**Document Name:** Audit and Risk Committee - Terms of Reference

**Executive Officer Assigned:** Vice-President (Finance and Administration)

**Approval Authority:** Board of Governors

**Date Document Approved:** March 2022

**Mandatory Review Date:** March 2026

**Committee’s Role - Overview**

The Audit and Risk Committee reviews and assesses recommendations and reports on the financial and internal controls and risk exposures of the University. The committee's functions include review of external audit, internal audit and enterprise risk management program which includes review of internal controls, safeguarding of the University’s assets and general risk oversight of the identification, assessment, and mitigation of enterprise risks. The Committee monitors external and internal audits, confirms that the Auditors’ recommendations are given due consideration, and that the Auditors have independence in their relationships with the Administration.

Specifically, the Audit Committee shall oversee the following areas:

1. Financial reporting processes to confirm transparency and integrity of financial reports;
2. Enterprise Risk Management Policy and Framework, including the process to identify, evaluate and mitigate enterprise risks as well to confirm it meets the needs of the University;
3. Effectiveness of internal and external audit functions; and
4. Implementation of internal and external audit and enterprise risk recommendations.

**A. External Audit**

In support of its mandate to oversee the external audit, the Committee will perform the following functions annually:

- Consider and recommend to the Board of Governors (the Board), the appointment of External Auditors.
Review and recommend the approval of the annual audit letters of engagement, management, independence and scope of services as presented by the External Auditors to the Board of Governors.

Review and recommend to the Board, approval of the annual audit fees and a list provided by the External Auditors describing their fees for other audits and non-audit services for the previous fiscal year.

Review and recommend to the Board for approval the External Auditor’s audit plan, scope of examination and the nature of the level of support provided by administration.

Review and recommend to the Board for approval the draft annual Audited Financial Statements and financial report, as to the fairness of presentation, acceptability of accounting principles, and adequacy of disclosure.

Review and recommend to the Board for approval the draft annual Audited Pension Plan Statements as well as reviewing significant findings or recommendations submitted by the External Auditor or Pension Committee.

Assess the completeness of the work performed by the External Auditors, the lead partner, and report the results of this assessment to the Board.

Review material observations and recommendations made by the External Auditors during the audit and ensure that there is a process in place for response and/or correction of these matters as required.

Meet privately with the External Auditor lead partner to confirm and assess that the audit function is independent, has the capacity, capabilities and cooperation to perform the audit plan and has ability to facilitate the provision of an independent report.

In support of its mandate to oversee the external audit, the Committee will perform the following functions, as required:

Review the engagement of the External Auditors. Normally, a request for proposals for external audit services would be issued every five years.

Review any requests to use the External Auditor’s firm for non-audit work as stipulated in the Use of External Auditor for Non-Audit Services and Related Fees Policy.

Where permission for non-audit work is required between regularly scheduled meetings of the Committee and time is of the essence, the Chair of the Committee has the delegated authority to complete the necessary review following the procedures noted above and in the Use of External Auditor for Non-Audit Services and Related Fees Policy, where the proposed non-audit work does not entail a total fee in excess of
$50,000. The Chair will report the outcome of any such action to the Committee at its first scheduled meeting following such review. Notwithstanding the ability to use delegated authority, the Chair of the Committee may choose to consult with the Committee and/or engage its members in the decision-making on these matters.

B. **Internal Audit**

In support of its mandate to oversee the internal auditing process, the Committee will perform the following functions:

- Annually review and approve the annual internal audit plan and three-year work plan of the internal audit function presented by the Administration and the Internal Auditors;

- Receive reports for each internal audit with a synopsis of the results found and management’s response and plan for implementation of the recommendations;

- Receive a report (usually twice per year) on the status of implementation of all outstanding audit recommendations; and

- At least annually, meet privately with the Internal Auditor lead partner to confirm and assess that the internal audit function is independent (free of conflicts), has the capacity, capabilities, and cooperation to perform the audit plan and has ability to facilitate the provision of an independent report.

The Committee will perform the following functions as needed:

- Examine and report on any matters referred to the Committee by the Executive Committee of the Board; and

- Review the effectiveness and cost structure of the Internal Audit function and recommend the service provider to the Board. Normally, a request for proposals for internal audit services would be issued every five years.

C. **Enterprise Risk Management**

- Review and approve every five years, the Risk Management policy and framework for the University, including risk appetite;

- Satisfy itself, on behalf of the Board, that the University has implemented appropriate systems to identify, assess and mitigate significant business risk;

- Satisfy itself, on behalf of the Board, that the University has implemented appropriate systems of internal control to ensure compliance with legal, ethical and regulatory requirements and that these systems are operating effectively;
 Annually meet with the Executive Director of Risk Management to confirm that the function has the capacity and capabilities to perform the work plans, and sufficient organizational authority to facilitate the provision of complete, accurate and timely reports to the Committee;

 Receive reports annually on the Enterprise Risk Assessment;

 Receive regular reports from management on areas of significant enterprise risk to the University, including but not limited to, significant legal claims, environmental issues, health, safety, ethics, whistleblowing and other regulatory matters;

 Review insurance coverage annually to ensure all risks are addressed adequately and appropriately;

 Receive reports annually about Environmental Health and Safety; and

 At least once per year, review with General Counsel: a) any legal matters that could have a significant impact on the financial statements, and b) compliance with applicable laws and regulations and inquiries received from regulators or government agencies.

D. Other

Review no less than every two years, the Committee’s mandate, and recommend changes to the Governance Committee, Executive Committee, and Board, as necessary.

Perform such functions as may periodically be assigned to the Committee by the Board of Governors or the Executive Committee.

Membership, Qualifications, and Composition

The Committee shall be comprised of up to eleven (11) members appointed by the Board, including the Chair and Vice-Chair of the Committee. Only those members of the Committee who are community-at-large members shall be entitled to vote.

The following shall be ex-officio members of the Committee: the Board Chair, the Board Vice-Chair, and the President and Vice Chancellor.

All Committee members shall be financially literate in that they shall have the ability to read and understand financial statements, accounting practices and policies of a complexity comparable to the financial statements of the University.

Quorum

Quorum for meetings shall consist of one-half the number of members of the committee plus one, present in person, by teleconference, or by videoconference, at least one of whom must be the chair or vice-chair of the Committee.
Revisions and Approvals:

- 599th Board of Governors Meeting, December 1, 2016, approved amended terms of reference for Audit and Risk Committee.
- 614th Board of Governors Meeting, March 28, 2019, approved revised terms of reference for Audit and Risk Committee to include Enterprise Risk Management.
- 632nd Board of Governors Meeting, October 4, 2022, approved revised terms of reference for Audit and Risk Committee removing appendix with protocol for pre-approval of non-audit services, and related fees, provided by the External Auditor which became a stand-alone policy.