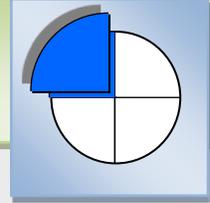


## GP-9.2 AUDIT COMMITTEE TERMS OF REFERENCE



**Policy Type:** Governance Process

The Audit Committee enhances the Board's effectiveness and efficiency in fulfilling its external and direct inspection monitoring responsibilities for fiscal policy.

### **Purpose/Products**

1. A transparent process of review and disclosure that enhances stakeholder confidence in the organization's financial reporting.
  - 1.1 An effective Board relationship with the external financial auditor which enables professional, independent audit services.
    - 1.1.1 Options and implications for Board decision regarding selection of an auditor, including but not limited to:
      - 1.1.1.1 Independence of potential auditors.
    - 1.1.2 Understanding by the auditor of the Board's requirements for an external examination of compliance with the financial policies as determined by the Board in its monitoring schedule as stated in the Monitoring chief executive officer Performance policy.
    - 1.1.3 An opinion for the Board's decision of the appropriateness of the scope in the auditor's proposal, including areas of audit risk, timetable, deadlines and materiality limits, and of the projected audit fee.
    - 1.1.4 An opinion for the Board, based on evidence required of the external auditor, as to whether the independent audit of the organization was performed in an appropriate manner.
    - 1.1.5 An annual report to the Board highlighting the committee's review of the audited financial statements and any other significant information arising from their discussions with the external auditor.
    - 1.1.6 An annual report to the Annual Meeting of Members to include:
      - 1.1.6.1 The Board's recommendation concerning the audited financial statements



1.1.6.2 A summary of the auditors' observations together with Engineers Canada management response for Engineers Canada Board consideration; and,

1.1.6.3 The Board's recommendation for the appointment of the auditors.

- 1.2 ~~A self-monitoring report on the appropriateness of the spending by the Board, the Board committees, and Board officers based upon criteria in the Board GP-10 policy on Board expenses, including periodic random audit of relevant expense accounts. A report by the auditors on the appropriateness of the spending by the Board, the Board committees and Board officers based upon criteria in the Board GP-10 policy on Board expenses. The report shall be provided to the Board at its spring meeting.~~
- 1.3 Current information for the Board on significant new developments in accounting principles or relevant rulings of regulatory bodies with implications for the Board's fiscal policies.

### **Authority**

2. The Committee's authority enables it to assist the Board in its work, while not interfering with Board holism.
- 2.1 The Committee has no authority to change or contravene Board policies.
- 2.2 The Committee has no authority to spend or commit other organization funds, unless such funds are specifically allocated by the Board.
- 2.3 The Committee has authority to use staff resource time normal for administrative support around meetings.
- 2.4 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 the Board.
- 2.5 The Committee has the authority to meet independently with the organization's external auditors.
- 2.6 The Committee shall operate in accordance with the Board's Special Rules of Order policy.



### **Composition:**

3. The Committee's composition shall enable it to function effectively and efficiently.
  - 3.1 On an annual basis the Board shall appoint Committee members as follows:
    - One Director as the Committee Chair
    - Two Directors
    - One representative with a professional accounting designation from a constituent association
  - 3.1.1 No Directors of the Executive Committee shall be named to the Audit Committee.
  - 3.1.2 Committee members who are also Directors may serve a maximum of three one-year terms.
  - 3.1.3 The Board shall maintain sufficient continuity and develop future capacity in its Committee appointments.
  - 3.1.4 In the event of a vacancy prior to the conclusion of the term, the Board 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 the Board to act in the member's absence.
- 3.2 The Committee Chair plus another two members of the Committee who are representatives from the Board and/or the constituent associations constitute a quorum.
- 3.3 Committee members shall possess competencies needed to provide the products expected of the committee
  - 3.3.1 Committee members shall be capable of sufficiently communicating policy monitoring requirements to prospective and selected auditors.
  - 3.3.2 Committee members shall be financially literate (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 Engineers Canada), or acquire such financial literacy within a reasonable period of time after appointment to the Committee.

