



SUBJECT	AUDIT COMMITTEE TERMS OF REFERENCE - AMENDMENT		
REPORT TO	AUDIT COMMITTEE		
MEETING DATE	NOVEMBER 19, 2019		
MATTER TYPE	<input checked="" type="checkbox"/> BOARD DISCUSSION NOT REQUIRED	<input type="checkbox"/> BOARD DISCUSSION REQUIRED	
ACTION REQUESTED	No decision requested: for information		
REPORT DATE	November 5, 2019		
EXECUTIVE PROPONENT	Hubert Lai, Q.C., University Counsel		
PRESENTED BY	Hubert Lai, Q.C., University Counsel		
SUPPORTED BY	Karen Choi, Legal Counsel Lorena Vlad, Legal Counsel		

PRIOR SUBMISSIONS No prior submissions.

EXECUTIVE SUMMARY

The *University Act* vests the management, administration and control of the property, revenue, business and affairs of the university in the Board of Governors. It is empowered to establish committees it considers necessary to carry out the Board's functions, and to confer on those committees the power and authority to act for the Board.

The Board has delegated authority to the Governance Committee to approve terms of reference for each of the standing committees, including the Audit Committee. The Board has recently reviewed responsibilities where delegated authority is shared among two or more of its standing committees and determined that the practice of holding joint committee meetings will be discontinued. The Committee Chairs have reviewed the list of joint responsibilities and agreed upon a reallocation of each responsibility to one Board committee. The Audit Committee did not have any jointly delegated responsibilities and thus no changes have been made to reallocate its previously delegated authority.

It is anticipated that at its meeting on November 22, 2019, the Governance Committee will approve revised terms of reference for the Audit Committee with the following amendments:

1. revised language to clarify the delegation of authority from the Board to its committees (This language was presented by the Board Secretary to the Governance Committee at its June 2019 meeting and to the Audit Committee at its September meeting but has not yet been formally approved.); and
2. updates to all cross-references to Board policies to reflect the recently approved naming and numbering system for Board policies.

SUPPLEMENTAL MATERIALS

1. Amended Audit Committee Terms of Reference



PURPOSE

The Board of Governors has delegated to the Audit Committee responsibility for oversight of the University's financial reporting, audit processes, and internal controls.

COMMITTEE OBJECTIVES

Without limiting the general responsibilities as described above, the Audit Committee shall:

1. Strengthen the role of the Board of Governors, and to assist Governors in meeting their responsibilities, by holding discussions with Management, the Auditor General and/or the External Auditor, and the Chief Audit & Risk Officer/Internal Auditor.
2. Improve the credibility and objectivity of financial reports and to increase the independence of the External and Internal Auditors.
3. Ensure effective processes and controls exist over risks that may affect the reputation, financial position, resources, or ability of the University to carry out its desired objectives.
4. Review (in open session) UBC Board of Governors policies as assigned by the Governance Committee (see appendix).
5. Advise and assist the Board of Governors and the President in advancing the goals of the University's strategic plan, *Shaping UBC's Next Century*, through ongoing, risk-based review of commitments contained within the strategic plan.

MEMBERSHIP & PROCEDURES

The Audit Committee is composed of at least four (4) members of the Board of Governors, all of whom are external to the University. The Board of Governors Chair, the Chancellor and/or the President may be appointed as voting members. The size of the Committee reflects the tasks it undertakes.

If possible, at least two (2) members of the Committee should have significant financial experience and expertise.

The Chair of the Board of Governors appoints Committee members with the assistance of the President, based on qualifications and interest, and to avoid potential conflicts of interest.

Appointments are made, and reviewed, at each instance of changes in Board membership.

The Committee Chair is selected by the Board Chair, in consultation with the Board Vice-Chair and the Chair of the Governance Committee.

The Committee Chair is responsible for the better conduct of meetings, including agendas, information processes, and oversight of reporting and action items.

The Committee Vice-Chair is selected by the Board Chair, in consultation with the Board Vice-Chair and the Chair of the Governance Committee.

The Committee Vice-Chair assumes the responsibilities of the Committee Chair in the absence of the Committee Chair, and may also be assigned additional tasks at the discretion of the Committee Chair.

The Committee will receive (through the Board Secretariat) additional and reasonable support for the assembly, assessment and reporting of information.

The Committee has the authority to engage independent counsel and other advisors, with prior approval from the Board Chair, subject to reasonable limits on resources available to the Board of Governors for these matters.

MEETINGS & QUORUM

Attendance by at least 35% of Audit Committee members is required to establish quorum.

The Audit Committee meets at scheduled times throughout the year, with additional meetings at the call of its Chair.

ACCOUNTABILITY

Minutes of Audit Committee meetings are approved at the next Committee meeting or by means of electronic approval and are distributed to Governors and others authorized to attend such closed sessions as soon as practicable. Audit Committee minutes are confidential unless resolved otherwise by the Committee Chair.

A record of all agenda items considered and any resolutions passed during *in camera* meetings of the Audit Committee are approved as soon as practicable by the Committee Chair, are distributed only to those individuals who are authorized to attend such *in camera* sessions, and are confidential.

The Chair of the Audit Committee reports on discussion and any action taken at the next regularly scheduled meeting of the Board of Governors.

In addition to the above, procedures and practices of the Audit Committee are governed by ~~Policy 93 (Open, Closed and In Camera Meetings of the Board of Governors)~~ [Meetings Policy \(GA8\)](#) and associated Committee Meeting Rules and Practices.

DELEGATED AUTHORITY

The Board of Governors has delegated to the Audit Committee authority to ~~approve~~ [transact the following business on its behalf:](#)

[Approve](#) the following reports ~~on behalf of the Board of Governors:~~

- External Auditor Contract
- Financial Forecast (Quarterly)
- Internal Audit Plan

~~The Board of Governors has delegated to the Audit Committee authority to receive~~ [Receive for information](#) the following reports ~~on behalf of the Board of Governors:~~

- Change Management
- Confirmation of Tax Payments
- Development & Alumni Engagement Year-End Report

- Enterprise Risk Management – Major Risk Register Update
- External Auditor - Audit Findings Report and Management Letter
- External Auditor – Update
- Financial Reports / Statements
(Note: annual UBC Consolidated Financial Statements require approval by the BoG)
- Integrated Renewal Program - Independent Validation and Verification Reports
- Internal Auditor High-Risk Audit Findings and Recommendations Status Report
- Litigation Annual Report and Updates
- Payroll Review
- Procurement Modernization Program
- Research Single Audit Report (formerly A-133 Audit Report) Audit Reports [Audit opinions are given on the University's compliance and internal control over the University's compliance with the requirements described in the Uniform Guidance that could have a direct and material effect on its programs in the Research and Development cluster for the year ended March 31, 2017. The report is submitted to the appropriate U.S. government agency annually.]
- Student Enrolment (FTE) Audit
- US GAAP Financial Statements
- US William D. Ford Federal Direct Loan Program (DLP) Audit Report

ANNUAL MEETING SCHEDULE

At a minimum, the following should be covered during scheduled meetings of the Audit Committee:

First Meeting

In February or March to review the Q3 Financial Report, to review the Internal Auditor's report, and to approve the Internal Audit Plan for the year ahead.

Second Meeting

In June to review the audited financial statements of the University, and to review the Internal Auditor's report.

Third Meeting

In September to review the Q1 Financial Report, to approve the Q2 financial forecast prior to submission to government, and to review the Internal Auditor's report.

Fourth Meeting

In November to review the Q2 Financial Report, to approve the Q3 financial forecast prior to submission to government, and to review the Internal Auditor's report.

FINANCIAL STATEMENTS

Annual Financial Statements

Subject to the powers and duties of the Board of Governors, the Audit Committee should review the annual financial statements and carry forward appropriations and recommend their approval to the Board of Governors.

In the course of their review, the Audit Committee should:

- Determine whether appropriate accounting principles and auditing standards are being applied.
- Discuss with Management and with the Auditor General and/or External Auditor all proposed major changes in accounting policy, the presentation of all large risks or uncertainties, and all estimates or judgments of Management that may be material to financial reporting.
- Question Management and the Auditor General and/or External Auditor regarding significant financial recording or presentation issues discussed during the fiscal period and the manner of their resolution.
- Examine the audited annual financial statements in conjunction with the report of the Auditor General and/or External Auditor, which may include determining whether the statements:
 - reflect properly the significant accounting policies selected;
 - reflect estimates and other financial statement elements that are reasonable and consistent;
 - disclose adequately major transactions and issues;
 - disclose post-year-end significant events;
 - are understandable, relevant, reliable and comparable; and,
 - are complete and consistent
- Ask explicitly the Auditor General and/or External Auditor for an opinion about the appropriateness, not just the acceptability, of accounting principles and financial disclosures.
- Review periodically with Management and the Auditor General and/or External Auditor all of the University's major accounting principles, policies and estimates.

Quarterly Statements & Forecasts

The Audit Committee shall review the quarterly financial statements. The Committee shall also review and approve the submission of the quarterly financial forecasts to the province as required under the government reporting entity (GRE).

Consistent with the annual financial statements, the Committee shall discuss appropriate accounting and disclosure policies with Management. However, as quarterly statements are unaudited, an audit opinion will not be received for discussion on quarterly financial statements.

EXTERNAL AUDIT

The *University Act* specifies that the Auditor General is to be appointed the External Auditor of UBC. The Auditor General can appoint an agent to carry out the audit under its supervision.

The External Auditor reports directly to the Audit Committee.

In overseeing the external audit, the Audit Committee shall:

Before the Audit:

- Review the terms of External Auditor engagement and the appropriateness and reasonableness of the proposed audit fees.
- Review the audit plan with the External Auditor and Management, and discuss the timing and extent of the audit work, materiality, audit risk, and overall audit strategy.
- Review the audit scope with the External Auditor and Management and ensure no restrictions have been placed by Management on the scope of the audit.
- Ensure the Internal Auditor and the External Auditor coordinate internal and external audits.

During the Audit:

- Determine whether Management has provided full and open disclosure to the External Auditor's inquiries.
- Review problems experienced by the External Auditor in performing the audit, including any restrictions imposed by Management and all significant accounting issues on which there was disagreement with Management.
- Obtain explanations from Management on all significant variations between comparative reporting periods.
- Ensure that Management and the External Auditor fully inform the Audit Committee about any financial irregularities, regulatory investigations, potential liabilities, or other sensitive information.
- Ensure that the External Auditor informs the Committee about material misstatements, whether adjusted or not.
- Review audit conclusions regarding significant accounting estimates.

After the Audit:

- Determine whether the performance of the External Auditor is satisfactory and effective and meets the requirements of the University.
- Discuss with the External Auditor their independence and how it has been maintained.
- Review the post-audit or management letter containing the recommendations of the External Auditor; review Management's response and subsequent follow-up to any significant identified weaknesses.

- Obtain information on the nature of all non-audit services provided by the External Auditor; the Committee should review the contracts for same and consider the impact on the External Auditor's independence.

Other:

- Review all issues related to any change of the External Auditor and plans to ensure an orderly transition.
- Review any other financial reports and disclosure documents provided by the External or Internal Auditors or other appropriate officers of the University.
- Meet with the External Auditors without Management present, as part of the regular Audit Committee agenda.

UBC INTERNAL AUDIT AND RISK MANAGEMENT SERVICES

The Chief Audit & Risk Officer (CARO) oversees Internal Audit and Enterprise Risk Management at UBC and reports directly to the President and Vice-Chancellor and to the Audit Committee Chair.

Internal Audit

The Audit Committee shall:

- Hire and evaluate the Chief Audit & Risk Officer/Director of Internal Audit.
- Evaluate the performance of the Chief Audit & Risk Officer/Internal Audit unit.
- Review and maintain the power of veto over the appointment, replacement, reassignment or dismissal of the Chief Audit & Risk Officer/ Internal Auditor by Management.
- Ensure the Chief Audit & Risk Officer/Internal Auditor has direct access to the Audit Committee.
- Review the Terms of Reference for the Chief Audit & Risk Officer/Internal Auditor, including an examination of the Chief Audit & Risk Officer's/Internal Auditor's approach to risk assessment and the methods used to assess risk.
- Consider the scope of internal audit activity, plans, and resources required by Internal Audit, and approve the annual CARO/Internal Audit Plan/budget.
- Review the reports issued by the Chief Audit & Risk Officer/ Internal Auditor.
- Review Management's response to CARO/Internal Audit recommendations and subsequent follow up to all identified risk exposures and control issues.
- Ensure that the Chief Audit & Risk Officer/Internal Audit has in place a formal whistleblower process, and that the process is communicated to the community.
- Meet with the Chief Audit & Risk Officer/Internal Auditor without Management present, as part of the regular Audit Committee agenda.

The Audit Committee shall:

- Review significant recommendations made by the Auditor General, the External Auditor, the Chief Audit & Risk Officer, and/or the Internal Auditor regarding internal controls.
- Ensure Management fulfills its responsibility with respect to the integrity of financial information systems and internal controls.
- Obtain reasonable assurance that management information systems (MIS) are reliable and internal controls are appropriate and adequate. For this purpose, the Committee may wish to direct the Auditor General's and CARO's/Internal Auditor's examinations to particular areas; the Committee may request the External and/or Internal Auditor to undertake special examinations.
- Determine whether systems are in place to identify and monitor major business and other risks.
- Review the general control environment, organizational structure and delegation of authority.

The Audit Committee review should also include the prevention or detection of Management override or compromise of the internal control system.

Enterprise Risk Management

With respect to Business Risks and Compliance matters, the Committee should ensure compliance with statutory financial reporting and disclosure requirements with respect to:

- the *University Act*
- the *Financial Information Act*
- the *Freedom of Information & Protection of Privacy Act*

In 2009, UBC adopted an Enterprise Risk Management (ERM) framework to support strategic and operational decision-making. The Office of ERM has been leading the implementation and works with the Executive Team and academic and administrative units across the University to facilitate the identification process of risks and assist with the development of relevant risk mitigation strategies.

The Audit Committee directs the ERM initiative; the ERM Steering Committee is comprised of executive and senior members: Provost & Vice-President Academic, Deputy Vice-Chancellor and Principal, Vice-President Finance & Operations, Vice-President Students, Vice-President Human Resources, the Chief Audit & Risk Officer and the Director of Internal Audit.

The Audit Committee receives the ERM Major Risk Register Update report at each meeting. In addition, an ERM Risk Register report is provided to the Board of Governors annually.

Enterprise Risk Management serves UBC by:

- Providing a management tool for faculties and administrative units to identify key areas of risk and prioritize resource allocation
- Identifying dependencies and key areas where coordination is required
- Developing of an ongoing comprehensive risk database using a consistent methodology across all campuses of the University

- Providing feedback and reporting to the Board of Governors regarding major risks facing the University
- Coordinating with CARO/Internal Audit, Privacy, Information Security and other Risk Management Services (e.g., Continuity Planning, Insurance, Health & Safety)
- Providing information about best practices

OTHER DUTIES & RESPONSIBILITIES

The Audit Committee shall:

- Monitor the overall financial management of the University.
- Review the status of pending or threatened material litigation.
- Review before filing with government any formal financial reports on the financial condition or operating results of the University.
- Draw to the attention of the Board of Governors all financial matters of which the Committee has knowledge and which may materially affect the current or future position of the University.
- Confirm that appropriate policies and procedures are in place for monitoring compliance with applicable laws, and ascertain their adequacy and compliance levels.
- Review programs to protect the University's assets (for example, insurance).
- Review such other matters which may be referred to the Committee by the Board of Governors for consideration and recommendation.
- Meet with the Chief Audit & Risk Officer, Internal Auditor, Auditor General, External Auditor and Management in separate *in camera* sessions to discuss any matters the Committee or these groups believe should be discussed privately.
- Review Environmental and Health and Safety matters for compliance to applicable legislation and University policies.
- Review any proposed changes in roles or responsibilities to the position of the University's Vice-President Finance & Operations.
- Have the authority to engage independent counsel and other advisors, with prior approval from the Chair of the UBC Board of Governors.

Appendix
Board Policies for Review by Audit Committee

Policy	Name
6 SC4	Environmental Protection Compliance
7 SC1	Occupational and Research Health and Safety Policy
8 SC10	Disaster Management
12 UP7	Pest Control
79 xxNA	Travel Assistance for Graduate Students Repeal Pending – In Force Until Further Notice
80 xxNA	Travel Expenses — Recipients of Honorary Degrees Repeal Pending – In Force Until Further Notice
83 FM8	Travel and Related Expenses Directive Expenditure Guidelines
84 xxNA	Entertainment Expenditure Guidelines Repeal Pending – In Force Until Further Notice
95 SC8	Investigations Guidelines
99 UP1	Provision of Communication Services
111 SC15	Internal Audit, Investigations, and Financial Whistleblower
115 xxNA	Gifts Expenditure Guidelines Repeal Pending – In Force Until Further Notice
117 GA4	Records Management
118 SC16	Safety and Security Cameras
119 FM3	Cash Handling

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Rendering set	Standard

Legend:	
Insertion	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
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Insertions	25
Deletions	23
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Moved to	0
Style change	0

Format changed	0
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