

WCB AUDIT COMMITTEE

Terms of Reference

1. **PURPOSE**

The Audit Committee is established to assist the Board of Directors in fulfilling its oversight responsibilities. *The Workers Compensation Act* requires that the Board of Directors establish an Audit Committee to:

- (a) Review and advise the WCB about the annual report under section 70 of *The Workers Compensation Act* and the separate accounts within the accident fund under section 87;
- (b) Review and advise the WCB about any audit or investigation under section 69 of *The Workers Compensation Act*;
- (c) Make recommendations to the Board of Directors about the WCB's internal control procedures;
- (d) Make recommendations to the Board of Directors about the standards of conduct and conflict of interest guidelines;
- (e) Review and approve the mandate of the WCB's Internal Audit department and the internal audit plans;
- (f) Periodically arrange and participate in meetings with the Director of Internal Audit and the Auditor General or other auditor appointed by the Lieutenant Governor in Council to review the results of the internal audit practices of the WCB; and
- (g) Perform any other functions assigned to it by the Board of Directors.

2. **COMPOSITION**

- 2.1 The Audit Committee will be composed of the Chairperson of the Board of Directors, the Chief Executive Officer (non-voting) and an equal number of members of the Board of Directors representative of workers, employers and the public interest.
- 2.2 In recognition of the value of financial and audit expertise to the Audit Committee, the Board of Directors may also appoint up to three external voting members.
- 2.3 The Chairperson of the Audit Committee may not chair another Board Committee except as an acting Chairperson.
- 2.4 Appointments to the Audit Committee will be reviewed annually.

3. CHAIRPERSON OF THE AUDIT COMMITTEE

- 3.1 The Board of Directors appoints a Board member representative of workers, employers or the public interest as a Committee Chair (under the legislation, external members may not chair committees). The appointment of the Committee Chair will occur, with input from the Committee, after the Committee has been selected each year.
- 3.2 The appointment of the Chairperson will be reviewed annually.
- 3.3 In the absence of the Chairperson of the Committee, the members will appoint an acting Chairperson.
- 3.4 The Chairperson of the Committee is responsible for reviewing and cosigning, along with the President & CEO the expenses of the Board Chairperson.
- 3.5 The Chairperson of the Board of Directors may grant authority to the Chairperson of the Audit Committee to approve the expenses of the President and CEO and other Board Members in his/her absence.

4. RESPONSIBILITIES

4.1 External Auditor - Accident Fund

The Audit Committee will:

- (a) Make recommendations to the Board of Directors on the appointment of the External Auditor and its fee.
- (b) Meet with the External Auditor to discuss:
 - i. the scope of the examination as agreed to by both parties in the engagement letter;
 - ii. the financial statements and the auditor's report;
 - iii. the independence of the External Auditor;
 - iv. the application, effect, quality and appropriateness of the WCB's accounting principles, practices and judgments as applied in its financial reporting;
 - v. any recommendations contained in the Management Report from the External Auditor; and
 - vi. such other matters as may be required or desirable.
- (c) Meet with the External Auditors without management present to discuss the cooperation and relationship with management and any other matters as may be required or desirable.

4.2 External Auditor - WCB Retirement Plan

The Audit Committee will:

- (a) Make recommendations to the Board of Directors on the appointment of the External Auditor and its fee.
- (b) Meet with the External Auditor to discuss:
 - i. the scope of the examination as agreed to by both parties in the engagement letter;
 - ii. the financial statements and the auditor's report;
 - iii. the independence of the External Auditor;
 - iv. the application, effect, quality and appropriateness of the WCB's accounting principles, practices and judgments as applied in its financial reporting;
 - v. any recommendations contained in the Management Report from the External Auditor; and
 - vi. such other matters as may be required or desirable.
- (c) Meet with the External Peer Actuary without management present to discuss the cooperation and relationship with management and any other matters as may be required or desirable.

4.3 Reporting and Disclosure

The Audit Committee will:

- (a) Review the annual financial statements and Management Discussion and Analysis of the WCB's annual report and recommend their approval to the Board of Directors;
- (b) Approve non-audit services provided by the External Auditor as follows:
 - The Committee will approve non-audit related engagements undertaken by the External Auditors in advance of the services being performed. In the event of exceptional circumstances, the Chairperson of the Audit Committee is delegated authority to pre-approve these engagements. Review of any pre-approval made by the Chair will occur at the next scheduled Audit Committee meeting.
- (c) Review the annual financial statements of the WCB Retirement Plan and recommend their approval to the Board of Directors; and
- (d) Review and recommend the WCB Retirement Plan Annual Newsletter for the approval of the Board of Directors.

4.4 Internal Audit

The Audit Committee will, from time to time:

- (a) Jointly with the Chief Executive Officer, endorse the initial appointment, review regular performance evaluations (such review to be undertaken by the Audit Committee Chairperson with the Chief Executive Officer and then reported to the Audit Committee);

- (b) Review and approve the Internal Audit Department's Charter, Internal Audit Plan and related resources;
- (c) Initiate and approve specific requests for audits; and
- (d) Review audit reports or summaries and management follow-up actions.
- (e) Meet with the Director of Internal Audit without management present to discuss the cooperation and relationship with management, and any other matters as may be required or desirable.

4.5 Monitoring of Corporate Integrity

The Audit Committee will, from time to time:

- (a) Review the WCB's program for monitoring compliance with the code of conduct and conflict of interest guidelines; and
- (b) Receive reports from senior management on the results of corporate integrity activities, including whistleblower incidents.

4.6 Review of Actuarial Functions

The Audit Committee will:

- (a) Meet with the Internal and External Peer Actuary to review actuarial reports;
- (b) Review the WCB's application of actuarial practices;
- (c) Meet with the External Peer Actuary without management present to discuss the cooperation and relationship with management and any other matters as may be required or desirable

4.7 Internal Control

The Audit Committee will, from time to time, review the internal control systems and processes put in place by management to identify, monitor and mitigate significant financial, business and regulatory risks.

4.8 Risk Management

- (a) The Audit Committee will review the risk management processes in place for the identification and assessment of significant corporate risks, including fraud, IT risks, and for the implementation of appropriate mitigation strategies to manage these risks; and
- (b) The Audit Committee will review the process in place to manage key risks related to major projects.

4.9 Auditor General of Manitoba

The Audit Committee will review and advise the Board of Directors with respect to any relevant reports and/or recommendations from the Auditor General of Manitoba.

4.10 Legislated Program Audit

The Audit Committee will at least once every five years recommend to the Board of Directors that they:

- (a) Recommend to the Minister Responsible for *The Workers Compensation Act* a subject for the Legislated Program value-for-money audit.
- (b) Appoint an independent auditor to review the cost, efficiency and effectiveness of a least one program provided under the WCA.
- (c) Review and receive for information the audit report arising out of the legislated program audit.

4.11 Other

The Audit Committee will:

- (a) Monitor and review Board and executive expenses;
- (b) Periodically perform a self-assessment of its performance as a committee; and
- (c) Review its terms of reference annually, and make recommendations to the Board of Directors for amendments as the Committee deems necessary.

4.12 Additional Resources

- (a) The Audit Committee may invite, at its discretion, members of management and /or other guests to attend all or a portion of a meeting of the Committee.
- (b) Participation of management and/or other guests must be requested in advance of the meeting through the CEO Office.

History:

1. Audit Committee Terms of Reference approved by Board Order 01/06 on January 31, 2006.
2. Revised on March 16, 2007 by Board Order 11/07. Changes included: removal of the restriction that the Chairperson of the Audit Committee cannot be a member of the Investment and Finance Committee, the addition of the constraint that the Chairperson of the Audit Committee may not chair another Board Committee except on an acting basis and a clarification of the duty of monitoring corporate integrity activities.
3. Revised on February 28, 2008 by Board Order No. 08/08. Change was to amend Section 4.4 (b) of the Audit Committee Terms of Reference to include a reference to the Internal Actuary.
4. Revised on August 24, 2009 by Board Order No. 18/09. Changes included: Addition of new Section 3.4: To formalize the practice that the Chairperson of the Audit Committee cosigns along with the President & CEO the expenses of the Board Chairperson. Addition of new Section 3.5: To provide that the

Chairperson of the Board of Directors may grant authority to the Chairperson of the Audit Committee to approve the expenses of the President and CEO and other Board Members in his absence. Addition of a new Section 4.1(e): To provide a process for approval of non-audit types of services the External Auditor may engage in. Amendments to Section 4.3(b): to add in "including whistleblower incidents" when referring to corporate integrity activities and Section 4.4, Review of Actuarial Functions: Amended to delete the word "External" with respect to the responsibility for the valuation of benefit liabilities.

5. Terms of Reference confirmed on December 17, 2009 by Board Order No. 40/09.
6. Terms of Reference confirmed on December 16, 2010 by Board Order No. 43/10.
7. Terms of Reference amended on January 31, 2012 by Board Order No. 05/12 to add in Section 4.6 Risk Management. Other housekeeping changes related to the name of the Internal Audit Department were updated throughout. Also under Section 4.1 Financial Responsibilities, subsection (e) was added to reflect practice. This section was removed from the Investment and Finance Committee's responsibilities.
8. Terms of Reference amended on March 15, 2013 by Board Order No. 08/13. Revisions included:
 - Section 4.1 was divided into two sections. Section 4.1 relates to the External Auditor. The new Section 4.2 related to the Reporting and Disclosure responsibilities of the Audit Committee.
 - Section 4.3 Actuarial Functions - deleting subsection (a) as the Internal Chief Actuary is now responsible for the valuation of the benefit liabilities and removing the work "External" and replacing it with "Peer" to reflect the current process for review of actuarial reports. As well subsection (b) relating to the oversight of the actuarial practices was reworked.
 - Section 4.6 Risk Management Subsection (a) has been enhanced to make specific reference to IT risks in the risk management processes. As well Subsection (b) was added to provide clarity on the role of the Audit Committee in managing key risks related to major projects.
9. Terms of Reference amended on March 17, 2014 by Board Order No. 11/14 to include in Sections 4.1 and 4.2 responsibility to review and recommend to the Board of Directors the financial statements of the WCB Retirement Plan.
10. Terms of Reference amended on January 22, 2015 by Board Order No. 07/15 to include subsection 4.6 (c) related to review of actuarial functions.
11. Terms of Reference amended on January 28, 2016 by Board Order No. 03/16 to update Section 3.1 to clarify the appointment of Committee Chairs, to update Section 4.4 (b) to reflect the actual names of the Internal Audit documents and to update Section 4.8 to add fraud as a significant corporate risk.

12. Terms of Reference amended on March 23, 2017 by Board Order No. 06/17 to add in Section 4.10 Legislated Program Audit to outline the Committee's responsibilities relating to this function.
13. Terms of Reference amended on January 25, 2018 by Board Order No. 05/18 to expand Section 4.10 Legislated Program Audit to indicate the Committee receives and reviews the Legislated Program Audit and to clarify Section 1 (a) relating to the term "separate accounts."

14: Terms of Reference amended on April 16, 2019 by Board Order 14/19.

Revisions included:

- External Auditor, Section 4.1 c, has been added to this section to better reflect actual practice of the External Auditors meeting privately with the Audit Committee (formerly included in Section 4.5 c).
- External Auditor - WCB Retirement Plan Section 4.2 c, has been added to this section to reflect the actual practice of the External Peer Actuary meeting privately with the Audit Committee.
- Revisions are required to the Audit Terms of Reference to reflect the new process for review and approval of the Annual Report. The annual report text portion will go directly to the Board of Directors in February of each year. In April, the Board will receive the Statistical section. The Audit Committee will review the financial statements and Management Discussion and Analysis in April (Section 4.3 a, b, c).
- Non-Audit Services (Section 4.3 d) has been revised to clarify that all non-audit related engagements undertaken by the External Auditor would require Committee approval. The second bullet was removed as by default the Administration would approve any other services not covered in section (d).
- Internal Audit, Section 4.4 e has been added to this section to reflect actual practice of the Internal Auditor meeting privately with the Audit Committee (formerly included in Section 4.5 c).
- Review of Actuarial Functions, Section 4.6 c has been reformatted for consistency.
- Section 4.12 Additional Resources has been added to permit the Audit Committee to invite management or guests to attend all or a portion of a meeting. The participation will be requested through the CEO office.