

**Board of Governors  
Audit Committee  
Terms of Reference**

**1. ESTABLISHMENT**

The Board of Governors (**Board**) hereby establishes a standing committee called the Audit Committee (the **Committee**), under the provisions of the Board's General Terms of Reference for Standing Committees and these Committee Terms of Reference, and delegates to the Committee the authorities set out herein. In the event of a conflict between the provisions of these Terms of Reference and the General Terms of Reference, these Terms of Reference will govern.

The Vice-President (Finance) and Chief Financial Officer shall act as the responsible Senior Officer to the Committee, providing the link between Management and the Committee.

For the purposes of these Terms of Reference, an individual is financially literate if they have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the University's financial statements.

All defined terms which are used, but not defined herein, and which are defined in the General Terms of Reference shall have the meaning given to such term in the General Terms of Reference.

**2. COMPOSITION**

**2.1. Chair**

The Member named as set out under "Voting Members" below.

**2.2. Vice-Chair**

The Member named as set out under "Voting Members" below.

**2.3. Voting Members<sup>1</sup>**

- Those Governors who are appointed by the Board or its delegate. One of these Members shall be named as Chair and one of these Members shall be named as Vice Chair by the Board or its delegate.
- Those External Members who are appointed by the Board or its delegate
- The Board Chair (ex officio)

Provided that:

- a) In this section, Governors is restricted to Public Governors and those Governors nominated by the University Senate and Alumni Association;
- b) The Chair and the Vice Chair must be a Public Governor or a Governor nominated by the University Senate or Alumni Association; and
- c) The majority of Voting Members must be:
  - i. Governors;
  - ii. Financially literate, and at least one member shall have accounting or related financial management expertise; and
  - iii. Independent as defined in National Instrument 52-110, as amended from time to time, which requirement supersedes section 6.3 of the Board Bylaws

**2.4. Non-Voting Members**

The President (ex officio).

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<sup>1</sup> The Committee must have a minimum of three voting members in accordance with the Board's Standing Committees General Terms of Reference.

### **3. ROLE**

The Committee assists the Board to fulfill its oversight responsibilities in the areas of financial reporting, internal controls, enterprise risk management, the internal audit function, external audit, and legal and regulatory compliance.

### **4. RESPONSIBILITIES**

The Committee will fulfill its role primarily by carrying out the activities enumerated below.

The listed responsibilities shall be the common, recurring activities of the Committee; however, the Committee may carry out such additional responsibilities as are necessary or appropriate for the performance of its role.

The Committee's primary responsibilities are as follows:

#### **4.1. Financial Reporting**

- a) Approve the template for the audited annual financial statements of the University;
- b) Prior to disclosure to the public, review, and, where appropriate, recommend for approval by the Board, the following:
  - i. audited annual financial statements;
  - ii. interim financial statements;
  - iii. monthly forecasts and budget reconciliations when required and
  - iv. annual and interim management discussion and analysis;
- c) Review and discuss with Management, the internal auditor and external auditors, as it deems necessary:
  - i. any significant financial reporting issues, including, significant issues regarding the accounting principles, policies and practices used in the University's financial reporting, changes in the University's accounting principles, policies or practices, significant management estimates and judgments, including alternative treatments and their impacts, and the manner of presentation of significant accounting items;
  - ii. the effect of regulatory and accounting initiatives on the University's financial statements; and
  - iii. the treatment for financial reporting purposes of any significant transactions which are not a normal part of the University's operations;
- d) Periodically assess the adequacy of the controls and procedures that have been adopted to confirm that material financial information about the University and its subsidiaries that is required to be disclosed under applicable law is disclosed, and the adequacy of the procedures in place for the review of the University's public disclosure of financial information extracted or derived from the University's financial statements; and
- e) Review and discuss the University's significant financial exposures and the steps that Management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.

#### **4.2. Internal Controls**

- a) Review and discuss with Management, the internal auditor and external auditors, as it deems necessary:

- i. the integrity and adequacy of the University's internal accounting and financial controls and the recommendations of Management, the internal auditor and the external auditors for the improvement of accounting practices and internal controls;
- ii. any material weaknesses in the internal control environment and any material audit steps adopted in light of material control deficiencies; and
- iii. Management's compliance with the University's internal controls.

#### 4.3. Internal Audit

- a) Require the internal audit function to report directly to the Committee;
- b) Review the mandate, budget, planned activities, personnel qualifications and staffing of the internal audit function to confirm that it is independent of Management and has sufficient resources to carry out its mandate;
- c) Biennial review and approval of the internal audit charter;
- d) Approve the annual internal audit plan and all major revisions to the plan;
- e) Review internal audit activities relative to the annual plan;
- f) Review any significant findings and recommendations of the internal auditor and Management's responses thereto, including the extent to which prior recommendations have been implemented;
- g) Periodically review the performance and effectiveness of the internal audit function and its compliance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing;
- h) Advise on the selection and removal of the head of internal audit; and
- i) Provide input on the performance of the head of internal audit as part of their annual performance review.

#### 4.4. External Audit

- a) Require the external auditor to provide reporting directly to the Committee;
- b) Oversee the work of the external auditor, which includes preparing or issuing an auditor's report, and may include other audit, review or attest services for the University;
- c) Review the external auditor's proposed audit plan, including audit scope and approach, and any required changes thereto;
- d) Review the results of the audit with Management and the external auditor;
- e) Review any significant findings and recommendations of the external auditor and Management's responses thereto, including the extent to which prior recommendations have been implemented;
- f) Resolve any disagreements between Management and the external auditor regarding financial reporting;
- g) Meet privately with the external auditor to discuss any items of concern to the Committee or the external auditor, which may include:
  - i. planning and staffing of the audit;
  - ii. whether or not the external auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;

- iii. the extent to which the external auditor is satisfied with the nature and scope of its examination;
  - iv. whether or not the external auditor has received the full co-operation of Management of the University;
  - v. the external auditor's opinion of the competence and performance of the Vice-President (Finance) and Chief Financial Officer and other key financial personnel of the University;
  - vi. the items required to be communicated to the Committee in accordance with generally accepted auditing standards;
  - vii. all critical accounting policies and practices to be used by the University;
  - viii. all alternative treatments of financial information within Public Sector Accounting Board Standards (PSAB) that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor;
  - ix. any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with Management and Management's response; and
  - x. any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee;
- h) Confirm that adequate guidelines are in place for hiring employees and former employees of the external auditor and the agent of the external auditor; and
  - i) Approve the engagement of the agent of the external auditor for all non-audit services and the fees for such services.

#### 4.5. Enterprise Risk Management

- a) Approve the University's Enterprise Risk Management Policy and any amendments thereto;
- b) Carry out the Committee's responsibilities listed in the Enterprise Risk Management Policy;
- c) Under the enterprise risk management program, review and discuss with Management the University's significant financial, reputational and operational exposures;
- d) Review the identified enterprise risks and risk levels and limits, and recommend the University's risk appetite to the Board for approval; and
- e) Periodically review and evaluate the integrity and effectiveness of the enterprise risk management program.

#### 4.6. Legal and Regulatory Compliance

- a) At least annually, review with Management the adequacy and appropriateness of the University's legal and regulatory compliance programs;
- b) Review litigation, tax-related matters and material enquiries from regulators and governmental agencies which may have a material impact on financial results, the University's reputation or which may otherwise materially adversely affect the financial well-being of the University; and
- c) At least annually, receive and discuss with Management the following reports:
  - i. a legal report providing an overview of material litigation, and brief summaries of the number and types of access to information requests, privacy breaches, human rights complaints, protected disclosures including reporting as required under the Alberta *Public Interest Disclosure (Whistleblower Protection) Act*, and breaches of research integrity;

- ii. reports of new or updated legislation and significant non-compliance with material legislation;
- iii. an insurance report providing an overview of material matters in the areas of risk management and insurance.

#### 4.7. General Responsibilities

- a) Review and assess the adequacy of procedures for the receipt, retention and treatment of complaints received by the University regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission to the University of concerns regarding questionable accounting or auditing matters;
- b) Review and recommend to the Board for approval, changes to the amount and allocation of internally restricted net assets;
- c) Receive and discuss with Management an annual report of each of the University's pension plans;
- d) Approve, recommend or discuss, as appropriate, policies and procedures within the Committee's role, including recommendations to the Board of Governors for Delegation of Authority;
- e) Approve, recommend or discuss, as appropriate, strategies within the Committee's role;
- f) Approve a Committee work plan for the Meeting Year;
- g) Conduct any review or investigation appropriate to fulfilling its responsibilities; and
- h) Such other activities and responsibilities delegated or assigned to it by the Board from time to time.

#### 5. AUTHORITIES

The Committee has the authority to carry out its role and responsibilities, subject to any specific conditions or restrictions that are imposed on it by the Board. The Committee does not have decision-making authority except where, and to the extent that, such authority has been expressly delegated or assigned by the Board in these Terms of Reference or by a resolution of the Board.

#### 6. OPERATIONS

- a) In respect of all regularly scheduled Committee meetings, other than in-camera meetings or sessions, the Vice-President (Finance) and Chief Financial Officer, and the head of internal audit will attend all meetings, unless excused by the Chair for the whole or a portion of a meeting. Representative(s) of the external auditor will be invited to attend the open session, any items in closed session for which the external auditor is responsible or for which they are invited to attend by the Chair, and a separate in-camera session with the Committee.
- b) Unless objected to by the Chair, the President, the Vice-President (Finance) and Chief Financial Officer, and the head of internal audit may invite from time to time such persons as they see fit to attend the whole or a portion of a meeting as a guest, and to take part in the presentation or discussion of items for which they are responsible.
- c) On a periodic basis, the Committee will meet separately with each of Management, the head of internal audit and the external auditor to discuss any matters that the Committee or Management, the head of internal audit and the external auditor believes should be discussed privately.
- d) The Committee will maintain free and open communication among the Committee members, Management, the internal audit function, and the external auditor. The head of internal audit and the external auditor will have unfettered and confidential access to the Chair and the Committee.

- e) The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibilities.
- f) If the Committee determines that doing so is essential to the Committee in carrying out its responsibilities, the Committee may retain an outside advisor with particular expertise to advise the Committee at the expense of the University.

**7. EFFECTIVE DATE**

These Terms of Reference will be effective on the date that they are approved by the Board or its delegate. All prior or existing Terms of Reference of the Committee are repealed as of the effective date of these Terms of Reference.

**Dated: June 23, 2023**