

# THE CORPORATION OF THE CITY OF WINDSOR

## AUDIT COMMITTEE CHARTER

### ROLE:

The Committee's role is to assist Council in its oversight responsibilities by exercising responsibility for corporate governance, corporate control and financial reporting.

### AUTHORITY:

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility including:

- Retaining outside Legal Counsel, law enforcement or accountants to advise the Committee or assist in the conduct of an investigation;
- Seek information from any employee or management (all of whom are directed to cooperate with the Committee's requests) or external parties.

### COMPOSITION:

The Audit Committee shall consist of 7 members appointed by Council with two of the members also being members of Council. Each member shall be independent of management and be financially literate (as defined by Council). At least one member shall have expertise in financial reporting (or become trained therein). The chair of the Committee will be nominated from the members annually.

### MEETINGS:

The Audit Committee shall meet at least four times each year, with authority to convene additional meetings as circumstances require. Meeting agendas will be prepared and provided to members in advance of the meeting along with appropriate briefing materials. Minutes of meetings will be prepared and approved.

Special meetings may be convened as required at the call of the chair. The City Auditor or External Auditor may convene a meeting if they consider that it is necessary.

The Committee may invite members of management, the City Auditor's Office, External Auditors and others to attend meetings as it sees necessary.

Generally, under normal circumstances, the Audit Committee should plan to meet at least once quarterly. The Committee would meet early in the first quarter of each year to review the external auditor's plans for the annual audit and review the Annual Report of the City Auditor. The Committee would then meet in the second quarter to review the City's audited financial statements and the external auditor's management report. A meeting should be held in the third quarter to address any interim findings or issues of the Committee or the City Auditor as of that time. A meeting should be held later in the fourth quarter to review and approve the City Auditor's plans for the subsequent year. Other meetings may be necessary from time to time to deal with specific financial or performance audits as part of the City Auditor's Work Plan for the year concerned.

**TERM:**

The Audit Committee will serve a term of 3 years coincident with the term of Council. No member of the Audit Committee shall serve more than 3 terms.

**RESPONSIBILITIES:**

1. The primary responsibility for financial and other reporting, internal control and compliance with laws, by-laws, regulations, policies and procedures as well as ethics within the corporation rest with senior management.
2. City Council has oversight responsibilities in those areas that are management's responsibilities.
3. The Audit Committee assists City Council in fulfilling those oversight responsibilities. The Committee shall have unrestricted access to all information, including documents and personnel and have adequate resources in order to fulfill its oversight responsibilities.
4. The Audit Committee shall maintain its independence from corporate management, in fact and in perception, and shall ensure the professional independence of the City Auditor's function and that appropriate actions are taken on audit findings.
5. The Audit Committee shall establish and maintain lines of communication between Council and the Corporation's external auditors, City Auditor and financial management.
6. The Committee shall review to ensure internal audit activities are being carried out in accordance with the "*Standards for the Professional Practice of Internal Auditing*" adopted by the Institute of Internal Auditor or in accordance with similar professional internal auditor standards approved by the Committee.

**ACTIONS:**

a) **Corporate Governance**

- Review corporate policies relating to compliance with by-laws and regulations, ethics, conflict of interest and the investigation of misconduct and fraud;
- Review current/pending legislation, litigation or regulatory proceedings bearing on corporate governance;
- Review cases of employee conflict of interest, misconduct or fraud;
- Require the City Auditor to report in writing annually on the scope of the reviews on corporate governance and any significant findings.

b) **Corporate Control**

- Review the City Auditor's assessment of the adequacy and effectiveness of the City's internal control structure;
- Obtain an understanding of the City's key financial reporting risk areas and the internal control structure therein. The Committee should then monitor the control process through the results of internal and external audits.
- Require the City Auditor to report in writing annually on the scope of the reviews on corporate control and any significant findings.
- Ensure compliance with the Corporation's Code of Conduct.

c) **Financial Reporting**

- Recommend the City's external auditors
- Oversee the external audit coverage including:
  - Engagement letters
  - Estimated fees
  - Timing of external auditor visits
  - Coordination with internal audit
  - Monitor audit results
  - Review of auditor performance
  - Review accounting policies and policy decisions
  - Review financial statements, auditors opinions and management letters
  - Performance Measurement issues

**OTHER RESPONSIBILITIES:**

- a) The Audit Committee shall perform other activities related to the Charter as requested by Council such as:
- Review or oversee special investigations as needed
  - Review and assess the adequacy of the Charter annually
  - Evaluate the Committee's own performance annually
- b) The Audit Committee shall exercise an active oversight role with respect to the internal audit function including:
- Reviewing and approving the City Auditor Charter
  - Reviewing audit plans, staffing and budgets including professional development budgets for internal audit staff
  - Reviewing audit objectives and audit results
  - Requesting audit projects on matters of concern to the committee including:
    - Investigation of potential or suspected fraud, or other irregularities
    - Compliance with laws, by-laws, policies, procedures and regulations
    - Evaluation of external auditors
  - Evaluation of the internal audit function in accordance with the "*Standards for the Professional Practice of Internal Auditing*" adopted by the Institute of Internal Auditors or in accordance with similar professional internal auditor standards approved by the Committee.
  - Review and evaluate the performance of the City Auditor.

**REPORTING:**

The Audit Committee shall regularly report to Council about Committee findings, issues and related recommendations.