

Finance & Audit Committee

Terms of Reference

Purpose of Committee

The Finance and Audit (“F&A”) Committee has three primary roles. One is to oversee the financial performance of Niagara Parks Commission (NPC) using a balanced scorecard perspective where the interdependency of customer satisfaction, employee satisfaction, operational effectiveness, and financial performance is recognized.

Another responsibility of the F&A Committee is to set the context for an effective enterprise risk management (ERM) framework and to gain assurance that management has implemented appropriate systems and practices aligned with an ERM framework. The ERM framework is to include the design and implementation of internal controls to support the risk management framework and to provide for safeguarding of assets, compliance with regulations (including government directives) and policies; integrity of management and financial information, and efficiency and effectiveness of operations.

This Committee also oversees the effectiveness of audit functions for providing assurance on integrity of controls and financial information.

Responsibilities

Financial Performance: the Committee will

- a) Oversee the financial performance of NPC’s operations and the interdependency with customer satisfaction, employee satisfaction, and operational effectiveness
- b) Review, understand the lines of business performance and identify recommendations for improvement and/or enhancement with specific attention on restaurant, golf operations, attractions and retail
- c) Review quarterly financial position and financial performance
- d) Oversee approach to financing the land use, minor and major capital plans as developed by Properties and Infrastructure Committee and long term impact on NPC’s financial stability
- e) Receive reports from management regarding compliance with financial regulatory requirements and other legislative financial compliance (e.g. Employee withholdings requirements, tax remittances).

Enterprise Risk Management Framework: the Committee will

- a) Oversee the design and establishment of an appropriate enterprise risk management (ERM) framework for identifying and managing risks inherent to the business and operations of NPC including meeting the Ministry of Tourism, Culture & Sports’ (MTCS) expectations for a risk framework

- b) Annually gain assurance that the risk profile of NPC has been updated to include emerging risks and changes to severity of risks
- c) Obtain reasonable assurance that NPC has effective risk management processes in place and that the ERM policy is being adhered to and risks are managed to an acceptable tolerance.

Control Framework: the Committee shall

- a) Obtain assurance that the elements of control) are in place to support the business and operations of NPC:
 - i. Resources;
 - ii. Systems;
 - iii. Processes;
 - iv. Structure; and,
 - v. Tasks.
- b) Gain assurance that NPC's activities are managed with an appropriate degree of care and due diligence and within an appropriate framework of control
- c) Gain assurance that management has implemented appropriate internal control systems to provide for:
 - i. Safeguarding of assets;
 - ii. Integrity of information;
 - iii. Compliance with laws; and,
 - iv. Effectiveness of operations.
- d) Review and recommend a control environment and internal control policy for NPC
- e) Review and recommend a policy for effective procurement and a policy for entering into revenue generating operations with a view to maximizing value for money, meeting NPC's business ethics as outlined in the Code of Conduct.
- f) Oversee procurement and Revenue Generating Opportunity processes, to gain assurance that:
 - i. There is integrity to the process;
 - ii. Maximum value received for dollars spent; and,
 - iii. There is ethical conduct of relations with suppliers and providers, as outlined in the Code of Conduct.
- g) Receive and review reports from management on the establishment of the corporate insurance program including levels of coverage and deductibles
- h) Receive reports from Auditors (external, Internal Audit, Auditor General) regarding:
 - i. Assessment of the control environment and system of internal controls across NPC;

- ii. Trends of improvement of weakness evident from the audit work; and,
 - iii. Adequacy of management response and actions.
- i) Receive periodic reports regarding litigation, actual and potential, and progress of cases
 - j) Receive periodic reports regarding any defalcations including dollar amount, adverse publicity, root cause, persons involved and actions taken to prevent similar occurrences in the future.

Annual Budgeting and Financial Statements: the Committee shall

- a) Gain assurance that effective processes are in place to prepare a prudent annual operating budget for Commission approval, and effective processes to monitor, manage and report on performance relative to the approved annual budget (this does not extend to the actual approval of the budget) and said budget reflects the intents of the business plan and strategic plan of NPC
- b) Review, approve, and report to the Commission, accounting policies to be used for NPC's financial statements including any significant changes from year to year
- c) Gain assurance on the integrity of annual financial statements through discussions with management, comparison of results to budget and prior year, and understanding management's process for determining provisions and contingencies
- d) Receive, review and discuss the annual audited financial statements with management and auditors; recommend them to the Commission for approval (refer to section on External Auditor)
- e) Receive and review annual reports on NPC's performance; determine completeness, transparency, fullness of reporting given public accountability, within timelines set by the Auditor General.

Internal Audit Function: the Committee shall

- a) When determined that an internal audit function is needed, provide for the independence of the internal audit work by:
 - Appointing and dismissing the Internal Auditor (the General Manager may be consulted at the discretion of the Committee)
 - Annually reviewing and approving the Internal Audit mandate and resourcing of the function
 - Approving the annual work plan of Internal Audit while ensuring that the work effort is reflective of the risk profile of NPC
 - Provide the Internal Auditor with ongoing direct and open communication with the Committee and, for the discussion of issues, with or without management as appropriate
- b) Receive and review reports, including value for money audits, from the Internal Auditor providing progress against the internal audit plan and ensuring such reports provide the

Committee with information on the integrity of the system of internal control and the Internal Auditor's view on the strength of controls in response to the level of residual risk of NPC.

External Auditor: the Committee shall

- a) Engage the external auditor by approving the engagement letter
- b) Provide oversight of external auditor in the provision of the financial audit including discussion of scope, timing, and results of work.
- c) Recommend to the Commission, external auditor's fees for conduct of the financial statement audit
- d) Discuss any conflicts between the external auditor and management and the resolution thereof
- e) Provide an opportunity for the external auditor to meet for discussion of material issues, with or without management, as appropriate in the circumstances
- f) Receive and discuss content of management letters from the external auditor, with management and auditors
- g) Provide for the independence and prevention of impairment of independence of the external auditor through the following:
 - development of a policy with respect to the engaging of the auditor for other services
 - pre-approve the nature of and fees for other services that can be provided by the external auditor; at least annually review the aggregate level of fees incurred for other services, and review the independence of the external auditors during the year
 - Review and recommend NPC's policy regarding the hiring of current and former employees and partners of the external auditors
 - Consider rotation of the external auditors and the tendering of external audit services at least every five years, and make recommendation to the Commission for approval – when necessary, conduct a robust process for the selection of an appropriate external auditor and recommend to the Commission the appointment of the auditor
- h) Evaluate services provided by the external auditor at least annually including discussions by Committee members and discussions with management.

Auditor General: the Committee shall

- a) Keep abreast of legislative and policy changes by the Auditor General and consider applicability to NPC.

Ministry of Tourism, Culture & Sport Internal Audit Function: the Committee shall

- a) Oversee implementation of recommendations and observations.

Committee Size and Quorum

The Committee will consist of at least three (3) Commissioners, one of whom will be the Chair of the Commission. Quorum requires the participation of no less than three (3) committee members.

Committee Membership and Qualification

Members of the Committee are appointed annually from and by the Commission. To ensure continuity there must be at least one returning committee member. A majority of Committee members should be literate with financial and audit practices which can be demonstrated through past experience on an audit committee and/or through business experience.

Term of Office

Each Committee member is appointed for a one year term or for a shorter period if the appointment is to fill the term of a Commissioner unable to complete his or her term. Committee members are eligible for re-appointment by the Commission at the end of their term but to a limit of three consecutive years of serving on the Committee unless an incumbent Committee member has been appointed as Chair of the Committee then they can serve for five consecutive years. There is no term limit for the Commission Chair on the committee.

Selection of Chair

The Chair of the Committee will be recommended by the Chair of the Commission for consideration for approval by the Commission.

Resources to the Committee

The following are resources to the Committee as and when required by the Committee:

- General Manager
- Senior Director, Corporate Services
- Auditors- Internal, External, Auditor General
- Outside Advisors, as needed
- Other Management, as needed

Frequency and Timing of Meetings

The Committee shall meet as required, but not less frequently than four times each year. The Committee shall determine its own procedures for the conduct of meetings. When the Chair of the Committee is absent from a properly called meeting, the Commissioners in attendance, assuming quorum, will identify amongst themselves one of them to chair the meeting.

The Committee's annual timetable of tasks is attached as an appendix to these terms of reference. The timing of these tasks may be amended to better suit the availability of information or current priorities.

The Committee will meet in absence of management as it wishes, but no less than once per year.

Authority

The F&A Committee conducts its responsibilities on behalf of the Commission and makes recommendations to the Commission on policies and matters in the areas of the ERM framework, operational and regulatory risk management, financial reporting, and internal controls.

The Committee has authority to conduct or authorize investigations into matters within its scope of responsibility and may, in the course of these investigations, seek any information it requires from employees and external parties and meet with them as necessary.

The Committee is empowered to:

- Retain outside counsel, accountants, auditors or others to advise the Committee and to determine the compensation for such advisors subject to the Commission's policy for engaging of advisors
- Meet with any external auditors, without management being included, if the Committee so desires or at the request of any of these parties
- Request the attendance of auditors as required
- The Committee Chair will convene a meeting of the Committee at the request of the internal or external auditor, a member of the Committee or any Commissioner, to consider any accounting, internal control, or audit matter the auditor, Committee member or Commissioner, as appropriate, believes should be brought to the attention of the Committee.

Reporting

The Committee reports directly to the Commission. Following a meeting of the Committee, minutes will be prepared and presented in draft format at the next meeting. Any recommendations of the Committee requiring endorsement by the Commission will be brought forward to the next meeting of the Commission

The Committee Chair may provide an oral report to the Commission on matters not yet recorded in the minutes. All Committee minutes and reports are available to all Commissioners via the Leading Boards web portal.

Review of the Committee Terms of Reference

The Committee will review its Terms of Reference annually and submit recommended changes to the Governance, Ethics and Human Resources Policy Committee for review and submission to Commission.

Annual Calendar of Committee's Tasks

The Committee deals with these tasks on a continuous basis:

- Receive and review the financial report including financial projections to year-end.
- Evaluate financial performance against budget, prior periods, and the Business Plan.
- Review the capital budget variance report and approve capital fund re-allocations as required.
- Receive Enterprise Risk Management reports from management and evaluate adequacy of management's risk mitigation plans.
- Review reports from Procurement regarding the following:
 - Procurements that are planned, in progress and completed;
 - Revenue Generating Opportunities for approval by the Committee; and,
 - Procurement performance measures.
- Updates on Ministry audit findings and progress to date.
- Receive reports from Internal Audit regarding progress on the approved work plan.
- Receive reports from Internal Audit on audit projects completed during the quarter.
- Hold open or in-camera meeting with the Internal Auditor to discuss emerging risks and assess the adequacy of internal controls.

The following tasks are undertaken as required:

Quarter 1 (April to June)

- Review the terms of reference for the Committee.
- Assess independence of Finance and Audit Committee members.
- Assess financial literacy, skills and experience of Committee members. Identify training needed for committee members.

Corporate Services

- Receive update regarding any changes to accounting standards, reporting or regulatory requirements.
- Review IT strategy.

Internal Audit

- Review and approve the Internal Audit mandate (at least once every three years).

External Auditor

- Enquire into conflicts between external auditor & management.
- Review management letter from external audit firm.
- Hold in-camera meeting with external auditor.
- Review fees for other services conducted by external auditor.
- Assess independence of external audit firm.

Quarter 2 (July to September)

Corporate Services

- Consider staff's proposal of attraction and venue rates and fees for the coming year (need to be approved by the Commission by the end of September).
- Receive and review audited annual report on NPC performance, and determine completeness, transparency and fullness of reporting.

External Auditor

- Review fees for other services conducted by external auditor.
- Conduct annual evaluation of external audit firm.

Quarter 3 (October to December)

Internal Audit

- Meet with Senior Management Team in the absence of internal and external Auditors.

Quarter 4 (January to March)

- Self-Assessment of the Committee's performance.

Corporate Services

- Receive update regarding changes to reporting standards or regulatory requirements.

- Receive and review the capital and operating budgets for the ensuing year.
- Receive and review the business plan for the next three years.
- Receive report on the corporate insurance program. Provide approval for planned level of insurance coverage for the coming year.

Internal Audit

- Review and approve Internal Audit's risk-based annual work plan, ensuring that audit resources are directed to areas of highest risk.
- Hold open or in-camera meeting with the Internal Auditor to evaluate the Internal Auditor's performance.

External Auditor

- Receive outline of scope from external auditor in advance of work being performed.
- Consider fee estimate from external auditor.
- Review fees for other services conducted by external auditor.