

**ALBERTA TREASURY BRANCHES
AUDIT COMMITTEE
TERMS OF REFERENCE**

1. Purpose

The purpose of the Audit Committee (the “**Committee**”) is to:

- a) Assist the Board of Directors of ATB (the “**Board**”) in their oversight of:
 - i) The integrity of ATB’s financial statements and other financial information provided by, or on behalf of ATB; and
 - ii) ATB’s systems of internal controls regarding financial reporting and financial reporting processes generally;
- b) Maintain free and open communication between the Board, the Office of the Auditor General (the “**Auditor**”), the Vice President, Internal Audit (the “**VP, Audit**”) and management of ATB; and,
- c) Review and monitor the performance of the Auditor and ATB’s internal audit function, recognizing that the Auditor is ultimately responsible to the members of the Legislature and, through them, the people of Alberta.

2. Membership

a) Composition

The Committee shall consist of not less than five Directors of the Board, one of whom shall serve as the Committee Chair (the “**Chair**”) and shall include the Chair of the Board and the Chair of the Risk Committee. The members of the Committee and the Chair shall be appointed by the Board. At least three members should:

- i) Be “financially literate” (defined as “the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by ATB’s financial statements”);
- ii) Have an understanding of financial and accounting issues related to financial institutions; or
- iii) Have related business experience or be willing to acquire relevant knowledge.

At least one member shall have such “accounting or related financial management expertise” as the Board, using its business judgement, interprets.

b) Independence

Each member of the Committee shall meet the independence standards established by the Board. No member shall be an affiliated director as determined pursuant to the *Alberta Treasury Branches Act* (the “**Act**”) nor a former executive of ATB.

3. **Organization**

a) Procedure

Unless otherwise determined by the Board or provided in ATB By-law No.1, the Committee shall determine and regulate its procedures in all respects. The duties of the Chair, the Secretary of the Committee and any requirements with respect to calling of meetings, attendance at meetings and voting shall be as set out in By-law No.1, except as hereinafter provided.

b) Support

The Chief Financial Officer (the “**CFO**”) and the VP, Audit will support the Committee.

c) Secretary

The Secretary is the Corporate Secretary to the Board, or his or her designate.

d) Meeting Materials and Minutes

Minutes of meetings of the Committee shall be recorded by the Secretary and subsequently presented to the Committee for approval. All members of the Board may access any materials available to the Committee, on request to the Secretary.

e) Quorum

A quorum will be three (3) members of the Committee.

f) Reporting

The Committee shall report at each Board meeting on its proceedings in the intervening period, including decisions made within its authority and recommendations made to the Board. Minutes of the Committee (draft to enable timeliness) shall be provided to the Board for information.

g) Delegation

The Committee may, from time to time, delegate to its Chair any powers or responsibilities of the Committee itself. This delegation will include a reporting accountability back to the Committee.

h) Meetings

i) The Committee shall meet at least once per quarter (within sixty (60) days following the end of each of the financial quarters, but prior to the release of the financial results for each such quarter), or more frequently as circumstances may dictate. Quarterly meetings will be scheduled in advance for each fiscal year. Each quarterly meeting shall include an in-camera session with separate discussions with the Auditor, the VP, Audit, with members of ATB management and others present only by invitation of the Chair; and

ii) Other meetings of the Committee are at the call of the Chair as notified by the Secretary or his or her designate. If the Chair is unwilling to call a meeting, a member of the Committee, or a Director of the Board may call a meeting by notifying the Chair and the Secretary with the reason for calling a meeting.

i) Access to Management and Outside Advisors

The Committee, through the Chair of the Committee, shall have unrestricted access to management of ATB, which will be coordinated through the CFO, the VP, Audit, or the President and Chief Executive Officer (the “**CEO**”). Subject to section 4 d) herein, the Committee, without the consent of the Board, shall have the authority to retain external advisors to assist in fulfilling its responsibilities.

4. **Roles and Responsibilities**

The Committee shall have the responsibilities set out below as well as any other matters as may be delegated to the Committee by the Board from time to time:

a) Financial Reporting

Review and discuss with management and the Auditor and recommend to the Board for approval prior to release:

- i) Annual financial statements and related information, including the annual report, management discussion and analysis disclosure (“**MD&A**”) and ATB Pension Plan (Defined Benefit Provisions) Fund Statements of ATB (collectively “**ATB’s Financial Statements**”); and
- ii) Any public announcements containing annual earnings, related financial information, or related financial forecasts of ATB (collectively “**ATB’s Financial Information**”).

b) Interim Financial Reporting

Review and discuss with management and the Auditor and approve for release:

- i) All interim financial statements and related information, including MD&A of ATB (collectively “**ATB’s Interim Financial Statements**”);
- ii) Any public announcements containing interim earnings, other financial information or financial forecasts of ATB (collectively “**ATB’s Interim Financial Information**”); and
- iii) All publically released financial statements of any subsidiary of ATB including MD&A disclosures.

c) Financial Affairs

i) Review and assess the accuracy and fairness of ATB’s Financial Statements, ATB’s Interim Financial Statements, ATB’s Financial Information and ATB’s Interim Financial Information and obtain explanation from the Auditor and management on whether:

- 1) Actual financial results for any period varied significantly from budgeted or projected results;
- 2) Any changes in financial ratios and relationships in ATB’s financial statements are consistent with changes in ATB’s operations and financing practices;
- 3) Generally accepted accounting principles (“**GAAP**”) or International Financial Reporting Standards (“**IFRS**”) as required, have been consistently applied;
- 4) There are any actual or proposed changes in accounting or financial reporting practices;

- 5) There are any significant or unusual events or transactions;
 - 6) ATB's financial and operating controls are functioning effectively; and
 - 7) ATB's Financial Statements and ATB's Financial Information contain adequate and appropriate disclosures and disclaimers.
- ii) Review any complex or unusual transactions affecting ATB or any of its' subsidiaries that may have a material impact on ATB's financial statements; and
- iii) Review with the Auditor and management and understand the effects upon ATB's Financial Statements, ATB's Interim Financial Statements, ATB's Financial Information, or ATB's Interim Financial Information any of the following:
- 1) Management analysis of financial reporting issues and judgments, including analysis of alternate accounting methods;
 - 2) Significant accounting policies and any changes thereto including:
 1. The specific principles involved; and,
 2. Their method of application.
 - 3) The Auditor's judgment about the quality and acceptability of such accounting policies;
 - 4) Any significant judgments in accounting estimates;
 - 5) The methods used to account for significant or unusual transactions;
 - 6) Accounting policies or accounting treatment with respect to:
 1. Regulatory or professional pronouncements and emerging issues; and
 2. Regulatory and accounting initiatives, including off-balance sheet structures.
 - 7) Controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
- d) Controls
Review with the Auditor and management and be satisfied that adequate and effective controls or procedures are in place for ATB (including its subsidiaries) including:
- i) Accounting, banking and financial reporting;
 - ii) Detecting and reporting accounting fraud, illegal acts, or financial irregularities within ATB (including its subsidiaries);
 - iii) The review of public announcements of ATB's Financial Information;
 - iv) The receipt, retention and treatment of complaints received by ATB regarding accounting, internal accounting controls, or auditing matters; and
 - v) The confidential, anonymous submission by ATB associates of concerns regarding questionable accounting, financial irregularities or auditing matters.
- e) External Auditor
- i) Review the objectives and general scope of the Auditor's proposed audit plan and audit fee, and discuss with the Auditor any significant changes made to such scope or proposed audit plan, or audit fee;
 - ii) Review and discuss with the Auditor:

- 1) The annual audit plan and audit plan report;
 - 2) Any material issues raised by the Auditor;
 - 3) Any recommendations of the Auditor; and
 - 4) ATB's accounting policies and any significant judgments in accounting estimates.
- iii) Oversee the relationship between the Auditor and management, including resolution of any disagreements regarding financial reporting; and
 - iv) Ensure that management responds appropriately and in a timely manner to all recommendations by the Auditor as endorsed by this Committee.
- f) Internal Audit
- i) Review and approve the organizational structure of Internal Audit and the mandate of the VP, Audit and ensure no unjustified restrictions or limitations are made to his or her authority or scope of work;
 - ii) Review and approve the annual audit plan, budget and activities and deliverables of Internal Audit;
 - iii) Review the qualifications of the VP, Audit and his or her key personnel and concur with the appointment, replacement, reassignment or dismissal of the VP, Audit;
 - iv) Oversee the effectiveness of the Internal Audit function; and
 - v) Ensure that management responds appropriately and in a timely manner to all recommendations by the VP, Audit, as endorsed by this Committee.
- g) Monitoring
- Unless otherwise noted, at least quarterly, review and monitor ATB's financial performance and obtain:
- i) A statement from the CEO and CFO that they have each reviewed ATB's Financial Statements and based upon his or her knowledge:
 - 1) ATB's Financial Statements do not contain any untrue statement of material fact or omit a material fact necessary to make the financial statements, in light of the circumstances in which they are made, not misleading; and
 - 2) ATB's Financial Statements present fairly in all material respects to the financial condition of ATB.
 - ii) A statement from the CFO that:
 - 1) ATB has established policies and procedures to provide reasonable assurance that material information is provided on a timely basis; and
 - 2) The CFO has disclosed to the VP, Audit, the Auditor and the Audit Committee:
 - a. All known significant deficiencies and material weaknesses in the design of internal controls that could adversely affect ATB's ability to disclose material information, including any actions taken to correct significant deficiencies and weaknesses; and
 - b. Any fraud that involves employees who have a role in ATB's internal controls.

g) Governance and General Matters

With respect to governance matters and other actions not identified above, the Committee shall:

i) At least annually:

- 1) Provide the Board, through the Governance and Conduct Review Committee, with an annual assessment of its performance, the competency of its members and its compliance to this Terms of Reference;
- 2) Assess the appropriateness of this Terms of Reference, taking into account any applicable legislative and regulatory requirements, as well as best practices for crown corporations or financial service industry participants and report the results of this assessment to the Board, through the Governance and Conduct Review Committee;
- 3) Provide a forum for the VP, Audit to raise any issues with respect to his or her relationship and interaction with management;
- 4) Receive and review a report from VP, Audit respecting compliance to internal policies and the effectiveness of internal controls and procedures with respect to the management of financial risk;
- 5) Receive and review a report from the CFO respecting compliance to the Outsourcing Policy and provide a report to the Board; and
- 6) Perform such other responsibilities, as the Board shall determine by resolution.

The Committee and each of its members shall comply with such additional requirements as are specified in the *Alberta Treasury Branches Act* and related regulations and in the by-laws and resolutions of the Board in effect from time to time.

Approved by the Board of Directors of Alberta Treasury Branches as of August 27, 2009.