

# Audit and Finance Committee Mandate

# Table of Contents

- 1. Purpose .....3
- 2. Scope .....3
- 3. Authority of the Committee .....3
- 4. Access to the Committee .....4
- 5. Composition, skills and competencies .....4
- 6. Frequency of meetings .....4
- 7. Quorum .....4
- 8. Role of the Committee Chair.....4
- 9. Responsibilities of the Committee .....5
  - 9.1. Integrity of the financial reporting process .....5
  - 9.2. Investment governance .....6
  - 9.3. Actuarial services .....6
  - 9.4. Internal audit .....7
  - 9.5. Office of the Auditor General (OAG) of Ontario.....8
  - 9.6. External auditor .....8
  - 9.7. Statutory value-for-money audits.....9
  - 9.8. Financial compliance.....9
  - 9.9. Pension plans .....10
  - 9.10. Ethics and values .....10
  - 9.11. Financial oversight policies .....11

## 1. Purpose

The Audit and Finance Committee (“the Committee”) assists the Board of Directors (the BOD) in fulfilling its responsibilities with respect to:

- a. The integrity of the Workplace Safety and Insurance Board’s (the WSIB) financial reporting process and statements, and those of the WSIB Employees’ Pension Plan and Employees’ Supplementary Pension Plan (collectively, the Pension Plans)
- b. The effectiveness of internal controls
- c. The performance of the actuarial functions
- d. The performance, independence, and qualifications of the internal and external auditing functions, including the statutory value-for-money audit
- e. The compliance with laws, regulations, and policies relevant to finances, financial reporting and the annual financial statements of the WSIB, its subsidiaries, and the Pension Plans.

## 2. Scope

This mandate describes the authority and responsibilities of the Committee.

## 3. Authority of the Committee

Authority of the Committee and the Committee Chair is delegated by the BOD.

### 3.1. The AFC has the authority to:

- 3.1.1. Review and approve the Auditor Independence Guideline every two years
- 3.1.2. Approve all services and related fees, including specialized advisory and non-audit services, from the External Auditor, as permitted by the Auditor Independence Guideline and subject to the terms and conditions of the Audit Services Agreement
- 3.1.3. Approve the Internal Audit Charter
- 3.1.4. Approve the annual External and Internal Audit Plans
- 3.1.5. Approve banking resolutions.

### 3.2. The Committee Chair or the Vice-Chair has the authority to:

- Approve the expenses of the Chair of the BOD.

## 4. Access to the Committee

- 4.1. The Chief Risk Officer, Chief Financial Officer, VP Internal Audit, General Counsel, Chief Actuary, External Auditor and the Auditor General of Ontario or a representative, shall have direct and unrestricted access to the BOD through the Committee.
- 4.2. The agenda for each Committee meeting may include a standing item to meet each of the staff listed in paragraph 4.1 above, without management present. These staff may be invited to attend the meeting at the discretion of the Committee Chair.

## 5. Composition, skills and competencies

- 5.1. The Committee shall consist of a minimum of three members of the BOD who are independent of management and financially literate. The Chair of the BOD is an ex officio member of the Committee.
- 5.2. Financial literacy includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the WSIB's financial statements and the WSIB's Employees' Pension Plans financial statements.

## 6. Frequency of meetings

The Committee will meet a minimum of four times per year, and more frequently as circumstances dictate.

## 7. Quorum

The majority of members of the Committee shall constitute a quorum for the transaction of business at a meeting, and a decision of the majority is the decision of the Committee.

## 8. Role of the Committee Chair

The Chair provides leadership and direction in carrying out the Committee's responsibilities and duties. The Chair also fosters relationships among the participants and ensures that the Committee operates as a cohesive unit. The Chair encourages full participation, facilitates consensus, and ensures clarity. In addition, the Chair shall:

- 8.1. Lead and manage the Committee to ensure its effectiveness

- 8.2. Ensure that members of the Committee are acquainted with, and their knowledge of the WSIB is sufficient, to the extent needed and expected for them to perform their duties
- 8.3. Create the best possible working conditions for members of the Committee, individually and collectively
- 8.4. Maintain communications with the Chair of the BOD, ensuring the Chair is kept apprised of issues and concerns of the Committee
- 8.5. Ensure that the expertise and skill of each member of the Committee is used in the best possible manner to benefit the WSIB
- 8.6. Provide regular reports to the BOD on matters discussed at the Committee meetings.

## 9. Responsibilities of the Committee

The specific functions of the Committee are:

### 9.1. Integrity of the financial reporting process

- 9.1.1. Recommend to the BOD financial information for public release, that includes:
  - 9.1.1.1. The annual audited consolidated financial statements and management's discussion and analysis (MD&A)
  - 9.1.1.2. The annual sufficiency report, which includes the audited sufficiency statement and sufficiency discussion and analysis
  - 9.1.1.3. Quarterly Results report, which includes the unaudited condensed interim consolidated financial statements and MD&A
  - 9.1.1.4. The quarterly sufficiency report, which includes the unaudited quarterly sufficiency statement and sufficiency discussion and analysis
  - 9.1.1.5. Economic Statement , including an annual update of the Sufficiency Plan.
- 9.1.2. Recommend to the BOD financial information that includes:
  - 9.1.2.1. Quarterly Highlights document
  - 9.1.2.2. The actuarial valuation and report of the Chief Actuary for the Insurance Fund

- 9.1.2.3. In conjunction with the Governance Committee, the annual and three-year Budgets
- 9.1.2.4. Amendments to the Funding Policy for the Insurance Fund and advice on the financial impacts.
- 9.1.3. Through discussions with Management, the External Auditor, and the Chief Actuary, provide direction and oversight on financial, audit and actuarial issues relevant to the BOD:
  - 9.1.3.1. Whether the financial statements and reports are prepared in accordance with International Financial Reporting Standards (IFRS), and presented in a complete, clear, fair and transparent manner
  - 9.1.3.2. The appropriateness and quality of accounting policies, disclosures, and financial reporting practices, including complex or unusual transactions, significant estimates, judgments, changes in accounting policies, and alternative treatments under IFRS for material transactions
  - 9.1.3.3. The results of the external audit or quarterly review, including any difficulties encountered and any restriction on the scope of the External Auditor's activities or access to information
  - 9.1.3.4. The appropriateness of the WSIB's disclosure within MD&A
  - 9.1.3.5. Assessments of significant proposed changes to accounting standards by relevant accounting bodies.

## 9.2. Investment governance

Recommend to the BOD the appointment of one or more custodians to hold the investments of the funds in safekeeping (jointly with Investment Committee).

## 9.3. Actuarial services

Ensure systems are in place to monitor and report on the WSIB's compliance with all financial regulatory requirements and adhere to accepted actuarial practices and professional standards.

9.3.1. Recommend to the BOD actuarial solutions for issues affecting the WSIB's financial position. These recommendations include:

- 9.3.1.1. The appointment and termination of the Chief Actuary, with recommendations of the President and CEO

- 9.3.1.2. Appropriate action based on long-range potential costs of new or revised WSIB legislation, alternate policies, programs and activities
- 9.3.2. Provide inputs on actuarial matters to help the WSIB meet its current and future benefit obligations. These include:
  - 9.3.2.1. Reviewing actuarial assumptions and methods used in the valuation of benefits and liabilities are in accordance with accepted actuarial standards of practice
  - 9.3.2.2. Reviewing results of actuarial assessments to ensure appropriate provisions for benefit liabilities in financial statements
  - 9.3.2.3. Reviewing the results of the peer review of actuarial liabilities
  - 9.3.2.4. Conduct, with input from the Chief Financial Officer, the Chief Actuary's annual performance evaluation.

#### 9.4. Internal audit

The Committee, as the primary sponsor of Internal Audit, has the responsibility to oversee Internal Audit and its work in regard to the evaluation and improvement of internal controls and governance processes.

##### 9.4.1. Recommend to the BOD:

The appointment and termination of the VP Internal Audit, with recommendations of the President and CEO

##### 9.4.2. The Committee to approve the:

9.4.2.1. Internal Audit Charter and recommend updates as appropriate

9.4.2.2. Annual Internal Audit Plan, including objectives, scope, timetable, and budget

##### 9.4.3. Meet regularly with the VP Internal Audit without management present to:

9.4.4. Provide direction on the independence of the Internal Audit function

9.4.5. Resolve any restriction or limitations on Internal Audit, such as significant difficulties, disagreements with management of scope restrictions encountered in the course of Internal Audit's work

9.4.6. Review the quarterly reports prepared by Internal Audit, including the status of management's actions to address significant open issues. Inform the BOD of issues as deemed necessary by the Committee Chair

9.4.7. Review VP Internal Audit's annual attestation on the function's independence

9.4.8. Conduct, with input from the Chief Risk Officer, the VP Internal Audit's annual performance evaluation.

## 9.5. Office of the Auditor General (OAG) of Ontario

The Committee has the responsibility to oversee the relationship with the OAG. The external audits and the value-for-money audits are performed under the direction of the OAG. As the Auditor General Act allows the OAG to undertake special audits of the WSIB at their discretion, the OAG is invited to regular Committee meetings.

## 9.6. External auditor

The Committee is responsible for the relationship with the External Auditor. The External Auditor reports to the BOD through the Committee. The Committee is responsible for high-quality external audits so that it has sufficient information to recommend the approval of annual financial statements to the BOD.

9.6.1. The Committee recommends to the BOD

9.6.1.1. Based on a Request for Proposals, the appointment of an External Auditor to the Auditor General for a Lieutenant Governor in Council appointment

9.6.1.2. Any significant financial and/or internal control risks identified by the External Auditor

9.6.1.3. The post-audit or management letter, if any, 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.

9.6.2. The AFC approves:

9.6.2.1. The Auditor Independence Guideline, every two years

9.6.2.2. The annual audit plan and deliverables, based on the multi-year contract, so that comprehensive information is available to ensure adequate financial oversight and direction. These deliverables include but are not limited to:

- The annual statutory external audit plan, the engagement letter, approach, scope, areas of risk, timing, proposed fees, staffing decisions, and materiality

- Reports prepared by the External Auditor in connection with all services provided to the WSIB
- 9.6.2.3. All services and related fees, including specialized advisory and non-audit services, from the External Auditor, as permitted by the Auditor Independence Guideline and subject to the terms and conditions of the Audit Services Agreement.
- 9.6.3. The Committee monitors and directs:
- 9.6.3.1. The effectiveness of measures to safeguard the independence of the External Auditor and minimize institutional familiarity risk
  - 9.6.3.2. An assessment process of the effectiveness of the External Auditor after the completion of the external audit for the fiscal year

## 9.7. Statutory value-for-money audits

The Committee has responsibility to oversee the Section 168 of the WSIA that requires value-for-money audits. The Committee will:

- 9.7.1. Recommend to the BOD a program for review each year for their approval
- 9.7.2. Recommend to the BOD the final audit report
- 9.7.3. Establish requirements for updates to be provided to the Committee to monitor the timeliness and appropriateness of any open action items taken by management on the Value for Money Audit report recommendations
- 9.7.4. Advise the BOD as to whether appropriate steps have been taken on the Value for Money Audit report recommendations, including whether additional review of the actions taken should be considered

## 9.8. Financial compliance

The Committee will review and discuss with management the annual dedicated Financial Compliance Report that focuses on:

- 9.8.1. Financial laws, regulations and policies that affect the WSIB, its subsidiaries and the WSIB Pension Plans
- 9.8.2. Significant financial findings of any examinations by regulatory agencies. Advise the BOD of any financial compliance issues, including those related to subsidiaries that might have significant reputation risk and/or

impact on financial reporting or the operations of the WSIB

- 9.8.3. The effectiveness of the policies and controls that are in place for monitoring compliance with financial laws, regulations and policies.

## 9.9. Pension plans

The Committee oversees the relationship with actuarial consultants for WSIB's Pension Plans.

Recommend to the BOD:

- 9.9.1. The audited financial statements for the Employees' Pension Plan and the Employees' Supplementary Pension Plan
- 9.9.2. The appointment and termination of the external actuary
- 9.9.3. The actuarial valuation reports on the funded status of the WSIB Employees' Pension Plan
- 9.9.4. If appropriate, filing such valuation reports with Financial Services Regulatory Authority (formerly Financial Services Commission of Ontario)
- 9.9.5. Proposed changes to the contributions for the Pension Plans
- 9.9.6. Any financial impacts arising from amendments to the design and structure of the Pension Plans.

## 9.10. Ethics and values

The Governance Committee oversees the WSIB's Ethics Framework. Within this framework, the Committee's responsibilities include:

- 9.10.1. Review with management, policies, plans and implementation of fraud prevention and detection programs:
  - 9.10.1.1. Assess the effectiveness of controls to prevent and identify fraud, while safeguarding confidentiality
  - 9.10.1.2. Inform the Chair of BOD and the BOD of significant irregularities or frauds
  - 9.10.1.3. Monitor management's action on such irregularities or frauds.
- 9.10.2. Disclosure of financial wrongdoing:
  - 9.10.2.1. Ensure appropriate procedures are in place for the receipt and treatment of complaints received regarding accounting, internal control or audit matters and anonymous submissions

by employees of concerns regarding questionable accounting or auditing matters

9.10.2.2. Report to the Chair of BOD and the BOD immediately of any allegations of financial wrong-doing.

### 9.11. Financial oversight policies

Review and endorse to the BOD financial oversight policies, including:

9.11.1. Acquisition and disposal of real property

9.11.2. Financial risk management

9.11.3. Internal controls.