

FINANCE AND AUDIT COMMITTEE

Terms of Reference (Approved by Council – February 20, 2020)

PURPOSE

The Finance and Audit Committee's purpose is to provide a transparent process of review and disclosure that enhances stakeholder confidence in the organization's financial reporting and investments; to review the adequacy and effectiveness of these activities; and to assist Council in its oversight of:

- 1) The integrity of APEGNB's financial reporting and disclosure processes
- 2) The appointment of the external auditors including their qualifications and independence
- 3) The performance of APEGNB's management and appointed auditors
- 4) The adequacy and effectiveness of internal controls,
- 5) Risk management, and
- 6) Investment fund performance.

Management is responsible for the preparation, presentation and integrity of APEGNB's financial statements and for maintaining appropriate accounting and financial reporting principles and policies.

The primary responsibility for information systems, risk management and internal controls of APEGNB is vested in management and overseen by Council.

The external auditors are responsible for planning and carrying out (in accordance with professional standards), an audit of APEGNB's annual financial statements. They are expected to attend at least one Finance and Audit Committee meeting annually.

COMPOSITION AND TERM

Council shall appoint seven members of APEGNB in good standing to the Committee as follows:

- APEGNB Vice-President
- One APEGNB Member who is not a member of Council to Chair the Committee and sub-committees
- One representative of the APEGNB Foundation Board (to serve on the Finance sub-committee)
- Two APEGNB Council Members (one to serve on the Audit sub-committee and one to serve on the Finance sub-committee) and
- Two APEGNB Members who are not Council members (one to serve on the Audit sub-committee and one to serve on the Finance sub-committee)

The President and the CEO of APEGNB are *ex officio* (non-voting) members of the Committee.

The Committee Chair plus three members of the Committee constitute a quorum.

The Committee members will be appointed for a term of three years and shall be eligible to serve no more than three (3) terms.

In the event of a vacancy prior to the conclusion of the term, Council may fill the vacancy by appointment for the duration of the term. In the event that a member of the Audit Committee is

temporarily unable to serve, an alternate may be appointed by Council to act in the member's absence.

The Committee shall meet semi-annually or more frequently as required. Financial statements shall be shared with the Finance sub-committee in advance of Council meetings.

Committee members shall be capable of sufficiently communicating policy monitoring requirements to prospective and selected auditors.

Committee members should possess the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to those that could be reasonably expected to be encountered at APEGNB, or acquire such financial literacy within a reasonable period of time after appointment to the Committee.

MANDATE

Subject to the powers and duties of Council, the Committee will perform the following duties in relation to APEGNB, as may be appropriate in the context:

1) FINANCIAL STATEMENTS AND OTHER STATEMENTS

The Committee will review and recommend for approval financial information. In this regard, the Committee will:

- a) Review and recommend to Council, if appropriate for approval, the financial content of the Annual Report;
- b) Review the unaudited financial statements and draft budget as prepared by Management in advance of the presentation to Council;
- c) Review and approve any significant proposed changes in financial reporting and accounting policies and practices.

2) INTERNAL CONTROL

The Committee will review and obtain reasonable assurance that the internal controls are operating effectively to produce accurate, appropriate and timely management and financial information and that they are appropriately addressing risks identified.

In this regard, the Committee will receive Management's status reports addressing internal control or management information system issues identified by external auditors or identified internally. Results of the Committee's review will be communicated to Council.

3) EXTERNAL AUDITOR

The Audit sub-committee is directly responsible for overseeing the work of the external auditor. The sub-committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. In this regard, the sub-committee will:

- a) Review and recommend to the Members the annual appointment of the external independent auditor
- b) Review and approve the terms of the annual external audit engagement plan, including but not limited to the following:
 - (i) engagement letter
 - (ii) objectives and scope of the external audit work
 - (iii) materiality limit
 - (iv) areas of audit risk
 - (v) staffing, and in particular, the lead audit partner and the audit partner responsible for reviewing the audit, including partner rotation
 - (vi) timetable, and
 - (vii) proposed fees
- c) Review and approve in advance, a non-audit service fee for unplanned work to be provided by the external auditor's firm and consider the impact on the independence of the external audit work.
- d) Assess the performance and independence of the external auditor
- e) Meet with the external auditor at least annually, to discuss financial statements, and the external auditor's report
- f) Ensure that direct and open communication exists among the sub-Committee, the external auditor and Management
- g) Review and advise Council with respect to the plan, conduct and reporting of the annual external audit, including but not limited to the following:
 - (i) Any difficulties encountered, or restriction imposed by Management, during the annual audit
 - (ii) Any significant accounting policies or financial reporting issues, alternative accounting treatments discussed with Management, ramifications and external auditors' preferred alternative, and any other material written communications with Management
 - (iii) The external auditor's evaluation of the internal control systems, procedures and documentation
 - (iv) The post audit or management letter containing any findings or recommendations of the external auditor including Management's response thereto and the subsequent follow-up to any identified internal control weaknesses
 - (v) Any significant disagreements between Management and the external auditor with regard to financial reporting
 - (vi) Any other matters that the external auditor brings to the attention of the Audit sub-Committee, and
 - (vii) Any issues relating to review or appointment of the external auditors

4) RISK MANAGEMENT AND INVESTMENT POLICY

The Committee supports Council's risk management oversight in areas relating to its specific mandate. Such risks include but are not limited to major financial risks and risks relating to financial controls and/or financial reporting. The Committee will discuss these risks and the steps that Management has taken to monitor and control such exposures.

The Committee will annually review management's fraud and other risk assessment. In order to do so it will:

- a) Review and approve for recommendation banking arrangements, including lines of credit and long-term debt;
- b) Recommend performance indicators and processes that assist Council to measure and monitor the organization's financial performance and related risk; and
- d) Recommend investment policies and monitor compliance and performance as outlined in the approved *Statement of Investment Objectives and Policies*.

5) AUTHORITY

The Committee's authority enables it to assist the Council in its work, while not interfering with Council fiduciary responsibility.

- a) The Committee has no authority to change or contravene Council policies.
- b) The Committee has no authority to spend or commit organization funds, unless such funds are specifically allocated by Council.
- c) The Committee has authority to use staff for administrative support around meetings.
- d) The Committee does not have authority to instruct the Chief Executive Officer or any other staff member, other than to request information required in the conduct of its duties, unless such authority has been delegated by Council.
- e) The Committee has the authority to meet independently with the external auditors, Management or any other persons to discuss any matters that the Committee believes should be discussed.

6) OTHER

The Committee will also carry out such other duties as may be determined from time to time by resolution of Council.

The Committee will have access to Management and APEGNB documents as required. It will also be provided with the resources necessary to carry out its responsibilities. The Audit sub-committee may engage independent counsel and other advisors, and set and pay the compensation for any advisors so engaged subject to Council approval.

In co-ordination with the Council, the Committee shall annually review and assess the adequacy of its mandate in relation to evolving best practices and evaluate its effectiveness in fulfilling its mandate.

The Committee shall prepare a written report of its discussions and decisions for inclusion in Council's meeting package as well as the Annual Report.