

Audit and Risk Committee Charter

1. OBJECTIVE

The objective of the Audit and Risk Committee is to assist Regional Council and associated Boards and Agencies in the discharge of their governance, accountability and controllership responsibilities by advising that risks are being appropriately addressed through strong governance, a risk/control and compliance framework, appropriate stewardship and an effective internal audit activity.

This includes reviewing and advising on:

- The integrity, quality and transparency of the Region's financial, management and operational information.
- The effectiveness of the financial and management reporting processes.
- The effectiveness of risk management and control processes and practices.
- The performance of the internal audit activity and assessing the effectiveness of the external audit function.
- Ethical business conduct and compliance with the Region of Peel's Employee Code of Conduct.

2. AUTHORITY

The Audit and Risk Committee receives its authority to exercise its responsibilities under resolution from Regional Council. The Audit and Risk Committee acts as a forum for communication among Regional Council, senior leadership and the internal and external auditors. The Audit and Risk Committee within the scope of its roles and responsibilities is authorized to:

- Authorize investigations into any matters it deems necessary.
- Obtain any information it needs from internal, external audit and leadership.
- Request the attendance of any employee or external party at the Audit and Risk Committee meetings.
- Discuss any matters with the Director, Enterprise Risk and Audit Services.

3. ROLES AND RESPONSIBILITIES

The responsibilities of the Audit and Risk Committee may be revised by Regional Council resolution. In each of its specific areas of responsibility, the Audit and Risk Committee, through Enterprise Risk and Audit Services or other means, has a responsibility to receive and evaluate information related to areas of risk or vulnerability within the Region of Peel and the agreed upon management actions to effect change in these areas.

Risk Management and Control Framework

Based on information provided by Enterprise Risk and Audit Services and other Regional business functions:

- Review if leadership has a risk management framework and the associated procedures for effective identification and management of the Region's financial, operational, strategic, reputation and compliance risks.
- Review the impact of the risk management framework on the control environment.
- Review and evaluate policies and processes to manage significant risks or exposures and steps taken to monitor risks.
- Review and recommend for Regional Council approval the Corporate Risk Profile.
- Review if leadership's approach to maintaining an effective control framework, including external parties such as contractors and advisors, is sound and effective.
- Review that funds transferred to the Regional financed external organizations and agencies are accounted for and used in a manner consistent with Regional goals and objectives. Enterprise Risk and Audit Services does not have the authority to audit these external organizations unless approved by the applicable governing board. Enterprise Risk and Audit Services do have responsibility to provide assurance that such funds are consistently managed to the standards of care prescribed by the Region].
- Review processes to determine if the organization has in place relevant policies and practices and whether these are periodically reviewed and updated and that they are complied with.
- Review information and reports that assess key themes and issues affecting risk and control from a Regional perspective.

- Review that leadership has taken steps to embed a culture which is committed to ethical and legal behaviour including compliance with laws, legislation and regulation.
- Review administration of and compliance with the Region's Employee Code of Conduct including the processes for educating and communicating the Code to Regional personnel.
- Review follow-up procedures on management action plans. Review explanations for those not yet implemented.

Internal Audit Activities

- Recommend for Regional Council approval the Enterprise Audit Services Risk Based Work Plan recommended by the Director, Enterprise Risk and Audit Services.
- Receive audit or engagement reports identifying the key issues and the actions taken to address the issues.
- Review the status of management action plans.
- Recommend for Regional Council approval the Enterprise Risk and Audit Services Charter and discuss if the appropriate authority, access and reporting arrangements are in place.
- Review the status and results of any changes to the annual Enterprise Audit Services Risk Based Work Plan.
- Review the results of the annual fraud survey on fraud risk and fraud allegations.
- In conjunction with the Director, Enterprise Risk and Audit Services, review Enterprise Risk and Audit Services compliance with the Standards for the Professional Practice of Internal Auditing, including adequate quality assurance practices, appropriate staffing and effective operational management.
- Review the adequacy of resources to allow Enterprise Audit Services to carry out its responsibilities, including completion of the annual and longer term audit plans.
- Ensure clear and independent communication and reporting lines exist between the Director, Enterprise Risk and Audit Services and the Audit and Risk Committee.

External Audit Activities

- Recommend for Regional Council approval, the appointment of the external auditor for the Region of Peel and Peel Housing Corporation for a five year term.
- Recommend for Regional Council approval, the terms of engagement and fees of the external auditor.
- Recommend for Regional Council approval, the scope and approach of the annual external audit plan.
- Review the independence and qualifications of the external auditor.
- Review matters brought forward that in the external auditor's professional judgment may have a bearing on independence.
- Review the annual management letters by the external auditors and make recommendations to Regional Council and Peel Housing Corporation Board where necessary.
- Consider the external auditor's judgments about the quality and appropriateness of the Region's accounting principles as applied in the Region of Peel and Peel Housing Corporation financial reporting.
- Respond to the external auditor's questions related to the Audit and Risk Committee's view of fraud risk, fraud allegations and the Audit and Risk Committee's role in the Region's fraud program.
- Monitor the coordination of the internal and external audit functions.

Financial and Management Reporting and Financial Statements

- Provide assurance to Regional Council and Peel Housing Corporation Board that information reported by management at the Region of Peel and Peel Housing Corporation reasonably portrays the financial condition, results of operations, plans and long-term commitments of those organizations.
- Review Region of Peel and Peel Housing Corporation financial statements and recommend approval by Regional Council and the Peel Housing Corporation Board (for example Annual Financial Statements).

- Review management reports which may accompany published financial statements.
- Review with external auditors and management the results of the audit and, if necessary, any qualification to the audit opinion.

4. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

Reporting Function

The Audit and Risk Committee will serve in an advisory capacity by making recommendations to Regional Council and Peel Housing Corporation Board. The Audit and Risk Committee will be required to report after each meeting to a subsequent meeting of Regional Council and the Peel Housing Corporation Board, as required.

Membership

The Audit and Risk Committee shall be comprised of the Regional Chair (ex-officio) and up to eight additional members including the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council, at least one Regional Councillor from each area municipality and up to two members of the public with expertise in the areas of technology and finance.

All Audit and Risk Committee members will have full voting privileges.

Audit and Risk Committee members are expected to gain familiarity with the Audit and Risk Committee Charter and the Regional Council Procedure By-law 9-2018. Members will be expected to contribute their expertise actively during meetings of the Audit and Risk Committee.

Non-elected Members

Eligibility:

- Be a resident or the owner or tenant of land in the Region of Peel.
- Have a professional accounting and/or information technology designation(s) with a minimum of 10 years' experience.
- Be independent of the internal or external auditors of the Region of Peel or of a municipality within the Region of Peel.

The Prospective Candidate Cannot Be:

- An elected official of Regional Council or of the Council of a municipality in the Region of Peel.
- An employee of the Region of Peel or of a municipality in the Region of Peel.
- A current vendor or have any other business interest with the Region of Peel or of a municipality within the Region of Peel.

Desired Competencies:

Will include individuals with the following skill set:

- Financial expertise including accountants or auditors with an understanding of financial statements.
- An understanding of risk and financial controls.
- Information technology expertise or background including information management and information security.
- Professionals who in the course of their duties are required to adhere to codes or standards of their profession.
- A minimum of 10 years of professional experience in a complex organization.
- Excellent verbal, written, listening, teamwork, and collaboration skills.
- Experience working on a committee, task force or similar setting.

Non-Elected Member Selection

The terms of reference, section 4 of the Audit and Risk Committee Charter, and an application form will be posted, as a minimum, on the Region of Peel website. The Clerk or designate may also contact and solicit individuals who meet the criteria as set out under “Membership” of the Terms of Reference. In addition, advertisements will be placed in local papers. Advertisements will be posted for a minimum of two weeks.

All applicants for membership will be required to complete an application form outlining their qualifications and experience.

Applications must be received in the Office of the Regional Clerk by the set due date; no applications will be accepted after the due date.

Staff will prepare a skills matrix to measure applicant skills and experience with respect to the approved eligibility criteria.

Staff will review applications for minimum eligibility requirements and provide scoring on the skills matrix.

The Audit and Risk Committee Interview Panel shall be comprised of the Regional Clerk or designate, the Director, Enterprise Risk and Audit Services or designate, and the Committee Chair and/or Vice Chair.

The interview panel will choose applicants to be interviewed.

Staff will schedule interviews in cooperation with the interview panel for candidates meeting the eligibility requirements and scoring highest on the skills matrix.

The Director Enterprise Risk and Audit Services or designate (with assistance from Human Resources staff) will prepare interview questions based on the approved eligibility requirements.

The interview panel will select the top candidates based on results of the skills matrix and interview questions.

After the interview is complete, Director Enterprise Risk and Audit Services shall forward a report to Regional Council regarding the suitability of the prospective candidates recommended for approval; including a summary of all eligible candidates and their rankings. Information from all eligible candidates will be made available to Council for review.

Regional Council shall appoint non-elected members to the Audit and Risk Committee.

Any non-elected vacancies during the term shall be filled following the same process. The term of membership for new members appointed through this process will coincide with the term of Regional Council.

Non-elected Member Remuneration and Expenses

Non-elected members of the Audit and Risk Committee will serve without remuneration. Non-elected members shall be eligible for reimbursement of expenses incurred which are deemed necessary for full participation in the Audit and Risk Committee.

Term of Appointment

The Term of Appointment for elected members (i.e. Regional Councilors) will be 24 months, which coincides with the term of appointment for the Chair and Vice Chair of the Enterprise Programs and Services Section of Regional Council. Regional Council will ensure each area municipality is represented by appointing an additional member(s) not represented by the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council.

The Term of Appointment for non-elected Audit and Risk Committee members (i.e. members of the public) will be 48 months, which coincides with the term of Regional Council.

Election of Chair and Vice-Chair

The Audit and Risk Committee will elect from its members, including elected and non-elected members, a Chair and Vice-Chair, and this election will be held at the Audit and Risk Committee's first meeting of a new term. There are two 24 month terms during the 48 month municipal election term, therefore the election of Chair and Vice-Chair will be held twice.

Quorum

Quorum shall compromise a majority of the Audit and Risk Committee members.

Interim Changes

Should an elected member of the Audit and Risk Committee resign before the Term of Appointment expires, a replacement will be appointed by Regional Council to serve the remaining time of the Term of Appointment.

Should a non-elected member resign before the Term of Appointment expires, an alternate (as appointed by Regional Council) will replace the member. Should an alternate not be available, a replacement will be appointed by Regional Council to serve the remaining time of the Term of Appointment, following the execution of the non-elected member selection process.

Meetings

The Audit and Risk Committee will be required to meet at least four times each year, and at other times as needed, or at the call of the Audit and Risk Committee Chair.

The Audit and Risk Committee meetings will be open meetings, and all reports and minutes will be available to the public. For the consideration of confidential matters, the Audit and Risk Committee has the authority under Resolution 2000-426 to go In Camera.

Audit and Risk Committee Resources

Audit and Risk Committee resources (staffing, information) will be provided by the Commissioner, Corporate Services, the Regional Clerk, the Director, Enterprise Risk and Audit Services and the external auditors. A designate of the Regional Clerk will serve as the secretary to the Audit and Risk Committee and provide administrative support.

Review of Audit and Risk Committee Charter

The Charter will be reviewed every year. Suggested changes will be reported to the Audit and Risk Committee for their recommendation for Regional Council approval.