

RISK AND AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Canadian Public Accountability Board's (CPAB) Risk and Audit Committee (committee) is to assist the board in fulfilling its obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, the system of corporate controls and risk management, and when required, to make recommendations to the board for approval.

In overseeing CPAB's audit procedures, the committee will have unrestricted access to CPAB's personnel and documents and will be provided with the resources necessary to carry out its responsibilities, including the authorization to engage independent counsel and other advisors.

Management is responsible for the preparation and integrity of CPAB's financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

The external auditor is responsible for planning and carrying out, in accordance with professional standards, an audit of CPAB's annual financial statements and internal controls over financial reporting.

Composition and Quorum

The committee shall consist of three or more directors, none of whom have any direct or indirect association with CPAB or the external auditor which could, in the view of the board, reasonably interfere with the exercise of the committee member's independent judgment. A majority of members of the committee shall constitute a quorum. The board Chair is an *ex officio* member of the committee, is not counted in establishing a quorum and does not vote. The board Vice Chair, if they are not serving as a member of this committee, is an *ex officio* member of the committee, not counted in establishing a quorum and does not vote.

The board, on the recommendation of the board Chair, appoints the committee Chair and members who shall serve at the pleasure of the board until their successors are duly appointed.

Committee members shall have a degree of financial literacy deemed appropriate by the board. Financial literacy is a committee member's ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by CPAB's financial statements.

In addition, at least one member of the committee should have a financial designation or relevant financial management expertise.

The committee may, from time to time, delegate to its committee Chair certain powers or responsibilities that the committee itself may have hereunder.

Meetings

The committee shall meet a minimum of three times per year. The committee Chair shall prepare an agenda for each meeting based on the committee work calendar . The committee may choose to hold additional meetings if considered necessary for it to carry out its responsibilities effectively. The agenda and any pre-reading material for each meeting will be circulated to the committee members in advance.

Minutes of each meeting must be prepared and circulated to the board. When a board meeting closely follows a committee meeting, the committee Chair will provide a verbal report to the board and the minutes will be circulated in advance of the next board meeting.

Accountability

The committee is accountable to the board and has no authority to direct management or to commit CPAB unless specifically authorized by the board.

1. Duties and Responsibilities

1.1 Financial Planning

The committee will review and make recommendations to the board on:

- a) Financial plans and budgets forwarded to the board for approval.
- b) The appropriateness and validity of any material assumptions and estimates used in the preparation of such plans or budgets.
- c) The consistency of the plans and budgets with strategic plans and initiatives approved by the board.

1.2 Financial Reporting

The committee will perform the following duties:

- a) Maintain oversight of the selection of accounting policies used in preparation of the financial statements, including consideration of alternatives.
- b) Review and approve internal financial statements and report to the board.
- c) Review and recommend to the board for approval the:
 - Annual audited financial statements and the accompanying notes thereto.
 - Management discussion and analysis that accompanies the audited financial statements.

- Significant financial reports made publicly available or required by legislation or the government.

1.3 External Audit

The committee will:

- a) Review the terms of engagement of the external auditor and the reasonableness of proposed fees.
- b) Review and approve the annual audit plan.
- c) Confirm the independence of the external auditor, including:
 - Receiving from the external auditor periodically a statement delineating all relationships between CPAB and the external auditor consistent with Canadian professional standards for auditors; reviewing and discussing annually with the board and the external auditor any relationship or services between CPAB and the external auditor that may impact their objectivity and independence.
 - Confirming the external auditor is not registered as a participating audit firm and is independent from any other participating audit firm.
- d) Discuss with the external auditor any problems experienced in conducting the audit including any issues with management's co-operation or disagreements with management regarding the financial statements or disclosure.
- e) Discuss with the external auditor any significant findings and recommendations.
- f) Meet with the external auditor at least once per year without management present.
- g) Recommend to the board the re-appointment of the external auditor on an annual basis, or following a comprehensive review performed at least every five years, or, if the committee does not recommend re-appointment or the external auditor is unable to accept re-appointment, the committee will oversee the steps for an orderly transition to a new auditor.
- h) Review and recommend on an annual basis the actual fees paid to the external auditor.
- i) Review and approve any non-audit services with the external auditor and with any participating audit firms in excess of \$50,000.

1.4 Internal Controls

The committee will:

- a) Through discussions with management and the external auditor obtain reasonable assurance that CPAB has implemented appropriate systems of internal control:

- Over financial reporting and that these systems are operating effectively.
- To ensure compliance with its policies and procedures and that these systems are operating effectively.
- To identify, monitor, mitigate and report significant financial or operational risk exposures and that these systems are operating effectively.

b) Review with management at least annually any legal matters that could have a significant impact on CPAB's financial statements.

c) Review the evaluation of internal controls by the external auditor, including any recommendations for improvement of CPAB's accounting procedures and internal controls, together with management's response.

d) Direct the external auditor's examinations to any particular areas of concern with respect to internal controls.

1.5 Risk Management

The committee will review:

a) Management's enterprise risk management process annually and management's assessment of any material changes to the financial and non-financial risks to CPAB, including any changes in the probability of these risks, quarterly.

b) The results of management's assessment of the protocols governing the Watch List (active extremely high risk reporting issuer situations) and management's updates to the Watch List on a non-disclosure basis quarterly.

c) The annual Information Technology Risk Management Report including disaster recovery plans.

d) The annual Privacy Officer's Assessment of Controls Over Private and Confidential Information.

e) Insurance coverage for material business risks annually.

f) Director and officer insurance coverage annually.

1.6 Whistleblower

The committee will establish procedures for confidential, anonymous reporting of concerns regarding questionable accounting, financial or other relevant improprieties by CPAB employees or directors, by public accounting firms and by reporting issuers. The committee should ensure that employees will not suffer any recourse for acting in good faith when making such reports.

1.7 Performance Evaluation

The committee will conduct an annual self-assessment of its performance and effectiveness in relation to its mandate and the performance and effectiveness of the committee Chair.

1.8 Other Responsibilities

The committee will:

- a) Review and approve expense summaries of the board Chair, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) annually.
- b) Review the adequacy of the committee's charter annually.
- c) Review with the CEO any changes related to the CFO.
- d) Periodically assess the Investment Policy and annually assess CPAB's compliance with the Investment Policy.
- e) Review the Director's Expense Policy and make any recommendations required to the board annually.
- f) Semi-annually review compliance with withholding and remittance obligations with respect to employee compensation.
- g) Perform such other functions and tasks as may be delegated by the board.