

**AUDIT AND RISK MANAGEMENT COMMITTEE
OF
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION
("BC HOUSING")**

**TERMS OF REFERENCE
(the "Terms of Reference")**

Purpose

The primary responsibility for BC Housing's financial reporting, accounting systems, risk management, management plans, budgets, and internal controls is vested with BC Housing's management and overseen by the Board of Commissioners (the "**Board**").

The purpose of the Audit and Risk Management Committee (the "**Committee**") is to support the Board in fulfilling its obligations and oversight responsibilities, and to provide strategic and policy level advice and direction to management on matters pertaining to financial performance and risk management. The Committee's areas of responsibility include, but are not limited to, oversight of corporate controls, audit processes, financial reporting, treasury (including credit, debt, investment, insurance), information management technology, and litigation risk management. When required, the Committee makes recommendations to the Board.

The Board delegates to the Committee the responsibility to oversee that management has adequate internal controls in place and ensure that public funds are expended in accordance with BC Housing's mandate and are accurately accounted for and reported in a timely and transparent manner.

The Committee will consider relevant strategic opportunities and risks in its planning and decision making.

In order to discharge its responsibilities, the Committee has unrestricted access to BC Housing's personnel and documents through the Corporate Secretary, the CEO, the Vice President of Financial Services, the internal audit team, the external auditors, and the Enterprise Risk Management lead. The Committee will be provided with the resources necessary to carry out its responsibilities, including the authority to engage independent legal counsel and other advisers as part of this resource requirement.

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

Accountability

The Chair of the Committee will provide a verbal report at the next meeting of the Board of matters considered since the Board's last meeting. Minutes of the Committee's meetings will be made available to all Commissioners once approved by the Committee.

Committee Membership

The Board approves the Terms of Reference for the Committee, including the method for establishing membership and composition of the Committee, as well as delegated duties and responsibilities. The Committee Chair is appointed by the Board at the Board Chair's recommendation.

The Committee will be composed of no fewer than four Commissioners.

The members of the Committee will be familiar with finance and accounting practices, and at least one Committee member must possess accounting or related financial management expertise.

The Corporate Secretary will provide staff support to the Committee.

Orientation

In accordance with the Board's Terms of Reference, an orientation session and relevant orientation materials will be provided by the Corporate Secretary to new members of the Committee.

Meetings

A quorum for any meeting of the Committee will be constituted by the majority of the members of the Committee. The Board Chair will serve as a voting member of the Committee; however, their presence is not counted in determination of the Committee's quorum.

Committee meetings will be held at the call of the Committee Chair in accordance with the Committee Meeting Timetable outlined in the Terms of Reference under the section titled "Committee Timetable," or as deemed necessary to carry out the business of the Committee.

The Chief Executive Officer, Vice President of Financial Services and Corporate Secretary of BC Housing may attend all meetings of the Committee. Other individuals may attend the meetings of the Committee, if authorized by the Committee Chair. At every meeting, the Committee will meet in-camera for a period of time and may request to meet without staff present.

Independent Advice

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

Duties and Responsibilities

In exercising its function, the Committee has a number of key responsibilities as set out below.

Subject to the powers and duties of the Board, the Committee's duties and responsibilities are as follows:

Financial and Public Reporting

The Committee has a duty to fulfil critical functions to satisfy government reporting obligations of the Corporation according to intervals indicated in the Committee workplan. The Committee also reviews initiatives and expenditures related to the Committee's mandate and provides the Board of Commissioners with a recommended course of action, where applicable.

The Committee reviews and recommends for Board approval, financial and public reporting documents including:

- the audited annual financial statements and reports, including the Financial Statement Discussion and Analysis Report;
- the three-year budget forecast as reported in the annual Service Plan and financial reporting in the Annual Service Plan Report;
- Annual CEO expense reporting; and
- quarterly and other financial information that will be provided to government and other stakeholders, such as the Board of Commissioners Annual Remuneration Disclosure and *Financial Information Act* reports, ensuring that this information accurately represents the business activities of BC Housing.

The Committee also supports the Board with respect to its financial oversight activities, including:

- regularly reviewing the performance, sufficiency of resources and appropriateness of strategies for administering programs and initiatives;
- regularly reviewing BC Housing's financial and fraud policies, and recommending changes where appropriate; and
- regularly monitoring the results from the implementation of and application of the delegation of authority policy, fraud policy and financial aspects of the Standards of Conduct Policy, and all other financial policies.

Risk Oversight

The Committee reviews and approves the systems of risk management and the internal controls established by management and the Board to:

- ensure BC Housing's sound financial performance;
- ensure that BC Housing's internal controls have integrity and lead to the production of accurate financial statements and performance reports;
- prevent fraud and financial mismanagement, including through receiving an

annual report on the implementation of the fraud policy; and

- ensure that management of BC Housing has appropriate systems in place to identify and manage risk.

The Committee ensures that BC Housing has a functioning risk management system and process in place that is consistent with BC Housing's strategy. The Committee also oversees that management is using accurate and reliable information to develop its ERM framework and ensures that BC Housing has solid business continuity plans in place. The Committee reviews and recommends to the Board the BC Housing Risk Management Charter. The Committee is also responsible for reviewing the appropriateness of management's processes related to pending or threatened material litigation, whistleblower complaints received by BC Housing, the implementation of the Standards of Conduct Policy if it impacts BC Housing's financial accountability, and Freedom of Information requests received and processed.

The Committee will also bring to the attention of the Board all financial matters of which the Committee has knowledge, and which may materially affect the current or future financial position of BC Housing.

Insurance

The Committee is responsible for ensuring that BC Housing has the appropriate insurance coverage in place, while considering provincial guidelines, and makes recommendations to the Board when necessary.

Internal Audit

The Board has delegated to the Committee full responsibility for establishing and overseeing an Internal Audit function to assist the Board in exercising its financial, control and risk oversight responsibilities. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations.

The Committee's responsibilities pertaining to Internal Audit will include:

- Annually reviewing an internal audit plan that supports BC Housing in the achievement of its strategic direction, including the approach used to select audits, how the adequacy of internal controls will be assessed, and making recommendations to the Board;
- Reviewing quarterly internal audit reports, along with management's response and subsequent follow-up of identified weaknesses;
- In consultation with senior management, reviewing the performance of the Audit Services department, including assuring itself that the internal audit function has adopted recognized standards such as the Institute of Internal Auditors International Professional Standards;

The head of the Internal Audit and the Executive Director of Audit Advisory Services has a dual reporting role, reporting to both the Chair of the Audit and Risk Management Committee, and administratively to the Vice President of Financial Services of BC Housing. Following consultation with the CEO, the Committee provides recommendations regarding the appointment, retention and replacement of the Executive Director of Internal Audit.

The Committee meets with the Internal Auditor at least quarterly and will meet in-camera with the Internal Auditor at least once per year.

External Audit

The Committee is directly responsible for the appointment, compensation, retention and oversight of the External Auditors. This includes nominating the External Auditors to be proposed for Board approval as well as ensuring an efficient and orderly transition upon change in External Auditor. The Committee also ensures the independence and the adequacy of the External Auditor's internal controls and determines and oversees appropriate compensation of the External Auditors by BC Housing. The Committee serves as the ultimately authority to which BC Housing's External Auditors are accountable and assesses the ongoing relationship between the External Auditors and management.

To fulfil these functions, the Committee's responsibilities include:

- Working with the external auditor to define the purpose of the audit, formulate and recommend the audit plan, and review audit results;
- Discussing with the External Auditors all relationships that they and their affiliates have with BC Housing in order to determine the External Auditor's independence; discussing any disclosed relationships or services that the External Auditors believe may affect the objectivity and independence of the External Auditors, and recommending that the Board take appropriate action to satisfy itself of the External Auditors' independence;
- At least bi-annually, receiving a report on payments to the External Auditor;
- At least annually, obtain and review a report by the External Auditors describing the auditing firm's internal quality-control procedures, and any material issues raised by the most recent internal quality-control review of the firm or by any inquiry or investigation by government or professional authorities.

The Committee meets with the External Auditor at least twice per year and will also meet in-camera with the External Auditor at least once per year.

Investment

The Committee supports the Board in its oversight of BC Housing's Investment Policy and recommends to the Board the appropriate course of action to ensure that the fund is invested and managed in accordance with the prudent person principle.

Pursuant to BC Housing's Investment policy, the Committee:

- Annually reviews BC Housing's Investment policy and makes recommendation to the Board where necessary;
- Reviews and recommends approval by the Board of any public financial statements that include reporting on the value of the investment fund;
- Ensures that proper external investment arrangements are established for the fund;
- Recommends approval by the Board of the asset mix policy;
- Reviews and recommends to the Board the appointment of one or more independent professional investment managers to invest the fund;
- Receives bi-annual investment reports.

Information Technology Oversight

The Committee monitors strategic matters related to information technology at BC Housing, including key risks and opportunities. The Committee also monitors information technology matters related to business transformation, in conjunction with the Business Transformation Committee.

The Committee annually reviews BC Housing's strategic plan to ensure that risks and opportunities related to information management technologies are identified and managed.

Committee Effectiveness

The Committee annually reviews the 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 and Human Resources Committee, Committee members will assess the Committee's performance in carrying out its duties.