

## Terms of Reference Audit & Risk Management Committee

BC Assessment is a Crown Corporation established in 1974 and governed by the *Assessment Authority Act*. BC Assessment is accountable to the Provincial Government, its sole shareholder. BC Assessment was created for the purpose of establishing and maintaining an independent and uniform property assessment system throughout British Columbia. BC Assessment operates in accordance with the *Assessment Authority Act* and the *Assessment Act* to fulfill its mandate and, as a public body, has a responsibility to maximize its value to the shareholder and the citizens of British Columbia.

These Terms of Reference establish the Committee's governance framework and duties and responsibilities in fulfilling its oversight role in the public interest for the benefit of citizens of British Columbia.

### 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.

### 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 appropriate consultation, including with the President & Chief Executive Officer (the "**CEO**") and Board Vice-Chair.

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

Members of the Committee may be removed by the Board Chair. The Committee Chair may be removed by the Board, following recommendation of the Board Chair.

The Corporate Secretary, Vice President Finance & Executive Financial Officer (the “EFO”), Director of Finance, and the Internal Auditor 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**. Notice of a meeting may be given verbally or in writing (including electronically). Attendance at meetings is permitted either in-person (when offered) and remotely (digitally as available).

The CEO, EFO, Internal Auditor 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, through the Internal Auditor 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, except where the Auditor General elects to act as BC Assessment's External Auditor.

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 Committee biennially reviews the *Terms of Reference for Internal Audit*.

The Internal Auditor 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 Internal Auditor.

The Committee meets with the Internal Auditor at least five times per year in-camera. The Committee will follow up with the Internal Auditor 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 recommending for approval by the Board BC Assessment’s Strategic Risk Reports developed 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 and on the Board Portal.

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 biennially 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.

## **10. Information Technology Committee**

Due to the inherent risks and financial implications associated with major Information Management and Information Technology (“IMIT”) projects, the Committee will keep the Information Technology Committee (ITC) informed of all actual or potential material risks in relation IMIT projects. All budget approvals in relation to IMIT projects recommended by the Committee will be approved by the Board of Directors on the joint recommendation of the Committee and the ITC. Joint meetings of the Committee and the ITC will be held at the recommendation of the respective committee chairs.

**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<sup>1</sup>.

AREA OF RESPONSIBILITY		B/C/I	Q1	Q2	Q3	Q4
<b>Section 7.1 - Financial Planning and Reporting</b>						
	Preliminary Financial Statements for the previous fiscal year	B	Apr			
	Year-End Audited Financial Statements (includes review of Integrated Business Plan Performance Report - I)	B	May			
	Quarterly Financial Statements and forecasts of year-end results	B		Jul (Q1)	Oct (Q2)	Jan (Q3)
	Financial Plan contained in the Service Plan	B				Jan or Feb
	Financial information to be included in the preceding years' Annual Service Plan Report	I	Jun			
	Funds Management Agreement with the BC Investment Management Corporation every five years beginning in 2015	I			Oct 2025	

<sup>1</sup> B: Committee recommends to the Board for approval  
 C: Only approval of the Committee is required  
 I: Information/ Discussion



AREA OF RESPONSIBILITY		B/C/I	Q1	Q2	Q3	Q4
		I				
	Integrated Business Plan and Budget Development Update	I		Sep	Oct	
	Budget, capital expenditure program and financial plan contained in the Integrated Business Plan	B			Nov	
	Planned capital reserve allocation (if required)	B	Apr			
<b>Section 7.2 - Systems and Internal Controls Oversight &amp; Compliance</b>						
	Status of current year Financial and Risk Policies Renewal Plan	I	Apr	Sep		
	CEO Expense Reports	I	May			Oct
<b>Section 7.3 - External Audit Oversight</b>						





AREA OF RESPONSIBILITY		B/C/I	Q1	Q2	Q3	Q4
	In-Camera Meeting with the External Auditors	I	May			Jan or Feb
	Performance of the External Auditor	C	Jul			
	External Audit Findings Report and Management Letter	I	May			
	Post-Audit Management Letter provided by the External Auditor including recommendations and ensures actions are taken to mitigate identified issues (if any)	I	Jul			
	Appointment, retention or replacement of the external auditor including the terms of appointment and compensation (if applicable).	B			Jul	
	Audit plan, including working with the external auditor to define the purpose of the audit and identify areas for review.	C				Jan or Feb
<b>Section 7.4 - Internal Audit Oversight</b>						
	Terms of Reference for Internal Audit (biennially)	C	Apr			
	Internal Audit Reports completed since last report and monitors implementation of recommendations	I	Apr	Jul	Oct	Feb
	Audit action plans (internal and external)	I			Nov	



AREA OF RESPONSIBILITY		B/C/I	Q1	Q2	Q3	Q4
	In-Camera Meeting with Internal Audit	I	Apr/ Jun	Jul	Oct	Feb
	Evaluation of Internal Audit's performance against the previous years' PDP	C	Apr			
	Current year Internal Audit Performance Development Plan	C	Apr			
	Future year Internal Audit Plan including budget and resource requirements.	C			Oct	
	Six-Month Internal Audit Performance Development Plan Check-In	I			Oct	
<b>Section 7.5 - Risk Oversight</b>						
	Strategic Risk Report (Spring/Fall)	B	Apr (I)/ Jun (B)		Oct (I)/ Nov (B)	
	Enterprise Risk Management Program Plan for current year	B				Feb
	Enterprise Risk Management Program Plan Update	I			Nov	
	Fraud Risk Management Discussion	I			Nov	
	BC Assessment's Insurance Coverage	I			Oct	



AREA OF RESPONSIBILITY		B/C/I	Q1	Q2	Q3	Q4
<b>Section 7.6 - Statutory Responsibilities</b>						
	Regulated and Legislative Rate Implementation Plan	C	Apr			Feb
	Reviews the <i>Financial Information Act</i> Report	B		Sep		
	Receives preliminary Regulated and Legislative Rates and reviews process checklist	I		Jul		
	Regulated and Legislated Rates (B) and process checklist (I).	B		Sep		
	Receives and provides feedback on the proposed Regulated and Legislative Rates Implementation Plan	I				Dec Jan
	Tax levy rates and to authorize Management to take all necessary steps to prepare for and obtain Cabinet approval of the Levy Bylaw reflecting those rates in accordance with the Board Tax Levy Policy	B				Dec Jan
<b>Section 7.7 - Board Financial Policies</b>						
	Financial and Risk Policies Renewal Plan for upcoming year	I			Nov	



AREA OF RESPONSIBILITY		B/C/I	Q1	Q2	Q3	Q4
<b>Section 9 - Committee Effectiveness</b>						
	As part of the annual Board evaluation process facilitated by the Governance Committee, the Committee will assess its performance in carrying out its duties	I	Jun			
	Committee Terms of Reference (biennially)	B			Nov	