

**THE ASSOCIATION OF PROFESSIONAL ENGINEERS, GEOLOGISTS AND  
GEOPHYSICISTS OF ALBERTA (APEGGA)**

**AUDIT COMMITTEE  
TERMS OF REFERENCE**

**A. OVERVIEW AND PURPOSE**

1. The Audit Committee (the "Committee") is a standing Committee of APEGGA Council ("Council") and is appointed by Council on the recommendation of the President. The Committee is accountable and responsible to Council. The Committee approves, monitors, evaluates, advises and makes recommendations, in accordance with these terms of reference, on matters affecting the external audit, risk management matters, and the financial reporting and accounting control policies and practices of the Association.

**B. MEMBERSHIP & ATTENDANCE AT MEETINGS**

1. The members of the Committee shall be composed of at least four independent members of Council appointed annually by the Council on the recommendation of the President, one of which shall be a Public Member, and all of whom must be financially literate. For greater clarity, the following are noted:
  - (a) an independent member of Council is one who does not receive any fee of any kind from the Association other than fees related to being a member of Council, and
  - (b) financially literate means the ability to read and understand a set of financial statements that are comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of APEGGA.
2. The Chair of the Committee shall be designated by the Council on the recommendation of the President.
3. Attendance by invitation at all or a portion of Committee meetings is determined by the Committee Chair or its members, and would normally include the appropriate accounting personnel of the Association, representatives of the external auditors, and such other officers or support staff as may be deemed appropriate.
4. The Executive Director shall provide appropriate support staff and all necessary documentation to the Committee as required.

## **C. DUTIES AND RESPONSIBILITIES**

1. Review, and recommend to Council for approval, the annual audited financial statements.
2. Review, and recommend to Council for approval, the financial content of the annual report.
3. Discuss with management the Association's major risk exposures and the steps management has taken to monitor and control such exposures, including the Association's risk assessment and risk management policies.
4. Review with management on an annual basis, the Association's obligations pursuant to guarantees that have been issued and material obligations that have been entered into, and the manner in which these guarantees and obligations have been, or should be, disclosed in the financial statements.
5. Review and assess, in conjunction with management and the external auditor, at least annually:
  - (a) the appropriateness of accounting policies and financial reporting practices used by the Association, including alternative treatments that are available for consideration;
  - (b) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Association;
  - (c) any new or pending developments in accounting and reporting standards that may affect or impact on the Association;
  - (d) the key estimates and judgements of management that may be material to the financial reporting of the Association; and
  - (e) uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole and significant misstatements resulting from errors that were corrected by management.
6. Assess the performance and consider the annual appointment of external auditors for recommendation to the Council for ultimate recommendation for appointment by the Members.
7. Review and approve the annual engagement letter with the external auditor, and ensure there is a clear understanding between the Council, the Committee, the external auditor and the management that the external auditor reports directly to the Members and the Council through the Committee.

8. Review the auditor's annual work plan that should include, but not be limited to the following:
  - (a) staffing;
  - (b) objectives and scope of the external audit work;
  - (c) materiality limits;
  - (d) audit reports required;
  - (e) areas of audit risk;
  - (f) timetable; and,
  - (g) the proposed fees.
9. Obtain and review a report from the external auditor at least annually regarding the auditor's independence and the profession's or audit firm requirements regarding audit partner rotation.
10. Approve, before the fact, the engagement of the external auditor for all non-audit services and the fees for such services, and consider the impact on the independence of the external audit work of fees for such non-audit services.
11. Review all fees paid to the external auditors for audit services and, if appropriate, recommend their approval to the Council.
12. Receive and resolve any disagreements between management and the external auditors regarding all aspects of the Corporation's financial reporting.
13. Review with the external auditors the results of the annual audit examination including, but not limited to, the following:
  - (a) any difficulties encountered, or restrictions imposed by management, during the annual audit;
  - (b) any significant accounting or financial reporting issues;
  - (c) the auditors' observations and comments on the Association's system of internal accounting controls, procedures and documentation as a result of their audit;
  - (d) the post-audit or management letter containing any findings or recommendations of the external auditors including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses; and
  - (e) and any other matters which the external auditors should bring to the attention of the Committee.
14. Meet with the external auditors, at least annually or as requested by the auditors, without management representatives present; and to meet with management, at least annually, without the external auditors present.
15. Obtain reasonable assurance, by discussions with and reports from management and the external auditors, that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented.

16. At least annually, request the external auditor to provide their views on the quality (not just the acceptability) of the Association's financial reporting. Such quality assessment should encompass judgements about the appropriateness, aggressiveness or conservatism of estimates and elective accounting principles or methods and judgements about the clarity of disclosures.
17. Review with management and the auditors, the process and controls in place to mitigate the risk of fraud.
18. When there is to be a change in the external auditor, review all issues related to the change and the planned steps for an orderly transition.
19. Review any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Association, and the manner in which these matters have been disclosed in the financial statements.
20. Conduct an annual assessment of the effectiveness of the Committee and provide a report thereon to Council.
21. Review annually the terms of reference for the Committee and to recommend any required changes to Council.
22. Provide reports and minutes of meetings to Council.

#### **D. MEETINGS**

1. Meetings of the Committee are held as required, at least annually.
2. Meetings may be called by the Committee Chair or by a majority of the Committee members in conjunction with the Executive Director's Designate.
3. Meetings are chaired by the Committee Chair or, in the Chair's absence, by a member chosen by the Committee from among themselves.
4. A quorum for the transaction of business at any meeting of the Committee is a majority of the appointed members.
5. The Executive Director's designate shall take minutes of all meetings and shall provide for the delivery of such minutes to the Committee, as well as notices of meetings, agendas and supporting materials, on a timely basis.
6. Meetings may be conducted with members present, or by teleconference, videoconference, e-mail or other communications facilities which permit all persons participating in the meeting to hear or communicate with each other.
7. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee is as valid as one passed at a Committee meeting.