



City of
Peterborough

TO: Members of the Audit Committee

FROM: Brian W. Horton, Senior Director of Corporate Services

MEETING DATE: December 13, 2010

SUBJECT: Report CPFRAS10-013
Audit Committee Terms of Reference

PURPOSE

A report to recommend changes to the Audit Committee Terms of Reference and to provide some Audit Committee reference material.

RECOMMENDATION

That Council approve the recommendation outlined in report CPFRAS10-013 dated December 13, 2010, of the Senior Director of Corporate Services as follows:

That the amended Audit Committee Terms of Reference, attached to report CPFRAS10-013 as Appendix A, be approved.

BUDGET AND FINANCIAL IMPLICATIONS

There are no budget and financial implications.

BACKGROUND

At its meeting held August 8, 2006, Council adopted Audit Committee Terms of Reference recommendations set out in Report AC06-001 of the Chief Administrator Officer.

The Terms of Reference are typically presented to the first meeting of a newly-comprised Audit Committee to help Committee members understand their roles.

The Terms of Reference need to be updated, however, to reflect the current process to appoint Audit Committee members and to delete reference to the Internal Auditor.

Appointment Policy

The original terms of reference indicated that the Council Selection Committee of the outgoing Council reviews, interviews and recommends the members of the incoming Council for the Audit Committee. The appointments are reviewed, amended if required, and approved by Council at the Inaugural Meeting of the incoming Council. The Terms of Reference indicate the Chair and Vice-Chair are to be elected by the Committee Members.

For the 2007-2010 Council, the Mayor recommended Audit Committee members as part of the other Council appointments to chairmanships, various committees and local boards. For the 2011-2014 Council, the Mayor has included the Audit Committee Appointments, including Chair and Vice Chair as part of the appointments report presented to the December 6, 2010 inaugural meeting.

Accordingly, it is recommended that the Terms of Reference be updated to reflect the current process of appointing Audit Committee members.

References to 'Chief Internal Auditor'

The original terms of reference referred to a 'Chief Internal Auditor' staff position. At the time, the position was included in the Chief Administrative Officer's full-time staff complement. The position was eliminated as part of the 2009 Budget process, however, before the recruitment was completed.

Accordingly, it is recommended that all references to the 'Chief Internal Auditor' be removed from the Terms of Reference.

Additional Reference Material

The following additional reference material is provided for members of the Audit Committee:

1. “Collins Barrow – Audit Committees”

The City’s Auditors, Collins Barrow Kawarthas LLP have provided a “Collins Barrow – Audit Committees” reference document (attached as Appendix B) which provides additional information on Audit Committees. Although the material is somewhat more geared to the private sector, there are some commonalities to the function of Municipal Audit Committee. Collins Barrow representatives will attend the Audit Committee meeting and can respond to questions.

2. 2009 Financial Statement Booklet

Each year, after all the financial statements have been audited and presentations have been made to each of the various oversight body’s, staff booklet that presents all the financial reports together for ease of future reference. Along with the audited financial statements, the book includes the Treasurer’s Report, the Five Year Review, the Financial Information Return and the report on the results of the Municipal Performance Measurement Program. A copy of The 2009 Financial Statement Booklet is provided with this report.

3. List of Corporate Services staff that hold professional accounting designations

In addition to the Chief Administrative Officer, who is a Certified General Accountant, nine Corporate Services staff identified in Chart 1 hold professional accounting designations – all of whom play some role in preparing the financial statements and the annual audit process. The chart also shows their years of service with the City.

Chart 1
Corporate Services - Professional Accounting Staff

NAME	DESIGNATION	YEARS OF SERVICE
Brian Horton – Senior Director of Corporate Services & Deputy CAO	CGA	34
Sandra Clancy – Manager of Financial Planning & Revenue Services	CGA	25
Richard Freymond – Manager of Financial Reporting and Accounting Services	CGA	14
Cathy Balch – Financial Reporting Analyst	CGA	14
Lionel Towns – Budget and Operations Analyst	CMA	10
Darren Hancock – Chief Accountant	CA	3
Carolyn Hagg – Corporate Financial Analyst	CA	3
Erica Arkell - Corporate Financial Analyst	CMA	2
Allison Holtzhauer – Financial Analyst	CA	2

Certified General Accountant – CGA
Chartered Accountant - CA
Certified Management Accountant - CMA

Summary

Staff propose the Audit Committee Terms of Reference be updated to reflect current practice.

Submitted by,

Brian W. Horton
Senior Director of Corporate Services

Contact Person

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Attachments:

Appendix A – Amended Terms Of Reference For The Audit Committee

Appendix B – Collins Barrow – Audit Committees

Also included - 2009 Financial Statement Booklet

APPENDIX A

AMENDED TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

(Struck text shows deletions, bolded italic text shows additions)

MANDATE:

The Audit Committee is responsible for:

1. Recommending to Council the appointment of the external auditor for the Corporation;
2. ~~Reviewing and concurring in the appointment, replacement or dismissal of the Chief Internal Auditor;~~
3. Reviewing the arrangements for the scope of the annual audit, accounting principles, materiality limits, and the reasonableness of the annual audit fee;
4. Meeting, periodically, with the external auditor to discuss any matters that the Committee or auditors believe should be discussed privately;
5. Reviewing the auditors' report and audited financial statements, and making such recommendations thereon to Council as deemed necessary by the Committee. The Audit Committee must satisfy itself that the financial statements present fairly the financial position and results of operations and that the external auditors have no reservations about them;
6. Reviewing significant accounting and reporting issues and their impact on the financial statements and ensuring that there are no unresolved issues between the Administration and the external auditors;
7. Reviewing the external auditors' management letter together with the implementation plans as advised by the Chief Administrative Officer;
8. ~~Overseeing the Internal Audit charter, staffing and annual work plan including any special investigations and any risk management review projects;~~
9. ~~Meeting periodically with the Chief Internal Auditor to discuss matters that the Chief Internal Auditor believes should be discussed privately and to ensure there are no unjustified restrictions or limitations on the activities of Internal Audit.~~
10. Overseeing the Corporation's financial systems and internal control systems including commenting on the adequacy of resources committed to these areas and any financial and information security risks;
11. Understanding accounting policies and practices;

12. Overseeing compliance with statutory and regulatory financial requirements including monitoring the impact of new standards and the reporting on performance measures as established by the Province;
13. Recommending any non-attest audit services provided by the external auditor;
14. Overseeing the development, implementation and maintenance of an independent process that allows information on problem areas or issues to be identified by individuals, including employees, with appropriate protection of all involved. The Audit Committee recognizes that any human resource or human rights type of issue is beyond the mandate of the Audit Committee and shall be managed through the process established and in place for the specific type of human resource or rights issue.

COMPOSITION:

Five members of Municipal Council

TERM OF MEMBERSHIP:

Concurrent with the term of the Municipal Council making the appointment

APPOINTMENT POLICIES:

- a. ~~The Council Selection Committee of the outgoing Council reviews, interviews and recommends the Members of the incoming Council for the Audit Committee. The appointments are reviewed, amended if required, and approved by Council at the Inaugural Meeting of the incoming Council.~~

The Mayor will recommend Council members to be appointed to the Audit Committee in the same manner as all other Council appointments to chairmanships, local boards and advisory committees.

- b. ~~The Chair and Vice Chair of the Audit Committee are elected by the Committee Members.~~

QUALIFICATIONS:

~~Members of Municipal Council interested in becoming members of the Audit Committee must have~~ ***When recommending appointments to the Audit Committee the Mayor will consider Councillors who have*** background experience in, and/or be interested in receiving training in governance responsibility; audit oversight responsibility; municipal financial statement reporting; internal control assessment; risk management evaluation; and purchasing policy and procedure.

MEETINGS:

The Audit Committee shall have a minimum of four meetings per year at the end of each quarter and shall have such other meetings as requested by the Chair or Vice-Chair of the Committee or at the request of the Chief Administrative Officer.

The Committee will receive the administrative support of the Clerk's Office for the purpose of preparing agendas, arranging meetings and preparing minutes. The minutes of the meetings will be provided to Council for approval through the usual Council process.

REMUNERATION:

No remuneration shall be paid to the Audit Committee members but reasonable expenses may be paid if costs are associated with site visits related to an audit issue, or courses necessary for the Members of the Audit Committee to complete their responsibilities as members of the Committee.

Appendix B

Collins Barrow – Audit Committees