

Purpose

The Audit & Governance Committee assists the Board in fulfilling its oversight responsibilities of the Corporation by:

- Reviewing all audit processes.
- Reviewing and approving financial and performance information provided to Government and stakeholders.
- Reviewing all public reporting by PavCo to ensure it represents a complete, accurate and balanced picture of the organization's performance and financial situation.
- Assessing and making recommendations regarding Board governance structures and Board effectiveness
- Establishing and leading the process for developing potential director criteria for recommendation to the Board for subsequent recommendation to the Government.
- Reviewing PavCo's internal control framework, including controls over financial reporting, risk management, information technology and data security, for adequacy and effectiveness.
- Monitoring PavCo's compliance with legislation, regulations, legislative mandate and public sector reporting requirements.
- Reviewing the policy framework for the organization and making policy recommendations to the Board.

Composition

The Committee should be composed of at least three Directors, all of whom should be financially literate.¹ At least one Committee member should have a financial designation or relevant financial management expertise. The Chair of the Audit & Governance Committee is not the Board Chair.

Members shall have no direct or indirect material relationship with PavCo.

Duties and Responsibilities

The Committee reports to the PavCo Board of Directors. Subject to the powers and duties of the Board, the Committee will:

Audit:

- Recommend the appointment and compensation of the external auditor.
- Oversee the independence of the external auditor; the external auditor reports directly to the Committee.
- Work with the external auditor to define the purpose of the audit, identify areas for review, review and approve the audit plan, and review audit results.

¹ "financially literate" means that the Director 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 the organization's financial statements.

- Reviews and pre-approves any non-audit related services to be provided by the external auditor.
- Meets with the external auditor at least twice per year, and holds an *in camera* meeting with the external auditor at least once a year.
- Completes an annual evaluation of the external auditor.
- Monitor PavCo's compliance with legislation, regulations, legislative mandate and public sector reporting requirements.
- Review all public reporting by the organization to ensure it represents a complete, accurate and balanced picture of PavCo's performance and financial situation.
- Review and approve financial and performance information provided to Government and stakeholders.
- Review the quality and accuracy of financial and performance information (including the Management Discussion and Analysis portion of the Annual Report) to ensure it accurately and completely portrays the organization's economic circumstances.
- Review significant accounting accruals, reserves, judgements and estimates, and any accounting policy changes for reasonableness and appropriateness.
- Regularly review information related to the organization's financial and operational risks, and management's processes to mitigate these risks, to assess whether the organization has appropriate systems in place to identify and manage risk.
- Regularly review the organization's internal control framework, including controls over financial reporting, information technology and data security, for adequacy and effectiveness.
- Review annually the Corporation's insurable risks and insurance coverage.
- Review and recommend to the Board PavCo's risk appetite statement.
- Reviews corporate risk management framework annually to ensure PavCo's framework is aligned with the Government of BC's risk framework, and, ensures the Board has a process to regularly review the Corporate Risk Register.
- Regularly reviews information related to PavCo's fiscal risks, and management's processes to mitigate these risks to assess whether PavCo has appropriate systems in place to identify and manage fiscal risks.
- Review and approve major contracts.
- Review and approve the capital plan.
- Review and approve any change in executive financial positions within the Corporation;
- Administer the Corporation's Whistleblower Policy and review the adequacy of such policy and PavCo's adherence.
- Sets the tone and ensures organizational ethics are maintained.
- Provides a direct link to Provincial audit authorities such as the Auditor General's Office and the internal Audit Branch of the Office of the Comptroller General.
- Interviews the CEO and CFO and, where appropriate, other members of PavCo's management team at least once per year to maintain current and adequate knowledge of the organization.

Governance:

- Understand the emerging or material governance risks relative to the Corporation's objectives, and receive updates from Management on changes to the risks and the status of strategies to address such risks.
- Develop and annually update a long-term plan for Board composition that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of the Corporation.
- Develop recommendations regarding the essential and desired experiences and skills for potential directors, taking into consideration the Board's short-term needs and long-term succession plans.
- In consultation with the Board Chair and President & CEO, recommend to the Board for subsequent recommendation to the Government, a Board succession plan, that incorporates criteria and potential candidates for consideration in the Director appointment process.
- Review, monitor and make recommendations regarding the orientation and ongoing development of existing and new directors.
- Recommend to the Board, and annually implement, an appropriate evaluation process for the Board, the Board and Committee Chairs, its Committees and Individual Directors.
- Annually review the Board Governance Manual outlining the policies and procedures by which the Board will operate, the Corporation's by-laws to ensure their continued adequacy and relevance, and the terms of reference for the Board, the Board Chair, the President & CEO, Corporate Secretary, individual directors and Board committees.
- Recommend a performance evaluation process for the CEO and when approved, lead the implementation of the evaluation process.
- In co-operation with the CEO, develop annual objectives for the CEO and review the senior management team's objectives annually and recommend them to the Board for approval.
- Oversee the development of the CEO role description, and recommend it to the Board.
- Reviews and recommends to the Board annual compensation for the CEO.
- Review and make recommendations for the succession and development plans of the CEO and executive team.
- Review and recommend to the Board the compensation philosophy for the CEO and senior management. Ensure the compensation philosophy is in line with PSEC guidelines.
- Oversee the Compensation Plan for PavCo, and approve compensation levels for senior executive positions.
- Regularly review the executive structure and assess the strength of the executive team.
- Ensure that the Corporation has appropriate human resources policies and compensation plans that meet government conditions and criteria.
- Review with the CEO any significant outside commitments the CEO is considering before the commitment is made. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations.
- Review major changes in the organizational structure of management as proposed by the CEO and make recommendations as may be required.
- Monitor disclosures by Directors and employees of Conflict of Interest and related party transactions.
- In conjunction with the Chair of the Board, review the adequacy of and monitor the adherence of Directors to the PavCo Code of Conduct. Addresses Code of Conduct



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issues as may be raised to the Committee.

- Ensure the ongoing adherence to an organization-wide Code of Conduct through periodic reporting from the CEO to the Committee.
- Recommend to the Board any reports on corporate governance that may be required or considered advisable.
- Review and approve PavCo's policy framework.
- Monitor compliance with Board policies and advise the Board of any irregularities.
- Review existing policies to ensure they are current and relevant.
- Review and approve any material changes to PavCo policies.
- Identify to the Board the need for additional policy research initiatives.

Meetings

The Committee shall operate in a manner consistent with the Committee Operating Guidelines. The Committee shall meet at least four times per year at scheduled meetings. Additional meetings may be held at the call of the Committee Chair or as requested by any two Committee members, the External Auditor, or the CFO.

Reporting

The Committee receives its authority from the Board.

The Committee shall report its discussions to the Board by distributing the minutes of its meetings and providing a written report at the next Board meeting.

Access and Support

The Committee will have unrestricted access to PavCo's personnel and documents. The CFO provides support to the Committee and attends in an ex officio non-voting capacity. At the Committee Chair's request, the external auditor or other senior management may attend meetings in an ex officio non-voting capacity.

External Advisors

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

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.