

## APPENDIX A – AUDIT AND RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

### 1. INTRODUCTION

The primary function of the Audit and Risk Management Committee (the 'ARM Committee') is to assist the Board in fulfilling its oversight responsibilities by reviewing:

- The financial information that is provided to the Government of BC and the public;
- The systems of internal controls that Management has established;
- All audit processes; and
- Compliance with laws, regulations and policies that may apply.

The primary responsibility for the financial reporting, information systems, risk management and internal controls of Infrastructure BC is vested with Management and is overseen by the Board.

### 2. COMPOSITION AND OPERATIONS

- The ARM Committee will be composed of not fewer than three, and not more than five, directors.
- All ARM Committee members will be financially literate and at least one will have accounting or related financial experience.<sup>1</sup>
- Infrastructure BC's auditors will be advised of the names of the ARM Committee members and will receive notice of, and be invited to attend, ARM Committee meetings, and to be heard at those meetings on matters relating to the auditor's duties.
- The ARM Committee will meet with the external auditors as it deems appropriate to consider any matter that the ARM Committee or auditors determine should be brought to the attention of the Board.
- The ARM Committee will meet at least four times each year.
- The ARM Committee has access to Infrastructure BC's Management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
- The ARM Committee provides open avenues of communication amongst Management, employees, external and internal auditors and the Board.

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<sup>1</sup> The Board has defined "financial literacy" as: the ability to read and understand a balance sheet, income statement and a cash flow statement in accordance with Canadian GAAP and PSAB standards. Where there is a requirement for a director to have accounting or financial experience this means the director shall have the ability to analyze and understand a full set of financial statements, including the notes attached thereto in accordance with Canadian GAAP and PSAB standards.

- The secretary to the ARM Committee will be either the Corporate Secretary or his/her delegate.

### 3. DUTIES AND RESPONSIBILITIES

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

#### **Financial Statements and Other Financial Information**

The Committee will review and, where appropriate, approve or recommend for approval to the Board financial information that will be made available to the Shareholder. This includes:

- Infrastructure BC's annual audited financial statements and report to the Board before the statements are approved by the Board;
- Infrastructure BC's quarterly financial statements;
- The financial content of the annual report and any quarterly reports;
- The content of the annual report and audited financial statements; and
- The service plan, annual business plan, and operating and capital budgets.

The ARM Committee will review and discuss:

- The appropriateness of accounting policies and financial reporting practices;
- Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by Infrastructure BC;
- Any new or pending developments in accounting and reporting standards that may affect Infrastructure BC; and
- Management's key estimates and judgments that may be material to financial reporting.

#### **Risk Management, Internal Controls and Information Systems**

The ARM Committee will review and obtain reasonable assurance that the risk management systems, and internal controls and information systems, are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

- Ensuring that the Company's information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with, and reports from, Management and the external auditor;
- Ensuring that Management's steps to implement and maintain appropriate internal control procedures include a review of significant financial policies;
- Adequacy of security of information, information systems (including cybersecurity) and recovery plans;

- Ensuring that the Company is compliant with statutory and regulatory obligations;
- Appointment of the VP, Finance and Administration, Comptroller and/or Financial Accounting Manager (as appropriate); and
- Ensuring that the Company has adequate accounting and finance resources.

### **External Audit**

The external auditor is ultimately responsible to the ARM Committee and the Board as a representative of the Shareholder. The ARM Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- Review and recommend to the Board the appointment of the external auditor;
- Review the annual external audit plan, including but not limited to the following:
  - engagement letter;
  - objectives and scope of the external audit work;
  - changes in independent accounting and auditing standards;
  - materiality limit;
  - areas of audit risk;
  - staffing;
  - timetable; and
  - proposed fees.
- Meet with the external auditor to discuss the Company's annual financial statements and the auditor's report, including the appropriateness of accounting policies and underlying estimates;
- Review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
  - any difficulties encountered, or restrictions imposed by Management, during the annual audit; and
  - any significant accounting or financial reporting issue.
- Review the auditors' evaluation of Infrastructure BC's system of internal controls, procedures and documentation;
- Review the post-audit, or management letter, containing any material findings or recommendations of the external auditor, including Management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
- Review any other matter the external auditor brings to the ARM Committee's attention;

- Assess the performance of the external auditor and if necessary, recommend to the Board the removal of the external auditor;
- Review the auditor's report on all material subsidiaries, as applicable;
- Review and receive assurances on the independence of the external auditor;
- Review the 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
- Meet periodically, and at least annually, with the external auditor without Management present.

#### **Other**

- Review insurance coverage of significant business risks and uncertainties;
- Review material litigation and its impact on financial reporting, and meet at least annually with the Company's General Counsel to review outstanding legal issues relating to Infrastructure BC as applicable;
- Ensure the Company has established procedures for the receipt and treatment of complaints received by the Company regarding accounting or audit matters, and anonymous submissions by employees of concerns regarding questionable accounting or auditing matters;
- Review policies and procedures in the Company's Financial Policy Manual for the review and approval of officers' expenses and perquisites;
- Review high level expenses of the Board Chair and Management semi-annually;
- Review the Company's Statement of Investment Policies and Procedures annually;
- Review the terms of reference for the ARM Committee annually and make recommendations to the Board as required;
- Ensure provisions are in place that enable the Board committee to engage separate independent counsel in appropriate circumstances to provide independent advice to ensure that the Board committee's interests are protected;
- Periodic review of the decision-making process for major projects; and
- Retain the opportunity to undertake exit interviews with senior financial staff.

## **4. ACCOUNTABILITY**

The ARM Committee will report its discussions to the Board by oral or written report at the next Board meeting.

## 5. ARM COMMITTEE TIMETABLE

The timetable outlines the ARM Committee's schedule of activities:

A. Financial Statements and Other Financial Information	Quarter Ending			
	Mar	Jun	Sept	Dec
Scheduled ARM Committee meeting	May	Sept	Nov	Jan
i) Review and recommend:				
a) annual audited financial statements	✓			
b) report to the Board before statements approved by Board	✓			
ii) Review and recommend quarterly financial statements	✓	✓	✓	✓
iii) Review and approve financial content of annual and quarterly reports and revised forecasts	✓	✓	✓	✓
iv) Review and recommend approval of the annual report	✓			
v) Review and recommend approval of the service plan, annual business plan and operating and capital budgets				✓
vi) Review and discuss current accounting policies and financial reporting practices, and proposed changes and new developments in accounting and reporting standards				✓
vii) Review and discuss Management's key estimates and judgments that may be material to the financial reporting				✓

	Quarter Ending			
	Mar	Jun	Sept	Dec
<b>B. Risk Management, Internal Control and Information Systems</b>				
Scheduled ARM Committee meeting	May	Sept	Nov	Jan
i) Review corporate risk register and mitigation strategies			✓	
ii) Review information and internal control systems through discussions with and reports from management and external auditor	✓			
iii) Review implementation of information systems and internal controls	✓			
iv) Review adequacy of security of information, information systems (including cybersecurity) and recovery plans			✓	
v) Monitor compliance with statutory and regulatory obligations	✓	✓	✓	✓
vi) Review VP, Finance and Administration appointment	✓			
vii) Review adequacy of accounting and finance resources				✓
<b>C. Internal Audit</b>	<b>Mar</b>	<b>Jun</b>	<b>Sept</b>	<b>Dec</b>
i) Review requirement to conduct an internal audit			✓	

D. External Audit	Quarter Ending			
	Mar	Jun	Sept	Dec
Scheduled ARM Committee Meeting	May	Sept	Nov	Jan
i) Review and recommend appointment of external auditor		✓		
ii) Review external audit plan			✓	
iii) Meet with auditor to discuss:	✓			
a) annual financial statements	✓			
b) auditor's report	✓			
iv) Review planning, conduct and reporting of annual audit and advise Board			✓	
v) Review auditor's evaluation of internal controls, procedures and documentation	✓			
vi) Review post-audit or management letter and Management's response	✓			
vii) Review any other matters the external auditor brings to the ARM Committee's attention	✓			
viii) Assess external auditor performance	✓			
ix) Review auditor's report on material subsidiaries, as applicable	✓			
x) Review external auditor independence			✓	
xi) Review non-audit services to be provided by external auditor's firm and consider impact on external auditor independence			✓	
xii) Meet with the external auditor without Management present	✓			

E. Other	Quarter Ending			
	Mar	Jun	Sept	Dec
Scheduled ARM Committee Meeting	May	Sept	Nov	Jan
i) Review insurance coverage of significant business risks and uncertainties				✓
ii) Review material litigation and its impact on financial reporting	✓	✓	✓	✓
iii) Review complaint procedures				✓
iv) Review policies and procedures in the Financial Policy Manual for review and approval of officers' expenses and prerequisites			✓	
v) Review high level expenses: Board Chair and Management	✓		✓	
vi) Review Statement of Investment Policies and Procedures		✓		
vii) Review ARM Committee terms of reference and make recommendations to the Board		✓		
viii) Review compliance regarding statutory filings and requirements	✓	✓	✓	✓
ix) Provision for independent counsel for ARM Committee			✓	