

NAME OF COMMITTEE:

City of Thunder Bay Audit Committee

ROLE:

The role of the Audit Committee is to provide oversight responsibilities for City Council and the ratepayers of the City of Thunder Bay relating to:

- The financial reporting process;
- The system of internal control;
- The external audit process;
- The internal audit process;
- The City's process for monitoring compliance with laws and regulations.

RESOURCES AND FINANCES:

Members of the Audit Committee are not paid for their participation. Provided these expenditures are made in compliance with the City's established policies, out-of-pocket expenses by members for Committee business will be reimbursed.

COMPOSITION:

The Audit Committee shall be comprised of two members of Council and three citizen appointees.

1. Term

Audit Committee members shall be appointed by City Council, based on the term of office for council (four years), or until their successors are appointed. Where a member ceases to be a member before the expiration of their term, Council will appoint another eligible person for the remainder of the term. At its first meeting of each term of office, the Audit Committee shall elect a Chairperson from among its members. Three members constitute a quorum.

2. Leave of Absence

In the event that a Committee member requests a leave of absence, the committee can decide to either:

- Adjust the total number of members of the committee for quorum during the leave of absence to allow business to continue, thus leaving the position vacant during the approved leave, or
- Replace the member replacing a leave with a temporary committee member during the leave of absence.

Temporary Committee members replacing a leave of absence will still require appointment to the Committee by City Council. Leave of absence requests by appointed Committee members will be considered by the Committee and, if accepted, will be approved by resolution.

3. Qualifications

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.
- At least one member shall have a professional accounting and/or an internal audit designation.
- Independence of judgment from, and no financial self-interest in, the Municipality.
- Must be a resident and/or property owner in the City of Thunder Bay or directly operate a business based in Thunder Bay.

4. Meetings

The Audit Committee shall meet at least three times per year, with additional meetings at the call of the Chair in order to properly discharge its responsibilities as set out in this Terms of Reference.

5. Committee Resource Staff

The following resource staff or their designate shall attend all meetings of the Committee and provide support as required:

- City Manager
- General Manager - Corporate Services
- City Treasurer
- External Auditor
- Manager - Internal Auditor
- Executive Assistant - Corporate Services

The attendance of additional staff members at Committee meetings shall be at the discretion of the Audit Committee chair.

AUTHORITY:

The Audit Committee has the authority to:

- Recommend the appointment of the external auditor for the City of Thunder Bay.
- Resolve any disagreements between management and the external auditor regarding financial reporting.
- Review and provide input to the terms of engagement and work plan for the external auditor.
- Retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information the Committee requires from Management, employees and/or agents of the Municipality.
- Meet with company officers, external auditors, or outside counsel, as necessary.

RESPONSIBILITIES:

The committee will carry out the following responsibilities:

1. Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas, recent professional/regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Recommend to City Council the approval of the annual financial statements.
- Review with management and the external auditors all matters required to be communicated to the committee under Generally Accepted Auditing Standards.

2. External Audit

- Review the external auditor's terms of engagement, fees, proposed audit scope and audit planning.
- Review the performance of the external auditors, and recommend to Council the appointment or discharge of the auditors (subject to Section 296 of the Municipal Act, 2001).
- Review and confirm annually the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the City of Thunder Bay, including non-audit services, and discussing the relationship with the auditors.
- Review and discuss with the external auditor the Management Letter, if appropriate, together with any related recommendations for improvement.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately (in the absence of City administration, regarding matters deemed allowable under the Municipal Act 2001, Section 239).

3. Internal Audit

- Review and approve the Internal Audit Charter.
- Approve decisions regarding the appointment and removal of the Manager – Internal Audit. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Manager – Internal Audit.
- Review and confirm annually the independence of the internal auditor by obtaining statements from the auditor on relationship between the auditor and administration of the City of Thunder Bay.

- Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review with the Manager – Internal Audit the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- Review internal audit reports issued and, where required, recommend the acceptance, amendment or rejection of the report recommendations. Review the adequacy of the management responses to audit recommendations, having regard to the risks and the costs involved.
- Review any requests for special studies and investigations made by Audit Committee members, Council and Administration; review and approve revised audit work plan.
- Meet separately with the internal auditors to discuss any matters that the committee or auditors believe should be discussed privately (in the absence of City administration, regarding matters deemed allowable under the Municipal Act 2001, Section 239).

4. Risk Management & Internal Control Oversight

- Review and discuss with management their responsibility for assessing and managing the City's exposure to risk.
- Review and discuss with management their responsibility for assessing the City's internal control systems and monitoring compliance with laws, regulations and policy.
- Review and discuss with management their responsibility for safeguarding of corporate assets and, as appropriate, verifying the existence of those assets.
- Review the findings of any examinations from the external or internal auditors and management's responses.

5. General

- Review the Audit Committee Terms of Reference annually and recommend modifications to Council, as necessary.
- Provide a summary of all meetings of the Committee to Council.
- Provide an annual report to the Council on the activities of the Audit Committee that identifies how it fulfilled its role and mandate.

CONTACT:

The Administrative Contact for the Audit Committee is the City Clerk. Each Committee member is asked to make sure that his or her contact information is kept current with the City Clerk.

The Office of the City Clerk is reached by:

Telephone at: 625-2230

Facsimile at: 623-5468