

VILLAGE OF CHESTER AUDIT COMMITTEE POLICY

The Municipal Government Act (MGA) requires the Commission to appoint an audit committee. This policy provides direction on the number and composition of the committee members, clarity on roles and responsibilities of the committee and the frequency of committee meetings.

1.0 Mandate

The primary function of the Audit Committee is to assist the Commission in fulfilling its oversight responsibilities, outlined in the MGA, related to the quality and integrity of financial reporting. The Audit Committee assures fair presentation of the financial position and results of operations of the Village of Chester in accordance with Canadian generally accepted accounting principles and ensures that appropriate systems and controls are maintained for the proper recording of transactions and protection of assets.

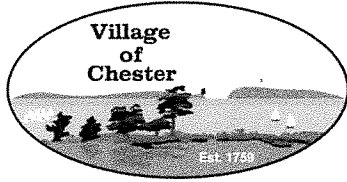
2.0 Authority

The Committee is empowered to make such enquiry and investigation and require such information and explanation from administration as it considers reasonably necessary; and to require administration to inform the Committee and the auditor of any material misstatement or error in the financial statements. The Committee has authority to engage outside advisors where appropriate.

3.0 Committee Composition

The composition of the Committee shall consist of all members of the Commission and two citizen appointments as voting members. The Village Clerk/Treasurer shall be a non-voting member. All members of the Committee must be financially literate and obligated to exercise all the care and diligence of an elected official when dealing with the affairs of the Village.

In discharging of their duties, the members of the Committee may rely in good faith upon the report and findings of any expert engaged by the Committee.



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4.0 Operating Principles

4.1 Committee Values

The Committee members are expected to operate in compliance with Commission's Code of Conduct, policies, laws and regulations governing the Village of Chester.

4.2 Communications

The Committee members will maintain direct, open and frank communications with administration, Commission, external auditor, and other key advisors.

4.3 Financial Knowledge

All members of the Committee should be sufficiently versed in financial matters to understand the Village's accounting practices, policies and the judgements involved in preparing financial statements.

4.4 In-Camera Meetings

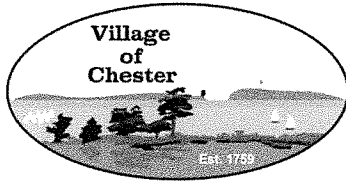
Each Committee meeting agenda, where the auditor is present, will include a time for the Committee members to meet with the auditor in-camera with no staff present.

The Committee may hold in-camera meetings to discuss matters relevant to the Committee's mandate when the Committee deems in-camera meetings appropriate, or at the request of the auditor. Such in-camera meetings may be attended by the auditor and/or management as determined by the Committee.

The Committee may hold in-camera meetings to discuss matters relating to a) setting a price for professional services, b) personnel matters, c) labor relations, d) contract negotiations, e) litigation, f) legal advice, and h) public security.

No decision shall be made at in-camera meeting except a decision concerning procedural matters or to give direction to staff of the Committee.

A record which is open to the public shall be made, noting the fact that the Committee met in-camera, the type of matter discussed, the date, but no other information.



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5.0 Operating Procedures

5.1 Meetings

Meetings may be convened at the request of any member of the Committee, at the request of the Commission auditor or Clerk/Treasurer. The Committee is required to meet a minimum of twice a year a) prior to the year end audit to review and approve the audit scope, and b) after the audit is complete, to review the draft financial statements, audit findings. The auditor shall receive notice of all Committee meetings and entitled to attend. Any Committee member may require the attendance of the auditor at any Committee meeting. A copy of the meeting minutes shall be provided to each member of the Committee. All meetings are open to the public as per the Municipal Government Act.

5.2 Quorum and Decision Making

A quorum consists of the majority of the voting members of the Committee. Each Committee member is entitled to one vote and decisions shall be by majority vote of those present. In the absence of the Chair of the Committee, the members shall appoint one of the members to act as Chair of the meeting.

5.3 Reporting

The Committee shall report to the Commission as often as necessary but at least annually. Reporting shall normally be made through the Committee's Chair.

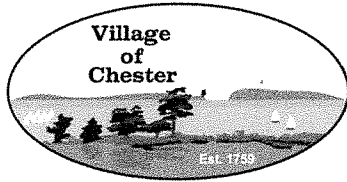
6.0 Responsibilities

6.1 Financial Reporting

- a) Reviewing with the auditor the annual financial statements of the Village.
- b) Reviewing the auditor report and discussing the financial statements with management and with the auditor.
- c) Reviewing the auditor management letter (where applicable) and management's response, as well as the status of any significant issues reported previously.
- d) Recommending the annual financial statements to Commission for approval.

6.2 Risk and Uncertainty

Reviewing, on an annual basis, the adequacy of the internal control system established to minimize risk.



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6.3 Financial Controls and Deviations

Reviewing and considering any matters relating to the adequacy of internal controls and any reports from management or others on significant control deviations or indications of fraud and the corrective action undertaken with regard thereto.

6.4 Relationship with Auditor

Recommending annually the appointment of the Municipal Auditor.

Reviewing and approving the overall scope and approach of the auditor annual audit plan. The Treasurer has authority to make minor changes to the audit scope where necessary. Substantive changes that have a significant impact on scope and cost of the audit, will be subject to a staff report to the Commission with estimated costs and resource impacts.

The Commission Chair and Clerk Treasurer will sign the Financial Statements of the Village.

Reviewing the auditor performance, at least annually, including a review of all relationships and engagements between the auditor and the Village for non-audit services that may reasonably be thought to bear on the independence of the auditor.

6.5 Audit Committee Composition

The Committee is required to review the composition on an annual basis and make a recommendation to Commission on Committee membership each year.

Approved: August 14th, 2019

Motion # 19-085

Amended: August 11th, 2021

Motion # 21-102