



**TERMS OF REFERENCE  
Audit & Finance Committee**

**A. OBJECTIVE**

1. The Audit & Finance Committee assists the Board in fulfilling its oversight responsibilities of the Corporation by reviewing:
  - the systems of internal controls, that management and the Board have established;
  - all audit processes; and
  - compliance with laws, regulations, and policies that may apply.
2. Primary responsibility for risk management and internal controls of PavCo is vested in management and is overseen by the Committee.
3. Oversees financial management matters of the Corporation, and ensures that all necessary reporting is carried out in a timely manner.

**B. RESPONSIBILITIES**

The Committee recommends the following to the Board of Directors for approval:

- financial statements of the Corporation
- external auditor
- major contracts that have been forwarded to the Committee for review
- any major upgrade in capital assets
- any change in executive financial positions within the Corporation

**Audit & Control Related**

1. Works with the external auditor to:
  - define the purpose of the audit.
  - formulate and approve the audit plan.
  - review audit results.
  - obtain regular updates with the auditor without management present.
2. Reviews the Corporation's financial statements with Management and the external auditor, and recommends approval of the statements to the Board.
3. Administers the PavCo Whistleblower Policy.
4. Oversees IT performance of the Corporation.
5. Administers any issues arising from the Standards of Ethical Conduct for the Directors of PavCo.

6. Monitors disclosures by Directors and Employees of Conflict of Interest and Related Party Transactions.
7. Ensures the independence of the external auditor.
8. Reviews annually all Director and operating costs of the Board, and expenses of the Corporation's Executive.
9. Ensures that the Board receives timely, meaningful reports on the Corporation's financial situation including up-to-date forecasts of progress and capital expenditures.

### **Finance Related**

1. Monitors the financial and performance reporting provided by the Corporation to the Shareholder.
2. Oversees the preparation of the annual and long-term operating and capital budgets for the Corporation within the guidelines set by the Shareholder.
3. As requested by the Board, oversees preparation of major contracts with suppliers or partners.
4. Reviews any significant changes in financial reporting guidelines that apply to the Corporation.
5. Oversees the preparation of annual reporting required under the Financial Information Act.
6. Reviews and reports to the Board on the Corporation's internal controls systems.
7. Oversees reporting required under the Freedom of Information Act.
8. Reviews annually the Corporation's insurable risks and insurance coverage.
9. Monitors the condition of the Corporation's capital assets.
10. Approves the Corporation's operating policies, signing authorities and expenditure limits.
11. Reviews any changes to senior financial positions within the Corporation.
12. Oversees PavCo's investment policies and performance.
13. Reviews and approves the systems of risk management established by Management and the Board to:
  - ensure PavCo's sound financial performance.
  - ensure that PavCo's internal controls have integrity and will lead to the production of accurate financial statements and performance reports.
  - ensure that management has appropriate systems in place to identify and manage risk.
  - prevent financial mismanagement.

### **C. MEMBERSHIP & MEETINGS**

1. The Audit & Finance Committee of the Board shall be comprised of a minimum of three (3) members of the Board, appointed by resolution of the Board, and each member shall continue to serve until a successor is appointed, unless the member resigns, is removed by resolution of the Board, or ceases to be a member of the Board.

2. All Committee members shall be independent of the Corporation and financially literate; and at least one shall have accounting or related financial experience. The members shall be able to read and understand financial statements of the complexity normally presented by PavCo.
3. The members shall have no material direct or indirect association with the Corporation that could, in the Board of Directors' opinion, interfere with the member's independent judgement.
4. PavCo's auditors shall be advised of the names of the Committee members and will receive notice of and be invited to attend Committee meetings, and to be heard at those meetings on matters relating to the auditor's duties.
5. The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors raise. The Office of the Auditor General of British Columbia acts as PavCo's External Auditor, subject to annual review and appointment by the Audit Committee and Board of Directors.
6. All Directors receive the Committee's Agenda materials and are invited to attend the Committee's meetings as participating observers. Provision for In-Camera discussion is a standing item on each meeting's agenda.

#### **D. OTHER**

The Committee has the authority to engage independent counsel and other advisors, with prior approval from the Board Chair.

The Committee shall have such access to PavCo's records and Management staff so as to obtain appropriate information to fulfill its responsibilities.

The Committee shall review annually, and report to the Board on the adequacy of its Terms of Reference.