

## **INTER PIPELINE FUND**

### **AUDIT COMMITTEE CHARTER and TERMS OF REFERENCE**

#### **General**

This document establishes the charter and terms of reference for the Audit Committee of the Board of Directors of Pipeline Management Inc. (the "Company").

The Company is the General Partner of the limited partnership, Inter Pipeline Fund (the "Partnership"). Class "A" units of the Partnership are traded on the Toronto Stock Exchange. The General Partner is responsible for the financial affairs and reporting for the Company and the Partnership and all subsidiary entities on a consolidated basis. As such the Audit Committee's responsibilities relate to the Company and the Partnership and this document is intended to apply to the Company and the Partnership and to all subsidiary entities.

#### **Responsibilities and Processes**

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting matters. The Committee will carry out the responsibilities of an audit committee as are prescribed by law from time to time and, without limitation will:

- Review the Partnership's quarterly and annual financial statements, MD&A and earnings press releases before such information is publicly disclosed. This review will include a discussion with management and the external auditors of significant issues regarding the financial results, accounting principles, practices and management estimates and judgments.
- Ensure that adequate procedures are in place for the review of the Partnership's disclosure of financial information extracted or derived from the Partnership's financial statements and periodically assess those procedures.
- Make recommendations to the Board with respect to external auditors as well as compensation to be paid to such auditors.
- Pre-approve all non-audit services to be provided to the Partnership by the external auditors.
- Monitor the integrity of the financial reporting process and the system of internal controls that management and the Board have established.

- Review on a quarterly basis the process and progress of the Partnership in evaluating the internal control system to ensure readiness to comply with the required officer certifications of the effectiveness of internal controls in the timeframes prescribed by law.
- On a quarterly basis receive and consider updates by management with respect to the Partnership's hedging program and the extent of hedges outstanding.
- Monitor the management of the principal risks that could impact the financial reporting of the Partnership.
- Review and approve the annual Audit Plan, process, results and performance of the independent external auditors.
- Review and reassess this Charter and Terms of Reference at least annually to determine whether revisions are necessary. The Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review any changes in accounting policy.
- Obtain and review summaries of significant or unusual transactions, and other potentially complex matters whose treatment in the financial statements merits advance consideration.
- Review the Annual Information Form.
- Review and respond to any complaints received by the Partnership regarding accounting, internal controls, or auditing matters including anonymous submissions by employees. Monitor the "whistleblower" process and report all complaints and their disposition to the board of directors at least annually.
- Review all material written communications between the external auditors and management, including the annual management representation letter and summary of unadjusted errors.
- Review and approve any hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors.

The Committee shall have the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to anyone in the organizations and to the external auditors who will report directly to the Committee. The Committee has the authority to engage, at the Partnership's expense, independent counsel and other advisors, as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Audit Committee and to communicate directly with any internal and external auditors

### **Composition and Meetings**

The Committee shall consist of at least three directors, all of whom shall be independent directors. All Committee members shall be financially literate with a working familiarity with basic finance and accounting practices, and at least one member shall have accounting or related financial management expertise.

Members of the Committee as well as the Chair shall be appointed annually by the Board.

The Committee shall meet at least quarterly, or more frequently as deemed necessary by the Chair. The Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee shall meet privately at least quarterly with management as well as the external auditors to discuss any matters that the Committee or each of these groups believes should be discussed.

A quorum for a meeting of the Committee shall consist of a simple majority of the members of the Committee. Meetings may be held by conference call with the consent of the Committee.

A report in respect of each meeting of the Committee will be provided to the Board. Supporting schedules and information reviewed by the Committee will be available for examination by any Director upon request to the Secretary of the Committee.

### **External Auditors**

The Committee shall have responsibility for oversight of the external auditors who shall report directly to the Committee. The Committee shall be provided with any reports by the external auditors with respect to recommendations regarding internal controls and shall review such reports with the auditors and management and have a clear understanding of steps proposed to be taken to deal with any issues which may arise in such reports. The external auditors shall receive notice of every meeting of the Committee.