

Audit Committee

Special Resolution: No. 1-L – Terms of Reference of the Audit Committee

Effective Date: November 2016

Previous Revisions: June 2014

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 of Governors.
2. In carrying out its primary responsibilities, the Committee shall:
 - (a) Financial Statements, Financial Management & Reporting
review the University's annual combined audited financial statements and recommend them for approval to the Board of Governors;
 - (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;
 - (e) External Auditors
approve annually on behalf of the Board of Governors the appointment of the external auditors, who shall report directly to the Committee; review and accept the external auditors' engagement letter; approve the external auditors' annual plan;
 - (f) review and approve on behalf of the Board of Governors 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 to ensure 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; 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; 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 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 Audit Committee meets annually with internal audit to discuss the annual proposed 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 Audit Committee through an *in camera* session to discuss private matters, if requested by either party;

Risk Management

- (p) ensure that appropriate processes are in place to identify, report and control areas of material risk or 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 carrying out its primary responsibilities;
- (u) with the consent of the Chair of the Board (which consent 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; and
- (x) evaluate annually the effectiveness of the Audit Committee against its Terms of Reference.

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. 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.
5. The Committee shall consist of eight members appointed by the Board, including as members ex officio:

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

All members must be external to the University: that is, not faculty, staff or students, and a minimum of six members 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 of Governors. [Such members are appointed annually and may serve on the Committee for up to eight consecutive years.]

6. The Chair and Vice-Chair of the Committee must be members of the Board and shall be appointed annually by the Board. The Secretary of the Board (or designate) shall be the Secretary of the Committee.
7. 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:

The President
The Vice-President (Operations & Finance)
The Associate Vice-President (Human Resources)
The Associate Vice-President (Financial Services)
The Director of Internal Audit
The Controller
The University's Legal Counsel
The External Auditor
The Secretary of the Board

8. The Committee shall meet at least twice annually at the call of the Chair of the Committee, the Chair of the Board, or at the discretion of the Board.