

TERMS OF REFERENCE FOR THE FINANCE AND AUDIT COMMITTEE

I. PURPOSE

- A.** The primary function of the Finance and Audit Committee (the “Committee”) is to assist the Board in fulfilling its oversight responsibilities by reviewing:
 - i) the accuracy of financial information that will be provided to the Government and the public, including annual reports and service plans;
 - ii) the systems of internal controls that management and the Board have established;
 - iii) all audit processes; and
 - iv) compliance with laws regulations and policies that may apply.
- B.** Primary responsibility for the financial reporting, information systems, risk management and internal controls of CPC is vested in management and is overseen by the Board. Members of the Committee must be independent from management and the external and internal auditors.

II. COMPOSITION AND OPERATIONS

- A.** The Committee shall be composed of not fewer than three directors and not more than five directors.
- B.** All members of the Committee shall be financially literate and at least one will have accounting or related financial experience, “financially literate” defined as: the ability to read and understand a balance sheet, income statement and a cash flow statement in accordance with Canadian GAAP. Where there is a requirement for a director to have accounting financial expertise this means the director shall have the ability to analyze and understand a full set of financial statements, including the notes attached thereto in accordance with Canadian GAAP.
- C.** CPC’s external auditors shall be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Committee, and to be heard at those meetings on matters relating to the external auditor’s duties.
- D.** The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board.
- E.** The Committee shall meet at least four times each year.

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- F.** The Committee has access to CPC's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
- G.** The Committee provides open avenues of communication among management, employees, external and internal auditors and the Board of Directors.
- H.** The secretary to the Committee shall be either the Corporate Secretary/Treasurer or his/her delegate.
- I.** The Committee Chair is responsible for the following:
 - i) preparation of the agenda for Committee meetings;
 - ii) providing direction to management on behalf of the Committee, by implementing the directions provided by the Committee in its Actions, Resolutions and other decisions generated by the Committee;
 - iii) transmitting to the Board materials generated by the Committee, including Committee minutes; and
 - (iv) reporting to the Board on the activities and decisions of the Committee.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

A. Financial Statements and Other Financial Information

- i) The Committee will review and, where appropriate, approve or recommend for approval to the Board, financial information that will be made available to stakeholders. This includes:
 - a) reviewing and recommending for approval CPC's annual audited financial statements and annual report;
 - b) reviewing and recommending for approval CPC's quarterly revised forecasts, capital funding plan and interim financial statements;
 - c) reviewing and recommending approval of the service plan and operating and capital budgets, including budget summaries provided to government;
 - d) reviewing and approving the Financial Information Act report;

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- e) as necessary, engaging independent counsel and other advisors with prior approval of the board;
- ii) The Committee will review and discuss:
 - a) the appropriateness of accounting policies and financial reporting practices;
 - b) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by CPC;
 - c) any new or pending developments in accounting and reporting standards that may affect CPC; and
 - d) management's key estimates and judgements that may be material to financial reporting.

B. Risk Management, Internal Control and Information Systems

- i) The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:
 - a) reviewing the Corporation's risk management strategies, controls and policies;
 - b) obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management, the internal auditor and the external auditor;
 - c) reviewing management's steps to implement and maintain appropriate internal control procedures including a review of significant financial policies;
 - d) reviewing adequacy of security of information, information systems and recovery plans;
 - e) monitoring compliance with statutory and regulatory obligations; and
 - f) reviewing the adequacy of accounting and finance resources.

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C. Internal Audit

- i) The Committee will oversee CPC's internal audit function and the internal audit relationship with the external auditor and with management. This includes:
 - a) determining whether the organization requires an internal audit function. Criteria to be considered in assessing the need for an internal auditor include:
 - whether the existing management processes are adequate to identify and monitor significant risks facing the organization, and whether the existing internal control systems operate effectively;
 - whether those who are responsible for managing risks and operating the control systems take a wholly objective and systematic view of their own performance;
 - whether the board receives the quality of and timely information from management needed to support the organization's risk management and internal controls effectively.
 - b) reviewing the independence of the internal audit function;
 - c) reviewing the terms of reference, mandate, goals, resources and work plans (both short and long term);
 - d) initiating and approving specific requests for audits;
 - e) reviewing any restrictions or problems;
 - f) reviewing recommendations, significant responses and ensure recommendations are implemented;
 - g) meeting periodically and at least annually, with the internal auditor without management present; and
 - h) evaluating the internal audit department or the third party professional internal audit service provider.

D. External Audit

- i) The independent auditor is ultimately responsible to the Committee and the Board of Directors as representatives of the shareholder. The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:
 - a) review and recommend to the Board the engagement of the external auditor;

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- b) review the annual external audit plan, including but not limited to the following:
 - engagement letter;
 - objectives and scope of the external audit work;
 - changes in accounting and auditing standards;
 - materiality limit;
 - areas of audit risk;
 - staffing;
 - timetable; and
 - proposed fees.
- c) meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
- d) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
 - any difficulties encountered, or restriction imposed by management, during the annual audit; and
 - any significant accounting or financial reporting issues.
- e) review the auditor's evaluation of CPC's system of internal controls, procedures and documentation;
- f) review the post audit or management letter containing any material findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
- g) review any other matters the external auditor brings to the Committee's attention;
- h) assess the performance and consider the annual appointment of external auditors for recommendation to the Board;
- i) review the audit reports on all subsidiaries;
- j) review and receive assurances on the independence of the external auditor;
- k) review the non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit; and

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- l) meet periodically, and at least annually, with the external auditor without management present.

E. Financial and Other

- i) review insurance coverage of significant business risks and uncertainties;
- ii) review material litigation and its impact on financial reporting and meet at least annually with the Corporation's Legal Counsel to review outstanding legal issues relating to CPC;
- iii) ensure CPC has established procedures for the receipt and treatment of complaints received by the company regarding accounting or audit matters and anonymous submissions by employees of concerns regarding questionable accounting or auditing matters;
- iv) retain the opportunity to undertake exit interviews with senior financial staff;
- v) review policies and procedures for the review and approval of officers' expenses and perquisites;
- vi) review expenses of the Board Chair and CEO semi-annually;
- vii) review the terms of reference for the Committee annually to assess its effectiveness, and make recommendations to the Board as required;
- viii) periodic review of decision making process for major projects;
- ix) review and recommend major tenders and contracts;
- x) recommend investment guidelines and receive annual information on investment performance;
- xi) ensure that the board receives timely and meaningful reports on the organization's financial situation including up to date short and long term forecasts;
- xii) review CPC's information technology and Human Resources plans (including disaster recovery) to ensure it supports CPC strategic plans;
- xiii) review the audited financial statements of subsidiaries;
- xiv) examine the budget methodology and recommended Operating and Capital Budgets of CPC's subsidiaries;

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- xv) review risk management strategies and use of derivative products; foreign exchange, interest rate, debt management, transmission access and power marketing;

and, as directed by the Board:

- xvi) review the financial viability of development projects;
- xvii) evaluate funding options for capital projects; and
- xviii) review and approve power marketing and transmission access proposals and contracts.

IV. ACCOUNTABILITY

The Committee shall report its discussions to the Board by oral or written report at the next Board meeting.

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COMMITTEE TIMETABLES

A. Financial Statements and Other Financial Information

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
i)	The Committee will review and, where appropriate, approve or recommend for approval to the Board financial information that will be made available to stakeholders. This includes:												
a)	reviewing and recommending for approval CPC's annual audited financial statements and annual report;					✓							
b)	reviewing and recommending for approval CPC's quarterly revised forecasts, capital funding plan and interim financial statements;	✓				✓			✓		✓		
c)	reviewing and recommending approval of the service plan and operating and capital budgets including budget summaries (Sept.);	✓								✓			
d)	reviewing and approving the Financial Information Act report;									✓			
e)	as necessary, engaging independent counsel and other advisors with prior approval of the board;	✓				✓			✓		✓		
ii)	The Committee will review and discuss:												
a)	the appropriateness of accounting policies and financial reporting practices;										✓		

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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
b)	any significant proposed changes in financial reporting and accounting policies and practices to be adopted by CPC;										✓		
c)	any new or pending developments in accounting and reporting standards that may affect CPC; and										✓		
d)	management's key estimates and judgements that may be material to financial reporting.										✓		

B. Risk Management, Internal Control and Information Systems

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
i)	The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:												
a)	reviewing the Corporation's risk management strategies, controls and policies;								✓				
b)	obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management, the internal auditor and the external auditor;								✓				
c)	reviewing management's steps to implement and maintain appropriate internal control procedures including a review of significant financial policies;								✓				

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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
d)	reviewing adequacy of security of information, information systems and recovery plans; and								✓				
e)	monitoring compliance with statutory and regulatory obligations.								✓				

C. Internal Audit

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
i)	The Committee will oversee CPC’s internal audit function and the internal audit relationship with the external auditor and with management. This includes:												
a)	determining whether the organization requires an internal audit function. Criteria to be considered in assessing the need for an internal auditor include:										✓		
b)	reviewing the independence of the internal audit function;										✓		
c)	reviewing the terms of reference, mandate, goals, resources and work plans (both short and long term);										✓		
d)	initiating and approving specific requests for audits;										✓		
e)	reviewing any restrictions or problems;										✓		
f)	reviewing recommendations, significant responses and ensure recommendations are implemented;										✓		
g)	meeting periodically and at least annually, with the internal auditor without management present; and										✓		

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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
h)	evaluating the internal audit department or the third party professional internal audit service provider.										✓		

D. External Audit

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
i) The independent auditor is ultimately responsible to the Committee and the Board of Directors as representatives of the shareholder. The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:													
a)	review and recommend to the Board the engagement of the external auditor;										✓		
b)	review the annual external audit plan, including but not limited to the following: - engagement letter; - objectives and scope of the external audit work; - changes in accounting and auditing standards; - materiality limit; - areas of audit risk; - staffing; - timetable; and - proposed fees.	✓											
c)	meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;	✓				✓			✓		✓		

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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
d)	review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to: - any difficulties encountered, or restriction imposed by management, during the annual audit; and - any significant accounting or financial reporting issues.										✓		
e)	review the auditor's evaluation of CPC's system of internal controls, procedures and documentation;								✓				
f)	review the post audit or management letter containing any material findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;								✓				
g)	review any other matters the external auditor brings to the Committee's attention;	✓		✓					✓		✓		
h)	assess the performance and consider the annual appointment of external auditors for recommendation to the Board;	✓											
i)	review the audit reports on all subsidiaries;					✓							
j)	review and receive assurances on the independence of the external auditor;					✓							

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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
k)	review the non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit; and	✓											
l)	meet periodically, and at least annually, with the external auditor without management present.	✓				✓			✓		✓		

E. Financial and Other

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
i)	review insurance coverage of significant business risks and uncertainties;										✓		
ii)	review material litigation and its impact on financial reporting and meet at least annually with the Corporation's Legal Counsel to review outstanding legal issues relating to CPC;	✓				✓			✓		✓		
iii)	ensure CPC has established procedures for the receipt and treatment of complaints received by the company regarding accounting or audit matters and anonymous submissions by employees of concerns regarding questionable accounting or auditing matters;	✓											
iv)	retain the opportunity to undertake exit interviews with senior financial staff;										✓		

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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
v)	review policies and procedures for the review and approval of officers' expenses and perquisites;										✓		
vi)	review expenses of the Board Chair and CEO semi-annually;					✓					✓		
vii)	review the terms of reference for the Committee annually and make recommendations to assess its effectiveness, to the Board as required;	✓											
viii)	periodic review of decision making process for major projects;								✓				
ix)	review and recommend major tenders and contracts;	✓				✓			✓		✓		
x)	recommend investment guidelines and receive annual information on investment performance;										✓		
xi)	ensure that the board receives timely and meaningful reports on the organization's financial situation including up to date short and long term forecasts;	5-Yr ✓				5-Yr ✓			5-Yr ✓		5-Yr ✓		
xii)	review CPC's information technology and Human Resources plans (including disaster recovery) to ensure it supports CPC strategic plans;	✓											
xiii)	review the audited financial statements of subsidiaries;								✓				
xiv)	examine the budget methodology and recommended Operating and Capital Budgets of CPC's subsidiaries;	✓											
xv)	review risk management strategies and use of derivative products; foreign exchange, interest rate, debt management, transmission access and power marketing;										✓		

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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
and, as directed by the Board:													
i)	review the financial viability of development projects;	✓				✓			✓		✓		
ii)	evaluate funding options for capital projects; and	✓			✓				✓		✓		
iii)	review and approve power marketing and transmission access proposals and contracts.	✓				✓			✓		✓		