[Insert Name of Corporation]

(the “Corporation”)

Finance and Audit Committee Terms of Reference

Role

Responsible on behalf of the board of directors (the “**Board**”) for oversight of financial matters and the annual external audit.

Responsibilities

Budget Planning and Oversight

* Ensure that there are processes in place for the development of an annual operating budget and capital budget.
* Review and recommend to the Board financial assumptions used to develop the operating budget, capital budget, and strategic plan.
* Review and recommend to the Board the annual operating plan and the capital plan.
* Review on a routine basis financial performance and compare actual performance against budget including year-end projections.
* Review and recommend to the Board plans developed by management to address variances between budget and actual performance.
* Oversee implementation of plans to address variances and report to the Board.

Long Term Planning

* Oversee and assess achievement of the financial aspects of the strategic plan.
* Review and recommend to the Board multi-year financial goals and long-term revenue and expense projections.
* Review, with management, industry developments and legislative changes that may have an impact on financial resources or performance and report to the Board.

Asset Management

* Ensure there are processes in place to manage the assets of the Corporation.
* Review and make recommendations on material asset acquisitions not contemplated in the annual capital plan.

Financial Transactions

* Review and make recommendations to the Board on banking arrangements.
* Review and make recommendations to the Board on lines of credit and long-term debt.

Donations and Bequests

* Advise the Board on major gifts that involve donor recognition agreements and related policies.

Investments

* Review and recommend to the Board the Corporation’s investment policy.
* Oversee investment performance for compliance with the investment policy.

Internal Controls, Risk Management, and Oversight of Internal Audit

* Oversee, review, and make recommendations to the Board on management’s risk management processes.
* Review and make recommendations on the adequacy of financial resources.
* Review and make recommendations on insurance coverage.
* Obtain reasonable assurance from management that the Corporation’s financial accounting systems and financial reporting systems, including fraud prevention and risk management, are appropriately designed and that internal controls are operating effectively.
* Identify unusual risks and oversee management’s plan to address unusual or unanticipated risks and make recommendations to the Board.
* Review and make recommendations on the quality and integrity of management’s internal controls, including scope of work of the internal auditor and overseeing management’s response and resulting action plans to address issues or deficiencies identified by internal auditor.

External Audit

* Recommend to the Board the external auditor for appointment or re-appointment by the members at the annual members’ meeting.
* Annually review and make recommendations to the Board on the external auditor’s remuneration.
* Meet with the external auditor to review the proposed scope of audit.
* Review, approve, and authorize management to execute the external auditor’s engagement letter.
* Oversee performance of the external audit as required, including ensuring the external auditor is receiving the assistance of management.
* Review audited financial statements and the external auditor’s report and make recommendations to the Board.
* Meet with the external auditor and receive and review recommendations with respect to management, accounting systems, and internal control issues.
* At least annually, the elected director committee members shall meet with the external auditor without management present.
* Review non-audit services provided by the external auditor and other factors that might compromise the external auditor’s independence and make recommendations to ensure independence.
* Review management’s response to internal control recommendations of the external auditor and oversee implementation of internal control recommendations.

Compliance with Applicable Law

* Oversee compliance with accounting and financial, legal, public disclosure, and regulatory requirements.
* Approve material changes to accounting principles and practices as suggested by management with the concurrence of the external auditor.

Other

* Perform such other duties as may be requested by the Board from time to time.

Membership

The committee shall consist of the following:

* not less than [four] elected directors, one of whom shall serve as committee chair;
* the chief executive officer (*ex-officio* non-voting); and
* such other directors as the Board may from time to time appoint;

provided however that the majority of committee members must not be officers or employees of the Corporation or any of its affiliates.[[1]](#footnote-1)

[At least one elected director committee member must have a professional accounting designation.][[2]](#footnote-2)  All committee members must be financially literate, which is defined as the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are raised by the Corporation’s financial statements.

Notice of the time and place of committee meetings shall be given to the external auditor.[[3]](#footnote-3) The external auditor shall be entitled to attend committee meetings and to be heard, and shall attend every committee meeting if requested to do so by a committee member.[[4]](#footnote-4)

Accountability and Reporting Relationship

The committee is accountable to and reports to the Board.

Quorum

A quorum shall consist of a majority of the voting members of the committee.

Meeting Schedule

Bi-monthly, and at the call of the committee chair. Meetings may also be held at the call of the external auditor or a committee member.[[5]](#footnote-5)

Resources

The chief executive officer and the chief financial officer shall provide the committee with appropriate resources to perform its mandate.

1. ONCA, s. 80(1), effective as of October 1, 2023 provides: *A corporation may have an audit committee comprising one or more directors and the majority of the committee must not be officers or employees of the corporation or any of its affiliates*. This provision formerly provided “*A corporation may have an audit committee and, if it does, the majority of the committee must not be officers or employees of the corporation or of any of its affiliates*”. While there is a lack of consensus on this issue and guidance is not available, we are of the view that the effect of this amendment is that only directors may serve on the audit committee of a corporation (if any). Case law on this topic supports this view. In *R. v. Blair* (1993), 106 DLR (4th) 1 (Ont. C.J.), the court commented in passing on the fact that while other corporate committees could include non-directors, this was not the case for audit committees. Non-directors with finance or audit expertise could attend audit committee meetings as invited guests without a vote where necessary to ensure that the audit committee has sufficient expertise to perform its function. Hospitals that adopted the 2021 OHA Prototype By-law and/or Finance and Audit Committee Terms of Reference prior to October 1, 2023 will need to amend their documents to reflect this change at the next reasonable opportunity and in the interim should comply with the amendment. [↑](#footnote-ref-1)
2. Each corporation will need to determine committee membership requirements in accordance with the skills, experience, and qualities of directors. [↑](#footnote-ref-2)
3. ONCA, s. 80(2) provides that the corporation shall give the auditor notice of the time and place of any meeting of the audit committee. The auditor is entitled to attend the meeting at the expense of the corporation and be heard, and shall attend every meeting of the committee if requested to do so by one of its members. [↑](#footnote-ref-3)
4. ONCA, s. 80(2). [↑](#footnote-ref-4)
5. ONCA, s. 80(3) provides that the auditor or a member of the audit committee may call a meeting of the committee. [↑](#footnote-ref-5)