

# **BOARD OF GOVERNORS OF ATHABASCA UNIVERSITY**

## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

*Approved January 6, 2012*

*Confirmed January 11, 2013*

1. The Audit 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 and the financial reporting and accounting control policies and practices of the University.
2. Without restricting the generality of its role, and within its delegated authorities, the Audit Committee will:
  - 2.1. Ensure the integrity of the financial statements by:
    - 2.1.1. Receiving and reviewing the accounting principles and critical accounting policies adopted by management, including alternative treatments that are available for consideration under Canadian Generally Accepted Accounting Principles;
    - 2.1.2. Receiving and reviewing any significant accounting provisions, accruals and estimates included in the financial statements; and
    - 2.1.3. Reviewing with management any proposed changes in significant accounting policies, key estimates, or judgments that may be material to the financial statements.
  - 2.2. Receive advice on developments in current accounting and financial reporting practices, compliance with legal and regulatory requirements and their applicability to the University;
  - 2.3. 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;
  - 2.4. 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;
  - 2.5. Receive and review any report on policies where internal control weaknesses may be identified and ensure that the internal control weaknesses have been corrected;
  - 2.6. Receive and review any report on management items identified in the external audit;
  - 2.7. Receive the annual financial statement letter of representation executed by the President, Vice President Finance and Administration and the Director Financial Services;
  - 2.8. Review and recommend approval of the draft annual audited financial statements to the Board; and
  - 2.9. Review and recommend approval of the draft annual report.
  - 2.10. Review quarterly variance reports and other financial information provided by the University.

Board Audit Committee Terms of Reference

Approved January 6, 2012 – Board Motion #175-5

Confirmed January 11, 2013 – Board Motion #180-5

## Internal Controls

3. The Audit Committee will obtain reasonable assurance from management and internal audit that the internal control systems are effectively designed and implemented.
  - 3.1. Annually, the Audit Committee will review the report by 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.

## Statutory Auditor

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

## Internal Audit

6. The Audit Committee will:
  - 6.1. Ensure that the internal audit is not subject to undue influence;
  - 6.2. Review and approve the internal audit charter;
  - 6.3. Review the reports of the internal auditor and management's response and subsequent follow-up of identified weaknesses
  - 6.4. Ensure the internal auditor has direct access to the Chair of the Audit Committee;
  - 6.5. Review and approval the annual internal audit plan, and
  - 6.6. Review the results in relation to the internal audit plan, results of work, recommendations and issues, and resolution of previously identified recommendations.

## Risk Management

7. The Audit Committee will ensure that appropriate procedures are in place within the Board and the University to identify, understand, monitor and control major risk exposures affecting the University including:
  - 7.1. Identifying responsibility for risk management activities among the Board, and Standing Committees of the Board;
  - 7.2. Ensuring appropriate coordination and communication among committees and between the Board, Standing Committees and management with respect to risk management;
  - 7.3. Ensuring appropriate and timely reporting is provided to the Board on risk management issues and activities;
  - 7.4. Ensure appropriate certification processes whereby management regularly verifies compliance with key risk management policies; and
  - 7.5. Monitor the effectiveness of procedures established for the confidential submission to the Chair of the Audit Committee of employees' concerns regarding internal control, financial and auditing matters.

### Audit Entrance Meeting

8. At its audit entrance meeting, the Audit Committee will:
  - 8.1. Meet with the external auditor;
  - 8.2. Review and consider the scope and extent of the external auditor's proposed audit plan;
  - 8.3. Consider other reports and recommendations presented by the external auditor; and
  - 8.4. Meet in camera with the external auditor.

### Audit Exit Meeting

9. At its audit exit meeting, the Audit Committee will:
  - 9.1. Meet with the external auditor;
  - 9.2. Review the external auditor's report, schedule of unadjusted differences and draft management letter and response;
  - 9.3. Review any other written communications of significance between the external auditor and management;
  - 9.4. Receive and consider any other or recommendations brought forward by the external auditor;
  - 9.5. 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;
  - 9.6. Meet in camera with the external auditor.

### Other

10. Annually review the Terms of Reference for the Committee and recommend any changes to the Board.
11. Engage independent counsel and other expert advisors if it is deemed necessary to assist the Audit Committee in carrying out its responsibilities.