

1. ESTABLISHMENT AND AUTHORITY

The Board of Governors (Board) hereby establishes a standing committee called the Audit and Risk Committee as provided for in the Board of Governors Bylaws, and delegates to the Audit and Risk Committee the authorities set out in these Terms of Reference (**TOR**).

The Committee does not have decision-making authority except where, and to the extent that, such authority has been expressly delegated or assigned by the Board in these Terms of Reference or by a resolution of the Board.

All defined terms which are used, but not defined in these TOR, and which are defined in the Board of Governors Bylaws shall have the meaning given to such terms in the Board of Governors Bylaws.

2. PURPOSE

The Audit and Risk Committee will assist the Board of Governors in fulfilling its fiduciary responsibilities for all matters pertaining to audit, risk, accounting, internal controls, enterprise risk management and regulatory compliance.

3. MEMBERSHIP

Committee members should be **financially literate**, which is the ability to read and understand a set of financial statements, with a background in audit, risk or internal controls comparable to the breadth and complexity of issues associated with the University's environment. At least one member should have accounting or related financial management expertise, preferably the Chair.

Chair

External Board member

Voting Members

At least three (3) External Members: one member will be an External Member who shall be named as Chair of the Board of Governors as *ex officio*

Non-Voting Member

President and Vice-Chancellor as *ex officio*

Resources

Vice-President, Finance and Administration
General Counsel and University Secretary
Executive Director, Internal Audit

4. RESPONSIBILITIES

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

Audit Oversight

- 4.1. Annually confirm and ensure the independence of the internal auditor and the external auditor.
- 4.2. Meet with the internal auditor and external auditor without management in separate *in camera* sessions to discuss any matters that the Committee, internal auditor or external auditor believes should be discussed privately with the Committee.
- 4.3. The external auditor reports directly to the Committee.
- 4.4. At the audit entrance meeting, the Committee will meet with the external auditor, review the annual engagement letter and consider the scope and extent of the external auditor's proposed audit plan, consider other reports and recommendations presented by the external auditor and meet in camera.
- 4.5. At the audit exit meeting, the Committee will meet with the external auditor, review the report, review any other written communications of significance, receive and consider recommendations brought forward by the external auditor, review the results of the internal audit in relation to the audit plan and meet in camera.
- 4.6. Approve the appointment, replacement, reassignment, or dismissal of the internal auditor.
- 4.7. Annually approve the Internal Audit Plan and later assess the performance of the Internal Audit against predetermined goals and applicable Internal Audit standards.
- 4.8. Review with the internal auditor the coordination of the audit effort to ensure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.
- 4.9. Consider and review with management and the internal auditor:
 - 4.9.1. Significant findings during the year and the responses of management thereto.
 - 4.9.2. Any difficulties encountered in the course of audits, including any restrictions on the scope of work or access to required information.
 - 4.9.3. Any changes required in the planned scope of the audit plan.
 - 4.9.4. Review and approve the internal audit charter every two years.
- 4.10. The Chair of the Audit and Risk Committee holds functional oversight responsibilities related to the internal audit, including:
 - 4.10.1. Meet regularly with the internal auditor regarding audit planning and conduct of audit activities per the approved audit plan.
 - 4.10.2. Receive disclosures by the internal auditor of executive-level management actions deemed to substantively restrict or interfere with the conduct of investigations or approved internal audit activities for report to the Board Chair, with reference to the President, or to the President, with reference to other management.
 - 4.10.3. Meet with the internal auditor in advance of every ARC meeting to update and focus discussion related to the internal audit.

- 4.10.4. Contribute to the performance assessment of the internal auditor in coordination with the Vice-President, Finance and Administration.

Enterprise Risk Management

- 4.11. Ensure that appropriate policies, processes and practices are in place to identify, understand, monitor and control risk exposures that might affect the University.
- 4.12. Receive the Enterprise Risk Management report annually.
- 4.13. Oversee risk identification and monitoring.
- 4.14. Annually receive the following reports:
 - 4.14.1. Litigation matters.
 - 4.14.2. Significant non-compliance with material legislation.
 - 4.14.3. Summary of protected disclosures report required by the Alberta *Public Interest Disclosure (Whistleblower Protection) Act*.
 - 4.14.4. The University's insurance summary to provide an overview of all material matters related to the insurance program.

Internal Controls

- 4.15. Monitors, advises and makes recommendations on policies and systems related to internal controls.
- 4.16. Annually review the delegated authority provided to management for signing and committing to contractual obligations on behalf of the University.
- 4.17. Obtain reasonable assurance from management and the internal auditor that the internal control systems are effectively designed and implemented, and receive assurance audit reports of any major changes in controls, and how management will ensure that the control environment mitigates risks.
- 4.18. Receive and review assurance audit reports where internal control weaknesses may be identified and ensure that the internal control weaknesses have been corrected.

Financial Reporting

- 4.19. Ensure the integrity of the financial statements by:
 - 4.19.1. 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.
 - 4.19.2. Receiving and reviewing any significant accounting provisions, accruals and estimates included in the financial statements.
 - 4.19.3. Reviewing with management any proposed changes in significant accounting policies, key estimates, or judgements that may be material to the financial statements.
- 4.20. Receive advice on developments in current accounting and financial reporting practices, compliance with legal and regulatory requirements and their applicability to the University.
- 4.21. Review and recommend approval of the annual audited financial statements to the Board.

- 4.22. Review and recommend approval of the Annual Report to the Board.
- 4.23. Receive the Students' Association of Mount Royal University Annual Report in compliance with the Letter of Agreement with Mount Royal University.

General

- 4.24. Ensure adequate resources are made available for the Internal Audit and the Enterprise Risk Management functions.
- 4.25. The Committee is entitled to obtain external advice as considered necessary by the Committee to assist it in any matter or to carry out its duties.
- 4.26. Approve an annual Committee work plan.

5. REPORT TO THE BOARD OF GOVERNORS

The Committee reports regularly to the Board of Governors with respect to its activities and decisions.

Approval History:

Approved by the Governance and Nominating Committee: June 8, 2023
Approved by the Governance and Nominating Committee: November 15, 2021
Approved by the Governance and Nominating Committee: May 26, 2021
Approved by Governance & Nominating Committee: August 31, 2020
Approved by the Board of Governors: May 25, 2020
Approved by the Board of Governors: May 27, 2019
Approved by Governance & Nominating Committee: May 14, 2019
Approved by Board of Governors: February 25, 2019
Approved by Governance & Nominating Committee: February 11, 2019
Approved by Governance & Nominating Committee: November 23, 2017
Approved by the Board of Governors: October 30, 2017