

## Extract of Audit Committee Terms of Reference (from Board Manual v 4.4A2.3)

### 5.3 AUDIT COMMITTEE

<b><i>Date Approved:</i></b>	May 18, 2005
<b><i>Date Revised:</i></b>	June 4, 2008
<b><i>Date Revised:</i></b>	Mar 18, 2009
<b><i>Date Revised:</i></b>	May 18, 2010
<b><i>Date Revised:</i></b>	Sept 27, 2012
<b><i>Date Revised:</i></b>	June 9, 2016
<b><i>Date Revised:</i></b>	September 15, 2016

#### **Purpose**

The Audit Committee (“Committee”) shall be a Committee of the Board responsible for stewardship of the Corporation’s finances. The Committee has oversight responsibility and makes recommendations to the Board on:

- a) the integrity of CED’s annual audited financial statements, and interim internal (unaudited) financial statements;
- b) corporate filings to Registry office and City of Calgary;
- c) the external auditors’ qualifications and independence;
- d) the performance of audit functions;
- e) annual budgets;
- f) financing arrangements;
- g) the adequacy and effectiveness of internal controls (including Segregation of Duties);
- h) risk areas around fraud, including amendments to Corporate Policies;
- i) adequacy of financial stewardship by Management;
- j) protection of physical assets, whether due to theft or damage;
- k) protection of corporate data and technology continuity; and
- l) business continuity.

#### **Responsibilities**

Management, together with the Board and the Committee, is responsible for setting the proper tone, creating and maintaining a culture of honesty and high ethical standards and establishing appropriate controls to ensure sound financial decision-making, accurate financial reporting, and to prevent and detect fraud.

To achieve reliable financial statements, internal controls must be in place to ensure that: records accurately and fairly reflect transactions in, and dispositions of, CED assets; records of transactions are sufficient to prepare financial statements in accordance with Canadian generally accepted accounting principles; receipts and expenditures are properly authorized; and, that steps are in place to prevent and detect irregularities that could have a material effect on CED's financial statements, and to ensure financial system integrity and continuity.

In fulfilling its responsibilities, the Committee shall:

### **Financial Management, Reporting, External Auditors and Risk**

- A. Review financial results and have the right to inspect all of the accounts and records of CED and to discuss those accounts and records with CED's management, the Board and the Auditors;
- B. Review and recommend for approval by the Board annual audited financial statements;
- C. Review quarterly interim (unaudited) financial statements and reports from CED;
- D. Ensure, through management confirmation, timely corporate filings with Registry office and City of Calgary;
- E. Review CED cash flow forecasts, liquidity, and cash management strategies;
- F. Review and bring for approval by the Board, the annual budget and updated forecasts of CED and any revisions thereto, including:
  - reviewing the financial impact of new or changed projects and proposals subsequent to the Board's approval of annual budgets and, where practicable, prior to their presentation to the Board for consideration, and make recommendations to the Board; and
  - reviewing and recommending to the Board in respect of those financial obligations and undertakings above, Management's Board-approved authority, including by not limited to: loans, bank indebtedness, covenants, guarantees, letters of credit, policies, objectives and controls.
- G. Review and recommend for approval by the Board, all annual and other financial information prepared for public distribution;
- H. Review and recommend for approval by the Board, CED's financial and accounting policies;
- I. Make recommendations to the Board with regard to the selection of the Independent Auditor and review and approve auditor fees, including advance approval of any non-audit services performed. Meet annually with the external auditors and report to the Board on such meetings, including assessment of their independence. Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed in camera, including any fraud and risks of fraud, illegal acts, deficiencies in internal control and similar issues;

- J. Participate in the process of hiring the Chief Financial Officer, including committee representation in the interview and decision activities;
- K. Review the results of the annual audit and make recommendations thereon to the Board;
- L. Review the design and effectiveness of the systems of internal control over financial and operational reporting. Review recommendations from the external auditors for internal control improvement, management's consideration thereof and, as appropriate, implementation and results;
- M. Review compliance with all applicable finance and audit legal and regulatory requirements, including confirmation of filing of Corporate Returns; and
- N. Review and make recommendation to the Board regarding CED's risk management procedures and controls, including:
  - the maintenance of appropriate insurance;
  - Financial System reliability and integrity, and
  - discussing significant business and financial risks with the external auditors, including their assessment of management's related plans, processes and programs, paying particular attention to large, complex, related party, and/or unusual transactions, including joint ventures, partnerships and other contractual arrangements, and the associated accounting treatment and financial statement disclosures.

### **Membership**

The Committee shall be comprised of a Committee Chair, and a minimum of two (2) other Board members, plus any other independent or community members as selected by the Board.

The Corporate Governance & Effectiveness Committee will recommend Committee members and Committee Chair appointment for approval by the Board.

### **Authority and Accountability**

The Committee is responsible to the Board and makes recommendations to the Board, as required.

1. The Committee shall report regularly to the Board on its activities.
2. The Committee, in consultation with the Board Chair, shall have the authority to direct and supervise the investigation of any matter brought to its attention within the scope of its duties.

3. The Committee shall review its terms of reference as needed, but at least annually, and recommend changes as necessary. The timeframe for an annual review of committee terms of reference will be for the committee meeting immediately prior to the Board of Directors Business Planning meeting with Management.

### **Meetings**

The Committee may require the attendance of CED senior management at meetings as appropriate.

### **Resources**

The Committee shall be provided with the resources necessary to carry out its responsibilities. The Committee may retain such advisors and consultants as it deems necessary to assist the Committee in discharging its responsibilities.

### **REFERENCE DOCUMENTS**

- CED Management Authorities Policy