

# Crown Agency Audit Committees

A GOOD PRACTICES CHECKLIST



Crown Agencies Secretariat • Board Resourcing and Development Office



Canada's  
Pacific Gateway



# Introduction

**Crown Agency Audit Committees – A Good Practices Checklist** is one of a series of guides developed by the Crown Agencies Secretariat (CAS) and the Board Resourcing and Development Office (BRDO) to support strong corporate governance and accountability in BC Crown Agencies. The Checklist incorporates good practices used in the public and private sectors, and is intended to provide guidance for British Columbia's Commercial and Service Delivery Crown Corporations, Health Authorities, Colleges, Universities and the Boards of Trustees for School Districts.

Where information provided here is not consistent with legislation, including the enabling legislation for a particular Crown Agency, the legislation prevails.

While the committee approach is good practice, organizations sometimes choose to have the functions of the Audit Committee performed by the Board as a whole.



# Table of Contents

Audit Committee Mandate and Process	4
Audit Committee Composition	5
Financial Systems, Risk and Internal Controls Oversight	6
External Audit Oversight	8
Internal Audit Oversight	9
Other Responsibilities	10

# Audit Committee Mandate and Process

## THE AUDIT COMMITTEE:

- ▶ Has a well defined mandate and written Terms of Reference that sets out its purpose, structure (e.g., size, qualifications, frequency and timing of meetings, appointment of chair) and roles and responsibilities – to be approved by and reviewed regularly by the Board.
- ▶ Annually reviews its Terms of Reference to ensure they continue to reflect the needs of the Board and address all aspects of the operating environment of the organization.
- ▶ Annually assesses its performance in carrying out its duties.
- ▶ Has a meeting calendar and work plan/framework for the year and meets regularly through the year with pre-determined agendas.
- ▶ Has more than two members.
- ▶ Reports regularly to the Board on the results of its activities, and ensures the Board has the relevant information and sufficient time to review recommendations that the Committee brings forward for Board approval.
- ▶ Provides an orientation to new members, and ongoing training and development opportunities for its members.

# Audit Committee Composition

- Members have no direct or indirect material relationship with the organization.
- Members are financially literate and at least one member has accounting or financial management expertise.
- The Chair of the Audit Committee is not the Chair of the Board.
- At the Audit Committee Chair's request, the external auditor, internal auditor, Chief Financial Officer and other corporate executives may attend meetings. They do so in an ex-officio capacity. In-camera sessions are structured by the Chair and do not include corporate staff.



# Financial Systems, Risk and Internal Controls Oversight

## THE AUDIT COMMITTEE:

- ▶ 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 (including the Management Discussion and Analysis portion of the Annual Report) to ensure it accurately and completely portrays the organization's economic circumstances.
- ▶ Reviews significant accounting accruals, reserves, judgements and estimates, and any accounting policy changes for reasonableness and appropriateness.
- ▶ Regularly reviews information related to the organization's financial and operational risks, and management's processes to mitigate these risks, to assess whether the organization has appropriate systems in place to identify and manage risk.
- ▶ 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).
- ▶ Regularly reviews the organization's internal control framework, including controls over financial reporting, information technology and data security, for adequacy and effectiveness.



- Reviews all public reporting by the organization to ensure it represents a complete, accurate and balanced picture of the organization's performance and financial situation.



# External Audit Oversight

## THE AUDIT COMMITTEE:

- ▶ Recommends the appointment and compensation of the external auditor.
- ▶ Oversees the independence of the external auditor. The external auditor reports directly to the Audit Committee.
- ▶ Works with the external auditor to define the purpose of the audit, identify areas for review, review and approve the audit plan, and review audit results.
- ▶ 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.
- ▶ Holds in-camera meetings with the external auditor.

8



# Internal Audit Oversight

## THE AUDIT COMMITTEE:

- Establishes an internal audit function, either in-house or on contracted-out basis.
- Periodically evaluates the internal audit function, its mandate, how it is delivered and makes appropriate recommendations to the Board.
- Hires, evaluates and, as necessary, replaces the head of the internal audit function.
- Ensures that internal audit unit reports functionally to the Audit Committee and administratively to an appropriate position within senior management.
- Ensures that the internal audit unit has adopted recognized standards such as the Institute of Internal Auditors International Professional Standards.
- Reviews and approves internal audit scope of operations, terms of reference, resource requirements, and annual audit plans, and initiates and approves requests for any required additional audits.
- Annually evaluates the internal audit unit's performance.
- Reviews all findings and reports of internal audit.
- Follows up to ensure internal audit recommendations are implemented.
- Ensures internal audit has a direct channel of communication to the Chair of the Audit Committee.
- Holds in-camera meetings with internal audit at least once per year.

# Other Responsibilities

## THE AUDIT COMMITTEE

- ▶ Monitors the organization'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 organization establishes a formal whistle blower policy, a code of conduct and a conflict of interest policy, and reviews the adequacy of the policies and the organization's adherence to them.
- ▶ Provides a direct link to Provincial audit authorities such as the Auditor General's Office and the Internal Audit Branch of the Office of the Comptroller General.
- ▶ Interviews the Chief Executive Officer and Chief Financial Officer and, where appropriate, other members of the organization's executive/senior management team at least once per year to maintain current and adequate knowledge of the organization.
- ▶ Reviews any proposed changes to the position of the organization's Chief Financial Officer.
- ▶ As required, engages independent counsel and other advisors with the prior approval of the Board Chair.





## For Further Information:

Visit our website at [www.gov.bc.ca/cas](http://www.gov.bc.ca/cas) or contact us for further copies of this pamphlet, or for any of our publications.

### **Crown Agencies Secretariat**

4th Floor – 1675 Douglas Street  
Victoria, British Columbia

#### Mailing Address:

PO Box 9300 Stn Prov Govt  
Victoria BC V8W 9N2

Phone: 250 952-0750

Fax: 250 952-0777

eMail: [CAS@gov.bc.ca](mailto:CAS@gov.bc.ca)

### **Board Resourcing and Development Office**

730-999 Canada Place  
Vancouver, BC V6C 3E1

Phone: 604 775-2084

Fax: 604 775-0158

eMail: [ABC@gov.bc.ca](mailto:ABC@gov.bc.ca)



Canada's  
Pacific Gateway



# Crown Agency Corporate Governance

A GOOD PRACTICES CHECKLIST



Crown Agencies Secretariat • Board Resourcing and Development Office



BRITISH  
COLUMBIA

Canada's  
Pacific Gateway



# Introduction

**Crown Agency Corporate Governance – A Good Practices Checklist** is one of a series of guides developed by the Crown Agencies Secretariat (CAS) and the Board Resourcing and Development Office (BRDO) to support strong corporate governance and accountability in BC Crown Agencies. The Checklist incorporates good practices used in the public and private sectors, and is intended to provide guidance for British Columbia's Commercial and Service Delivery Crown Corporations, Health Authorities, Colleges, Universities and the Boards of Trustees for School Districts.

Where information provided here is not consistent with legislation, including the enabling legislation for a particular Crown Agency, the legislation prevails.



# Table of Contents

Board Composition and Succession	4
Board Responsibilities	5
Committees	7
Board Chair	8
Individual Directors	9
Board and Committee Meetings	10
Chief Executive Officer or President	11
Corporate Secretary	12
Code of Conduct and Ethical Standards	13
Orientation and Professional Development	14
Board, Committee and Director Assessment	15
Communications Strategy	16
Board Access to Information	17

## Board Composition and Succession

- ▶ The Board is made up of individuals who, collectively, have the required competencies and personal attributes to effectively carry out their responsibilities.
- ▶ Board members are independent from management and have no material interest in the organization.
- ▶ The Board has a competency matrix that is updated annually and when vacancies arise. The competency matrix is used to identify competency “gaps” on the Board and to assist in the search for new candidates.
- ▶ The Board has a Governance Committee that develops director selection criteria.
- ▶ Board members are selected and appointed in compliance with the Province of BC Board Appointment Process (see [www.lcs.gov.bc.ca/brdo/appoint/index.asp](http://www.lcs.gov.bc.ca/brdo/appoint/index.asp)).
- ▶ The Board has a succession plan for the orderly turnover of directors.
- ▶ The Board publishes the name, appointment term and a comprehensive biography for each director on the organization’s web site.
- ▶ Unless otherwise required by legislation or directed by Cabinet, the appropriate Board size is 9 to 11 members, including the Chair.

# Board Responsibilities

- The Board sets the tone for the Crown Agency through its operating style, ethical values, assignment of roles and responsibilities, and actions in response to wrongdoing.
- The Board publishes a Charter describing the Board's roles and responsibilities and the governance process used to fulfill Board duties.
- The Board develops an internal manual and by-laws outlining Board procedures and responsibilities, consistent with BRDO's **Best Practices Guidelines**.
- The Board fulfills its responsibilities to Government (see the **Shareholder's Expectations Manual for BC Crown Agencies** at [http://www.gov.bc.ca/cas/attachments/shareholders\\_expectations\\_manual\\_2006.pdf](http://www.gov.bc.ca/cas/attachments/shareholders_expectations_manual_2006.pdf)), which include:
  - Establishing Board policies and procedures that are consistent with and meet Government's governance standards as set out in the **Best Practice Guidelines**.
  - Ensuring the Crown Agency's management is in compliance with statutory obligations and applicable legislation.
  - Approving the strategies, policies and plans necessary to fulfill Government's direction.
  - Hiring and dismissing the Crown Agency's Chief Executive Officer (CEO), unless otherwise specified in the Crown Agency's enabling legislation.
  - Ensuring the Crown Agency's adherence to financial and other reporting obligations to Government.







- Fulfilling any responsibilities under enabling legislation (e.g., statutory decision-making powers).
- Monitoring and reporting on the Crown Agency's progress in fulfilling Government direction, and informing the Minister Responsible of any significant variances from planned targets (reflecting either unexpected successes or shortfalls).
- Overseeing the development of and approving (based on the Minister Responsible's review) the annual Service Plans and Annual Reports for Commercial and Service Delivery Crown Corporations.
- Appearing as witnesses at Legislative Committees, as required.
- Responding to enquiries from Officers of the Legislative Assembly.
- Meeting the fiduciary obligation to act in the best interests of the Crown Agency.

8

- The Board fulfills its responsibilities for a relationship with the Minister Responsible and Ministry staff (see **Framework for Government–Crown Agency Relationship – A Good Practices Checklist**).

## Committees

- The Board has Committees that address the Audit, Governance, and Human Resources functions, as well as other committees relevant to Board operations as required. While the committee approach is good practice, organizations sometimes choose to have committee functions performed by the Board as a whole.
- Each Board Committee has Terms of Reference that set out its roles and responsibilities.
- Each Board Committee annually reviews its Terms of Reference outlining the Committee's composition and responsibilities, and assesses its effectiveness in meeting the needs of the Board.
- Each Committee keeps informed about emerging good practices in corporate governance and any new statements of Government expectations that are relevant to the Crown Agency's assigned functions.
- The membership and Terms of Reference for each Committee are publicly disclosed.
- Any Board task force or working group that is established to address specific Board requirements has a Terms of Reference outlining its composition, responsibilities, working procedures and termination date.
- The Terms of Reference, including the termination date, for all Board Committees, task forces and working groups are publically disclosed.

(For further details see **Crown Agency Audit Committees – A Good Practices Checklist**, **Crown Agency Governance Committees – A Good Practices Checklist**, and **Crown Agency Human Resources Committees - A Good Practices Checklist**)

## Board Chair

- ▶ The positions of Chair and CEO are separate in the organization.
- ▶ The Board has a position description that sets out the roles and responsibilities of the Chair.
- ▶ The Chair and the Minister Responsible communicate regularly (at least quarterly) to develop and maintain a strong working relationship.



## Individual Directors

- The Board develops a Charter of Expectations (or equivalent document) detailing the expectations for Board members.
- The Board develops minimum attendance expectations for directors and publically discloses the annual attendance records of the Chair and directors.
- As part of public sector transparency, the organization annually discloses the amount of compensation paid to the Chair and each director for the preceding year.

## Board and Committee Meetings

- ▶ The Board and its Committees hold a sufficient number of meetings to fulfil their roles and responsibilities.
- ▶ The Board keeps adequate meeting minutes and supporting documentation.
- ▶ The Chair sets the agenda for Board meetings with input from other Board members and the CEO.



## Chief Executive Officer or President

- The Board has a CEO position description that sets out roles and responsibilities.
- The Board establishes the annual performance expectations for the CEO.
- The Board annually assesses the CEO's performance against the position description and performance expectations.
- The Board (or its delegate, such as the Chair of the Audit Committee) reviews and approves the CEO's expenses.
- The organization has a documented process for undertaking Board meetings or portions of meetings without management present.
- The CEO is not a voting member of the Board.

## Corporate Secretary

- ▶ The Board has a Corporate Secretary position description that sets out roles and responsibilities.
- ▶ The Corporate Secretary reports to the Chair of the Board, and may also report administratively to the CEO. The CEO is not the Corporate Secretary.





## Code of Conduct and Ethical Standards

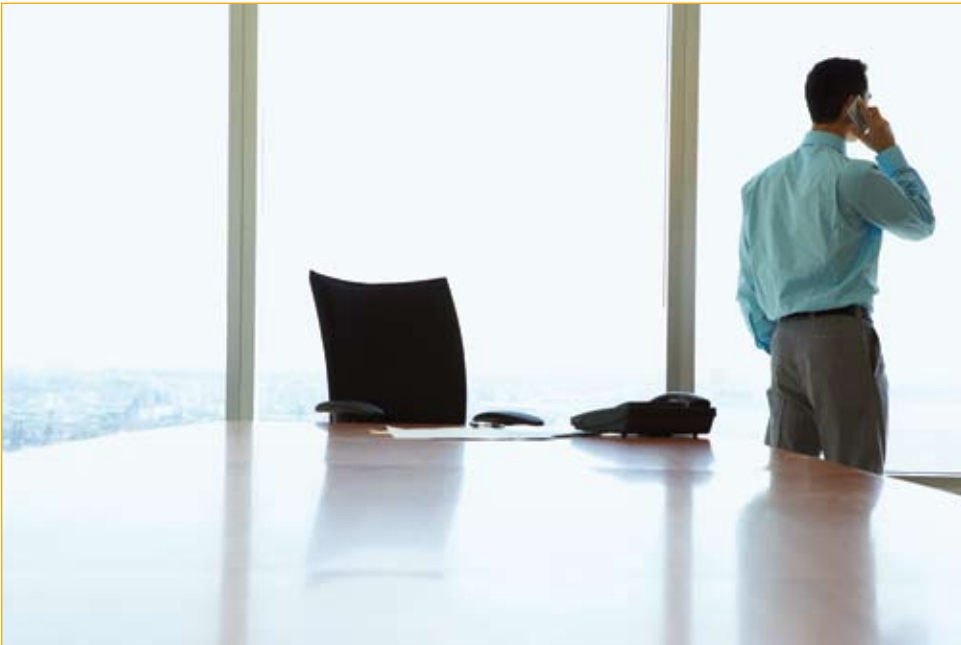
- The Board has adopted a Code of Conduct and Ethical Standards for directors, officers and employees that is consistent with the **Standards of Ethical Conduct for Public Sector Organizations** (see <http://www.lcs.gov.bc.ca/brdo/conduct/ethicalstandards.pdf>).
- The organization publically discloses its Code of Conduct and Ethical Standards, including a conflict of interest policy for Board members and staff.
- A process is in place whereby directors can disclose real or potential conflicts of interest, consistent with the standards and requirements established by BRDO.
- The Board has established a whistle-blower policy for officers and employees.
- If the organization's Code of Conduct and Ethical Standards allows the Board to grant waivers for any of its provisions, public disclosure of whether the Board granted any such waivers during the preceding year (and reasons for so doing) is required.

## Orientation and Professional Development

- ▶ The Board has a comprehensive orientation program about the organization for new directors.
- ▶ The Board has a culture that encourages new directors to fully and effectively participate in Board activities.
- ▶ The Board provides ongoing educational opportunities for directors to learn about the organization, its sector and its corporate governance practices, and maintains a policy of encouraging directors to take advantage of these opportunities.
- ▶ The Board undertakes measures to orient new directors regarding:
  - the relationship and division of roles and responsibilities between the Board and Government;
  - the role and responsibilities of the Board, its Committees and directors; and,
  - the mandate and operations of the organization.

# Board, Committee and Director Assessment

- The Board annually assesses its performance and the performance of each of its Committees against their respective Terms of Reference.
- The Board annually assesses the performance of the Chair against the Chair's position description.
- The Board annually assesses the performance of individual directors against the directors' Charter of Expectations.



## Communications Strategy

- ▶ An appropriate communications strategy is in place that meets the needs of all stakeholders, employees and Government, and reflects a public sector organization's requirement for transparency and accountability. The Board approves and ensures compliance with the communications strategy.
- ▶ The Chair is the authorized spokesperson for the Board, and the CEO is the primary spokesperson for the organization.
- ▶ The organization's practice for reporting on financial and other affairs is publically disclosed.

## Board Access to Information

- The Board ensures that it receives sufficient, appropriate information to allow it to fully assess organizational performance and compliance, and to support Board-level decision-making.
- Where additional information is required to make an assessment or upon which to base a decision, the Board requests such information from management and/or external sources and ensures that it is obtained on a timely basis. The Board defers decisions and/or judgement in cases where sufficient, appropriate information have not yet been received.
- The Board periodically looks critically at the quality and quantity of information they receive to ensure that it allows for the effective discharge of all of the roles and responsibilities of the Board.



## For Further Information:

Visit our website at [www.gov.bc.ca/cas](http://www.gov.bc.ca/cas) or contact us for further copies of this pamphlet, or for any of our publications.

### **Crown Agencies Secretariat**

4th Floor – 1675 Douglas Street  
Victoria, British Columbia

#### Mailing Address:

PO Box 9300 Stn Prov Govt  
Victoria BC V8W 9N2

Phone: 250 952-0750

Fax: 250 952-0777

eMail: [CAS@gov.bc.ca](mailto:CAS@gov.bc.ca)

### **Board Resourcing and Development Office**

730-999 Canada Place  
Vancouver, BC V6C 3E1

Phone: 604 775-2084

Fax: 604 775-0158

eMail: [ABC@gov.bc.ca](mailto:ABC@gov.bc.ca)



Canada's  
Pacific Gateway



# Framework for Government – Crown Agency Relationship

A GOOD PRACTICES CHECKLIST



Crown Agencies Secretariat • Board Resourcing and Development Office



Canada's  
Pacific Gateway



# Introduction

**Framework for Government – Crown Agency Relationship, A Good Practices Checklist** is one of a series of guides developed by the Crown Agencies Secretariat (CAS) and the Board Resourcing and Development Office (BRDO) to support strong corporate governance and accountability in BC Crown Agencies. The Checklist incorporates good practices used in the public and private sectors, and is intended to provide guidance for British Columbia's Commercial and Service Delivery Crown Corporations. Where information provided here is not consistent with legislation, including the enabling legislation for a particular Crown Agency, the legislation prevails.



# Table of Contents

Ministry Responsible – Crown Agency Accountability Framework	4
Mandate and Policy Alignment	7
Budgeting and Reporting	11
Risk Management	14
Labour Relations and Human Resource Management	15
Information Management/ Information Technology (IM/IT)	16
Liaison with Other Ministries and Crown Agencies	17
Communication	18

# Ministry Responsible – Crown Agency Accountability Framework

- ▶ Ministry Responsible establishes multi-year accountability framework in consultation with Crown Agency that:
  - outlines the roles and responsibilities of the Minister, Deputy Minister and Ministry staff, and Crown Agency Chair/Board, Chief Executive Officer (CEO) and Crown Agency staff;
  - establishes an accountability oversight infrastructure in the Ministry Responsible, consistent with accountability requirements; and,
  - establishes an accountability infrastructure in Crown Agency to fulfil accountability requirements.

## 4

### **SHAREHOLDER'S LETTER OF EXPECTATIONS (SLE)**

- ▶ Public statement of Government's mandate and policy direction to each Crown Agency.
- ▶ Reviewed and approved annually by Cabinet, prior to the preparation of Crown Agency's Service Plan.
- ▶ Lays out key actions required and high-level performance expectations of Crown Agency and Government.
- ▶ Key accountability and governance instrument between the Shareholder and Crown Agency.
- ▶ Signed by Minister Responsible and Board Chair.
- ▶ Crown Agencies Secretariat develops SLE template and coordinates the process.

## **SERVICE PLAN**

- Developed and approved by Crown Agency Board. Submitted to the Minister Responsible for review and approval, supported by Ministry staff (Crown Agencies Secretariat and Ministry staff for Commercial Crown Corporations) to ensure consistency with SLE.
- Three year plan required each year under the BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT:
  - Consistent with SLE and Government's Strategic Priorities;
  - Includes performance measures and targets;
  - Consistent with Government's Fiscal Plan, with funding subject to Treasury Board approval; and,
  - Includes an accountability statement signed by Board Chair.
- Tabled by Minister of Finance in Legislative Assembly with Government's Budget in February.
- Subject to review by the Select Standing Committee on Crown Corporations and by the Auditor General.
- Crown Agencies Secretariat issues annual guidelines.

## **ANNUAL SERVICE PLAN REPORT**

- Developed and approved by Crown Agency Board. Submitted to the Minister Responsible for review and approval, supported by Ministry staff (Crown Agencies Secretariat and Ministry staff for Commercial Crown Corporations) to ensure consistency with SLE and Service Plan.
- Annual Report required under BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT.

- Reports on performance against Service Plan;
  - Includes audited financial statements; and
  - Includes accountability statement signed by the Board Chair.
- Transparent performance measurement and accountability.
  - Tabled with Public Accounts by August 31.
  - Crown Agencies Secretariat issues annual guidelines.

### **QUARTERLY / ANNUAL REPORTING**

- Ministry Responsible (in consultation with Crown Agency) develops quarterly and annual reporting process to evaluate Crown Agency's performance against the SLE and Service Plan. The Ministry Responsible and Crown Agency work together to make any changes required.
- Minister/Deputy Minister Responsible and Chair/CEO meet regularly to review the Crown Agency's performance, supported by meetings between Ministry/Crown Agency staff).





# Mandate and Policy Alignment

Generally it is the responsibility of Government, the Minister Responsible and the Ministry Responsible to set broad policy direction within which the Crown Agency operates. Crown Agency input into policy direction ensures those policies are designed to best accommodate the organization's needs. The following structures form the basis of this relationship.

## **SHAREHOLDER'S LETTER OF EXPECTATIONS (SLE)**

- Public statement of Government's mandate and policy direction to each Crown Agency.
- See previous section for further details on SLE.

## **CROSS-CROWN POLICIES**

- Policies developed by Cabinet that apply to all Crowns.
- Ministry Responsible supports Crown Agency (as required) to abide by cross-Crown policies, including:

### **1. Governance**

- Best Practice Guidelines, Governance and Disclosure Guidelines for Governing Boards
- Crown Agency Accountability System
- Ethical Conduct for Public Sector Organizations

### **2. Financial**

- Capital Asset Management Framework (Treasury Board Directive)
- Capital Standard – 2007

- Board Remuneration (Treasury Board Directive)
- Executive Compensation and Labour Relations requirements under PUBLIC SECTOR EMPLOYERS' ACT
- Grants in lieu of property taxes

### **3. Procurement**

- Agreement of Internal Trade (AIT)
- Trade, Investment and Labour Mobility Agreement (TILMA)

### **4. Administrative**

- Document-keeping requirements under the DOCUMENT DISPOSAL ACT
- Information and Privacy Policies
- Shared Services (as applicable) provided by Ministry of Labour and Citizens' Services
- Climate Action carbon neutral requirements
- ActNow BC requirements

## **LEGISLATION OF GENERAL APPLICATION**

- ▶ Ministry Responsible supports Crown Agency to comply with legislation generally applicable to Crown Agencies, including:
  - AUDITOR GENERAL ACT
  - BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT
  - BALANCED BUDGET AND MINISTERIAL ACCOUNTABILITY ACT
  - DOCUMENT DISPOSAL ACT
  - FINANCIAL ADMINISTRATION ACT

- FINANCIAL DISCLOSURE ACT
- FINANCIAL INFORMATION ACT
- FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY ACT
- MULTICULTURALISM ACT
- OMBUDSMAN ACT
- PUBLIC SECTOR EMPLOYERS' ACT
- WORKERS COMPENSATION ACT

### **SELECT STANDING COMMITTEE ON CROWN CORPORATIONS HEARINGS**

- Minister/Deputy Minister Responsible review Crown Agency's Select Standing Committee presentation for consistency with Government/Ministry mandate and policy direction.

### **ESTIMATES DEBATE**

- Deputy Minister/Assistant Deputy Minister Responsible (supported by Ministry staff) reviews Crown Agency Estimates Binder, and coordinates Crown Agency involvement to ensure consistent governance and accountability.
- Minister Responsible leads Estimates Debate; Deputy Minister Responsible supports; Crown Agency staff provides information.

### **REGULATORY POWER (AS APPLICABLE)**

- Minister Responsible may issue regulations that broaden or narrow a Crown Agency's mandate.

- ▶ Minister Responsible may set provincial standards by regulation for delivery of Crown Agency's programs or services.

### **MINISTERIAL DIRECTIVE POWER**

- ▶ Minister Responsible may issue directives (per constituting instrument – e.g. legislation, regulation) regarding how a Crown Agency will fulfil its mandate.



# Budgeting and Reporting

## **BUDGET – SERVICE DELIVERY CROWN CORPORATIONS**

- Minister of Finance issues budget instructions to Minister Responsible. Ministry Responsible issues budget instructions to Crown Agency consistent with the Ministry instructions.
- Crown Agency Board approves budget/financial forecasts; Crown Agency Chief Financial Officer (CFO) submits forecasts to Ministry Responsible's Executive Financial Officer (EFO) and then to Treasury Board Staff. The EFO and CFO work with Treasury Board Staff to review and provide comments on Crown Agency budget/financial forecasts. Minister Responsible approves final Crown Agency budget presentation to Treasury Board.
- Minister of Finance issues Budget Letter to Minister Responsible. Minister Responsible issues Funding Letter to Crown Agency Chair.
- Crown Agency Board-approved budget, Service Plan and Annual Report must be consistent with Government's Fiscal Plan, the Ministry Responsible's Funding Letter and Public Accounts (EFO Responsible reviews and verifies).

## **SERVICE LEVEL AGREEMENT (FOR SERVICE DELIVERY CROWN AGENCIES)**

- Ministry Responsible develops annual Service Level Agreement aligned with Funding Letter, establishing program administration and delivery approach, service levels, performance expectations and reporting requirements, in collaboration with Crown Agency.

## BUDGET – COMMERCIAL CROWN CORPORATIONS

- ▶ Minister of Finance issues budget instructions, via Crown Agencies Secretariat, to Commercial Crown Corporation CEO and CFO.
- ▶ Crown Corporation submits draft and Board-approved budget summaries to Treasury Board Staff, Crown Agencies Secretariat, and Ministry Responsible.
- ▶ Minister Responsible present Commercial Crown Corporation budget to Treasury Board. Representatives from the Crown Corporation may be asked to attend.
- ▶ Crown Corporation Board-approved budget, Service Plan and Annual Report must be consistent with Government's Fiscal Plan and Public Accounts (EFO Responsible reviews and verifies).

## REPORTING

- ▶ Crown Agency and Ministry Responsible ensure Information Requirements and Events Calendar requirements for Crown Agency are met (*see [http://www.gov.bc.ca/cas/attachments/commercial\\_crowns\\_events\\_calendar.pdf](http://www.gov.bc.ca/cas/attachments/commercial_crowns_events_calendar.pdf) and [http://www.gov.bc.ca/cas/attachments/service\\_delivery\\_crowns.pdf](http://www.gov.bc.ca/cas/attachments/service_delivery_crowns.pdf)*). Financial portion of the accountability framework outlines reporting calendar requirements between the EFO in the Ministry Responsible and the Crown Agency CFO.
- ▶ Crown Agency Board approves Quarterly Reports; CFO submits reports to EFO Responsible and then to Treasury Board Staff. EFO Responsible reviews Quarterly Report actuals and 5-year forecasts (May/August/November/January) and reports to the Minister Responsible.

- ▶ Year-to-date actual financial results are provided to the Office of the Comptroller General (OCG) on a quarterly basis. Audited Comparative Financial Statements are provided to OCG annually for Public Accounts.
- ▶ Subject to provisions of the Crown Agency's enabling legislation or Articles of Incorporation, the Crown Agency must obtain Ministerial approval prior to engaging in specified transactions (e.g., Minister of Finance's approval is typically required for incurring a deficit).
- ▶ Minister Responsible may issue additional directives requiring Crown Agency to submit financial statements/reports.



## Risk Management

- ▶ The Crown Agency has an organization-wide risk and opportunity identification, assessment and management plan in place, which includes mitigation strategies and risk transfer (e.g., insurance).
- ▶ A risk register and risk management strategy is developed and maintained, in collaboration with Risk Management Branch (Ministry of Finance) and the Ministry Responsible as required.
- ▶ The status of risks is reported regularly to the Crown Agency management, the Board and the Audit Committee.
- ▶ The Crown Agency and the Risk Management Branch (in consultation with the Ministry Responsible) determines the extent to which liability insurance is required, and the Crown Agency acquires this insurance.
- ▶ Crown Agency director's indemnities are in place.
- ▶ Crown Agency's business continuity plan is developed and maintained, consistent with Government standards and requirements.



# Labour Relations and Human Resource Management

## **COLLECTIVE AGREEMENT**

- Minister Responsible and Crown Agency Board submit bargaining mandate to the Minister responsible for the PUBLIC SECTOR EMPLOYERS ACT for approval.
- Deputy Minister Responsible reviews and ensures Minister Responsible's overall agreement.
- Crown Agency negotiates collective agreement within approved mandate.
- Public Sector Employers Council Secretariat (PSEC) assists as required.

## **COMPENSATION PLAN**

- Minister Responsible and Crown Agency Board submit any new or amended compensation plan to the PSEC for approval by Minister responsible for administration of the PUBLIC SECTOR EMPLOYERS ACT.
- Deputy Minister Responsible reviews and ensures Minister Responsible's overall agreement.
- Crown Agency Board implements approved compensation plan for executive management.
- PSEC assists as required.

# Information Management/ Information Technology (IM/IT)

- ▶ Government Chief Information Officer (CIO) sets IM/IT standards for Government, and works with Ministries Responsible and Crown Agency CIOs to ensure compliance under an Information Sharing Agreement, and alignment with Ministry of Labour and Citizens' Services IM/IT governance practices.
- ▶ Ministry Responsible has overall responsibility for IM/IT issues and approves the Crown Agency's Information Resource Management Plan (IRMP). Crown Agency CIO makes operational decisions related to IM/IT within approved IRMP; projects outside IRMP require Ministry Responsible / Government CIO approvals.

## Liaison with Other Ministries and Crown Agencies

- Ministry Responsible and Crown Agency staff interface with other ministries and Crown Agencies as required.
- Per Treasury Board Directive, Crown Agency must have approval of Minister Responsible and Treasury Board to enter into agreement(s) with other provinces and/or the federal government.



## Communication

- ▶ Regularly-scheduled issues management meetings are undertaken between the Public Affairs Bureau Director for the Ministry Responsible and Crown Agency Communications Director.
- ▶ Issues notes and Estimates Debate materials are jointly prepared to support the Minister Responsible in debate.
- ▶ Public Affairs Bureau provides procedures for issues management.





## For Further Information:

Visit our website at [www.gov.bc.ca/cas](http://www.gov.bc.ca/cas) or contact us for further copies of this pamphlet, or for any of our publications.

### **Crown Agencies Secretariat**

4th Floor – 1675 Douglas Street  
Victoria, British Columbia

#### Mailing Address:

PO Box 9300 Stn Prov Govt  
Victoria BC V8W 9N2

Phone: 250 952-0750

Fax: 250 952-0777

eMail: [CAS@gov.bc.ca](mailto:CAS@gov.bc.ca)

### **Board Resourcing and Development Office**

730-999 Canada Place  
Vancouver, BC V6C 3E1

Phone: 604 775-2084

Fax: 604 775-0158

eMail: [ABC@gov.bc.ca](mailto:ABC@gov.bc.ca)



Canada's  
Pacific Gateway



# Crown Agency Governance Committees

A GOOD PRACTICES CHECKLIST



Crown Agencies Secretariat • Board Resourcing and Development Office



BRITISH  
COLUMBIA

Canada's  
Pacific Gateway



# Introduction

**Crown Agency Governance Committees – A Good Practices Checklist** is one of a series of guides developed by the Crown Agencies Secretariat (CAS) and the Board Resourcing and Development Office (BRDO) to support strong corporate governance and accountability in BC Crown Agencies. The Checklist incorporates good practices used in the public and private sectors, and is intended to provide guidance for British Columbia's Commercial and Service Delivery Crown Corporations, Health Authorities, Colleges, Universities and the Boards of Trustees for School Districts.

Where information provided here is not consistent with legislation, including the enabling legislation for a particular Crown Agency, the legislation prevails.

While the committee approach is good practice, organizations sometimes choose to have the functions of the Governance Committee performed by the Board as a whole.



# Table of Contents

Governance Committee Mandate and Process	4
Governance Committee Composition	5
Committee Roles and Responsibilities	6

# Governance Committee Mandate and Process

The Governance Committee:

- ▶ Has a well-defined mandate and written Terms of Reference that sets out its purpose, roles and responsibilities, and organizational structure (e.g., size, qualifications, frequency and timing of meetings, appointment of Chair).
- ▶ Annually reviews and receives approval from the Board of its Terms of Reference to ensure they meet the needs of the Board.
- ▶ Annually assesses its performance in carrying out its duties.
- ▶ Has a meeting calendar and annual work plan for the year, meets at least quarterly with pre-determined dates and agendas, and holds special meetings as required.
- ▶ Reports regularly to the Board on the results of its activities.
- ▶ Provides an orientation to new Committee members, and ongoing training and development opportunities for its members.

## Governance Committee Composition

- Members are independent of management, and have no direct or indirect material relationship with the organization.
- The Committee has a minimum of three members.
- The majority of members are familiar with best practices in corporate governance and have previous relevant board experience.
- The Chair of the Governance Committee is not the Chair of the Board.
- The Board Chair is an ex officio member of the Committee but does not vote or count in meeting requirements for a quorum.
- Independent consultants are engaged as required to assist the Committee with its duties.



# Committee Roles and Responsibilities

## 1. GOVERNANCE FRAMEWORK

- ▶ Ensures appropriate governance principles, structures and procedures are in place to allow the Board to function effectively.
- ▶ At least annually, reviews the organization's governance framework and the Board's practice manual (governance policies) and advises the Board regarding: areas of concern; best practices; and, recommended changes, if any.
- ▶ Reviews and approves changes to Committee Terms of Reference recommended by other Committees before presentation to the Board.
- ▶ Provides oversight to the organization's codes of conduct and ethics. At least annually, reviews the organization's Code of Conduct and Conflict of Interest Guidelines to ensure they are current and appropriate, and addresses any issues or concerns.
- ▶ Ensures the Board has a good understanding of the entities within Government that participate in the governance of the organization (e.g., Responsible Minister/Ministry, Public Sector Employers Council Secretariat, Board Resourcing and Development Office, Crown Agencies Secretariat, etc.).
- ▶ Provides oversight on and input to a protocol/framework between the Board and Responsible Minister outlining their respective roles in governance of the organization and processes to enhance their working relationship.
- ▶ Monitors changes to legislation, government policy and/or strategic direction that affect the duties and responsibilities of the Board.



## 2. BOARD COMPOSITION AND SUCCESSION PLANNING

Under the leadership and direction of the Board Resourcing and Development Office, the Committee:

- Considers and recommends to the Board the ideal skills, qualifications, experience and background required of the Board as a whole based on the strategic opportunities and challenges of the organization and the Board's leadership requirements (the "Board Skills and Experience Profile").
- Annually reviews the composition of the Board as a whole and recommends, if necessary, changes to the Board Skills and Experience Profile.
- Tracks directors' terms and plans for filling upcoming vacancies.
- As vacancies, arise:
  - reviews and updates the Board Skills and Experience Profile and compares it to the skills of continuing directors;
  - identifies gaps that should be filled in new director candidates (the "Director Recruitment Profile"); and,
  - through the Board Chair, seeks Government's approval of the Director Recruitment Profile (Board Resourcing and Development Office, Responsible Minister/Ministry).
- Through the Board Chair, provides Government with a performance evaluation for all directors seeking re-appointment.
- Works proactively with Government towards an agreed-upon Board succession plan that will ensure the orderly replacement of directors and optimum continuity for the Board consistent with the Board Skills and Experience Profile.





### **3. ORIENTATION AND PROFESSIONAL DEVELOPMENT**

- ▶ Creates and oversees a comprehensive orientation program for new directors.
- ▶ Recommends to the Board an annual professional development program for the Board and as required for individual directors.

### **4. BOARD AND DIRECTOR EVALUATION**

- ▶ Assists and supports the annual review processes (including a review by the full Board and discussion with management) for evaluating the effectiveness of the Board, Committees, the Board Chair, Committee Chairs and directors.
- ▶ Recommends to the Board the annual review processes for the above areas of evaluation.
- ▶ As part of the Board evaluation process, establishes processes for seeking feedback from Government on the Board's performance and relationship with Government.

### **5. COMMUNICATIONS AND DISCLOSURE**

- ▶ Ensures the organization's governance policies are published on the organization's website.
- ▶ Provides a report on Board governance to be included in the organization's annual report and/or posted on the organization's website.
- ▶ Periodically assesses the organization's communication to stakeholders and the public with respect to its policies and practices in the areas of corporate governance and recommends changes, if any, to the Board.

## 6. DIRECTOR COMPENSATION

- Provides input to Government on appropriate director compensation. Board remuneration levels are approved by the Appointee Remuneration Committee according to a Treasury Board Directive.
- Creates guidelines to administer director compensation.





## For Further Information:

Visit our website at [www.gov.bc.ca/cas](http://www.gov.bc.ca/cas) or contact us for further copies of this pamphlet, or for any of our publications.

### **Crown Agencies Secretariat**

4th Floor – 1675 Douglas Street  
Victoria, British Columbia

#### Mailing Address:

PO Box 9300 Stn Prov Govt  
Victoria BC V8W 9N2

Phone: 250 952-0750

Fax: 250 952-0777

eMail: [CAS@gov.bc.ca](mailto:CAS@gov.bc.ca)

### **Board Resourcing and Development Office**

730-999 Canada Place  
Vancouver, BC V6C 3E1

Phone: 604 775-2084

Fax: 604 775-0158

eMail: [ABC@gov.bc.ca](mailto:ABC@gov.bc.ca)



Canada's  
Pacific Gateway



# Crown Agency Risk Management and Internal Controls

A GOOD PRACTICES CHECKLIST



Crown Agencies Secretariat • Board Resourcing and Development Office



Canada's  
Pacific Gateway



# Introduction

## Crown Agency Risk Management and Internal Controls

– **A Good Practices Checklist** is one of a series of guides developed by the Crown Agencies Secretariat (CAS) and the Board Resourcing and Development Office (BRDO) to support strong corporate governance and accountability in BC Crown Agencies. The Checklist incorporates good practices used in the public and private sectors, and is intended to provide guidance for British Columbia's Commercial and Service Delivery Crown Corporations, Health Authorities, Colleges, Universities and the Boards of Trustees for School Districts.

Where information provided here is not consistent with legislation, including the enabling legislation for a particular Crown Agency, the legislation prevails.



# Table of Contents

Organizational Culture	4
Mandate and Direction	5
Oversight and Planning	6
Monitoring and Evaluation	7
Internal Control Framework	8

## Organizational Culture

- ▶ The Board of Directors sets the tone for the Crown Agency through its operating style, ethical values, assignment of roles and responsibilities, and actions in response to wrongdoing.
- ▶ A code of conduct and conflict of interest policies are in place.
- ▶ The Board has established an Audit Committee to provide review and oversight of the effectiveness of risk management practices, the internal control framework, internal audit and external audit.
- ▶ The Audit Committee has the necessary mandate, resources and independent expertise to fulfill its function (see *Crown Agency Audit Committees – A Good Practices Checklist*).



## Mandate and Direction

- The Board is responsible for developing with management, reviewing and approving, the Crown Agency's overall strategic direction.
- The Board reviews the organization on an annual basis to ensure that:
  - The Crown Agency's operations are in alignment with the mandate set out in legislation, regulations and policies;
  - The mandate is aligned with Government's overall policy objectives and service plan;
  - A Shareholder's Letter of Expectations is in place to document high-level direction and priorities of Government; and,
  - A Service Plan is in place that establishes organization wide goals, objectives and strategies that are clear, measurable and communicated.



## Oversight and Planning

The Board provides oversight to management to ensure that:

- ▶ The strategic planning process takes into account the organization's goals and objectives, strengths, weaknesses, opportunities and risks.
- ▶ Authority, roles and responsibilities, and accountabilities for decision-making are clearly assigned, through business plans, organization charts, position descriptions and/or other documents.
- ▶ Resource capacity is planned, balanced and allocated to meet objectives.
- ▶ The Information Management/Information Technology (IM/IT) infrastructure is aligned to support the business objectives and activities.
- ▶ Performance measures and targets are in place that measure: achievement of strategic objectives (outcomes); whether strategies are efficient (inputs/ outputs); operational and financial performance; and, compliance with Government requirements.
- ▶ Performance is measured against comparable organizations, standards or benchmarks.
- ▶ The organization's objectives are specific, measurable, time-bound, realistic, results-oriented and challenging.
- ▶ Annual Service Plan Reports present a complete, accurate and balanced picture of the organization's performance and financial situation and whether the intended results set out in the mandate, Shareholder's Letter of Expectations and Service Plan have been achieved.



# Monitoring and Evaluation

The Board confirms that:

- Management has processes in place to monitor the performance of programs and services against approved policies and standards.
- A process is in place to monitor compliance with Government reporting requirements.
- Information gathered by the Crown Agency is used by management and the Board in decision-making and to manage the overall direction of the organization.
- Programs and services are periodically reassessed and evaluated by management to ensure continued relevancy and continuous improvement.
- Government, the Board and management critically review results information and take corrective action to realign strategies as required.



# Internal Control Framework

## 1. RISK MANAGEMENT

- ▶ The Board develops an ethical culture and philosophy with senior management that supports open and transparent communication and use of risk information.
- ▶ The Board oversees the processes management has in place to identify, monitor and manage/mitigate risks and opportunities. As part of this process, the Board confirms that:
  - A comprehensive risk management implementation plan and policy has been developed by management that considers the organization's environment, how the risk management process is to be implemented in the organization, the methodology to be used, responsibilities, and resource requirements.
  - The risk management process is enterprise-wide, includes information technology, and involves management and staff input at all appropriate levels.
  - Risk management activities are integrated into the planning process throughout the organization.
  - Risks are managed at the strategic, operational, financial and project levels.
- ▶ Risk tolerances are regularly reviewed by management with the Board and approved by the Board.



- ▶ The Board ensures that the organization's key risks and related capacity considerations are disclosed in the Service Plan and Annual Service Plan Report.
- ▶ The Board regularly reviews with management what key risks are emerging, how they are being managed and coordinated, and what modifications in business direction are required as a result.
- ▶ The Board ensures the risk management process is periodically evaluated and continuously improved.

## **2. FINANCIAL MANAGEMENT AND CONTROLS**

The Board confirms that:

- ▶ A robust financial management framework is in place that meets the spirit and intent of Government's financial management framework.
- ▶ There is a financial policy and procedures manual in place for the Crown Agency.
- ▶ Accounting policies, including any changes, are approved by the Board and are consistent with Government accounting policies.
- ▶ Revenue, expenditure, capital expenditure, cash and financing, and asset management policies and processes are in place, including approval and review accountabilities.
- ▶ Policies and procedures are in place to provide timely financial information, including forecasts, projections, variance and ratio analysis to the Board and Government as required.
- ▶ Information systems are in place that account for and categorize financial information in a manner that supports:

- monthly, quarterly and annual financial reporting and analysis to management and the Board;
- government-wide financial information requirements e.g. monthly and quarterly financial reporting and Annual Public Accounts to Treasury Board Staff and the Office of the Comptroller General; and,
- costing and allocation of resources for programs, activities and initiatives

### **3. OTHER INTERNAL CONTROLS**

The Board confirms that:

- Ethics/conflict of interest and whistleblower policies are in place.
- There are policies and processes in place to ensure the integrity of internal controls and management information systems, and to prevent, detect and report wrongdoing.
- Management reports to the Board and Audit Committee annually on the effectiveness of the systems of internal control.
- There are controls in place and accountability assigned within the organization for privacy policy, including protection of personal information, and organizational compliance with privacy legislation.
- Reporting systems are in place to monitor and report to the Board and Audit Committee on compliance with key legislation, regulations and policies.



## For Further Information:

Visit our website at [www.gov.bc.ca/cas](http://www.gov.bc.ca/cas) or contact us for further copies of this pamphlet, or for any of our publications.

### **Crown Agencies Secretariat**

4th Floor – 1675 Douglas Street  
Victoria, British Columbia

#### Mailing Address:

PO Box 9300 Stn Prov Govt  
Victoria BC V8W 9N2

Phone: 250 952-0750

Fax: 250 952-0777

eMail: [CAS@gov.bc.ca](mailto:CAS@gov.bc.ca)

### **Board Resourcing and Development Office**

730-999 Canada Place  
Vancouver, BC V6C 3E1

Phone: 604 775-2084

Fax: 604 775-0158

eMail: [ABC@gov.bc.ca](mailto:ABC@gov.bc.ca)



Canada's  
Pacific Gateway