

Finance, Audit and Risk Management (FARM) Committee

1. General Purpose

The FARM Committee supports the Develop Nova Scotia Board of Directors in the fulfillment of its stewardship responsibilities in the following areas: (a) financial systems oversight, (b) risk oversight, (c) monitoring the integrity of internal controls and management information systems, and (d) other duties as assigned from time to time by the Board of Directors.

2. Specific Roles and Responsibilities

The Audit and Risk Committee has the following specific responsibilities:

(a) Financial Systems Oversight

- Is responsible for reviewing and approving financial and performance information provided to Government and stakeholders
- Reviews the quality and accuracy of financial and performance information to ensure it accurately and completely portrays the Develop NS's economic circumstances
- Reviews significant accounting accruals, reserves, judgments and estimates, and any accounting policy changes for reasonableness and appropriateness
- Reviews annual reports and other significant public reporting documents issued by Develop NS to ensure they represent a complete, accurate and balanced picture of the organization's performance and financial situation

(b) Risk Oversight

- Regularly reviews information related to Develop NS's risks, and management processes to mitigate these risks, to assess whether the Develop NS has appropriate systems in place to identify and manage risks
- Ensures that the Board's structure and board/committee work plans provide effective oversight of major risks and related mitigation systems

- Reviews the corporate risk profile at least annually and is educated and aware of key warning signals that indicate problems (i.e. indicators of fraud, potential risks and exposure to the organization)

(c) Internal Controls and Management Information Systems Oversight

- Regularly reviews the Develop NS's internal control framework, including management reports on the controls over financial reporting, information technology and data security, for adequacy and effectiveness
- Review any significant deficiencies or material weaknesses identified by management or the external auditor with respect to the Develop NS's internal control over financial reporting and monitor management's plans for remediation of such control deficiencies or weaknesses
- Review and discuss any fraud or alleged fraud involving management or other employees who have a role in the Develop NS's system of internal control over financial reporting and the related corrective and disciplinary actions to be taken
- Considers the feasibility or need for internal audit services
- Reviews reports from management on the adequacy of the Develop NS's management information system and makes recommendations to the Board on any significant upgrades thereof
- Periodically considers the merits of having an external evaluation of the adequacy and effectiveness of internal controls and management information systems

(d) External Audit Oversight

- Recommends the appointment and compensation of the external auditor
- Oversees and reports to the Board on the independence of the external auditor; the external auditor reports directly to the FARM Committee
- Works with the external auditor to define the purpose of the audit, identifies areas for review, reviews and approves the audit plan, and reviews audit results
- At least annually obtains and reviews a report by the auditor describing the auditor's internal quality control procedures and any material issues raised by the most recent internal quality control review or peer review by the auditor firm or by any inquiry or investigation by governmental or professional authorities

- Reviews and pre-approves any non-audit related services to be provided by the external auditor
- Meets with the external auditor at least twice per year to review the proposed audit plan and the results of the annual audit; other topics may include but are not limited to potential changes to accounting policies, financial statement presentation, challenges during the audit process, Develop NS's business and strategic plans, material communications between the auditor and management
- Holds in camera meetings with the external auditor and separately with senior management

(e) Other Responsibilities

- Reviews the adequacy of the Develop NS's insurance program, including Directors and Officers Liability Insurance
- Reviews any legal pursuits/claims against Develop NS
- Monitors Develop NS's compliance with legislation, regulations, legislative mandate and public sector reporting requirements
- Sets the tone for and ensures organizational ethics are maintained
- Ensures that the Develop NS establishes a formal Whistleblower policy, a code of conduct and conflict of interest policy, and reviews the adequacy of the policies and the organization's adherence to them; makes recommendations for changes to these policies to the Governance and Human Resources Committee of the Board
- Provides a direct link to provincial audit authorities such as the Auditor General's Office
- Reviews any proposed changes to the senior financial position within the organization
- Reviews and recommends changes to the relationship between the FARM Committee and other committees of the Board, and management

3. Committee Composition

The Committee shall have a minimum of three members who are independent of management and have no direct or indirect material relationship with Develop NS. The Board may determine the number of directors from time to time by resolution. Members of the Committee are financially literate and at least one member has accounting or financial management expertise.

The Chair of the Committee is not the Board Chair. The Board Chair is a full voting member of the Committee.

4. Outside Advisors

Subject to the prior approval of the Board, the Committee may engage outside counsel and independent consultants as it deems appropriate to assist the Committee in the performance of its functions. Develop NS shall provide appropriate funding for such advisors as determined by the FARM Committee. The FARM Committee shall have the authority to approve any engagement of outside counsel and other outside advisors by an individual Board member.

5. FARM Committee Chair

The Board shall appoint the Chair of the FARM Committee. The Chair leads the Committee in all aspects of its work and is responsible for effectively managing the affairs of the Committee and ensuring that it is properly organized and that it functions efficiently. Specifically, the Chair of the FARM Committee shall:

- Provide leadership to enable the Committee to act effectively in carrying out its duties and responsibilities as described elsewhere in this Charter and otherwise as may be appropriate
- In consultation with the Board Chair and the CEO, ensure that there is an effective relationship between management and members of the Committee
- Chairs meetings of the Committee
- In consultation with the CEO, the Secretary and the Board Chair, determine the frequency, dates and locations of meetings of the Committee
- In consultation with the CEO, the Secretary and, as required, other senior management, review the meeting agendas to ensure that all required business is brought before the Committee to enable it to effectively carry out its duties and responsibilities
- Ensure, in consultation with the Board Chair, that all items requiring the Committee's approval are appropriately tabled
- Ensure the proper flow of information to the Committee and review, with the CEO, the Secretary and, as required, other senior management, the adequacy and timing of materials in support of management's proposals

- Report to the Board on any matter reviewed by, and on any decisions or recommendations of, the Committee at the next meeting of the Board following any meeting of the Committee, and
- Carry out any special assignments or any functions as requested by the Board

6. Term

The members of the FARM Committee shall be appointed or changed by resolution of the Board to hold office from the time of their appointment until the earlier of the expiry of their term or until their successors are so appointed.

7. Procedures for Meetings

The Committee shall fix its own procedure at meetings and for the calling of meetings.

8. Quorum and Voting

Unless otherwise determined from time to time by resolution of the Board, a majority of members of the Committee shall constitute a quorum for the transaction of business at a meeting. For any meeting or meetings at which the Committee Chair is absent, the Chair of the meeting shall be chosen from the members present. At a meeting, any questions shall be decided by a majority of the votes cast by Committee members, except where only two members are present, in which case any questions shall be decided unanimously.

9. Secretary

Unless otherwise determined by resolution of the Committee, the Secretary to the Board shall be the Secretary of the FARM Committee.

10. Vacancies

Vacancies on the Committee at any time occurring shall be filled by resolution of the Board.

11. Records

The Committee shall keep such records as it may deem necessary of its proceedings and shall report regularly its activities and recommendations to the Board as appropriate.

12. Definitions

Defined terms utilized herein shall have the meaning ascribed thereto in the by-laws of the Corporation.