

Terms of Reference for the Audit Committee

Purpose

The audit committee assists the board in

- overseeing the integrity of the commission's financial management and reporting systems
- overseeing the commission's information technology (IT) governance
- overseeing the effectiveness of the commission's internal controls
- ensuring the independence of the commission's internal and external auditors
- monitoring risk management policies and systems
- such other initiatives as may be necessary or desirable to enhance board effectiveness

Composition and operations

The committee consists of at least three independent commissioners. Each member is financially literate, and independent of the internal and external auditors. At least one member has accounting or other relevant financial management expertise.

The committee meets at least four times a year, and otherwise as necessary. The committee operates under these Terms of Reference and under the Terms of Reference for Board Committees.

Duties and responsibilities

The committee has the following specific responsibilities.

Financial management and reporting

Ensure that effective lines of communication exist among the internal and external auditors, management, and the board.

Review and discuss with the external auditor

- the scope and plan of audits
- the audit fee
- legal, accounting, and regulatory matters that may have a material impact on the financial statements
- any significant findings and recommendations together with management's responses

Review the annual financial statements and management discussion and analysis (MD&A), which review may include

- reports from the external auditor as to the results of their examination, including management letters and advice relating to any problems with financial reporting in the annual report, such as any disagreements that may have arisen between the auditor and management
- meetings with management who outline any problems with financial policies, financial reporting, or matters in contention with or under consideration by the external auditor
- the appropriateness of key accounting estimates, the accounting principles being employed, and any change in accounting policy or practice

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- any proposed changes in financial statement presentation or notes
- other matters that, in the opinion of the auditor, ought to be brought to the attention of the committee

Review with management

- quarterly financial statements and management reports
- the commission's significant accounting policies
- the commission's quarterly forecast to Treasury Board
- the commission's report under the *Financial Information Act*
- the commission's annual budget
- the summary financial outlook to be included in the commission's annual service plan

Confirm with management that the commission has made all statutory withholdings and remittances relating to the commission's employees or otherwise.

Submit to the board for its approval before they are released the annual financial statements and MD&A, auditor's reports, quarterly financial statements, quarterly forecasts to Treasury Board, reports under the *Financial Information Act*, annual budgets, and summary financial outlooks to be included in annual service plans.

Information technology

Review with management

- IT risks, via the semi-annual risk-scan process
- IT strategy, and IT operating performance results and targets, annually
- IT policies, including the IT governance policy, annually
- IT spending, as part of the annual budgeting process and quarterly major project reporting
- Outcomes from material project spending, after management documents the project benefits realized

Recommend to the board for its approval

- Annual IT strategic plan, and any subsequent material changes to that plan
- Changes to IT policies, including to the IT governance policy

Internal controls

Meet with management and the external auditor at least once a year, and with management and the internal auditor at each regularly scheduled committee meeting, to

- review the design and effectiveness of the commission's internal controls and management information systems, and any recommendations for improvements
- discuss any matters that the committee, the external auditor or the internal auditor consider appropriate

Ensure that the internal auditor reviews the adequacy of, and compliance with, the commission's Corporate Services (HR, Finance, IT, IM, Project Management, Facilities) operational policies and procedures. Ensure that the internal auditor reviews compliance with commission operational policies and procedures in other areas, such as registrations, prospectus reviews, and compliance reviews, including oversight of self-regulatory organizations.

Review annually the commission's internal control structure and delegations of authority as they relate to financial management.

Other reviews

Review management's proposals for the appointment of the chief financial officer.

The committee chair reviews, and if appropriate approves, the expense claims of the chair, and reports to the committee at least annually on the nature of the claims approved.

Auditor independence

As the entity at the commission to which the external auditor reports, review

- the independence of the external auditor from the commission and its management, and report any concerns to the board
- the appointment of the external auditor, and recommend to the board the compensation and terms of engagement

The committee chair signs on behalf of the commission the engagement letters of the external auditor.

As the entity to which the internal auditor functionally reports

- approve the mandate, appointment, and compensation of the internal auditor
- review and approve the internal audit priorities and work plan for each year

Risk management

Review

- with the internal auditor, its approach to risk management and the scope of its review of commission internal controls and policies and procedures
- with management
 - o management's risk management plans, including its business continuity plan
 - o insurance coverage
 - o indemnities in place for commissioners and staff

Address such other issues of an internal control or risk management nature that may, from time to time, come before the committee or arise in its deliberations.

Terms of reference review and self-evaluation

On an annual basis, review these Terms of Reference and evaluate the committee's performance against them. Report the results of the review and self-evaluation, and make appropriate recommendations, to the governance committee.