that they are out of order and asked to apologize. If no apology is forthcoming then the person shall be asked to leave the meeting immediately. If the person fails to leave the meeting then the Chair shall adjourn the meeting until the matter has been resolved. If necessary the Chair will ask the CAO or staff resource to contact the RCMP to address the matter.
 - d) Unless otherwise indicated, the Chair may be removed by a resolution of the Committee or by resolution of Council for which advance notification has been given to all members, duly moved and seconded, and passed by majority of members present at a regular or special meeting of the Committee or Council.
 - e) The Vice Chairperson shall act in the place of the Chairperson during absences, unavailability or conflicts on interest of the Chairperson.
10. Municipal Auditor's role is to conduct the yearly financial audit of the Municipality's accounts and funds in order to provide an independent opinion on the financial condition of the Municipality, including confirmation that the funds and accounts of the Municipality clearly represent the financial position of the Municipality on a given date. The Auditor will meet with the Committee at least twice annually to review the engagement and audit process, materiality limits, timetable and proposed fees at the outset, followed by a review of the draft financial statements, management letter and Financial Information Return after the audit.
11. The Audit Committee shall report directly to the Council of the Municipality of the District of Shelburne and indirectly to the Chief Administrative Officer for operational and administrative support.
12. The Audit Committee must maintain minutes of its meetings and submit written reports to Council.
13. All meetings of the Audit Committee are considered public, except those matters deemed to be private and confidential in nature and subject to Section 22 of the Municipal Government Act. Minutes and subsequent resolutions of such meetings shall be recorded and publicly available upon approval by the Committee. Information and reports of the

Committee shall be subject to normal Freedom of Information and Protection of Privacy (FOIPOP) regulations.

5. Meeting Requirements

1. Meetings of the Audit Committee shall be held whenever circumstances demand such a meeting, however the Committee must meet at least two times per fiscal year. The Committee will generally meet in January and July, during regular office hours. Additional meetings may be held, or the above meetings date and times changed, when prior notification is provided to Committee members;
2. No decisions may be made at any Audit Committee meeting without a quorum (at least two of the three voting members). All decisions of the Audit Committee shall be made by majority vote of committee members. Where a majority is not forthcoming, the vote shall be determined in the negative.
3. Agendas will be developed to address its terms of reference and responsibilities.

Approved by Council: June 28, 2023

Amended by Council: December 11, 2024