



## Audit Committee

### Terms of Reference

Version: January 21, 2009

#### 1. BACKGROUND

These terms of reference are to be read subject to all of the provisions of the *Oil and Gas Commission Act* (“the Act”), SBC 1998, c. 39 and in particular sections 13, 14, 15 and 16.

#### 2. MISSION

The Audit Committee is a standing committee of the board of directors (the “Board”) of the Commission established to assist the Board in fulfilling its responsibility to provide oversight and direction on matters relating to the financial position of the Commission including financial reporting, internal controls and risk management matters.

#### 3. COMPOSITION

- a. The Audit Committee is composed of the Board Chair, the director who is not the Commissioner (the “Third Director”), and, in an ex-officio capacity, the Senior Financial Officer of the Commission, and the Board Secretary.
- b. The Audit Committee Chair is the Third Director.

#### 4. RESPONSIBILITIES

- a. **General** – The Audit Committee will oversee internal and external audit processes, approve financial statements on behalf of the Commission, review the financial and performance information provided to government and stakeholders, obtain assurances that the Commission’s accounting systems are reliable and that prescribed internal controls are operating effectively and that the Commission is complying with statutory and regulatory requirements, and evaluate corporate risks and the management of those risks.
- b. **Financial Information** - The Audit Committee will:
  - i. review and make recommendations to the Board with respect to approval of financial information that is provided by the Commission to government and other stakeholders including

the financial statements prepared and delivered under section 15(1)(b) of the Act; and

- ii. review and make recommendations to the Board with respect to the approval of the budget estimates and estimates of fees and levies as described in Section 5(1) (c ) and (d) of the Act;

The Committee will obtain such assurances from management and from external and, or, internal auditors as required in order for the Committee to assess whether the information described above accurately represents the business activities and financial position of the Commission.

- c. **Engagement of External Auditor** - To approve the terms of the letter of engagement and compensation of the auditor appointed for the Commission under section 14 of the Act and to execute and deliver the letter of engagement for and on behalf of the Commission.
  
- e. **Working with External Auditor** - The Audit Committee will work with the external auditor to:
  - i. define the purpose of the audit;
  - ii. formulate and approve the audit plan;
  - iii. review audit results; and
  - iv. review and assess management’s response to issues identified by the auditors.
  
- f. **Internal Controls and Risk Management** – The committee will review the Commission’s systems of risk management and internal control and will assess, report and give directions with respect to whether:
  - i. such systems are appropriate to ensure the Commission’s sound financial performance;
  - ii. such systems are appropriate to identify and manage risk;
  - iii. the Commission’s internal controls have integrity and will lead to the production of accurate financial statements and performance reports; and
  - iv. the potential for financial mismanagement of the Commission is minimized.

## **5. MEETINGS, PROCEDURES and CALENDAR**

- a.** The proceedings of the Audit Committee shall be governed by any generally applicable directions or procedures that may be established by the Board from time to time for the operation of committees and in the absence of the same the Committee may establish its own procedures consistent with these terms of reference. The Audit Committee may meet by telephone and decide matters by unanimous email or other written resolution to the same extent as the Board.
- b.** Any approval or direction from the Audit Committee shall require the unanimous decision of the two Board members serving on the Committee.
- c.** The Audit Committee will direct the Commission, through the Commissioner, to provide any required information and to take any necessary action.
- d.** The Audit Committee may report any material concerns in the following escalating order:
  - i.** Commissioner
  - ii.** Board of Directors
  - iii.** Minister of Energy, Mines and Petroleum Resources
- e.** The Committee shall meet quarterly during each fiscal year of the Commission and more frequently as it may determine to be advisable. For administrative convenience, the Committee shall meet on the dates of full Board meetings.
- f.** The Audit Committee may retain contracted and certified independent auditors as required.
- g.** The Audit Committee may meet in camera with the Auditors as necessary.
- h.** The Audit Committee Chair shall make regular reports to the full Board.
- i.** A record of decisions will be maintained by the Board Secretary.
- j.** Expenses of the Audit Committee shall be charged to the Board Operations Budget.