

FINANCE AND AUDIT COMMITTEE

Terms of Reference

Approval authority	Council	Adopted by	Resolution No. <u>114/26</u>
Effective date	<u>2026-09-02</u>	Review date	At least once each Council term
Administrative lead	Chief Administrative Officer	Committee type	Standing advisory committee of Council

1. Purpose

The Finance and Audit Committee (the “Committee”) assists the Council of the Municipal District of St. Stephen (“Council”) in carrying out its governance and oversight responsibilities for general and utility financial planning and reporting, external audit, internal control, financial policy, and enterprise-level risk.

Governance role. The Committee reviews, questions, monitors, and recommends. Council decides.

Administration manages municipal operations and implements Council direction.

2. Authority and Accountability

The Committee is established by Council and reports to Council. It may make recommendations within this Terms of Reference but has no authority to:

- approve a budget, financial statement, policy, contract, expenditure, borrowing, reserve transfer, or other matter reserved to Council by legislation, by-law, or policy;
- direct municipal employees, assign administrative work, or exercise the authority of the Chief Administrative Officer, Treasurer, Clerk, or external auditor;
- commit the Municipality to any expenditure or obligation; or
- speak on behalf of Council unless expressly authorized by Council.

Council may refer additional financial, audit, or risk matters to the Committee by resolution. If this Terms of Reference conflicts with legislation or a municipal by-law, policy, or Council resolution, the higher authority prevails.

3. Mandate and Responsibilities

3.1 General and Utility Financial Planning and Reporting

The Committee shall:

- review the following four proposed annual budgets and recommend each, with any Committee advice, to Council for consideration:
 - General Operating Budget;
 - General Capital Budget;
 - Utility Operating Budget; and
 - Utility Capital Budget.
- review periodic financial reports, including actual-to-budget results, significant variances, forecasts, cash position, debt, reserves, and capital project status;
- monitor financial condition indicators and significant longer-term financial trends;
- review the Municipality's investment approach and performance for compliance with applicable law and Council policy;
- review the adequacy of insurance and risk-financing arrangements at least annually, based on advice from administration and qualified advisors; and
- provide advice to Council on financial matters referred to the Committee.

3.2 External Audit and Financial Statements

The Committee shall:

- review the qualifications, independence, performance, proposed engagement terms, and fees of the external auditor, and make recommendations to Council concerning the appointment or reappointment of the auditor;
- review the external auditor's proposed audit plan, scope, timetable, materiality, significant risks, and fees, and identify matters the Committee believes warrant attention;
- review any non-audit services provided or proposed by the external auditor and consider whether they could impair independence;
- review the annual audited financial statements, the auditor's report, significant accounting judgments, corrected and uncorrected misstatements, significant variances, and any material weaknesses or control deficiencies;
- review administration's response and action plan for audit findings and monitor material outstanding items;
- recommend the audited financial statements to Council for approval, where appropriate; and
- provide the external auditor with direct access to the Committee and, when warranted, meet with the auditor without members of administration present, subject to applicable open-meeting and closed-meeting requirements.

3.3 Internal Control, Compliance, and Integrity

The Committee shall oversee, at a governance level:

- the adequacy of the framework of internal financial controls and the status of significant control improvements;
- material financial compliance matters and significant suspected fraud, misuse of assets, or breaches of financial policy reported through authorized channels;
- the Municipality's whistleblowing framework, including periodic confirmation that reporting and investigation processes remain suitable; and
- significant financial systems, cybersecurity, business-continuity, and records risks where they could materially affect financial reporting or municipal assets.

The Committee does not investigate complaints or alleged misconduct unless Council expressly assigns that function and an appropriate, independent process is established.

3.4 Enterprise Risk Oversight

The Committee shall review the Municipality's enterprise-level risk framework and receive periodic reporting on significant strategic, financial, legal, economic, operational, technology, supplier, and service-delivery risks. Its role is to assess whether material risks are identified, assigned, monitored, and supported by reasonable mitigation plans—not to manage individual operational risks.

The Committee shall report to Council on its risk oversight activities at least annually and promptly raise any material matter requiring Council attention.

3.5 Policy Oversight

The Committee shall review the following policies, and any related policies assigned by Council, at least once every two years or sooner when required by legislation, audit findings, operational experience, or material risk:

- Travel and Expense Policy
- Investment Policy
- Financial Reserve Policy
- Whistleblowing Policy
- Financial Delegation of Authority Policy

The Committee may recommend policy amendments to Council. Administration remains responsible for developing proposed policy language, procedures, controls, and implementation plans unless Council directs otherwise.

3.6 Coordination with Other Committees

Where a matter falls or may fall within the mandate of more than one committee, the matter shall be brought to Council for confirmation of the lead committee, the scope of each committee's involvement, and the expected reporting process.

The lead committee shall coordinate its review through the Chief Administrative Officer / Clerk. Other affected committees may provide input within the scope assigned by Council. Administration should, where practical, coordinate information and reporting to avoid duplicate reviews, competing work plans, and repeated requests for substantially the same work or advice.

A joint information session may be held where it would support an efficient and informed review; however, each committee shall maintain its own quorum, minutes, and recommendations unless Council establishes a joint committee or another process by resolution.

Where affected committees reach different conclusions, their recommendations and supporting reasons shall be presented together or cross-referenced in the report to Council. Coordination does not authorize a committee to act outside its mandate, direct administration, commit municipal resources, or make a decision reserved to Council.

4. Membership

- The Committee shall consist of up to six voting members appointed by Council.
- A majority of the voting members shall be members of Council. Council may appoint up to two public members to add financial, accounting, audit, risk, legal, or governance expertise.
- Council should seek representation from each ward where practicable, while maintaining an effective mix of skills and experience.
- All members shall be independent of municipal administration. Collectively, the Committee should be financially literate, and at least one member should have accounting, audit, or comparable financial expertise.
- The Mayor is not a member unless appointed by Council. The Mayor may attend in accordance with the Municipality's procedural by-law and applicable law.
- The Chief Administrative Officer, Treasurer, Clerk, other staff, external auditor, and advisors may attend in a non-voting capacity when requested or required.

5. Appointment, Term, and Vacancies

- Council shall appoint the Chair and may appoint a Vice-Chair from among the voting members.
- Appointments shall be reviewed annually. A member continues until a successor is appointed unless the member resigns, ceases to be eligible, or is removed by Council.
- Council may fill a vacancy at any time. A vacancy does not invalidate Committee proceedings provided quorum is maintained.
- Public-member recruitment and appointment should be open, skills-based, and consistent with municipal policy.

6. Meetings and Procedure

- The Committee shall meet at least quarterly and may hold additional meetings when required. The Chair may call a meeting in coordination with the Clerk and Chief Administrative Officer.
- Meetings shall be conducted in accordance with the Local Governance Act, the Municipality's procedural by-law, this Terms of Reference, and any other applicable Council policy.
- Committee meetings shall be open to the public except where a closed meeting is authorized by law. Electronic participation is permitted only in accordance with applicable law and the procedural by-law.

6.1 Quorum and Vacancies

Quorum is a majority of the voting positions that are filled at the time of the meeting, but shall never be fewer than three voting members.

- A position is vacant only when no person currently holds the appointment.
- The temporary absence of an appointed member does not create a vacancy and does not reduce the quorum requirement.
- If fewer than three voting positions are filled, the Committee shall not transact business until Council fills sufficient vacancies or expressly amends this Terms of Reference.

Voting positions filled	Members required for quorum
6	4
5	3
4	3
3	3
Fewer than 3	No business may be transacted

6.2 Voting and Meeting Administration

- Each voting member present has one vote. A tie vote is defeated. Proxy voting is not permitted.
- The Chair shall approve agendas in consultation with the Chief Administrative Officer or designate. Materials should normally be distributed sufficiently in advance to permit informed review.
- The Clerk or designate shall ensure that notice, agendas, records of closed meetings, and minutes are prepared and retained as required. Minutes shall record recommendations and decisions without attributing debate unless required by law or the procedural by-law.

7. Conduct, Conflicts, and Confidentiality

- Members shall comply with applicable conflict-of-interest requirements, the Council Code of Conduct where applicable, and municipal confidentiality and information-management requirements.

- A member shall disclose any actual or potential conflict and refrain from participating when required by law or policy.
- Confidential information received through Committee service shall be protected and used only for authorized municipal purposes.

8. Access to Information and Advice

Through the Chief Administrative Officer or Clerk, the Committee may request information reasonably required to carry out its mandate. Requests that would require substantial unplanned work, external advice, or expenditure shall be referred to Council or addressed through the Municipality's approved budget and procurement processes.

The Committee may request the attendance of the external auditor or an appropriate municipal official. Any engagement of independent legal, accounting, audit, or other professional advice requires prior Council authorization unless already authorized by policy and budget.

9. Reporting to Council

- Committee recommendations shall be presented to Council through approved minutes, a Committee report, or a staff report, as appropriate.
- Recommendations are not binding until adopted by Council.
- The Chair shall provide an annual report summarizing the Committee's work, attendance, significant findings, outstanding matters, and priorities for the next year.
- Material financial, audit, control, or risk concerns shall be reported to Council promptly.

10. Administrative Support and Budget

The Chief Administrative Officer shall identify appropriate administrative support. The Clerk or designate shall provide meeting and records support. The Committee has no independent budget unless Council establishes one through the annual budget process.

11. Remuneration

Council members shall receive remuneration only as provided by the applicable remuneration by-law or policy. Public members shall serve without remuneration unless Council determines otherwise, but may be reimbursed for authorized expenses in accordance with municipal policy.

12. Review of Terms of Reference

The Committee shall review this Terms of Reference at least once during each Council term and recommend any amendments to Council. Council may amend or revoke this Terms of Reference at any time.