

**EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION  
AUDIT & FINANCE COMMITTEE  
INAGURAL MEETING**

**March 17, 2021 at 3pm – 4pm**

**via: Zoom Video Meeting**

**Agenda**

1. Call to order
2. Approval of agenda
3. Adoption of Committee Terms of Reference
4. Adoption of Committee meeting schedule
5. In-camera discussion
6. Adjournment

# Request for Decision – Audit & Finance Terms of Reference

## Summary/Issue

The Audit & Finance Committee (AFC) requires a Terms of Reference (ToR) document for the purposes of clearly outlining what the Committee is expected to achieve and how it will be organized to deliver on its mandate to the benefit of the Edmonton Metropolitan Transit Services Commission (EMTSC).

## Previous Commission Direction/Policy

At the February 18, 2021 Board Meeting, the Board passed a motion to strike the Audit & Finance Committee and appointed four Board Directors to serve on the Committee. The following four Directors were appointed to the Committee and were designated the following roles on the AFC:

1. Justin Laurie (Committee Chair)
2. Chantal McKenzie (Committee Vice Chair)
3. Ray Ralph
4. Glen Finstad

## Recommendation:

That the Commission:

- Endorse and recommend the Audit & Finance Committee Terms of Reference to the Edmonton Metropolitan Transit Services Commission Board for approval.

## Investigation

As outlined in *Division 4 – Committees of the Board* under Section 55(e) of the Governance Bylaw, the Board may by Ordinary Resolution establish the terms of reference for committees, “which may include duties, functions, membership, procedures, term, and other characteristics of the committee.” Intuitively, the first order of business for the members of the AFC will be to establish a ToR for endorsement to the Board where it will ultimately be approved.

## Implications

The AFC ToR will describe how the Committee will function by outlining its purpose, duties, functions, responsibilities, accountabilities to the Board, membership composition, quorum requirements, voting guidance, and required meeting frequency.

### **Business Plan/Budget Implications**

The Committee will play an important role in providing oversight to management for matters related to financial management and reporting, internal controls, risk management, and auditor independence. Specific to the Commission's budget, the Committee will review the following with Commission management:

- The Commission's significant accounting and financial policies, such as those related to budget;
- The Commission's Annual Operating Budget and rolling three-year financial forecast;
- The Commission's capital plan; and,
- Municipal requisition forecasts to cover any operating shortfall, prepared based on the cost allocation formula.

Going forward, it will be the role of the Committee to review budgets proposed by management before endorsing them to the Board for approval.

### **Risks**

None.

### **Attachments**

1. EMTSC Audit and Finance Committee Terms of Reference – DRAFT.

*\*See pages 4-8 of this agenda package.*

## Terms of Reference

### Audit & Finance Committee

Edmonton Metropolitan Transit Services Commission

Section	Description
Purpose and Overview	<p>The Audit &amp; Finance Committee (the "Committee") assists the Board in:</p> <ul style="list-style-type: none"> <li>• Overseeing the integrity of the Commission's financial management and reporting systems;</li> <li>• Overseeing the effectiveness of the Commission's internal controls;</li> <li>• Ensuring the independence of the Commission's external auditors;</li> <li>• Monitoring risk management policies and systems; and,</li> <li>• Undertaking such other initiatives as may be necessary or desirable to enhance Commission effectiveness.</li> </ul> <p>The Committee is appointed by the Board of the Edmonton Metropolitan Transit Services Commission (the "Board").</p>
Duties, Functions, and Responsibilities	<p>The Committee has the following specific responsibilities.</p> <p><b>Financial management and reporting</b></p> <p>Ensure that effective lines of communication exist among the external auditors, management, and the Board.</p> <p>Review and discuss with the external auditor:</p> <ul style="list-style-type: none"> <li>• The scope and plan of audits;</li> <li>• The audit fee;</li> <li>• Legal, accounting, and regulatory matters that may have a material impact on the Commission's financial statements;</li> <li>• Any significant findings and recommendations together with management's responses.</li> </ul> <p>Review the annual financial statements and financial information return, in which review may include:</p> <ul style="list-style-type: none"> <li>• Reports from the external auditor as to the results of their examination;</li> <li>• Meetings with management for management to outline any problems with financial policies, financial reporting, or matters in contention with or under consideration by the external auditor;</li> <li>• The appropriateness of key accounting assumptions, the accounting principles being employed, and any change in accounting policy or practice;</li> <li>• Any proposed changes in financial statement presentation or notes; and</li> <li>• Any other matters that, in the opinion of the auditor, should be brought to the attention of the Committee.</li> </ul> <p>Review with Commission management:</p> <ul style="list-style-type: none"> <li>• Quarterly financial reports and management reports;</li> </ul>

Last updated February 22, 2021

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## Terms of Reference

### **Audit & Finance Committee**

#### Edmonton Metropolitan Transit Services Commission

	<ul style="list-style-type: none"><li>• The Commission's significant accounting and financial policies, such as those related to debt management, reserve utilization, investments and budget;</li><li>• The Commission's Annual Operating Budget and rolling three-year financial forecast, which includes:<ul style="list-style-type: none"><li>○ Expenditures by major category<ul style="list-style-type: none"><li>▪ Annual direct operating costs for each service</li><li>▪ Marketing costs</li></ul></li><li>○ Revenue from fares, municipal contributions, grants, etc.</li></ul></li><li>• The Commission's capital plan, which includes:<ul style="list-style-type: none"><li>○ Acquisition of capital assets (fleet, infrastructure, technology) identified by year</li><li>○ Contributions from private, municipal, provincial and federal sources</li><li>○ Capital reserve fund</li></ul></li><li>• Municipal requisition forecasts to cover any operating shortfall, prepared based on the cost allocation formula; and</li><li>• Other reports and information as identified by the Committee.</li></ul> <p>Confirm with management that the Commission has made all statutory withholdings and remittances relating to the Commission's employees or otherwise.</p> <p>Submit to the Board for its approval before they are released the annual financial statements and financial information return, and discussion of results, auditor's reports, quarterly financial reports, annual capital and operating budgets, and rolling three-year financial forecast.</p> <p><b>Internal controls</b></p> <p>Meet with management and the external auditor at least once a year to:</p> <ul style="list-style-type: none"><li>• Review the design and effectiveness of the Commission's internal controls and management information systems, including any recommendations for improvements;</li><li>• Discuss the adequacy of internal controls, and compliance with, the Commission's operational policies and procedures; and</li><li>• Discuss any matters that the Committee, the external auditor or management consider appropriate.</li></ul> <p>Review annually the Commission's internal control structure and delegations of authority as they relate to financial management.</p> <p><b>Risk management</b></p> <p>Review with Commission management the following:</p> <ul style="list-style-type: none"><li>• Risk management plans, including the Commission's business continuity plan;</li></ul>
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Terms of Reference

**Audit & Finance Committee**

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	<ul style="list-style-type: none"> <li>• Insurance coverage; and</li> <li>• Any other issues of an internal control or risk management nature that may, from time to time, come before the Committee or arise in its deliberations.</li> </ul> <p><b>Auditor independence</b></p> <p>As the entity at the Commission to which the external auditor reports, review:</p> <ul style="list-style-type: none"> <li>• The independence of the external auditor from the Commission and its management, and report any concerns to the Board; and,</li> <li>• The appointment of the external auditor and provide a recommendation to the Board regarding the compensation and terms of engagement.</li> </ul> <p>Where the Board has approved an external auditor, the Committee Chair signs the engagement letters of the external auditor on behalf of the Commission.</p> <p>The Committee ensures the external auditor's report is submitted along with the annual audited financial statements to the Province by May 1 of each year, in accordance with legislative requirements and reporting standards.</p>
<p>Accountability to the Board</p>	<p>The Committee must report to the Board following each meeting by distributing minutes of its meetings to the Board. When a Board meeting closely follows a Committee meeting, the Committee Chair must provide a verbal report to the Board and the minutes must be circulated at the next Board meeting.</p> <p>The Committee has no authority to direct management or commit the Board unless specifically authorized by the Board or through these Terms of Reference. The Committee is accountable to the Board through the Chair of the committee.</p>
<p>Membership</p>	<p>The Committee shall be composed of four Board Directors.</p> <p>The Board must appoint the members of the Committee members:</p> <ul style="list-style-type: none"> <li>• As soon as reasonably possible after establishment of the Commission, and</li> <li>• At the first organizational meeting of the Board following each general municipal election.</li> </ul> <p>The Board must appoint the Chair and Vice Chair of the Committee at the first organizational meeting of the Board after a general municipal election.</p> <p>Annually, the Board must:</p>

Terms of Reference

**Audit & Finance Committee**

Edmonton Metropolitan Transit Services Commission

	<ul style="list-style-type: none"> <li>• Reconfirm that each member of the Committee is willing and able to continue serving on the Committee; and</li> <li>• If a member of the Committee is not willing or able to continue serving, to appoint a new member of the Committee.</li> </ul> <p>Between general municipal elections, the Board may replace one Board member on the Committee every year.</p> <p>In the event there is a vacancy on the Committee, the Board must fill the vacancy as soon as reasonably possible to ensure there are four Committee members. In the event there is a vacancy on the Committee, the Board may replace Committee members as needed</p> <p>A Committee member who does not uphold their responsibilities or misses three meetings without a reasonable explanation will be asked by the Board Chair to resign from the Committee. If the member refuses to resign, the Board may remove the member from the Committee.</p> <p>Committee members should have strong financial acumen with at least one member having accounting or related financial experience. "Financial acumen" means the ability to predict and understand the impact of business decisions on the financial health of an organization. "Accounting or related financial experience" means the ability to analyze and interpret a full set of financial statements, including the notes.</p> <p>If no member of the Committee has the required Financial Acumen and no member of the Committee has the required "Accounting or related financial experience" the Board may provide training for some or all members of the Committee and may require some or all members to take the training. The Board may also support the Committee by providing it with access to professional accounting and finance experience through a third-party to advise the Committee. The Committee Chair may also invite guests to attend meetings as a resource, as required.</p>
Quorum	A majority of appointed Committee members constitutes quorum.
Voting	Each Committee members has one vote. The Committee will work towards consensus, as much as possible. If consensus is not possible, the Committee must vote. A majority of votes is required to carry a motion. In the event of a tie, the motion is defeated.
Meetings	<p>The Committee must meet four times per year and may meet more frequently in the execution of its duties and responsibilities.</p> <p>The Committee must establish its regular schedule of meetings at its first meeting each year based on the timelines and outputs (or deliverables) of the Committee.</p>

Last updated February 22, 2021

Terms of Reference

**Audit & Finance Committee**

Edmonton Metropolitan Transit Services Commission

	<p>The Committee Chair may call additional meetings outside of its regular schedule to address specific items. When calling an additional meeting, the Chair must ensure that reasonable notice is given. Where possible, the notice should be given at least seven days before the additional meeting.</p> <p>Notice of any meeting may be provided by email.</p> <p>The Committee may meet in person, by teleconference or by any other communications technology that permits:</p> <ul style="list-style-type: none"><li>a. The Committee members to communicate with each other; and</li><li>b. The public to hear or observe the meeting except where a matter will be discussed by the Board in private is within one of the exceptions to disclosure in Division 2 of Part 1 of the Freedom of Information and Protection of Privacy Act.</li></ul> <p>The Committee may close all or part of a meeting to the public if a matter to be discussed is within one of the exceptions to disclosure in Division 2 of Part 1 of the Freedom of Information and Protection of Privacy Act.</p>
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## **Request for Decision – Audit & Finance Committee meeting schedule**

### **Summary**

Over the first year of formation, the Edmonton Metropolitan Transit Services Commission's (EMTSC) Audit & Finance Committee (AFC) is expected to meet as often as monthly given the workload anticipated by virtue of management standing up the finance function of the Commission.

#### **Recommendation:**

That the Audit & Finance Committee:

- Meet monthly on the Thursday two weeks before each Regular Board Meeting, over the course of calendar 2021.

### **Investigation**

As per the draft Audit & Finance Committee Terms of Reference (ToR), a meeting frequency of at least four times per year is required, although the Committee is permitted to meet more frequently. The draft ToR also specifies the Committee Chair may call additional meetings outside of its regular schedule to address specific items.

Additionally, the Committee is expected to establish its regular schedule of meetings at its first meeting each year based on the timelines and outputs (or deliverables) of the Committee. When calling an additional meeting, the Chair must ensure that reasonable notice is given, providing at least seven days' notice to Committee members where possible.

Given the anticipated workload associated with the stand up of a new entity, a more frequent meeting schedule has been recommended to provide a degree of nimbleness.

### **Proposed Meeting Schedule**

The EMTSC Audit & Finance Committee will be held on the following days for 30 minutes to an hour:

- April 8 (PM)
- May 6
- June 3
- July 7

- August 5
- September 8
- October 7
- November 4
- December 2