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Item No. 10.2.1

**Halifax Regional Council
December 11, 2007**

TO: Mayor Kelly and Members of the Halifax Regional Council

SUBMITTED BY: Melody Campbell
for Councillor Gloria McCluskey, Chair, Audit Committee

DATE: December 5, 2007

SUBJECT: Amendment to the Audit Committee's Terms of Reference

ORIGIN

Audit Committee meeting of November 28, 2007.

RECOMMENDATION

It is recommended that Regional Council approve:

1. The Audit Committee's recommendation to amend the Audit Committee's Terms of Reference naming the Mayor as a voting member of the Committee.

BACKGROUND

At the November 28, 2007, Audit Committee meeting discussion was held on the amendment of the Terms of Reference to name the Mayor as a voting member of the Committee.

BUDGET IMPLICATIONS

There are none associated with this report.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

There are none associated with this report.

ATTACHMENTS

1. Draft Copy of Amended Audit Committee Terms of Reference.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210 or Fax 490-4208.

Report Prepared By: Melody Campbell, Legislative Assistant.

Re-drafted May 31, 2006 for re-circulation and discussion
Referred to Legal Services August 3, 2006.
November 2006 response from Legal provided as underlined text.
Redraft, following Audit Committee Discussions Nov 29, 2006 and Dec 4, 2006.

Audit Committee of Council

Terms of Reference

These Terms of Reference re-confirm the establishment and mandate of the Audit Committee as a Standing Committee of Council.

1. Mandate

The general mandate of the Audit Committee shall be to provide oversight for financial reporting, internal controls and internal and external auditors' activities on behalf of Council and to otherwise perform the duties of the Audit Committee pursuant to Section 44 of the *Municipal Government Act*, including the following activities.

Independent External Auditors

- 1.1 To oversee the appointment of the independent auditors to be engaged by the HRM for external reporting, in keeping with the HRM Procurement Policy and Municipal Government Act, Section 44.
- 1.2. To review and evaluate the performance of the independent auditors and, with full Council, review any proposed discharge of the independent auditors.
- 1.3 To discuss, annually, the related fees of the independent auditors and review the total audit fee in relation to any non-audit services being provided by the independent auditor.
- 1.4 To review all significant written communication between the independent auditors and management, such as any management letter or schedule of unadjusted differences and the exchange of correspondence between the auditors and HRM Legal Services.
- 1.5 To review the audit scope and audit plan of the independent auditors and address the coordination of audit efforts of the independent auditors to ensure the completeness of coverage, reduction of redundant efforts and the effective use of audit resources.

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- 1.6 To review and discuss any significant changes required in the external audit plan.
- 1.7 To review the independent auditors' audit of the financial statements and report, including their judgments about the quality, not just acceptability of the organization's accounting principles as applied to its financial reporting.
- 1.8 To review the independent auditor's review of federal/provincial cost sharing programs administered by the organization and resulting reports, such as the Harbour Solutions Project.
- 1.9 To review and resolve any serious difficulties or disputes with management encountered during the audit.
- 1.10 To review any other matters required to be discussed by the Auditing and Assurance Standards Board under the CICA Handbook – Assurance.
- 1.11 To review all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of each alternative and the treatment preferred by the organization.

Administration Oversight

- 1.12 To review the organization's annual financial statements, related notes, schedules and management's discussion and analysis.
- 1.13 To review the effect of any regulatory and accounting initiatives including related organization's financing structures, as necessary.
- 1.14 To review all critical accounting policies and practices used by the organization, on an appropriate basis, as determined from time to time.
- 1.15 To review with management, the policies and procedures with respect to public officials' and management's use of expense accounts, public monies and public property.
- 1.16 To consider, with management, the rationale for employing audit firms

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other than the principal independent auditors for services that the organization or an independent auditor determines would not be appropriate for the independent auditor(s) to perform.

- 1.17 To inquire of the Chief Administrative Officer and Chief Financial Officer (to be determined) or review the fiscal health of the organization and financial status in relation to the adopted budget.
- 1.18 To review with the Municipal Solicitor legal and regulatory matters, that in the opinion of management, may have a material impact on the financial statements and compliance with federal, provincial or municipal laws and regulations.
- 1.19 To consider the results of any review of these areas by the internal auditor or the independent auditor and management's responses.
- 1.20 To authorize the investigation of such matters arising out of an audit conducted by external or internal auditors as they deem necessary.
- 1.21 To review and discuss identified significant risks or exposures facing the organization, presented by risk management; assess the steps management has taken or proposes to take to minimize such risk and periodically review compliance with such steps.
- 1.22 To review the organization's code of conduct to ensure that it is adequate and up to date.

Internal Auditors

- 1.23 To review with the internal auditor and Chief Administrative Officer the audit scope and plan of the internal auditors to address the coordination of audit efforts to ensure the completeness of coverage, reduction of redundant efforts and effective use of audit resources.
- 1.24 To confirm the adequacy of internal controls including computerized information system controls and security and any related significant findings and recommendations with management's response.
- 1.25 To review and address any difficulties encountered by the internal audit

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team in the course of their audits, including any restrictions on the scope of work or access to required information.

- 1.26 To review the internal audit department budget and staffing.
- 1.27 To review the internal audit charter, on an appropriate basis but not less than once every three years.
- 1.28 To periodically conduct a review process of the Internal Audit function.

2.0 Composition

- 2.1 Members of the Committee shall be appointed by Council and shall be comprised of seven (7) members, including the Mayor and six Councillors

3.0 Appointments

- 3.1 Appointments shall be for two years, commencing December 1st of the year. Members shall be eligible for re-appointment annually in accordance with the established policies for filling committee membership.
- 3.2 The term of appointments shall be staggered to ensure that no more than two members rotate from the committee in any one year.

4.0 Officers

- 4.1 The Committee shall annually elect a Chair and Vice-Chair from the Council membership *at the first meeting in December.*

5.0 Administrative Support

- 5.1 The Municipal Clerk's Office shall provide clerical support and keep the records of the Audit Committee.

6.0 Quorum

- 6.1 ~~Quorum shall be as determined by Administrative Order 1.~~

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7.0 Meetings

- 7.1 The Committee shall *meet on the third Monday of every month, commencing at 9:30am and continuing to approximately 12 noon.*
- 7.2 Additional meetings shall be called as necessary.
- 7.3 The Audit Committee will conduct executive sessions with the independent auditors, chief administrative officer, chief financial officer and internal auditor, municipal solicitor and anyone else desired by the committee to meet the mandate as outlined in Article 1.

8.0 Resignations

- 8.1 Any resignations from the Committee shall be tendered in writing to the Chair, who will advise Council through the Municipal Clerk.
- 8.2 The new appointee approved by Council shall serve the remainder of the vacant term.

9.0 Absenteeism

- 9.1 In the case of any member missing three *consecutive* meetings without the consent or excuse acceptable to the Committee, the member shall be deemed to have resigned.

10.0 Procedure

- 10.1 The meeting shall follow the rules of order (Administrative Order 1) approved by Council as amended from time to time.
- 10.2 Members of the Audit Committee will review annually, the Terms of Reference of the Committee for adequacy and recommend changes to Council resulting from legislative, accounting or auditing standard changes.

11.0 Reports to Council

- 11.1 The Committee shall submit a report on the findings of the independent

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auditor resulting from the audit of the Financial Statements of the municipality and recommend action to be taken, as deemed necessary.

- 11.2 The Committee shall report on significant findings resulting from internal audit work, including the status of recommendations and action items committed to by the Administration.
- 11.3 The Committee shall review and approve the release of internal audit reports following the "Release and Reporting of Audit Findings Guidelines."
- 11.4 The Committee shall submit a report on the work plan of the internal auditors, including the significance of risks identified through the audit planning process.
- 11.5 The Committee shall report, annually, on the activity resulting from the Illegal and Irregular Conduct and Ethical Conduct Policies.
- 11.6 The Chair of the Committee, or designate, may make reports to Council on the activities of the Committee as necessary, or as requested by Council, together with such other presentations that the Committee may deem advisable.

12.0 Amendments

- 12.1 The Committee may from time to time recommend to Council the amendment of these Terms of Reference following an appropriately voted resolution.

13.0 Expenses

- 13.1 Each Council Member of the Committee shall serve without remuneration, but may be reimbursed by Council for any necessary expenses incurred while engaged in official duties, provided such expenses are approved by Council in advance.
- 13.2 The Audit Committee shall be authorized to hire professional consultants as required to fill the mandate of the Committee, funding sources to be determined each budget period by Council.