

The Corporation of the City Of Kenora

By-law Number 90 - 2011

A By-law to Establish Terms of Reference for the City of Kenora Audit Committee

Whereas the Council of the City of Kenora adopted the Terms of Reference for the Audit Committee by by-law on November 16, 2009; and

Whereas Council deems it necessary and expedient to amend the Terms to meet changing requirements;

Now Therefore the Council of the Corporation of the City of Kenora hereby enacts as follows:-

1. Objectives

The objectives of the City of Kenora Audit Committee shall be to:

- Further enhance Council's understanding of financial and control reporting.
- Help ensure independent, objective assurance with regards to the City's financial systems and its overall operations, both externally (as provided by the City's External Auditors) and internally.

2. Membership

The Audit Committee shall be comprised of six members, as follows:

- Three Members of Council
- The Mayor (ex officio)
- Two Citizen Appointees

Council shall appoint all members of the Audit Committee. This Committee shall be an independent Committee of Council.

3. Qualification of External Members

Qualifications of external Members shall include:

- Appropriate academic qualifications in accounting and / or business management; and / or an equivalent combination of business experience and knowledge.
- Independence of judgement from, and no financial self-interest in, the Municipality.
- Eligibility to be an elector in the City of Kenora.

Where possible, it would be preferable for at least one member of the Audit Committee to possess an accounting designation.

4. Term of Office

The term of appointment for the Audit Committee members shall be as follows:

- Elected Committee Members shall be appointed at the pleasure of Council, coincident with the term of City Council.
- External Committee Members shall be appointed for a period of one, two or three years, or a portion thereof, with termination dates staggered to ensure an overlap of terms and continuity of experience.

Where possible, any vacancies shall be filled within three months of the occurrence.

5. Committee Resources

The CAO, Manager of Finance and Administration and Internal Auditor positions are identified as permanent resource personnel to the Audit Committee. These positions shall attend meetings as required, with at least one of the foregoing at each meeting. The attendance of additional staff members at Committee meetings shall be at the discretion of the CAO and the Chair. Resource personnel shall not be considered voting members of the Audit Committee.

6. Election of Chair and Vice Chair

The Committee shall, at the first meeting of a new term, elect from its members a Chair and a Vice Chair.

7. Meetings

The Audit Committee shall meet on a regular basis. At a minimum, the Committee shall meet two (2) times throughout the year. Additional meetings would be scheduled as required. The Committee meetings are open to the public except in the case of in-camera reports. In addition, all minutes of Audit Committee meetings are available to the public.

8. Quorum

Any three members shall constitute a quorum.

9. Remuneration

Audit Committee Members shall serve without remuneration.

10. Pecuniary Interest

All members of the Committee shall disclose any pecuniary interest, if applicable, over any issue coming before the Committee. Those members shall withdraw from participating in the discussion or voting on any such issue, in accordance with the Municipal Conflict of Interest Act. Disclosure of any pecuniary interest shall be recorded in the minutes of the Committee.

11. Committee Responsibilities

The Audit Committee shall be responsible for making recommendations directly to Council regarding the following:

- a) Internal Audit Function
- b) Corporate Control Framework
- c) Performance Measures / Benchmarking
- d) External Audit Function
- e) Financial and Other Reporting
- f) General and Administrative

Internal Audit Function

- Confirm and assure the independence of the Internal Auditor.
- Review and approve the annual audit work plan recommended by the Internal Auditor and approved by the Manager of Finance & Administration.
- Monitor the performance of the Internal Auditor in carrying out the approved audit work plan.
- Review assurance reports issued during the year and, where required, recommend to Council the acceptance, amendment or rejection of the report recommendations.
- Review the adequacy of management responses to audit concerns in relation to the risks and costs involved.
- Review reports from the Internal Auditor on the status and implementation of approved assurance recommendations.
- Receive and review requests for internal audit reviews and determine priority for assigning audit staff.

- Review the mandate for the Internal Auditor position and ensure that the position is adequately meeting the City's internal audit needs.
- Provide an open avenue of communication between the Internal Auditor and Council.

Corporate Control Framework

- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
- Review the City's internal control processes and systems to ensure compliance to those policies, plans, procedures, laws and regulations that could have an impact on operations and reports.
- Review the means of safeguarding corporate assets and, as appropriate, verify the existence of those assets.
- Review operations or programs to determine whether results are consistent with established goals and objectives.
- Appraise the economy, efficiency and effectiveness with which resources are employed and determine whether or not value-for-money is provided by City programs and projects.
- Supervise the investigation of any instances of non-compliance and make recommendations to Council thereon.

Performance Measures / Benchmarking

- Review performance measures / benchmarking in accordance with annual Ministry requirements.
- Review and approve planned criteria for utilizing performance measures / benchmarking as a method for ongoing evaluation of City operations in relation to the risks and costs involved.
- Ensure appropriate systems are in place for gathering data required for performance measures / benchmarking.
- Review ongoing performance measures / benchmarking information, including direction to Internal Auditor position for investigating areas of concern.

External Audit Function

- Confirm and assure the independence of the external auditor, including the approval and review of all additional audit, management consulting and other fees of the external auditor.
- Recommend the selection and / or dismissal of the external auditor to Council as required.
- Review the terms of engagement, scope and performance of the external audit services provided.
- Approve the fees for the audit.
- In conjunction with all of Council, review the annual audited financial statements with management and the external auditors and recommend approval to Council.
- Review any matters brought to the committee's attention by the external auditor and determine the appropriate disposition thereof.
- Review any large / unusual transactions, judgements, contingencies, estimates or any changes in accounting principles and practices followed by the City, that have a material effect on the financial statements. Ensure there is adequate disclosure as required in the audited financial statements.
- Examine any changes in standards, regulations or legislations that affect the City's financial reporting and control.
- Review and discuss with the external auditor the Management Letter, agree with Management on the appropriate course of action, and make recommendations to Council, where necessary.
- Discuss with the external auditor the annual evaluation of the internal control systems, if appropriate, together with any related recommendations for improvement.

- Meet with the external auditor to discuss all material issues and ensure that any matter that the external auditor brings forth has been given adequate attention, including any appropriate action.
- Meet regularly with the external auditors to build an effective reporting relationship. Provide an open avenue of communication between the external auditor and Council.

Financial and Other Reporting

- Review any report, to the extent that such a report discusses the City's financial position or operating results, which accompanies the published financial statements to ensure consistency with the annual audited financial statements.
- Review significant current or pending litigation and outcome.

General and Administrative

- Review and update the Audit Committee Terms of Reference annually.
- Recommend to City Council the appointment, the dismissal or the suspension of the Internal Auditor, including any terms of any related separation agreement.
- Any other matter that could come within the scope of the auditors, either internal or external.

12. Effect

That this by-law shall take effect and come into force upon third and final reading.

13. Repeal

That By-law Number 169-2009 be and is hereby repealed.

**By-law read a First and Second Time this 15 day of August, 2011
By-law read a Third and Final Time this 15 day of August, 2011**

The Corporation of the City of Kenora:-

David S. Canfield, Mayor

Joanne L. McMillin, City Clerk