

AUDIT AND FINANCE COMMITTEE - Draft Terms of Reference

This Terms of Reference has been created in accordance with the "Techsploration Procedures for Committees" document.

Committee Purpose and Role:

The Audit and Finance Committee (the Committee) will be appointed by the Board to assist the Board in:

- ✓ monitoring the integrity of the financial statements of the organization and financial reporting procedures,
- ✓ the independent auditor's qualifications and independence, the performance of the independent auditors,
- ✓ the compliance by the organization with legal and regulatory requirements,
- ✓ the use and development of the financial resources of the organization,
- ✓ to reduce the risk of financial fraud involving management and ensuring that controls are in place to prevent, deter and detect fraud by management, and
- ✓ other matters as directed by the Board.

The overall role of the Committee is to 'oversee'. The organization's program staff/management is responsible for preparing the organization's financial statements; the finance committee is responsible for reviewing and recommending the financial statements to the board of directors for approval; the independent auditors will then audit those financial statements.

Committee Membership:

The Committee will consist of three members. At least one member will be a member of the Board. At least one member should have financial management and accounting expertise and all members should meet minimum financial literacy requirements. That is, all members of the Committee should be able to read, understand and interpret financial statements.

Term of Membership:

Members shall serve a term of three (3) years. Members will meet two to three times a year and will also provide ongoing monitoring of the budget and financial statements throughout the year.

Committee Authority and Responsibilities:

The Committee is responsible for reviewing, and in some cases, approving, certain policies and practices that are developed and implemented by management. They monitor the processes by which management identifies risks, and related controls that ensure compliance with all relevant policies and procedures. While they may offer opinions and facts related to these items, the Committee is not responsible for actually developing or implementing the policies and practices.

In fulfilling its role, the Committee has the sole authority to appoint or replace the independent auditor. They are responsible for the compensation and oversight of the work of the independent auditor, including working with the Executive Director to set the audit scope and plan of the annual review engagement. The independent auditor will report directly to the Audit and Finance Committee.

The Committee will also be responsible for the oversight of *financial reporting*. With respect to this role, the Committee will review with management the following:

- a) The organization's annual financial statements and related footnotes. They will discuss critical accounting policies, including an assessment of management's disclosures.
- b) The Independent auditor's review engagement of the financial statements and his or her report.
- c) Any significant findings during the year and management's responses, including the status of previous audit suggestions.
- d) Other matters related to the annual audit.

The Committee, in its capacity of oversight will provide their judgments about the quality as well as the acceptability of the organization's accounting principles as applied to financial reporting. It will also enquire as to the consistency of the organization's accounting principles and the application, and the clarity and completeness of the organization's financial statements, which include related disclosures.

The Committee will review and recommend all proposed management expenditures, outside the budget.

The Committee shall oversee the development of the organization's annual operations and capital budgets and recommend to the Board the approval of the organization's budgets. The Committee will also oversee the preparation of the annual program implementation plan and recommend the plan to the Board for approval.

Decision Accountability Matrix Audit and Finance Committee¹

Purpose: To assist the Board in fulfilling its role to 'oversee' by reviewing the Corporation's financial statements reporting process, internal controls, compliance with all relevant rules, and the external audit process.

1

The American Institute of Certified Public Accountants (AICPA). "What is the Difference: Audit Committee vs. Finance Committee".

<http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Financial%20Management/Audits%20and%20Auditing%20Requirements/WhatistheDiffe.htm>. 2007

Governance Item	Description	Decision Roles		
		Management - Staff	Audit and Finance Committee	Board
Internal Controls and Risk Management	Management processes designed to assure operational efficiency and reliability of financial condition and information	Initiate, Develop, Oversee	Review, Monitor, Provide Guidance & Recommend	Review
Budget	The allocation of funds designated to accomplish specific business goals	Initiate, Develop	Monitor, Provide Guidance & Review	Review, Approve
Program Implementation Plan	Management plan that outlines the key goals objectives and activities for a specific budget year	Initiate, Develop	Monitor, Review	Review, Approve
Financial Reporting	Adherence to operational and financial reporting policies for the organization	Initiate, Develop, Oversee	Monitor, Provide Guidance, & Recommend	Review, Approve
Unplanned Expenditures	All management expenditures outside of the budget	Initiate, Develop	Review, Recommend	Approve
Independent Auditors	The hiring of competent external auditors who assess the organization's financial statements to ensure with Generally Accepted Accounting Principles (GAAP)	Initiate, develop	Recommend, Oversee	Review, Approve
Accounting Principles	The methods used to record financial transactions.	Initiate, Develop, Oversee	Monitor, Provide Guidance, Review, Recommend	Review, Approve