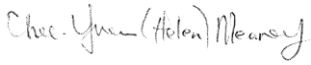




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| Policy Title: Financial Audit and External Auditors | | Policy Section: EL Executive Limitation | Policy Number: EL II-12 |
| Approved By: Board of Directors | Date Approved: Sept 14, 2023 | Date Reviewed/ Revised: Sept 14, 2023 | President's Signature:  |

PUBLIC INTEREST RATIONALE

An independent financial audit, which is the examination and verification of the College's financial records by an independent external auditor, provides assurance that a 'true and fair' view of the College's financial position and performance has been presented in accordance with the relevant accounting standards. It underpins the trust and obligation of stewardship between the CMLTO Board of Directors and its ownership and ensures fiscal accountability of the College.

Reliable financial reporting is vital to build trust and credibility in responsible management of the College funds and resources, which is of immense importance to the public and vital to protecting the public interest as it promotes transparency and provides assurance as to whether the College activities are managed in a way that demonstrates responsible stewardship to the public of Ontario.

BACKGROUND

Pursuant to Section 6 (3) of the [Regulated Health Professions Act, 1991](#), each College shall have its financial statements audited and published in its annual report every year.

In order to meet its obligations to the public of Ontario and fulfil its fiduciary responsibility, the Board of Directors shall ensure that it receives relevant and reliable information as a result of a robust and reliable audit process, which ensures the integrity of the financial statements of the College and any formal disclosure of information pertaining to the financial position and performance of the College.

The CMLTO By-Law / Section 3.8 - Fiscal Year and Financial Audit provides a framework for the financial audit process.

PURPOSE

The Board of Directors needs confidence in the robustness of its financial reporting as part of its risk management, and hence, shall have assurance as to whether the

information presented is completely and accurately captured, and transparently reported.

EL II-12 Financial Audit and Auditors Policy, which outlines the Board's executive risk boundaries for the Registrar and CEO with regards to financial audit and audit related matters, serves as the principal guidance document for the conduct of the financial audit by external auditors and a framework for the assessment of the effectiveness and efficiency of the external auditor.

THE POLICY

In order to ensure the quality and reliability of the financial audit, the Board of Directors shall assess the effectiveness and performance of the external auditors every year and safeguard their independence in accordance with Rule 204 of the Chartered Professional Accountants of Canada (CPA) Code of Professional Conduct (the "CPA Code").

Additionally, the following provisions apply to safeguard against institutional familiarity and independence threats, which may impair auditor objectivity and independence in fact or in appearance and impede the ability of the external auditor:

Subjecting external auditors to term limits

- The maximum term that an external auditor can serve is five (5) consecutive years.

Enforcing a cooling-off period

- The external auditors shall not be re-appointed for a period of at least two (2) years after the completion of their tenure.

The Registrar and CEO assists the Board of Directors in fulfilling its oversight responsibilities regarding the integrity of the College's accounting and financial reporting.

Accordingly, the Registrar and CEO shall not fail to uphold appropriate conduct and accounting standards in order to safeguard the integrity of financial reporting and assure the quality of information reported to the Board of Directors and the public in order to avoid any potential reputational damage of reporting inaccurate or misleading information.

Additionally, the Registrar and CEO shall not operate without;

Selection and Recommendation of External Auditor for New Appointment



- Establishing a framework which sets out the criteria to be used for evaluation and selection of external auditors to ensure that the examination of CMLTO's financial data and other relevant information is conducted by highly qualified professionals who provide confidence to the College.
- Making recommendations to the Board of Directors on the appointment of an external auditor, who best suits the needs of the College, based on the evaluation of the external auditors and through a competitive bidding process in accordance with Executive Limitations EL II-16 Vendor Relations Policy, if applicable.
- Ensuring a smooth transition if changing auditors and developing a mechanism to address any potential short-term deterioration in audit quality while the new firm gets familiar with the College business.

Evaluation and Recommendation of the Incumbent External Auditor for Re-Appointment

- Maintaining an annual assessment framework and setting out audit quality indicators to be used for the evaluation of external auditors, which include, but not limited to:
 - independence, objectivity and professional skepticism,
 - quality of the engagement team, and
 - quality of the communications and interactions with the external auditor.
- Undertaking an evaluation of the performance and independence of the external auditors upon effective completion of the annual audit as per the annual assessment framework in order to make an informed recommendation to the Board of Directors on whether or not the incumbent external auditor should be re-appointed.
- Presenting the results of the annual assessment of the external auditor to the Board of Directors, making a recommendation for re-appointment of the incumbent external auditor, and providing the Board with their rationale for their recommendation.

Recommendation on Removal of External Auditor

- Recommending removal of external auditors to the Board of Directors due to conduct that breaches the CPA Code of Professional Conduct, if required.

Analyzing Situations that External Auditor Ceases to Hold Office



- Analyzing the situation on a case-by-case basis to identify the reasons why the external auditor ceases to hold office (e.g., due to resignation) whether it arises from an inability to resolve contentious matters that could affect the financial reporting of the College and taking the necessary actions.

Execution of Financial Audit

- Implementing an effective and reliable audit process in accordance with the Audit Policy and Procedure Manual to enable the preparation of financial statements that are free from material misstatement,
- Assessing the reasonableness of and approving the proposed audit fee in conjunction with the audit plan, with an appropriate focus on audit quality, and terms of engagement of the external auditor,
- Analyzing and recommending audited annual financial statements to the Board of Directors,
- Developing necessary resolution strategies and developing necessary action plans to rectify any material weaknesses and deficiencies identified by the external auditors and ensuring completion of identified resolution strategies and activities,
- Ensuring all financial reporting requirements pursuant to RHPA are completed within the required timelines and current fiscal year accounts and disclosed in the annual report of the College along with information pertaining to the assessment of the external auditor and appointment process to promote transparency and accountability.

Engagement of Non-Audit Services

- Developing and implementing a clear pre-approval policy outlining the guidelines for the engagement of the external auditor in regard to providing non-audit services in accordance with CPA Code of Professional Conduct Rule 204, which prohibits the external auditor from performing certain services,
- Ensuring that auditor's independence isn't compromised by taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm outlined in accordance with CPA Code of Professional Conduct Rule 204,
- Ensuring operational separation between the external auditor's audit and non-audit practices upon reviewing of prohibited services for auditors,



- Reporting to the Board of Directors, all non-audit services provided to the College by the external auditor during the previous fiscal year.

DEFINITIONS

Institutional familiarity threats: Threats arising from long tenure of an external auditor, which may create a threat to independence that impedes the ability of the auditor and the engagement team from exercising appropriate professional skepticism.

REFERENCES

- [Chartered Professional Accountants of Ontario CPA Code of Professional Conduct](#)
- CMLTO By-Law / Section 3.8 Fiscal Year and Financial Audit
- EL II-16 Vendor Relations Policy