



TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE

PURPOSE

The Audit and Risk Committee (the "Committee") is appointed by the Board of Directors of Hockey Alberta (the "Board") to assist the Board in fulfilling its oversight responsibilities. The Committee is responsible for the oversight of Hockey Alberta's financial reporting, accounting systems and internal controls over financial reporting. While the Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Committee to plan or conduct audits or to determine if Hockey Alberta's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for preparing Hockey Alberta's financial statements and the external auditors are responsible for auditing those financial statements. The Committee has an oversight responsibility over management and over the external auditors in these respects.

The Committee's primary purposes are to:

- a) Oversee and monitor the integrity of the accounting and financial reporting processes, financial statements and system of internal controls regarding accounting and financial reporting and accounting compliance;
- b) Oversee and monitor management's identification and management of principal financial risks;
- c) Oversee and monitor management's risk management policies, process and practices;
- d) Oversee and monitor compliance with legal and regulatory requirements relating to accounting, internal accounting controls and auditing matters;
- e) Oversee and monitor the qualifications, independence and performance of the external auditors; and
- f) Enhance communications among the Board, management and the external auditors.

ACCOUNTABILITY

The Committee shall report to the Board at the Board meeting following each Committee meeting and provide a report to the Board concerning any Committee proposals or recommendations. In respect of matters for which decision making authority has been delegated by the Board to the Committee, the Committee shall approve such matters by way of resolutions passed at Committee meetings and reflected in the Committee meeting minutes which may be distributed to the Board or be reported orally at the next Board Meeting.

MEMBERSHIP

- The Committee shall consist of not fewer than three directors, one of whom shall be the Chairman of the Committee.
- The Board shall appoint the Chairman of the Committee.
- All members of the Committee shall be "independent", having no direct or indirect material relationship with Hockey Alberta which could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment.



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- Each member shall be financially literate, being able to read and understand financial statements that present a level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Hockey Alberta's financial statements.
- The Committee members shall be appointed annually by the Board of Directors following recommendation of the Governance Committee and the Board Chair.
- Any member of the Committee may be removed or replaced at any time by the Board and shall, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board.

RESOURCES

The Committee has the authority to:

- (a) Engage independent counsel and other advisors as it determines necessary to carry out its responsibilities;
- (b) Set and pay the compensation for any advisors employed by the Committee;
- (c) Communicate directly with the external auditors;
- (d) Communicate directly with the management and staff as and when the Committee deems appropriate;
- (e) Determine or direct the training and or professional development of Committee members;
- (a) The Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibility. In this regard, the Committee may direct management to particular areas of examination.

FUNCTIONS/TASKS

The Committee will work closely and cooperatively with such employees of Hockey Alberta, its auditors, and/or other appropriate advisors and with access to such information as the Committee considers being necessary or advisable in order to perform its duties and responsibilities, as assigned by the Board. Subject to the powers and duties of the Board, the Committee will perform the following duties:

Review of Financial Statements:

- (a) Review and approve the annual audited and quarterly unaudited financial statements and make specific recommendations for approval to the Board of Directors. As part of this process the Committee should:
 - i. Review the financial statements in the context of prevailing and proposed legislation.
 - ii. Review the appropriateness of any changes to the underlying accounting principles and practices.



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- iii. Review the appropriateness of estimates, judgments of choice and level of conservatism of accounting principles.
- iv. Review business risks, uncertainties, unusual transactions, commitments and contingent liabilities.
- v. Be satisfied that adequate procedures are in place for the review of Hockey Alberta's disclosure of financial information extracted or derived from the financial statements and periodically assess the adequacy of these procedures.

Engagement and Evaluation of External Auditors:

- (b) The Committee shall recommend to the Board of Directors the appointment of the external auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest functions. The external auditors shall report directly to the Committee.
- (c) The Committee shall review and approve the engagement letter. As part of this review the Committee reviews and recommends to the Board of Directors for their approval the auditor's fees for the annual audit. The Committee is responsible for the direct oversight of the work of the external auditor for the purpose of preparing or issuing an audit report or related work, and the auditor shall report directly to the Committee.
- (d) The Committee shall receive a written statement not less than annually from the external auditor describing in detail all relationships between the auditor and Hockey Alberta that may impact the objectivity and independence of the auditor. The Committee shall review annually with the Board of Directors the independence of the external auditors and either confirm to the Board of Directors that the external auditors are independent or recommend that the Board of Directors take appropriate action to satisfy itself of the external auditor's independence.
- (e) The Committee shall resolve disagreements between management and the external auditors regarding financial reporting.
- (f) The Committee shall evaluate the external auditors' qualifications, performance and independence and shall present its conclusions with respect to the external auditors to the Board.

Review and Discussion with External Auditors:

- (g) The Committee shall meet with the external auditors (without management present) and have the external auditors be available to attend Committee meetings or portions thereof at the request of the Chairman of the Committee or by a majority of the members of the Committee.
- (h) The Committee shall review and discuss with the external auditors:
 - i. All critical accounting policies and practices to be used;
 - ii. All alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and



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- iii. Other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences.
- (i) The Committee shall review and approve the hiring policies for hiring of partners, employees and former partners and employees of the present and former external auditors.
- (j) The Committee shall review with the external auditors and management the annual external audit plans which would include objectives, scope, timing, materiality level, fee estimate, quality of and changes in critical accounting policies, emerging accounting issues and other communications as required under generally accepted auditing principles.
- (k) The Committee shall consider and review with the external auditors:
 - i. performance of management involved in the preparation of financial statements.
 - ii. any restrictions on the scope of audit or review work.
 - iii. any difficulties encountered in the course of the external audit or review.
 - iv. the level of cooperation received and access to required information in performance of the audit or review.
 - v. any changes required in the planned scope of the external audit plan or review.
 - vi. any unresolved material differences of opinion or disputes between management and the external auditors.
 - vii. any transactions or activities which may be illegal, unethical or fraudulent.
 - viii. independence of the external auditor.
- (l) The Committee shall review and assess the adequacy and quality of resources, budget, reporting relationships, responsibilities and planned activities of management in conjunction with the external audit process and overall accounting and financial responsibilities.
- (m) The Committee shall review with management the performance of preparation of the financial statements and the external audit.

Approval of Non-Audit Services:

- (n) Review and approve the provision of all permitted non-audit services (including the fees and terms thereof) in advance of the provision of those services by the external auditors.
- (o) The Chairman of the Committee may authorize fees related to non-audit and audit services, up to a maximum of \$5,000 per engagement, with a cumulative maximum of \$25,000. If this occurs, the Chairman will present to the Committee at the next meeting the particulars of each authorization. After such meeting, the cumulative limit will be reset to zero.

Other Review Items:

- (p) The Committee shall discuss with management at each meeting the financial controls environment, including the internal controls over financial reporting and the disclosure controls and procedures.



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Other Responsibilities:

- (q) The Committee is responsible for monitoring Hockey Alberta's risk management processes but the Board is responsible for working with management in assessing and mitigating Hockey Alberta's risks. Monitoring the risk management process includes reviewing the guidelines and policies to understand the risk management process and working with management to assess and manage the exposure to risk. This includes providing oversight with respect to insurance ensuring that policies mitigate risk to an acceptable level.
- (r) The Committee is responsible for overseeing Hockey Alberta's investment policies and reporting on investment performance.
- (s) The Committee is responsible for oversight of Hockey Alberta's budget, variance reports and forecasts prepared by management.
- (t) The Committee shall conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including investigation of allegations of fraud illegal acts or conflicts of interest concerning the financial information or disclosure. The Committee shall be empowered to retain, obtain advice or otherwise receive assistance from independent counsel, accountants, or other outside sources to assist it in the conduct of any investigation as it deems necessary and the carrying out of its duties.
- (u) Hockey Alberta shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Board, for payment (i) of compensation to the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, (ii) of compensation to any advisors employed by the Committee and (iii) of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- (v) The Board may from time to time refer to the Committee such matters relating to the financial affairs of Hockey Alberta, as the Board may deem appropriate.
- (w) The Committee is generally responsible to ensure that it satisfies those responsibilities set out by applicable legal and regulatory requirements relating to accounting, internal accounting controls and auditing matters.

Handling of Complaints:

- (x) The Committee shall maintain procedures for the receipt, retention and treatment of complaints received regarding ethical, moral, accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters (a "whistleblower policy").

Annual Review:

- (y) The Committee shall review and assess the adequacy of its mandate annually, report to the Governance Committee of the Board of Directors thereon and recommend any proposed



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changes to the Governance Committee of the Board of Directors for approval. The Committee shall also perform an annual evaluation of the performance of the Committee and shall report the results of the evaluation to the Governance Committee of the Board of Directors.

MEETINGS

Frequency: The Committee shall meet at least quarterly to review the interim and year end financial results. The Chairman of the Committee may call additional meetings as required including meetings with the external auditors to review and approve the annual audit plan and to receive the report of the external auditors. In addition, a meeting may be called by the Board Chairman, the Chief Executive Officer, or any member of the Committee or by the external auditors.

The Chairman shall, in consultation with management and the external auditors, establish the agenda for the meetings and ensure that properly prepared meeting materials are circulated to the members with sufficient time for study prior to the meeting. The Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.

The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.

Directors, who are not members of the Committee, may attend Committee meetings, on an ad hoc basis, upon prior consultation and approval by the Committee Chairman or by a majority of the members of the Committee.

The Committee may, by specific invitation, have other resource persons in attendance.

The Chief Executive Officer and the Board Chair will be available to attend Committee meetings or portions thereof as requested by the Committee.

Notice of the time and place of each Committee meeting shall be given to each member of the Committee at least 48 hours prior to the time fixed for such meeting subject to waiver of notice of the Committee meeting. A majority of Committee members shall constitute a quorum.

If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen to preside by a majority of the members of the Committee present at such meeting.

Minutes: Minutes of Committee meetings shall be sent to all Committee members, to the Chief Executive Officer and to the external auditors. The Committee shall provide a written or



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oral report to the Board of its recommendations. In respect of matters for which decision making authority has been delegated by the Board to the Committee, the Committee shall approve such matters by way of resolutions passed at Committee meetings and reflected in the Committee meeting minutes. Otherwise, the Committee will make recommendations to the Board of the approval of matters discussed and agreed to by the Committee.

ROLES AND RESPONSIBILITIES OF THE AUDIT & RISK COMMITTEE CHAIR

The Chair is appointed by the Board annually and reports to the Board. The Chair's primary role is managing the affairs of the Committee, including ensuring the Committee is organized properly, functions effectively and meets its obligations and responsibilities. The Chair works with the Board Chair and Chief Executive Officer of Hockey Alberta to ensure effective relations with Committee members. The Chair maintains on-going communications with the Board Chair and the Chief Executive Officer.

The Chair has the responsibility to lead the Committee in overseeing Hockey Alberta's financial reporting, accounting systems and internal controls over financial reporting and report to the Board after each Committee meeting.

The Chair is responsible to:

- a) Assist the Board in its recommendation of Committee members and its review of the performance and suitability of the Committee;
- b) Ensure the co-ordination of the agenda, information packages and related events for Committee meetings in conjunction with the Board Chair and the Chief Executive Officer;
- c) Maintain a liaison and communication with Committee members, other Directors and the Board Chair to co-ordinate input from Committee members and Directors, and optimize the effectiveness of the Committee;
- d) In collaboration with the Chief Executive Officer, ensure information requested by Committee members is provided and meets their needs; and
- e) In conjunction with the Audit & Risk Committee, the Board and the Board Chair, review and assess Committee attendance, performance and compensation and the size and composition of the Committee.