



## **Finance and Audit Committee Policy**

**Approved: 2020-01-21**

***Motioned by Deputy Chair Van Kroonenburg***

*"I move that Village of Bible Hill adopt the Finance and Audit Committee Policy as presented, with the addition of paragraph 9b." \**

***Seconded by Commissioner Kennedy***

***Motion carried***

\*Note: Formatting adjustments to this policy document resulted in the above referenced paragraph 9b to be shown herein as paragraph 20.

## **Purpose**

1. The purpose of the Finance and Audit Committee is to
  - a. provide advice to the Village Commission on matters relating to finance and audit; and
  - b. fulfill the requirements as outlined 5(3) of Nova Scotia Department of Municipal Affairs' Financial Reporting and Accounting Manual.

## **Definitions**

2. In this policy,
  - a. "Clerk and Treasurer" means the person appointed and employed by the Village as Clerk and Treasurer as described in the Municipal Government Act.
  - b. "committee" means the Finance and Audit Committee.
  - c. "financially literate" means having the ability to read and understand a set of financial statements which present a breadth and depth of complexity of accounting issues that are generally comparable to the breadth and depth of complexity of issues reasonably expected to be raised by a Village financial statement.
  - d. "immediate family member" means spouse, father, mother, brother, sister or child.
  - e. "reportable person" has the same meaning as defined in Nova Scotia Department of Municipal Affairs' Financial Reporting and Accounting Manual.
  - f. "third-party person" means a person who is:
    - g. not a Village Commissioner; and
    - h. not an employee of the Village; and
    - i. not an immediate family member of persons under i or ii; and
    - j. does not serve on any committee of the Village, other than the Finance and Audit Committee.
  - k. "Village" means the Village of Bible Hill.
  - l. "Village Commission" and "Village Commissioner" have the same meanings as defined in the Municipal Government Act.

## **Principles Supporting Policy**

3. Municipal governments have a significant degree of public accountability and are responsible for protecting municipal assets and managing operations as efficiently as

possible. Oversight provided to a finance and audit committee aims to help the Village Commission:

- a. meet these fundamental responsibilities;
- b. provide better communication between auditor and Village Commission;
- c. promote better understanding of the audit process;
- d. enhance the external auditor's independent position;
- e. increase the adequacy, effectiveness, integrity and objectivity of the Village's financial reporting and internal controls; and
- f. strengthen the role of the Village Commission and committee members.

4. Nova Scotia Department of Municipal Affairs' Financial Reporting and Accounting Manual (FRAM) requires that Villages establish an audit committee.

## **Terms of Policy**

### **Membership**

5. Membership of the committee shall be comprised of:
  - a. all Commissioners;
  - b. the Clerk and Treasurer; and
  - c. one third-party person.
6. All members of the committee, with the exception of the Clerk and Treasurer, shall be voting members.
7. A third-party person shall:
  - a. satisfy any recruitment requirements as set forth in any recruitment advertisement issued by the Village;
  - b. be appointed by vote of the Village Commission at a regular monthly Village Commission meeting; and
  - c. be a voting member of the committee only.
8. The term of appointment for a third-party person member of the committee shall be for two years.
9. The majority of voting members of the committee will constitute a quorum.

10. Where the committee does not include a third-party person referred to in 4(c), the committee shall continue to meet and perform its duties and may exercise its powers; and the Village shall advertise to recruit one third-party person at least once every six months.
11. Members of the committee shall be financially literate and must complete training as prescribed by Nova Scotia Department of Municipal Affairs.

## **Meetings**

12. The committee shall meet on the second Tuesday of May and December each year at six o'clock in the evening, and whenever circumstances demand such a meeting.

## **Role**

13. The committee's responsibilities shall include:
  - a. Financial Reporting Functions
    - i. review, in detail, the audited financial statements of the Village with the external auditor and management, and
    - ii. if satisfied that they present fairly the financial position and results of operations, recommend their acceptance to the Commission;
    - iii. review with the Clerk and Treasurer any changes in accounting principles and practices followed by the Village Commission;
    - iv. monitor the Village budget and review any significant variances in comparison to prior year and/or budget; and
    - v. review financial condition indicators.
  - b. External Audit Functions
    - i. review and recommend the approval of engagement terms of any audit or special purpose engagement to be performed and upon engagement completion, discuss whether engagement terms were met;
    - ii. discuss the extent, timing and completion of the audit including the level of materiality to be used;
    - iii. review the qualifications, independence, fees, quality of service and performance of the external auditor annually and recommend to the Commission the appointment or discharge of the external auditor; and

- iv. review the problems and restrictions encountered by the external auditor and degree of cooperation received and promote cooperation between management and external auditor.
- c. Accounting System and Internal Controls Function
- i. review the management letter with the external auditor;
  - ii. discuss with the external auditor the annual evaluation of the internal control systems related to the financial reporting and the recommendations for improvements of accounting procedures and internal controls related to the financial reporting, together with the Clerk and Treasurer's response;
  - iii. discuss the Clerk and Treasurer's response to the recommendations and adequacy of the action plan;
  - iv. ensure appropriate systems and controls for the proper recording of transactions and protection of assets are in place; and
  - v. obtain reasonable assurance that the Village has implemented and operating appropriate systems of internal controls over financial reporting;
  - vi. obtain reasonable assurance that the Village is in compliance with its policies and procedures;
  - vii. identify, monitor, mitigate and report significant financial or operational risk exposures; and
  - viii. receive and review any internal reports relating to accounting procedures and internal controls.
- d. Risk Management
- i. understand the risks of the Village;
  - ii. review the Village risk management controls and policies;
  - iii. obtain reasonable assurance that the Clerk and Treasurer's systems to eliminate or manage risks are effective; and
  - iv. receive reports on the management of financial risks.
- e. Alleged Wrong-Doing Function
- i. enquire fully into any activities or transactions that may be illegal, questionable or unethical, and into the Village's control procedures to ensure that such activities are being guarded against;

- ii. ensure the Clerk and Treasurer has a process to review and respond to complaints or allegations of wrong-doing or questionable acts by elected officials, Village employees or volunteers; and
  - iii. review and advise Village Commission with respect to complaints or allegations of wrong-doing.
- f. Statutory and Regulatory Compliance and Other
- i. review the conduct and adequacy of any internal audit undertaken;
  - ii. review the Village's compliance with statutory and regulatory obligations within the committee's area of responsibility;
  - iii. review annually the interest and other risk management activities, including insurance coverage proposed for the upcoming year by the Clerk and Treasurer;
  - iv. review the expense summaries of reportable persons' expenses and hospitality expenses and determine overall reasonableness;
  - v. review adequacy of staffing in relation to both number and competence for accounting and financial responsibilities;
  - vi. review, as required, any other policies, procedures, forecasts, reports or process as agreed to mutually by the Clerk and Treasurer and the committee; and
  - vii. undertake other actions determined by the Commission to be the duties of the committee.

### **Order at Meetings**

- 14. The Chair and Deputy-Chair shall be determined by way of consensus or vote of the Village Commission at the first meeting following an election.
- 15. The Chair shall maintain order at all committee meetings and shall have the right to order the removal of any person interfering with the business of the meeting or acting in a disorderly manner.
- 16. The Chair shall not vote during a committee meeting, other than as described in subsection 7(d).
- 17. All voting matters before the committee shall be decided by voting on a motion, duly moved and seconded, such voting to be by "yeas" and "nays", and the Chair shall state

whether in his or her opinion the motion has been carried or defeated. In the event of an equality of votes for and against the motion, the Chair shall cast a deciding vote.

### **Authority**

18. The committee shall have unrestricted and complete authority to delve into any affair of the Village Commission, with full access to management and auditor.

### **Order of Business**

19. The order of business at a committee meeting shall take the following form:
  - a. review of agenda and call for new or other business, approval of agenda;
  - b. review and approval of the minutes of last meeting;
  - c. business arising out of the minutes;
  - d. role and responsibilities of the auditor;
  - e. review of audited financial statements;
  - f. management or internal control letter and management's response;
  - g. review of the roles and responsibility of the audit committee;
  - h. appointment of municipal auditor;
  - i. review of financial information;
  - j. adequacy and effectiveness of internal controls;
  - k. financial condition indicators;
  - l. risk management; and
  - m. miscellaneous business.
20. The order of business may be allocated between committee meetings described in paragraph 12. Items excluded from the order of business at a committee meeting shall be included in the order of business at the next committee meeting.

### **Administrative**

21. The Village Commission shall review this policy by January 31<sup>st</sup> each year and either re-adopt or adopt an amended policy.
22. The committee shall prepare minutes of its meetings. Minutes shall be approved by motion at the next meeting of the committee. Approved minutes signed by the

Committee Chair or the person presiding at the meeting, the Clerk and Treasurer and the Recording Secretary shall be filed with the Clerk and Treasurer.

23. The committee shall prepare a written report to the Village Commission on any matters of importance before the next Village Commission meeting immediately following a meeting of the committee.



## Policy Document Attestation

Date of Notice to Village Commission of Intent to Consider: 2020-01-14

Date of Passage of Policy: 2020-01-21

I certify that this Policy was adopted by Village Commission as documented above:

Les Mac Donnell

Chair

February 11, 2020

Date

Michael Bell, CPA, CA

Clerk and Treasurer

2020-01-23

Date