

## **IRHA Audit Committee Terms of Reference**

### **DEFINITIONS**

“Board” shall mean the Board of Directors of the IRHA.

“Committee” shall mean the Audit Committee.

“Executive” shall mean the Board Executive Committee

### **1. Purpose:**

The primary responsibility for the financial reporting, accounting system and internal controls is vested in the senior management and is overseen by the Board. This Committee has been established by the Board to assist it in fulfilling its' responsibilities by gaining reasonable assurance of the following:

- that the IRHA complies with the applicable laws, regulations, rules, policies and other requirements of governments and regulatory agencies relating to financial reporting and disclosure;
- that management of the IRHA has assessed areas of potential significant financial risk to the IRHA and taken appropriate measures;
- the independence and satisfactory performance of duties by the IRHA's independent auditors;
- that the accounting principles, significant judgments and disclosures that underlie or are incorporated in IRHA's financial statements are the most appropriate in the prevailing circumstances;
- that the IRHA's quarterly and annual financial statements present fairly the IRHA's financial position and performance in accordance with generally accepted accounting principles; and,
- that appropriate information concerning the financial position and performance of the IRHA is disseminated in a timely manner.

### **2. Membership**

- The Committee shall consist of five (5) members of the Board.
- The Board Chair and Vice-Chair are voting members.
- The auditor shall be entitled to receive notice of every meeting and is entitled to attend, when there are issues to be reported.
- The Chief Executive Officer, the Vice President of Corporate Services, and the Director of Finance are ex-officio attendees.

### **3. Sub-Committees**

- The Committee may establish sub-committees and determine appropriate terms of reference for the sub-committees.
- Sub-committees shall report to the Committee with recommendations for the Committee's consideration.

#### **4. Term of Office**

- Members shall be appointed by the Board Chair on an annual basis.

#### **5. Chair**

- The Board, upon recommendation of the Committee shall appoint a Chair for the term of one year. The Chair will be eligible for re-appointment.

#### **6. Meetings and Operating Procedures**

- The Committee shall meet at least four (4) times annually, or more frequently at the call of the Chair or any two (2) members of the Committee.
- A quorum shall be a majority of the voting members of the Committee present.
- Each member, including the Chair, shall be entitled to one vote on any resolution placed before the Committee. All matters to be decided by the Committee shall be decided by a simple majority of members voting thereon. In the event of a tie vote, the matter may be referred to the Board at the request of a minimum of half the members present.
- In the absence of the Chair of the Committee, the members shall appoint an acting Chair.
- A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee prior to the next regular meeting of the Board.
- The Chair of the Committee shall prepare and/or approve an agenda in advance of each meeting.
- The Committee, in consultation with management and the independent auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact IRHA's financial policies and disclosures.
- The Committee shall communicate its expectations to management and the independent auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the independent auditors in advance of meeting dates.
- The Committee may meet privately in in-camera session with management, the independent auditors and/or as a Committee to discuss any matters that the Committee or any of these groups believes should be discussed.
- The Committee shall annually review, discuss and assess its own performance and effectiveness.
- The Committee shall review the terms of reference annually or more frequently, if required, and recommend any changes considered necessary for adoption by the Board.
- Meetings may be held via conference call.

## 7. Audit Responsibilities

The Committee shall be responsible for assisting the Board in discharging its' responsibilities in the areas of financial reporting and internal controls. The specific areas of responsibilities are:

- review the processes for the annual financial statements and audit and report to the Board on their appropriateness;
- obtain reasonable assurance from discussions with management and external auditors that the financial systems are reliable and internal controls are operating effectively. If necessary, direct the auditors' examinations to particular areas;
- review the statutory and regulatory obligations, including timely remittance of income and other taxes and other payroll withholdings;
- monitor policies for engaging external consultants and advisors;
- monitor policies and procedures related to CEO expenses on an annual basis;
- discuss specific legal liability issues with legal counsel for financial implications;
- monitor EL Policies related to financial reporting and controls;
- review the narrative sections of the Annual Report to ensure they are consistent with the financial statements and financial results;
- review other financial information included in the Annual Report;
- ensure that management and/or the external auditors keep the Committee informed about fraud, illegal acts and deficiencies in internal control; and,
- review the following with management with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:
  - Management's tolerance for financial risks;
  - Management's assessment of significant financial risks facing the IRHA;
  - IRHA's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks;
- on at least an annual basis, review any legal matters that could have a significant impact on the IRHA's financial statements, the IRHA's compliance with applicable laws and regulations, or inquiries received from regulators or governmental agencies.

## 8. External Auditor

The Committee shall as necessary:

- In consultation with the Finance committee
  - recommend to the Board the appointment or termination of the auditor;
  - review and recommend the proposed fees for audit services;
- regularly monitor and assess the performance of the auditor and report annually to the Board;

- review the planning and results of the external audit, including the auditors' engagement letter, scope of the audit and areas of audit risk;
- review the audit report, financial statements, and notes to the financial statements;
- review the major accounting policies with management and the auditor, including the impact of alternative accounting policies;
- review the management recommendation letter and any other audit related reports, and ensure that management is adopting appropriate procedures to address any concerns raised by the auditors;
- request that the auditor report on such matters such as significant transactions inconsistent with the ordinary course of business, unusual actions which significantly increase the risk of loss to the IRHA and actions which, if they become public knowledge, might cause serious embarrassment to the IRHA;
- after the audit has been completed, review any problems encountered with the auditor in performing the audit, including any restrictions imposed by management or differences of opinion between management and the auditor, and their resolution;
- review material adjustments to the financial statements made because of the audit;
- ensure the auditors communicate to the Committee any matters which the auditors consider would be of interest to the Board; and,
- pre-approve all non-audit services to be provided to IRHA by its external auditors.

## **9. Staff Support**

The Chief Executive Officer, Vice President of Corporate Services, and the Director of Finance, while not members of the Committee, shall assist, advise and make recommendations to the Committee in all aspects of the Committee's terms of reference.

## **10. Reliance on Experts**

The Committee may recommend to the Board that the Audit committee engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any advisors engaged by it. In so doing, each member of the Committee shall be entitled to rely in good faith upon:

- a) financial statements of the IRHA represented to him or her by an officer of the IRHA or in a written report of the independent auditors to present fairly the financial position of the IRHA in accordance with generally accepted accounting principles; and,
- b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

## **11. Limitations on Committee's Duties**

In contributing to the Committee's discharging of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject.

## **12. With Respect to Other Matters, the Committee shall:**

- perform such other duties and responsibilities as may be assigned to the Committee by the Board;
- have the authority to investigate any matters within its terms of reference;
- have full access to information and be provided with support from the Authority's personnel;
- invite guests with relevant experience to attend meetings, if necessary;
- consult with other committees of the Board in carrying out its work as needed;
- report any undisclosed conflict of interest it encounters;
- develop procedures to ensure it understands the principal business risks facing the Authority and ensure there are systems in place to monitor and manage those risks;
- establish procedures for the receipt, retention and treatment of complaints received by the IRHA regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the IRHA of concerns regarding questionable accounting or auditing matters; and,
- review and approve the IRHA's hiring policies regarding audit partners, employees and former audit partners and employees of the present and former independent auditors of the IRHA.

## **13. Access to Records**

The Committee shall have unrestricted access to the Vice President of Corporate Services, the Director of Finance and all financial documents. The auditors shall have direct access to the Committee at all times.

## **14. Fiduciary Responsibilities**

All actions of the Committee are made with the same fiduciary responsibility as is held by the Board pursuant to the RHA Act and all applicable legislation.