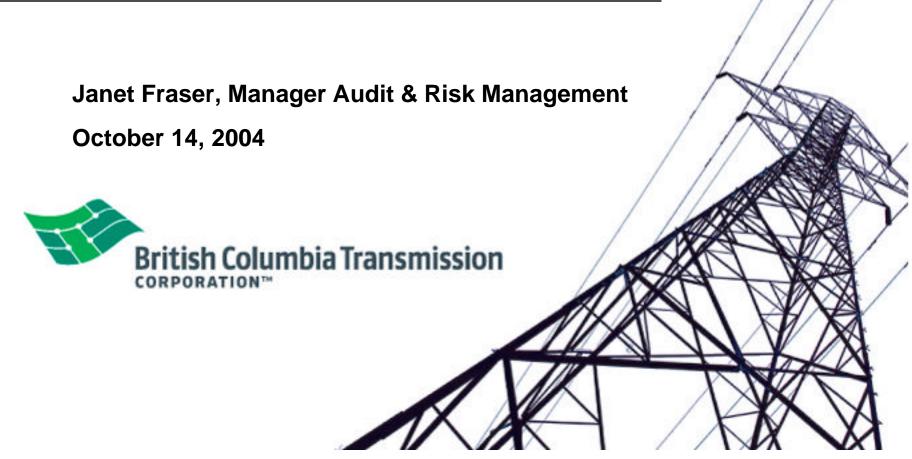
CEAA Technical & Annual General Meeting





Agenda



- BCTC Who We Are
- New Governance Drivers
- Sarbanes-Oxley Act of 2002
- Internal Control Frameworks
 - COCO
 - COSO
- BCTC's Internal Control Framework



BCTC - Who We Are



BCTC is:

- An independent, 100% government-owned Crown company, regulated by the BC Utilities Commission
- A Company Act company supported by the Transmission Corporation Act

Our Mandate:

 Full responsibility for operating, maintaining and planning the high-voltage electric transmission system in BC



BCTC - Who We Are



Responsible for:

- Transmission system/grid operations
- Administering current Wholesale Transmission Service Tariff
- Designing new Open Access Transmission Tariff
- Asset management and maintenance
- Planning new transmission investments
- Directing investment in transmission projects upon BCUC approval



New Governance Drivers



- Sarbanes-Oxley Act of 2002
- New Canadian Securities Commissions Guidelines
- Proposed changes to Canada Corporation's Act





Why Sarbanes-Oxley was enacted

 Enacted on July 30, 2002 in response to a number of corporate and accounting scandals

Legislation of Accountability

- establishes new or enhanced standards for corporate accountability and penalties for corporate wrongdoing
- contains 11 titles, ranging from additional responsibilities for audit committees to tougher criminal penalties





- Title I Public Accounting Oversight Board
- Title II Auditor Independence
- Title III Corporate Responsibility
- Title IV Enhanced Financial Disclosures
- Title V Analyst Conflicts of Interest
- Title VI Commission Resources and Authority
- Title VII Studies and Reports
- Title VIII Corporate and Criminal Fraud Accountability





- Title IX White Collar Crime Penalty Enhancements
- Title X Corporate Tax Returns
- Title XI Corporate Fraud and Accountability





Corporate Responsibility

- Requires audit committees to be independent and undertake specified oversight responsibilities
- Provides for rules of conduct for companies and officers
- Requires attorneys to report violations of securities laws
- Requires CEO and CFO certification of internal controls
 - responsible for establishing and maintaining system of internal controls
 - designing disclosure controls and procedures to ensure that specified information is made available to them
 - evaluation effectiveness of internal controls

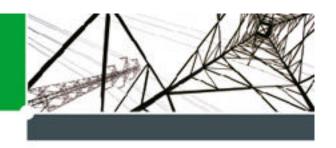


Internal Control Frameworks



- 2 frameworks recognized as best practice
 - Criteria of Control "COCO"
 - Committee of Sponsoring Organizations "COSO"





- COCO "Criteria of Control"
- Canadian Institute of Chartered Accountants
- Principles:
 - Purpose
 - objective setting, policies, planning, performance measurement
 - Commitment
 - ethical values, integrity, HR policies, authority, responsibility and accountability, mutual trust
 - Capability
 - knowledge, skills and tools, information, coordination, control activities
 - Monitoring and Learning
 - monitoring internal and external environment, assumptions and performance





- COSO "Committee of Sponsoring Organizations of the Treadway Commission"
- Sponsoring organizations:
 - Institute of Internal Auditors
 - American Institute of Certified Public Accountants
 - American Accounting Association
 - Institute of Management Accountants
 - Financial Executives Institute
- Most broadly accepted framework for internal controls
- Provides a standard and criteria against which companies can assess or design their internal control systems





Control Environment

foundation - discipline and structure

Risk Assessment

risk management policies and practices

Control Activities

policies and procedures to achieve objectives and manage risk

Information and Communication

timely and appropriate information, communicate control responsibilities

Monitoring

ongoing evaluation and monitoring of processes





Control Environment

- Integrity and Ethical Values
 - Code of Conduct
 - "Tone at the Top"
 - Dealings with employees, customers, suppliers, etc.
 - Remedial action
 - Management's attitude towards overriding controls
 - Pressure to meet unrealistic performance targets
- Board of Directors / Audit Committee
 - Frequency and timeliness of meetings with auditors
 - Sufficiency and timeliness with which board is apprised of sensitive information, investigations, improper acts





Control Environment (continued)

- Management's Philosophy and Operating Style
 - Nature of business risks accepted
 - Frequency of interaction between senior and operating management
 - Attitudes and actions towards accounting, data processing, and control/compliance functions
- Human Resources Policies and Practices
 - Remedial action
 - Background checks
 - Relation of retention and promotion criteria to code of conduct or other behavioral guidelines





Risk Assessment

- Entity-Wide Objectives
 - Appropriate
 - Communicated effectively
 - Reflected in strategies, plans, budgets
- Activity-Level Objectives
 - Appropriate
 - Consistent with Entity-Wide Objectives
 - Involvement of all levels of management in objective setting





Information and Communication

- Communication
 - Communication of employees' duties and control responsibilities
 - Channels to report wrongdoing
 - Receptivity to employee suggestions
 - Outside parties made aware of entity's ethical standards

Monitoring

- Ongoing Monitoring
 - Personnel routinely obtain evidence on the controlling process
 - Management is responsive to audit recommendations
 - Personnel periodically state they comply with code of conduct
 - Personnel periodically state they have performed critical control activities



BCTC's Internal Control Framework



- Not required to comply with new governance requirements
- As a new company, implementing a control framework critical to achievement of business objectives
- COSO framework adopted
- Benefits:
 - leading practice, establishes good corporate governance
 - creates a baseline
 - Provides broad audit coverage
 - Input to audit plans, financial and non-financial
 - Enables Management, Audit Committee and Board to meet governance responsibilities

