

## **I. PURPOSE**

- A.** The Audit Committee (the “Committee”) assists the Board by providing oversight to the following areas:
- i) Financial systems, budget allocation frameworks, funding frameworks, risk and internal controls;
  - ii) External audit.
  - iii) Compliance with legislation, regulations, legislative mandate and public sector reporting requirements as they relate to the scope of the Audit Committee
- B.** Primary responsibility these areas is vested in the management of the Industry Training Authority (“the Authority”).

## **II. COMPOSITION AND OPERATIONS**

- A.** The Committee shall be composed of not fewer than three directors and not more than five directors, all of whom shall be independent from management and have no direct or indirect material relationship with the Authority.
- B.** The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in Tab C-1 of the Board Manual.
- C.** All Committee members shall be “financially literate”<sup>1</sup> and at least one member will have accounting or financial management expertise.
- D.** The Committee shall meet at least four times each year.

## **III. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Committee will perform the following duties:

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<sup>1</sup> The Board has defined “financial literacy” as the ability to read and understand a balance sheet, income statement and a cash flow statement in accordance with Canadian GAAP. Where there is a requirement for a director to have accounting or financial expertise, this means the director shall have the ability to analyze and understand a full set of financial statements, including the notes attached thereto in accordance with Canadian GAAP.

**A. Financial Systems, Risk & Internal Control Oversight**

The Committee:

- i) is responsible for reviewing and approving financial and performance information provided to Government and stakeholders
- ii) reviews significant budget allocation frameworks (e.g. training delivery, ITO service provision) for reasonableness and appropriateness
- iii) reviews the quality and accuracy of financial and performance information (including the Management Discussion and Analysis portion of the Annual Report) to ensure it accurately and completely portrays the organization's economic circumstances
- iv) reviews significant accounting accruals, reserves, judgements and estimates and any accounting policy changes for reasonableness and appropriateness
- v) regularly reviews information related to the organization's financial and operational risks, and management's processes to mitigate these risks, to assess whether the organization has appropriate systems in place to identify and manage risk
- vi) reviews corporate risk profile at least annually and is educated and aware of key warning signals that indicate problems (ie indicators of fraud, potential risks and exposure to the organization)
- vii) regularly reviews the organization's internal control framework, including controls over financial reporting, information technology and data security, for adequacy and effectiveness
- viii) reviews all public reporting by the organization to ensure it represents a complete, accurate and balanced picture of the organization's performance and financial situation.

**B. Level of Spending Authority**

The Committee:

- i) is responsible for approving spending level authority for operating and capital expenditures

**C. External Audit Oversight**

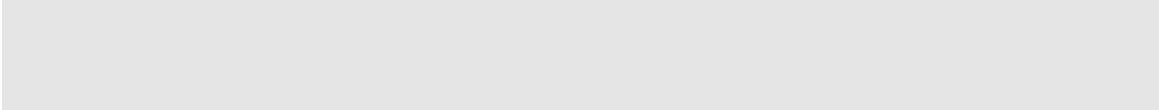
The committee:

- i) Recommends the appointment and compensation of the external auditor
- ii) Oversees independence of the external auditor. The external auditor reports directly to the Audit Committee
- iii) Works with the external auditor to define the purpose of the audit, identify areas for review, review and approve the audit plan, and review the audit results
- iv) Reviews and pre-approves any non-audit related services to be provided by the external auditor
- v) Meets with the external auditor at least twice per year
- vi) Holds in-camera meetings with the external auditor

**D. Other oversight responsibilities**

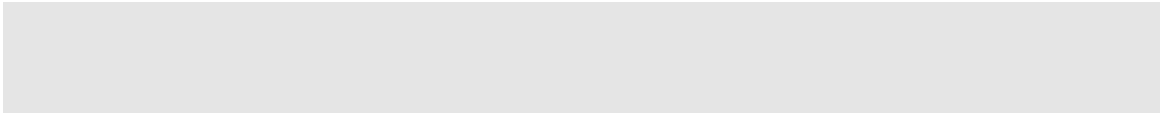
The Committee:

- i) Monitors the organization's compliance with legislation, regulations, legislative mandate and public sector reporting requirements as they relate to the scope of the Audit Committee.
- ii) Ensures that the organization establishes a formal whistle blowing policy, reviews the adequacy of this policy and the organization's adherence to it
- iii) Provides a direct link to Provincial audit authorities such as the Auditor General's Office
- iv) Interviews the CEO and the CFO and where appropriate, other members of the organization's executive/senior management team at least once a year to maintain current and adequate knowledge of the organization

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- v) Reviews any proposed changes to the positions of the organization's CFO
  - vi) As required engages independent counsel and other advisors with the prior approval of the Board Chair

#### **IV. ACCOUNTABILITY**

- A.** The Committee Chair has the responsibility to make periodic reports to the Board.

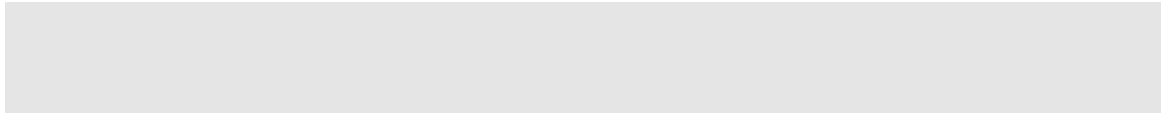


**V. COMMITTEE TIMETABLE**

The following timetable outlines the Committee's schedule of activities based on the preceding duties and responsibilities.

	AS REQ'D	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>Activity</b>													
<b>A. Financial Statements, Risk &amp; Internal Control Oversight</b>													
i) review and approve financial and performance information provided to Government and stakeholders		X			X	X		X			X		
ii) review significant budget allocation frameworks (e.g. training delivery, ITO service provision) for reasonableness and appropriateness	X	X											
iii) review the quality and accuracy of financial and performance information (including the Management Discussion and Analysis portion of the Annual Report) to ensure it accurately and completely portrays the organization's economic circumstances						X							
iv) review significant accounting accruals, reserves, judgements and estimates and any accounting policy changes for reasonableness and appropriateness	X					X							
v) review information related to the organization's financial and operational risks, and management's processes to mitigate these risks, to assess whether the organization has appropriate systems in place to identify and manage risk											X		
vi) review corporate risk profile at least annually and to be aware of key warning signals that indicate problems (i.e. indicators of fraud, potential risks and exposure to the organization)											X		
vii) review the organization's internal control framework, including controls over financial reporting, information technology and data security, for adequacy and effectiveness											X		
viii) review all public reporting by the organization to ensure it represents a complete, accurate and balanced picture of the organization's performance and financial situation.		X				X							

	AS REQ'D	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>B. Levels of Spending Authority</b>													
i) approve spending level authority for operating and capital expenditures	X							X					
<b>C. External Audit Oversight</b>													
i) Recommend the appointment of and approve compensation for the external auditor		X									X		
ii) Oversee independence of the external auditor. The external auditor reports directly to the Audit Committee.		X											
iii) Work with the external auditor to define the purpose of the audit, identify areas for review, review and approve the audit plan, and review the audit results		X				X							
iv) Review and pre-approve any non-audit related services to be provided by the external auditor	X												
v) Meet with the external auditor at least twice per year		X				X							
vi) Hold in-camera meetings with the external auditor		X				X							
<b>D. Other</b>													
i) Monitor the organization's compliance with legislation, regulations, legislative mandate and public sector reporting requirements as they relate to the scope of the Audit Committee.	X							X					
ii) Ensure that the organization establishes a formal whistle blowing policy, reviews the adequacy of this policy and the organization's adherence to it								X					
iii) Provide a direct link to Provincial audit authorities such as the Auditor General's Office	X												
iv) Interview the CEO and the CFO and where appropriate, other members of the organization's executive/senior management team at least once a year to maintain current and adequate knowledge of the organization								X					



	AS REQ'D	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
v) Review any proposed changes to the positions of the organization's CFO	X							X					
vi) Engage independent counsel and other advisors with the prior approval of the Board Chair	X												
<b>E. Review Terms of Reference</b>								X					