

## **Audit Committee Terms of Reference**

### **A) PURPOSE**

The purpose of the Audit Committee (the "Committee") is to assist the Board in fulfilling its oversight responsibilities by:

- (i) reviewing the financial information which will be provided to Parliament and other stakeholders, the systems of corporate controls which Management and the Board have established, and the audit process; and
- (ii) assessing the Corporation's financial performance against the Corporate Plan.

The Committee affords Management, the Corporate Auditor, the external auditor, the Annual Cost Study auditor, the examiner and the auditor of the Pension Plans ("pension auditor") a direct conduit to the Board, without allocating to the Committee the ultimate decision-making powers of the Board, except as may be provided for herein, or the responsibilities which have already been appropriately delegated to Management.

For the purposes hereof "external auditors" means the sole or joint external auditor(s) for the Corporation, the Annual Cost Study auditor, the pension auditor, and when referring to a special examination, the examiner.

For the purposes hereof "Pension Plans" refers to the Defined Benefit and Defined Contribution Segments of both the Registered Pension Plan and the Supplemental Retirement Arrangement.

### **B) DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Board assigns to the Committee the following duties and responsibilities to be performed by the Committee on behalf of the Board:

#### **INTEGRITY OF FINANCIAL REPORTING**

- (1) Assist the Board in the discharge of its fiduciary responsibilities relating to the Corporation's and the Pension Plans' accounting policies, reporting practices and internal controls;
- (2) Advise the Board from time to time on the adequacy of audits and special examinations, the Annual Cost Study, accounting policies, disclosure, the quality of financial management and the effectiveness of accounting systems and internal controls;
- (3) Review and recommend to the Board the Corporation's quarterly and annual Financial Statements, Management's Discussion & Analysis for both, and the Pension Plans' annual financial statements;
- (4) Review and approve press releases for material financial items, including the Corporation's annual and quarterly financial results;
- (5) Review the Annual Report, and Quarterly Financial Reports with particular attention to the presentation of unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, changes in accounting principles, and significant variances between comparative reporting periods;
- (6) Review the content of the Corporate Plan and confirm to the Board that it is consistent with approved strategies, and that the assumptions used in Plan development are sound;



- (7) Review the Corporation's financial performance in relation to the Corporation's financial projections and Corporate Plan;
- (8) Review and ensure the appropriateness of the accounting policies used in the preparation of the financial statements of the Corporation and the Pension Plans, and approve and report any changes to such policies;
- (9) Receive reports on and review financial statements of any subsidiary in which the Corporation has a significant interest that will materially impact the Corporation's results;
- (10) Review and ensure the appropriateness of the Corporation's Enterprise Risk Management policies and assessment;
- (11) Review any litigation claims or other contingency that could have a material effect upon the financial position or operating results of the Corporation and the Pension Plans, and ensure appropriate disclosure thereof in documents reviewed by the Committee;
- (12) Review the quality and adequacy of the Corporation's system of internal control over financial reporting and its disclosure controls and procedures, including the oversight of Management's remediation of any significant deficiency or material weakness identified in the Corporation's internal control over financial reporting, and recommend changes to the internal control over financial reporting policy where appropriate;
- (13) Receive reports evaluating Management's responsibility to keep books and records and maintain systems and practices, including those for the Pension Plans;

#### **EXTERNAL AND INTERNAL AUDITS**

- (14) Make recommendations to the Board with respect to the appointment of the external auditors;
- (15) Review with the external auditors their respective annual audit plans for the Corporation (including their approach to risk assessment and an assessment of areas of greatest risk) as well as the associated fees and costs, and recommend their approval to the Board;
- (16) Review with the external auditors the content of their reports and any significant recommendations;
- (17) Maintain a direct line of communication with the Corporation's internal and external auditors, monitor the scope of their audit activities, and assess their performance;
- (18) Ensure that there is a proper relationship between Management and the internal and external auditors;
- (19) Review any significant problems encountered in performing the audits, the contents of any Management letters issued by the external auditors and Management's response thereto, and any unresolved significant issues between Management and the external auditors that could affect the financial reporting or internal controls of the Corporation;
- (20) Where the Corporation is undergoing a special examination, review and advise the Board with respect to the plan and reports referred to in sections 138 to 141 of the *Financial Administration Act*;
- (21) Ensure that the external auditors are in compliance with the standards for the independence of auditors, as set out by the Canadian Institute of Chartered Accountants;
- (22) Approve the fees and costs incurred or to be incurred by the external auditors for work done for the

Corporation, other than those fees and costs previously specified in section 15;

- (23) Review with the Corporate Auditor the annual internal audit plan and approve any changes to or restriction on the scope of the plan;
- (24) Receive reports from the Corporate Auditor regarding internal audit activity and advise the Board of any significant internal audit findings and recommendations, and Management's response thereto;
- (25) Consider and review with Management and the internal auditor:
  - a) the internal audit department mandate;
  - b) the internal audit department budget and staffing; and
  - c) any difficulties encountered by the Corporate Auditor in the course of his/her audits, including access to required information;
- (26) Review and approve the appointment and termination of the Corporate Auditor;
- (27) Annually evaluate the performance of the Corporate Auditor;

#### **OVERSIGHT**

- (28) Provide oversight on matters concerning the corporate policy on Disclosure of Improper Activities in the Workplace, including reviewing the content of regular reports received under the Policy;
- (29) Receive reports on and review at least annually the non-standard exception payments made to any one supplier where the cumulative value exceeds \$ 50,000;
- (30) Annually review a summary of the travel, entertainment and accommodation expense accounts of the Chairman of the Board;
- (31) Quarterly review a summary of the travel, entertainment and accommodation expense accounts of the President and Chief Executive Officer;

#### **GENERAL**

- (32) Meetings of the Committee
  - a) Meet regularly, not less than four times a year, and at such other time as may be requested by the Chairperson, the Corporate Auditor, the external auditors or any member of the Committee;
  - b) The Chairperson of the Committee shall set the agenda and the annual timeline ("Workplan") which shall then be circulated among the Committee members. Ordinarily the Chairperson will set the agenda in consultation with the Chief Financial Officer and the internal auditor;
  - c) The President and Chief Executive Officer, the Chief Financial Officer and the Corporate Auditor shall have direct access to the Committee and shall receive notice of and may attend all meetings of the Committee, except where the Committee meets in camera with any of the external auditors, the Corporate Auditor, members of senior management, or only with members of the Committee;



- d) The external auditors of the Corporation shall receive notice of and be invited to attend and be heard at all meetings of the Committee, and if so requested by a member of the Committee, the external auditors of the Corporation and the pension auditor shall attend any or every meeting of the Committee; and
  - e) The Corporate Auditor and the external auditors of the Corporation shall meet separately with the Committee in camera, at least once annually;
- (33) Conduct or authorize investigations into any matters within the Committee's scope of responsibilities and for that purpose, retain independent counsel, accountants, or others to assist it in the conduct of any investigation if required, and advise the Corporate Governance and Nominating Committee of the terms and conditions of any agreement with retained advisors;
  - (34) Enquire into and report on any indication of illegal, improper or sensitive items or of a need for a special inquiry on any matter;
  - (35) Periodically review these terms of reference to ensure they continue to be appropriate and, as deemed necessary, make recommendations to the Board for improvement; and
  - (36) Perform such other functions as assigned by law, the Corporation's By-laws, or the Board.

Effective: November 21<sup>st</sup>, 2013