mpac Municipal Property Assessment Corporation™

Audit Committee
Terms of Reference

Purpose

The Audit Committee oversees MPAC's financial, audit, risk, compliance and reporting functions.

The Audit Committee's major responsibilities include oversight of MPAC's:

a. annual budget and municipal levy;
b. financial statements, financial reporting and external financial audit processes;
c. employee future benefits liability;
d. reserve levels;
e. Internal Audit Services;
f. Enterprise Risk Management;
g. critical legal and litigation activity; and
h. select other practices as designated by the Board of Directors.

Composition

1. The Audit Committee shall consist of a minimum of five (5) and a maximum of nine (9) directors of the Board. The Chair and the Vice-Chair may (but are not required to) serve on the Audit Committee.

2. Members of the Audit Committee shall not be drawn solely from any one municipal, taxpayer or provincial representative group.

3. At least two (2) Directors shall be a member of each of the Audit Committee and the Quality Assurance Committee.

4. At least two (2) Directors shall be a member of each of the Audit Committee and the Investment Committee. The Audit Committee Chair shall be a member of the Investment Committee and the Investment Committee Chair shall be a member of the Audit Committee.

5. Each member of the Audit Committee shall serve at the pleasure of the Board, and only so long as the member is a Director.

6. The Audit Committee shall annually elect, from among its members, a Chair to preside over the meetings and fulfill the Position Description of Audit Committee Chair.

7. Whenever possible, at least two (2) members of the Audit Committee shall possess financial expertise. The Board shall select members that are financially literate or can acquire such financial literacy within a reasonable period of time. Financial literacy is defined as having the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised in MPAC's financial statements.

8. MPAC shall provide a Minute taker to assist the Corporate Secretary with, among other responsibilities, taking minutes at Audit Committee meetings, and shall provide any other resources to the Audit Committee that the Committee deems appropriate in order to fulfill the Committee's Terms of Reference.

Meetings

9. The Audit Committee shall meet at least four (4) times per year.

10. Unless otherwise determined by the Board, a majority of the total members of the Committee, but not fewer than three (3), shall constitute a quorum for the transaction of business of Committee meetings.

11. The Audit Committee shall maintain minutes of its meetings in which shall be recorded all actions taken by the Committee. Such minutes shall be forwarded to the Board and inserted in the Minute Book of MPAC.

12. Meetings of the Audit Committee shall be held at the Pickering Office of MPAC or at any other place in Ontario as specified in the notice calling the meeting.

13. At any regularly scheduled meeting of the Audit Committee, members may meet in a Closed session with the External Auditor, Chief Financial Officer and/or the Corporate Audit and Risk Officer.

14. The Audit Committee shall meet in a Closed session with the External Auditor when the year-end Financial Statements are presented to confirm there has been no fraudulent activity.

Responsibilities

Annual Budget and Municipal Levy

15. The Audit Committee shall review MPAC's annual budget and municipal levy and make recommendations to the Board for consideration and approval.

Financial Statements and Reporting

16. The Audit Committee shall be responsible for reviewing all financial statements, annual and interim, intended for circulation among members or in published reports, and shall report thereon to the Board for consideration and approval.

17. The Audit Committee shall review significant accounting judgments and reporting principles, practices and procedures applied by MPAC in preparing its financial statements, including any newly adopted accounting policies and the reasons for their adoption.

18. The Audit Committee shall review MPAC's reserve strategy annually to ensure it remains appropriate and within a reasonable range, to support the financial stability of the organization. The Audit Committee shall recommend MPAC's reserve strategy to the Board for approval. A comprehensive benchmark analysis with comparator organizations shall be completed at a minimum every five years.

19. The Audit Committee shall review annually, with each of the Executive Management Group, the External Auditor and the Chief Financial Officer, the adequacy of MPAC's accounting systems, internal accounting controls and financial management information systems, and make inquiries about significant control weaknesses that may materially impact MPAC.

20. The Audit Committee shall review and, in the Audit Committee's discretion, recommend to the Board for consideration, confidential and anonymous submissions, concerns or complaints brought forward by employees or other stakeholders and received directly by MPAC, or indirectly via an independent firm retained by MPAC, regarding questionable accounting practices, internal controls, or financial auditing, core business or compliance-related matters. The Audit Committee, in consultation with another Board Committee as

necessary, shall review the results of the investigation and treatment of these complaints, and, in the Audit Committee's discretion, shall recommend a course of action to the Board for consideration and approval.

External Audit

21. The Audit Committee shall make a recommendation to the Board on the appointment of the External Auditors including their annual base audit fee. The recommendation will encompass the External Auditors' audit responsibilities, Management's responsibilities, coordination of the audit fees, and standard terms and conditions.

22. The Audit Committee shall annually review the qualifications, independence, effectiveness and tenure of the External Auditors, and report on the results of this review if, or when, recommending the appointment of the External Auditors to the Board.

23. The Audit Committee shall annually review the Audit Engagement with the External Auditors. This review shall include a discussion of any specific risk areas identified by the External Auditors, the Audit Committee itself, the Executive Management Group, or the Board.

24. The Audit Committee shall meet with the External Auditor in Q3, prior to the audit being conducted, to review the scope and general extent of the External Auditor's annual audit plan including:

    a. the planning and staffing of the audit; and
    b. an explanation from the External Auditor of the factors considered in determining the audit scope, including the major risk factors.

25. The Audit Committee shall require the External Auditor to provide a timely report in Q1 including:

    a. all critical accounting policies, significant accounting judgments and practices to be used;
    b. all alternative treatments of financial information within Generally Accepted Accounting Principles (GAAP) that have been discussed with Management, ramifications of the use of such alternative disclosures

and treatments, and the treatment preferred by the External Auditor; and

c. other material written communications between the External Auditor and Management.

26. At least bi-annually, the Audit Committee shall meet with MPAC's External Auditors. One annual meeting shall include a review of the Audit Plan One annual meeting shall include a review of the financial statements and audit report, together with any significant audit findings identified by the External Auditors. The Audit Committee shall report thereon to the Board.

27. The Audit Committee shall take all reasonable steps to ensure that MPAC's Executive Management Group and Directors, or persons acting under their direction, are aware that they are prohibited from coercing, manipulating, misleading or fraudulently influencing the External Auditor when the person knew or should have known that the action could result in rendering the financial statements materially misleading.

28. The Audit Committee shall resolve any disagreements between the External Auditors and the Executive Management Group.

29. The Audit Committee shall be apprised of any non-financial audit services provided by MPAC's External Auditors.

30. The Audit Committee shall review with the Executive Management Group the responsiveness of the External Auditor to MPAC's needs.

Internal Audit Services

31. The Audit Committee shall review any appointment or dismissal of the Corporate Audit and Risk Officer.

32. The Audit Committee shall review an annual risk-based Audit Plan for Internal Audit Services and make recommendations to the Board for consideration and approval of the Internal Audit Plan.

33. The scope of the Internal Audit Plan shall not be restricted.

34. Internal Audit Services shall take all reasonable steps to ensure coordinated assurance over risks, governance, and internal control testing with the Quality Service Commissioner pursuant to the Quality Assurance Committee Terms of Reference.

35. Upon the review and recommendation of the Audit Committee, the Board shall consider and approve the mandate, resources (amount and type) and budget of the Corporate Audit and Risk Officer, and shall approve the appointment and performance review of the Corporate Audit and Risk Officer.

36. The Audit Committee shall receive periodic reports from the Corporate Audit and Risk Officer addressing:

    a. department responsibilities and staffing;
    b. whether Internal Audit Services has had full access to MPAC's books, records and personnel;
    c. progress on the Internal Audit Plan, including any significant changes to it;
    d. significant internal audit findings, including issues as to the adequacy of internal controls and any procedures implemented in light of significant control deficiencies;
    e. any significant internal fraud issues; and,
    f. the performance and independence of Internal Audit Services, including conformance with The Institute of Internal Auditors' Code of Ethics.

37. The Audit Committee, with the approval of the Board, may request Internal Audit Services to perform special studies, investigations, or other services in matters of interest or concern to the Audit Committee and the Board.

38. The Audit Committee shall receive, review, discuss and transmit to the Board for their information all findings and reports produced by Internal Audit Services. Such reports shall identify findings, results of tests of internal controls, and recommendations. Where action plans are required to mitigate risks and strengthen internal controls identified by Internal Audit Services processes, such action plans and their implementation by senior and operating Management are to be reviewed by and reported to the Audit Committee at each regularly scheduled meeting.

39. The Audit Committee shall review any internal audit report (including the Terms of Reference) not contained in the annual Internal Audit Plan. Such reports will include any specific findings and recommendations of a significant nature, together with any action plans required to mitigate identified risks, internal controls, or other issues.

40. The Audit Committee shall resolve any disagreements between the Corporate Audit and Risk Officer and the Executive Management Group.

41. At least every five (5) years, the Audit Committee shall oversee an independent external review or an Internal Audit Services self-assessment with independent validation of the operations and effectiveness of the Internal Audit Services function to ensure compliance with The Institute of Internal Auditors' Definition of Internal Auditing[1], Code of Ethics and the Standards for Professional Practice of Internal Auditing.

Enterprise Risk Management

42. The Audit Committee shall review and recommend to the Board for consideration and approval the adequacy of MPAC's Enterprise Risk Management Policy with regard to the identification of MPAC's principal financial and non-financial risks (including cyber security) and associated mitigation activities.

43. The Audit Committee shall regularly review MPAC's risk tolerance and the adequacy of the design and implementation of appropriate systems and controls to mitigate and manage material risks.

44. The Audit Committee will review the status of any and all action plans related to mitigation of significant risks (including information technology and cyber security risks), or issues identified by any External or Internal audit work or reports.

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[1] Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

45. The Audit Committee shall review annually the Directors' and Officers' Insurance and the indemnification of Directors and Officers, and in the Audit Committee's discretion, recommend the foregoing to the Board for consideration and approval.

46. The Committee shall review the Corporate Audit and Risk Officer's oversight of MPAC's Corporate Policy framework, the management of MPAC's Insurance Program, and the development and implementation of MPAC's Business Continuity Program.

47. The Audit Committee shall ensure that the Enterprise Risk Management staff acts with independence, integrity and courage at all times; the Enterprise Risk Management Branch follows leading Enterprise Risk Management practices; and the Corporate Audit and Risk Officer maintains certification in good standing with CPA Canada.

48. The Audit Committee shall ensure that the Corporate Audit and Risk Officer demonstrates a regular assessment of the skills required to conduct the work needed, and that the Enterprise Risk Management Branch budget is sufficient to allow the recruitment and retention of staff with the expertise and experience necessary to provide effective support consistent with the Enterprise Risk Management Branch Charter.

Policy Compliance and Changes

49. The Audit Committee shall review any material change(s) made to the following financial, risk and fiscal policies at its next regularly scheduled meeting and shall recommend such change(s) to the Board for consideration and approval:

    a. Accounts Receivable Policy;
    b. Delegation of Authority Policy;
    c. Enterprise Risk Management Policy;
    d. MPAC Code of Conduct;
    e. Procurement Policy;
    f. Data Incident Readiness and Response Protocol;
    g. Fraud and Other Irregularities Policy (includes Whistleblowing Program); and,
    h. such other policy matters as the Committee or Board may determine.

Any non-material administrative change(s) to these policies shall be implemented immediately, summarized, and reported annually to the Committee for information.

Investigations

50. The Corporate Audit and Risk Officer shall investigate – and the Audit Committee shall review biannually – claims brought under the Fraud and Other Irregularities Policy (including the Whistleblowing Program), including whether such claims are substantiated, substantiated but compliant with MPAC's policies or unsubstantiated.

51. The Audit Committee shall review, immediately, any submission from the President and Chief Administrative Officer or the Corporate Audit and Risk Officer, concerning any actual or suspected fraudulent or illegal acts with respect to MPAC's statutory responsibilities under the *Assessment Act*, or any other Act, and the Audit Committee shall oversee any such action taken to resolve or mitigate such fraudulent or illegal acts.

Legal Events and Litigation

52. The Audit Committee shall review significant legal events and litigation (i.e., legal and litigation activity that has the potential for substantial financial, reputational or business risk to MPAC) to which MPAC is a party and shall report to the Board in this regard.

Other Responsibilities

53. The Audit Committee may be delegated other responsibilities by the Board.

Resources

54. The Chief Financial Officer, External Auditor, and the Corporate Audit and Risk Officer may have direct communication with the Committee Chair at any time.

55. The President and Chief Administrative Officer, the Chief Financial Officer, the Corporate Audit and Risk Officer and the delegated Corporate Secretary shall attend all Audit Committee meetings.

56. Other members of the Executive Management Group or the Senior Leadership Team may be asked to attend meetings of the Audit Committee as the Committee deems appropriate.

57. The Audit Committee shall review the need for any resources beyond those identified above. Such additional resources shall be provided by MPAC as deemed appropriate by the Audit Committee in fulfilling these Terms of Reference.

Committee Operations

58. Audit Committee shall evaluate at least every three (3) years the adequacy of these Terms of Reference and recommend any proposed changes to the Governance and Human Resources Committee for consideration and recommendation to the Board of Directors for approval.

59. The Audit Committee shall prepare annually a Committee Work Plan to ensure that the foregoing responsibilities and priorities are scheduled and fully addressed. The Work Plan shall be presented to the Board for consideration and approval.

60. The Audit Committee shall, at least annually, review its compliance with these Terms of Reference and evaluate its own effectiveness and shall report thereon to the Board.

61. Following each Audit Committee meeting, the Audit Committee Chair shall report to the Board on the activities, findings, due diligence, and any recommendations of the Audit Committee.

Procedures

62. That Audit Committee may meet in separate, non-management Closed sessions with internal personnel or outside advisors, as needed or appropriate.

63. The Audit Committee may meet in separate, non-management In Camera sessions at each regularly scheduled meeting.

64. The Audit Committee shall have sole authority to retain, oversee, compensate, and terminate independent advisors to assist the Committee in its activities.

65. The Audit Committee shall receive adequate funding from MPAC for independent advisors and ordinary administrative expenses that are needed or appropriate for the Committee to carry out its duties.

66. The Audit Committee shall, in consultation with the Board Chair, retain, oversee, compensate and terminate, as appropriate, independent advisors to assist any individual Audit Committee member, as necessary.

67. The Audit Committee shall carry out any other appropriate duties and responsibilities assigned by the Board.

To honour the spirit and intent of applicable law as it evolves, the authority to make minor technical amendments to these Terms of Reference is delegated to the Manager, Board Administration, who shall summarize and report any minor amendments to the Governance and Human Resources Committee annually for information. The Governance and Human Resources Committee shall review any material change(s) to these Terms of Reference at its next regularly scheduled meeting and recommend such change(s) to the Board for consideration and approval.

For Reference:

Closed session: A session with Board members only and internal personnel or outside advisors, as needed or appropriate.

In Camera session: A session with Board members only.

A ***material*** change to a governance document is a substantive or fundamental change. It includes, but is not limited to: a proposed change to a role, right, responsibility, or reporting relationship.

An ***administrative*** change to a governance document is non-substantive. It includes, but is not limited to: a definition, the use of adjectives, an elaboration, a footnote, the use of examples, consolidation of an administrative change in another document for consistency, or the use of technical or clarifying language.

An administrative change does not fundamentally alter any existing role, right, responsibility or reporting relationship.

History

Amendments:	N/A
Board Received Date:	September 24, 2025
Committee Review Date:	September 17, 2025
Board Approval Dates:	September 24, 2025 | December 11, 2024 | June 15, 2023 | June 20-21, 2017 | December 10, 2015 | June 11, 2015 | December 12, 2013 | November 29, 2012 | May 4, 2012 | January 28, 2011 |March 26, 2010 | September 16, 2009 | December 3, 2004