

**TERMS OF REFERENCE  
FOR  
AUDIT COMMITTEE**

**A. INTERPRETATION**

In these Terms of Reference,

“Act” means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;

“ASC” means the Alberta Securities Commission;

“Chair” means the Chair of the Commission;

“Commission” means all of the Members, acting in a capacity comparable to that of a board of directors of a corporation;

“financially literate” has the meaning ascribed to it in Multilateral Instrument 52-110 *Audit Committees*;

“Independent Member” is a Member who is neither an officer nor employee of the ASC; and

“Member” means a Member of the ASC appointed pursuant to the Act.

**B. PURPOSE**

The purpose of the Audit Committee is to be directly responsible for overseeing the work of the external auditor, to assist the Members in reviewing the financial information that will be provided to the Alberta Minister of Finance and to the public and to review the systems of financial internal controls that management has implemented and to review financial risk management.

**C. COMPOSITION AND TERM OF OFFICE**

1. The Audit Committee is established pursuant to Section 7.5 of By-Law No. 1 of the ASC. The Audit Committee shall be comprised of not less than three Members, all of whom shall be financially literate Independent Members and one of whom shall be designated chair of the Audit Committee.
2. Notwithstanding paragraph C1, the Chair of the Commission shall be an ex-officio, non-voting member of the Audit Committee.
3. The members of the Audit Committee shall be appointed by the Members at the first meeting of the Members following each fiscal year end of the ASC. Where a vacancy occurs at any time in the membership of the Audit Committee, it may be filled by the Members of the Commission, and shall be filled by the Members if

the membership is less than three, excluding the ex-officio member, as a result of the vacancy.

**D. PROCEDURE**

1. The time and place of meetings of the Audit Committee and the procedure at such meetings shall be determined from time to time by its members, provided that:
  - (a) two members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other, constitutes a quorum for the transaction of business at a meeting;
  - (b) the Audit Committee shall meet at least four times each fiscal year and shall report to the Members on its activities following each meeting;
  - (c) a meeting of the Audit Committee may be called by the chair of the Audit Committee or by the Chair of the ASC. The Audit Committee shall at all times have the right to determine who shall or shall not be present at any part of a meeting of the Audit Committee; and
  - (d) notice of any meeting of the Audit Committee shall be given to all members of the Audit Committee not less than 24 hours before the meeting is to take place and in the manner specified in By-Law No. 1 for meetings of Members of the Commission.
2. The chair of the Audit Committee shall be appointed by the Members upon the appointment of the members of the Audit Committee. In the event that the chair of the Audit Committee is absent from a meeting, the members of the Audit Committee shall appoint a chair for that meeting.
3. Questions arising at a meeting of the Audit Committee shall be decided by a majority of votes. In the case of a tie vote, the chair of the Audit Committee shall be entitled to a second or casting vote.
4. Minutes of all meetings shall be taken by the secretary of the meeting appointed by the members of the Audit Committee in attendance. The secretary of the meeting may be a person other than a member of the Audit Committee.

**E. DUTIES AND POWERS**

The Members delegate to the Audit Committee the powers and duties to:

1. review, approve and recommend to the Members for approval;
  - (a) the Commission's financial statements, Management's Discussion and Analysis and accounting or financial press and web releases before publication; and

- (b) the business plan and budget of the Commission;
2. review the Annual Report to ensure consistency of financial reporting in the financial statements of the Commission;
3. meet with Alberta Investment Management annually to review the investments of the Commission;
4. in consultation with management and the external auditors, consider the integrity of the Commission's financial reporting processes and financial internal controls, discuss significant financial risk exposures and the steps management has taken to control, monitor and report such exposures and review any significant findings prepared by the external auditors together with management's responses;
5. review and report to the Members quarterly on the following matters:
  - (a) material accounting or financial recording issues and internal control issues over financial reporting;
  - (b) material litigation and its financial impact;
  - (c) on-going areas of potential major financial risk and exposure, or matters that may have a material impact on financial results and well-being; and
  - (d) expense claims of all Members;
6. approve the expense claims of the Chair;
7. monitor internal controls over financial reporting and review accounting policies and practices;
8. with respect to the external auditors:
  - (a) oversee the work of the external auditors, including the resolution of any disagreements between management and the external auditors regarding financial reporting;
  - (b) communicate directly with the external auditors and consult with the external auditors and financial management with respect to the adequacy of internal controls over financial reporting;
9. pre-approve all services to be provided to the Commission with respect to financial internal control matters;
  - (a) review the report of the external auditors on the annual financial statements; and
  - (b) review and approve the Commission's hiring policies regarding employees and former employees of the external auditor;

10. establish complaint procedures for the receipt, retention and treatment of complaints received by the Commission regarding accounting, internal accounting controls or auditing matters, including the receipt of confidential, anonymous complaints by employees which would require that such complaints are made directly to the Chair of the Audit Committee;
11. confirm with management that all statutory withholdings and remittances required to be made in respect of the Commission's employees or otherwise have been duly made;
12. engage independent counsel and other advisers as it determines necessary to carry out its duties and to set and pay the compensation for any advisers engaged by it;
13. perform such other functions of an internal control or risk management nature that may from time to time be brought before the Audit Committee or be raised in its deliberations;
14. perform such other functions as may be delegated by the Commission from time to time; and
15. review annually these terms of reference and make such recommendations for change or amendment to the Members as are determined appropriate.

**TIMETABLE FOR MEETINGS OF AUDIT COMMITTEE**

<b>AGENDA ITEM</b>	<b>J</b>	<b>F</b>	<b>M</b>	<b>A</b>	<b>M</b>	<b>J</b>	<b>J</b>	<b>A</b>	<b>S</b>	<b>O</b>	<b>N</b>	<b>D</b>
<b>A. Audit Plan</b>												
1. Review the scope of audits with external auditors		X										
<b>B. Internal Controls</b>												
1. Receive report of external auditors and management's response and discuss same with external auditors and management						X						
2. Report to Commission						X						
<b>C. MD&amp;A</b>												
1. Review MD&A with management and report to Members		X				X		X			X	
<b>D. Financial Statements</b>												
1. Review unaudited quarterly financial statements with management and report to Members		X						X			X	
2. Review draft audited annual financial statements with management and external auditors and report to Members						X						
3. Meet with Alberta Investment Management to review ASC investments								X				
4. Review ASC investments		X				X					X	
<b>E. Budget and Business Plan</b>												
1. Review draft business plan and budget with management and report to Members												X
<b>F. Member Expense Claims</b>												
1. Review expense claims of all Members and report to Members		X				X		X			X	
2. Approve expense claims of Chair		X				X		X			X	