



## **TERMS OF REFERENCE**

### **FINANCE AND AUDIT COMMITTEE**

#### **QUALIFICATIONS FOR COMMITTEE MEMBERS**

To be eligible for nominations, candidates for Committee membership:

- Must be committed to CMHA Lambton Kent's vision, mission, values and goals.
- Must be willing to dedicate quality time to participate actively on the committee(s).
- All committee members shall have the ability to read and understand financial statements, a balance sheet and an income statement and a cash flow statement. At least one committee member shall have the ability to analyse and interpret a full set of financial statements including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.
- Attendance for members of the Finance and Audit Committee is expected to be 75%. Any exceptions must be in consultation with the Chair.
- Must be committed to participate in a committee orientation program and the continuing education of members.
- Must have a commitment to the philanthropic objectives of the organization.

#### **EVALUATION OF COMMITTEE MEMBERS**

To be eligible for a renewed nomination as a Committee member, each candidate will be evaluated annually on the following criteria:

- 75% attendance at meetings. Exceptions made in consultation with the Chair.
- Necessary background preparation and effective participation on the committee on which the member served.
- Work positively, co-operatively and respectfully as a member of the organization's team with other members and with the organization's management and staff.
- Demonstrated commitment to the organization in the form of attendance at special events, promoting CMHA Lambton Kent within government and the community, and commitment to the philanthropic objectives of the organization.

#### **MISSION**

The Finance and Audit Committee shall assist the Board by reviewing financial statements, processes for presenting financial information, internal controls, risk

management methods and audit processes and shall review management information systems in order to determine their integrity and effectiveness.

## **COMPOSITION**

The Finance and Audit Committee shall consist of no fewer than five (5) members, a majority of whom shall not be officers of the organization. At least one (1) member of the committee shall be a representative of CMHA Lambton Kent.

All committee members shall have the ability to read and understand financial statements, a balance sheet and an income statement and a cash flow statement. At least one committee member shall have the ability to analyse and interpret a full set of financial statements including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

## **MEETINGS AND CALLING OF MEETINGS**

The Finance and Audit Committee will meet at least four times a year.

Meetings of the Committee are held on the pre-scheduled date and at the time and place set by the Chair in writing. An unscheduled meeting may be called at any time by the Chair with appropriate notification no less than 24 hours prior to the time and date set for the meeting.

Meetings of the Committee may be held by telephone or any other means which enables all participants to communicate with each other adequately and simultaneously. Persons participating in a meeting by telephone or by any other means of communication are deemed to have attended that meeting.

Attendance for members of the Finance and Audit Committee is expected to be 75%. Any exceptions must be in consultation with the Chair.

## **QUORUM**

A majority of the Committee shall constitute a quorum.

## **MINUTES**

The minutes of each meeting of the Committee, duly approved by the committee, are held in the Office of the CEO. A summary of the Committee's meeting is attached to the agenda of the subsequent meeting of the Board of Directors and the Chair of the Committee makes an oral report to the Board on the deliberations of that meeting.

## **FUNCTIONS AND RESPONSIBILITIES**

The functions and responsibilities of the Finance and Audit Committee shall include to:

- (i) Review the scope of the annual audit, the annual financial statements and the auditor's report and make recommendations to the Board of Directors with respect thereto.
- (ii) Review and approve the Auditor's letter to management and management's response thereto.
- (iii) Review and be familiar with significant internal and external developments, especially financial and other risks faced by the organization and the appropriateness of controls to minimize the potential impact of such risks.
- (iv) Review the appropriateness and effectiveness of the internal control processes including key policies and procedures.
- (v) Review the organization's compliance with regulatory and statutory requirements.
- (vi) Monitor and evaluate the performance of the external auditor.
- (vii) Recommend for purposes of the annual meeting of the organization the appointment of a firm of chartered accountants as the organization's external auditors.
- (viii) Oversee, review and make recommendations to the Board concerning Management's risk management processes.
- (ix) Identify unusual risks and oversee Management's plan to address unusual or unanticipated risks and make recommendations to the Board.
- (x) Identify and assess relevant risk areas including:
  - Fraud or error resulting in misstatements
  - Financial/regulatory reporting, including corporate structure
  - Compliance with government policy
  - Compliance with legislation and regulations, including taxation
  - Whistle-blowing policies
  - Insurance coverage
  - Financial risk
  - Contractual risk
  - Operational risk
  - Reputational risk
  - Compliance with privacy laws and standards