

## RISK & AUDIT Committee

### Terms of Reference

#### INTRODUCTION

CPATA regulates the patent and trademark profession in accordance with the Act, Regulations, By-laws, Registrar's Policies, and the Regulatory Objectives, Standards and Principles. It is an independent and risk-focused public interest regulator.

CPATA is a risk focused regulator. It identifies regulatory and enterprise risks and proactively takes steps to mitigate them. Given that it is a new regulator, it is committed to gathering information that will allow it to understand the environment that influences the practices of licensees.

CPATA is committed to selecting Board and committee members based on a set of identified skills and attributes, to ensure the Board and committees have the knowledge and attributes to carry out the work effectively, are diverse in all respects, and who strive to attain the vision of CPATA for a modern regulator as outlined in [Board Policy No 2, CPATA's Regulatory Objectives, Standards and Principles](#).

CPATA committees assist the Board to meet its governance and fiduciary obligations. Unless a specific authority is granted, a committee has no independent authority.

Committees develop and document, for Board approval, and follow an annual work plan which includes processes in support of their responsibilities.

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#### ROLE

The purpose of the Risk & Audit Committee is to assist the Board in fulfilling its fiduciary obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, the system of corporate controls and risk management, and when required, to make recommendations to the Board for approval.

The Committee must demonstrate strong and principled advice to foster unshakeable confidence in the College's financial integrity.

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#### RESPONSIBILITIES

Subject to the powers and duties of the Board, the Risk and Audit Committee will perform the following duties.

##### Financial Planning

The Committee:

- a. reviews and make recommendations to the Board in respect of:

- i. amendments to Schedule A of the Board By-laws (Fees);
  - ii. CPATA's operating and capital budgets;
  - iii. the appropriateness and validity of material assumptions and estimates used in the preparation of the budgets
  - iv. the consistency of the budgets with policies, objectives and initiatives approved by the Board;
  - v. the consistency of the budgets with any other financial data;
  - vi. any significant assumptions, forecasts, targets or performance goals used by the CEO in the preparation of the budgets; and
- b. ensures the Board receives on a timely basis meaningful financial information regarding CPATA's current financial status and up-to-date forecasts required to make decisions.

### **Financial Reporting**

The Committee:

- a. reviews CPATA's annual financial statements with a view to verifying they are fairly presented in all material respects in accordance with generally accepted accounting principles;
- b. reviews all public reporting by CPATA, including the Annual Report, which is presented to the Minister, to confirm that it represents a complete, accurate and balanced picture of CPATA's performance and financial situation;
- c. reviews the financial statements and reports, and recommends their approval or disapproval to the Board; the Committee will provide an explanation if it cannot recommend approval;
- d. discusses with the CEO and the External Auditor:
  - i. all proposed changes in accounting policy;
  - ii. compliance with accounting standards;
  - iii. adjustments arising out of the audit process and related party transactions; and
  - iv. all Management estimates that may be material to financial reporting;
- e. discusses with the CEO and the External Auditor significant financial reporting, record or presentation issues discussed during the fiscal period and the manner of their resolution; and
- f. examines the audited annual financial statements in conjunction with the reports of the External Auditor, which may include determining whether the statements:
  - i. properly reflect the significant accounting policies selected;
  - ii. reflect estimates and other financial statements elements that are reasonable and consistent;
  - iii. adequately disclose all major transactions and issues;

- iv. disclose all post-year-end significant events; and
- v. are understandable, relevant, reliable and comparable;
- g. reviews and recommends to the Board approval of the:
  - i. annual audited financial statements;
  - ii. management discussion and analysis that accompanies the audited financial statements; and
  - iii. significant financial reports.

### **External Audit**

The Committee:

- a. recommends to the Board the appointment of the External Auditor;
- b. meets with the External Auditor in advance of the annual audit and meets in camera with the External Auditor after the audit or as requested.
- c. determines whether the performance of the External Auditor is satisfactory, effective and meets the requirements of CPATA;
- d. reviews all issues related to any change in External Auditor and the planned steps for an orderly transition;
- e. confirms the independence of the External Auditor;
- f. reviews the terms of the External Auditor's engagement, and the appropriateness and reasonableness of the proposed fees;
- g. reviews and recommends to the Board the amount of fees paid to the External Auditor;
- h. reviews the audit plan with the External Auditor and the CEO;
- i. reviews the evaluation of internal controls by the External Auditor, including any recommendations for improvement of CPATA's accounting procedures and internal controls, together with the CEO's response; and
- j. directs the External Auditor's examinations to areas of concern with respect to enterprise risks or internal controls.
- k. reviews problems experienced by the External Auditor in performing the audit, including any restrictions imposed by the CEO and all significant accounting issues on which there was a disagreement with the CEO;
- l. reviews the post-audit opinion letter containing the recommendations of the External Auditor and reviews the CEO's response and subsequent follow-up to any significant identified weaknesses; and
- m. reviews and approves the provision of any non-audit services provided by the External Auditor.

### **Accounting Systems and Internal Controls**

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The Committee through discussion with the CEO and the External Auditors, obtains reasonable assurances that CPATA has implemented appropriate systems of internal control:

- a. over financial reporting, information technology, data security and protection of personal information and privacy, and that these systems are operating effectively;
- b. to confirm compliance with its policies and procedures that these systems are operating effectively; and
- c. to identify, monitor, mitigate and report significant financial or operational risk exposures and that these systems are operating effectively.

### **Risk Management**

The Committee:

- a. leads the Board's oversight of CPATA's risk management;
- b. understands the material enterprise and regulatory risks to CPATA;
- c. reviews CPATA's risk management controls and policies and seeks input and assistance from other Committees as appropriate;
- d. obtains reasonable assurance that the Management's systems to eliminate or manage risks are effective;
- e. receives regular reports on the management of material risks to CPATA;
- f. annually reviews CPATA's insurance coverage of material business risks and uncertainties including insurance coverage for Directors;
- g. reviews Management's reporting of compliance with statutory obligations of the College including under:
  - i. the Income Tax Act,
  - ii. The Excise Tax Act,
  - iii. The Privacy Act, and
  - iv. The Official Languages Act
- h. reviews CPATA's disaster recovery plans.

### **Material Litigation**

The Committee reviews and advises the Board with respect to:

- a. the CEO's assessment of material litigation risks; and
- b. the adequacy of provisions and estimates made in financial information including the financial statements relating to material litigation issues, including matters before the Discipline Committee.
- c. Except matters before the Discipline Committee, as appropriate, the Committee may request counsel attend Committee meetings to review significant litigation risks and may recommend to the Board that independent counsel and other advisors be engaged.

## Compliance

The Committee:

- a. confirms the appropriate policies and procedures are in place for monitoring compliance with applicable laws and ascertains their adequacy and the levels of compliance;
- b. advises the Board on any new or pending developments in accounting and/or reporting standards;
- c. reports to the Board all financial matters of which the Committee has knowledge that may materially affect the current or future position of CPATA; and
- d. reviews such other matters that the Committee or the Board deems advisable or timely.

## Responsibility for policy review

At its first meeting every year the Committee reviews its Terms of Reference and adopts a work plan for the following year.

At least every two years, the work plan must require a review of the following:

- Finance and Audit Committee Terms of Reference
- Board Member Insurance Coverage
- Board and Committee Remuneration (Board Policy No.4)
- Investment Policy
- Enterprise Risk Management (ERM)

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### MEMBERSHIP AND VOTING

The Committee has 4 members. Up to two Committee members can be Directors.

Non-voting participants:

- Chief Executive Officer and/or Registrar as an ex officio member

A Committee member who, without excuse satisfactory to the Chair, is absent from two consecutive meetings of the Committee, is deemed to have resigned, which resignation will create a vacancy on the Committee to be filled<sup>1</sup>.

The Board, by a vote of two-thirds of those present, may at pleasure remove a member of the Committee<sup>2</sup>, but the Board will not consider a motion to

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<sup>1</sup> Registrar's Policy on Committees

<sup>2</sup> Registrar's Policy on Committees

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remove a committee member unless the Committee Member is given notice of the motion and is provided an opportunity to present to the Board<sup>3</sup>.

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**CHAIR**

The Chair is appointed by the Board.

The Chair is a voting member of the Committee. At a minimum, the Chair will have:

- Experience with professional regulation
- Be financially literate

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**FREQUENCY OF  
MEETINGS AND  
MANNER OF CALL**

Meetings are scheduled in advance and occur at least quarterly, or otherwise at the direction of the Committee Chair or the CEO. Additional meetings may be scheduled by the CEO in consultation with the Committee Chair. Meetings will be held by audio-visual means, or on direction of the Chair, in person. If necessary, votes may be cast by email or other electronic means.

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**QUORUM**

Quorum of the full Committee is three

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**RESOURCES**

The Committee is supported by the CEO and CFO.

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**REPORTING**

The Committee develops, documents, and adopts for Board approval an annual work plan and reports to the Board by providing a high-level summary of the Committee's activities at the next Board meeting. The summary details what the Committee has been working on (since it last reported to the Board), what the Committee is bringing forward for discussion or approval, and key issues that the Committee is focused on.

The Committee evaluates its work consistent with the Board's approved process for committee evaluation.

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**DATE**

Approved: 2021-10-05

Revised: 2023-03-11

To be revised:

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<sup>3</sup> Registrar's Policy on Committees

