



# Finance and Audit Committee Terms of Reference

*Approved by the Board on June 20, 2019*

## **Purpose & Authority**

Struck by the Board of Directors, the Finance & Audit Committee (FAC) supports the delivery of the Board's mandate in the areas of

- financial management, enterprise risk management pertaining to finances and due diligence in the execution of major financial decisions;
- MEC's financial reporting process and the system of internal controls over it;
- MEC's annual external audit service engagement, process and results;
- Financial information included within reports (financial or otherwise) that is provided to members and/or released publicly; and
- Ongoing organizational compliance monitoring relating to applicable laws, regulations, material internal policies and frameworks.

## **Composition**

The FAC consists of a minimum of four directors, including a Committee Chair, and they are appointed by the Board annually.

## **Meetings**

The Committee meets approximately five times per year, and has authority to convene additional meetings as required. Committee members are expected to attend all meetings in person or by teleconference and quorum is simple majority. The Chair sets the agenda and works with other Committee members, the CEO, the CFO and Chief Governance Officer to ensure agendas and appropriate materials are circulated one week in advance of a meeting. The Board Chair serves as an ex-officio member, the CEO, CFO and other members of Management attend upon request of the Committee and the Chief Governance Officer serves as advisor and secretary, ensuring minutes are taken and procedural matters are addressed. The external auditor attends all meetings and the Committee convenes in-camera sessions with the auditors over the course of the year. The Committee can also, subject to Board endorsement, appoint external advisory support as required.

## **Responsibilities**

To support the discharge of financial governance and oversight duties, the Board delegates the following authority to the Committee:

- Conduct or authorize investigations into any matters within its scope of responsibility, and in the exercise of that authority, the Committee is empowered to;
  - Oversee the long-term financial stewardship of MEC
  - Retain legal counsel, accountants or others to advise or assist in the conduct of an investigation, subject to a Board-approved budget;

- Seek any information required from employees, all of whom will be directed to cooperate with the Committee's requests or its advisor; and
- Meet with MEC officers, external auditors or outside counsel, as necessary.

### **Committee Operations**

- Annually review the Committee terms of reference and work plan with any proposed amendments to be presented to the Board for approval; and
- Ensure Committee members have the resources and materials available to them to discharge their duties.

### **Financial Reporting & Performance Oversight**

- Review periodic, interim financial performance information as prepared by the CFO to understand and assess MEC's ongoing financial condition;
- Understand the assumptions, policies and procedures employed by Management in the development of financial information;
- Review and, as applicable, endorse recommended accounting policies and bring proposed changes to the Board for approval as required;
- In collaboration with the CFO, regularly report to the Board on MEC's financial condition, disclosing material risk and performance matters as required;
- Undertake a full review of MEC's audited annual financial statements, seeking confirmation from the CFO whether they are complete and, pending such confirmation, recommend approval to the Board;
- Review significant accounting and reporting issues as required (such as contingencies, audit findings, fraud and error) and understand their impact on the financial statements;
- Review, discuss and make recommendations on annual budgets and longer-term financial aspects of MEC's strategic plan;
- Monitor progress and expenditures of major projects;
- Review and make recommendations to the Board on significant financial transactions including capital expenditures that exceed the CEO's authority limit, including patronage returns, etc.;
- Receive periodic reports from Management on other material financial matters such as inventory management, supply chain, share redemption proposals, proposals for capital projects and reports on capital projects in progress.

### **Internal Controls & Enterprise Financial Risk Management**

- Periodically consider the effectiveness of MEC's internal controls, reviewing in further detail those relating to financial reporting, financial management and information technology security and control;
- Understand the scope of external auditors' review of controls over financial reporting and obtain reports on significant findings and recommendations as well as Management's responses;
- Ensure that the Board and committee's work on the following areas of risk governance is adequately prioritized and resourced, and that appropriate systems are in place to effectively monitor and mitigate such risks:
  - operational
  - financial
  - reporting (financial)
  - Security

- Competition
- Annually review and confirm MEC's insurance portfolio, seeking confirmation that the portfolio appropriately and sufficiently addresses key risks.

#### **External Audit**

- Review and endorse the proposed scope, approach and fee for the audit MEC's annual financial statements;
- Review with Management and the external auditors the results of the audit;
- Annually review the performance of external auditors and prepare recommendations to the Board for the appointment of auditors by the membership;
- Regularly review and confirm the independence of the external auditor by obtaining statements from them on and discussing their relationship with MEC in the provision of any non-audit services; and
- Regularly receive in-camera reports from the external auditor;
- At the discretion of the Board, undertake periodic reviews of MEC's external audit engagement services.

#### **Monitoring Compliance**

- Semi-annually, monitor general compliance with applicable laws, regulations and material internal policies/frameworks, and in the event of a material non-compliance occurrence, seek confirmation from Management that corrective action is taken;
- Review the findings of any examination by regulatory agencies, and any auditor observations as applicable;
- Periodically review compliance with taxation laws with both Management and the Auditor.