

# TORONTO LANDS CORPORATION

(the "Corporation")

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

(Adopted by the Board November 12, 2009)

### 1. Purpose

The Audit Committee (the "Committee") is a committee of the Board of Directors (the "Board") of the Corporation. The Corporation is party to a Shareholder's Direction (the "Shareholder's Direction") from the Toronto District School Board ("TDSB") dated May 16, 2008. The role of the Committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, risk management, and the audit processes, including internal audit and the annual financial audit.

### 2. Authority

The Committee is authorized to:

- Conduct or authorize investigations into any matters within its terms of reference.
- Retain, at the Corporation's expense, outside legal counsel, accountants or other professional advisors as the Committee deems necessary, in consultation with the Chair of the Board, on matters within its terms of reference.
- Seek any information it requires from any officers of the Corporation and external parties, including the external auditor and outside counsel, who are directed to co-operate with the Committee's requests.
- Pre-approve all auditing and permitted non-audit services performed by the Corporation's external auditor

### 3. Composition

3.1. The Committee shall consist of three members of the Board.

3.2. Members of the Committee shall be appointed by the Board from the members of the Board. One member of the Committee shall be appointed by the Board from members of the Board who are trustees of the TDSB and two members of the Committee shall be appointed by the Board from members of the Board who are not trustees of the TDSB. Members of the Committee

- 3.3. The Committee shall make a recommendation to the Board and the Board shall appoint one of the members of the Committee as the Chair of the Committee (the "Chair"). If the Chair is unavailable or unable to attend a meeting of the Committee, the Chair shall ask another member to chair the meeting, failing which a member of the Committee present at the meeting shall be chosen by a majority of the members of the Committee present to preside over the meeting. The Chair presiding at any meeting of the Committee shall not have a casting vote.
- 3.4. All members of the Committee shall be independent, as determined by the Board. An individual is independent if he or she has no direct or indirect interest or any business or other relationship which would reasonably be expected to materially interfere with the exercise of independent judgment.
- 3.5. All members of the Committee shall be financially literate, as determined by the Board. An individual is financially literate if he or she has 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 the Corporation's financial statements.

#### **4. Meetings**

- 4.1. The Committee shall meet a minimum of two times per year, with authority to convene additional meetings as circumstances require. Meetings shall be held at the request of the Chair or any 2 members of the Committee or at the request of the Chair of the Board, the Chief Executive Officer or the external auditor.
- 4.2. Notice of the time and place of each meeting may be given orally, in writing, by facsimile or by electronic means to each member of the Committee at least 24 hours prior to the time of the meeting. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
- 4.3. All Committee members are expected to attend each meeting. Committee members may participate in any meeting by means of a telephonic, electronic

- 4.4. A majority of Committee members constitutes a quorum of the Committee. If no quorum exists only by reason of conflict of interest, the remaining members shall be deemed to constitute a quorum.
- 4.5. The Chief Executive Officer is expected to be available to attend meetings but shall not be a member of the Committee. The Chief Financial Officer of the Corporation, if there is one, or if not, the person who performs the role of Chief Financial Officer of the Corporation, is expected to be available to attend all meetings but shall not be a member of the Committee. Pursuant to the Shareholder's Direction, the Director of Education or any person appointed by the Director of Education shall be entitled to receive notice of, and to attend, meetings but shall not be a member of the Committee. The Committee may, by specific invitation, have other resource persons in attendance. The Committee shall have the right to determine who may be present at any time during a meeting of the Committee. Members of the Board, who are not members of the Committee, may attend Committee meetings on an ad hoc basis upon prior consultation and approval by the Chair or by a majority of the Committee. The Committee or the Chair may meet in camera with the external auditor to discuss any matters that the Committee or the auditor desires to discuss privately.
- 4.6. The Committee shall appoint a secretary who shall take minutes of each meeting. Minutes of Committee meetings shall be sent to all Committee members. The Board shall be kept informed of the Committee's activities, findings, conclusions and recommendations by a report at the first Board meeting following each Committee meeting.

## **5. Responsibilities**

The Committee shall carry out the following responsibilities:

### **5.1. Financial Statements and Reports**

- Review and advise the Board on the annual and interim financial statements of the Corporation, including significant accounting and reporting issues, complex or unusual transactions and significant judgmental areas.
- Review regular reports from management and legal counsel regarding financial, risk management and legal compliance matters.
- Review and advise the Board on the Biannual Report required under the Shareholder's Direction.

- Review with management and the external auditor the results of the annual financial audit, including any significant accounting and reporting issues and any subsequent follow-up.
- Review, approve and recommend for Board approval the annual audited financial statements and any certification, report, opinion or review rendered by the external auditor.

## 5.2. Internal Controls

- Advise management regarding implementation and maintenance of appropriate systems of internal control in accordance with applicable laws, regulations, policies and guidance, including controls related to the prevention, identification and detection of fraud.
- Meet with management to assess the adequacy, efficiency and effectiveness of the internal control systems.
- Review reports on any significant litigation and regulatory compliance matters.
- Ensure that the Corporation has established a process to investigate complaints related to issues of integrity and conduct in financial reporting or other matters. As part of this process, the Chief Executive Officer will report to the Committee on any allegations and related actions relating to the Corporation's internal complaints policy.

## 5.3. Risk Management

- Annually review and recommend for Board approval the Corporation's funding, investment and risk management policies, to ensure that appropriate financial risk and performance management governance structure, processes, measures, controls and limits are in place.
- Review quarterly financial and risk management reports to assess risks and ensure compliance with the Corporation's policies.
- Review the Corporation's risk management reporting to ensure appropriate identification, assessment and mitigation of the Corporation's principal risks and opportunities within the Corporation's strategic planning process.
- Ensure that the Corporation has in place an effective investment and risk management compliance function, and periodically review compliance reporting to ensure the effective implementation of the Corporation's financial controls and processes.

#### 5.4. Internal Audit

- Review with management the plans, activities, and organizational structure of the internal audit function
- Review and approve the annual internal audit plan and any significant changes thereto.
- At least annually, consider and review with management the performance of the internal audit function.
- Review follow-up reports on the status of previously reported audit recommendations.

#### 5.5. External Audit

- Subject to the Shareholder's Direction, advise the Board on the selection process and evaluation of the external auditor and make recommendations to the Board as necessary.
- Review the performance, independence and objectivity of the auditor, including any relationships between the auditor and the Corporation that may impact on such performance, independence and objectivity, and recommend actions to the Board.
- Review and pre-approve the annual fee for the audit of the financial statements of the Corporation.
- Review audit related expenses and pre-approve permitted non-audit services or delegate pre-approval to one or more independent members of the Committee.
- Review the external annual audit plan with the external auditor, including any material changes to the scope of the audit. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed appropriate.
- On a regular basis, meet in-camera with the external auditor to discuss any matters that the Committee or auditor desires to discuss.

#### 5.6. Reporting Responsibilities

- Regularly report to the Board about Committee activities, issues and related recommendations.

- Provide an open avenue of communication between management, internal audit, the external auditor and the Board.

#### 5.7. Other Responsibilities

- Perform other activities related to these terms of reference as requested by the Board
- At least once a year, review its own performance, constitution and terms of reference in order to evaluate its effectiveness in fulfilling its mandate, and recommend any changes it considers necessary to the Board.
- Any other responsibilities prescribed by relevant legislation or the Shareholder's Direction.