
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:

- (1) 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
- (2) assessing the Corporation's financial performance against the Corporate Plan.

The Committee affords management, the internal auditor, the external auditor, the Annual Cost Study auditor, the examiner and the auditor of the Pension Plan(s) ("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.

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 accounting policies, reporting practices and internal controls;
- 2) assist the Board in the discharge of its fiduciary responsibilities relating to the Pension Plan's(s') accounting policies, reporting practices and internal controls;
- 3) 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;
- 4) review the Corporation's and the Pension Plan('s) audited financial statements and quarterly financial reports and recommend their approval to the Board;
- 5) review the Corporation's financial performance in relation to the Corporation's financial forecast and the Corporate Plan;
- 6) review the Annual Report with particular attention to the presentation of unusual or sensitive matters such as disclosure of related party transactions, of significant non recurring events, of changes in accounting principles and all significant variances between comparative reporting periods;
- 7) receive the Annual Cost Study Contribution Analysis;
- 8) receive the Statement of Management's Responsibility for Financial Reporting as signed by senior management;

- 9) ensure that there are reports made to it evaluating management's responsibility to keep books and records and maintain systems and practices including those for the Pension Plan(s);
- 10) 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 Plan(s), and ensure appropriate disclosure thereof in documents reviewed by the Committee;
- 11) review and ensure the appropriateness of the accounting policies used in the preparation of the Corporation's and the Pension Plan('s) financial statements, and recommend any changes to such policies;
- 12) receive reports on the Corporation's and the Pension Plan's(s') internal control policies and procedures and recommend changes where appropriate;
- 13) receive reports on and review financial statements of a subsidiary or any entity in which the Corporation has a significant interest;
- 14) review and ensure the appropriateness of policies with respect to risk assessment and risk management, the process by which risk assessment and management is handled including the steps management has taken to monitor and control the Company's risk exposure;
- 15) review the quality and adequacy of the Company's system of internal control over financial reporting and its disclosure controls and procedures, including the oversight of management's remediation of any significant deficiencies or material weaknesses identified in the Company's internal control over financial reporting;

External and Internal Audits

- 16) maintain a direct line of communication with the Corporation's internal and external auditors, the Annual Cost Study auditor, the pension auditor and with the examiner, and monitor the scope of their audit activities and assess their performance;
- 17) ensure that there is a proper relationship between management and the internal and external auditors, the Annual Cost Study auditor, the pension auditor and the examiner and a climate of integration and reliance between the audit groups;
- 18) review, discuss and consider with the external and internal auditors, the Annual Cost Study auditor, the examiner, and the pension auditor their approach to risk assessment including an annual assessment of areas of greatest risk to the Corporation or the Pension Plan(s) and steps taken to address those risks;
- 19) review with the external auditor and the Annual Cost Study auditor their respective annual audit plans for the Corporation and associated fees and costs, and with the examiner the special examination plan and associated fees and costs at least every 10 years, and with the pension auditor the Pension Plan(s) annual audit plan and associated fees and costs, and recommend their approval to the Board;
- 20) review with the external auditor, the Annual Cost Study auditor and the pension auditor the contents of their annual audit reports, and with the examiner the contents of the special examination report and review any significant recommendations from the external auditor, the Annual Cost Study auditor, the examiner or the pension auditor to strengthen the internal controls of the Corporation;
- 21) review any significant problems encountered in performing the audits, the contents of any management letters issued by the external auditor, the Annual Cost Study auditor, the

- examiner or the pension auditor to the Corporation, and management’s response thereto, and any unresolved significant issues between management and the external auditor, the Annual Cost Study auditor or the pension auditor that could affect the financial reporting or internal controls of the Corporation;
- 22) ensure that where there are unresolved issues, there is an agreed upon course of action for resolution of such issues; or a recommendation to the Board to decide upon such issues;
- 23) 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*;
- 24) make recommendations to the Board with respect to the appointment of the external auditor of the Corporation, the Annual Cost Study auditor, the examiner and the pension auditor;
- 25) ensure that the external auditor, the Annual Cost Study auditor, the examiner and the pension auditor are in compliance with the standards for the independence of auditors as set out by the Canadian Institute of Chartered Accountants;
- 26) approve the fees and costs incurred or to be incurred by the Corporation's external auditor, the Annual Cost Study auditor, the examiner and the pension auditor, other than those fees and costs previously specified in section (19);
- 27) review with the internal auditor the annual internal audit plan and, thereafter, significant internal audit findings and recommendations, and management's response thereto;
- 28) consider and review with management and the internal auditor:
- a) any difficulties encountered by the internal auditor in the course of his/her audits, including any changes to or restrictions on the scope of his/her work or access to required information;
 - b) the internal auditing department budget and staffing; and
 - c) the internal auditing department mandate;
- (29) review and approve any changes to or restriction on the scope of the annual internal audit plan;
- (30) review and approve the appointment and termination of the internal auditor;
- (31) annually evaluate the performance of the internal auditor;

Oversight

- (32) provide oversight on matters concerning the corporate policy on Disclosure of Improper Activities in the Workplace, including receiving reports from the Corporate Compliance Officer under the said Policy;
- (33) review funding and accounting policies for the Pension Plan(s);
- (34) 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;
- (35) annually review the travel, entertainment and accommodation expense accounts of the Chairman of the Board;

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- (36) quarterly review a written summary of the travel, entertainment and accommodation expense accounts of the President and Chief Executive Officer which were previously approved by the Chairman of the Board;

General

- (37) Meetings of the Committee
- a) meet regularly, not less than four times a year, and at such other times as may be requested by the Chairperson. The internal, the external auditor or the pension auditor or any member of the Committee may call a meeting 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 internal 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 the external auditor, internal auditor, the Annual Cost Study auditor, the examiner and/or the pension auditor, or members of senior management or only with members of the Committee;
 - d) the external auditor 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 auditor and the pension auditor shall attend any or every meeting of the Committee; and
 - e) the internal auditor, the external auditor and the pension auditor shall each meet separately with the Committee in camera, at least once annually;
- (38) conduct or authorize investigations into any matters within the Committee's scope of responsibilities and for that purpose, with the prior approval of the Corporate Governance Committee, retain independent counsel, accountants, or others to assist it in the conduct of any investigation if required;
- (39) enquire into and report on any indication of illegal, improper or sensitive items or of a need for a special inquiry on any matter;
- (40) periodically review these terms of reference to ensure they continue to be appropriate and, as deemed necessary, make recommendations to the Board for improvement;
- (41) perform such other functions as assigned by law, the Corporation's By-laws, or the Board.

Revised: November 23, 2011