Audit Committee (AC)
Terms of Reference

Definitions

For the purposes of these Terms of Reference, the following definitions shall apply:

a) "Township" means the Municipal Corporation of the Township of Tay;
b) "Committee" means the Audit Committee;
c) "Council" means the governing body of the Township;
d) "Councillor" means an elected official of the Township, including the Mayor;
e) "Independent Auditor" means an auditor appointed for the Township as required by the *Municipal Act, 2001;*
f) "Internal Controls" means systems, processes, and procedures developed to:
    i. Safeguard assets;
    ii. Ensure the accuracy of the financial data;
    iii. Promote operational efficiency; and
    iv. Promote adherence to policies;
g) "Mayor" means the chief elected official of the Township;
h) "Member" means an individual appointed to the Committee;
i) "Municipal Act" means the *Municipal Act, 2001*, as amended;
j) "Procedural By-law" means the Township By-law which provides the Rules of Procedure for Council and its Committees.

Purpose

As a Committee of Council, the Audit Committee will be responsible for overseeing all material aspects of the Township's financial reporting, control, and audit functions.

The Committee will focus on the qualitative aspects of financial reporting and on the Township's processes for the management of financial risk and for compliance with significant applicable legal, ethical, and regulatory requirements. The Committee provides a focal point for communication between Council, the independent auditor, and management, and facilitates an impartial, objective, and independent review of management practices.

Responsibilities

The Committee shall:

a) Review and assess the annual financial statements before they are brought forward to Council;

b) Review and assess the key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditors' views, and the basis for audit conclusions;
c) Recommend changes to important accounting principles and the application thereof in annual financial reports;
d) Review reports from the independent auditors as well as any audit problems or difficulties and management's response;
e) Maintain strong, positive working relationships with management, independent auditors and other advisors.

The Committee may request a report from the Treasurer on matters within its mandate and within approved budgets.

When the Committee reviews a report it may:

a) Receive it for information;
b) Send it to Council with or without recommendations;
c) Request additional information about matters relating to the report before sending it to Council with or without recommendations.

Risks and Controls:

Review and assess the Township's business and financial risk management process, including the adequacy of the overall control environment and controls in selected areas representing significant risk.

Review and assess the Township's system of internal controls for detecting accounting and financial reporting errors, fraud and defalcations, legal violations, and non-compliance with the corporate code of conduct.

Review the related findings and recommendations of the independent auditors, together with management's responses.

Independent Audits:

Recommend to Council the independent auditor firm to be engaged.

Monitor performance of the independent auditors and ensure that all relevant issues are reported to the committee.

Obtain a formal written statement from the independent auditors on their independence. Additionally, discuss with the auditors any relationships or non-audit services that may affect their objectivity or independence.

Consider, in consultation with the independent auditors, their audit scopes and plans to ensure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

Review with management and the independent auditors the results of the annual audits and related comments, including any difficulties or disputes with management, any significant changes in the audit plans, the rationale behind adoptions and changes in accounting principles, accounting estimates requiring significant judgments, and the quality of the accounting principles and financial disclosures adopted.

Review and approve the scope, terms of reference, and fees of professional services retained for purposes related to the Audit Committee's responsibilities.

Provide opportunities for private discussion of sensitive matters raised by the independent auditor, management relating to personnel, legal, or other matters, which could be prejudicial to the corporate interest if discussed in open committee.

Complete periodic self-assessments of the effectiveness of the Audit Committee against its mandate.

Review the Audit Committee Mandate periodically and recommend modifications to Council, as necessary.

Composition

The Committee shall consist of a minimum of five (5) voting members, being a minimum of three (3) citizen member appointments and two (2) Council representatives, one (1) being the Mayor. Member appointments shall be adopted by Council at the first Regular Council Meeting of each term.

Committee Members should have:

a) Knowledge of the municipal environment in which the corporation operates;
b) Ability to read and understand financial statements (internal and external); and
c) Ability to understand key business and financial risks and related controls and control processes.

At least one (1) member of the Committee should be literate in business and financial reporting and control, including knowledge of regulatory requirements, and should have past employment experience in finance or accounting or other comparable experience or background.

Staff representation shall consist of the Treasurer, Financial Analyst, and/or their designate, and other staff resources, as required. Staff shall be non-voting members and shall not be included to establish quorum. Staff responsibilities as they relate to this Committee are limited to Agenda creation and Minutes recording, as well as related internal administrative processes.

Committee Members shall be appointed by By-law for the term of Council, four (4) years, and until their successors are appointed. In the event that a membership vacancy presents itself during the Term of the Committee, Council shall fill the vacancy by appointment without the need to advertise.

Chair/Vice-Chair

At its first meeting of each term of office, the Committee shall elect a Chair and Vice-Chair from among its citizen members. If the role of the Chair becomes vacant for any reason during a term of office, the Committee shall elect a new Chairperson from among its citizen members.

The Vice-Chair shall assume the role of the Chair in their absence.

Quorum

A majority of voting members are required to be present to constitute a quorum.

Meetings

The Committee shall meet at the call of the Treasurer and/or Chair.

The Committee shall endeavor to meet at least three (3) times each calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or Chair.

If a Member is absent from three (3) consecutive meetings without cause as established by the Committee, the Chair shall contact the Member in writing to confirm whether they wish to continue serving on the Committee and commit to the remainder of their term. Where a Member advises that they no longer wish to serve, or does not respond to the Chair's written request, the Chair may recommend to Council that the Member be released from their duties and replaced.

Meeting Agendas shall be prepared and distributed to all Committee members prior to each regular meeting and the business of the Committee shall be taken up in the order in which it appears on the Agenda.

Minutes of all Committee Meetings shall be prepared by the Committee’s Staff Resource and submitted to Council as part of the following regular Council Agenda.

Resources

The Committee shall request members of management, as well as any other individual as is deemed appropriate, to participate in Committee Meetings as applicable, so the Committee may fulfill its responsibilities.

Sub-Committees

The Committee, as its sole discretion, may pass a resolution to appoint sub-committee(s) on an ad-hoc basis to deal with specific issues relating to its core mandate. A Sub-Committee so appointed shall produce meeting notes to report to the regular Committee's meeting. Appointments to any sub-committee shall be only for the duration of the Sub-Committee's assignment.

For reference purposes, Sub-Committees are not required for activities within the Purposes and Responsibilities of the Committee as detailed in this Terms of Reference document.

Reporting

As referenced under the "Meetings" section of this document, the Committee shall report directly to Council through formal recommendations to be considered at the following regular meeting of Council.

The Legislative Services Division, in consultation with the Staff Resource(s), shall review the Terms of Reference of the Committee prior to the end of the Council Term and make any recommendations for amendments prior to the appointment of the new Committee.

Remuneration

The public members of the Committee shall receive an annual stipend based on $25.00 per meeting to a maximum of $250.00 annually. Committees meeting monthly shall not meet during the months of July and August in order to reflect a Committee summer recess, unless deemed necessary by the Committee and/or Chair. Committee remuneration is based on a maximum of ten (10) meetings per year.

Terms of Reference Approved: AUGUST 26, 2026