



Terms of Reference for Audit & Finance Committee¹

A. OVERALL FUNCTIONAL RESPONSIBILITIES OF THE COMMITTEE

1. The Audit & Finance Committee (the “Committee”) shall assist the Board of Directors (the “Board”) in fulfilling its obligations and oversight responsibility for:
 - a) corporate and financial performance;
 - b) ensuring the integrity and transparency of financial and other external reporting by Information Services Corporation (the “Corporation”);
 - c) risk management and internal controls;
 - d) managing the business relationship with the External Auditor;
 - e) guiding, monitoring and overseeing the internal audit function; and
 - f) other matters related to the Corporation’s accounting policies, reporting practices and internal controls.

B. FUNCTIONAL RESPONSIBILITIES AND AUTHORITY OF THE COMMITTEE

The Committee shall have the following authority with respect to its specified areas of functional responsibility:

1. Financial and Corporate Performance:
 - a) Review and recommend to the Board key financial performance metrics and targets, and the amount of dividend payments within CIC guidelines.
 - b) Review and recommend to the Board the following sections of the Corporation’s annual Performance Management and Capital Allocation Plan (the “PMP”):
 - (i) Financial strategy;

¹ Approved by ISC Board of Directors December 16, 2010
Approved by ISC Board of Directors November 1, 2007.
Approved and recommended by ISC Governance Committee September 13, 2007 and October 22, 2007.
Approved and recommended by ISC Audit & Finance Committee August 30, 2007 and October 30, 2007.

- (ii) Statement of operations;
 - (iii) Statement of retained earnings and accumulated other comprehensive income;
 - (iv) Statement of financial position;
 - (v) Statement of cash flows; and
 - (vi) Capital investments.
- c) Monitor and review quarterly the Corporation's financial performance and balanced scorecard results and report to the Board quarterly.

2. Integrity and Transparency:

- a) Approve the quarterly public financial statements including the Management Discussion and Analysis section, and other financial accountability information prepared for public consumption, prior to its release, and report to the Board.
- b) Review the annual audited financial statements and the Management Discussion and Analysis section of the Annual Report, including management's representation letters on balanced scorecard and responsibility for financial information, and recommend to the Board for approval. Receive, for information purposes, the audited Financial Statements of the Corporation's subsidiaries when applicable.
- c) Review the formal representation letter for CEO/CFO certification of internal controls over financial reporting provided by the CEO and CFO and report deficiencies to the Board.
- d) Review, approve and report to the Board any new or changes to existing internal financial policies or significant transactions that impact the financial statements in a significant manner and/or that fall within the Board's required approval limit as enumerated in the Corporation's *Financial and Commitment Authorities Policy*, as amended from time to time. This review must be done with management and reflect all options under generally accepted accounting principles, which will become International Financial Reporting Standards as of January 1, 2011, and how these options would impact the financial statements.
- e) Review all significant accounting estimates with management and discuss the quality of the estimates and the methodology and treatment recommended by management for reasonability, and report exceptions to the Board.
- f) Monitor the integrity of the Corporation's financial reporting with the External Auditor, and report exceptions to the Board.

3. Risk Management and Internal Controls:

- a) Monitor the Corporation's risk assessment framework and report to the Board.
- b) Review and recommend to the Board the risk identification, assessment and action plans.

- c) Monitor and review the achievement of management's mitigation plans to manage identified risks and report exceptions to the Board.
- d) Review and report to the Board on the Corporation's asset protection strategies, including the Corporation's annual insurable risks and insurance coverage.
- e) Monitor the status of outstanding litigation and assurance claims and report material instances quarterly to the Board.

Replace the following statements with a new version (below) that reduces re-orders the statements for clarity and combines some statements to reduce duplication:

FORMER VERSION:

- f) Approve and monitor a comprehensive annual audit program that coordinates external and internal audit activities, including cost of the program.
- g) Direct, review, monitor and recommend to the Board the mandate of an internal audit function.
- h) Approve the appointment of the Internal Auditor, or the individual or entity to deliver the functions and responsibilities of the Internal Auditor and carry out the mandate of the internal audit function.
- i) Direct the internal audit function and approve the annual internal audit plan, monitor accomplishments, results and costs of the internal audit plan, and report to the Board the nature of any matters and recommended actions from the Internal Auditor's report that remain unresolved.
- j) Monitor the independence of the Internal Auditor through open communication, meeting in-camera at the request of the Committee or the Internal Auditor, at least quarterly every year, without management present, and report exceptions to the Board.
- k) Monitor the work and reports of the Internal Auditor at least quarterly and report exceptions to the Board.
- l) Provide input to the review of the performance of the Internal Auditor at least annually.

PROPOSED REVISED PROVISIONS:

- f) Approve and monitor a comprehensive annual audit program that coordinates external and internal audit activities, including cost of the program.
- g) Approve the appointment of the Internal Auditor, or the individual or entity to deliver the functions and responsibilities of the Internal Auditor and carry out the mandate of the internal audit function.
- h) Recommend to the Board the mandate of an internal audit function.
- i) Direct, review, monitor, oversee and provide guidance to the internal audit function and review the performance of the Internal Auditor at least annually, including input

into the goals of the Internal Auditor.

- j) Provide input to and approve the annual risk-based internal audit plan, monitor results and costs of the internal audit plan, monitor work and reports quarterly, and report exceptions to the Board.
- k) Monitor the independence of the Internal Auditor through open communication, meeting in-camera at the request of the Committee or the Internal Auditor, at least quarterly every year, without management present, and report exceptions to the Board.

- l) Review and report to the Board on the Corporation's framework of internal controls to ensure quality, integrity and compliance with legal, ethical, regulatory and financial reporting requirements, including the Corporation's code of conduct, and recommend changes where appropriate.
- m) Monitor management's report on internal controls over financial reporting for CEO/CFO certification and report exceptions to the Board.
- n) Monitor the External Auditor's evaluation of the appropriate structures, processes and commitments in place for the Committee to effectively discharge its responsibilities and provide the requisite oversight to the Corporation's financial reporting process, and report exceptions to the Board.
- o) Review and report to the Board, the results of the External Auditor's annual audit including the management letter, any significant recommendations of the External Auditor, and any matter remaining unresolved, and ensure timely follow-up of recommendations and unresolved matters through internal audit monitoring and reporting process.
- p) Review and report to the Board, the results of the Provincial Auditor's annual audit including any significant recommendations of the Provincial Auditor, and any matter remaining unresolved, and ensure timely follow-up of recommendations and unresolved matters.

1. External Audit:

- a) Guide the evaluation and selection of the External Auditor and recommend to the Board, for recommendation to Crown Investments Corporation, the appointment or reappointment of the External Auditor, considering qualifications, previous performance where applicable, independence, opinions of management and the Internal Auditor, historical relationships, the benefits of rotating team members or service providers, and the External Auditor's internal quality control procedures.
- b) Monitor the External Auditor's independence in accordance with guidelines for independence established by the Canadian Securities Administrators and report exceptions to the Board.

- c) Review and approve annually, the External Auditor's annual audit plan and fees, with the External Auditor, the Internal Auditor and Provincial Auditor. The External Audit plan should include a review of the quarterly financial statements and management discussion and analyses.
- d) Sign the external audit contract and letter of engagement, through the Chair of the Committee.
- e) Monitor the quality of service and performance of the External Auditor and report exceptions to the Board.
- f) Review and approve significant non-audit services provided by the External Auditor and specify, in advance, what services require approval before commencement.
- g) Meet in-camera with the External and Provincial Auditors as required, in developing the annual plan and receiving the results of the annual audit.
- h) Direct the management of the business relationship with the External Auditor, Internal Auditor and foster effective communication between the Board, the External Auditor and Provincial Auditor.

2. Other:

- a) Provide annual input to the CEO on the performance of and succession planning for the CFO.
- b) Approve the CEO's expenses, through the Chair.
- c) Monitor all Director expenses and other operating costs of the Board and report exceptions to the Board.
- d) Monitor executive management's compensation and expenses and report exceptions to the Board quarterly.
- e) Review, recommend to the Board, and monitor policies related to:
 - (i) the approved use of the Corporation's assets, including travel and business expenses; and
 - (ii) the delegation of financial and commitment authority within the Corporation;and report exceptions to the Board.
- f) In conjunction with the Chair of the Board and the President & CEO of the Corporation, review and respond to any relevant legislation, report, position paper, or other developments on matters related to the mandate of the Committee in general and the duties and responsibilities of the Board, the Committee and Members in particular.
- g) Keep informed and report to the Board on trends, emerging issues, best practices, and proposed legislation relevant to the Committee's areas of functional responsibility.

- h) Annually review the Committee's Terms of Reference and recommend appropriate changes to the Governance Committee.
- i) Annually review the Committee's performance.
- j) Assist and deliver to the Board on any other task assigned by the Board from time to time.

B. DELEGATION

The Committee may delegate any of its responsibilities and authority to a subcommittee comprised of one or more Committee Members. The Committee remains accountable for the work and decisions of any subcommittee to which the Committee has delegated decision-making authority.

C. MEETINGS

The Committee shall meet at least four times per year.

D. MANAGEMENT'S AUTHORITY

Management shall assist the Committee in fulfilling its obligations and oversight responsibility by developing, recommending and/or reporting on the Committee's areas of functional responsibility.

E. COMMITTEE COMPOSITION CRITERIA

1. The Committee shall be comprised of a minimum of three and maximum of five Members.
2. Every Committee Member must be a director of the Corporation.
3. Members of the Committee should, collectively, have the following skills and attributes:
 - a) Knowledge or understanding of the public sector and related regulatory environments; and
 - b) Risk management expertise.
4. At least one Committee Member must have financial expertise, including:
 - a) an understanding of Canadian and ~~international~~ generally accepted accounting principles, which will become International Financial Reporting Standards as of January 1, 2011, and financial statements;
 - b) experience in preparation or auditing of financial statements;
 - c) experience in the application of such principles in connection with accounting for estimates, accruals and reserves;

- d) experience with internal accounting controls; and
 - e) an understanding of audit committee functions.
5. Every Committee Member must be independent according to the standards established by the Canadian Securities Administrators, as amended from time to time.
 6. Every Committee Member must be considered financially literate, in that each Committee member must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can be reasonably be expected to be raised by the Corporation's financial statements.
 7. A Member of the Committee who is not financially literate may be appointed to the Committee provided that the Member becomes financially literate within a reasonable period of time following his or her appointment.
 8. The Chair of the Board is an ex officio member of the Committee.
 9. The Corporate Secretary to the Board shall be an employee of the Crown Investments Corporation and will not be a director of the Corporation.

F. GENERAL

The Committee shall be bound by the terms of the *Governance Guidelines for ISC's Board of Directors & Board Committees*.