

## **The Lake Chapala Society Audit and Advisory Committee (“the Committee”) Policies & Procedures**

**1. Authorization and Purpose.** The Audit Committee was authorized by The Lake Chapala Society's (LCS) Board of Directors (LCS Board) at its December 2008 meeting. In 2010, the name was changed to the Audit and Advisory Committee to reflect the advisory aspect of its responsibilities. At its April 14, 2011 meeting, the Board approved these revised Policies and Procedures.

The Committee's stated purpose is to monitor the integrity of the LCS' financial statements, compliance with governing documents, the performance of general operations and to handle complaints and grievances filed directly with the Committee by LCS members. In addition, the Committee will provide recommendations to the LCS Board with respect to matters that come to the Committee's attention during the conduct of its work.

The Committee is also responsible for observing the conduct and procedures of voting at the LCS Annual General Meeting and any Extraordinary Meetings.

**2. Independence of Committee.** The Committee is an independent committee of LCS member volunteers. The LCS Board shall not have control over the Committee, the review process, or reports issued by the Committee, nor shall it prevent publication of the Committee's reports to the LCS membership. The LCS Board shall have the opportunity to review and comment on the Committee's reports, prior to their being made available to other LCS members, to ensure that they are correct as it pertains to the facts.

**3. Committee Members.** The Committee shall consist of no fewer than three (3) volunteer members who are LCS members in good standing. An exception to the Committee having no fewer than three (3) members shall be made only in the event volunteers cannot be found. However, such an exception should only be allowed for a period of not more than six (6) months and is subject to ratification by the LCS Board. If a sufficient number of volunteers cannot be found to constitute a three member Committee, the LCS Board will consider other alternatives, including the appointment of an external auditor.

- The Committee Chair has the authority to appoint and remove Committee members as deemed appropriate subject to being ratified by the other members of the Committee.
- The Committee Chair may be removed by a majority vote of all other Committee members, subject to ratification by the LCS Board.
- At such time as the Committee Chair position becomes vacant, a replacement shall be selected by a majority vote of existing Committee members subject to approval by the LCS Board.
- The Committee may arrange for the temporary appointment to the Committee of other LCS members to assist it in the discharge of its responsibilities. Such individuals shall be temporary members of the Committee.

**4. Responsibilities.** The Committee's primary responsibilities are to:

- (a) Monitor the integrity of the LCS' financial reporting processes and systems of internal controls, including:
- (i) Conducting an annual audit of the financial statements of LCS, if appointed to do so by the Board of Directors and ratified by LCS members at the Annual General Meeting.
  - (ii) Investigating and recommending to the Board, the appointment of an independent auditor, in the event that the Board decides that such an appointment is appropriate.
  - (iii) Representing the interests of LCS if an external auditor is appointed; this includes reviewing the scope, work plan and the form and content of the audit opinion and the accompanying report to the Board of Directors and Membership.
- (b) Be directly responsible for overseeing and/or carrying out audits of the LCS' processes as the Committee deems appropriate.
- (c) Monitor LCS' compliance with governing documents, and applicable legal and regulatory requirements affecting LCS' operations.
- (d) Make recommendations to the LCS Board regarding
- Financial controls and operations;
  - Compliance with governing documents, and general internal controls;
  - Policies and procedures; and
  - Issues that the Committee considers require clarification, resolution, or consideration by the LCS Board.
- (e) Investigate and respond to complaints and grievances filed directly with it by LCS members.
- (f) Develop procedures for observing the conduct of voting at the Annual General Meeting and any Extraordinary Meeting of members.
- (g) Have one or more Committee members, as designated by the Chair, attend meetings of the Finance Committee, in an advisory capacity.
- (h) Attend Board meetings as provided for in Paragraph 10 below.

**5. Conduct of Reviews and Reporting.** The Committee will conduct interim and annual reviews of various aspects of LCS' accounting systems, procedures and controls, as well as compliance with governing documents. Committee members will also agree on the scope of such work and the general form and nature of the content of reports. In addition, it will determine the timing of such reviews as well as the number of members required to perform the work. The Committee will report, as it deems appropriate, to the Board of Directors or functional manager any findings and recommend corrective measures to resolve issues.

**(a) Interim Reviews.**

- (i) Throughout the year, individual Committee members may conduct interim reviews, as determined by the Committee. The Executive Director will be advised of the proposed timing and scope of each review. Every effort will be made to accommodate any requests for rescheduling review work.
- (ii) The Committee member responsible for the review will provide to the Committee's Chair for submission to the Audit and Advisory Committee a draft written report of findings and recommendations,

(iii) With the Committee's concurrence, a copy of the draft report, with any recommended amendments, will be delivered to the Executive Director to provide an opportunity for any clarification as to the facts relating to the subject of the review. The Executive Director will be requested to provide such clarification, or other comments, within 10 days.

(iv) If no comments are received from the Executive Director within 10 days, the Committee Chair will provide a draft copy of the report to the LCS Board Chair with a request that any further clarification as to the facts relating to the subject of the review be submitted within 15 days.

(v) At the expiration of the 15 day period, the draft report will be distributed to all members of the Audit and Advisory Committee for final review and comment at the next scheduled Audit and Advisory Committee meeting.

(vi) Once given final approval by the Audit and Advisory Committee, the Committee Chair will submit it to the LCS Board, with a request that the LCS Board provide a written response within 90 days.

(vii) Interim reviews should, generally speaking, be considered as part of an internal audit process. Unless there are significant matters that the Committee deems it appropriate to publish in the interests of an informed LCS membership, interim reports and any LCS Board or management responses, will not be published on the LCS website, unless and until they are contained in an annual summary report as provided for in (c) below.

(vii) Until a report has been published on the LCS website, no LCS Board or Committee member may discuss the content of such reports with anyone other than the Executive Director, another member of the Committee, the Volunteer Coordinator whose area has been reviewed and members of the LCS Board.

#### **(b) Annual Financial Audit and Report.**

(i) After completing its financial audit, the Committee will issue an opinion with respect to the year-end financial statements approved by the Board. This opinion will be provided not later than the date for notice of the Annual General Meeting to be given.

(ii) The Committee will prepare an Annual Report with respect to the LCS' financial systems and controls based on its findings during any interim and year end reviews. The Annual Report will be submitted to the Board of Directors for comment within four (4) months of the release of year-end financial statements by the LCS Board. As provided for in Section 3 above, a draft of the Annual Report will be made available to the LCS Board, prior to its being finalized.

(iii) In conjunction with its Annual Report, the Committee may also issue a Management Letter addressed to the Executive Director with respect to issues that it feels require attention, but do not necessarily warrant a Board level response. A copy of the Management Letter, if issued, will be provided to the LCS President. A draft of any such Management Letter will be provided to the Executive Director, to ensure that the contents are correct as they pertain to the facts.

(iv) The final Annual Report will be issued by the Committee and published on the LCS website and be available for review at the LCS' general services desk.

#### **(c) Summary Report of Findings in Operations, Governance or Other non-Financial Areas.**

At least once a year, the Committee will prepare a report summarizing its findings and recommendations, together with action taken by the LCS Board to address such

recommendations. It may also provide, in summary form, reports of complaints or grievances filed and their disposition.

**(d) Responses to Committee Reports.** Reports issued under the Committee's mandate will consist of findings and recommendations. It is the Committee's expectation that the LCS Board will provide written responses to all recommendations, together with a time-line for implementation. Recommendations will, generally speaking, address issues and concerns regarding financial controls and compliance with governing documents. From time to time, the Committee will provide observations and/or suggestions regarding perceived improvements that the Board may wish to consider implementing.

The Committee recognizes that the LCS Board's decision to act or not to act upon the Committee's recommendations is always at the discretion of the LCS Board. However the Committee reserves its option to report the disposition of significant matters in its reports as it deems appropriate for an informed LCS membership.

## **6. Annual General Meeting and Extraordinary General Meetings of LCS Members.**

The Committee will develop procedures for observing the conduct of voting at the LCS Annual General Meeting and any Extraordinary Meeting of members. These procedures will include the monitoring and observing of the process for the election of directors and officers and the tallying of votes, including resolution of questions and the handling of spoiled ballots. Committee members may also participate directly in the counting of ballots as well as such other functions that are consistent with its role as an independent body.

## **7. Handling of Complaints, Grievances and other Communications with the Committee.**

(a) LCS members are encouraged to file any complaints or grievances directly with the Executive Director or the President, any Board member, or the manager of the function at issue e.g. Library. However, members have the right to lodge a complaint or grievance directly with the AAC.

(b) The Committee will appoint one or more of its members to investigate any complaints or grievances submitted. A copy of the complaint or grievance will be provided to the President and to the Executive Director by the Chair, together with the names of the Committee members who will be conducting the investigation.

(c) Once the investigation is complete, the investigator(s) will prepare a draft report for review by the Committee.

(d) With the Committee's concurrence, a copy of the draft report, with any recommended amendments, will be provided to the Executive Director and the President for verification as to the accuracy of the facts relating to LCS' actions with respect to the subject of the complaint or grievance.

(d) Once the final report of the investigators has been approved by the Committee, a letter will be sent to the complainant, signed by the Committee Chair, providing details of its findings, together with any recommendations to the Board to avoid the recurrence of the actions that gave rise to the complaint or grievance. Copies of this letter will be sent simultaneously to the President and to the Executive Director.

(e) In order to ensure full disclosure and confidence in the process by all parties involved all reports and minutes of meetings or other documents relating to a grievance or complaint shall remain

confidential within the Audit and Advisory Committee and not be made available to any other party, including the Board or the Executive Director. See also Paragraph 11, "Conduct of Committee Members". However, a copy of the original complaint shall be made available to the Executive Director and the President.

(f) All grievances, complaints inquiries and other communications from LCS members may be submitted to the Committee in writing either by e-mail to the Committee's private e-mail address – [auditcommittee@lakechapalasociety.org](mailto:auditcommittee@lakechapalasociety.org)

or by a written note presented to a Committee member in a sealed envelope. Inquiries will be investigated and responded to in writing in a timely manner. Personal meetings and phone calls will be arranged as required and appropriately documented for the Committee's records

**8. Conduct of Duties.** The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to all of LCS' personnel and records.

**9. Meetings.** The Committee shall meet as often as it determines to facilitate Committee responsibilities, but not less frequently than quarterly.

The Committee may request any LCS Board member, employee, volunteer or member to attend a Committee meeting or to meet with any member of the Committee.

**10. Attendance at Board Meetings.** One Committee member, as designated by the Committee Chair, shall attend all LCS Board meetings including those sessions closed by the LCS Board. However, where the Board Chair indicates that Board members wish to discuss among themselves matters relating to the Committee, any Committee member present will leave the meeting for the duration of such discussion.

**11. Conduct of Committee Members.**

(a) Committee members shall wear Audit & Advisory Committee name tags at all times when on the LCS grounds for identification purposes.

(b) With regard to LCS and its activities, a Committee member shall not post on any website or publish in any other medium, take sides in any litigation, provide written responses or information, or discuss any investigations or findings until the Committee has completed its review of the issue(s) and the Committee Chair has approved the distribution of its findings.

**12. Interests of LCS and Members.** The Committee will carry out its responsibilities with due regard to the interests of LCS and its members. The Committee represents the LCS Membership and recognizes the importance of working with the LCS Board to improve the organization and its operations.