



## **FINANCE & AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **A. PURPOSE**

The Board of Directors (the Board) of the General Insurance Statistical Agency (GISA) (the “Corporation”) has established a Finance & Audit Committee (the Committee) to assist the Board in fulfilling its financial oversight and audit review responsibilities.

The Committee reviews the Corporation’s financial risks, results, reporting systems and internal controls and advises the Corporation’s Board of Directors on financial and audit matters related to the external audit, staffing, and service provider contract.

#### **B. FUNCTIONS OF COMMITTEE**

The Committee will review, provide advice and make recommendations to the Board of Directors on:

##### **B.1 External Audit**

The Committee is responsible for overseeing the external audit process, including:

- Recommending the appointment of an external auditor and the terms of the engagement to the annual meeting of members.
- Determine whether the performance of the External Audit is satisfactory, effective and meets the requirements of GISA.
- Reviewing all issues related to any change in External Auditor and the planned steps for an orderly transition.
- Confirming the independence of the External Auditor.
- Reviewing the terms of the External Auditor’s engagement, and the appropriateness and reasonableness of the proposed audit fees.
- Discussing with the external auditor:
  - the audit plan and scope
  - all proposed changes in accounting policy;
  - the presentation of all large risks or uncertainties;
  - compliance with accounting standards;
  - adjustments arising out of the audit process and related party transactions; and
  - all estimates or judgments of Administration that may be material to financial reporting.
- Reviewing and accepting the audit plan with the External Auditor.
- Receiving the external auditor’s report and meeting with the External Auditor and management to discuss audit findings and management responses.

- Reviewing any non-audit services provided to the Corporation by the auditor.
- Reviewing any audit services provided to the Corporation through its service provider.

## **B.2 Internal Control and Risk Management**

The Committee will, through discussions with GISA Management and the External Auditors, obtain reasonable assurance that GISA has implemented appropriate systems of internal control, and make recommendations regarding:

- the significant operational and financial risk exposures faced by the Corporation;
- the adequacy and effectiveness of the internal control system maintained by management to ensure the efficiency and effectiveness of operations, the reliability of financial reporting, and compliance with legislation and regulation; and
- formal conduct and conflict of interest codes to the Board.

### *Whistle Blower Procedure*

The Committee will be responsible for administering the following whistle blower procedure:

- The Committee will receive, retain, investigate and act on complaints and concerns of employees and other third parties regarding accounting, internal controls over financial reporting and auditing matters as well as serious violations of corporate policies, fraud or illegal activities or other serious misconduct.
- The Committee will delegate the responsibility of receiving complaints or concerns to the Committee's chair.
- The Chair will report on any submissions received within five (5) business days to the Committee.
- The Committee may, at its discretion, retain others to investigate and act on complaints.
- The Committee will report to the GISA's Board of Directors at least annually as to the nature of the complaints received, the resolution of complaints and the status of any outstanding complaints.
- The Committee will not reveal the identity of any person who makes a complaint acting in good faith or who asks that his or her identity remain confidential, unless required by law, and there will be no retaliation against such person.

## **B.3 Financial Performance Planning and Reporting**

The Committee will review financial plans and results with management and any relevant external parties to ensure that they reflect the Corporation's policies and priorities.

The Committee has oversight responsibilities over the following:

- The annual budget presented by management covering expected Corporation and service provider costs and recommending adoption or modifications to the Board of Directors.
- As part of the budget process, the operating and capital plans of the service provider, and if necessary, consulting with the Statistical Plan Committee to assess the reasonableness of planned costs.
- In-year expense or budget changes requested by management or service provider.
- The Corporation's financial targets and its quarterly results compared to budget;
- Reviewing the draft annual financial statements and recommend their approval by the Board to ensure they are fairly presented in all material respects in accordance with generally accepted

accounting principles.

- The terms of the contract with the service provider, the performance under this contract, and management's recommendations for any performance sanctions.
- Audit reports of the service provider required under the service contract.
- The operation of the Corporation's mechanisms for recovering costs and forwarding funds to the service provider.
- Reviewing officers' and Directors' expense summaries.
- Reviewing financial arrangements with the Corporation's administrative service provider.
- All other financial reports.

The Committee will make recommendations to the Board of Directors on the above and on any other matters that may arise.

#### **B.4 Other Duties**

The Committee will be responsible for any other duties requested by the Board of Directors.

### **C. GOVERNANCE**

#### **C.1 Composition**

The Committee will consist of six Board directors, at least three of whom are Member Directors; at least one of whom is a Public Director; and at least one of whom is an Industry Director. Officers of GISA cannot be a majority of the members sitting on the Committee. The Chair of the Board of Directors will not be the Chair of the Finance & Audit Committee.

#### **C.2 Appointment and Terms**

The Board will appoint the members of the Finance & Audit Committee for terms not exceeding three years. Members may be re-appointed.

#### **C.3 Qualifications**

All Committee members will be financially literate. Through prior education or experience, members must, in the Board's judgment, be familiar with accounting principles and financial statement evaluation. At least one member should have financial management experience. At least one Public Director should have accounting or financial designation.

The Board may provide training to Committee members to meet these requirements in lieu of prior education or experience.

#### **C.4 Chair**

The Chair of the Committee will be appointed by the Board of Directors from among the Committee members.

The Chair will submit regular reports on the outcome of meetings and committee recommendations

to the Board of Directors.

### **C.5 Quorum and Voting**

Four members of the committee will constitute a quorum, and decisions will be made by majority vote.

### **C.6 Working Groups, Ad Hoc Sub Committees**

The Committee may establish working groups and ad hoc sub committees as necessary.

### **C.7 Meeting Schedule**

The Committee will meet or participate by conference call on a quarterly basis or more often if requested by the Board of Directors or Committee Chair.

### **C.8 Attendance and Substitution**

If a member of the Committee is absent for three consecutive meetings, that member will be deemed to have resigned and the Chair will declare a vacancy and request another nomination if appropriate. New committee members will be approved by the Board of Directors.

Substitutes may attend meetings of the Committee with the consent of the Chair.

## **D. GENERAL**

### **D.1 Conflict of Interest**

Every member who is in any way in a potential or actual conflict of interest must declare such interest and refrain from voting. Conflict of interest includes, but is not limited to, any situation or circumstance where a member has, directly or indirectly, any interest in a contract or arrangement or proposed contract or arrangement with the Corporation, or where the Board Director's other commitments, relationships or financial interests could or could be seen to exercise an improper influence over the objective, unbiased and impartial exercise of his or her independent judgment.

With regard to the independence of the external auditors, the external auditor is bound by the independence rules promulgated by the Canadian Institute of Chartered Accountants (CICA), released in December 2010. As part of its annual reporting, the external auditor will report to the Finance & Audit Committee on all aspects concerning independence, including confirmation of its independence, and compliance with CICA's independence standards.

### **D.2 Confidentiality**

Members of the Committee may be asked to hold confidential certain information. When asked to do so, all information and material provided by the Board of Directors or other party will not be discussed with or disclosed to any third party who is not a Committee member or Chair-approved substitute.

### **D.3 Amendment of Terms**

These Terms of Reference may be amended from time to time if necessary (e.g., based on legislative or regulatory changes, or a development in governance best practices). Any changes to the Terms of Reference must be approved by the Board of Directors.

### **D.4 Outside Counsel**

The Committee may hire outside counsel or consultants as deemed necessary to the performance of its functions.

## **E. LEGAL MATTERS AND COSTS**

Management will report annually on legal matters and outstanding claims, if any, together with anticipated settlement costs against the Corporation.

## **F. PERFORMANCE REVIEW**

At least once a year, the Committee will review the terms of its charter, assess individual and collective effectiveness in the performance of its duties, and prepare a development plan that identifies member training activities needed to improve the Committee's financial oversight capacity.