



BOARD OF GOVERNORS OF ATHABASCA UNIVERSITY AUDIT COMMITTEE TERMS OF REFERENCE & MEMBERSHIP

1. Purpose

The Audit Committee (“the Committee”) has responsibility to the Board of Governors of Athabasca University (the “Board”) to assist the Board in fulfilling its due diligence, fiduciary, financial reporting and audit responsibilities and to approve, monitor, evaluate and provide advice on matters affecting the external audit, internal audit, risk management, legal and regulatory compliance, and the financial reporting and accounting control policies and practices of the University.

2. Membership

2.1 The membership of the Committee shall include:

- Public Member, appointed as Committee Chair
- Chair, Board of Governors
- 3 Public Members of the Board

2.2 Member Qualifications:

2.2.1 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; and
- An understanding of audit committee functions.

2.2.2 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.

2.2.3 No member of the academic or non-academic staff nor any student may sit as a member of the Committee.

3. Responsibilities

Without restricting the generality of its role, and within its delegated authorities, the Committee will:

Financial Information and Reporting

3.1 Ensure the integrity of the financial statements by:

- 3.1.1 Receiving and reviewing the accounting principles and critical accounting policies adopted by management, including alternative treatments that are available for consideration under Canadian Public Sector Accounting Standards;
- 3.1.2 Receiving and reviewing any significant accounting provisions, accruals and estimates included in the financial statements;
- 3.1.3 Reviewing with management any proposed changes in significant accounting policies, key estimates, or judgments that may be material to the financial statements;



- 3.2 Receive advice on developments in current accounting and financial reporting practices, compliance with legal and regulatory requirements and their applicability to the University;
- 3.3 Receive and 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;
- 3.4 Ensure that any disagreements between management and the auditors regarding all aspects of the University's financial statements in the event that they arise, are resolved;
- 3.5 Receive the annual financial statement letter of representation;
- 3.6 Review and recommend approval of the draft annual audited financial statements to the Board;
- 3.7 Review and recommend approval of the draft annual report;
- 3.8 Review quarterly variance reports and other financial information provided by the University;

Internal Controls

- 3.9 Obtain reasonable assurance from management and internal audit that the internal control systems are effectively designed and implemented, and report any major changes in controls, and how management will ensure that the control environment mitigates risks;
- 3.10 Review the report of the external auditor describing the external auditor's reliance on the adequacy of the University's internal control systems related to the external auditor's work;
- 3.11 Receive and review any report on policies where internal control weaknesses may be identified and ensure that the internal control weaknesses have been corrected;

External Audit

The statutory auditor is the Auditor General of Alberta (referred to as the "external auditor"). The external auditor reports directly to the Committee.

- 3.12 At its audit entrance meeting, the Committee will:
 - 3.12.1 Meet with the external auditor;
 - 3.12.2 Review and consider the scope and extent of the external auditor's proposed audit plan;
 - 3.12.3 Consider other reports and recommendations presented by the external auditor;
 - 3.12.4 Meet in camera with the external auditor;
- 3.13 At its audit exit meeting, the Committee will:
 - 3.13.1 Meet with the external auditor;
 - 3.13.2 Review the external auditor's report, schedule of unadjusted differences and draft management letter and response;
 - 3.13.3 Review any other written communications of significance between the external auditor and management;
 - 3.13.4 Receive and consider any other or recommendations brought forward by the external auditor;



- 3.13.5 Review the results of the internal audit in relation to the audit plan, results of work, recommendations and issues, and resolution of previously identified recommendations;
- 3.13.6 Meet in camera with the external auditor;

3.14 Ensure the external auditor has direct access to the Chair of the Committee;

3.15 Review quarterly reports on management items identified in the external audit;

Internal Audit

3.16 Monitor the independence and effectiveness of the internal audit function;

3.17 Review and approve the internal audit charter;

3.18 Ensure the internal auditor has direct access to the Chair of the Committee;

3.19 Approve the annual internal audit plan;

3.20 Review the reports of the internal auditor in relation to the internal audit plan, including results of work, recommendations and issues, management's response and subsequent follow up on recommendations and issues, and resolution of previously identified recommendations;

3.21 Meet in camera with the internal auditor;

Risk Management

3.22 Ensure that appropriate policies are in place within the Board and the University to identify, understand, monitor and control major risk exposures affecting the University including:

- 3.22.1 Receive quarterly risk management reports, and ensure appropriate and timely reporting is provided to the Board;
- 3.22.2 Ensure appropriate certification processes whereby management regularly verifies compliance with key risk management policies and supporting documents;
- 3.22.3 Monitor the effectiveness of procedures established for the confidential submission to the Chair of the Committee of employees' concerns regarding internal control, financial and auditing matters;

Other

3.23 Review any relevant legislative changes and other matters of legal interest or concern;

3.24 Review legislative compliance reporting on an annual basis; and

3.25 Engage independent counsel and other expert advisors if it is deemed necessary to assist the Committee in carrying out its responsibilities.