

## **Terms of Reference**

### **Name: Audit Committee**

Date Established by Council: January 27, 2026

### **Mission:**

The Audit Committee is established to provide advice and recommendations to Council and Staff on fulfilling its due diligence, fiduciary, financial reporting and audit responsibilities and to approve, monitor, evaluate and provide advice on matters affecting the external audit, internal audit, risk management and the financial reporting and accounting control policies and practices of the City of Kawartha Lakes.

### **Roles and Responsibilities:**

It is the responsibility of all appointed members to comply with:

- the City Code of Conduct for Committee Members
- the City Procedural By-law
- Other applicable City by-laws and policies
- Municipal Act
- Municipal Freedom of Information and Protection of Privacy Act
- Municipal Conflict of Interest Act

No individual member or the Committee has the authority to make direct representations of the City to Federal or Provincial Governments.

Members shall abide by the rules outlined within the Municipal Conflict of Interest Act and shall disclose any pecuniary interest to the Recording Secretary and absent himself or herself from meetings for the duration of the discussion and voting (if any) with respect to that matter.

The Committee will abide by any terms and conditions which may be set out by the City's Council, CAO, City Clerk, City Solicitor, Auditor and/or Insurer for any activities relating to Committee business in keeping with the Committee's Terms of Reference and established Policies.

The Audit Committee and Staff shall be responsible for making recommendations to Council regarding the following:

- Financial Statements
- External Audit Function
- Corporate Control Framework
- Risk Management
- General and Administrative

**Activities:**

The following represent the general activities of the Committee:

- a) To prepare an annual written report to Council by the end of Q2 each calendar year to outline the Committee's achievements from the annual audit in line with their approved work plan.
- b) Financial Statements
  - Review and recommend for approval the annual audited consolidated financial statements
  - Review actual financial performance semi annually.
  - Review and discuss with management:
    - the appropriateness of accounting or other financial policies and financial reporting practices
    - any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the City
    - any new or pending developments in accounting and reporting standards that may affect the City and
    - Management's key estimates and judgments that may be material to financial reporting.
- c) External Audit Function
  - Confirm and assure the independence of the external auditor, including the approval and review of all additional audits, management consulting, and other fees of the external auditor.

- Recommend the selection and/or dismissal of the external auditor to Council as required including participation in the selection committee with staff, approval of the selection process and annual evaluation of the external auditor's performance
- Review the terms of engagement, scope, and performance of the external audit services provided.
- Recommend the audit fees for inclusion in annual budgets.
- Review any matters brought to the committee's attention by the external auditor and determine the appropriate disposition thereof.
- Review and discuss with the external auditor the Management Letter, agree with Management on the appropriate course of action, and make recommendations to Council, where necessary.
- Discuss with the external auditor the annual evaluation of the internal control systems, if appropriate, together with any related recommendations for improvement.
- Meet with the external auditor to discuss all material issues and ensure any matter the external auditor brings forth has been given adequate attention, including any appropriate action.
- Meet regularly with external auditors to build an effective reporting relationship. Provide an open avenue of communication between the external auditor and Committee including the ability to meet in closed session, in the absence of City management, at Audit Committee meetings regarding matters deemed allowable under s. 239 of the Municipal Act 2001, c.25.

d) Corporate Control Framework

- Periodically review management reports on control systems and the control environment. Assess, on the basis of the audit reports from the City Auditor, the annual management letter from the external auditors and other relevant reports on (or to) the effectiveness of the City's control systems.
- Obtain reasonable assurance on an annual basis, the information technology (IT) systems are reliable and secure, and the systems of internal controls are properly designed and effectively implemented through discussions and reports from management.
- Review and discuss reports related to the investigation of significant non-compliance, conflicts of interest according to the City's Code of

Conduct, misconduct, or fraud and their resolution and make recommendations to Council thereon. Receive from the Chief Administrative Officer annually, a listing of matters investigated or being investigated, or a nil report if appropriate. Where deemed appropriate these topics may be in closed session.

e) Risk Management

- Provide oversight for the risk management program on behalf of Council
- Review reports related to assessing and managing the City's exposure to risk
- Review and endorse policies governing risk management on behalf of Council and put forward to Council for approval
- Review reports regarding the City's risk exposures and their implications on achieving the City's Strategic Plans, operating plans and service business plans

f) General and Administrative

- Review any other matter within the scope of the auditors, either internal or external.
- Review and recommend the scope, terms of reference and fees of professional services retained for purposes related to the Audit Committee's responsibilities.
- Annually report to Council on the Audit Committee's effectiveness.
- Develop an annual committee calendar to reflect the responsibilities of the committee, the staff area responsible for providing information or materials to the committee, and the specific meeting of the committee at which the topic will be reviewed.

**Composition:**

The Committee shall be comprised of a maximum of 5 members consisting of up to 2 members of the public and up to 3 Council representative(s) all of whom will have full authority to debate and vote. The Mayor may attend meetings in an ex-officio capacity.

The Committee shall consist of a minimum of 5 members. Committee members will be appointed by Council in accordance with established policy.

Public members of the Audit Committee must meet the following requirements and criteria:

- Abide by the Municipal Conflict of Interest Act and any terms and conditions which may be set out by the Council, CAO, City Clerk, City Solicitor, Auditor and/or Insurer
- Satisfy the qualification requirements within the City's Council Committee, Board and Task Force Policy
- Be financially literate (the ability to read and understand basic financial statements)
- Have an aptitude for complex organizational effectiveness and governance
- Have a general understanding of the City's major economic, operating, and financial risks
- Have a broad awareness of the interrelationship of the City's operations and its financial reporting
- Understand the difference between the oversight function of the Committee and the decision-making function of management
- Be willing to challenge management when necessary
- Preferably, a member of a professional accounting association.

#### **Appointment of Officers:**

The Committee shall, at its first meeting each year, elect from its membership a Chair, and Vice-Chair. It is acknowledged that there are no per diems for any Committee positions, and it is acknowledged that none of the above positions shall be paid for their services. All Committee members are considered volunteer positions.

#### **Term of Appointment:**

Unless exempted by legislation, members will be appointed for a term of four years with terms expiring at the full term of Council. Members shall continue to serve beyond the end of their term until the appointments of their successors have been approved by Council.

#### **Resources:**

The Corporate Services Department will provide support in the form of advice, day-to-day liaison with the City, updates on program and promotional ideas and initial assistance in their implementation to the degree resources are available. The liaison department will also assist in the preparation and submission of budget recommendations/grant submissions, if needed, and attend meetings of the Committee.

A member of staff shall be designated as Recording Secretary by the liaison department. The Recording Secretary shall prepare and publish agendas; attend all formal business Committee Meetings for the purpose of taking Minutes; and prepare and publish minutes in an accessible format acceptable to the City Clerk's Office.

The Recording Secretary shall ensure that a current Terms of Reference for the Committee has been provided to the City Clerk's Office and is posted on the City website.

**Timing of Meetings:**

Meetings will be held on a set day, and time as may be determined by the Committee or at the call of the Chair.

**Location of Meetings:**

The location of the meetings will be set by the Committee and must be held in an accessible City facility.

**Meetings:**

The Committee shall hold a minimum of 4 meetings in each calendar year. The Chair, through the liaison department, shall cause notice of the meetings, including the agenda for the meetings, to be provided to members of the Committee and posted to the City website a minimum of three (3) business days prior to the date of each meeting through the Recording Secretary. Quorum for meetings shall consist of a majority of the members of the Committee. No meeting shall proceed without quorum.

**Procedures:**

Procedures for the formal business meetings of the Committee shall be governed by the City's Procedural By-law and Legislation or, where both of these are silent, by Robert's Rules of Order.

### **Closed Meetings:**

The Committee may, upon affirmative vote of the majority of its members present at a meeting, determine to hold any meeting or part of a meeting as a closed session to discuss sensitive personal issues or legal matters. If the Committee elects to hold a closed session, all persons not entitled to vote (with the exception of the staff liaison and the recording secretary) shall vacate the premises where the meeting is taking place. Closed meetings can only be held in accordance with Section 239 of the Municipal Act. Prior to the commencement of closed session, a resolution shall be passed stating the general nature of the matter to be discussed and what section of the Municipal Act applies. The Committee shall maintain a record of the minutes of the closed session which will be stored with the lead department, and a copy provided to the City Clerk's office.

### **Agendas and Minutes:**

A copy of the agenda shall be provided to the City Clerk's office at the same time it is provided to Committee Members. The City Clerk's office will distribute the agenda to Council members as per established procedures.

The minutes of formal business meetings of the Committee shall be forwarded to the liaison department, and to the City Clerk's Office, not later than two weeks after the meeting. Action items requested of staff and/or Council will be brought to the attention of the Corporate Services at that time. The City Clerk's Office will electronically circulate the formal business meeting minutes to all members of Council for their information. The City Clerk's Office will maintain a set of printed minutes on file for public review.

The Recording Secretary shall ensure that all Committee Agendas and Minutes are posted to the City website at the same time as they are circulated to the City Clerk's Office.

### **Reports:**

One written report to Council is required per year from the Committee to describe the Committee's achievements regarding the work plan.

If there are recommendations of the Audit Committee that fall outside of this report, they are to be forwarded to Council, through the liaison department in a formal written report on the City report template. It will be the responsibility of the

Committee Chair to provide a memo to the liaison department identifying the Committee recommendations for final preparation of the report.

**Purchasing Policy:**

This Committee has no purchasing or procurement responsibilities. However, they may inform purchasing practices as part of the Corporate Control Framework.

**Insurance:**

The City of Kawartha Lakes' General Liability Policy and Errors and Omissions Liability Policy will extend to this Committee and its members. The applicable insurance policies extend to Committee members while in the performance of his/her duties and to those activities authorized by the City of Kawartha Lakes and Council. Members must adhere to the policies and procedures of the City of Kawartha Lakes and Council, including the Terms of Reference.

The Committee must provide, via the liaison department, an annual updated listing of all members, including member positions, to the City of Kawartha Lakes to ensure the applicable insurance coverage remains in force.

Committee members are not entitled to any benefits normally provided by the Corporation of the City of Kawartha Lakes, including those provided by the Workplace Safety and Insurance Board of Ontario ("WSIB") and are responsible for their own medical, disability or health insurance coverage.

**Expulsion of Member:**

Any member of the Committee who misses three formal business meetings, without being excused by the Committee, may be removed from the Committee in accordance with adopted policy.

Any member of the Committee may be removed from the Committee at the discretion of Council for reasons including, but not limited to, the member being in contravention of the Municipal Act, the Municipal Freedom of Information and Protection of Privacy Act, the Provincial Offences Act, The Municipal Conflict of Interest Act or the Code of Conduct for Committee Members; disrupting the work of the Committee; or other legal issues. The process for expulsion of a Committee member is outlined in the City's Council Committee, Board and Task Force Policy.

**Terms of Reference:**

The Recording Secretary shall ensure that a current Terms of Reference for the Committee has been provided to the City Clerk's Office and is posted on the City website.

Any responsibilities not clearly identified within these Terms of Reference shall be the responsibility of the City of Kawartha Lakes. Council may, at its discretion, change the Terms of Reference for this Committee at any time. Any changes proposed to these Terms of Reference by the Committee shall be recommended to Council via the liaison department through a report to Council.

**At the discretion of Council, the Committee may be dissolved by resolution of Council.**