

**BOARD OF GOVERNORS
AUDIT COMMITTEE**

TERMS OF REFERENCE

** Note: The terms of reference for all Board committees are included in the Procedures of the Board of Governors. The following terms of reference are an excerpt from the Procedures.*

9. AUDIT COMMITTEE

9.1 Membership

9.1.1 The members of the Audit Committee shall be independent, i.e., have no material direct or indirect association with the organization, which could be reasonably perceived to interfere with the exercise of the member's independent judgment.

9.1.2 The Committee shall consist of the Chair or Vice-Chair of the Board, at least three order-in-council members of the Board and other individuals as appointed by the Board; at least one member shall also serve on the Finance Committee.

9.1.3 The President, Vice-President Finance and Operations, Executive Director of Financial Services and the Director of Internal Audit shall normally be invited to attend Audit Committee meetings.

9.1.4 Financial literacy is a prerequisite for service on the Audit Committee. The majority of members of the Committee shall be capable of reading and understanding financial statements of the breadth and complexity of those of the university, and at least one member of the Committee shall have accounting or related financial management expertise. All committee members should possess an inquiring attitude, objectivity, independence and sound judgement.

9.1.5 Before appointing members to the Audit Committee under 2.2, the Chair of the Board will consult the Chair of the Committee concerning the performance of Committee members and the qualifications of potential new Committee members.

9.2 Mandate

9.2.1 The Committee's primary responsibilities and authorities are to assist the Board oversight of:

- The integrity of the University's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

- The qualifications and independence of the University's external auditors;
- The performance of the external auditors and the internal auditor;
- The University's compliance with legal, statutory and regulatory requirements;
- The management of the principal risks that could impact the financial statements;
- Review and ensure that procedures are in place for the receipt, retention and treatment of complaints received by the University regarding accounting, internal accounting controls or audit matters, and,
- The selection and hiring of the external auditors.

9.2.2 The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the internal and external auditors, as well as, the management of the University.

9.2.3 The Committee may request the Board of Governors to retain special legal, accounting, consulting or other experts the Committee deems necessary in the performance of its duties.

9.2.4 The Committee provides effective liaison between the Board of Governors, University management and the University's internal and external auditors in all matters dealing with the audit of the University's financial activities.

9.2.5 The Committee reviews any significant proposed changes in the position description of the University's chief financial officer, the Vice-President Finance and Operations.

9.3 Meetings

9.3.1 The Committee shall meet a minimum of 3 times a year, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the internal auditor, the external auditors, and as a committee to discuss any matters that the Committee believes should be discussed.

9.4 Responsibilities and Duties

Review Procedures

- 9.4.1 The Committee reviews the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provides the Committee's view to the Board.
- 9.4.2 Annually, in consultation with the management and the external auditors, the Committee considers the integrity of the financial reporting processes and controls. It discusses significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. It reviews significant findings prepared by the external auditors together with management's responses.
- 9.4.3 The Committee reviews and recommends to the Board the University's annual audited financial statements and related documents prior to filing or distribution. The review should include discussions with management and the external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgements.

External Auditors

- 9.4.4 The Committee reviews the independence and performance of the external auditors and recommends to the Board the appointment of the external auditors or approval of any discharge of auditors when circumstances warrant on a cycle approved by the Board.
- 9.4.5 On an annual basis, the Committee reviews and discusses with the external auditors all significant relationships they have with the University that could impair the auditors' independence. This review should include a review of non-audit services performed by the external auditors.
- 9.4.6 The Committee reviews the external auditors' audit plan—discusses and approves audit scope, staffing, locations, reliance upon management and internal audit, and general audit approach.
- 9.4.7 Prior to releasing the year-end financial statements, the Committee discusses the results of the audit with the external auditors. It also discusses certain matters required to be communicated to the Committee in accordance with the standards established by the Chartered Professional Accountants of Canada.

9.4.8 The Committee considers the external auditors' judgments about the quality and appropriateness of the accounting principles as applied in the financial reporting.

9.4.9 The Committee meets in executive session with the external auditor.

Internal Audit

9.4.10 The Committee reviews the mandate and objectives of the internal audit function.

9.4.11 The Committee approves the appointment and reviews the compensation of the chief auditor within the parameters set for Excluded Management and Confidential Staff approved by the Board.

9.4.12 The Committee reviews the budget, staffing and resources of the Internal Audit function and makes recommendations to the Vice President Finance and Operations.

9.4.13 The Committee reviews the internal auditor's audit plan including discussion and approval of audit scope, staffing, locations, timing and general audit approach.

9.4.14 The Committee reviews audit reports and discusses the results of the internal audit work plan.

9.4.15 The Committee meets in executive session with the internal auditor.

Legal Compliance

9.4.16 On at least an annual basis, the Committee reviews with the University's legal counsel any legal matters that could have a significant impact on the financial statements, compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

Other Audit Committee Responsibilities

9.4.17 The members annually assess the effectiveness of the Committee, against its mandate and report the results of the assessment to Executive and Governance Committee of the Board.

9.4.18 The Committee ensures its members receive appropriate financial orientation and training to enhance financial literacy in order to carry out their oversight responsibilities.

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The Committee performs any other activities consistent with this mandate, rules and regulations, and governing laws, as the Committee or the Board deems necessary or appropriate. It maintains minutes of meetings and periodically reports to the Board on significant results of the foregoing activities. It annually reviews its mandate and makes any recommendation for updating it to the Executive and Governance Committee of the Board.