

## **Audit Committee Terms of Reference**

### **PURPOSE**

WorkSafeNB management is responsible for the preparation, presentation and integrity of WorkSafeNB's financial statements and for maintaining appropriate accounting and financial reporting principles and policies. Primary responsibility for information systems, risk management and internal controls of WorkSafeNB is vested in management and overseen by the Board of Directors.

The Audit Committee is an essential component of good corporate governance and assists the Board of directors in fulfilling its oversight responsibilities. The Audit Committee is appointed to provide oversight in four areas:

1. Financial reporting and disclosure;
2. External audit activities;
3. Risk management and control; and
4. Other oversight activities as determined by the Board.

### **DUTIES AND RESPONSIBILITIES**

#### **Financial Reporting and Disclosure**

The Audit Committee will obtain reasonable assurance that the financial statements are fairly presented in accordance with the underlying financial reporting framework in all material respects by:

- Reviewing and discussing the year-end financial statements with management and the external auditors;
- Overseeing the financial reporting and disclosure process;
- Monitoring the choice of accounting policies and principles; and
- Discussing risk management policies and practices.

The Audit Committee reviews and advises the Board with respect to the financial accounts, records, and statements of the corporation and provides the Board with reasonable assurance that:

- Assets are safeguarded and controlled;
- Transactions are in accordance with the law;
- Financial, human and physical resources are managed economically and efficiently; and
- Operations are carried out effectively.

## **External Auditors**

The Audit Committee will obtain reasonable assurance with respect to work of external assurance providers by:

- Meeting with the external auditors during the planning of the audit, the presentation of the audited financial statements, and the discussion on the management letter recommendations;
- Reviewing the performance of the external auditors and exercising final approval on the appointment or discharge of the auditors;
- Reviewing and confirming the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and management, including non-audit services, and discussing the relationships with the auditors; and
- Meeting privately with the external auditors to discuss any matters that the Audit Committee or auditors believe should be discussed privately.

## **Risk Management and Control**

The Audit Committee will obtain reasonable assurance with respect to the organization's risk management arrangements by:

- Providing oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters requested by senior management and the Board;
- Reviewing and advising on risk management arrangements established and maintained by management as well as the procedures in place to ensure that they are operating as intended;
- Annually reviewing the corporate risk profile and enterprise risk management (ERM) framework; and
- Reviewing the controls in place to prepare for, protect from, detect and respond to cyber-attacks, including management of the consequences of a cyber-security incident.

The Audit Committee will obtain reasonable assurance with respect to management's control framework by:

- Reviewing and advising on the business continuity plan, disaster recovery plans and control arrangements for computerized information systems and security;
- Reviewing reports on all matters of significance arising from work performed by others who provide financial and internal control assurance to senior management and the Board; and
- Confirming that the corporation has appropriate antifraud programs and controls in place to identify potential fraud schemes, to ensure investigations are undertaken if fraud is detected.

## **Other Oversight Responsibilities**

### **1. Internal Audit**

The Audit Committee will obtain reasonable assurance with respect to the work of the internal audit function by:

- Reviewing and approving the internal audit charter, to ensure compatibility with the Audit Committee terms of reference and reflects developments in internal audit professional practices;
- Reviewing and approving proposed the risk-based annual internal audit plan and making recommendations concerning internal audit projects;

- Advising the Board regarding the qualifications, recruitment, retention, and dismissal of the Manager, Internal Audit;
- Providing input to management on the annual evaluation of the Manager, Internal Audit;
- Reviewing the budget, expertise and staffing levels of the internal audit program and making recommendations to the Board for increases or decreases to the program;
- Reviewing internal audit reports and other communications to management;
- Reviewing and tracking management's action plans to address internal audit recommendations;
- Reviewing and providing input on internal audit's strategic plan, program goals, and performance goals, measures and outcomes;
- Ensuring that the internal audit function has an external quality assurance review (QAR) every five years and reviewing QAR results along with action plans to address deficiencies; and
- Meeting privately with the Manager, Internal Auditor to discuss any matters that the Audit Committee or internal audit believe should be discussed privately.

## **2. Special Examinations**

Review and advise the Board with respect to, special examination plans and reports, in the event a special examination is conducted by external bodies, such as the New Brunswick Auditor General.

## **3. Corporate Ethics and Code of Conduct**

The Audit Committee will obtain reasonable assurance with respect to corporate values and ethics practices by:

- Reviewing and assessing the policies, procedures, and practices established to monitor conformance with its code of conduct and ethical policies;
- Reviewing the processes established by management to establish and maintain high ethical standards for staff;
- Reviewing systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations; and
- Reviewing employee whistleblower (CARE line) reports regarding breaches of accounting, internal controls, or auditing matters, code of conduct violations or when fraud is involved or alleged.

## **4. Other Duties**

The Audit Committee will:

- Perform other activities as requested by the Board of Directors;
- Institute and oversee investigations as needed;
- Review and assess the adequacy of the Audit Committee terms of reference annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation;
- Confirm annually that all responsibilities outlined in this document have been completed; and
- Evaluate both the Audit Committee's and individual members' performance on a regular basis.

## **AUTHORITY**

The Audit Committee in discharging its responsibilities, shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. It shall also have unrestricted access to records, data, and reports.

The Audit Committee may, with the approval of the Board, engage independent counsel and/or other advisors as it deems necessary to carry out its duties.

## **COMPOSITION**

The Board of Directors will select and appoint members of the Audit Committee. Appointments shall be made for up to two years and are renewable. All efforts shall be made to ensure that the member's terms, both primary and alternate, are staggered so as to ensure continuity of experience on the Committee. The Audit Committee Chairperson presides over the committee meetings and reports committee actions to the Board of Directors.

The Audit Committee membership shall consist of:

- An Audit Committee Chairperson selected by the full Board who shall be a voting member of the Board of Directors but will not have voting authority at the Audit Committee,
- The President & Chief Executive Officer of WorkSafeNB, who shall be a non-voting member of the Committee;
- A Board Member representative of employers and selected by the employer representatives on the Board who shall be a primary member of the Audit Committee and who has voting authority;
- A Board Member representative of workers and selected by the worker representatives on the Board who shall be a primary member of the Audit Committee and who has voting authority;
- A Board Member representative of employers and selected by the employer representatives on the Board who shall be an alternate member of the Audit Committee and who shall have voting authority in the absence of the primary employer representative on the Audit Committee;
- A Board Member representative of workers and selected by the worker representatives on the Board who shall be an alternate member of the Audit Committee and who shall have voting authority in the absence of the primary worker representative on the Audit Committee.

As a best practice, one Audit Committee member should be a financial expert. A recognized accounting designation is a hallmark of a financial expert.

Where no Board member is a financial expert the Audit Committee shall appoint an independent financial expert to serve on the committee. The appointed independent financial expert shall be a non-voting member of the Audit Committee.

The following criteria should be used to assess the financial literacy of Audit Committee members:

- Able to read and understand financial statements, including the notes;
- Able to understand accounting policies, judgments and estimates when explained by management or auditors; and
- Is familiar with the fundamentals of public sector financial reporting.

The Audit Committee, as a whole, shall have significant experience or the members shall take the necessary steps to become financially literate if they are not already so at the time of their appointment.

## **PROCEDURES**

The Audit Committee shall adhere to the following principles:

1. **Work plan:** The Audit Committee Chairperson, in consultation with the Board Chairperson and senior management, shall establish a work plan annually to ensure that the Committee responsibilities are scheduled to specific meeting agendas and dates.
2. **Meetings:** The Audit Committee shall meet at least twice per calendar year or more frequently as the committee deems necessary. The Audit Committee may also approve matters electronically in lieu of a meeting, should approvals be necessary between scheduled meetings, and where appropriate.
3. **Convening a Meeting:** The Audit Committee Chairperson, in consultation with the two primary Committee members, will ordinarily convene any Committee meeting though any two members (the Chairperson or either of the two primary members) can require that a meeting be convened.
4. **Meeting Quorum:** One voting member, either the primary or alternate member, representing employers, and one voting member, either the primary or alternate member, representing workers shall, with the Audit Committee Chairperson, constitute a quorum.
5. **Minutes:** Minutes shall be prepared by a recording secretary and presented to the Audit Committee Chairperson in accordance with applicable Board policy and procedure.
6. **Access to Officials:** The Audit Committee shall have unrestricted access to officials of the organization as may be required to discharge their duties.
7. **Required attendance:** The Vice-president Corporate Services and Manager Internal Audit are required to attend all Audit Committee meetings.

## **VOTING**

The Audit Committee shall make all reasonable efforts to render decisions on a consensus basis. Where a consensus is not possible between voting members, primary or alternate as required, and there is a tie vote at the committee, the matter shall be forwarded to the full Board of Directors for debate and resolution.

## **OPERATIONAL PRINCIPLES**

The Audit Committee shall adhere to the following operational principles:

1. **Communications:** The Audit Committee shall have direct, open and complete communication with management and staff of the organization as well as with any external assurance providers.

2. **Work plan:** The Audit Committee Chairperson, in consultation with senior management and the internal audit manager, shall establish a work plan to ensure that Audit Committee responsibilities are scheduled to specific meeting agendas and dates.
3. **Meeting agenda:** The Audit Committee Chairperson shall establish meeting agendas in consultation with Audit Committee members, senior management and the internal audit manager.
4. **Information requirements:** The Audit Committee shall establish and communicate its information requirements, which shall include the nature, extent and timing of required information. Information shall be provided to the Audit Committee at least one week prior to the meeting.
5. **In camera or executive sessions:** At least annually, the Audit Committee shall hold an *in camera* meeting with the Manager, Internal Audit, an *in camera* meeting with the external auditor and an *in camera* meeting with the external actuary.
6. **Preparation and attendance:** The Audit Committee members have an obligation to prepare for and participate in Audit Committee meetings, a support document “Questions to Consider” is contained in the Committee Handbook.
7. **Conflict(s) of interest:** It is the Audit Committee members’ responsibility to disclose a conflict of interest or the appearance of a conflict of interest to the Audit Committee. If there is any question as to whether Audit Committee member(s) should recuse themselves from a vote, the Audit Committee should vote to determine whether the member should recuse himself or herself.
8. **Orientation and training:** The Audit Committee members shall receive formal orientation training on the purpose and mandate of the Audit Committee and on corporate objectives. A process of continuing education shall be established.

## ACCOUNTABILITY

The Audit Committee shall cause a record of the committee meeting to be provided to the Board of Directors at the next Board meeting following the Audit Committee meeting.