

## 3.1.10 Audit Committee Terms of Reference

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### 1. Purpose of the Committee

- 1.1. The Audit Committee is formed to assist the Board of Directors in discharging its fiduciary responsibilities to the membership. It provides assurance as to the independence of the Association's external auditors and the adequacy of financial disclosure to the membership.
- 1.2. It is understood that the Audit Committee will act in the best interests of the FSA and its members. Confidential information will be treated appropriately, balancing the needs of confidentiality with the need to ensure financial accountability.
- 1.3. The members of the Audit Committee have the right, for the purpose of performing their duties, to inspect all the accounts and records of the FSA. They may discuss those accounts and records and any matters relating to the financial position of the FSA with staff, officers, directors, and auditors.
- 1.4. The Audit Committee may, if it deems necessary, report its findings, recommendations, or concerns directly to the members at a general membership meeting.

### 2. Appointing the Committee

- 2.1. The Board of Directors shall appoint an Audit Committee comprised of a minimum of three FSA members who are not Directors. Audit Committee members must possess a reasonable level of financial literacy, so as to be able to provide appropriate guidance and advice to the Board of Directors.
- 2.2. The Executive Director and the Treasurer shall be ex-officio members of the Audit Committee.
- 2.3. Members of the Audit Committee will hold a one-year term, renewable to a maximum of three years.

### 3. Meetings

- 3.1. Meetings of the Audit Committee shall be held at least twice each year. This includes:
  - 3.1.1. At least one meeting before the audit commences in order to consider planning and preparing for the audit and information and control systems; and
  - 3.1.2. At least one meeting between completion of the audit and the Annual General Meeting to review the draft financial statements and to review the results of the annual audit.

- 3.2. The Audit Committee may require the auditor to attend any or every meeting of the Audit Committee.
  - 3.3. Quorum for Audit Committee meetings shall be a majority of the regular voting members of the Committee.
  - 3.4. The Chair of the Audit Committee shall be selected each year by the regular voting members of the Audit Committee.
  - 3.5. The Audit Committee will take minutes of all its meetings. The minutes of all meetings of the Audit Committee are to be presented to the Board of Directors.
  - 3.6. The Chair of the Audit Committee may ask to report in person to the Board of Directors on matters not recorded.
4. Functions of the Audit Committee
- 4.1. Audit planning and preparation
    - 4.1.1. Review with the external auditors the scope of the current year's audit, including the areas where the auditors have identified a risk of potential error in the reporting of the financial condition and/or results of operations.
    - 4.1.2. Assess whether appropriate assistance is being provided to the auditors by FSA staff.
    - 4.1.3. Review control weaknesses detected in the prior year's audit, and determine whether all practical steps have been taken to overcome them.
    - 4.1.4. Review the auditor's engagement letter and audit plan, including the estimated audit fee and expenses.
  - 4.2. Information and control systems
    - 4.2.1. Enquire about changes in the financial systems and control systems during the year.
    - 4.2.2. Enquire into the condition of the records and the adequacy of resources committed to accounting and control.
    - 4.2.3. Enquire into the major financial risks faced by the organization and the appropriateness of related controls to minimize their potential impact.
  - 4.3. Annual financial statements
    - 4.3.1. Review the financial statements, asking questions about the following:
      - 4.3.1.1. the selection of, and changes in accounting policies;

- 4.3.1.2. methods used to account for unusual or particularly significant transactions;
- 4.3.1.3. issues on which management has made estimates or judgments that had a significant effect on the financial statements;
- 4.3.1.4. the reasonableness of the estimates and judgments; and
- 4.3.1.5. significant transactions with related parties.
- 4.3.2. Enquire about changes in professional standards or regulatory requirements.
- 4.3.3. Recommend approval of the financial statements to the Board of Directors
- 4.3.4. Review the entire annual report for consistency with the financial statement
- 4.4. Audit results
  - 4.4.1. Review the auditors' proposed report on the financial statements.
  - 4.4.2. Review the auditors' "management letter" documenting weaknesses in internal control systems and commenting on other matters.
  - 4.4.3. Discuss with the auditors whether there are concerns such as:
    - 4.4.3.1. lack of cooperation or disagreements with management;
    - 4.4.3.2. attempts to restrict the scope of the auditor's examination; and
    - 4.4.3.3. significant misstatements or irregularities.
- 4.5. Auditors' appointment
  - 4.5.1. Discuss with FSA management whether there are any concerns about the conduct of the audit.
  - 4.5.2. Enquire as to the experience and capabilities of the individuals being proposed to conduct the audit, their objectivity and independence.
  - 4.5.3. Assist the Board of Directors with the tendering process for appointment of the auditor.
- 4.6. Value-for-money
  - 4.6.1. From time-to-time the Audit Committee may wish to review certain expenditures or business practices to ensure that the FSA membership is receiving good value for money spent.

## Revision History

Date	Revision (Brief description)
November 2015	Formatting changes and updates to include language from bylaws.
December 2014	Formatted into branded policy template. No changes to content.
May 20, 2014	Minor Housekeeping changes
Jan 19, 2011	Revised and Approved
Nov 21, 2007	Approved