

AUDIT COMMITTEE POLICY	
Effective Date 2023.11.21	Approved by Council 2023.11.20

1.0 Purpose/Mandate

The purpose of the Audit Committee is to provide advice to Council on matters relating to audit and finance of the municipality. The Committee fulfills the legislative requirements as outlined in Section 44 of the Municipal Government Act (MGA).

The Committee increases both the reliability and credibility of financial reporting, enhances the independence of external auditors, and influences the overall corporate “tone” for quality financial reporting, risk controls, and ethical behaviour.

2.0 Composition

2.1 Total number of committee members

2.1.1 Minimum of five (5) to a maximum of (7)

2.2 Requirements/expertise

2.2.1 At least two (2) members are Town residents not elected or employed by the Town. In instances in which qualified town residents cannot be found, other qualified applicants may be considered.

2.2.2 Possess or acquire accounting, auditing, financial reporting and/or finance expertise.

2.3 Quorum

2.3.1 The standard measure for quorum shall be 50% plus 1 of the total number of committee members unless otherwise defined in this policy.

3.0 Frequency of Meetings

3.1 Audit Committee meetings will coincide with the stages of the audit:

3.1.1 The first meeting should be before the commencement of the audit. The Committee will review the program and the estimated fee.

3.1.2 The second meeting should take place after the completion of the audit. The Committee will review the annual finance report and management or internal control letter.

3.1.3 There will be no limit to the number of meetings; the Committee shall convene whenever circumstances demand.

4.0 Duties, Responsibilities, Applicable Legislative Requirements

4.1 Audit Committee meetings are open to the public and suggestions and recommendations of the Committee are made available to the public.

4.2 The Committee has unrestricted and complete authority to delve into any affair of the Town. It has full access to staff reports and full access to management and the auditor.

4.3 The Committee must maintain minutes of meetings and annually report to Council on how the committee has performed its duties and met its responsibilities.

4.4 The following list represents the duties and responsibilities of the Audit Committee. However, the Committee may be assigned such other matters as determined by Council to be the duties of the Audit Committee.

4.4.1 Financial Statements

- Review audited financial statements in depth with management and the external auditor. If satisfied they fairly present the financial position and results of operations, recommend approval by Council.
- Review any potential changes in accounting principles and practices.

4.4.2 Audit

- Procure the audit in accordance with the requirements on procurement.
- The scope of the audit should include fair basic financial statements, individual funds, and component units. The audit contract should stipulate that the auditor conforms to generally accepted auditing standards found in the CPA Handbook. Enter into multiyear agreements with independent auditors (at least five years). Undergo a full competitive process in selecting the independent auditor. The auditor's ability to perform a quality audit should be the principal decision-making factor.
- Recommend to Council the change of the municipal auditor if management questions the competence of the incumbent 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.
- At an initial meeting, the Committee should discuss the roles and responsibilities of the auditor and the Committee, as well as the auditing procedure to avoid misunderstandings at a later date. Committee members should be educated regarding their role and responsibilities.
- Review the auditors' risk assessments and overall audit plans.
- Discuss the extent, timing and completion of the audit including the level of materiality to be used.

- Review estimated and final audit fee.
- Promote cooperation between management and the auditor. Review the problems and restrictions encountered by the auditor and degree of cooperation received.
- Discuss whether a letter of engagement and/or a letter of representation exist as part of the audit file.
- Oversee the resolution of audit findings.
- Assess the auditors' performance.

4.4.3 System of Internal Control

- Discuss with the auditor the internal control systems and any recommendations for improvements; obtain and review a management letter; obtain management response to the recommendations from prior years.
- Monitor processes for management's identification and control of key corporate financial and regulatory risk.
- Inquire into any activities or transactions that may be illegal, questionable, or unethical, and into the municipality's control procedures that ensure such activities are being guarded against.
- Monitor compliance with the corporate code of conduct and regulatory requirements.
- Review the overall reasonableness of CAO and Council member expenses.
- Review adequacy of staffing in relation to both number and competence for accounting and financial responsibilities.

5.0 Repeal or Amend

5.1 A Policy known as Audit Committee Terms of Reference dated January 21, 2019, is hereby amended.

I, Ashley Crocker, **Chief Administrative Officer of the Town of Middleton**, do hereby certify that the Policy, of which the foregoing is a true copy, was duly passed at a duly called meeting of the Town Council of the Town of Middleton held on the 20th day of November 2023.

Ashley Crocker

Chief Administrative Officer

Policy Adoption	
Date of 7-day notification to Council	November 6, 2023
Date of Approval	November 20, 2023






3.8 - Audit Committee 2023

Final Audit Report

2023-11-21

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