

BOARD OF DIRECTORS CHARTER

Purpose

The Canadian Public Accountability Board's (CPAB) Board of Directors has ongoing responsibility for the stewardship of CPAB which it carries out directly and through its committees.

The board

The composition of the board, including the number of directors, and particulars concerning their qualifications, appointment, term of office and remuneration are as established by the by-laws of CPAB.

The board is required to establish and recommend to the Council of Governors criteria for selecting directors consistent with CPAB's by-laws, and to review and approve, with the assistance of the Human Resources and Governance Committee, a succession plan for the board Chair, board Vice Chair and other directors. The board is also required to ensure that directors receive an initial orientation into the business and operations of CPAB as well as ongoing professional development.

In addition to its other duties and responsibilities, the board is required to at least annually evaluate the independence from the accounting profession of each director in accordance with CPAB's by-laws and approve a code of ethics for CPAB's Board of Directors (code). Board members are required to sign an annual confirmation of compliance with that code.

The board may, from time to time, delegate to its Chair and/or Vice Chair certain powers or responsibilities that the board itself may have hereunder.

Meetings

The board is required to meet at least four times per year with additional meetings scheduled as required. Seven directors are required to constitute a quorum. The board chair prepares an agenda for each meeting based on the Board of Directors work calendar. The agenda and any pre-reading material are circulated to the directors in advance. At each board meeting, there shall be an *in camera* session of the directors. Minutes of each meeting must be prepared and circulated to directors in advance of the next board meeting.

1. Duties and Responsibilities

1.1 Human Resources Management

The board will:

- a) With the assistance of the Human Resources and Governance Committee, review and approve compensation arrangements for the board Chair and the directors.

- b) Appoint the Chief Executive Officer (CEO), approve annual objectives for the CEO and review and evaluate the performance of the CEO at least annually based on recommendations from the Human Resources and Governance Committee.
- c) Review and approve compensation arrangements for the CEO.
- d) Review the performance of the other CPAB officers based on recommendations from the Human Resources and Governance Committee.
- e) With the assistance of the Human Resources and Governance Committee, review and discuss a succession plan for the CEO.
- f) With the assistance of the Human Resources and Governance Committee, review and discuss a succession plan for the other CPAB officers.

1.2 Strategic Planning and Financial Matters

The board will:

- a) Review and approve CPAB's strategic plan every three years, and annually review and approve CPAB's operating plan.
- b) Review and approve CPAB's annual budget and annual fee for participating audit firms.
- c) Review, with the assistance of the Risk and Audit Committee, CPAB's interim unaudited financial statements.
- d) Review, with the assistance of the Risk and Audit Committee, and approve CPAB's annual audited financial statements and accompanying management's discussion and analysis.
- e) Review and approve major unbudgeted operating expenditures and major capital expenditures in excess of \$1 million.
- f) Review and approve major contracts, as required.

1.3 Risk Management and Internal Controls

The board will:

Review, with the assistance of the Risk and Audit Committee, the material risks associated with CPAB's business and operations and ensure CPAB has established adequate measures to identify, mitigate and manage those risks, including an appropriate system of internal financial and non-financial controls.

1.4 Rules

The board will:

Approve any proposed amendments to CPAB's Rules and initiate the required amendment process.

1.5 Policy and Inspections

The board may, as required:

- a) Establish and approve policy guidelines for the inspection framework.
- b) Review and approve submissions on matters of strategic importance to CPAB and which relate to audit quality being discussed or proposed by the audit regulator community, as determined by the CEO.
- c) Provide comments and recommendations on submissions to accounting, assurance, professional conduct and governance standards setting bodies, as determined by the CEO.

1.6 Disciplinary Actions and Reports to Other Authorities

The board will:

- a) Review and approve disciplinary actions proposed by CPAB staff such as:
 - Revocation of registration;
 - Imposition and removal of Requirements, Restrictions and Sanctions.
- b) Provide comments and recommendations on matter reporting to securities regulators, professional regulatory authorities and foreign regulators, as recommended by the CEO.
- c) Review and approve decisions relating to the:
 - Commencement of a formal investigation;
 - Negotiation of a settlement of a matter that is subject to a review proceeding;
 - Appeal of a review proceeding panel's decision to arbitration or Divisional Court.

1.7 External Relations and Communication

The board will:

- a) Review and approve the annual report.
- b) Review and approve CPAB's public reports on the results of its inspection activity.
- c) Approve out of the ordinary course agreements with other national bodies having responsibility for auditor oversight (e.g., binding and non-terminable), as required.

1.8 Legal Matters and Corporate Governance

The board will:

- a) Review, at least annually, with the assistance of the Human Resources and Governance Committee, the performance of the board, committees and Chair.
- b) Review any issues that arise with respect to the performance of individual directors.
- c) Review and approve proposed amendments to the by-laws for submission to the Council of Governors and Provincial Audit Regulator Members.
- d) Review and approve annually the mandates and charters of board committees.
- e) Recommend the appointment of the external auditor to the Provincial Audit Regulator Members.

1.9 Board Committees

- a) The board shall have a Risk and Audit Committee, a Human Resources and Governance Committee and such other board committees as may be constituted from time to time by resolution of the board.
- b) The Chair of a board committee shall be appointed by resolution of the board.
- c) The members of any such board committee or committees shall be appointed by resolution of the board and shall serve at the pleasure of the board until their successors are duly appointed.
- d) Board committees shall submit proposed charters and all changes thereto to the Board of Directors for approval.
- e) Board committees may make recommendations to the board for approval and adoption.
- f) Board committees determine their meeting dates and agendas at the discretion of the committee members.