

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

FINANCE AND AUDIT COMMITTEE

PURPOSE

- A. The primary function of Finance and Audit is to assist the Board in fulfilling its obligations and oversight responsibilities by reviewing:
 - a) the accuracy of financial information that will be provided to the Province of British Columbia (the “Province”), power subsidiary partner;
 - b) the systems of internal controls that have been established by the Shared Services contractor;
 - c) all audit processes (internal and external); and,
 - d) compliance with laws, regulations and policies that may apply.

COMPOSITION AND OPERATIONS

- A. Finance and Audit shall operate as a Committee of the Whole Directors with one Director acting as Chair for the limited purposes as described below.
- B. The Corporation’s external auditors shall receive notice of the Finance and Audit meeting schedule and be invited to attend meetings, as appropriate, and to be heard at those meetings on matters relating to the external auditor’s duties.
- C. Finance and Audit shall meet at least four times each year concurrent with the Board of Directors.
- D. Finance and Audit has access to the Shared Service contractor’s senior management and is provided with the resources necessary to carry out its responsibilities.
- E. The Secretary to Finance and Audit shall be the Corporate Secretary or his/her delegate.

RESPONSIBILITIES

A. Financial Statements and Other Financial Information

- i) reviewing and recommending approval of the Corporation’s and the power subsidiaries quarterly and annual audited financial statements, quarterly forecasts, operating and capital budgets, service plan, annual report, Financial Information Act reports, and any other financial reporting requirement as they may arise.
- ii) the appropriateness of accounting policies and financial reporting practices as applied by the Shared Services contractor;
- iii) any significant proposed changes in financial reporting, accounting policies and practices and/or any new or pending developments in accounting and reporting standards that may be adopted or may affect the Corporation or the power subsidiaries;
- iv) Shared Services contractor’s key estimates and judgements that may be material to financial reporting.

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B. Risk Management, Internal Control and Information Systems

Review and obtain reasonable assurance that the risk management, internal control and information systems of the Shared Services contractor are operating effectively to produce accurate, appropriate and timely financial information. This includes:

- i) reviewing the Shared Services contractor's steps to implement and maintain appropriate internal control procedures including a review of significant financial policies;
- ii) reviewing adequacy of security of information, information systems and recovery plans;
- iii) monitoring compliance with statutory and regulatory obligations;
- iv) reviewing Shared Services contractor's assessment of business risks through the application of Enterprise Risk Management practices and the insurance coverage of significant business risks and uncertainties; and,
- v) reviewing the adequacy of accounting and finance resources and any changes to financial delegated authority.

C. Internal Audit

As required, and through discussion with the Shared Services contractor, oversee the engagement of internal audit services to reasonably assure that the Shared Services contractor's accounting systems are reliable and internal controls are adequate.

D. External Audit

The Office of the Auditor General advises the province's Public Accounts Committee, through its audit plan, of its intent to directly audit certain public organizations. Columbia Power and the power subsidiaries continue as selected organizations. Subject to this limitation on the committee's role in selecting an external auditor for Columbia Power and the power subsidiaries, the following responsibilities of the Finance and Audit Committee apply.

The external auditor will report directly to the Board of Directors as representatives of the Shareholder.

Review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- i) review and approve the engagement of the external auditor and the annual external audit plan;
- ii) meet with the external auditor to discuss the Corporation's annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
- iii) review the planning, conduct and reporting of the annual audit;

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- iv) review the auditor's evaluation of the Shared Services contractor's system of internal controls, procedures and documentation;
- v) review the post audit or management letter containing any material findings or recommendation of the external auditor, including Shared Services contractor's response thereto and the subsequent follow-up to any identified internal control weaknesses;
- vi) assess the performance and recommend the annual appointment of external auditors to the Board;
- vii) review the audit reports on all subsidiaries;
- viii) review and receive assurances on the independence of the external auditor;
- ix) review any non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit; and,
- x) meet periodically, and at least annually, with the external auditor without the Shared Services contractor present.

E. Financial and Other

- i) review expenses of the Board Chair and the Shared Services contractor's CEO quarterly; and,
- ii) examine the budget methodology and recommended Operating and Capital Budgets of the Corporation and subsidiaries;