



BOARD OF GOVERNORS AUDIT COMMITTEE TERMS OF REFERENCE

1. PURPOSE

The Audit Committee (“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 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 Committee:

- Chair of the 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 or two members to the Committee who are not members of the Board of Governors but are considered a financial expert or have an appropriate skill set as identified by the Audit Committee.

*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 Committee:

- President & Vice-Chancellor
- Director, Internal Audit
- Provost & Vice-President (Academic)
- Vice-President (Finance and Administration)

- Associate Vice-President (Finance)
- Executive Director, Financial Services

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

2.4 Non-voting members of the Committee and other individuals may be invited by the Chair of the Committee to attend all or any part of a 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 A 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 Committee members will be required to certify that they are not economically dependent on the University. No individual currently employed by the University may serve as a voting Committee member.

2.5.4 Committee Members are required to abide by the *Code of Conduct – Board of Governors* which indicates proper conduct by members and requires annual signing of confidentiality and conflict of interest statements.

3. MEETINGS

- 3.1 The 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 Director. Internal Audit to discuss matters independent of Senior Administration.
- 3.2 Quorum for a meeting, as defined within the *Board of Governors Bylaws (2.2.3)*, shall consist of a majority of voting members being in attendance in person, or virtually (phone or video). A meeting that starts with quorum shall be deemed to have a continuing quorum, until a quorum count is requested by a voting member. Where a quorum count is requested and there are insufficient voting members present to constitute a quorum, the meeting shall be adjourned immediately and reconvened seven days later, or at another mutually agreed upon date.
- 3.3 The regular session minutes of the 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 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 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 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.
The Committee has the responsibility and authority, as articulated within the Use of External Auditors for Non-Audit Services Policy, to ensure that the objectivity and independence of the external auditor is maintained through the pre-approval of all non-audit services. No non-audit services may be provided by the external auditor unless the Committee determines that the provision of such services is compatible with the external auditor's independence.
- 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 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, engagement records or reports that have not been distributed to and reviewed by the Committee or information about engagements-in-progress without prior consultation with the Provost & Vice-President (Academic) and the Chair of the Committee. Consulting engagement reports, due to their nature and purpose, are for internal use.
- 4.4.6 Ensure internal audit has direct access to the Committee.

- 4.4.7 Meet independently with the Director, Internal Audit, without other university personnel present, to discuss any matters that the Committee believes should be discussed privately with the Director, Internal Audit.
- 4.4.8 The 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 approved by the Board Human Resources & 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 Committee's responsibilities.

4.6 Report to Board of Governors

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

4.9 Other Matters

4.9.1 The 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 Committee may consider any other matters, which in the opinion of the Committee or at the request of the Board, would assist the Board in meeting their responsibilities.

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