

## Finance & Risk Committee

### Terms of Reference

#### ***Objectives***

Primary responsibility for the College of Nurses of Ontario's (CNO's) financial reporting and control systems is vested in management, overseen by the Council.

The Finance & Risk Committee ("the Committee") is a standing committee of the Council established to:

- A. Advise Council on CNO's financial affairs (General By-Law, Article 26.01).
- B. Assist the Council in fulfilling its fiduciary and governance responsibilities with respect to:
  - (i) Financial reporting,
  - (ii) Internal control systems,
  - (iii) Audit and compliance conduct,
  - (iv) Enterprise risk management.
- C. Communicate effectively with the Council, external auditor and senior management.
- D. Ensure the independence of the external auditors.

#### ***Authority***

The Council grants the Committee the authority to fulfill the Specific Terms as outlined below, to achieve its stated Objectives. The Committee shall have access to personnel, documents, records and resources necessary to carry out its responsibilities. The Committee shall have the authority to initiate investigations into any matter within the Committee's scope of responsibilities and is empowered to retain legal counsel, accounting professionals or other consultants to advise the Committee. The Committee is authorized to require management to promptly inform the Committee and external auditor of any material misstatement or error in the financial statements following any such discovery.

## ***Specific Terms***

### **Financial Information**

1. Ensure operating and capital budgets:
  - Support annual operations that contribute to achievement of CNO's purpose, key regulatory and support functions and
  - Provide for CNO's ongoing fiscal well-being.
2. Review the following for recommendation to Council:
  - (i) the unaudited financial statements prepared by management, a minimum of four times a year and
  - (ii) the annual operating and capital budgets.
3. Review the planning of the external audit, including:
  - the engagement letter and estimated audit fee and
  - the scope of the audit, including areas of audit risk, timetable, deadlines, materiality limits, and extent of internal control testing.
4. Review CNO's annual audited financial statements and the auditors' report, with both management and the auditor (including in a closed session) and, based on the review, recommend approval of the statements to the Council. The review should include:
  - the selection, application and consistency of significant accounting policies
  - indications of weakness in the reporting and control systems
  - significant accounting judgments, accruals and estimates
  - significant disclosure or presentation of issues addressed by management and the external auditor during the audit and preparation of the financial statements and
  - any significant changes detected by the audit and how they were resolved with management.

### **Accounting**

1. Review any emerging accounting trends and their potential impact on CNO's financial statements.
2. Obtain reasonable assurance from discussions with and/or reports from management and the external auditor that CNO's accounting systems and internal controls, including the policies approved by the Finance Committee, are efficient, effective and operating continuously.

3. Ensure there are adequate systems and procedures in place to provide reasonable assurance of compliance with laws, regulations and standards of professional conduct, with respect to the CNO's financial affairs.
4. Receive reports from management of any actual or suspected instances of accounting irregularities in respect to the financial affairs of CNO, including the actions taken by management to minimize risk exposure to the organization.
5. Direct the external auditor's examinations to specific areas, if any, as deemed necessary by the Committee.

### **External Auditor Independence**

1. Ensure that the external auditor understands their ultimate accountability to the Council and the Committee, on behalf of CNO's registrants.
2. Strengthen and preserve external auditor independence by:
  - holding periodic in-camera sessions with the external auditor
  - annually reviewing any non-audit engagements undertaken by the audit firm for CNO and assessing their impact on the external auditors' objectivity and independence
  - assessing the performance of the external auditor and developing resolutions related to the reappointment or any proposed change in external auditors to the June meeting of Council
  - reviewing the co-operation received by the external auditor from management and
  - ensuring the external auditors issue a letter to the Committee on an annual basis declaring their independence from management and CNO.

### **Enterprise Risk Management**

1. Ensure that management has implemented reasonable systems, processes and internal controls to effectively:
  - identify, analyze, treat, monitor, and report on enterprise risk<sup>1</sup>, and
  - ensure organizational compliance with legal, regulatory, and legislative obligations.
2. Ensure on an annual basis that management binds a reasonable scope of insurance coverage to protect CNO against insurable risks.
3. At least annually receive and review reports from management on insurance claims, litigation, information privacy and security, compliance matters, and any other legal

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<sup>1</sup> Enterprise risks at CNO are classified as arising across four main source quadrants: (i) Financial (ii) Operational (iii) Strategic (iv) Hazard.

proceedings or uncertainties that could have a material impact on the finances, reputation, or general well-being of CNO.

### **Self-Governance**

1. Review the Committee Terms of Reference biennially and recommend changes, if any, to Council.
2. Review the Terms of Reference of the Sub-Committee on Compensation biennially and recommend changes, if any, to Council.
3. Self-assess annually whether the Committee has met the Specific Terms and report these results to Council.
4. Ensure disclosure of or appropriate access to the Committee Terms of Reference for all registrants of CNO.
5. Perform any other activities consistent with these Terms of Reference, CNO's bylaws and governing law, as the Committee or Council deems necessary or appropriate.
6. Report to Council at least four times a year on how the Terms of Reference are being met.

### **Other**

1. Review proposed changes to the Compensation Principles recommended by the Sub-Committee on Compensation and recommend changes to Council.
2. Review annually the appropriateness of the application and registration fee structure and other revenue charges and recommend changes to Council, as required.
3. Review, at least biennially, recommendations from the Sub-Committee on Compensation for changes to the stipend and expense policies for Council and committee members and recommend changes if any, to Council.
4. Review every three years and as needed, the policies approved by the Finance & Risk Committee and provide any amended policies to Council.
5. Review, at least annually, CNO's By-Laws regarding financial affairs and recommend changes to Council.

6. Recommend the members of the Compensation Sub-Committee to Council.

### **Membership**

1. The Committee will consist of seven members:

- President of Council
- Vice-President – RN
- Vice-President – RPN
- Chair of the Sub-Committee on Compensation and
- Three members of Council, at least one of whom is a nurse and one of whom is a public member.

Each member shall be free of any relationship that, in the opinion of the Council, would interfere with his or her individual exercise of independent judgement.

2. The Vice-Presidents will act as co-chairs.
3. The term of office for members will be one year with the option of reappointment by Council and re-election of the President and Vice-President.

In the event of mid-term vacancies, the Council will appoint replacement members to complete the term.

The Registrar/Executive Director & CEO, the Chief Operating Officer, the Director, Business Services & CFO, and the Manager, Finance & Operations, shall be staff resource to the Committee except for the portions of the meetings that are in camera with the auditor.

### **Meetings**

1. Meetings may be convened at the request of any member of the Committee or at the request of the College's auditor, but in no circumstances less than four times each year.
2. CNO's auditor shall receive notice of all meetings of the Committee and is entitled to appear and be heard.
3. Any member of the Committee may require the attendance of the auditor at any meeting of the Committee.
4. Meetings may be held in person, electronically, or by any individual member or members participating electronically.

## **Agenda**

The Co-Chairs shall, in consultation with management, establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to members in sufficient time for study prior to the meeting. Committee members may recommend agenda items subject to approval of the agenda by the Committee.

The Committee will maintain minutes of its meetings.

## **Decision Making**

A quorum consists of a majority of the members of the Committee. Each Committee member is entitled to one vote and a decision shall be by majority vote of those present.

Approved by Council, March 2005

Amended:

- March 2007
- June 2009
- June 2011
- June 2012
- June 2014
- March 2020
- June 2022
- Edited, September 2022
- June 2024