



**POLICY TITLE: TERMS OF REFERENCE FOR FINANCE AND  
AUDIT COMMITTEE**

**Effective Date:** December 12, 2009

**Revised:** March 15, 2008  
March 20, 2009  
May 22, 2009  
March 20, 2010

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*Policy Statement*

**PURPOSE**

The purpose of the Finance and Audit Committee is outlined in the legislation as follows:

Finance and audit committee

7.1(1) The board shall appoint a finance and audit committee of the board

- (a) to assist the board in fulfilling its responsibilities with respect to audits, financial reporting, corporate control systems, risk management and related matters; and
  - (b) when requested by the board or when in the opinion of the committee it would be appropriate to do so, to make recommendations to the board regarding any matters described in paragraph (a)
- (2) The finance and audit committee shall include
- (a) the president and the College's director of administrative services or, if there is no director of administrative services, the person holding the most equivalent office, who shall be members by virtue of their offices; and
  - (b) at least three other members of the board.

(Act to amend the Yukon College Act, May 14, 2009)

## **PROCEDURES/TERMS OF REFERENCE**

Pursuant to the legislation the following terms of reference are established:

1. Committee members will have or will develop a working familiarity with finance and accounting practices and preferably at least one Committee member will have accounting or related financial management expertise.<sup>1</sup>
2. Members will normally be appointed for their term on the Board. Vacancies will be filled by nominations from the Finance and Audit Committee and will be from suitable qualified and interested Board members. The President and the Director of Finance and Administration shall be ex-officio members. The appointments are the responsibility of the Board Chair. A minimum of two appointed Board members must be present in order to carry out the business of the Finance and Audit Committee.
3. The College Auditor will be notified of the Committee's meeting schedule and receive the appropriate meeting materials in advance of meetings. A representative of the College Auditor will be asked to attend one or more Committee meetings.
4. The Chair of the Finance and Audit Committee shall be the Board representative on the Pension Committee and report to the Board on pertinent matters raised at the Pension Committee.
5. The Finance and Audit Committee shall meet with the Pension Committee at least once annually to receive advice on:
  - The assumptions used by the Actuary in valuations of the Pension Plan
  - The performance of all contracted services including the investment manager, the custodian and the consulting actuary
  - The appointment of any of the contracted service providers for the Pension Plan
  - The appointment of the auditor for the Pension Plan
  - The approval of the audited financial statements for the Pension Plan

The Finance and Audit Committee shall meet with the Pension Committee at least once annually to receive advice and make recommendations to the Board on the following:

- The investment policy of the Pension Plan (Annual Statement of Investment Policy – SIPP)
- Any change in the funding (contribution rates) of the Pension Plan
- Any change in benefit levels provided by the Pension Plan, recognizing that these may require ratification by the Union

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<sup>1</sup> All members should be financially literate and at least one member should have accounting or related financial management expertise, Financial "literacy" signifies the ability to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement, and the ability to ask probing questions about the corporation's financial risks and accounting. "Expertise" signifies past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the individual's financial sophistication.

6. The Secretary to the Board will be secretary to the Finance and Audit Committee.

## 7. Annual Financial Statements

The committee will review the annual financial statements and reports, and recommend their approval or disapproval to the Board of Governors. The Committee will provide an explanation if it cannot recommend approval. The review must include:

- (a) determining whether appropriate accounting methods are being applied;
- (b) discussing with management and with the College Auditor:
  - all proposed changes in accounting policy,
  - the import and presentation of all large risks or uncertainties,
  - compliance with accounting standards,
  - significant adjustments arising out of the audit process and related party transactions, and
  - all estimates or judgments of management that may be material to financial reporting;
- (c) questioning separately management and the College Auditor regarding significant financial reporting, recording or presentation issues discussed during the fiscal period and the manner of their resolution, and
- (d) examining the audited financial statements in conjunction with the report of the College Auditor, which may include determining whether the statements:
  - properly reflect the significant accounting policies selected,
  - reflect estimates and other financial statement elements that are reasonable and consistent,
  - adequately disclose all major transactions and issues,
  - disclose all post-year-end significant events, and
  - are understandable, relevant, reliable and comparable.

## 8. Financial Reports

- (a) On behalf of the Board of Governors, the Committee will review the financial reports including Capital Expenditures and related information. Financial reports will be provided in the format and schedule as specified by the Finance and Audit Committee.
- (b) The Finance and Audit Committee is responsible for reviewing and, where appropriate, reporting to the Board, with recommendations, on the following:
  - Annual capital budget
  - Annual administrative budget
  - Annual program budget
  - Report on all revenue contracts and details of those contracts \$750,000 and over
  - Approval of policy with respect to account write-off's
  - Auditor's reports
  - Any matter of financial policy or procedure directed to the Committee by either the Board of Governors or the Chair of the Board.

## **9. College Auditor**

The Committee will oversee the external audit process, including:

- (a) determining whether the performance of the external audit is satisfactory, effective and meets the requirements of Yukon College and as necessary oversee the selection of the College Auditors.
- (b) reviewing the audit plan with the College Auditor and management;
- (c) meeting with the College Auditor in the absence of the President and/or the Director Administrative Services.
- (d) determining whether management has provided full and open disclosure to the College Auditor's inquiries;
- (e) reviewing problems experienced by the College Auditor in performing the audit, including any restriction imposed by management and all significant accounting issues on which there was a disagreement with management;
- (f) reviewing the post-audit or management letter containing the recommendations of the College Auditor and reviewing management's response and subsequent follow-up to any significant identified weakness.

## **10. Accounting System and Internal Controls**

Through discussions with management and the College Auditor, the Committee will obtain reasonable assurance that Yukon College's accounting systems are reliable and internal controls are adequate. For this purpose, the Committee may wish to direct the College Auditor's examinations to particular areas and may request the auditors to undertake special examinations.

The Committee will review the evaluation of internal controls by the College Auditor, including any recommendations for improvement of Yukon College's accounting procedures and internal controls, together with management's response.

## **11. Other Responsibilities**

The Committee will:

- (a) review the status of pending or threatened material litigation;
- (b) ascertain whether Yukon College's financial results and conditions satisfy the criteria for lenders, material agreements, applicable laws and insurers;
- (c) before public disclosure, review any formal financial reports on the condition or results of Yukon College;
- (d) draw to the attention of the Board of Governors all financial matters of which the Committee has knowledge and which may materially affect the current or future financial position of Yukon College;
- (e) confirm that appropriate policies and procedures are in place for monitoring compliance with applicable laws and ascertain their adequacy and the levels of compliance;
- (f) review and approve or disapprove a three-year budget forecast (operating and capital) to the Board of Governors for approval;
- (g) review such other matters that the Committee or the Board of Governors deems advisable or timely.

- (h) The Committee will monitor the Risk Management policy and Risk Management plan

## **APPROVAL AUTHORITY**

In behalf of the Board of Governors, the Finance and Audit Committee has authority as follows:

- To approve or disapprove matters pertaining to the Pension Plans as listed in item 5 of this policy
- To review and recommend approval or disapproval to the Board of Governors the annual financial statements and reports, as per item 7 of this policy
- To oversee the external audit process as listed in item 9 of this policy

## **ACCOUNTABILITY**

The Committee will report its discussions to the Board of Governors by distributing the minutes of its meetings, and where appropriate, by oral report to the Board of Governors with respect to every major matter considered since the last meeting. All Board members shall receive a copy of the agenda and back up materials and are invited to attend any/all Committee meetings. The Terms of Reference for the Committee will be reviewed annually.

### ***Scope and Limitations of President***

Not applicable

### ***Information and Monitoring Requirements***

- Financial Reports in accordance with the schedule as specified in item 8, Financial Reports
- Annual Financial Statements
- Annual Audit Report from the College Auditor
- Annual Risk Management report