

Audit Committee Terms of Reference

The Audit Committee Terms of Reference outlines the Committee's composition, authority, meetings, reporting, mandate, and procedure.

Composition:

The Audit Committee is an advisory committee of Regional Council and will be comprised of the Regional Chair, and at least three other Councillors.

Members of the Audit Committee should be financially literate which includes:

- understanding of the Region's internal and external reporting, accounting policies and process;
- a general understanding of the Region's major economic, operating, and financial risks;
- a broad awareness of the interrelationship of the Region's operations and its financial reporting; and
- understanding the difference between the oversight function of the Committee and the decision-making function of management

Audit Committee deliberations will normally be supported by staff including the CAO, Internal Auditors, Commissioner of Corporate Services/Treasurer, Director, Financial Management & Planning and other appropriate staff as required.

The length of term to be served by members on the Committee is concurrent with the term of Regional Council, giving consideration to the benefits of periodic rotation of committee membership.

The Audit Committee Chair and Vice Chair will be elected from the Committee members for a two year term at the first meeting of the year and two years subsequent to that date.

Authority:

Regional Council may authorize the Audit Committee to investigate any activity of the Region. All employees are to co-operate as requested by the Committee. In addition, any Standing Committees may request that any activity be considered for an audit with requests submitted directly to Audit Committee.

With approval of Regional Council, the Audit Committee may assign staff (e.g. Internal Audit) or retain persons or a third party having special expertise to assist the Committee in fulfilling its responsibilities.

Meetings:

The Audit Committee shall meet at least four times per year or at the call of the chair as required.

The meetings will be scheduled to permit timely review of internal and external financial reporting and special purpose audit reports. Additional meetings may be held as deemed necessary by the Regional Chair, Audit Committee Chair or as requested by any Committee member or the external auditors.

At the beginning of each year a meeting schedule will be proposed that meets the above criteria and proposes the subject matter to be considered at each meeting.

Reporting:

The minutes of meetings of the Audit Committee will be provided to Regional Council for final approval.

Mandate:

The Audit Committee assists Regional Council in the provision of effective municipal governance by advising on complex accounting policies, accounting estimates, internal controls, financial statement disclosures, safeguarding of corporate assets, compliance with legal, ethical, and regulatory requirements and the efficient and effective use of resources.

The responsibilities of the Audit Committee are to satisfy itself, on behalf of Regional Council on the following matters:

1) External Audit

- Niagara Region's annual consolidated financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to Council whether the annual financial statements should be approved;

- Audited financial statements of the Niagara Region's boards, agencies, and commissions, and other audited financial statements be received for information purposes following approval by the respective Board or Standing Committee, to assist in its overall assessment of the Region's annual consolidated financial statements and internal controls over financial reporting;
- The Region has implemented appropriate systems of internal control over financial reporting and that these are operating effectively;
- The Region has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements;
- The external audit function has been effectively carried out and that any matter which the independent auditors wish to bring to the attention of Audit Committee, and/or Council has been addressed; and
- The Audit Committee will approve the replacement, reappointment and/or appointment of the external auditors to Council.

2) Internal Audit

- Audit Committee will review and approve the mandate for the internal audit function (Internal Audit Charter) and ensure that all of the Region's operations are considered for review based on a risk-based annual work plan;
- The Region has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements;
- The audit function is effectively carried out and that any matter which the independent auditors wish to bring to the attention of Audit Committee, and/or Council has been addressed;
- Audit reports are relevant, reliable, objective and transparent. In making this assessment, the Audit Committee may recommend the use of external subject matter experts. For purposes of efficiency and matters of budgeting expenditures, it is recommended that the use of subject matter experts be determined annually when the Internal Audit work plan is approved;
- As necessary, Quality Assurance reviews are conducted in accordance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing;

- Internal auditing includes a review of the adequacy of internal control systems for safeguarding assets, the effectiveness of corporate reporting systems regarding administrative and program performance and the level of compliance with legislation, regulations, corporate objectives, policies and ethics;
- Assess the Region's system of internal financial controls and the control environment to gain reasonable assurance that such controls are effective and efficient and assist Audit Committee in assessing whether management has created a culture of integrity and an effective control environment throughout the organization;
- Review all internal audit reports and provide advice to Regional Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of best practice; and
- Monitor management's implementation of internal audit recommendations.

Applicability of Procedural By-Law:

As an advisory committee of Council, the Audit Committee is governed by the sections of the Region's Procedural By-law relating to advisory committees.