

DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE

PURPOSE

Primary responsibility for the financial reporting, enrolment reporting, accounting systems, risk management, management plans and budgets and internal controls of Douglas College (the “College”) is vested in Senior Management and overseen by the Board.

The purpose of the Audit and Finance Committee (the “Committee”) is to assist the Board in fulfilling its obligations and oversight responsibilities with respect to the College, relating to the operating and capital budgeting process, financial and enrolment reporting, the audit process, the system of internal controls and risk management.

COMPOSITION

The Committee will be comprised of a maximum of four Board members with a quorum being two members. Each November, the Committee shall elect a Chair to a one-year term, with the term to commence effective election date.

All Committee members shall be “independent” and “financially literate” as defined in the Board Resourcing and Development Office (BRDO) Best Practice Guidelines (See attached Appendix A for definitions). At least one member shall have an accounting designation or related financial expertise.

The Vice President Finance and Administration will act as Staff Officer to the Committee. The Executive Assistant to the Vice President Finance and Administration will be the Secretary to the Committee.

The Board Chair and the President will be ex-officio members. They will be non-voting members of the Committee and will not be counted in the quorum.

The Committee shall meet at least 4 times each year.

DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will undertake the following:

1. Fees

(a) Tuition and Other Student Assessed Fees

Annually review and recommend to the Board any changes in tuition fees and other student assessed fees after considering the recommendations, if any, of the provincial government with respect to tuition fee changes.

(b) Student Society Fees

Ensure there are adequate processes in place for collecting student society fees and remitting them to the student society.

DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE

(c) Other Student Association Fees

Ensure there are adequate processes in place for approving collection of other student association fees and for collecting and remitting same.

2. Budgets

(a) Operating and Capital Budgets

With the assistance of the Vice President Finance and Administration, conduct a review of the budget development process including:

- methodology used to establish the operating budget - revenue estimates, base assumptions for expense projections, risk factors, inflation allowances, etc.
- planned capital expenditures by category.

Review the planned management summary presentation to the Board to ensure that it will provide the Board with a clear, concise picture of the financial implications of the operating and capital plans and the associated risks.

Recommend the annual operating and capital budgets to the Board for approval.

(b) Semester Financial and Enrolment Reporting

Review semester financial and enrolment reports, forecasts and related information of the College, including the status of major capital projects to ensure that any material deviation from the budget, or any material indication that actual results will fail to meet budget expectations, are addressed by Senior Management and brought to the attention of the Board.

3. Limits of Spending Authority and System Access

Ensure the College has in place comprehensive statements of spending authorities for operating and capital expenditures based on organizational structure and system access to finance and payroll systems.

Monitor compliance through the audit process and recommend to the Board any changes which may be necessary from time to time.

4. Financings, Borrowings and Investments

Review and approve for recommendation to the Board, details of proposed financings or borrowings prior to such proposals being executed and/or submitted to the provincial government for approval.

Review investment strategies of the College and ensure compliance with the College and Institute Act.

DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE

5. Miscellaneous Statutory Requirements

Review and approve for recommendation to the Board any plans to acquire or dispose of buildings or lands, prior to such plans being effected and/or submitted to the provincial government for approval.

6. Internal Controls

(a) Internal Control Processes

Through discussions with Senior Management and the External Auditor, obtain reasonable assurance that the College's accounting and enrolment systems are reliable and internal controls are adequate. For this purpose, the Committee may wish to direct the examinations of the External Auditor to particular areas and may request that special examinations be undertaken.

Review the evaluation of internal controls by the External Auditor including any recommendations for improvement of the College's accounting and enrolment procedures and internal controls, together with management's response.

(b) Reporting of Accounting, Financial and Internal Control Issues

Ensure that the College has in place appropriate procedures to address issues and/or concerns raised by employees or other parties in respect of accounting, financial and enrolment reporting or internal control matters.

Provide a mechanism for employees to communicate with this Committee where employees believe that issues raised by them in respect of accounting, financial and enrolment reporting or internal control matters have not been adequately addressed by management.

7. Risk Management

Consider and review internal processes for managing the principal risks of the College's business, with respect to such things as:

- enrolment levels of the College
- financial performance and levels of funding from the Province
- internal controls
- capital projects and plans
- disaster preparedness
- interest rates, foreign exchange and debt exposure
- Board and officers' liabilities, as well as other "insurable risk" and the processes to mitigate them, including the provincial protection program
- information technology strategies
- material litigation
- such other audit, finance and enrolment related risk issues of concern to the Committee, the Board and/or Senior Management.

Obtain assurance from Senior Management regarding the adequacy of risk management processes.

DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE

8. Financial and Enrolment Statements and Reporting

The Committee will review the annual financial and enrolment statements and the financial and enrolment information contained in the financial and enrolment disclosure documents such as Highlight Memos, the Service Plan, the Service Plan Report and the Annual Report of the College and will make a recommendation to the Board (as required) as to whether such material should be approved. This review will also apply to any new Government reporting requirements that may arise. The Committee will provide an explanation if it cannot recommend approval. The review will include:

- Determining that the financial statements are reasonable and fairly presented in accordance with generally accepted accounting principles and that the financial information contained in the financial statements and other financial disclosure documents is complete and accurate in all material respects.
- Determining that the enrolment statement is reasonable and fairly presented in accordance with the FTE Enrolment Reporting Manual and that the enrolment information contained in the enrolment statement and other enrolment disclosure documents is complete and accurate in all material respects.
- Reviewing Highlight Memos, where such are prepared, and consider whether the information is adequate and consistent with the Board's knowledge of the College.
- Reviewing any material changes in accounting principles or policies or financial or enrolment reporting practices or requirements that may affect the current period's statements.
- Reviewing Senior Management's assumptions supporting significant estimates or judgements affecting the statements.
- Obtaining and reviewing summaries of significant or unusual transactions, and other potentially complex matters.
- Reviewing and discussing the External Auditor's report in detail with Senior Management and the External Auditors, and resolving any disagreements between Senior Management and the External Auditors regarding financial reporting.
- Through discussion with Senior Management and the External Auditor, obtaining assurance that the risk of material misstatement of the financial and enrolment statements is acceptably low.
- Reviewing the Financial Information Report required in accordance with the Financial Information Act.

DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE

9. Internal Audit

If and when an internal audit function is established the Committee will oversee this function and the internal audit relationship with the External Auditor and with management including:

- Reviewing the organization and independence of the Internal Auditor.
- Reviewing goals, resources and work plans.
- Reviewing any restrictions or problems.
- Reviewing recommendations and significant responses.
- Meeting periodically and at least annually, with the Internal Auditor without management present.
- Reviewing proposed changes in the Internal Auditor.

10. External Audit

The External Auditor is accountable to the Committee and the Board and reports directly to the Committee. The Committee will oversee the external audit process, including:

- Recommending to the Board the appointment, retention or replacement of the External Auditor.
- Reviewing all issues related to any change in External Auditor and the planned steps for an orderly transition.
- Reviewing the terms of the External Auditor's engagement, and the appropriateness and reasonableness of the proposed audit fees.
- Reviewing on an annual basis the amount of fees paid to the External Auditor and their affiliates.
- Annually reviewing a listing of all expenditures incurred by the College with External Auditor firms, other than those fees related to the College's own External Auditor.
- Assessing the independence of the External Auditor.
- Reviewing the audit plan with the External Auditor and Senior Management including but not limited to the engagement letter, objectives and scope of the external audit work, materiality limit, areas of audit risk, staffing, timetable and proposed fees.
- Reviewing any problems experienced by the External Auditor in performing the audit, including any restriction imposed by management and all significant accounting issues on which there was a disagreement with management.

DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE

- Reviewing the management letter containing the recommendations of the External Auditor and reviewing management's response and subsequent follow-up to any significant identified weaknesses.
- On at least an annual basis, meeting with the External Auditor in an in-camera session, without management in attendance, to discuss any matters that the Committee or the External Auditor consider should be discussed privately with the Committee.
- Determining whether the performance of the external audit is satisfactory, effective and meets the requirements of the College.

11. Legal and Regulatory Compliance

Monitor the College's compliance with legislation, regulations, mandate and reporting requirements.

Make enquiries of Senior Management, as well as the External Auditor, to ensure that all material legal matters have been brought to the attention of the Committee.

Obtain assurance from Senior Management regarding the College's compliance with applicable laws and regulations in all jurisdictions where the College does business.

On at least an annual basis, review with the President any legal matters that could have a significant impact on the College's financial statements or risk profile, and the College's compliance with applicable laws and regulations.

12. Other Duties

Each November, the Committee shall elect a Chair to a one-year term, with the term to commence effective election date.

Keep current on emerging best practices in corporate governance relevant to the mandate of the Committee and, as required, recommend changes to the governance framework for audit and finance functions to the Board.

On an annual basis, review the College's Health and Safety Statistics.

Review such other matters that the Committee or the Board deems advisable or timely.

ACCOUNTABILITY

The Committee will report its discussions to the Board by oral report at the next meeting of the Board of every major matter considered since the last meeting. Additionally all recommendations submitted to the Committee for consideration by either the Senior Management, External Auditor or other appropriate parties, will be brought to the Board accompanied by supporting documentation and a Committee recommendation. The Committee does not have the right or power to speak or make decisions on behalf of the Board unless so authorized in advance by the Board.

**DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE**

The Committee will review its terms of reference annually and recommend any changes to the Board.

COMMITTEE TIMETABLE

The timetable attached as Appendix C outlines the Committee's planned annual schedule of activities.

**DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE**

APPENDIX A: Definitions

The following is an excerpt from the Board Resourcing and Development Office (BRDO) Best Practice Guidelines relating to Audit Committee Membership:

Audit Committee members should be independent and financially literate. At least one member of the committee should have a financial designation or relevant financial management expertise. In this context

Independent means having no material direct or indirect association with the organization, which could, in the view of the organization's board of directors, reasonably interfere with the exercise of the members' independent judgement; and

Financially literate means that the member has the ability to read and understand a set of financial statements which present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the organization's financial statements.

DOUGLAS COLLEGE
AUDIT AND FINANCE COMMITTEE OF THE BOARD
TERMS OF REFERENCE

APPENDIX B: Policies and Procedures for Review and Approval of the President's Expenses

The Terms of Reference for the Audit and Finance Committee require that the Committee "review policies and procedures for the review and approval of the President's expenses."

Management has put in place comprehensive regulations/guidelines regarding reimbursable expenses including travel expenses. Standard claim forms are also in place. The Committee needs address, therefore, only the process for the formal approval of any claims presented by the President.

To that end, the following guidelines will apply:

1. The President will personally sign and submit claims for any reimbursable personal expenses, travel expense or education expense on a monthly basis using the standard Expense Report form provided by the College in accordance with the current Expense Claims Regulations applicable to all employees.
2. With respect to monthly corporate credit cards statements, in accordance with current guidelines on a monthly basis, the President will attach original credit card receipts for each charge listed and provide the purpose/ details of the charge in writing on the back of each receipt including the names and positions of individuals entertained.

Monthly Expense Reports and Monthly Credit Card Statements as noted in 1. and 2. above, will be reviewed and personally approved by the College Board Chair. To avoid unnecessary delay in processing payment for Expense Reports in circumstances where the Chair may be temporarily unavailable, approval for payment may be provided by one of two College Board Vice Chairs.

At the end of the first six months of the fiscal year and at the end of the fiscal year, an abbreviated year-to-date summary of the President's total personal expenses will be presented to the Audit and Finance Committee for its review. The report will also clearly identify expenses that are reimbursed by outside agencies (ACCC, etc.) with the corresponding amount of reimbursement received.

The Board Chair will deal directly with the President on any significant issues or concerns identified in the course of his/her review, keeping the Audit and Finance Committee informed where judged appropriate.

These guidelines will be reviewed from time to time as required.

APPENDIX C: PLANNED ANNUAL SCHEDULE OF ACTIVITIES

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	As Req'd
1	FEES													
1.a	<p>Annually review and recommend to the Board any changes in tuition fees and other student assessed fees after considering the recommendations, if any, of the provincial government with respect to tuition fee changes.</p> <p>(i) Notice of Intent - Amendment By-Law "Fees & Charges for Instruction"</p> <p>(ii) Recommendation on Amendment By-Law "Fees & Charges for Instruction"</p>												X	
1.b	<p>Ensure there are adequate processes in place for collecting student society fees and remitting them to the student society.</p>												X	
1.c	<p>Ensure there are adequate processes in place for approving collection of other student association fees and for collecting and remitting same.</p>												X	
2.	BUDGETS													
2.a	<p>With the assistance of the Vice President Finance and Administration, conduct a review of the budget development process including:</p> <ul style="list-style-type: none"> - methodology used to establish the operating budget - revenue estimates, base assumptions for expense projections, risk factors, inflation allowances, etc. - planned capital expenditures by category. <p>Review the planned management summary presentation to the Board to ensure that it will provide the Board with a clear, concise picture of the financial implications of the operating and capital plans and the associated risks.</p> <p>Recommend the annual operating and capital budgets to the Board for approval.</p>										X			
		X												

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	As Req'd
2.b	Review semester financial and enrolment reports, forecasts and related information of the College, including the status of major capital projects to ensure that any material deviation from the budget, or any material indication that actual results will fail to meet budget expectations, are addressed by Senior Management and brought to the attention of the Board.			X				X				X		X
3.	LIMITS OF SPENDING AUTHORITY & SYSTEM ACCESS													
	Ensure the College has in place comprehensive statements of spending authorities for operating and capital expenditures based on organizational structure and system access to finance and payroll systems. Monitor compliance through the audit process and recommend to the Board any changes which may be necessary from time to time.						X							
4.	FINANCINGS, BORROWINGS & INVESTMENTS													
	Review and approve for recommendation to the Board, details of proposed financings or borrowings prior to such proposals being executed and/ or submitted to the provincial government for approval. Review investment strategies of the College and ensure compliance with the College and Institute Act.							X						X
5.	MISCELLANEOUS STATUTORY REQUIREMENTS													
	Review and approve for recommendation to the Board any plans to acquire or dispose of buildings or lands, prior to such plans being effected and/or submitted to the provincial government for approval.													X

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	As Req'd
6.	INTERNAL CONTROLS													
6.a	<p>Through discussions with Senior Management and the External Auditor, obtain reasonable assurance that the College's accounting and enrolment systems are reliable and internal controls are adequate. For this purpose, the Committee may wish to direct the examinations of the External Auditor to particular areas and may request that special examinations be undertaken.</p> <p>Review the evaluation of internal controls by the External Auditor including any recommendations for improvement of the College's accounting and enrolment procedures and internal controls, together with management's response.</p>			X										
6.b	<p>Ensure that the College has in place appropriate procedures to address issues and/or concerns raised by employees or other parties in respect of accounting, financial and enrolment reporting or internal control matters.</p> <p>Provide a mechanism for employees to communicate with this Committee where employees believe that issues raised by them in respect of accounting, financial and enrolment reporting or internal control matters have not been adequately addressed by management.</p>								X					X
7.	RISK MANAGEMENT													
	<p>Consider and review internal processes for managing the principal risks of the College's business.</p> <p>Obtain assurance from Senior Management regarding the adequacy of risk management processes.</p>			X				X				X		
8.	FINANCIAL AND ENROLMENT STATEMENTS & REPORTING													
	<p>Determining that the financial statements are reasonable and fairly presented in accordance with generally accepted accounting principles and that the financial information contained in the financial statements and other financial disclosure documents is complete and accurate in all material respects.</p>			X										

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	As Req'd
	Determining that the enrolment statement is reasonable and fairly presented in accordance with the FTE Enrolment Reporting Manual and that the enrolment information contained in the enrolment statement and other enrolment disclosure documents is complete and accurate in all material respects.			X										
	Reviewing Highlight Memos, where such are prepared, and consider whether the information is adequate and consistent with the Board's knowledge of the College.			X										
	Reviewing any material changes in accounting principles or policies or financial or enrolment reporting practices or requirements that may affect the current period's statements.			X										
	Reviewing Senior Management's assumptions supporting significant estimates or judgements affecting the statements.			X										
	Obtaining and reviewing summaries of significant or unusual transactions, and other potentially complex matters.			X										
	Reviewing and discussing the External Auditor's report in detail with Senior Management and the External Auditors, and resolving any disagreements between Senior Management and the External Auditors regarding financial reporting.			X										
	Through discussion with Senior Management and the External Auditor, obtaining assurance that the risk of material misstatement of the financial and enrolment statements is acceptably low.			X										
	Reviewing the Financial Information Report required in accordance with the Financial Information Act.						X							

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	As Req'd
10.	EXTERNAL AUDIT													
	Recommending to the Board the appointment, retention or replacement of the External Auditor.													X
	Reviewing all issues related to any change in External Auditor and the planned steps for an orderly transition.													X
	Reviewing the terms of the External Auditor's engagement, and the appropriateness and reasonableness of the proposed audit fees.										X			
	Reviewing on an annual basis the amount of fees paid to the External Auditor and their affiliates.			X										
	Annually reviewing a listing of all expenditures incurred by the College with External Auditor firms, other than those fees related to the College's own External Auditor.			X										
	Assessing the independence of the External Auditor.			X										
	Reviewing the audit plan with the External Auditor and Senior Management including but not limited to the engagement letter, objectives and scope of the external audit work, materiality limit, areas of audit risk, staffing, timetable and proposed fees.										X			
	Reviewing any problems experienced by the External Auditor in performing the audit, including any restriction imposed by management and all significant accounting issues on which there was a disagreement with management.			X										
	Reviewing the management letter containing the recommendations of the External Auditor and reviewing management's response and subsequent follow-up to any significant identified weaknesses.			X										
	On at least an annual basis, meeting with the External Auditor in an in-camera session, without management in attendance, to discuss any matters that the Committee or the External Auditor consider should be discussed privately with the Committee.			X							X			

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	As Req'd
	Determining whether the performance of the external audit is satisfactory, effective and meets the requirements of the College.			X										
11.	LEGAL & REGULATORY COMPLIANCE													
	<p>Monitor the College's compliance with legislation, regulations, mandate and reporting requirements.</p> <p>Make enquiries of Senior Management, as well as the External Auditor, to ensure that all material legal matters have been brought to the attention of the Committee.</p> <p>Obtain assurance from Senior Management regarding the College's compliance with applicable laws and regulations in all jurisdictions where the College does business.</p> <p>On at least an annual basis, review with the President any legal matters that could have a significant impact on the College's financial statements or risk profile, and the College's compliance with applicable laws and regulations.</p>			X					X					
12.	OTHER DUTIES													
	<p>Elect a Chair to a one-year term, with the term to commence effective election date.</p> <p>Review, semi annually, the President's Expense Summary.</p> <p>Keep current on emerging best practices in corporate governance relevant to the mandate of the Committee and, as required, recommend changes to the governance framework for audit and finance functions to the Board.</p> <p>On an annual basis, review the College's Health and Safety Statistics</p> <p>Review Terms of Reference including Appendices annually and recommend any changes to the Board.</p>		X				X		X				X	