



Policy #1028

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Policy Title: Audit Committee
Policy No.: 1028
Approval: County Council
Effective Date: February 26, 2014
Supersedes Policy No.: Section E Financial (8)

Policy Statement:

Council bears the responsibility for the stewardship of Mountain View County (the “County”). Council’s function involves monitoring of all significant aspects of the management of the County’s operations.

Purpose:

To assist Council in it’s monitoring of the County’s financial reporting and disclosure, Council has established a committee of the Council known as the Audit Committee (the “Committee”). The Audit Committee’s duties include the oversight of the budget process and performance measures.

Principles:

1. The Committee shall meet at least two times annually, or more frequently as circumstances require. The first of the two meetings would be expected to occur in the fall prior to the annual audit and focus on preparation for the annual audit. The second meeting would be expected in the spring and focus on the audit results. Regular meetings will be scheduled by management. Additional meetings shall be held at the call of the Chairman, upon the request of a member of the Committee or at the request of the external auditors.
2. The Committee shall be appointed annually by Council and consist of at least two (2) members from among the councilors of the County (normally the Reeve and Deputy Reeve). In addition, a third member may be appointed who is neither a Councilor nor a member of management. Each appointee shall be independent and free from any relationship that, in the opinion of the Council, would interfere with the exercise of his or her independent judgment as a member of the Committee. The County Chief Administrative Officer and Director Corporate Services will sit on the Committee as non-voting members.
3. Council shall designate the Chairman of the Committee.
4. Regular Committee meeting agendas shall be the responsibility of the Director Corporate Services in consultation with the external auditors.
5. A quorum shall be a majority of the members.
6. In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.

7. At each meeting of the Committee, the members of the Committee shall have the option to meet in private session with the external auditors; with management; and/or with the Committee members only. In any case, in each meeting there will be a time when the Committee meets with the external auditors in the absence of the County staff.
8. Meeting notes of each Committee meeting will be kept but are not required to be approved by Council.
9. Each year the Committee will present the annual audited financial statements to Council and report on how it discharged its responsibilities.
10. From time to time County Council may assign other duties related to the financial operations of the County to the Audit Committee.

End of Policy

Approved: February 26, 2014



Procedure Title: **Audit Committee**

Procedure No.: **1028-01**

Approval: **CAO**

Effective Date: **February 26, 2014**

Supersedes Procedure No.: **Section E Financial (8)**

1. Mandate

1.1 Reporting and Disclosure

Financial reporting and disclosure by the County constitute a significant aspect of the management of the County's operations. The objective of Council's monitoring of the County's financial reporting and disclosure is to gain reasonable assurance of the following:

- (a) That the County complies with all applicable laws, regulations, rules, policies and other requirements of governments, and regulatory agencies relating to financial reporting and disclosure;
- (b) That the accounting principles, significant judgments and disclosures which underlie or are incorporated in the County's financial statements are the most appropriate in the prevailing circumstances;
- (c) That the County's annual financial statements are accurate and present fairly the County's financial position and performance in accordance with generally accepted accounting principles; and
- (d) That the appropriate information concerning the financial position and performance of the County is disseminated to the public in a timely manner.

1.2 Fundamental Activities

The Council is of the view that the Financial Reporting Objective may not be reliably met unless the following activities (the "Fundamental Activities") are conducted effectively:

- (a) The County's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the County's financial transactions;
- (b) The County's internal financial controls are regularly assessed for effectiveness and efficiency;
- (c) The County's annual financial statements are properly prepared by management; and
- (d) The County's annual financial statements are reported on by an external auditor appointed by the Council of the County.

1.3 Reliance on Experts

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee should be entitled to rely in good faith upon:

- (a) Financial statements of the County represented to him by an officer of the County or in a written report of the external auditors to present fairly the financial position of the County in accordance with generally accepted accounting principles; and
- (b) Any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

1.4 Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee is obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Council members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable the Committee to report thereon to the Council.

2. Audit Committee Charter

The Audit Committee's Charter gives guidance on how the Committee may meet the requirements set forth by the Council in its Policy and Mandate. This Charter comprises:

- Operating Principles;
- Specific Responsibilities and Duties.

2.1 Operating Principles

The Committee should fulfill its responsibilities within the context of the following principles:

(a) Committee Values

The Committee expects the management of the County to operate in compliance with the County's Policies and Procedures; with laws and regulations governing the County; and to maintain strong financial reporting and control processes.

(b) Communications

The Committee expects to have direct, open and frank communications throughout the year with management, the external auditors and other key Committee advisors as necessary.

(c) Financial Literacy

All audit Committee Members should be sufficiently versed in financial matters to understand the County's accounting practices and policies and the major judgments involved in preparing the financial statements.

(d) Committee Expectations and Information Needs

The Committee should communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.

(e) External Resources

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the County, retain one or more persons having special expertise.

(f) Reporting to the Council

The Committee, through its Chairman, should report after each Committee meeting to the Council, at the Council's next regular meeting.

(g) Committee Self-Assessment

The Committee should annually review, discuss and assess its own performance. In addition, the Committee should periodically review its role, responsibilities, mandate and charter.

(h) The External Auditors

The Committee expects that, in discharging their responsibilities to Council, the external auditors will be accountable to the Council through the Audit Committee. The external auditors are expected report all material issues or potentially material issues to the Committee.

2.2 Specific Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee may:

(a) Financial Reporting

- (i) Review the County's annual financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the County's financial position and performance and are in accordance with Generally Accepted Accounting Principles (GAAP) and report thereon to the Council before such financial statements are approved by the Council;
- (ii) Receive from the external auditor's reports on their review of the annual financial statements;
- (iii) Receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;

(b) Accounting Policies

- (i) Review with management and the external auditors the appropriateness of the County's accounting policies, disclosures, reserves, key estimates and judgments, including changes or variations thereto and to
- (ii) Obtain reasonable assurance that they are in compliance with GAAP; and report thereon to the Council;
- (iii) Review with management and the external auditors the degree of conservatism of the County's underlying accounting policies, key estimates and judgments and reserves.

(c) Risk and Uncertainty

- (i) Acknowledging that it is the responsibility of the Council, in consultation with management, to identify the principal business risks facing the County, determine the County's tolerance for risk and approve risk management policies, the Committee should focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - A. reviewing with management the County's tolerance for financial risks;
 - B. reviewing with management its assessment of the significant financial risks facing the County;
 - C. reviewing with management the County's policies and any proposed changes thereto for managing those significant financial risks;
 - D. reviewing with management its plans, processes and programs to manage and control such risks;
- (ii) Ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
- (iii) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Council in a timely fashion;
- (iv) Review interest rate and investment risk mitigation strategies;
- (v) Review the adequacy of insurance coverage's maintained by the County;
- (vi) Review regularly with management, the external auditors and the County's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the County and the manner in which these have been disclosed in the financial statements.

(d) Financial Controls and Control Deviations

- (i) Review the plans of the external auditors to gain reasonable assurance that the evaluation and testing of internal financial controls is comprehensive and cost-effective;
- (ii) Receive regular reports from management, the external auditors and its legal department on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

(e) Compliance with Laws and Regulations

- (i) Review regular reports from management and others (e.g. external auditors) with respect to the County's compliance with laws and regulations having a material impact on the financial statements including:
 - A. tax and financial reporting laws and regulations;
 - B. legal withholding requirements;
 - C. environmental protection laws and regulations;

- D. other laws and regulations which expose Councilors to liability;
- (ii) Review reports from the Safety Committee with respect to Occupational Health and Safety matters having a potential significant financial impact.
- (f) Relationships with External Auditors
 - (i) Recommend to the Council the appointment of the external auditors.
 - (ii) Approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter;
 - (iii) Review the performance of the external auditors annually or more frequently as required;
 - (iv) Receive annually from the external auditors as acknowledgement in writing that the rate payer, as represented by the Council and the Committee, are their primary client;
 - (v) Receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the County;
 - (vi) Review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit and the materiality levels which the external auditors propose to employ;
 - (vii) Meet regularly with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
 - (viii) Establish effective communication processes with management and the County's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee.
- (g) Other Responsibilities
 - (i) Periodically review the form, content and level of detail of financial reports to the Council;
 - (ii) After consultation with the Director of Corporate Services and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the County's accounting and financial personnel and other resources;
 - (iii) Review in advance the appointment of the County's senior financial executives;
 - (iv) Investigate any matter that, in the Committee's discretion, falls within the Committee's duties;
 - (v) Review reports from the external auditors, and/or other Committee Chairmen on their review of compliance with the County's Policies and Procedures;

End of Procedure

Approved: February 26, 2014

