

COLUMBIA BASIN TRUST
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

TERMS OF REFERENCE

1 Purpose

- 1.1 The purpose of the Audit Committee is to:
 - 1.1.1 Assist the Board in fulfilling its financial accountability and oversight responsibilities, by ensuring the accuracy and integrity of Columbia Basin Trust financial information; and
 - 1.1.2 Monitor systems of internal controls and oversee the internal and external audit processes.

2 Membership and Meetings

- 2.1 The Board of Directors will make all appointments to the Audit Committee.
- 2.2 The Committee shall be composed of not fewer than three directors and not more than five directors who are:
 - 2.2.1 independent of management; and
 - 2.2.2 financially literate.
- 2.3 At least one member must have a financial designation or relevant financial management expertise.
- 2.4 A majority of the members of the Committee shall constitute a quorum. The presence of the Board Chair can be counted towards quorum.
- 2.5 The Board Chair is an ex-officio and a voting member of the Committee.
- 2.6 The members of the Audit Committee shall serve a one year renewable term.
- 2.7 The Committee shall appoint a Committee Chair. In the absence of the Committee Chair, the Committee may appoint another member of the Committee to serve as Chair for any particular meeting.
- 2.8 The Committee Chair cannot be a member of the Executive or Investment Committee.

- 2.9 Attendance of guests at Committee meetings is determined by the Audit Committee Chair.
- 2.10 Meetings may also be called by the external auditor to deal with special circumstances.

3 Responsibilities

The Audit Committee is responsible for:

- 3.1 Recommending the following to the Board of Directors:
 - 3.1.1 Appointment and compensation of the external auditor;
 - 3.1.2 Quarterly and Annual Financial Statements;
 - 3.1.3 Management Discussion and Analysis of the Annual Report;
 - 3.1.4 Audit budgets; and
 - 3.1.5 Any question of resignation or dismissal of the external auditor.
- 3.2 Reviewing and approving the financial information that will be provided to government and the public, and ensuring that this information accurately represents the business activities of CBT.
- 3.3 Reviewing and approving the systems of risk management and the internal controls established by management and the Board to:
 - Ensure sound financial performance;
 - Ensure that 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; and
 - Prevent financial mismanagement.
- 3.4 Oversee the independence of the external auditor (any work to be performed by the external auditor in addition to audit duties will be pre-approved by the Audit Committee).
- 3.5 Work with the external auditor to:
 - Define the purpose of the audit;
 - Formulate and approve the audit plan; and
 - Review audit results.

- 3.6 From time to time, meet with the external auditor, without management present, to discuss any problems and reservations arising from interim and the final audits, and any matters the external auditor may wish to discuss.
 - 3.7 Evaluate the need for an internal audit function and make appropriate recommendations to the Board, and review any recommendations resulting from internal audits.
 - 3.8 Review any proposed changes to key financial management positions.
 - 3.9 Approve all non-audit services by the external auditor that will result in payments in excess of \$10,000 on a cumulative basis in any fiscal year.
 - 3.10 Engage independent counsel and other advisors, with prior approval from the Board Chair.
 - 3.11 Annually review the performance of the Audit Committee against its Terms of Reference.
 - 3.12 Perform any other duties as may be assigned by the Board or required by law.
- 4 Reporting**
- 4.1 The Committee shall keep regular minutes of its meetings, and report on it discussions to the Board of Directors.