



### 3. Committees

<b>NAME: 03.01 FINANCE, AUDIT AND RISK MANAGEMENT COMMITTEE (FARM)</b>	<b>VERSION: 2</b>
<b>ADOPTED: JUNE 10, 2013</b>	<b>AMENDED: MAY 27, 2019</b>
	<b>REVIEW: 2022-2023</b>

#### REVIEW EVERY 4 YEARS

#### PREAMBLE

Richmond Christian School established a Finance, Audit and Risk Management Committee (FARM) to serve the Board in matters of finance, audit and risk management in collaboration with the Management Team (Superintendent and Director of Finance). Primary responsibility for the financial reporting, information systems, risk management and internal controls of RCS is vested in Management and is overseen by the Board. The FARM Committee is to assist the Board of Directors by assuming responsibility for reviewing and confirming the accuracy and sufficiency of:

1. the financial information provided to the Society members, Ministry of Education, and other external parties;
2. the systems of internal controls, that Management and the Board have established;
3. the external audit process;
4. compliance with laws, regulations and policies that may apply; and
5. the school risk register including significant risk mitigating controls.

#### MEMBERSHIP

6. The Committee shall be composed of not fewer than 3 voting members and not more than 5 voting members.
  - a. At least one voting member shall be the current Treasurer.
    - i. The past-Treasurer should also remain on the committee for at least one additional year.
    - ii. The past-Treasurer would be a non-voting member of the committee.
  - b. A Chair shall be elected from amongst the voting members.
  - c. All Committee members shall be financially literate and at least one shall have accounting or related financial experience.

- i. The Board has defined "financial literacy" as: the ability to read and understand a balance sheet, income statement and a cash flow statement in accordance with Canadian accounting standards for not-for-profit organizations. Where there is a requirement for a director to have accounting or financial experience this means the director shall have the ability to analyze and understand a full set of financial statements, including the notes attached thereto in accordance with Canadian accounting standards for not-for-profit organizations.
  - d. Each voting member must be a member in good standing of the Society of Richmond Christian School.
  - e. Each member shall sit for one three-year term and may serve a second consecutive term.
7. The Committee shall also be comprised of two non-voting members: the Superintendent and the Director of Finance.

#### **TERMS OF REFERENCE**

8. Ensure that the Board is properly informed of all matters delegated to the FARM.
  - a. The Committee shall meet at least four times each year (preferably in October, January, April and June).
  - b. Additional meetings may be called from time to time at the discretion of the committee Chair.
9. The Committee will work in collaboration with RCS's Management Team and business office.
  - a. The Committee will have full access to Society records and other documentation, as required, to fulfill its responsibilities to the Board of Directors.
10. The Committee shall promote open avenues of communication amongst management, employees, external and internal auditors, and the Board of Directors.

#### **DUTIES AND RESPONSIBILITIES**

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

11. Finance and Audit Responsibilities
  - a. Review and recommend for approval by the Board annual budgets (operating and capital), business plans and financial information prepared by the

Management team and the Director of Finance.

- b. Review and discuss:
  - i. the appropriateness of accounting policies and financial reporting practices;
  - ii. any significant proposed changes in financial reporting and accounting policies and practices to be adopted by RCS;
  - iii. any new or pending developments in accounting and reporting standards that may affect RCS; and
  - iv. management's key estimates and judgments that may be material to financial reporting.
  - v. recommend for approval by the Board financial information that will be made available to the Society. This includes the review and recommendation of the annual audited financial statements and report to the Board for approval.

12. Risk Management Responsibilities

- a. Review and update the school risk register and ensure key controls and risk mitigating measures are in place for significant risks. These may include:
  - i. informing the Board that the checklist regarding Insurance, Finances and Employees is affirmed each September by the Superintendent and Director of Finance and presented to the Board at the October meeting;
  - ii. insurance coverage for significant business risks and uncertainties;
  - iii. ensuring procedures exist regarding the receipt and treatment of complaints received by the Society specific to accounting or audit matters and anonymous submissions by employees of concerns regarding questionable accounting, auditing or other financial matters.

13. The Committee will review and obtain reasonable assurance that internal controls are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

- a. obtaining reasonable assurance that the accounting systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management and the external auditor; and
- b. reviewing management's steps to implement and maintain appropriate internal control procedures including a review of significant financial policies.

14. Review the adequacy of IT controls surrounding the security of confidential or privileged information and information recovery plans.

15. Review the appointment of the Director of Finance, and/or Senior Financial Officer (as appropriate), and review the adequacy of accounting and finance staff resources.
16. The external auditor is ultimately responsible to the Committee and the Board of Directors as representatives of the Society. The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:
  - a. reviewing and recommending to the Board the engagement of the external auditor;
  - b. reviewing the annual external audit plan;
  - c. ensuring changes in accounting and auditing standards are followed;
  - d. meeting with the external auditor (at least annually) without management present to discuss the Society's annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
  - e. reviewing and advising the Board with respect to the planning, conduct and reporting of the annual audit.
  - f. reviewing the auditors' evaluation of RCS's system of internal controls, procedures and documentation;
  - g. reviewing the post audit or management letter containing any material findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
  - h. assessing the performance and consider the annual appointment of external auditors for recommendation to the Board;
  - i. reviewing the audit engagement letter and receiving assurances on the independence (including the extent of non-audit services performed) of the external auditor.

## **REPORTING**

17. The Committee shall appoint a secretary to maintain meeting minutes and record action items for follow through.
  - a. Minutes are to be forwarded to the Board for inclusion in the next Board meeting package.
18. The Committee shall report its discussions to the Board on significant matters by oral or written report at the next board meeting following their committee meeting, otherwise as requested.

## **FARM COMMITTEE HANDBOOK**

13. Committee members will be provided with a handbook of reference and resource materials that will include:
  - a. Constitution and By-laws of the Richmond Christian School Association;
  - b. Organizational structure and Organization Chart;
  - c. Statement of Faith;
  - d. Technology Use Policy- Code of Conduct;
  - e. Membership Agreement (confidentiality);
  - f. Commitment Pledge (conflict of interest).