

TA4.5

Attachment 1



AUDIT COMMITTEE TERMS OF REFERENCE

October 2019 (Draft)

1. Purpose

The purpose of the Audit Committee is to assist the Toronto Atmospheric Fund's (TAF) Board of Directors ("the Board") to oversee and objectively assess the integrity of TAF's financial statements, internal controls, accounting standards, legal and regulatory compliance, and independence of the external auditor.

2. Composition of Audit Committee

- a. The Committee shall be composed of not fewer than three (3) members of the TAF Board of Directors, a majority of whom are not officers or employees of TAF.
- b. One of the members shall be appointed by the Board as Chairperson of the Committee ("Chairperson"). The Chairperson shall have financial expertise including the ability to understand financial statements of the level of complexity relevant to TAF's operations. If the position of Chairperson is vacant or if the Chairperson is absent or unable to act, the Chairperson of the Board may designate or the Committee may elect an Acting Chairperson for the meeting;
- c. Quorum is a majority of the members.
- d. Members of the Audit Committee are appointed annually, and hold office until the next annual meeting of the members.

3. Roles and Responsibilities of Audit Committee

The Committee shall perform functions below and prepare an annual report, and other reports as necessary, documenting any notable findings and recommending any relevant actions.

- a. Review the annual audited financial statements and the Management Letter arising from the External Audit of the financial statements with the external auditor and senior management, including any significant accounting estimates and adjustments to the statements required

as a result of the audit, and any difficulties or disputes with management encountered in the course of the audit;

- b. Review the auditor's findings and recommendations relating to the internal controls in place for financial statement reporting and consider their impact on controls, risk management and governance processes;
- c. Annually review with management and challenge where necessary:
 - i. the adequacy of TAF's accounting system,
 - ii. the application of accounting policies; whether appropriate accounting policies, estimates and judgements are implemented, taking into account the external auditor's views on the financial statements,
 - iii. risk management and any internal control weaknesses that may materially impact TAF
 - iv. the methods used to account for significant or unusual transactions where different approaches are possible;
 - v. all material information presented with the financial statements, including the corporate governance statements relating to the audit.
- d. Annually review the qualifications, independence, effectiveness and tenure of the External Auditors;
- e. Meet with the External Auditor prior to the audit to review the scope and general extent of the External Auditor's annual audit including:
 - i. The planning and staffing of the audit; and,
 - ii. An explanation from the External Auditor of the factors considered in determining the audit scope, including the major risk factors.
- f. Annually review the Audit Engagement Letter with the External Auditors to ensure it addresses any specific risk areas identified by the External Auditors, management, or the Board; and require the External Auditor to provide a timely report setting out:
 - i. All critical accounting policies, significant accounting judgments and practices to be used;
 - ii. All applicable alternative treatments of financial information within the Public Sector Accounting Board (PSAB) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditor; and
 - iii. Other material written communications between the External Auditor and Management.
- g. Annually review TAF's compliance with the approved asset allocations set out in TAF's Statement of Investment Objectives & Principles (SIOP) and review the accounting of TAF's

endowment portfolio relative to security values provided by investment manager statements that are verified by TAF's External Auditors as part of the annual audit.

4. Conduct of the Audit Committee

- a. The Audit Committee shall meet at least once (1) a year with TAF's External Auditor and shall report thereon to the Board.
- b. The auditor of the Corporation is entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Corporation, to attend and be heard thereat; and, if so requested by a member of the Audit Committee, shall attend every meeting of the committee held during the term of office of the auditor
- c. The auditor of the Corporation or any member of the Audit Committee may call a meeting of the Audit Committee.
- d. Remote participation is permitted. In order to comply with Open Meeting requirements, quorum must be formed by in-person attendance; remote participants do not count towards quorum. A remote participant is considered present and will be entitled to participate in deliberations and voting if the member is able to hear other members of the Committee and any members of the public present at the meeting who are recognized by the Board during public comment; and all persons present at the meeting location are able to hear the Committee member who is participating remotely;
- e. Members of the Audit Committee may be reimbursed by TAF for reasonable out-of-pocket expenses, such as travel costs, but are not otherwise entitled to any remuneration in connection with TAF-related activities.

5. Conflict of Interest

- a. Members of the Audit Committee will familiarize themselves with the Municipal Conflict of Interest Act and undertake to comply with its requirements. All declarations of interest must be filed in writing.

6. Confidentiality

- a. Member shall not reveal or make known to any person any confidential information disclosed to the Member through his or her involvement in the Audit Committee. Further,
 - i. A Member shall not reveal or make known to any person any part of a discussion that took place during the Committee's proceedings, results or decisions made during those proceedings. TAF will make public final results following the official approval process.
 - ii. A Member shall keep confidential any information except as is required for the purposes of assessment or determination of any matter relating to Audit Committee deliberations; and

- iii. A Member shall not distribute any of the material provided to Audit Committee members that is not generally available to the public.
- b. Firms and advisors providing services are expected to comply with the Code of Professional Conduct adopted by Chartered Professional Accountants of Ontario.

Proposed Draft October 2019