

2016 Annual General Meeting

INDIVIDUAL PROPOSED BY-LAW CHANGE TO CREATE BY-LAW 4.5.5

By-Law	Current Wording	Proposed Wording	Reason	President's Accompanying Information
By-Law 4.5.5	<b>4.5.5 Council Audit Committee does not yet exist</b>	<b>4.5.5 Council Audit Committee shall perform its duties consistent with the attached Terms of Reference</b>	The Manitoba Auditor General's office recommends that regulatory and public entities in Manitoba create an audit committee with their Board or Council structures. The Manitoba Audit General office has also issued guidelines for the functioning of such committees. While it is unconventional to put such details into a bylaw, the Audit Committee can best meet functional audit requirements, if it adopts and utilizes generally accepted accounting principles accordingly.	<p>Proposed Terms of Reference violate Auditor General's recommendations.</p> <p>Council's proposal provides that "The council shall maintain a committee, known as the Audit Committee, whose functions and responsibilities are as defined in the terms of reference established and published by the council through its governance process policies. The Audit Committee's composition shall exclude staff and the chief executive officer."</p>

**Engineers and Geoscientists Manitoba  
Audit Committee  
Terms of Reference**

**Authority**

The Audit Committee is an independent internal body of Engineers and Geoscientists Manitoba (the Association), established for the purpose of liaising with the External Auditor and operating at arm's length from the Council and the Chief Executive Officer. It is established with the approval of Bylaw 4.5.5.

**Membership**

1. The Audit Committee shall consist of six members one of whom shall serve as the Chair. At least one Audit Committee member should have relevant financial experience.
2. Association members who are either members of the Council, employees or contractors of the Association shall be ineligible for election or continuation as Audit Committee members.
3. The initial Audit Committee members shall be elected from the Association membership at a Special Meeting of the Association. Three Audit Committee members shall be elected for a term ending at the conclusion of the 2017 Annual General Meeting of the Association. Three other Audit Committee members shall be elected for a term ending at the conclusion of the 2018 Annual General Meeting of the Association.
4. Beginning at the 2017 Annual General Meeting of the Association and at future Annual General Meetings of the Association, Audit Committee members shall be nominated from the Association members from the floor and elected for a two-year term by the voting membership to replace retiring members. Audit Committee members shall be eligible for election to a second and third term but no Audit Committee member shall serve for more than three consecutive terms. A member who has previously served for three consecutive terms on the Audit Committee is eligible for re-election if the member has not served for the past two years.

**Officers**

1. Immediately after the Special Meeting of the Association, the Audit Committee shall appoint from its membership a Chair for a term ending at the conclusion of the 2017 Annual General Meeting of the Association. Immediately after the 2017 Annual General Meeting of the Association and immediately after future Annual General Meetings of the Association, the Audit Committee shall appoint from its membership a Chair for a one-year term ending at the conclusion of the next Annual General Meeting of the Association. There shall be no limit in the number of terms served by a Chair as long as the Chair is a member of the Audit Committee. The Chair shall not vote except in the case of a tie.
2. Immediately after the Special Meeting of the Association, the Audit Committee shall appoint from its membership a Secretary for a term ending at the conclusion of the 2017 Annual General Meeting of the Association. Immediately after the 2017 Annual General Meeting of the Association and immediately after future Annual General Meetings of the Association, the Audit Committee shall appoint from its membership a Secretary for a one-year term ending at the conclusion of the next Annual General Meeting of the Association. There shall be no limit in the number of terms served by a Secretary as long as the Secretary is a member of the Audit Committee.

**Attendance at meetings**

1. Except as provided otherwise, no one other than the members of the Audit Committee shall be entitled to attend meetings of the Audit Committee.
2. A quorum at meetings of the Audit Committee shall be four members.
3. The CEO or other persons shall attend for specified portions of a meeting of the Audit Committee, if requested by the Chair.
4. There should be at least one meeting each year, or part thereof, at which the Audit Committee meets the External Auditor appointed annually at the Annual General Meeting.

**Frequency of meetings**

1. Meetings of the Audit Committee shall be held not less than four times each year (to coincide with key dates in the organization's financial reporting cycle).
2. The Audit Committee shall also meet if External Auditor considers it necessary.

**Mandate**

The Audit Committee is mandated to:

1. investigate any activity within its terms of reference;
2. seek any information that it requires from any employee or contractor of the Association
3. expect cooperation from employees and contractors of the Association as it seeks information it requires;
4. obtain outside legal or independent professional advice, at the Association's expense; and
5. secure the attendance of outsiders with relevant experience, expertise and knowledge if it considers it necessary.

## Duties

The duties of the Committee are set out in the following sections under two categories (a) financial reporting and (b) liaison with the External Auditor.

### Financial reporting

The Audit Committee shall review, and question where necessary, the actions and judgements of the Association's staff. Particular attention should be paid to:

1. critical accounting policies and practices, and any changes in them;
2. decisions regarding discretionary spending that is not directly related to the function of the Association as a self-governing licensing body for expenditures over \$1,000 per year;
3. the extent to which the financial statements reflect any unusual transactions or variances from the approved budgeted amount in the year and how they are disclosed;
4. the clarity of disclosure;
5. significant adjustments resulting from the audit;
6. the going concern assumption;
7. compliance with accounting standards; and
8. compliance with regulatory ethics and other legal requirements.

The decision memorandum for each decision in 2 above shall be provided to the External Auditor.

Under no circumstances shall any expenditure be divided up into multiple smaller quantities or phases including being spread out over multiple year budgets to circumvent the policies of the Audit Committee.

The Audit Committee shall explore concerns raised by previous audit teams and other topics which may be suggested by members or by Council.

The Audit Committee shall:

1. review each expense line item greater than \$500.00 in each account to ensure that it is reasonable and provide opinions as to the reasonableness of the expense;
2. undertake such measures as are necessary to ensure that the Association is functioning in a manner compatible with The Public Interest Disclosure (Whistleblower Protection) Act;
3. review management's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management where these reports are currently provided to the Council and, where there is no such report provided to the Council, request that the Council require such reports from management and recommend changes to improve the process and inputs;
4. report to the Council and to the members on items 1 and 3 above in such detail as to satisfy the needs of the Council and the members.

Note: Council retains responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of that review ascribed to the Audit Committee.

### External audit

The Audit Committee shall be the primary point of contact with the External Auditor. The Audit Committee shall:

1. make recommendations to the membership for approval at the Annual General Meeting on the appointment or reappointment of the External Auditor;
2. approve the terms of engagement and the remuneration to be paid to the External Auditor in respect of audit services provided;
3. assess the qualification, expertise and resources, effectiveness and independence of the External Auditor annually, assuring itself that the External Auditor and its staff have no family, financial, employment, investment or business relationship with the Association (other than in the normal course of business);
4. seek from the External Auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff;
5. monitor the Association's policy for the employment of former employees of the External Auditor;
6. discuss with the External Auditor, before the audit commences, the nature and scope of the audit;
7. review with the External Auditor, the findings of the External Auditor's work, including any major issues that arise during the course of the audit that have subsequently been resolved and those issues that have been left unresolved;

8. review accounting and audit judgements and levels of errors identified during the audit, obtaining explanations from management and, where necessary, the External Auditor as to why certain errors might remain unadjusted;
9. review the audit representation letters before forwarding to Council and the membership, giving particular consideration to matters that relate to non-routine operational issues;
10. assess, at the end of the audit cycle, the effectiveness of the audit process by reviewing whether the auditor has met the agreed audit plan and making an effort to understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the External Auditor to address those risks;
11. consider the perceptiveness of the External Auditor and the robustness of the External Auditor's processes in handling identified key accounting and audit judgements, in responding to questions from the Audit Committee and in commenting on the systems of internal control, obtaining, in the process, feedback about the conduct of the audit from key people involved;
12. review and monitor the content of the External Auditor's management letter, in order to assess whether it is based on a good understanding of the Association's business and establish whether recommendations have been acted upon and, if not, determine the reasons why they have not been acted upon;
13. consider the criteria that govern the compensation of the individuals performing the audit.

#### Reporting

1. The Secretary of the Audit Committee shall distribute the approved minutes of meetings of the Audit Committee to all members of Council on a quarterly basis.
2. The Chair of the Audit Committee shall, at a minimum, attend at least those parts of the Council meetings at which the accounts are approved.
3. The Audit Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities, for inclusion in the Association's annual report and accounts
4. The Chair of the Audit Committee or a delegate shall attend the Annual General Meeting and shall answer questions, through the meeting chair, on the Audit Committee's responsibilities and its activities.

The report in item 3 immediately above should specifically include:

- summary of the role of the Audit Committee;
- the names and qualifications of all members of the Audit Committee during the immediate reporting period;
- the date of the most recent report of the Audit Committee, the number of Audit Committee meetings since that report and the attendance by each member of the Audit Committee at those meetings; and
- the way the Audit Committee has discharged its responsibilities.

Where disagreements between the Audit Committee and the Council cannot be resolved, the Audit Committee shall report such disagreement to the Members as part of the report on its activities at the next Annual General Meeting or, if necessary, at a Special Meeting called for that purpose and in the Association's annual report.

#### Amendment

The Audit Committee shall annually review its terms of reference and its own effectiveness and recommend to the members and to Council on any changes it considers necessary.