



## Terms of Reference Audit & Risk Management Committee

### 1. Purpose

The operations of BC Assessment are primarily funded by British Columbians through an annual tax levy. The Board of Directors (the “**Board**”) has delegated to the Audit & Risk Management Committee (the “**Committee**”) the responsibility to provide assurance that those public funds have been expended in accordance with carefully considered plans that support the organization’s mandate, have been accurately accounted for, and are reported in a timely and transparent way.

These Terms of Reference establish the Committee’s governance framework and duties and responsibilities in fulfilling its oversight role.

### 2. Accountability

The Chair of the Committee will report to the Board at each Board meeting on the matters before the Committee. Minutes of the Committee’s meetings will be made available to all Directors once approved by the Committee.

### 3. Composition

The Committee will be comprised of no less than three members. Those members will be financially literate and understand the fundamentals of risk management, or shall become so within a reasonable period of time after appointment to the Committee. “Financially literate” shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity that can reasonably be expected to be raised by BC Assessment’s financial statements. At least one member of the Committee will have an accounting designation and an understanding of current accounting and audit standards and best practices.

The Chair of the Committee is appointed by the Board on recommendation of the Board Chair, following consultation with the Chief Executive Officer (the “**CEO**”).

Members of the Committee will be appointed by the Board Chair.

The Corporate Secretary; Vice President, Finance & Executive Financial Officer (the “**EFO**”); Director of Finance; and Director, Internal Audit, Planning and Risk will provide staff support to the Committee.

### 4. Orientation

The Corporate Secretary, in collaboration with the Chair of the Committee, will make arrangements for an orientation process for all new Committee members.

## 5. Meetings

A quorum for any meeting of the Committee will be one-half of the members of the Committee.

Meetings will be held at the call of the Chair in accordance with the Committee Timetable that appears in **Appendix A**.

The CEO; EFO; Director, Internal Audit, Planning and Risk; and Corporate Secretary may attend all meetings of the Committee.

Notwithstanding the foregoing, at every meeting, the Committee will meet for a period of time without staff present.

There will be a recording secretary for all Committee meetings.

## 6. Independent Advice

The Committee may at any time, through the Corporate Secretary and following approval of the Board Chair, engage independent consultants to assist the Committee with its duties.

## 7. Duties and Responsibilities

In exercising its function, the Committee has a number of key responsibilities; these responsibilities are set out below. In order to deliver on those responsibilities, the Committee has an established set of activities which are set in the Committee Timetable in Appendix A.

### 7.1. Financial Planning & Reporting

The Committee is responsible for approving the organization's financial plans and policies to ensure that they support BC Assessment in meeting its mandate, furthering its strategic direction, and complying with applicable government direction.

The Committee is responsible for reviewing and approving financial and performance information provided to Government and stakeholders to ensure that it accurately and completely portrays BC Assessment's economic circumstances.

The Committee reviews significant accounting accruals, reserves, judgements and estimates, and any accounting policy changes for reasonableness and appropriateness.

### 7.2. Systems and Internal Controls Oversight & Compliance

BC Assessment's internal controls framework has been developed to provide assurance regarding the achievement of objectives relating to the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with organizational policies and applicable laws. The Committee regularly reviews this framework for adequacy and effectiveness.

The Committee reviews BC Assessment's significant financial and risk policies for consistency with the organization's strategic direction and monitors compliance with those policies, making recommendations, as appropriate, to the Board.

The Committee reviews the organization's compliance with applicable financial-related legislation and regulations.

### 7.3. External Audit Oversight

External Auditors play a key role in providing independent assurance that BC Assessment's financial reporting accurately reflects the organization's position. The Committee must review and recommend to the Board the appointment, retention, or replacement of the External Auditors.

The Committee is responsible for the oversight of the External Auditors and oversees the independence of the External Auditors including approving any non-audit-related services.

The Committee will work with the External Auditors to define the purpose of the annual audit, identify areas for review, review and approve the audit plan, and review the audit results.

The Committee meets with the External Auditors at least twice per year and will hold both open and in-camera meetings.

### 7.4. Internal Audit Oversight

Internal Audit assists the Board in exercising its financial control and risk oversight responsibilities. The Board has delegated to the Committee full responsibility for establishing and overseeing the Internal Audit function that supports BC Assessment in the achievement of its strategic direction. The role and responsibilities of the Internal Audit staff are set out in the *Terms of Reference for Internal Audit*.

The Director, Internal Audit, Planning and Risk reports operationally to the Chair of the Committee and administratively to the EFO. Following consultation with the CEO and EFO, the Committee recommends the appointment, retention, and replacement of the Director, Internal Audit, Planning and Risk.

The Committee meets with the Director, Internal Audit, Planning and Risk at least five times per year in-camera. The Committee will follow up with the Director, Internal Audit, Planning and Risk to ensure internal audit recommendations are implemented.

### 7.5. Risk Oversight

The Enterprise Risk Management ("ERM") program aims to ensure that BC Assessment's culture, processes, functions, organizational systems, technologies, and governance are in place and directed towards identifying and managing the adverse effects of risks. In accordance with the Board's Risk Management Policy, the Committee is responsible for providing oversight of the ERM program. It is

also responsible for setting the direction for BC Assessment's risk culture and approving risk appetite and risk tolerance levels as recommended by Management.

The Committee periodically reviews enterprise risks and Management's mitigations strategies, including an annual review of corporate insurance coverage, expenses of the Directors and the CEO, and business continuity plans.

## 7.6. Statutory Responsibilities

BC Assessment is governed by a number of key pieces of legislation that aim to ensure transparency and accountability of public sector agencies. They include: *Financial Information Act* and *Assessment Authority Act*. The provincial government also establishes a number of other expectations of Crown agencies relating to financial and regulatory reporting. The Board of Directors has delegated to this Committee the responsibility for reviewing and approving a number of these reports. Details of the Committee's activities are set out below in Appendix A: Committee Timetable.

BC Assessment is responsible for levying tax at a rate necessary to maintain its annual operating fund. The Committee is responsible for reviewing and recommending the annual tax levy rates in accordance with the Board Tax Levy Policy.

The Board is responsible for (i) updating cost manuals to value major industrial property improvements ("MIPs") and electrical power groups ("EPGs") in accordance with Sections 20(5) and 20.1(4) of the *Assessment Act*; and (ii) for determining the actual value of certain properties by prescribing rates in accordance with Section 21 of the *Assessment Act*. The Committee shall receive updates from staff on the progress towards completion of the annual manual updates and rates-setting decision and shall make recommendations to the Board as necessary.

## 7.7. Board Financial Policies

BC Assessment is committed to policy-based Board governance and has a comprehensive library of financial policies to guide financial decision-making. A list of these policies is maintained in the Board Governance Manual. These policies include:

Tax Levy Policy Revenue and Receivables Policy

Banking and Cash Management Policy

Budget and Forecasting Policy

External Audit Policy

Risk Management Policy

Regulated Rates Policy

Tangible Capital Asset Management Policy

The Committee is responsible for performing the duties and activities delegated to the Committee within the Board-approved policies and in accordance with the Committee Timetable attached as Appendix A. On or before the review date shown on each Board-approved financial policy, or within a reasonable time

thereafter, the Committee shall review the applicable financial policy and make such recommendations to the Board as the Committee deems advisable to ensure public funds are expended in support BC Assessment's mandate and in compliance with applicable legislation and public policy.

## **8. Committee & Management Relationship**

The Board and Management require a close working relationship and a shared understanding of their duties and accountabilities in order to achieve the goals of BC Assessment within the context of different duties and responsibilities.

The Committee must have unrestricted access to BC Assessment's financial, risk, and performance documentation and be provided with the necessary resources to carry out its responsibilities. All requests for information by the Committee will be made through the CEO or Corporate Secretary as appropriate.

The Vice President, Finance & Executive Financial Officer holds a key position at BC Assessment and, in addition to any responsibilities set out in other documents, has a positive obligation to report to the Chair of the Committee any incidents or concerns relating to possible fraudulent activities or significant breaches of key financial policies or practices.

The Committee reviews any significant changes to the role of the EFO, including changes to:

- The position description;
- Internal reporting relationships; and
- The incumbent.

## **9. Committee Effectiveness**

The Committee annually reviews its Terms of Reference to ensure that it continues to meet best practice and the needs of the Board.

As part of the annual Board evaluation process facilitated by the Governance Committee, the Committee will assess its performance in carrying out its duties.

## Appendix A

### Committee Timetable

The below timetable reflects key items for consideration by the Committee that arise on an annual basis. Actual meeting agendas may vary as isolated matters arise. The actual committee work plan is reviewed and determined on an annual basis.

Audit & Risk Management Committee Timetable													
Area of Responsibility		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
FPR (7.1)	Review and approve Preliminary Actual Year End Financial Reports	X											
FPR (7.1)	Reviews financial information in Annual Service Plan	X											
SR (7.6)	Receives updates to the Regulated and Legislated Rate work plan and consultation plan		X		X								
RO (7.5)	Review and Recommend Annual BC Assessment's Enterprise Risk Management Framework		X										
RO (7.5)	Update on BC Assessment's Enterprise Risk Management Framework											X	
IA (7.4)	Reviews all Internal Audit Reports and monitors implementation of recommendations and receives Quarterly Internal Audit Reports		X		X			X			X		
IA (7.4)	In-Camera Meeting with Internal Audit		X		X		X	X			X		

**Audit & Risk Management Committee Timetable**

Area of Responsibility		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
FPR (7.1)	Review and Recommend Approval of Year End Audited Financial Statements and Management Letter				X								
FPR (7.1)	Reviews and approves Quarterly Financial Statements including Management Discussion and Analysis and forecasts of year-end results				X			X			X		
EA (7.3)	In-Camera Meeting with the External Auditors				X							X	
ICOC (7.2)	Status Update of BC Assessment's key financial and risk policies under review				X					X			
ICOC (7.2)	Review CEO Expense Reports				X						X		
RO (7.5)	Reviews and Recommend BC Assessment's Strategic Risk Report (Spring/Fall)				X							X	
IA (7.4)	Reviews and approves any changes to the Terms of Reference for Internal Audit				X								
FPR (7.1)	Reviews financial information in the preceding years' Annual Service Plan Report				X								
IA (7.4)	Approves the evaluation of Internal Audit's performance against the previous years' PDP				X								

**Audit & Risk Management Committee Timetable**

Area of Responsibility		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
IA (7.4)	Reviews and approves the current year Internal Audit Performance Development Plan				X								
SR (7.6)	Reviews and approves the <i>Financial Information Act</i> Report						X						
CE (9)	Participate in Board & Committee Evaluation Process						X						
EA (7.3)	Reviews the performance of the External Auditor							X					
EA (7.3)	Reviews the Post-Audit Management Letter provided by the External Auditor including recommendations and ensures actions are taken to mitigate identified issues							X					
EA (7.3)	Reviews and recommends the appointment, retention or replacement of the external auditor including the terms of appointment and compensation.							X					
SR (7.6)	Receives preliminary Regulated and Legislative Rates; reviews process checklist							X					
SR (7.6)	Reviews and recommends for approval the Regulated and Legislated Rates; completes process checklist.									X			
RO (7.5)	Reviews BC Assessment's Insurance Coverage										X		

**Audit & Risk Management Committee Timetable**

Area of Responsibility		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
IA (7.4)	Reviews and approves future year Internal Audit Plan including resource requirements.										X		
IA (7.4)	Six-Month Internal Audit Performance Development Plan Check-In										X		
FPR (7.1)	Review the Funds Management Agreement with the BC Investment Management Corporation every five years beginning in 2015										X		
FPR (7.1)	Reviews and recommends for approval the Corporate Business Plan (incorporating the Budget)											X	
FPR (7.1)	Reviews and recommends for approval planned expenditures and annual capital budgets											X	
EA (7.3)	Works with the external auditor to define the purpose of the audit, identify areas for review, review and approve the audit plan.											X	
ICOC (7.2)	Identifies BC Assessment's key financial and risk policies requiring review in the next annual year											X	
CE (9.)	Review Committee Terms of Reference											X	
SR (7.6)	Receives and provides feedback on the proposed Regulated and Legislated Rate												X

**Audit & Risk Management Committee Timetable**

Area of Responsibility		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
	work plan and consultation plan for the upcoming year												
SR (7.6)	Reviews and recommends for approval the passage of the Tax Levy in accordance with the Board Tax Levy Policy												X
ICOC (7.2)	Review Data Policies (reviewed three years after last approval)												