

**AFSC BOARD OF DIRECTORS**  
**AUDIT COMMITTEE** Terms of Reference

**I. Purpose**

To assist the Board in its oversight responsibilities on matters relating to AFSC's fiscal management and financial reporting, internal controls, internal and external audit, and AFSC's compliance with relevant laws.

**II. Independence and Conflicts of Interest**

**Independence:** All members of the Audit Committee shall be independent directors of the Corporation and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

**Conflicts of Interest:** Where a matter for decision in which a Committee member has reasonable grounds to believe that the Committee member or an associated person has an actual or apparent private interest is before the Committee, the Committee member must declare that interest and withdraw from the meeting without participating in the consideration of the matter or voting on the matter.

**III. Composition and Meetings**

**Composition:** The Audit Committee shall be comprised of at least three members. The Chair of the Board of Directors shall be an ex-officio member of the Audit Committee, and the remaining members of the Committee shall be appointed by the Board to serve at the pleasure of the Board. If required by the Committee Chair, the Board may appoint one or more alternates to the Committee for the purposes of satisfying quorum for a Committee meeting. If an alternate is so appointed for a meeting, then that alternate is a member of the Committee only for that meeting. The Board shall review Committee membership annually.

**Appointment and Role of Chair:** The Board shall appoint the Chair of the Audit Committee. The Chair of the Audit Committee shall provide leadership to enhance the effectiveness of the Committee and act as the liaison between the Committee and the Board as well as between the Committee and management. The Chair shall manage the Committee's activities and meetings, and manage the process of reporting to the Board on the Committee's activities and related recommendations. If the Chair of the Committee is absent from a meeting, the Committee members who are present at that meeting may elect one of their number as the Chair for that meeting.

**Frequency of Meetings:** The Audit Committee shall meet at least four times annually or more frequently as required. As part of its duty to foster open communication, the Committee should meet at least annually with management, the Office of the Auditor General, and the Chief Audit Officer in separate sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

**Timing and Venue of Meetings:** Meetings will be convened by the Chair of the Audit Committee as required and at the request of the Office of the Auditor General or the Chief Audit Officer. The Committee shall meet sufficiently in advance of the Board meeting to allow adequate time for all Board members to be well informed of the deliberations and

recommendations of the Committee for considering the Committee's report at the Board meeting. The meetings may be held by telephone conference call. The Committee may also meet in-camera as required.

**Quorum:** A majority of the committee membership, including the Chair, being present at the meeting constitutes a quorum. The Committee Chair at a meeting will call an alternate to attend at the meeting if a member is required to meet quorum.

**Minutes:** Minutes of all Audit Committee meetings shall be maintained and made available to the Board of Directors. The Corporation shall arrange for clerical assistance to record minutes of meetings if requested.

**Voting:** The Chair of the Committee is a voting member of the Committee. The affirmative votes of a majority of the Committee members present at any meeting of the Committee at which a quorum is present are sufficient to pass a motion to bind all Committee members. The Board will resolve a motion if the Committee vote is a tie. The Committee Chair at the meeting in which there is a tie will present the motion for resolution to the Board at the next Board meeting.

#### **IV. Responsibilities and Duties**

##### **1. Fiscal Management and Financial Reporting**

Review the annual budget and three-year business plan and variances from budget and report to the Board.

Review and recommend to the Board the approval of quarterly and annual financial statements. Ensure compliance with generally accepted accounting principles and full and complete disclosure of financial transactions in the annual financial statements.

Review significant accounting and reporting issues, including complex and/ or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements.

Review and recommend to the Board approval of the report on investments held by AFSC.

##### **2. Internal Controls**

Consider and make recommendations to improve the effectiveness of the Corporation's internal control system.

Review the internal audit and external audit plans to ensure the combined evaluation and testing of internal controls are comprehensive, well-coordinated, cost effective and appropriate to business operations.

##### **3. Internal and External Audit**

Review and approve the scope and objectives of the annual internal audit plan and the annual audit plan of the Office of the Auditor General, including coordination of audit effort with the internal audit function. The Audit Committee shall coordinate the review of internal audit plan with input from the Risk Committee as necessary.

Review internal and external audit reports on significant findings and recommendations together with management's responses.

Monitor and protect the independence of the internal audit function by overseeing the department and ensuring it is adequately resourced to fulfil internal audit's mandate.

At least twice a year, review with management the action taken in response to any recommendations made by the Office of the Auditor General or internal audit.

#### **4. Compliance with Laws and Regulations**

Review outstanding legal actions by and against AFSC at least twice a year. Report to the Board any significant issues which may arise from any of these actions, and any financial implications for which provision has not been made in the financial statements.

Ensure procedures are in place to be able to independently deal with concerns from AFSC board members and employees relating to unethical or fraudulent activities, or serious infractions of the Code of Conduct and Ethics, by any AFSC personnel.

Ensure adequate systems are in place to monitor AFSC's compliance with relevant laws.

#### **5. Other**

Annually review the Audit Committee Terms of Reference to ensure its continued relevance and appropriateness, and make recommendations to the Board regarding updates.

Annually perform a self-assessment of Committee performance.

Review and provide input on disclosures regarding role of the Committee in the Corporation's annual report.

Perform other duties and responsibilities as may from time to time be delegated by the Board of Directors.

*Updated: December 2019*