



## **AUDIT COMMITTEE TERMS OF REFERENCE POLICY**

### **Introduction**

The Town of Trenton (hereafter “the Town”) has established the Audit Committee as a standing advisory committee to provide Council with advice and recommendations in guiding municipal initiatives related to the financial audit and oversight.

### **1. Authority**

#### 1.1. Municipal Government Act

The Town of Trenton is authorized to establish committees of Council, as per Part I, Sections 24-27 of the Municipal Government Act, 1998, c. 18, s. 1.

#### 1.2. Town Policies

All committee work will be carried out in accordance with the Town of Trenton’s Committee Procedural Policy (COM-20201013). Members are expected to operate in compliance with this policy and all policies, laws and regulations governing the Town.

### **2. Mandate**

The primary function of the Audit Committee (“the Committee”) is to assist Council in fulfilling its oversight responsibilities, outlined in the Municipal Government Act, related to quality and integrity of financial reporting. Consistent with this function, the Audit Committee assures fair presentation of the financial position and results of operations of the Town of Trenton in accordance with Canadian generally accepted accounting principles and ensures that appropriate systems and controls are maintained for the proper recording of transactions and protection of assets. The Audit Committee enhances the credibility of financial reporting, the independence of external auditors and increases the reliability of financial reporting.

### **3. Responsibilities and Functions**

#### 3.1. Financial Reporting Function – Responsibilities Related to the Financial Reporting

The Committee shall:

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## ***Town of Trenton***

POLICY NO. COM-20210309-02

APPROVED: 2021-03-09

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- 3.1.1. review the audited annual financial statements in depth with management and the external auditor; if satisfied that they present fairly the financial position and results of operations, recommend their acceptance to Council;
- 3.1.2. review with management any changes in accounting principles and practices followed by municipalities or village commissions;
- 3.1.3. review any significant variance in comparison to prior year and/or budget;
- 3.1.4. review and discuss the financial condition indicators;
- 3.1.5. review and recommend to Council for approval comprehensive financial reports to be completed by management on a quarterly basis;

### 3.2. External Audit Function – Responsibilities Related to the Work of the Auditor

The Committee shall:

- 3.2.1. discuss the extent, timing and completion of the audit including the level of materiality to be used;
- 3.2.2. review estimated and final audit fee;
- 3.2.3. discuss whether the terms of the letter of engagement were met;
- 3.2.4. review the conduct and adequacy of the audit;
- 3.2.5. recommend to Council the change of the municipal auditor if management questions the competence of the incumbent auditor and the Committee confirms the view; the recommendation to appoint a new auditor would follow an adequate inquiry into the auditor's competence and reputation;
- 3.2.6. review the problems and restrictions encountered by the auditor and degree of cooperation received.

### 3.3. External Auditor Relationship

The Committee shall:

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## ***Town of Trenton***

POLICY NO. COM-20210309-02

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- 3.3.1. recommend the appointment of the municipal auditors annually;
- 3.3.2. review and approve the overall scope and approach of the auditors' audit plan;
- 3.3.3. review the auditor's performance, including a review of all relationships and engagements between the auditor and the Town for non-audit services that may reasonably be thought to bear on the independence of the auditor.
- 3.3.4. The Mayor and the CAO will sign the Financial Statements of the Town.

### 3.4. Accounting System and Internal Controls Function – Responsibilities Related to Internal Controls

The Committee shall:

- 3.4.1. obtain and review the management and internal control letter addressed to Council;
- 3.4.2. discuss with the auditor the annual evaluation of the internal control systems related to the financial reporting and the recommendations for improvements of accounting procedures and internal controls related to the financial reporting, together with management's response;
- 3.4.3. discuss management's response to the recommendations and adequacy of management's action plan;
- 3.4.4. obtain reasonable assurance that the Town has implemented appropriate systems of internal controls over the financial reporting and that these systems are operating effectively;
- 3.4.5. obtain assurance the Town is in compliance with its policies and procedures and that these systems are operating effectively.

### 3.5. Risk Management Function – Responsibilities Related to Risk Management

The Committee shall:

- 3.5.1. understand the risks of the Town;
  - 3.5.2. review the Town risk management controls and policies;
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## ***Town of Trenton***

POLICY NO. COM-20210309-02

APPROVED: 2021-03-09

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3.5.3. review with management on an annual basis risk management practices including insurance coverage.

### 3.6. Alleged Wrong-Doing Function – Responsibilities Related to Questionable Activities

The Committee shall:

3.6.1. review and act upon such matters arising from the audit as may appear to the Audit Committee to require investigation;

3.6.2. enquire fully into any activities or transactions that may be illegal, questionable or unethical, and into the Town's control procedures to ensure that such activities are being guarded against;

3.6.3. ensure management has implemented a policy and/or process to review and respond to complaints or allegations of wrong-doing or questionable acts by elected officials, or Town employees; and

3.6.4. review and advise Council with respect to complaints or allegations of wrong-doing.

### 3.7. Statutory and Regulatory Compliance Function and Other Responsibilities

The Committee shall:

3.7.1. review the Town's compliance with statutory and regulatory obligations within the Committee's areas of responsibility (for example, reporting compliance);

3.7.2. review the overall reasonableness of expenses of the CAO and of Council members. Specifically, review the summary of remuneration and expenses schedule for reportable individuals for reasonableness;

3.7.3. review the annual summary hospitality expense note.

## **4. Number of Members**

4.1. The Audit Committee will be composed of:

- 1-2 residents
  - Mayor plus two (2) members of Council
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# Town of Trenton

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4.2. The Audit Committee shall be supported by:

- Town Council
- Chief Administrative Officer (CAO)
- Director of Finance

4.3. It is the responsibility of Council to ensure that Audit Committee members are financially literate and have the skills to serve as effective audit committee members. Members should be sufficiently versed in financial matters to understand the Town’s accounting practices and policies and the major judgements involved in preparing the financial statements.

4.4. Members of the Audit Committee should be independent, and they should not have a relationship with the external auditors and cannot be related to a member of Council or to an employee of the Town. Their independence should be maintained throughout the duration of their time on the Audit Committee.

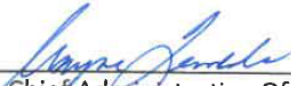

## 5. Meetings

5.1. The Audit Committee shall meet at least quarterly in March, June, September and December;

5.2. Additional meetings may be required to review items related to the audit and will be called by the Chair.

## 6. Administration

This policy supersedes and replaces COM-20180213 (formerly GV-019): Audit Committee Policy. Policy COM-20180213 is hereby rescinded.

		<u>CAO’s Annotation for Official Policy Book</u>	
Policy Number:	COM-20210309-02	Date of Notice to Council Members of Intent to Consider (Minimum 7 Days):	<u>March 01, 2021</u>
Council Approval:	<u>2021/ 03/ 09</u> Y M D	Date of Passage of Current Policy:	<u>March 09, 2021</u>
Effective Date:	<u>2021/ 03/ 09</u> Y M D	I certify that this Policy was adopted by Council as indicated above.	
Supersedes Date:	<u>2018/ 02/ 13</u> Y M D		
		Chief Administrative Officer	Date