



<b>Policy Name:</b> Audit & Finance Committee Terms of Reference	<b>Policy Number:</b> BD004
<b>Original Date of Approval:</b> March 2018	<b>Policy Type:</b> Board
<b>Last Revision Date:</b> September 2020	<b>Review Cycle:</b>
<b>Date of Last Review:</b> September 2020	

### General Provisions

1. With respect to each committee, the Board of Directors shall:
  - a. Establish the terms of reference and life span;
  - b. Establish a budget and resources required;
  - c. Appoint a person annually to chair the committee;
  - d. Appoint such other members annually as may be appropriate; and
  - e. To be considered for appointment, an individual other than a member of the Board must express interest, and if selected, commit to be bound by ESIO Policies.
2. A committee continues until the Board of Directors determines that it is no longer required.
3. The general purpose of each committee is to assist the Board of Directors in governing the ESIO by providing recommendations to the Board on any matter within the committee's terms of reference.
4. The Board will establish annual priorities for each committee including topics or issues within the committee's terms of reference for which the Board requires focused attention during the year. The committee will prepare an operational plan to fulfill its mandate and will present the plan to the Board for approval.
5. The Chair of the Board of Directors is an ex officio member of each committee.

## Scope and Role of the Committee

1. The Committee is accountable for the overall probity and integrity of financial systems and practices of ESIO, in particular that:
  - a. The ESIO annual financial statements are fairly presented in accordance with applicable accounting principles and financial reporting standards, and to recommend to the Board of Directors whether the annual financial statements should be approved;
  - b. Financial statements are reviewed on a regular basis to ensure they are reasonable, with any significant variances explained and discussed with Management;
  - c. Other financial information may be reviewed by the Committee at the request of the Board or another Committee or Committee Chair;
  - d. The ESIO has implemented appropriate systems of internal control over financial reporting and that these are operating effectively;
  - e. The ESIO has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements;
  - f. External audit function has been effectively carried out and that any matter which the external auditors have brought to the attention of the Committee or Board of Directors of ESIO has been addressed;
  - g. Financial management policies of the ESIO are appropriate and that recommendations are made to the Board as required regarding amendments or additional policies.
  - h. Annual business plans and budgets are monitored and reported to the Board of Directors through interim financial reporting of actual results against budget and year-end estimates against budget;
  - i. The financial condition of ESIO is monitored and any potential issues are reported to the Board of Directors;
  - j. The ESIO has implemented appropriate systems of risk management to effectively identify, manage and monitor risks and opportunities to the ESIO and its related entities;
  - k. Recommend appropriate investment strategies and monitor approved strategies for effectiveness and ability to meet ESIO's operational needs;

- l. Insurable risks and insurance coverage of the ESIO are reviewed annually; and
    - m. The mandate and responsibilities of the Committee meet customary expectations and practices for Audit & Finance Committees.
2. The Committee will recommend to the Board of Directors the reappointment or appointment of external auditors.

## **Membership**

1. The Committee will be comprised of up to five (5) appointed members as follows:
  - a. Three (3) Board members, one of whom will be appointed as the Chair, and
  - b. Two (2) additional members.
2. Members should have financial and/or risk management enterprise expertise to ensure the Committee as a whole has the adequate skill to undertake its responsibilities.
3. Appointment terms:
  - a. Board members – One (1) year term, appointed annually
  - b. External members – One (1) year term, appointed annually
4. The term of office of the Chair and members appointed to the Committee shall commence January 1 each year and expire December 31 of that year.
5. Committee members shall:
  - a. Participate in the meetings of the Committee;
  - b. Represent the views and safeguard the interests of the ESIO;
  - c. Communicate with the ESIO Board regarding matters under consideration by the Committee, and
  - d. Exercise the same care, skill and diligence as a prudent person carrying out his/her duties.
6. A member of the Committee ceases to be a member if that individual misses three consecutive meetings, unless authorized by the Chair of the Audit & Finance Committee to do so.
7. The individual appointed to chair the Committee shall be a member of the Board of Directors.
8. The Chair of the Committee shall:
  - a. Report regularly to the Board on the activities of the Committee, provide recommendations to the Board and ensure the recording of the minutes of the Committee;
  - b. Liaise with any Board member or volunteer who is assigned related responsibilities. Report annually to the Society membership at the Annual General Meeting.

9. The committee may select one of its members as Vice-Chair.
10. The Committee is expected to obtain advice and support from professional advisors as and when needed, commensurate with its objectives and available resources. If the ESIO Directors feel the need for other expertise to be brought to bear on any matter, they are free to seek this input.

## **Meetings**

1. Committee meetings will be scheduled in accordance with the business needs of the ESIO. The meetings will be scheduled to permit the fulsome and timely review of interim and annual financial statements.
2. As a general rule, the Committee will meet not less than two (2) and not more than four (4) times each year.
3. Additional meetings may be held as deemed necessary by the Chair of the Committee or if requested by any Audit & Finance Committee member or by the Society's external auditors.
4. Meetings of the Committee are to be conducted via the most efficient means (conference calls, video conferencing or in-person) based on the meeting agenda. Members may be asked to review materials, provide feedback and/or vote on recommendations via email. Each member, including the Chair, shall have one vote.
5. The ex-officio member will only vote in the case of a tie.
6. The Committee may hold in camera meetings as required.
7. If a matter arises in an Audit & Finance Committee meeting which also falls within the responsibility of another committee, the Chair will ensure that the other committee is informed and can provide its input before a recommendation is made to the Board.
8. If there is an urgency which makes it impossible to have the matter discussed at a meeting of the other committee, the Chair will determine how the information will be provided and how the input will be gathered.

\*\*\*\*\*