


TERMS OF REFERENCE

	Committee:	Audit and Finance Advisory Committee
	Administered By:	Chief Financial Officer / Treasurer
	Approval Date:	February 12, 2024
	Replaces:	AFAC Terms of Reference – March 23, 2023
	Attachment(s):	N/A

1. COMMITTEE NAME

This committee shall be known as the Audit and Finance Advisory Committee (AFAC).

2. MANDATE

2.1. The purpose of the Audit and Finance Advisory Committee is to serve as an advisory body to Council with regards to financial reporting, internal controls, the internal audit function, and, the audit of the annual financial statements.

2.1.1. The Audit and Finance Advisory Committee advise Council specifically on the interrelated areas of; financial reporting, audit activities and risk management and internal controls.

3. SCOPE

3.1. The AFAC Terms of Reference apply to appointed members of the committee for the duration of their appointment.

3.2. The Terms of Reference shall be reviewed and updated periodically at the discretion of the Town Clerk or designate.

4. DEFINITIONS

4.1. **Advisory Committee** – a committee that provides advice and recommendations to Council as requested on areas within their mandate with no authority for decision making or independent actions. Members are appointed by Council and membership typically includes at least one member of Council as liaison.

Common definitions, acronyms, and terms are available in the Glossary located on the Town's Policies webpage.

5. INTERPRETATIONS

Any reference in this policy to any statute or any section of a statute shall, unless expressly stated, be deemed to be reference to the statute as amended, restated or re-enacted from time to time. Any references to a by-law or Town policy shall be deemed to be a reference to the most recent passed policy or by-law and any replacements thereto.

6. GENERAL CONDITIONS

6.1. Composition

6.1.1. The committee shall consist of the following seven (7) members; two (2) of which shall be drawn from Members of the current Council and five (5) of which shall be composed of eligible lay members of the community.

6.1.1.1. To be eligible a lay member shall:

- a. Be a resident of the Town of Amherstburg;
- b. Be a minimum of 18 years of age;
- c. Not be an employee of the Corporation of the Town of Amherstburg; and,
- d. Stated Commitment to the Code of Conduct – Council, Committees and Local Boards.

6.1.1.2. Preference in the selection of lay members will be given to those with the following competencies;

- a. Financial professional with demonstrated skills and experience in providing audit services or accounting as demonstrated by a certification in the field, or progress towards same;
- b. Experience in, or, providing auditing or financial services to, a municipal, provincial, or federal government, or a similar entity such as a local board or regulated industry; and,
- c. Excellent verbal, written, listening, teamwork and collaboration skills.

6.2. Advisory Role

6.2.1. The Audit and Finance Advisory Committee is to serve as an advisory body to Council. The committee does not have any delegated authority. The recommendations which require Council action will be placed on the Council Agenda for consideration.

6.2.2. The Audit and Finance Advisory Committee does not have the authority to direct staff. Recommendations requiring implementation, expenditures, reports or staff actions will be reviewed by staff and considered by Council as necessary before action by staff is taken.

6.3. Communication

6.3.1. Open respectful communication with management, other committee members and advisors as applicable to strengthen the Committee's knowledge of current and prospective issues.

- 6.3.2. Insist on open discussions with management and the external auditors about issues of quality and integrity.

6.4. Committee Meeting Schedule

- 6.4.1. The Audit and Finance Advisory Committee will meet at least four times a year and in line with the provision of financial reporting to which the committee has a role.
 - 6.4.1.1. If a member is unable to attend a meeting, he/she should inform the staff liaison.
 - 6.4.1.2. If a member is absent from these meetings within a calendar year, the member shall be removed from the board/committee.
- 6.4.2. When it is necessary to cancel a meeting (due to inclement weather or prior knowledge of lack of quorum), if time permits, the members should be contacted to advise of the cancellation.
- 6.4.3. Committee meetings are open to the public and are subject to the provisions of Section 239 of the Municipal Act, 2001. Members of the public who are in attendance shall not interfere with the conduct of the Committee.
- 6.4.4. Meetings shall not conflict with regular meetings of Council, or other committee meetings.

7. ADVISORY AND EDUCATIONAL FUNCTIONS

The following items identify functions of the Audit and Finance Advisory Committee:

7.1. Financial Reporting

- 7.1.1. Reviewing other financial information, e.g. reviewing annual report for consistency with the financial information in the financial statements and other audit reports required by the organization.

7.2. Audit Activities

- 7.2.1. Review of all audit and non-audit services to be performed by the external auditor; including receipt of the auditors' annual engagement letter;
- 7.2.2. Reviewing the overall scope of the external audit, including areas of identified risk;
- 7.2.3. Reviewing and discussing the annual financial statements and related note disclosures with the external auditor;
- 7.2.4. Reviewing with the external auditors the results of the audit and determine if there were any difficulties or disputes with management, any significant changes in accounting policies and any management estimates that require significant judgement;

- 7.2.5. Reviewing with the external auditors any internal control weaknesses, and if appropriate, determine whether effective steps have been taken to overcome them; and
- 7.2.6. Recommending the re-appointment (or replacement) of external auditors to Council and their compensation, in accordance with Section 296 of the Municipal Act, 2001.

7.3. Risk Management and Control

- 7.3.1. Reviewing the organization's financial risk management policies specific to fraud;
- 7.3.2. Having a clear understanding of the risks of fraud and error in the entity from communication with the external auditors;
- 7.3.3. Review reports from the external auditor with regards to the adequacy of the system of internal controls and risk management systems to mitigate the financial risks facing the organization and to ensure a strong internal control environment exists;
- 7.3.4. Review with the external auditors the potential risk of management's override of controls or other inappropriate influence over the financial reporting process; and,
- 7.3.5. Review with the external auditors into the condition of the books and records and the adequacy of resources committed to the accounting function and internal controls.

7.4. Other Responsibilities

- 7.4.1. Review the status of all open implementation plans resulting from any external auditor or consultant finding report related to scope of mandate.
- 7.4.2. Review the proposed draft budget for the purpose of making independent recommendations to Council, taking into consideration:
 - 7.4.2.1. Impact of the Capital Budget with regards to the Operating costs;
 - 7.4.2.2. Asset Management Plan;
 - 7.4.2.3. Legislative changes (PSAB, Labour Acts, Municipal Act, Planning Act, etc.); and,
 - 7.4.2.4. Approved Community Based Strategic Plan and other guiding documents or Council resolutions.
- 7.4.3. To consider any additional matters referred for review to the Committee by Council within scope of mandate.

8. **RESPONSIBILITIES**

8.1. **Council** has the authority and responsibility to:

8.1.1. Approve the Terms of Reference for the Audit and Finance Advisory Committee.

8.2. The **Clerk** has the authority and responsibility to:

8.2.1. Ensure the provision of public notice through the creation and dissemination of a public agenda for agenda meeting.

8.2.2. Record the minutes of the meeting including resolutions, decisions and other proceedings at the meeting, without note or comment, in accordance with section 228(1)(a) of the Municipal Act.

8.2.3. Ensure the committee elects or re-elects the Chair and Vice-Chair on an annual basis.

8.3. The **Staff Liaison** has the authority and responsibility to:

8.3.1. Prepare any necessary reports for Council's consideration.

8.3.2. Provide guidance and advice with respect to appropriate, up-to-date, legislation and/or Town finances and to ensure that any recommendations proposed by the committee do not contradict the Town's budget, by-laws, policies or procedures.

8.3.3. Conduct themselves in a professional manner with respect to meetings and reports to Council.

8.3.4. Attempt to reconcile conflicts.

8.3.5. Report any irregularities to the Town Clerk.

8.4. **Members of the Audit and Finance Advisory Committee** have the responsibility to:

8.4.1. Abide by the Committee's Terms of Reference, all Town policies and by-laws.

8.5. **Chair and Vice Chair** has the authority and responsibility to:

8.5.1. Operate under the Town's Procedural By-law.

8.5.2. Facilitate the meeting by identifying the order of proceedings and speakers according to the published agenda.

8.5.3. Ensure active participation by all members.

8.5.4. Maintain decorum and ensure fairness and accountability.

8.5.5. When acting as Chair, generally refrain from participation in the discussion until all members have had an opportunity to speak to the matter.

- 8.5.6. Refrain from making decisions. The Chair can only run a meeting in a fair and efficient manner when the will of the majority prevails after the minority has had a fair chance to present its point of view.
- 8.5.7. Assist staff liaison when possible or when requested.

8.6. **Council Member Appointee(s)** has the authority and responsibility to:

- 8.6.1. Ensure members are fairly and appropriately engaged.
- 8.6.2. Liaise between Council and the committee, providing information and clarification.
- 8.6.3. Ensure members are aware of Council issues that may affect the goals and objectives of the committee, including past actions of Council.
- 8.6.4. When necessary and appropriate, explain the rationale behind the committee's recommendation when brought forward to Council.

9. **REFERENCES AND RELATED DOCUMENTS**

- 9.1. N/A