

12 FINANCE AND AUDIT COMMITTEE – TERMS OF REFERENCE

12.1 PURPOSE

The purpose of the Finance and Audit Committee (Committee) is to assist the Board in fulfilling its obligations and responsibilities relating to financial and audit oversight, including but not limited to, the College's operating and capital budgeting process, financial and enrolment reporting, the internal and external audit processes, the system of internal controls, and risk management.

12.2 COMPOSITION

The Finance and Audit Committee is composed of a minimum of three members, who are normally selected from among the Appointed Members.

Committee members should be independent and financially literate.²⁰ At least one member shall have an accounting designation or related financial expertise.

The Board, on the recommendation of the Governance Committee, appoints the Committee members and the Committee Chair.

12.3 DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Finance and Audit Committee will perform the following duties.

12.3.1 FINANCIAL PLANNING

The Committee:

- a) reviews and make recommendations to the Board for approval in respect of:
 - i) any changes in tuition fees and other assessed student fees after considering the recommendations, if any, of the provincial government with respect to tuition fee changes;
 - ii) financial plans and budgets forwarded to the Board for approval;
 - iii) the appropriateness and validity of any material assumptions and estimates used in the preparation of such plans or budgets;
 - iv) the consistency of the plans and budgets with policies, objectives and initiatives approved by the Board;
 - v) the consistency of the financial plans and budgets with any other financial data;

²⁰ In this context, "independent" means having no material direct or indirect association with CNC, which could, in the view of the Board, reasonably interfere with the exercise of the Member's independent judgment, and "financially literate" means that the Member has the ability to read and understand a set of financial statements which present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by CNC's financial statements.

- vi) any significant assumptions, forecasts, targets or performance goals used by senior leadership in the preparation of the financial plans and/or budgets; and
- b) ensures the Board receives on a timely basis meaningful financial information regarding CNC's current financial status and up-to-date forecasts required to make decisions.

12.3.2 FINANCIAL REPORTING

The Committee:

- a) reviews CNC's annual financial statements to ensure they are fairly presented in all material respects in accordance with generally accepted accounting principles;
- b) reviews all public reporting by CNC to ensure that it represents a complete, accurate and balanced picture of CNC's performance and financial situation;
- c) reviews the financial statements and reports, and recommends their approval or disapproval to the Board; the Committee will provide an explanation if it cannot recommend approval;
- d) discusses with senior leadership and with the external auditor:
 - i) all proposed changes in accounting policies and practices;
 - ii) the import and presentation of all large risks or uncertainties;
 - iii) compliance with accounting standards;
 - iv) adjustments arising out of the audit process and related party transactions;
 - v) all estimated or judgments of senior leadership that may be considered to be material to financial reporting;
 - vi) significant financial reporting, record or presentation issues discussed during the fiscal period and the manner of their resolution;
- e) examines the audited annual financial statements in conjunction with the reports of the external auditor, which may include determining whether the statements:
 - i) properly reflect the significant accounting policies selected;
 - ii) reflect estimates and other financial statements elements that are reasonable and consistent;
 - iii) adequately disclose all major transactions and issues;
 - iv) disclose all post-year-end significant events;
 - v) are understandable, relevant, reliable and comparable;
- f) reviews and recommends to the Board approval of the:
 - i) annual audited financial statements;
 - ii) management discussion and analysis that accompanies the audited financial statements; and
 - iii) significant financial reports.

12.3.3 EXTERNAL AUDIT

The Committee:

- a) recommends to the Board the appointment of the external auditor;
- b) determines whether the performance of the external auditor is satisfactory, effective and meets the requirements of CNC;
- c) reviews all issues related to any change in external auditor and the planned steps for an orderly transition;
- d) assesses and confirms the independence and objectivity of the external auditor;
- e) reviews the terms of the external auditor's engagement, and the appropriateness and reasonableness of the proposed fees;
- f) reviews and recommends to the Board for approval the amount of fees to be paid to the external auditor;
- g) reviews and recommends to the Board for approval the audit plan with the external auditor and senior leadership;
- h) determines whether senior leadership has provided full and open disclosure to the external auditor's inquiries;
- i) reviews problems experienced by the external auditor in performing the audit, including any restrictions imposed by senior leadership and all significant accounting issues on which there was a disagreement with senior leadership;
- j) reviews the post-audit opinion letter containing the recommendations of the external auditor and reviews the senior leadership's response and subsequent follow-up to any significant identified weaknesses; and
- k) reviews and approves the provision of non-audit services provided by the external auditor.

The Committee shall meet with the external auditor at least bi-annually, including meeting *in camera* with the external auditor at least annually or as requested. The Committee shall permit the external auditor to attend Committee meetings on request.

12.3.4 ACCOUNTING SYSTEMS AND INTERNAL CONTROLS

The Committee:

- a) through discussion with senior leadership and the external auditor, obtains reasonable assurances that CNC has implemented appropriate systems of internal control:
 - i) over financial reporting, information technology, data security and protection of personal information and privacy, and that these systems are operating effectively;
 - ii) to ensure compliance with its policies and procedures that these systems are operating effectively;
 - iii) to identify, monitor, mitigate and report significant financial or operational risk exposures and that these systems are operating effectively; and

- b) directs the external auditor's examinations to particular areas of concern with respect to internal controls.

12.3.5 APPROVAL OF PRESIDENT'S EXPENSES

The Committee Chair reviews guidelines and procedures associated with the approval of the President's expenses, as well as to ensure regular review of the President's expense summaries, normally by the Committee Chair and/or Board Chair, as practicable.

12.3.6 OTHER ACTIVITIES

The Committee undertakes any other activities as assigned to it by the Board.

12.4 MEETINGS

The Committee meets at least four times per year and normally a few weeks in advance of a regular Board meeting. Additional meetings may be held as deemed necessary by the Committee Chair.

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12.5 REPORTING

At the next Board meeting, the Committee Chair provides an oral report that summarizes Committee work since it last reported, including what the Committee is bringing forward for discussion or approval, along with a written summary in advance of the next Board meeting.

12.6 COMMITTEE SUPPORT

The Board Secretary or designate serves as secretary to the Committee and the VP Finance and Corporate Services, and the Controller, provide support to the Committee as non-voting management resources.

12.7 RESPONSIBILITY FOR POLICY REVIEW

The Committee has responsibility to review at least every two years, and more frequently if deemed necessary (e.g., based on legislative changes, or a development in governance best practices) the following Board and Board-approved organizational policies:

12.7.1 BOARD POLICIES

- Audit and Finance Committee Terms of Reference
- Board Member Remuneration and Expenses Policy