

**TERMS OF REFERENCE FOR THE  
AUDIT AND RISK MANAGEMENT COMMITTEE**

**I. PURPOSE**

- A.** Primary responsibility for the Corporation’s financial reporting, accounting systems, risk management, management plans and budgets, internal controls and treasury is vested in management and overseen by the Board of Directors.
- B.** The purpose of the Audit and Risk Management Committee (the “Committee”) is to assist the board of Directors in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, the system of corporate controls, and risk management, and when required, make recommendations to the full Board of Directors for approval.
- C.** In the process of overseeing the corporation’s audit procedures, the Committee will have unrestricted access to the Corporation’s personnel and documents, and will be provided with the resources necessary to carry out its responsibilities.

**II. COMPOSITION**

- A.** The Committee will be composed of at least three and not more than five Directors.
- B.** Committee members will have a working familiarity with finance and accounting practices, and at least one Committee member will have accounting or related financial management expertise.
- C.** The External Auditors will attend Committee meetings. The External Auditors will be notified of the Committee’s meeting schedule and receive the appropriate meeting materials in advance of meetings.

- D.** The Corporate Secretary will be secretary to the Committee.

### **III. DUTIES AND RESPONSIBILITIES**

#### **A. AUDIT AND FINANCIAL OVERSIGHT**

##### **1. Annual Financial Statements and Quarterly Financial Reports**

###### **Annual Financial Statements**

The committee will review the financial statements and reports, and recommend their approval or disapproval to the board of Directors. The Committee will provide an explanation if it cannot recommend approval.

The review must include:

- (a)** determining whether appropriate accounting methods are being applied;
- (b)** discussing with management and with the External Auditor:
  - all proposed changes in accounting policy,
  - the import and presentation of all large risks or uncertainties,
  - compliance with accounting standards,
  - significant adjustments arising out of the audit process and related party transactions, and
  - all estimates or judgments of management that may be material to financial reporting;
- (c)** questioning management and the External Auditor regarding significant financial reporting, recording or presentation issues discussed during the fiscal period and the manner of their resolution, and

- (d) examining the audited financial statements in conjunction with the report of the External Auditor, which may include determining whether the statements:
- properly reflect the significant accounting policies selected,
  - reflect estimates and other financial statement elements that are reasonable and consistent,
  - adequately disclose all major transactions and issues,
  - disclose all post-year-end significant events, and
  - Are understandable, relevant, reliable and comparable.

### **Quarterly Financial Reports**

The Committee will review quarterly financial reports and related information and recommend their approval or disapproval to the Board of Directors.

## **2. External Audit**

The Committee will oversee the external audit process, including:

- (a) determining whether the performance of the external audit is satisfactory, effective and meets the requirements of the Corporation;
- (b) reviewing all issues related to any change in External Auditor and the planned steps for an orderly transition;
- (c) reviewing the terms of the External Auditor's engagement;
- (d) reviewing the audit plan with the External auditor and management;
- (e) determining whether management has provided full and open disclosure to the External Auditor's inquiries;
- (f) reviewing problems experienced by the External Auditor in performing the audit, including any restriction imposed by management and all significant accounting issues on which there was a disagreement with management;

- (g) reviewing the post-audit or management letter containing the recommendations of the External Auditor and reviewing management's response and subsequent follow-up to any significant identified weakness.

### **3. Accounting System and Internal Controls**

Through discussions with management and the External Auditor, the Committee will obtain reasonable assurance that the Corporation's accounting systems are reliable and internal controls are adequate. For this purpose, the Committee may wish to direct the Auditor's examinations to particular areas and may request the auditors to undertake special examinations.

The Committee will review the evaluation of internal controls by the External Auditor, including any recommendations for improvement of the Corporation's accounting procedures and internal controls, together with management's response.

### **4. Other Responsibilities**

The Committee will:

- (a) review the status of pending or threatened material litigation;
- (b) ascertain whether the Corporation's financial results and conditions satisfy the criteria for lenders, material agreements, applicable laws and insurers;
- (c) before public disclosure, review any formal financial reports on the condition or results of the Corporation;
- (d) draw to the attention of the Board of Directors all financial matters of which the Committee has knowledge and which may materially affect the current or future financial position of the Corporation;
- (e) confirm that appropriate policies and procedures are in place for monitoring compliance with applicable laws and ascertain their adequacy and the levels of compliance;

- (f) review and recommend the Five Year Forecast to the Board of Directors for approval;
- (g) annually review executive management expense reporting, and
- (h) review such other matters that the Committee or the Board of Directors deems advisable or timely.

## **B. RISK MANAGEMENT OVERSIGHT**

The Committee will monitor principal risks associated with the Corporation's business. However, the Corporate Governance and Human Resources Committees of the Board of Directors take responsibility for monitoring risks directly related to their respective mandates.

The corporate Risk Management Committee (RMC) is responsible for establishing processes, procedures and mechanisms by which key matters or risk are identified, and ensuring that strategies are developed to manage risks.

The Committee will receive quarterly reports from the RMC, and from other areas of the Corporation as considered appropriate or timely by the Committee or by the Board of Directors.

In particular, the Committee will review with management to determine whether systems are in place to identify, manage and monitor material risk including, but not limited to:

1. interest rates, foreign exchange, debt and commodity prices;
2. risks of low probability and high impact, such as disaster preparedness;
3. environmental policies and practices including the sufficiency of the Corporation's environmental management system;
4. security of energy supply;
5. aboriginal negotiations and major consultations;

6. directors' and officers' liabilities, as well as processes to mitigate them, including indemnification and insurance as appropriate;
7. insurance management strategies;
8. information technology strategies, and
9. such other risk issues of concern to the Committee, the Board of Directors and management.

**C. COMMITTEE TIMETABLE**

The Committee will review such other matters that may be referred to it by the Board of Directors and management for consideration and recommendation.

**IV. ACCOUNTABILITY**

The Committee will report its discussions to the Board of Directors by distributing the minutes of its meetings, and where appropriate, by oral report to the Board of Directors with respect to every major matter considered since the last meeting.

**V. COMMITTEE TIMETABLE**

The timetable below outlines the Committee's schedule of activities during the year.

	JANUARY	MAY	AUGUST	OCTOBER
<b>AUDIT AND FINANCIAL</b>				
<b>i.</b>	Review and approve the Annual Audited Financial Statements, related policies and accounting standards, and recommend approval to the Board of Directors;			
<b>ii.</b>	Review and approve Quarterly Financial Reports, related information and processes, and recommend approval to the Board of Directors;			
<b>iii.</b>	Recommend the appointment of the External Auditor, monitor performance and determine whether the performance of the External Audit is satisfactory, effective and meets the requirements of the Corporation;	<i>As Required</i>	<i>As Required</i>	<i>As Required</i>
<b>iv.</b>	Review of the audit plan with the External Auditor, ascertaining whether management has provided full and open disclosure;			
<b>v.</b>	Through communications with management, and External Auditors, the Committee will obtain reasonable assurance that the Corporation's accounting systems are reliable, and internal controls are adequate;			
<b>vi.</b>	Ascertain whether the Corporation's financial results and conditions satisfy the criteria for lenders, material agreements, applicable laws and insurers, and review before public disclosure any formal financial reports on the financial condition or results of the Corporation;			
<b>vii.</b>	Review and recommend the Five Year Forecast to the Board of Directors for approval;		<i>As Required</i>	<i>As Required</i>

<b>RISK MANAGEMENT</b>					
<b>viii.</b>	Monitor principle risks associated with the Corporation's business, including but no limited to:				
(a)	Interest Rates, Foreign Exchange, Debt and Commodity Prices	<i>As Required</i>	<i>As Required</i>	<i>As Required</i>	<i>As Required</i>
(b)	Environmental Policies & Practices				
(c)	Security of Energy Supply				
(d)	Aboriginal Negotiations and Major Consultations				
(e)	Information Technology Strategies				
(f)	Insurance Management Strategies				
(g)	Other risk issues as delegated by the Chair and / or the Board of Directors	<i>As Required</i>	<i>As Required</i>	<i>As Required</i>	<i>As Required</i>
(h)	Directors' and Officers' Liabilities				
<b>ix.</b>	Review the status of pending or threatened material litigation, and confirm that appropriate procedures are in place for monitoring compliance with applicable laws and ascertain their adequacy and the levels of compliance				

**Exhibit 22**

***Sample Audit and Finance Committee Terms of Reference<sup>1</sup>***

The Audit and Finance Committee shall consist of the following:

- chair of the board,
- members appointed generally on a two-year basis by the board of directors,
- CEO – ex officio,
- executive director, finance and administration – ex officio,
- executive corporate secretary – ex officio.

The Audit and Finance Committee is responsible for reviewing and, where appropriate, report to the board, with recommendations, on the following:

- annual capital budget,
- annual administrative budget,
- annual program budget,
- quarterly reports on capital, administrative and program expenditures,
- approval of a policy with respect to account write-offs,
- auditors' reports,
- review of control procedures for expenditures in consultation with auditors,
- any matter of financial policy or procedure directed to the Committee by either the board of directors or the CEO of the board.

The Committee:

- may require staff members to attend Committee meetings and provide information on any policy or program, existing or planned,
- may review and revise financial materials before they are circulated to the board.
- the members of the board of directors may meet with the external auditors in the absence of the CEO and/or the executive director of finance and administration.

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<sup>1</sup> The Conference Board of Canada