Financial Reporting and Risk Oversight Committee

Role

Royal College of Physicians and Surgeons of Canada (Royal College)
The Financial Reporting and Risk Oversight Committee (FRROC) is a standing committee of Council. It reports to Council through the Executive Committee of Council (ECC). The FRROC assists Council in fulfilling its oversight responsibilities in the areas of enterprise risk management (strategic, operational and external risks), financial reporting, the annual audit processes, and compliance with laws and regulations.

Foundation of the Royal College of Physicians and Surgeons of Canada (Foundation)
Same as the Royal College, except the FRROC reports to the Board of Directors of the Foundation.

Royal College Canada International Inc. (RCI)
Same as the Royal College, except the FRROC reports to the Board of Directors of RCI.

Responsibility and Authority

The mandate of the FRROC is to assist Council in fulfilling its oversight responsibilities with respect to the identification and management of the corporation’s principal risks, by:

- overseeing the Royal College’s risk management function;
- overseeing the identification, measurement, monitoring and control of the Royal College’s principal risks and ensuring that appropriate systems are in place to manage these risks;
- reviewing and recommending for Council approval risk management policies that establish the appropriate approval levels for decisions and other checks and balances used to manage and mitigate risk; and
- overseeing and reviewing the Royal College’s risk profile and performance against risk metrics and ensuring that adequate policies, procedures and controls to assess and manage the principal risks to which the Royal College is exposed are in place and are complied with.

For the Royal College, the FRROC:

- reviews the immediate and longer-term financial needs of the Royal College and recommends approval of appropriate financial budgets and/or policies;
- receives regular and timely financial reports;
- assesses and monitors financial and other risks stemming from claims and law suits, contract management, operating budget management, etc.;
- reviews any report from management that accompanies published financial statements (to the extent that such a report discusses the financial position or operating results) for consistency of disclosure with financial statements themselves;
• reviews the results of the external audits and any changes in accounting policies or practices, and their impact on the financial statements;
• reviews developments in emerging Canadian accounting standards for not-for-profit organizations that could affect the Royal College, including significant accruals, provisions or estimates and their effect on the financial statements, as well as other sensitive matters such as measurement and disclosure of related party transactions;
• reviews with management, external auditors and legal counsel any material litigation claims or other contingencies including tax issues and adequacy of financial provisions that could materially affect financial reporting;
• recommends to Council appointment of the public accountant;
• meets with the Royal College’s auditors to discuss and review the financial operations of the Royal College, any changes in accounting policies or practices and their impact on the financial statements of the Royal College and the pension plan, and ensures that acceptable accounting practices and controls are in place; and
• reviews the audited financial statements of the Royal College and the Royal College pension plan, and reports on the external audit and process of the financial statements to Council.

While Council retains overall responsibility for the pension plan, it has delegated its oversight responsibilities in respect of the pension plan to the committee.

Regarding investment portfolios, the FRROC:

• oversees the performance and management of three investment portfolios, namely the Royal College investment portfolio, as well as the pension plan and the Foundation portfolios;
• reviews and monitors the funds’ performance and results and those of the investment managers; and
• reviews, monitors and recommends policies and mandates governing investments.

For the Foundation
Same as for the Royal College, except the financial statements refer to those of the Foundation and references to Council are replaced with the Foundation Board of Directors.

For RCI
Same as for the Royal College, except the financial statements refer to those of RCI and references to Council are replaced with the RCI Board of Directors.

Relationship

The FRROC submits its respective reports to ECC, Council, the Foundation Board of Directors and the RCI Board of Directors, highlighting such matters as the results of the external audit and its review of the financial statements, and recommends to ECC, Council, the Foundation Board of Directors and the RCI Board of Directors the approval of the respective audited financial statements. The FRROC also recommends to ECC and Council approval of financial budgets, and policies relating to the pension plan and investments.
Composition
The FRROC shall consist of no fewer than five and no more than eight committee members (Bylaw No. 20, Article 14.1).

The chair of the FRROC shall not be an officer or an employee of the Royal College or any of its affiliates, or have been such an officer in the preceding three years (Bylaw No. 20, Article 14.1.2).

The committee will be made up of Fellows of the Royal College as well as external members who bring key competencies and expertise to the committee. One of the members of the committee will be a member of the Board of Directors of RCI.

Key Competencies and Characteristics
Committee members should possess general knowledge of the Royal College and its subsidiaries, strong business acumen, legal and tax knowledge, information management and technology knowledge, budgeting, accounting knowledge, risk management, and ability to read financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Committee members shall also understand the significant risks to which the Royal College is exposed, the Royal College’s enterprise risk management (ERM) framework, and the policies, procedures and controls used by management to assess and manage these risks.

Term of Office
The usual term of office of the chair is two years, renewable once (maximum four years). As a standing committee of Council, the chair is appointed from among the current members of Council (Bylaw No. 20, Article 15.1.1) and is a member of the Executive Committee of Council.

The usual term of office of members is two years, renewable twice (maximum six years). All terms shall begin and end at the time of the Annual Meeting of the Members when vacancies need to be filled. Terms shall be staggered to allow for and ensure a continuity of knowledge and expertise.

Meetings
The FRROC meets quarterly or more often as/if required. Face to face at least twice a year and by telephone conference as needed.

Quorum consists of a majority of the voting members of the committee (i.e., 50% plus one). The chair is counted as a voting member in constituting quorum. However, as the presiding official of the committee, the chair does not move motions. Furthermore, the chair shall only vote when the vote is conducted by secret ballot or when it is necessary to break a tie.

Appointment to a Royal College committee carries significant responsibilities and requires
absolute discretion. Committee members shall not divulge, re-produce, or release any confidential information except when authorized by the Royal College. Committee members are permitted to download a copy of committee materials for use solely for the purposes of the Committee. All downloaded materials must be deleted once used for the intended purpose.