



BOARD AUDIT COMMITTEE

Terms of Reference

1. AUTHORITY

- (a) The Board Audit Committee (the "Committee") is created by and responsible to the Board of Governors (the "Board") of the University of Alberta (the "University").
- (b) The Vice-President (Finance and Administration) shall provide management support to the Committee.
- (c) University Governance shall provide administrative support to the Committee.
- (d) The Committee shall function in accordance with the Board's General Committee Terms of Reference.

2. COMPOSITION OF COMMITTEE

- (a) Voting Members appointed by the Board (Ordinarily a maximum of 12)
 - (1) At least 2 Board members from the membership categories identified by the Alberta *Post-Secondary Learning Act* (the Act) as general public, alumni and senate ; and
 - (2) At least 2, but no more than 8, external members of the general public
 - (3) The Board Chair, by virtue of office
 - (4) The Chancellor, by virtue of office
- (b) Non-Voting Officials
 - (1) External Auditor (Auditor General of Alberta)
 - (2) The President and Vice-Chancellor, by virtue of office
- (c) Non-Voting Officials appointed by the President
 - (1) Provost and Vice-President (Academic)
 - (2) Vice-President (Finance and Administration)
 - (3) University Auditor (Associate Vice-President (Audit & Analysis) and University Auditor)
 - (4) General Counsel
 - (5) University Secretary
 - (6) Committee Secretary
 - (7) Other officers, as determined by the President
- (d) No member of the staff (academic or non-academic) nor any student of the University shall sit as a member of the Committee.
- (e) One member of the Committee shall also serve on the Board Finance and Property Committee.
- (f) The Board of Governors shall appoint the Committee Chair from the Committee membership category 2(a)(1), upon the recommendation of the Board Chair

- (g) The Committee appoints the Committee Vice-Chair from the Committee membership category Section 2a(1) of these Terms of Reference, upon the recommendation of the Board Chair and the Committee Chair. The Vice-Chair undertakes and discharges all duties of the Chair in the absence of the Chair.
- (h) A quorum of the Committee shall be 50% of the members listed in 2(a)(i) and (ii) of the Terms of Reference, one of whom must be a Board Member.
- (i) The majority of members of the audit committee should be financially literate and at least three members should have accounting or related financial expertise. Financial literacy requirements that may be considered include:
 - i. The ability to read, comprehend and analyze the financial statements and the notes to the financial statements.
 - ii. The ability to understand accounting policies, estimates and judgments when these are explained by management and the external auditor.
 - iii. An understanding of the business of the University and any unique features that may impact the accounting policies.
 - iv. Knowledge and understanding of the strategies that the University has adopted, especially the risks inherent with new strategies.
 - v. An ability to understand the University's risk environment.

3. MANDATE OF THE COMMITTEE

Except as provided in Section 4 hereof and in the Board's General Committee Terms of Reference, the Committee shall monitor, evaluate and make decisions on behalf of the Board with respect to all auditing, financial reporting and internal control functions relating to the University.

Without limiting the generality of the foregoing the Committee shall:

Communication and Independence

- (a) provide an open avenue of communication between the University Auditor, external auditor, and the Board;
- (b) review and approve the appointment, replacement, reassignment, or removal of the University Auditor;
- (c) confirm and assure the independence of the University Auditor and the external auditor (including its agent);

Risk Management: Enterprise-wide risk

- (d) have overarching responsibility for oversight of the University's enterprise-wide risk management process and for providing institutional risk information to the university's Board of Governors, in consultation with the other Board of Governors' standing committees as directed by their individual mandates.
- (e) inquire of the senior administrative officers (Administration) of the University (including the University Auditor) and the external auditor about

significant risks or exposures and assess the steps Administration has taken to minimize such risk to the University and more specifically;

- i. considering whether the University has adequate processes and controls to prevent and detect fraud;
- ii. considering whether the University has adequate disaster recovery and business continuity plans and processes in place;
- iii. considering whether the University has adequate governance policies and procedures in place regarding information technology

Risk Management: Financial risk

- (f) Given that it is the responsibility of the Board, in consultation with management, to identify the principal risks facing the University, determine the University's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - i. reviewing with Administration the University's tolerance for financial risks;
 - ii. reviewing with Administration its assessment of the significant financial risks facing the University;
 - iii. reviewing with Administration the University's policies and any proposed changes thereto for managing those significant financial risks;
 - iv. reviewing with Administration its plans, processes and programs to manage and control such risks;
- (g) Ascertain that policies and procedures are in place to minimize risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
- (h) Review the adequacy of insurance coverages maintained by the University;
- (i) Review foreign currency, interest rate and commodity price risk mitigation strategies, if any, including the use of derivative financial instruments, beyond those subject to the oversight by the University Board's Investment Committee;

Risk Management: Financial reporting

- (j) discuss with Administration their qualitative judgments about the appropriateness of accounting principles and financial disclosure practices used or proposed to be adopted by the University and, particularly, the degree of aggressiveness or conservatism of its accounting principles and underlying estimates;
 - i. inquire as to the external auditor's views about whether the choices of Administration concerning accounting principles are conservative, moderate, or aggressive from the perspective of income, asset and liability recognition and whether those principles are common practices or are minority practices;

Risk Management: Other compliance and legal oversight

- (k) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- (l) Review regularly with the University's General Counsel any legal or privacy claims or issues that could have a material effect upon the reputation or operations of the University and review regularly with the General Counsel, Administration, and the external auditors, any legal 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 have been disclosed in the financial statements;

Risk Management: Internal controls (including fraud)

- (m) consider and review with the external auditor and the University Auditor:
 - i. the adequacy of the University's controls including computerized information system controls and security;
 - ii. any related significant findings and recommendations of the external auditor and the University Auditor together with responses of Administration thereto;

Audit Oversight

- (n) approve, in consultation with the external auditor and the University Auditor their audit scope and plans;
- (o) review with the external auditor and the University Auditor the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources;

External Audit Oversight

- (p) review with Administration and the external auditor at the completion of the annual examination:
 - i. the University's annual financial statements;
 - ii. the external auditor's audit findings report and his draft opinion on the financial statements;
 - iii. any significant changes required in the external auditor's audit plan;
 - iv. any serious difficulties or disputes with Administration encountered during the course of the audit; and
 - v. other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards;

University Auditor and Internal Audit Oversight

- (q) consider and review with Administration and the University Auditor:
 - i. significant findings during the year and the responses of Administration thereto;

- ii. any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information;
 - iii. any changes required in the planned scope of their audit plan;
 - iv. the internal audit department's budget, staffing plan and work schedule;
 - v. the internal audit department's charter; and
 - vi. the internal audit department's compliance with applicable professional standards;
- (r) Safe disclosure: the Committee shall maintain procedures for:
- i. the receipt, retention, and treatment of complaints received by the University regarding accounting, internal accounting controls, or auditing matters; and
 - ii. the confidential, anonymous submission by employees of the University of concerns regarding questionable accounting or auditing matters.

Other Compliance and Reporting Oversight

- (s) review any published documents containing financial information derived from the financial statements and consider whether the information contained in these documents is consistent with the information contained in the financial statements;
- (t) review with Administration all interim financial reports before they are forwarded to the Board;
- (u) review legal and regulatory matters that may have a material impact on the financial statements, related University compliance policies and programs and reports received from regulators;
- (v) report Committee actions to the Board with such recommendations as the Committee may deem appropriate;

Other Responsibilities

- (w) the Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation;
- (x) the Committee shall meet at least four times per year or more frequently as circumstances require. The Committee may ask members of Administration or others to attend the meeting and provide pertinent information as necessary;
- (y) the Committee shall meet with the University Auditor, external auditor and Administration in separate *in camera* sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee;
- (z) the Committee will perform such other functions as assigned by law, the *Post-Secondary Learning Act* or the Board;
- (aa) the Committee shall review the performance of the University in the areas of responsibility of the Committee, against key strategic performance

- initiatives and performance measure reports and results in place from time to time and report thereon to the Board;
- (bb) the Committee Chair shall annually provide input, to the President, through the Chair of the Board Human Resources and Compensation Committee with respect to the responsibilities and performance of those Vice-Presidents whose responsibilities are within the mandate of the Committee; and
 - (cc) the Committee shall annually review travel and hosting expenditures incurred by the Board Chair, the President, and the Vice-Presidents and review policies in that regard;
 - (dd) the Committee shall annually review the terms of reference of the Committee and recommend to the Board any required changes.

4. LIMITATIONS ON DELEGATION BY THE BOARD

The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee as set out in Section 3, the Committee shall bring to the Board for final approval or information:

- (a) the approval of the annual financial statements of the University and related auditor's reports;
- (b) the receipt for review and information of the quarterly financial statements; it being understood that the material provided to the Board shall include information and explanation of material variations in revenue, expenditures and capital budgets;
- (c) receipt of reports, information and recommendations and decisions with respect to issues that in the opinion of the Committee, may pose material risk to the University; and
- (d) the review and approval of decisions with respect to information from the Auditor General or the University Auditor on controls or related matters the Chair of the Committee or the Committee may consider prudent or necessary.

5. REPORTING TO THE BOARD

As provided in the Board's General Terms of Reference the Committee shall regularly report to the Board with respect to its activities and decisions.

Date	Decision-Maker	Decision
2011-02-28	Board Audit Committee	Approved - For Recommendation to BG
2011-03-18	Board of Governors	Approved
2011-09-19	Board Audit Committee	Approved – For Recommendation to BG
2011-10-21	Board of Governors	Approved
2012-10-01	Audit Committee Chair – editorial changes	
2013-09-30	Board Audit Committee	Approved - For Recommendation to BG
2013-10-18	Board of Governors	Approved
2014-09-22	Board Audit Committee	Approved – For Recommendation to BG
2014-10-24	Board of Governors	Approved
2016-02-29	Board Audit Committee	Approved – For Recommendation to BG
2016-03-18	Board of Governors	Approved