
Finance and Audit Committee

1. Purpose

The Finance and Audit Committee acts in an advisory capacity to the Board of Directors in meeting its financial and risk oversight responsibilities to enable CLBC to fulfill its vision, mission, values, strategic goals and mandate as established by the Government of B.C.

This includes:

- a) oversight of the integrity of the organization's financial planning and reporting processes, internal and external audit, financial risk management, the system of internal controls and compliance with financial statutory and regulatory requirements.
- b) in addition to oversight of risks of a financial nature, the Committee is responsible for oversight of the CLBC risk management framework, process and function as well as supporting the Board's responsibility for risk oversight.

2. Composition and Quorum

The Finance and Audit Committee is composed of three to five Directors and up to two advisors as appointed by the Board, none of whom are officers or employees of CLBC.

The Board, on the recommendation of the Board Chair, appoints the Committee Chair and members.

The Board Chair is an ex officio member of the Committee, and may vote but is not counted in establishing a quorum.

Committee members shall be independent and financially literate.¹ At least one member of the Committee should have a financial designation or relevant financial management expertise.

A majority of members of the Committee shall constitute a quorum.

3. Accountability and Authority

The Committee is accountable to the Board. The Committee has no authority to direct management or to commit CLBC unless specifically authorized by these Terms of Reference or the Board.

4. Duties and Responsibilities

Subject to the powers and duties of the Board, the Finance and Audit Committee will perform the following duties:

¹ In this context, "independent" means having no material direct or indirect association with CLBC or the External Auditor, which could, in the view of CLBC's Board, reasonably interfere with the exercise of the member's independent judgment, and "financially literate" means that the member has the ability to read and understand a set of financial statements which present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by CLBC's financial statements.

4.1 Financial Planning and Reporting

- a) review and advise the Board with respect to management's internal financial and operating reports, which should be timely, free from material misstatement, and informative;
- b) review and advise the Board with respect to financial information in key performance indicators;
- c) review and recommend for Board decision, the:
 - i. annual audited financial statements;
 - ii. financial section of the Annual Service Plan Report;
 - iii. First and Second Quarter Forecasts and Long Term Financial Projections for Treasury Board (Note: authority delegated to the Committee Chair by resolution of the Board in September 2015) however, circumstances may arise for which the Committee Chair may call a meeting of the Board to discuss areas of concern arising from and/or identified in the preparation of these quarterly forecasts);
 - iv. Third Quarter Forecast and Long Term Financial Projections for Treasury Board (Note: authority delegated to the Committee by resolution of the Board in September 2015) however, circumstances may arise for which the Committee Chair may call a meeting of the Board to discuss areas of concern arising from and/or identified in the preparation of these quarterly forecasts);
 - v. financial information contained in the Service Plan (Note: Authority to approve the initial draft Service Plan delegated to the Committee by resolution of the Board in January 2018);
 - vi. annual Operating Budget and Capital Budget; and
 - vii. Financial Information Act reporting (Note: authority delegated to the Committee Chair by resolution of the Board in September 2015).
- d) other financial reports made publicly available;
- e) review and advise the Board on any changes in accounting policy and relevant developments in accounting and/or financial reporting standards; and
- f) review and advise the Board with respect to the financial reporting of any material litigation risks.

4.1. External Audit

- a) review and advise the Board with respect to the audit plan;
- b) review and advise the Board with respect to the Independent Auditor's Report and any concerns expressed or recommendations made by the External Auditor;
- c) review and advise the Board with respect to the External Auditor's year end communication, including any recommendations on internal controls over financial reporting, and management's response to such recommendations;
- d) meet in camera with the External Auditor at least annually or on request of the External Auditor;
- e) permit the External Auditor to attend Committee meetings on request, except during discussions concerning the appointment or performance of the external auditor;
- f) review and approve the provision of non-audit services provided by the External Auditor; and
- g) where the External Auditor is not the Office of the Auditor General:
 - i. recommend for Board decision the appointment or continuation of the External Auditor and the auditor's fees; and
 - ii. review and advise the Board with respect to the independence of the External Auditor.

4.2. Financial Internal Controls

- a) review and advise the Board with respect to the systems of internal controls governing financial reporting.

4.3. Internal Audit

The Internal Auditor provides an independent and objective assurance activity. The Internal Auditor reports functionally to the Finance and Audit Committee and administratively to the CEO.

- a) review and recommend for Board decision, the Internal Audit Charter;
- b) review and recommend for Board decision, the internal audit plan and budget, and any changes thereto;
- c) review and advise the Board with respect to internal audits assigned to the Committee;
- d) review and advise the Board with respect to the implementation of internal audit recommendations for audits assigned to the Committee;
- e) meet in camera with the Internal Auditor at each regularly scheduled meeting and on request of the Manager, Internal Audit; and
- f) review and advise the board on the performance of the internal audit function.

4.4. Risk Management

a) The Finance and Audit Committee will review the identification, assessment and management of corporate risks' framework and review mitigations pertaining to financial matters at CLBC and report its findings annually to the Board as follows:

- i. review and advise the Board with respect to significant financial risks and associated mitigation strategies;
- ii. review and advise the Board with respect to insurance coverage;
- iii. review and advise the Board with respect to the disaster recovery/business continuity plans for finance and information technology; and
- iv. review and advise the Board with respect to compliance with applicable financial laws and government directives

b) In addition to oversight of risks of a financial nature, the Committee is responsible for oversight of the CLBC risk management function and supporting the Board's and Board Committees' fulfilment of their responsibilities for risk oversight including:

- i. supporting the Board to ensure that CLBC has an effective enterprise risk management program for the identification, assessment and management of short and long-term strategic, operational and emerging risks ; and
- ii. ensuring the semi-annual review and assessment of enterprise risks and bringing to the Board for review the updated corporate risk register.

4.5. Information Technology

- a) review and recommend for Board decision, the Information Resources Management Plan (IRMP);
- b) review and advise the Board with respect to implementation of the IRMP, including costs compared to plan;
- c) review and advise the Board with respect to security of information systems and data; and
- d) review periodic reports on Information Technology projects as requested by Committee

4.6. Ethical Reporting

- a) review and advise the Board with respect to the effectiveness of processes implemented by management for the purpose of receiving, investigating and responding to allegations of wrong-doing or questionable acts; and
- b) review and advise the Board with respect to any allegations of wrong-doing or questionable acts.

4.7. Key Staff

- a) review and advise the Board on any proposed changes with respect to the CFO/VP Finance;
- b) recommend for Board decision, on the appointment or termination of the Manager, Internal Audit; and
- c) review and advise the Board with respect to the performance of the Manager, Internal Audit.

4.8. Other Responsibilities

- a) review and advise the Board with respect to the expenses of the CEO;
- b) review and advise the Board with respect to grants and sponsorships;
- c) review and recommend for Board decision, the Terms of Reference of the Committee; and
- d) review and advise the Board with respect to such other matters that the Committee or the Board deems advisable or timely.

5. Meetings

The Committee meets at least four times per year at scheduled meetings. Meetings may be held at the call of the Committee Chair or as requested by any two Committee members, the External Auditor, or the Manager, Internal Audit.

6. Reporting

- a. The Committee will report to the Board by providing a written summary update and/or briefing note following its meetings and in advance of the following Board meeting. When a Board meeting closely follows a Committee meeting, the Committee Chair will provide a verbal report to the Board; and
- b. The Committee will review and approve minutes after each meeting, which will then be stored so as to be accessible to all Board members.

7. Access and Support

The Finance and Audit Committee will have unrestricted access to CLBC's personnel and documents. The CEO will assign appropriate senior staff to support the Committee as required.

8. External Advisors

The Committee may engage independent advisors at the expense of CLBC when it deems necessary, subject to the approval of the Board Chair.

9. Responsibility for Policy Review

The Committee has responsibility to review at least annually, and more frequently if necessary (e.g., based on legislative or regulatory changes, or a development in governance best practices) the policies assigned to it in the section of the Manual entitled List of Significant Organizational Policies.

10. Committee Calendar

The annual cycle for the Committee's activities is reflected in the Calendar below.