



Terms of Reference: Audit Committee

Effective Date: June 27, 2024

Supersedes: September 21, 2021; September 25, 2018; November 2016; June 2014

Date of Next Review: Spring 2027

1. The Audit Committee is a standing committee of the Board responsible for ensuring that appropriate controls and accountabilities exist within the University with respect to finance and areas of material risk. The Committee's primary responsibilities are to ensure that the University's financial reporting processes are sound; that the internal and external audit functions are competently performed; and that appropriate processes are in place to identify, report, and control areas of significant risk to the University. The Committee also provides an avenue of communication among the external auditors, management, the internal audit function, and the Board.

2. In carrying out its primary responsibilities, the Committee shall:

Financial Statements, Financial Management and Reporting

- (a) review the University's annual combined audited financial statements and recommend them for approval to the Board;
- (b) review significant findings or recommendations submitted by the external auditors;
- (c) review analyses prepared by management and the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses on the effects of alternative GAAP methods or new GAAP developments on the financial statements;
- (d) determine whether appropriate accounting principles and auditing standards are being applied;

External Auditors

- (e) approve annually on behalf of the Board the appointment of the external auditors, who shall report directly to the Committee; review and accept the external auditors' engagement letter; and approve the external auditors' annual plan;
- (f) review and approve on behalf of the Board estimated and actual annual audit fees, and audit fees for services in accordance with Board policy;

- (g) monitor the independence of the external and internal audit functions and establish procedures for the pre-approval of services not included in the annual audit plan to be provided by the external auditors, ensuring that such services do not affect the independence of the external auditors;
- (h) meet with the external auditors to determine any problems encountered by the auditors, any restrictions on their work, the co-operation received in the performance of their duties, and their audit findings; review the external auditors' management letter and the administrative response to the letter, and satisfy itself that the recommendations are acted upon where appropriate; and where recommendations from the external auditors are not acted upon, satisfy itself that this is acceptable;
- (i) ensure that it is informed on a timely basis of any serious difference of opinion between administration and the auditors, whether or not the difference has been resolved; and ensure that it is informed of any case in which the administration has sought accounting advice on a specific issue from an accounting firm other than the one appointed as external auditors;

Internal Audit Department

- (j) review and approve the internal audit charter and annual work plan and review internal audit long-range plans;
- (k) review internal audit reports, significant findings and recommendations concerning the adequacy of internal controls in the University, and satisfy itself that the administration is addressing the issues raised where appropriate;
- (l) ensure that the Chair of the Committee meets annually with internal audit to discuss the annual proposed internal audit work plan and any problems encountered in completing the work plan during the current year;
- (m) provide advice regarding the appropriate level of resources for the internal audit department, including plans developed by the administration for accommodating any temporary voluntary re-assignment or leave of absence of the head and/or staff of the internal audit department;
- (n) review and, if warranted, veto the appointment, replacement, dismissal or involuntary re-assignment of the head of internal audit by management;
- (o) ensure that internal audit has direct access to the Committee through an *in camera* session to discuss private matters, if requested by internal audit or the Committee;

Risk Management

- (p) ensure that appropriate processes are in place to identify, report and control areas of material risk or instances of possible fraud, including internal controls within the financial systems;

- (q) receive regular reports from management on areas of significant risk to the University, for example but not limited to legal claims, environmental issues, health, safety, information security, cyber security, and other internal and regulatory matters;
- (r) receive regular reports from management on the levels of insurance coverage;

Other

- (s) review the audited financial statements of the pension plans administered by the Academic and Administrative Staff Pension Plan Board;
- (t) monitor or review such other matters as the Committee deems appropriate to carry out its primary responsibilities;
- (u) with the consent of the Chair of the Board (which shall not be unreasonably withheld or delayed), when it considers it to be necessary or desirable to do so, retain independent professional advisors at the expense of the University to assist the Committee in the performance of its duties;
- (v) meet with the external auditors and management in separate *in camera* sessions to discuss any matters the Committee or these groups believe should be discussed privately with the Committee;
- (w) review these Terms of Reference at least every three years, and recommend amendments to the Board of Governors as necessary;
- (x) evaluate annually the effectiveness of the Committee against its Terms of Reference;
- (y) develop an annual work plan in consultation with the Vice-President (Operations & Finance); and
- (z) be mindful of the principles of equity, diversity, inclusion, and decolonization in fulfilling its responsibilities.

MEMBERSHIP AND PROCEDURE

3. The Committee is primarily a technical committee whose members are appointed on the basis of their expertise and interest in accounting, law and business administration.
4. The membership of the Committee shall be:

Chair of the Board
Vice-Chair of the Board
Chair of the Property and Finance Committee

At least five members, all external to the University, appointed by the Board, at least three of whom must be members of the Board*

* To ensure that the Committee has the necessary expertise to fulfill its responsibilities, the Board may appoint up to two members who are not members of the Board. Such members are appointed annually and may serve on the Committee for up to eight consecutive years.

5. At least one member of the Committee must be a financial expert, defined as an individual who is a professional accountant or auditor, a principal financial officer, comptroller, or principal accounting officer of a company, or an individual who holds or has held a senior executive position involving the performance of similar functions.
6. The Chair and Vice-Chair of the Committee must be members of the Board and shall be appointed annually by the Board, as set out in By-Law No 1. (section 42). The University Secretary (or designate) shall be Secretary of the Committee.
7. The membership of the Committee shall be determined by the Board annually, as set out in By-Law No. 1 (section 42).
8. The Committee may request or require the presence of members of staff or the senior administration, including but not limited to one or more of the following, at meetings of the Committee:
 - President & Vice-Chancellor
 - Vice-President (Operations & Finance)
 - Associate Vice-President (Human Resources)
 - Associate Vice-President (Financial Services)
 - Director of Internal Audit
 - Controller
 - University's Legal Counsel
 - External Auditor
 - University Secretary
9. The Committee shall normally meet in advance of each regular meeting of the Board. Special meetings of the Committee shall be held as agreed by the Committee or as called by the Chair of the Committee or of the Board.
10. Pursuant to By-Law No. 1 (section 47), the quorum for meetings shall be a majority of the voting members. [*Quorum based on current membership: 5 voting members*]