

July 16, 2020

## **NEW YORK STATE CANAL CORPORATION** **AUDIT COMMITTEE CHARTER**

### **A. PURPOSE**

The Audit Committee (“Committee”) oversees the work of the Internal Audit Department and monitors all internal audits and external audits performed by the Independent Auditor and other external agencies as well as management’s corrective action and implementation plans to all audit findings.

The responsibilities of the Committee are to: recommend to the Board the hiring of a certified independent accounting firm for the New York State Canal Corporation (“Corporation”), establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit conducted by the accounting firm hired for such purposes, provide direct oversight of the Internal Audit Department, and perform such other responsibilities as the Board may assign it.

### **B. MEMBERSHIP AND ORGANIZATION**

#### **(1) Committee Composition**

The Committee will be comprised of at least three independent members of the Board, who possess the necessary skills to understand the duties and functions of the Committee and be familiar with corporate finance and accounting. Committee members and the Committee Chair will be selected by a vote of the Board.

Committee members are prohibited from being an employee of the Corporation or an immediate family member of an employee of the Corporation. In addition, Committee members shall not engage in any private business transactions with the Corporation or receive compensation from any private entity that has material business relationships with the Corporation, or be an immediate family member of an individual that engages in private business transactions with the Corporation or receives compensation from an entity that has material business relationships with the Corporation.

#### **(2) Term**

Committee members will serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be reelected to serve for additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a member of the Board. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

**July 16, 2020**

**(3) Removal**

A Committee member may be removed if he or she is removed as a member of the Board for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

**(4) Meetings and Quorum**

The quorum of the Committee is a majority of the number of Committee members selected by the Board.

A majority vote of all Committee members present is required to take action on a matter.

The Committee shall hold regularly scheduled meetings at least twice per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Corporation's President and Chief Executive Officer ("CEO"), Executive Vice President and Chief Operating Officer ("COO"), Executive Vice President and General Counsel ("GC"), Executive Vice President and Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO"), Controller, or Chief Audit Executive of the Internal Audit Department ("CAE"). The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, a quorum must be present.

In addition, the Committee: (1) will meet at least twice a year with the CAE for the purpose of reviewing audit activities, audit findings, management's response, remediation action plans, and providing the CAE with an opportunity to discuss items and topics of relevance with the Committee; (2) will meet at least twice a year with the Corporation's independent auditors to discuss the audit work plans, objectives, results and recommendations; and (3) may meet independently with the Corporation's CEO, COO, GC, CFO, CRO, Controller, or CAE on matters or issues and items within the Committee's purview as it deems necessary. These meetings may be held as part of a regular or special meeting at the Committee's discretion.

An agenda will be prepared and distributed to each Committee member prior to each meeting and minutes of each meeting will be prepared in accordance with the New York Open Meetings Law. Minutes of the meeting should include, at a minimum:

- a. Date; location; time meeting was called to order and adjourned; and if other Board committee (e.g., Finance Committee) is meeting simultaneously.
- b. Title and name of attendees; public comments period; title and name of public speakers.
- c. Approval of the official proceedings of the previous month's Committee meeting.
- d. Pre-Approval of audit and non-auditing services as appropriate, all auditing services and non-audit services to be performed by independent auditors will be presented to and pre-approved by the Committee:
  1. External Audit Approach Plans: Independent auditor presents approach/service plan, which is to be submitted to the Committee electronically;

**July 16, 2020**

2. Internal Audit Activity Report: CAE provides overview of Internal Audit activities; and
  3. Risk Management: CRO provides an overview of Risk Management activities.
- e. Follow-up items including communications to the Committee of the current status of selected open issues, concerns, or matters previously brought to the Committee's attention or requested by the Committee.
  - f. Status of audit activities, as appropriate; representatives of the certified independent accounting firm or Corporation management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by Corporation management to implement audit recommendations.
  - g. Copies of handouts or materials presented to the Committee.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

### **C. FUNCTIONS AND POWERS**

The Committee has the following responsibilities:

#### **(1) General Powers**

The Committee may call upon the resources of the Corporation to assist the Committee in the discharge of its oversight functions. Such assistance may include the assignment of Corporation staff and the retention of external advisors subject to the requirements of the Public Authorities Law and the Corporation's Expenditure Authorization Procedures. The Committee may communicate directly with the CEO.

The Committee may direct any Corporation employee to make oral or written reports to the Committee on issues and items within the Committee's purview.

The Committee may direct the Corporation's internal auditors to conduct special audits of items and issues of concern to the Committee.

#### **(2) Accounting, Financial Reporting, and Oversight of Independent Accountants and Controller**

The Committee will seek to enhance the integrity, quality, reliability, and accuracy of the Corporation's financial statements and notes, and will oversee the relationship with the Corporation's independent accountants. To accomplish these objectives, the Committee will:

- a. Provide advice to the Board on the selection, engagement, compensation, evaluation, and discharge of the independent accountants.

**July 16, 2020**

- b. Review and discuss as necessary the Corporation's financial statements including any material changes in accounting principles and practices with the independent accountants, the Controller, or members of Corporation management.
- c. Review and approve the Corporation's annual audited financial statements (including the independent accountants' associated management letter).
- d. Oversee the establishment of procedures for the effective receipt and treatment of (i) complaints regarding auditing, internal auditing, and accounting matters, and (ii) the confidential submission of concerns raised by whistleblowers and other persons regarding accounting or auditing practices.
- e. Review at least annually the scope, objectives, and results of the independent auditors' examination of the annual financial statements and accompanying notes, and report to the Board on the Committee's findings.
- f. Assure the independence of the independent accountants by approving any non-audit work by them for the Corporation and examining the independent auditor's relationship with the Corporation.
- g. Report to the Board on any matters relevant to the audit process or independent accountant communications and make such recommendations as the Committee deems appropriate.

**(3) Risk Management, Internal Controls and Oversight of the Internal Audit Department**

The Committee will seek to enhance the Corporation's risk management infrastructure and ensure timely and effective identification and mitigation of critical business risks. To accomplish these objectives, the Committee will:

- a. Have authority over appointment, dismissal, compensation, and performance reviews of the CAE. The CAE will report directly to the Committee.
- b. Review the charter, activities, staffing and organizational structure of the Internal Audit Department with Corporation management and the CAE.
- c. Ensure that the Internal Audit Department is organizationally independent from Corporation operations.
- d. Provide oversight of the Internal Audit Department and its resources and activities to facilitate the Internal Audit Department's improvement of internal controls.
- e. Review Internal Audit reports and recommendations of the CAE. This review will include a discussion of significant risks reported in the Internal Audit reports, and an assessment of the responsiveness and timeliness of management's follow-up activities pertaining to the same.

**July 16, 2020**

- f. Require the CAE to attend any meeting of the Committee and to prepare and deliver such reports as the Committee requests.
- g. Provide guidance to the Corporation's CRO and enterprise risk management program on critical business objectives, risks and philosophy and tolerance for risk mitigation, and establish requirements for the CRO to report to the Committee.
- h. Report at least annually to the Board on matters relating to the internal audit function and the enterprise risk management program and make such recommendations as the Committee deems appropriate.
- i. Present periodic reporting to the Board on how the Committee has discharged its duties and met its responsibilities, and regularly report activities, issues and recommendations.
- j. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board.
- k. Conduct an annual self-evaluation of performance, including its effectiveness and compliance with the charter.

#### **Standards Conformance**

- l. Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- m. Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.
- n. Ensure that the internal audit activity has an external quality assurance review every five years.
- o. Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- p. Advise the Board about any recommendations for the continuous improvement of the internal audit activity.