



## BOARD OF GOVERNORS

### AUDIT COMMITTEE TERMS OF REFERENCE

#### 1. PURPOSE

The Audit Committee is appointed by, and has responsibility to, the Board of Governors ("Board") to assist the Board in fulfilling its financial reporting and audit responsibilities, approve, monitor, evaluate and provide advice and make recommendations on matters affecting the external audit, internal audit, internal control systems, risk management, and the financial reporting and accounting control policies and practices, and to perform such other duties as the Board may delegate or direct from time to time. The Audit Committee operates in accordance with the Alberta *Post-Secondary Learning Act* and the Board governing documents.

#### 2. MEMBERSHIP

2.1 The following are the members (voting) of the Audit Committee:

- Chair of the Audit Committee \*
- Chair of the Board (*ex-officio*)
- Vice-Chair of the Board (*ex-officio*)
- At least two (2) other Board members with relevant and sufficient financial knowledge and experience in business and financial fields.
- The Board may also appoint one member of the Audit Committee who is not a member of the Board of Governors but is considered a financial expert.

\*In the case where the Chair of the Board Audit Committee is different than the Chair of the Board Finance Committee, each chair must serve then as a voting member on the other committee.

Following the *Board of Governors Bylaws*, membership on committees is determined annually by recommendation from the Board Executive Committee.

2.2 The following (non-voting) shall attend meetings of the Audit Committee:

- President & Vice-Chancellor
- Director, Internal Audit
- Provost & Vice-President (Academic)
- Vice-President (Finance and Administration)
- General Counsel
- Associate Vice-President (Finance)
- Director, Financial Services

The non-voting members and other individuals may be invited by the Chair of the Audit Committee Chair to attend all or any part of an Audit Committee Meeting.

- 2.3 Representatives and agents of the Auditor General of Alberta, serving as the University's external auditor, may be invited to attend all or any part of the regular session meetings of the Audit Committee.
- 2.4 Non-voting members of the Audit Committee and other individuals may be invited by the Chair of the Audit Committee to attend all or any part of an Audit Committee Meeting to provide input or information.
- 2.5 Member Qualifications
- 2.5.1 At least two (2) members must be financial experts. Factors that may contribute to designation as a financial expert include but are not limited to:
- education and experience as a public accountant or auditor or principal financial officer, comptroller, or principal accounting officer;
  - professional certification in accounting or audit;
  - experience in preparing, auditing, analyzing or evaluating audited financial statements of comparable institutions;
  - experience with internal accounting controls;
  - an understanding of audit committee functions.
- 2.5.2 An Audit Committee member must be financially literate, which is the ability to read and understand a set of financial statements at the level of complexity of accounting issues that are in the University's financial statements.
- 2.5.3 Audit Committee members will be required to certify that they are not economically dependent on the University.
- 2.5.4 Audit Committee Members are required to abide by the *Code of Conduct and Ethics* for the Board which indicates proper conduct by members and requires annual signing of confidentiality and conflict of interest statements.

### 3. MEETINGS

- 3.1 The Audit Committee shall meet at least four (4) times per year, with additional meetings at the call of the Chair. Meetings will consist of two sessions both containing agendas; a regular session and a special closed session. Both sessions will also contain required in camera portions where the voting members of the committee will meet with the external auditors and the internal auditor to discuss matters independent of Senior Administration.
- 3.2 Quorum is 50% of the voting members.
- 3.3 The regular session minutes of the Audit Committee meetings shall accurately record the decisions reached and discussions of the meetings and shall be confidentially distributed to the voting and non-voting Committees members, the external auditor and others as directed by the Committee.

- 3.4 The special closed session minutes of the Audit Committee meetings shall record the decisions reached and discussions of the meetings and shall be confidentially distributed to the voting and non-voting Committees members.
- 3.5 To ensure appropriate disclosure and discussion of sensitive or protected information, both sessions of meetings of the Audit Committee will be considered *in-camera*

#### **4. RESPONSIBILITIES**

##### **4.1 Internal Controls**

- 4.1.1 Identify and monitor the management of the principal risks that could impact the financial position and resources of the University.
- 4.1.2 Identify and monitor the system of internal controls regarding financial reporting and accounting compliance.
- 4.1.3 Obtain reasonable assurance from management, the Director, Internal Audit and the external auditors that the accounting systems are reliable, the system or preparation of financial data reported to the stakeholders is adequate and effective, and that the system of internal controls is effectively designed and implemented.
- 4.1.4 Review and approve submitted expenses of the Chair of the Board. This responsibility is delegated to the Chair of the Audit Committee.

##### **4.2 Financial Reporting**

- 4.2.1 Monitor the integrity of the financial reporting and financial statement process.
- 4.2.2 Monitor the accounting principles and critical accounting policies adopted by management, including alternative treatments that are available for consideration.
- 4.2.3 Monitor accounting provisions and estimates included in the financial statements to ensure the integrity of the financial statements.
- 4.2.4 Monitor developments in current accounting and financial reporting practices, compliance with legal and regulatory requirements and their applicability to the University.
- 4.2.5 Monitor and review with management and the external auditor any proposed changes in major accounting policies, financial reporting practice, key estimates or judgments that may be material to the financial statements.
- 4.2.6 Review any litigation, claim or other contingency that could have a material effect upon the financial position or operating results of the University, and the manner in which these matters will be disclosed in the financial statements.

- 4.2.7 Receive and resolve any disagreements between management and the auditors regarding all aspects of the University's financial statements.
- 4.2.8 Along with the Finance Committee, recommend to the Board for approval the annual financial statements.

### **4.3 External Audit**

- 4.3.1 Monitor the independence and performance of the external auditors.
- 4.3.2 Review the external auditor's audit plan, the annual engagement letter, and ensure there is a mutual understanding between the Audit Committee and the auditors for the completion of the audit, discussing the timing and extent of the audit work, materiality, audit risk and overall audit strategy.
- 4.3.3 Review with the external auditor the results of the annual audit examination including but not limited to the following:
  - 4.3.3.1 any difficulties encountered, or restrictions imposed by management during the audit;
  - 4.3.3.2 any significant accounting or financial reporting issues;
  - 4.3.3.3 auditor's evaluation of the University's systems of internal accounting controls, procedures and documentation for financial reporting purposes;
  - 4.3.3.4 the post-audit management letter containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow up to any identified internal control weaknesses;
  - 4.3.3.5 any other matters the external auditor brings to the attention of the Audit Committee.
- 4.3.4 Provide an avenue of communication among the external auditors, management, the Director, Internal Audit and the Board. Review and discuss any difficulties encountered during the audit, including any restrictions on the scope of the audit or access to required information.
- 4.3.5 Meet independently with external auditors, without university personnel present, to discuss any matters that the Audit Committee believes should be discussed privately with the external auditors.
- 4.3.6 Secure prior approval for the engagement of the external auditor or agent for all non-audit services and fees for such services and consider the impact of the external work and fees for such non-audit services on the independence of the external auditor or agent.

### **4.4 Internal Audit**

- 4.4.1 Monitor the independence and effectiveness of the internal audit function.

- 4.4.2 Review and approve internal audit's terms of reference.
- 4.4.3 Review and approve internal audit's annual audit plan.
- 4.4.4 Review the reports from internal audit and specifically inquire about any difficulties encountered, or restrictions imposed by management during the audit, and management's response and subsequent follow-up to identified weaknesses.
- 4.4.5 Internal Audit will not provide to any external party, including the external auditors, audit reports that have not been release to the Board Audit Committee or information about audits-in-progress without prior consultation with the Vice-President (Finance & Administration) and the Chair of the Audit Committee.
- 4.4.6 Ensure internal audit has direct access to the Audit Committee.
- 4.4.7 Meet independently with the Director, Internal Audit, without other university personnel present, to discuss any matters that the Audit Committee believes should be discussed privately with the Director, Internal Audit.
- 4.4.8 The Audit Committee approves the appointment or termination of the Director, Internal Audit, and provides input into the annual review of the Director, Internal Audit, in conjunction with the administrative supervisor.
- 4.4.8 The Director, Internal Audit's compensation is to be approved by the Board Compensation Committee.

#### **4.5 Risk Management**

- 4.5.1 Discuss with management the major risk exposures, both financial and non- financial, in relation with the University's acceptable risk tolerance and the steps management has taken to monitor and control such exposures.
- 4.5.2 Annually review and recommend to the Board the approval of the University's Enterprise Risk Management report. Recommend to the Board the approval of the ongoing processes of the Enterprise Risk Management system.
- 4.5.3 Discuss with management the University's policies and procedures designed to detect and mitigate the risk of fraud.
- 4.5.4 Discuss with management the adequacy and security of the University's procedures for its employees to raise concerns, in confidence, about possible wrongdoing in financial and other matters. Ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 4.5.5 Have the authority to engage independent counsel and other advisers, if it is deemed necessary to carry out the Audit Committee's responsibilities.

#### **4.6 Report to Board of Governors**

---

Authority: Board of Governors

Responsibility: Audit and Governance Committee

Effective Date: April 13, 2017

The Chair of the Audit Committee shall provide oral or written reports of its proceedings to the Board. Minutes, supporting schedules and information of the Audit Committee will be made available to any Board member upon request.

#### **4.7 Self-Assessment**

The Audit Committee shall review the annual self-assessment of the performance of the Audit Committee against their terms of reference and report their findings to the Governance Committee.

#### **4.8 Terms of Reference Review**

The Audit Committee shall conduct an annual review of the Audit Committee Terms of Reference and report their findings to the Governance Committee.

#### **4.9 Other Matters**

- 4.9.1 The Audit Committee can engage other advisers, with the Board approval and in accordance with the University's Contracts - Approval and Signing Authority Policy, if it is deemed necessary to carry out the Audit Committee's responsibilities. The signing authority for any such engagement is the Chair of the Board.
- 4.9.2 The Audit Committee may consider any other matters, which in the opinion of the Audit Committee or at the request of the Board, would assist the Board in meeting their responsibilities.

---

#### **Document History:**

*Board of Governors Approved: June 16, 2017 (editorial revisions); April 13, 2017; June 16, 2016; Feb. 26, 2015; Feb. 27, 2014; Jan. 24, 2013; May 17, 2012; Jun. 24, 2010; Mar. 15, 2010; Feb. 12, 2009; Apr. 10, 2007,*