

Clause 6 in Report No. 2 of Audit Committee was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 29, 2017.

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Audit Committee Charter Review

Audit Committee recommends adoption of the following recommendation contained in the report dated June 5, 2017 from the Director of Audit Services:

1. Regional Council approve the *Audit Committee Charter, Attachment 1*.
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Report dated June 5, 2017 from the Director of Audit Services now follows:

1. Recommendations

It is recommended that Regional Council approve the *Audit Committee Charter, Attachment 1*.

2. Purpose

To obtain Regional Council approval to amend the *Audit Committee Charter*. The Audit Committee Charter requires review every four years as per section 5.8 of the Charter. Two minor administrative changes are being recommended. Additionally, the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* (the IIA Standards) requires this review on a periodic basis.

3. Background

In June 2012 Regional Council approved a change to the *Audit Committee Charter* Section 5.8 to require an assessment and review of the *Audit Committee Charter* every four (4) years (coinciding with municipal elections).

4. Analysis and Implications

Audit Services is recommending two minor administrative changes.

Section 3 of the Audit Committee Charter defines the composition of the Committee which currently states at least three members and no more than five members of Council. We are recommending a change to increase the maximum number of members from five to ten.

Section 5.8 of the *Audit Committee Charter* be amended to read:

- Review and assess the adequacy of the Audit Committee Charter during the term of Council, requesting Regional Council approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

The reasons behind the proposed changes from “every 4 years (coinciding with Municipal elections)” to “during the term of Council” include:

- a) Allowing Council enough time to become familiar with their responsibilities as it pertains to the *Audit Committee Charter*, before Council is requested to review and assess the adequacy of the Charter; and,
- b) Continuing to ensure that the *Audit Committee Charter* is reviewed on a regular basis to meet the *IIA Standards*.

The proposed changes are provided in *Attachment 1* with a black lined version to easily allow identification of the two proposed changes.

The *IIA Standards*, Attribute Standard 1000, states that: “The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.”

5. Financial Considerations

There are no financial implications associated with this report.

6. Local Municipal Impact

Through the Audit Committee’s terms of reference, Regional Council is demonstrating its effective discharge of its oversight responsibilities for financial reporting processes, the systems of internal controls, and the internal and external audit functions.

7. Conclusion

The terms of reference for the Audit Committee reconfirm the practices currently being exercised by the Audit Committee are adequate. These practices include oversight responsibilities for the financial reporting processes, the systems of controls, and internal and external audit functions.

For more information on this report, please contact Paul Duggan, Director Audit Services at 1-877-464-9675 ext. 71205.

The Senior Management Group has reviewed this report.

June 5, 2017

Attachments (1) - *The Regional Municipality of York Audit Committee Charter*

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Accessible formats or communication supports are available upon request

The Regional Municipality of York

Audit Committee Charter

1. PURPOSE

To assist Regional Council in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Region's process for monitoring compliance with laws and regulations and the Code of Conduct.

2. AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees—all of whom are directed to cooperate with the Committee's requests—or external parties.
- Meet with the Region's Management team, external auditors, or outside counsel, as necessary.

3. COMPOSITION

The Audit Committee will consist of The Regional Chair (ex-officio) and at least three and no more than five ten members of Regional Council. The Regional Chair will recommend to Regional Council the Committee members and Regional Council will appoint the members to the Audit Committee. The Audit Committee will elect from among its members a Chair and Vice-Chair.

4. MEETINGS

The Audit Committee will meet at least two times a year, with authority to convene additional meetings, as circumstances require. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

5. RESPONSIBILITIES

The Committee will carry out the following responsibilities:

5.1 Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and 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 Regional 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.

5.2 Internal Control

- Consider the effectiveness of the Region's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses and the timing of the disposition of significant findings.

5.3 Audit Services Branch

- Review with management and the Director, Audit Services, the charter, plans, activities, staffing, and organizational structure of the Audit Services Branch.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Director, Audit Services.
- Review the effectiveness of the Audit Services Branch, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

5.4 External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with Audit Services.
- Review the performance of the external auditors, and recommend to Regional Council the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Region, including non-audit services, and discussing the relationships with the auditors.

5.5 Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the Code of Conduct to Regional personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and the Region’s legal counsel regarding compliance matters.

5.6 Reporting Responsibilities

- Regularly report to Regional Council about Audit Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between Audit Services, the external auditors, and Regional Council.
- Review any other reports the Region issues that relate to Audit Committee responsibilities.

5.7 Adequacy of Region’s Resources

- Review the nature of evolving or developing businesses managed by the Region, including those changes occasioned by business or process redesign.
- As new businesses and ventures are embarked on by the Region, the Committee would carry out a review in order to gain comfort that all appropriate processes have been put in place to evaluate feasibility of the new business, and to ensure proper resources, both human and financial, have been provided.

5.8 Other Responsibilities

- Perform other activities related to this Charter as requested by Regional Council.
- Institute and oversee special investigations as needed.
- ~~Review and assess the adequacy of the Committee Charter every 4 years, (coinciding with the Municipal elections), requesting Regional Council approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.~~
- Review and assess the adequacy of the Audit Committee Charter during the term of Council, requesting Regional Council approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.