

TOWN OF ANNAPOLIS ROYAL

POLICY

TITLE: Audit Committee Policy	
POLICY NO.: #2025-04	SUPERSEDES: 2019-01 January 21, 2019
EFFECTIVE DATE: FEBRUARY 20, 2025	APPROVED BY COUNCIL MOTION NO.: MOTION #C2025-02-19-10

Policy Statement:

1. Purpose

- 1.1 The Audit Committee (the “Committee”) assists Town Council (“Council”) in fulfilling its oversight responsibilities relating to finance and audit matters delegated to management by Council.
- 1.2 In particular, the Committee assists Council by reviewing:
 - 1.2.1 Key financial information that will be provided to the province or made public;
 - 1.2.2 Strategic financial plans, operating and capital budgets;
 - 1.2.3 External and/or internal audit activities;
 - 1.2.4 The system of internal controls, risk management and financial information technology;
 - 1.2.5 Cash and investment management activities;
 - 1.2.6 Insurance coverage of significant risks and uncertainties.

2. Scope

- 2.1 This Policy is applicable to all serving members of the Town of Annapolis Royal Audit Committee.

3. References

- 3.1 Nova Scotia Government Act (MGA) Section 44.

4. Definitions

- 4.1 CAO means the Chief Administrative Officer for the Town of Annapolis Royal.
- 4.2 Director of Finance means the Director of Finance and Treasurer for the Town of Annapolis Royal as appointed by the CAO.

5. Composition, Operations, and Accountability

- 5.1 The Committee shall be comprised of at least two Council members plus one citizen appointment. The Committee shall be appointed by Council. The citizen appointee is not a member of Council or an employee of the Town, and this person cannot be related to a member of Council or to an employee of the Town.
- 5.2 Citizen appointments will be for two-year terms. Citizen appointees shall possess knowledge and understanding of financial and investment matters.
- 5.3 The Chief Administrative Officer (CAO) of the Town or his or her appointee shall be the Secretary of the Committee.

- 5.4 The Chief Administrative Officer and Director of Finance shall be non-voting members of the Committee.
- 5.5 The Chair shall be a member of Council and shall be elected annually by the Committee.
- 5.6 The Committee shall meet at least two times each year. The Committee Chair will make periodic reports to Council on matters relating to the Committee's duties and responsibilities.
- 5.7 The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of Council.
- 5.8 Through the CAO, the Committee may request members of the Town's senior management to attend meetings of the Committee as deemed necessary.
- 5.9 All members of the Committee must have training through the Department of Municipal Affairs with a minimum grade of 60%.
- 5.10 Committee members who fail to attend two (2) consecutive meetings, without a reason accepted by the Committee Chair, may be recommended to Council to be dismissed from the Committee. Committee members may be dismissed by Council, on recommendation by the Audit Committee, if they fail to fulfill the identified responsibilities/mandate of the Committee.
- 5.11 All Committee members serve without pay.
- 5.12 The Committee provides open avenues of communication among management, employees, external auditors and Council.

6. Duties and Responsibilities

6.1 Financial Information.

- 6.1.1 The Committee will review the following financial information that will be provided to the Province or made public;
 - 6.1.1.1 Annual audited financial statements;
 - 6.1.1.2 Management discussion and analysis that accompanies the audited financial statements.
- 6.1.2 Ensure that meaningful financial information regarding current financial results and up to date forecasts is received on a timely basis, and that it provides information required for decision making.
- 6.1.3 Review:
 - 6.1.3.1 the appropriateness of accounting policies and financial reporting practices and any proposed changes thereto;
 - 6.1.3.2 any new or pending developments in accounting and reporting standards; and
 - 6.1.3.2 significant estimates contained in the financial statements and other financial information.
- 6.1.4 The Committee will:
 - 6.1.4.1 assess the performance of the external auditor;
 - 6.1.4.2 review and recommend that Council approve the engagement or reappointment of the external auditor by:

- 6.1.4.2.1 reviewing, assessing and receiving assurances as to the independence of the external auditor;
- 6.1.4.2.2 reviewing the provision of non-audit plan services performed by the external auditor;
- 6.1.4.2.3 reviewing the external audit plan including the engagement letter, materiality limits, staffing, timetable and proposed fees;
- 6.1.4.2.4 if necessary, requesting to meet with the external auditor without management present;
- 6.1.4.2.5 reviewing matters with respect to the conduct and reporting of the external audit with particular reference to any difficulties encountered or restrictions imposed by management; and
- 6.1.4.2.6 receiving and reviewing the external auditors
 - 6.1.4.2.6.1 audit report;
 - 6.1.4.2.6.2 findings with respect to the appropriateness of accounting policies, management estimates and significant accounting and/or reporting issues;
 - 6.1.4.2.6.3 management letter including managements responses thereto and the evaluation of the internal control system; and
 - 6.1.4.2.6.4 other matters of relevance identified in the audit.
- 6.1.4.2.7 The Committee will periodically evaluate the need for the establishment of an internal audit function and make appropriate recommendations to the Council.

7 Finance and Risk Management items, including but not limiting to;

- 7.1 Completion of meaningful financial data is provided on a timely basis and ensure compliance with the reporting requirements of the provincial government.
- 7.2 Policies including those used in the preparation of the external financial statements.
- 7.3 Adequacy of internal controls.
- 7.4 Assess banking services and recommend any changes to Council.
- 7.5 And minutes of the Investment Committee, including adequacy and use of town reserves and surplus funds and investment practices of the Town.

8 Administration

- 8.1 The meeting of the Committee will be held at least bi-annually.
- 8.2 Additional meetings may be necessary to review items relating to the audit and will be called by the Chair.
- 8.3 The CAO and Director of Finance may provide staff support to the Committee.
- 8.4 All meetings are open to the public as per the Municipal Government Act.

8.5 A quorum consisting of 2 voting members of the Committee; of which one (1) must be a Councillor and one (1) must be a member of the public, or two (2) members of Council. Each Committee member is entitled to one vote and decisions will be my majority vote of those present. In the absence of the Chair of the Committee, the members will appoint one of the members of Council to act as Chair of the meeting. In the event of a tie vote, the motion is defeated.

9 Review of the Committee

9.1 The Committee will review this policy annually.

10 Repeal and Replace

10.1 The policy known as Policy Establishing the Audit Committee as adopted by Council on January 21, 2019 is hereby repealed.

THIS IS TO CERTIFY that this policy was duly passed by a majority vote of the whole Council at a duly called Council meeting held on the 19 day of February 2025.

GIVEN under the hand of the CAO and under the seal of the Town of Annapolis Royal the 20 day of February 2025.

Sandi Millett-Campbell
Sandi Millett-Campbell
Chief Administrative Officer

