



*Effective Date: June 12, 2018*

## FINANCE & AUDIT COMMITTEE TERMS OF REFERENCE

### Definitions

- The following definitions apply to this Policy:
  - Finance and Audit Committee** (or “**the Committee**”) - refers to Cowichan Tribes' Finance and Audit Committee established in accordance with Cowichan Tribes First Nation Financial Administration Law;
  - Financial Administration Law** - the law approved by Cowichan Tribes' Council for governing the management, supervision, control and direction of all matters relating to the financial affairs of Cowichan Tribes;
  - Financial Competency** - the ability to read and understand financial statements that present accounting issues reasonably expected to be raised by Cowichan Tribes' financial statements;
  - Independent** - a person is independent if they do not have a direct/indirect financial relationship with Cowichan Tribes that could in Council's opinion reasonably interfere with the exercise of independent judgement as a member of the Committee;
  - Quorum** - the number of Committee members required to be present to transact business legally;
- Please refer to Cowichan Tribes' “Definitions Guide for Policies and Procedures” for the definitions of other terms used in this Policy and the associated procedures.

### Policy Directive:

Cowichan Tribes shall establish and maintain an effective Finance and Audit Committee to assist Council in carrying out its oversight responsibilities respecting the financial affairs of Cowichan Tribes and ensure that a sound financial administration system is in place.

### Related Cowichan Teaching

*“Help one another and work together for the good of all”*

### Applicable Legislation and Standards

- The establishment and operations of Cowichan Tribes' Finance and Audit Committee must comply with applicable legislation, standards, and Cowichan Tribes' laws, policies, and procedures, including:
  - The *First Nations Fiscal Management Act*;
  - First Nations Financial Management Board (FNFMB) Standards;
  - Cowichan Tribes First Nation Financial Administration Law (the FAL); and
  - Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board.

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### Reason for Policy

4. The objectives of this Policy include:
  - i) Establishing and maintaining a Finance and Audit Committee;
  - ii) Setting out the Terms of Reference for the Finance and Audit Committee, including its composition, procedures and responsibilities;
  - iii) Ensuring Cowichan Tribes has a sound and robust financial administration system in place; and
  - iv) Ensuring Cowichan Tribes' Finance and Audit Committee, and its establishment, maintenance and operations comply with applicable requirements.

### Consequences of Non-Compliance with Policy

5. Potential consequences of non-compliance with this Policy include:
  - i) Lack of directions and clarity regarding the establishment and operations of the Finance and Audit Committee
  - ii) Lack of an effective Finance and Audit Committee at Cowichan Tribes;
  - iii) Risks to the accountability and integrity of Cowichan Tribes and its financial administration system; and
  - iv) Breach of applicable legislation and standards, or Cowichan Tribes' laws, policies and procedures.

### Policy Application

6. This Policy applies to or affects Cowichan Tribes':
  - i) Chief and Council;
  - ii) Finance and Audit Committee, and its members;
  - iii) General Manager, Assistant General Manager and Comptroller; and
  - iv) Any other person or committee involved with the establishment, maintenance and functioning of the Finance and Audit Committee.

### Policy Requirements

#### Establishment of the Finance and Audit Committee

7. Council must establish a Finance and Audit Committee, in accordance with the FAL, for the provision of advice and recommendations in order to support Council's decision-making process with respect to the financial administration of Cowichan Tribes.
8. The Finance and Audit Committee shall be a committee of Council.
9. Council shall appoint the members of the Finance and Audit Committee, including the Chair and Vice-Chair of the Committee. This responsibility cannot be delegated to others.



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10. Committee members shall be appointed through a Council resolution passed at a duly convened meeting of Council.
11. The General Manager, Assistant General Manager, and Comptroller are responsible for supporting the Committee, as non-members.
12. Council must establish documented criteria to determine if an individual:
  - i) Is eligible to be a Committee member,
  - ii) Is independent; and
  - iii) Possesses financial competency.
13. Council must ensure that potential appointees to the Committee satisfy the above criteria and complete the “Statement Confirming Independence and Eligibility” (see Appendix A) prior to the respective appointment.
14. Cowichan Tribes shall develop and maintain a documented report to monitor and record the appointments, terms, financial competency and independence of Committee members.
15. The Committee must carry out various financial planning, monitoring, and audit activities, as well as other activities in respect of the financial administration of Cowichan Tribes as assigned by Council, in accordance with this Policy and the associated procedures.
16. The Committee must keep minutes of, and report to Council on, the substance of its meetings.
17. A Committee member may be removed from office by Council if:
  - i) They miss three (3) consecutively scheduled Committee meetings; or
  - ii) The Chair of the Committee recommends removal.
18. Removal of a Committee member requires the prior approval of Council through a resolution passed at a duly convened meeting of Council.
19. Cowichan Tribes shall make and retain appropriate records respecting the establishment and operations of the Finance and Audit Committee.



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### **Procedures: Finance and Audit Committee Terms of Reference**

#### **Roles and Responsibilities**

20. The responsibilities of Council include:
  - i) Approving the Terms of Reference for the Finance and Audit Committee;
  - ii) Determining the eligibility criteria for Committee members, including the Committee's Chair and Vice-Chair;
  - iii) Determining the requirements of financial competency to be met by the majority of the Committee members;
  - iv) Confirming, before appointment, that each potential member of the Committee is eligible to be a Committee member and is independent;
  - v) Appointing the members of the Committee, including the Chair and Vice-Chair, and filling any vacancies in the Committee's membership;
  - vi) Assigning to the Committee any responsibilities or functions in addition to those set out in the FAL; and
  - vii) Ensuring that each member of the Committee signs a statement annually, confirming that they continue to meet the eligibility criteria and remain independent.
21. The responsibilities of the Chair, Finance and Audit Committee include:
  - i) Chairing Committee meetings and ensuring they are conducted in an efficient and effective manner;
  - ii) Planning Committee activities to ensure that the Committee is successful in fulfilling its mandate and addressing its functions, duties and responsibilities;
  - iii) Approving the Committee's agendas;
  - iv) Ensuring that minutes are recorded at each meeting of the Committee;
  - v) Recruiting qualified Committee member candidates and recommending them to Council;
  - vi) Evaluating Committee members and their contributions; and
  - vii) Reporting to Council on behalf of the Committee.
22. The responsibilities of Finance and Audit Committee members include:
  - i) Preparing for meetings by reading reports and background materials prepared for each meeting and acquiring adequate information necessary for decision making;
  - ii) Actively participating in Committee deliberations;
  - iii) Attending all scheduled Committee meetings subject to reasonable exceptions acceptable to the Chair;
  - iv) Becoming knowledgeable of Committee functions and statutory responsibilities under the FAL;
  - v) Ensuring that they have the minimum level of financial competency necessary to fulfill their responsibilities;
  - vi) Ensuring that they maintain their independence as required in the FAL;



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- vii) Avoiding conflicts of interests and complying with code of conduct policies and procedures established by Cowichan Tribes and described in the FAL; and
  - viii) Reviewing and making recommendations to Council on the Terms of Reference of the Committee.
23. The responsibilities of the General Manager include:
- i) Tracking the financial competency of each Committee member;
  - ii) Providing the Committee with necessary information in a timely fashion to enable the Committee to discuss potential issues, make decisions, and fulfill its mandate;
  - iii) Preparing agendas for Committee meetings, and assisting the Committee Chair in planning and making necessary arrangements with respect to the meeting agendas, giving required meeting notices and holding meetings; and
  - iv) Attending each Committee meeting, unless excused by the Chair for a reasonable reason or excluded from attendance by vote of the Committee as per the FAL.
24. The responsibilities of the Comptroller include:
- i) Providing technical and professional support to the Committee as requested or as required in the FAL; and
  - ii) Attending each Committee meeting, unless excused by the Chair for a reasonable reason or excluded from attendance by vote of the Committee as per the FAL.

### **Composition of Committee**

25. Council must appoint not less than three (3) members to the Committee. All committee members shall be selected from Cowichan Tribes' Council.
26. A majority of the individuals appointed to the Committee must have financial competency, and all individuals appointed to the Committee must be eligible and independent, in accordance with the FAL.

### **Eligibility, Independence and Financial Competency Criteria**

27. Before appointing persons to the Committee, Council must confirm that each potential appointee is eligible to be a member and is independent based on established criteria, including any applicable criteria discussed below in these Procedures.
28. Any individual with a role in Cowichan Tribes' financial management involving the planning, organizing, directing or controlling of its financial activities - including budgeting, financial accounting, financial reporting, procurement and utilization of funds - is not eligible to be a member of the Committee.
29. A potential appointee must not have a direct or indirect financial relationship with Cowichan Tribes that could, in the opinion of Council, reasonably interfere with that person's exercise of independent judgment as a member of the Finance and Audit Committee.



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30. Each member of the Committee must, prior to appointment and annually thereafter, attest they meet the criteria referred to in section 27 above and sign a statement (see Appendix A attached to these Procedures) confirming they are eligible to be a member of the Committee and are independent, as per the FAL and this Policy and Procedures.
31. The financial competency of Committee members must be assessed and confirmed prior to their appointment through a review of their resumes for predetermined qualifications to ensure that a majority of the Committee members have financial competency.
32. The financial competency of Committee members shall also be assessed on an ongoing basis. To satisfy this requirement, Council shall consider in their opinion if each member is able to reasonably fulfill the role and responsibilities of the member and adequately contributes to the effectiveness of the Committee.
33. The General Manager shall develop and maintain a Tracking Report which:
  - i) Includes a listing of the Finance and Audit Committee members;
  - ii) Reflects the date of appointment or re-appointment, the term of the membership, and the term end date for each Committee member; and
  - iii) Tracks and records the eligibility, financial competency and independence of, and any related issues for, each Committee member.
34. The Tracking Report discussed in the above section shall be updated on a regular basis with respect to any training or professional development taken by Committee members in order to maintain and/or improve their financial competency, and to document and ensure that a majority of the Committee members have financial competency.

### **Committee Chair and Vice-Chair**

35. Council must appoint the Committee's Chair and Vice-Chair. The Chair and Vice-Chair shall be selected from the Committee membership.

### **Terms of Committee Membership and Support Staff**

36. Subject to the section below, Committee members must be appointed to office for terms of not less than two (2) complete fiscal years to ensure the continuing effectiveness of the Committee and to provide for succession planning.
37. The appointment and terms of the Committee members shall be documented and monitored. Any necessary actions shall be taken to ensure that their terms of office are:
  - i) Of a sufficient period of time to permit members to develop a critical understanding of Cowichan Tribes' financial management system; and
  - ii) Comply with the FAL.
38. The General Manager, Assistant General Manager, and Comptroller shall attend all Committee meetings for an indefinite period, for the purposes of providing technical knowledge, skills and advice to the Committee.



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### **Quorum and Voting Rules**

39. The quorum of the Committee is fifty percent (50%) of the total number of Committee members.
40. Every Committee member has one (1) vote in all Committee decisions except where a member is not permitted to participate in a decision because of a conflict of interest.
41. In the event of a tie vote in the Committee, the Chair of the Committee may cast a second tiebreaking vote.

### **Committee Meetings**

42. The Committee must meet:
  - i) At least once every quarter in each fiscal year;
  - ii) As soon as practical after it receives the audited financial statements and report from the auditor; and
  - iii) As necessary otherwise to conduct the business of the Committee.
43. Subject to the section below, the General Manager, Assistant General Manager and Comptroller must be notified of all Committee meetings and, subject to reasonable exceptions, must attend all those meetings. However, they do not have any voting rights with respect to the Committee.
44. The General Manager, Assistant General Manager or Comptroller may be excluded from all or any part of a Committee meeting by a recorded vote if the meeting subject matter involves a confidential personnel or performance issue respecting one or more of them, or if it is a meeting with Cowichan Tribes' auditor.
45. The Committee shall keep minutes of the substance of each its meetings, including:
  - i) All the votes of the Committee; and
  - ii) Attendance at Committee meetings, including the attendance of Committee members, the General Manager, the Assistant General Manager, and the Comptroller.
46. The Committee must provide approved minutes of its meetings to Council, and the Committee Chair shall report to Council on the substance of each Committee meeting as soon as practicable after each meeting.
47. Subject to the FAL and any directions given by Council, the Committee may make rules for the conduct of its meetings.
48. The rules discussed in the above section shall be documented and be consistent with the requirements of the FAL or any applicable Cowichan Tribes' policy or procedure.
49. After consultation with the General Manager, the Committee may retain a consultant to assist in the performance of any of its responsibilities.



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### **Financial Planning and Monitoring Responsibilities**

50. The Committee must carry out the following planning and monitoring activities with respect to the financial administration of Cowichan Tribes, as per the FAL:
  - i) Review and recommend to Council for approval, draft annual budgets and multi-year financial plans for Cowichan Tribes;
  - ii) Monitor Cowichan Tribes' financial performance against its budgets on an ongoing basis, conduct follow ups and report any significant variations to Council; and
  - iii) Review, and recommend to Council for approval, Cowichan Tribes' quarterly financial statements.
51. Council may direct the Committee to report to Council on any matter respecting the financial administration of Cowichan Tribes, including the format, substance and frequency of reports required by Council.
52. The Committee may make a report or recommendation to Council on any matter respecting the financial administration of Cowichan Tribes that is not otherwise specified to be its responsibility under the FAL.

### **Audit Responsibilities**

53. The Committee must carry out the following audit activities with respect to the financial administration of Cowichan Tribes, in accordance with the FAL:
  - i) Make recommendations to Council on the selection, engagement and performance of an auditor;
  - ii) Receive assurances on the independence of a proposed or appointed auditor;
  - iii) Review and make recommendation to Council on the planning, conduct and results of audit activities;
  - iv) Review and make recommendations to Council on Cowichan Tribes' audited annual financial statements, including the audited annual financial statements respecting Cowichan Tribes' local revenues, and any special purpose reports;
  - v) Periodically review, and make recommendations to Council on, policies, procedures and directions respecting reimbursable expenses and perquisites of councillors, officers and employees of Cowichan Tribes;
  - vi) Monitor financial reporting risks and fraud risks to Cowichan Tribes and the effectiveness of mitigating controls for those risks taking into consideration the cost of implementing the controls;
  - vii) Review the FAL on a regular, periodic basis as required by the FAL, and where appropriate, recommend amendments to Council; and
  - viii) Review, and make recommendations to Council on, the Committee's Terms of Reference at least every two (2) years.



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### **Council Assigned Responsibilities**

54. Council may assign to the Committee, or another committee of Council, other activities in respect of the financial administration of Cowichan Tribes, as per the FAL, including:
- i) Developing, and recommending to Council for approval, performance measurements and goals designed to confirm that management activities, including financial management, occur as planned;
  - ii) Preparing, and recommending to Council for approval, cash management plans;
  - iii) Reviewing and reporting to Council on the financial content of any Cowichan Tribes' report(s);
  - iv) Reviewing, monitoring and reporting to Council on the appropriateness of Cowichan Tribes' accounting and financial reporting systems, policies and practices;
  - v) Reviewing, and recommending to Council for approval, any proposed significant changes in Cowichan Tribes' accounting or financial reporting systems, policies, procedures or directions;
  - vi) Monitoring the collection and receipt of Cowichan Tribes' financial assets, including debts owed to Cowichan Tribes;
  - vii) Reviewing and reporting to Council on Cowichan Tribes' risk management policies and control and information systems and, where appropriate, recommending improvements to Council;
  - viii) Reviewing the adequacy of security of information, information systems and recovery plans and, where appropriate, recommending improvements to Council;
  - ix) Monitoring compliance with the legal obligations of Cowichan Tribes, including legislative, regulatory and contractual obligations, and reporting to Council;
  - x) Reviewing and reporting to Council on the adequacy of financial administration personnel and resources;
  - xi) Reviewing, monitoring and reporting to Council on the appropriateness and adequacy of Cowichan Tribes' insurance coverage for significant risks; and
  - xii) Reviewing, monitoring and reporting to Council on material litigation and its impact on financial administration and reporting.

### **Removal from Committee and Appointing a Replacement Member**

55. Council shall take all necessary steps to ensure and confirm that removal of a Committee member and the appointment of the replacement member are done in accordance with the FAL and this Policy and Procedures.
56. If a Committee member is removed from office, resigns or dies before their term of office expires, Council must as soon as practicable appoint a new Committee member for the remainder of the first member's term of office.
57. The rationale for removing a Committee member, the actions taken to effect the removal, and the appointment of the replacement member shall be appropriately documented.



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58. Appointment of the replacement Committee member shall be authorized by Council through a resolution passed at a duly convened Council meeting.

### **Records Management**

59. Cowichan Tribes shall ensure appropriate records are made respecting the establishment and operations of the Finance and Audit Committee, and that all related records and documents are retained in a secure manner and confidential manner, as per the FAL and Financial Records Management Policy and Procedures, including records relating to:
- i) The agendas and approved minutes of each Finance and Audit Committee meeting;
  - ii) Attendance at Committee meetings, including any ex-officio members such as the General Manager, Assistant General Manager, and Comptroller;
  - iii) The appointment, term, removal, and replacement of Committee members, Chair and Vice-Chair;
  - iv) The financial competency, eligibility and independence of Committee members;
  - v) The Tracking Report, and any reports made to Council by the Committee;
  - vi) Additional roles and responsibilities assigned to the Committee by Council;
  - vii) Any rules made by the Committee for the conduct of its meetings; and
  - viii) All Council resolutions involving or affecting the Finance and Audit Committee.

### **Related Cowichan Tribes' Policies**

- Establishing Finance Committees Policy and Procedures;
- Code of Conduct Policy and Procedures;
- Financial Records Management Policy and Procedures;



**APPENDIX A:**

**Statement Confirming Independence and Eligibility as  
Member of Cowichan Tribes' Finance and Audit Committee\***

I, \_\_\_\_\_ (print full legal name), hereby attest that I meet the related criteria established by Council and therefore confirm that I am eligible to be a member of Cowichan Tribes' Finance and Audit Committee and am independent, in accordance with Cowichan Tribes First Nation Financial Administration Law (the FAL) and the Finance and Audit Committee's Terms of Reference.

Signature: \_\_\_\_\_

Title/Position: \_\_\_\_\_

Date: \_\_\_\_\_

**\* This statement must be completed by each member of the Finance and Audit Committee prior to their appointment and on an annual basis thereafter.**