



SUBJECT	Proposed Amendments to the Terms of Reference of the Audit Committee
SUBMITTED TO	Audit Committee
MEETING DATE	June 1, 2020
SESSION	Recommended session criteria from Board Meetings Policy:
CLASSIFICATION	OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Hubert Lai, Q.C., University Counsel
SUPPORTED BY	Peter Smailes, Vice-President, Finance and Operations Lorena Vlad, Legal Counsel

PRIOR SUBMISSIONS

The subject matter of this submission has not previously been considered by the Audit Committee.

EXECUTIVE SUMMARY

The Terms of Reference for the Committees (the “**Board Committees**”) of the Board of Governors (the “**Board**”) are challenging to understand in their current form and contain duplicative language from one set of Terms of Reference to the next, as well as between the Terms of Reference and the Committee *Meeting Rules and Practices* (“**Committee Rules**”).

One of the significant concerns with the current form of the Terms of Reference is the use of exhaustive lists of items to set out the responsibilities of Board Committees. These are long and do not provide Board Committees with the flexibility to deal with issues that are not listed in the Terms of Reference. This generates the need to amend the Terms of Reference frequently and on short notice when new issues arise. The second significant concern is that the current Terms of Reference state that the Board Committees have the delegated authority to “receive reports” and to “approve reports”. This language creates significant confusion as to what powers and authority have actually been delegated by the Board to the Board Committees.

The Office of the University Counsel (“**OUC**”) was asked to work with the Chairs of each of the Board Committees and with the members of the Executive who have been designated to liaise with them to develop amendments to the form of the Terms of Reference to more clearly and succinctly set out the mandate of each Board Committee and the authority of each Board Committee to make decisions on behalf of the Board and to make them easier to understand.

In consultation with these individuals, the OUC has prepared a new template for the Terms of Reference for Board Committees as set out in Supplemental Materials #1. The intent is that this new template will be used for all Board Committees’ Terms of Reference which will enhance consistency.

The key changes that have been incorporated into the proposed template are as follows:

1. The proposed template defines the mandate of the Board Committee using a general definition rather than an exhaustive list of individual items. The benefit of this approach is that, as new matters arise, they can be handled by the appropriate Board Committee without the need to amend the Terms of Reference, as long as the new matter falls within the scope of the general definition. The proposed template retains a list (in Appendix A) but that list is provided for illustrative purposes and does not limit the defined mandate.
2. The proposed template eliminates reference to “receiving” and “approving” reports. Instead, the proposed template identifies the specific types of decisions that the Board Committee is empowered to make on

behalf of the Board. Also, where the Board has specific statutory powers under the *University Act* and those powers are to be delegated to a Board Committee, the Terms of Reference are proposed to track, to the extent feasible, the language used in the *University Act*.

3. Finally, the proposed template only includes language regarding the composition of Board Committees that is specific to the Board Committee. Language that addresses issues that are common across all Board Committees should be moved to the Committee Rules, as shown in Supplemental Materials #2. This eliminates repetition from one set of Terms of Reference to the next, making them more concise and eliminates the risk of inadvertent inconsistencies from one set of Terms of Reference to the next. Also, if a common provision is to be changed, it can be changed once in the Committee Rules without the need to amend the Terms of Reference for all 10 Board Committees.

The OUC has consulted with the President, the Board Secretary, the Chair of the Governance Committee, and the Board Chair who are all supportive of the proposed template. Using this proposed template, and in consultation with the Chair of the Audit Committee, the Chair of the Finance Committee, the Vice-President, Finance and Operations, the Chief Assurance & Risk Officer, and the Board's Secretariat Office, the OUC has prepared proposed updated Terms of Reference for the Audit Committee in the form set out in Appendix 1.

In preparing the proposed Terms of Reference for the Board Committees, the OUC translated the current Terms of Reference to the proposed format as closely as possible. In consultation with the aforementioned individuals, some material changes were then made, as follows:

- (i) The proposed Terms of Reference for this Board Committee include an additional item under the Board Committee's delegated authority, which is the authority for the Audit Committee to approve amendments to, or repeal of, the Signing Bylaw approved by the Board of Governors on November 20, 2003 with respect to signing resolutions.
- (ii) In addition, the composition of the Audit Committee under the proposed Terms of Reference includes the requirement that the Chair of the Finance Committee be a member of the Audit Committee and that the membership of the Audit Committee also includes at least three Governors who have been appointed by the Lieutenant Governor in Council.

As the proposed Terms of Reference are set out using an entirely new format, no blackline is provided against the current Audit Committee Terms of Reference as the entire document would be shown as changed and therefore would not be particularly helpful.

Subject to input from the Audit Committee, the proposed Terms of Reference for the Audit Committee will be considered by the Governance Committee as part of a package which will include proposed updates to the Terms of Reference of eight other Board Committees with a request that the package be recommended to the Board for approval at the Board meeting on June 16, 2020.

APPENDICES

1. Proposed Terms of Reference for the Audit Committee

SUPPLEMENTAL MATERIALS (optional reading for Governors)

1. Standing Board Committees' Terms of Reference Template
2. Blackline showing proposed amendments to the *Committee Meeting Rules and Practices*
3. Current version of Audit Committee Terms of Reference

**AUDIT COMMITTEE – TERMS OF REFERENCE****1. MANDATE**

- 1.1. Pursuant to section 27(2)(c) of the *University Act*, the UBC Board of Governors (the “**Board**”) has established a standing committee of the Board to address risk and audit-related matters (the “**Audit Committee**”).
- 1.2. The Audit Committee considers matters relating to internal and external financial reporting, internal and external audit processes and reports, enterprise risk management, and internal controls at UBC for the purposes of:
 - 1.2.1. providing recommendations to the Board where Board decisions are required or where the Audit Committee otherwise considers it desirable to make recommendations;
 - 1.2.2. making decisions on behalf of the Board where the Board has delegated authority to the Audit Committee to do so; and
 - 1.2.3. considering any reports submitted for information and responding to any requests from the UBC administration for advice and input;
- (collectively, the “**Mandate**”).

1.3. Appendix A of these Terms of Reference sets out some examples of matters that fall within the Mandate. This list is provided for illustrative purposes only and is not intended to be exhaustive or constrain in any way the definition of the Mandate set out in section 1.2.

2. DELEGATED AUTHORITY

- 2.1. The Audit Committee hereby has the authority to make the following decisions on behalf of the Board:
 - 2.1.1. in consultation with the UBC President, to (i) approve decisions regarding the appointment and removal of the Chief Assurance & Risk Officer; and (ii) evaluate the performance of and approve the compensation package of the Chief Assurance & Risk Officer, all in accordance with the principles set out by the Institute of Internal Audit Standards and consistent with established UBC standards and practices;
 - 2.1.2. to approve the Enterprise Risk and Assurance Plan, which is the annual work plan for the portfolio of the Chief Assurance & Risk Officer;
 - 2.1.3. to instruct the Chief Assurance & Risk Officer;
 - 2.1.4. to review and approve the terms of engagement of and to appoint the External Auditor;
 - 2.1.5. to review and approve UBC’s quarterly financial forecasts;
 - 2.1.6. to authorize the UBC administration to submit the quarterly financial forecasts to the province as required for government reporting entities; and
 - 2.1.7. to approve amendments to, or repeal of, the Signing Bylaw approved by the Board of Governors on November 20, 2003 with respect to signing resolutions.

3. COMPOSITION

- 3.1. In addition to the *ex officio* members as required by the *Committee Meeting Rules and Practices*, the Audit Committee will have at least four members, all of whom are to be selected in accordance



with the *Board Meeting Rules and Practices* and the *Committee Meeting Rules and Practices* as may be amended from time to time. Those additional members will include:

- 3.1.1. the Chair of the Finance Committee; and
- 3.1.2. at least three Governors who have been appointed by the Lieutenant Governor in Council.
- 3.2. In addition, at least two of the members of the Audit Committee must have financial experience and expertise.
- 3.3. In addition to the general quorum requirement of 35% as set out in the *Committee Meeting Rules and Practices*, it is required that a majority of the members present at a meeting of the Audit Committee have been appointed to the Board by the Lieutenant Governor in Council in order for quorum to be achieved.

These Terms of Reference were approved by the Board on June 16, 2020.



APPENDIX A
AUDIT COMMITTEE MANDATE

Further to section 1.3 of the Audit Committee Terms of Reference, the following sets out examples of matters that fall within the Mandate:

- a) Board Policies for which responsibility has been assigned to the Audit Committee by the Governance Committee pursuant to its Terms of Reference
- b) processes and controls with respect to risks that may affect the reputation, financial position, resources or ability of UBC to carry out its objectives
- c) Enterprise Risk Management Program
- d) External Auditor Findings Reports and Updates
- e) Periodic litigation reports
- f) Development & Alumni Engagement Year-End and Audit Report
- g) risk assurance related to the Integrated Renewal Program
- h) Financial reports and statements
- i) Internal Assurance, Risk Advisory, and Investigations Summaries Fraud Risk Management Program
- j) Payroll reviews
- k) Procurement modernization programs
- l) Student enrolment audits
- m) US GAAP financial statements



1. MANDATE

- 1.1. Pursuant to section 27(2)(c) of the *University Act*, the UBC Board of Governors (the “**Board**”) has established a standing committee of the Board to address [*insert broad description*] matters (the “[X] Committee”).
- 1.2. The [X] Committee considers matters relating to [*insert description*] for the purposes of:
 - 1.2.1. providing recommendations to the Board where Board decisions are required or where the [X] Committee otherwise considers it desirable to make recommendations;
 - 1.2.2. making decisions on behalf of the Board where the Board has delegated authority to the [X] Committee to do so; and
 - 1.2.3. responding to requests from the UBC administration for advice and input; (collectively, the “**Mandate**”).
- 1.3. Appendix A of these Terms of Reference sets out some examples of matters that fall within the Mandate. This list is provided for illustrative purposes only and is not intended to be exhaustive or constrain in any way the definition of the Mandate set out in section 1.2.

2. DELEGATED AUTHORITY

- 2.1. The [X] Committee hereby has the authority to make the following decisions on behalf of the Board:
 - 2.1.1. [*insert applicable decisions that the Board Committee may make on behalf of the Board*];

3. COMPOSITION

- 3.1. In addition to the *ex officio* members as required by the *Committee Meeting Rules and Practices*, the [X] Committee will have up to [*insert number*] members, all of whom are to be selected in accordance with the *Board Meeting Rules and Practices* and the *Committee Meeting Rules and Practices* as may be amended from time to time. Those additional members will include:
 - 3.1.1. at least [*insert applicable membership requirements for the applicable Board Committee*].

These Terms of Reference were approved by the Governance Committee on behalf of the Board on [*insert date*].



APPENDIX A
[X] COMMITTEE MANDATE

Further to section 1.3 of the [X] Committee Terms of Reference, the following sets out examples of matters that fall within the Mandate:

- a) Board Policies for which responsibility has been assigned to the [X] Committee by the Governance Committee pursuant to its Terms of Reference
- b) *[insert other examples]*



Committee Meeting Rules and Practices

UBC Board of Governors

1 Introduction

The UBC Board of Governors (the “Board”) has constituted a number of committees (the “Committees”) to provide an efficient mechanism for targeted discussions.

The Chair of the Board appoints Committee members, balancing effective committee operation with representation from both campuses.

~~The Pursuant to section 27(2)(c) of the *University Act*, the~~ Board has the power to appoint the Committees it considers necessary and advisable. ~~Current~~As at June 16, 2020, the Committees of the Board ~~are~~were the:

- Audit [Committee](#);
- Employee Relations [Committee](#);
- Executive [Committee](#);
- Finance [Committee](#);
- Governance [Committee](#);
- Indigenous Engagement [Committee](#);
- Learning & Research [Committee](#);
- People, Community & International [Committee](#);
- Property [Committee](#); and
- [Sustainability & Climate Action Committee](#).

The Board may from time to time establish task forces, advisory committees, or other temporary working groups to address time-limited projects.

2 Principles

The Committees are established according to the following general principles and procedures:

- 2.1 Committees shall operate to reinforce the wholeness of the Board as a collective.
- 2.2 The purview of the Committees is primarily based on the organizational needs of the University and alignment with its strategic plan, as approved by the Board.
- 2.3 The purpose of the Committees is to provide in-depth concentration in key areas of Board responsibility and to help the Board carry out its work.
- 2.4 Committees will ordinarily assist the Board by reviewing, monitoring and recommending policies, policy alternatives, and implications for Board deliberation, except where the Board has otherwise specifically delegated a decision-making or other authority to a Committee.
- 2.5 Committees will review matters requiring consideration by the Board under the *University Act* and will recommend approval by the Board as consent items or as items for discussion, except where the Board has otherwise specifically delegated a decision-making or other authority to a Committee.

- 2.6 The Committee structure will enhance the accountability of the President to the Board by ensuring that Committees do not exercise authority over University staff.
- 2.7 The terms of reference for each Committee are set out separately. The provisions below set out the operating rules applicable to all Committees, except and unless otherwise specifically provided for in a Committee's terms of reference.
- 2.8 In the event that a question arises as to which Committee should consider a particular item, the applicable Committee Chairs will resolve the question amongst themselves, and, if a final decision cannot be agreed upon, the Board Chair will determine the matter.

3 Accountability and Decision Making

- 3.1 Apart from the Executive Committee, ~~meetings of which may be called to make decisions in contingent circumstances~~ meets as needed between regularly scheduled Board meetings to make decisions on behalf of the Board, Committees do not speak or act for the Board except when formally given such authority for specific or time-limited purposes.

4 Composition

Committee composition ~~guidelines are set out in individual Committee Terms of Reference. In general~~ will be determined as follows:

- 4.1 Committee members are appointed by the Board Chair, the Chancellor, and the President are ex officio voting members of each Committee;
- 4.2 the Board;
- 4.2 appointments are made Chair appoints the remaining members of the Committees with the assistance of the President, based on qualifications and interest, and with a view to avoiding potential conflicts of interest and considering balanced representation from UBC Vancouver and UBC Okanagan and from the various constituencies of elected and appointed Governors, and in accordance with any other specific requirements set out in the Committees' terms of reference; and
- 4.3 appointments when there are made, and reviewed, at each instance of changes in Board membership, the Board Chair, with the assistance of the President, will review and update the membership of each Committee as appropriate; and
- 4.4 in consultation with the Board Vice-Chair, the Board Chair will select the Committee Chair and the Vice-Chair of each Committee to the extent that the terms of reference of the Committee do not already specify the Chair and Vice-Chair.

5 Meetings

5.1 Frequency

In general, Committees meet five times per year, approximately 7-10 days before each regularly scheduled Board meeting. Additional meetings may be held at the call of a Committee Chair.

Governors are expected to prepare for and attend all meetings of the Board and of the Committees on which they serve.

5.2 Annual Schedule and Notice

Committee meetings are typically scheduled a year in advance along with the annual schedule of Board meetings (including the date, time, and location). The schedule is also published on the Board website.

Notice of any Committee meetings that do not appear in the annual schedule will be provided to Governors at least two days prior to such meetings or as soon as is practicable in the circumstances. If the matter for discussion at a special meeting is appropriate for an open session, notice will also be published on the Board website.

The accidental failure to send notice of a regular or special meeting to a Committee member, or any accidental irregularity in connection with the giving of notice does not invalidate any proceedings of the Committee meeting.

5.3 Location

~~Committee meetings are held on the Vancouver campus, usually in the Robert H. Lee Family Boardroom (The Robert H. Lee Alumni Centre), unless noted otherwise on the meeting agenda.~~

5.4 Online Viewing of Meetings

The Board Secretary will make all Committee meetings which are held in open session available for contemporaneous online viewing such as, by way of example, through webcasting. Details regarding how to access such viewings will be available on the Board website.

5.5 Open, Closed, and *In Camera* Sessions

A Committee may hold open, closed or *in camera* sessions or meetings.

The Board Meetings Policy (GA8) articulates the Board's commitment to the principles of accountability and transparency and establishes the criteria to be used in determining which matters are to be considered in open, closed, or *in camera* session of Committee meetings.

Members of the general public, accredited members of the news media, and members of the University community, including students, faculty, staff, alumni, and residents, are welcome to attend open sessions of Committee meetings. Attendance is subject to room capacity and is on a first-come, first-served basis. It is recommended that attendees notify the Board Secretariat in writing at least two days in advance of the meeting.

Members of the community attending an open session of a Committee meeting may not participate in discussion or debates or sit at the table, except where the Committee Chair has given approval in advance of the meeting or during the meeting.

Guests may be invited to attend or speak at a Committee meeting with the approval of the Committee Chair given in advance of the meeting or in the sole discretion of the Committee Chair during the meeting.

Closed sessions of Committee meetings may be attended by any Governor, the Board Secretary, and members of the Executive, with the exception of the Executive, Employee Relations, and Audit Committees. Staff listed on the agenda for the presentation of individual items may also attend. A Committee Chair may also direct that any members of the Executive and/or the Board Secretary be excused from all or a portion of the closed session of a Committee meeting.

The majority of the business coming before the Executive Committee, Audit Committee, and Employee Relations Committee relate to matters that are confidential and sensitive and are normally held in

closed or *in camera* session only. Closed sessions of these committees are attended by Committee members, the Board Secretary, members of the Executive, and invited guests.

In addition to open and closed sessions of Committees, and in accordance with good governance principles, Committees may hold *in camera* sessions to provide a forum for Governors to meet without the Executive present. *In camera* sessions of Committee meetings are attended by Committee members and the Board Secretary, unless the Board Secretary is excused by the Committee Chair. *In camera* sessions may also be attended by members of the Executive and guests who are specifically invited by the Committee Chair.

Deliberations and materials considered in closed or *in camera* sessions of Committee meetings are confidential. All participants and permitted attendees must respect this confidentiality.

Materials distributed in closed or *in camera* sessions (even where the agenda items have been subsequently moved from the agenda of a closed or *in camera* session to the agenda for an open session) may only be published or otherwise released after formal and specific approval of the Committee Chair or Board Chair, as applicable.

5.5 5.6 Agendas and Meeting Materials

In general, items for consideration by the Board are reviewed by the appropriate Committee prior to each meeting of the Board.

For Committee meetings, the Committee Chair, in consultation with the Vice-Chair, if any, associated Executive(s), the Board Chair, and the President, is responsible for determining the agenda for each Committee meeting, through a process facilitated by the Board Secretary.

For Committee meetings, the Committee Chair, in consultation with the Vice-Chair, if any, associated Executive(s), the Board Chair, and the President, will determine whether an agenda item is to be considered in an open, closed or *in camera* session in accordance with the criteria set out in the Board Meetings Policy and each item on a closed agenda will indicate the basis for such designation in accordance with the Board Meetings Policy.

The meeting agenda and materials for open sessions of Committee meetings are published on the Board website within one day after distribution to Board members.

Any Committee member who intends to introduce a matter at a Committee meeting that is not included on the published agenda must provide written notice of the matter and any related materials to the Committee Chair and the Board Secretary a minimum of five days in advance of the meeting at which it is intended to be introduced. Additional agenda items may only be added to the published agenda with the approval of the Committee Chair.

Agendas (which includes the date, time, and location) and supporting materials are, as much as possible, distributed via the secure Board document portal or otherwise distributed to Committee members at least seven days in advance of a regular meeting, and at least two days in advance of a special meeting.

5.6 5.7 Chair and Vice-Chair

The Committee Chair presides at meetings and in the event that he/she is unable to attend a specific meeting, then the Vice-Chair, if any, or another Committee member will act as Chair for that meeting.

5.7 5.8 Quorum

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

5.8 5.9 Participation by Teleconference or Videoconference

Most Committee meetings are held in person, however, a member may participate in a meeting by means of teleconference, videoconference, or other such technology and will be deemed to be present at the meeting. A Committee Chair may also determine that a meeting be held entirely by means of teleconference or videoconference.

5.9 ~~5.10~~ Voting

Only Committee members may move, second, and vote on motions. Each member is entitled to one vote, including the Chair.

Motions will be decided by a show of hands, a roll call (voice), consensus, or otherwise in such manner that clearly evidences a member's vote and is accepted by the Chair of the meeting. Voting by proxy is not allowed.

Matters arising at a Committee meeting will be decided by a majority of the votes of the members present at the meeting who are entitled to vote, and who cast a vote, except where another threshold is otherwise required.

In the case of a tie vote on a resolution, the motion is defeated and the Committee Chair must so declare. The Committee Chair does not have a second or casting vote.

A declaration by the Committee Chair that a motion has been carried and an entry to that effect in the minutes will be evidence of the action taken, without proof of the number or proportion of the votes recorded in favour or against such resolution. Any Committee member may ask at the time of the vote that the member's individual vote or abstention be recorded in the minutes.

5.10 ~~5.11~~ Resolutions Approved Electronically

A resolution approved electronically (via email or the Board's document-sharing portal) and passed by at least a majority of the Committee members entitled to vote on that resolution and who cast a vote on that resolution will have the same force and effect as if passed at a Committee meeting and will be reported at the next scheduled Committee meeting. The Board Secretary will be responsible for communicating the proposed resolution and must provide a voting deadline. If any Committee member wishes to discuss the proposed resolution, the Committee member must inform the Board Secretary prior to the voting deadline, and the electronic vote will not proceed until the discussion has taken place and the Board Secretary, in consultation with the Committee Chair, communicates a new voting deadline. All Committee members must have the opportunity to participate in any requested discussion regarding a resolution proposed electronically.

5.11 ~~5.12~~ Minutes

The Board Secretary ensures there are minutes of the proceedings of all open, closed and *in camera* sessions of or meetings of Committees, and records of all decisions of the Committee made outside of a meeting.

Minutes of open sessions of Committee meetings are approved as soon as practicable at the next Committee meeting or by means of electronic approval, following which such approved minutes will be published on the Board website, or by such other method as determined appropriate by the Board Secretary, in a timely manner.

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

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

6 Reporting

Committee Chairs report on discussion and any action taken at the next regularly scheduled meeting of the Board.

7 Recommendations

The Board considers recommendations arising from Committee meetings at the next regularly scheduled meeting of the Board.

Recommendations arising from special Committee meetings are considered by the Board as soon as practicable following the special Committee meeting.

8 Committee Support

The Board Secretariat supports the operations of Committees.

9 External Advisors and/or Invitees

Committees may request additional and reasonable support for the assembly, assessment, and reporting of information, including (with the approval of the Board Chair) access to independent counsel, subject to reasonable limits on resources available to the Board for these matters.

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 Board Meetings Policy (GA8) and associated Committee Meeting Rules and Practices.

DELEGATED AUTHORITY

The Board of Governors has delegated to the Audit Committee authority to transact the following business on its behalf:

Approve the following reports:

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

Receive for information the following reports:

- 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
FM3	Cash Handling
FM8	Travel and Related Expenses
GA4	Records Management
SC10	Disaster Management
SC15	Internal Audit, Investigations, and Financial Whistleblower
SC16	Safety and Security Cameras
SC4	Environmental Protection Compliance
SC8	Investigations Guidelines
SCI	Occupational and Research Health and Safety
UP1	Provision of Communication Services
UP7	Pest Control
xxNA	Entertainment Expenditure Guidelines (repeal pending)
xxNA	Gifts Expenditure Guidelines (repeal pending)
xxNA	Travel Assistance for Graduate Students (repeal pending)
xxNA	Travel Expenses — Recipients of Honorary Degrees (repeal pending)