

## FINANCE AND AUDIT COMMITTEE

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The primary responsibility for the financial reporting, accounting systems, risk management, management plans and budgets, internal controls and treasury of UNBC is vested in management, and overseen by the Board of Governors.

### 1. PURPOSE

The purpose of the Finance and Audit Committee is to assist the Board in fulfilling its obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, the system of corporate controls and risk management, and when required, to make recommendations to the full Board for approval.

In the process of overseeing UNBC's audit procedures, the Finance and Audit Committee will be provided with the resources necessary to carry out its responsibilities, including the authorization to engage independent counsel and other advisors.

### 2. COMPOSITION AND QUORUM

The Finance and Audit Committee is composed of seven Governors.

The Board, on the recommendation of the Board Chair, appoints the Committee members. The Committee members elect the Committee Chair.

The Board Chair is an *ex officio* member of the Committee, but is not counted in establishing quorum and does not vote.

Committee members should be independent and financially literate.<sup>1</sup> At least one member of the Committee should have a financial designation or relevant financial management expertise.

The President and senior administrative officers shall not attend the meeting for the presentation of the audit report.

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<sup>1</sup> In this context, "independent" means having no material direct or indirect association with UNBC, which could, in the view of UNBC's Board, reasonably interfere with the exercise of the member's independent judgment, and "financially literate" means that the member has the ability to read and understand a set of financial statements which present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by UNBC's financial statements.

A majority of members of the Committee shall constitute a quorum.<sup>2</sup>

### **3. ACCOUNTABILITY TO THE BOARD**

The Committee has no authority to direct management or to commit UNBC unless specifically authorized by the Board through the Committee Terms of Reference or otherwise.

### **4. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Finance and Audit Committee will perform the following duties.

#### **4.1. Financial Planning**

The Committee will:

- a) review and make recommendations to the Board in respect of:
  - i) tuition, residence and other academic and major mandatory fees;
  - ii) operating and capital financial plans and budgets forwarded to the Board for approval;
  - iii) the appropriateness and validity of any material assumptions and estimates used in the preparation of such plans or budgets;
  - iv) the consistency of the plans and budgets with policies, objectives and initiatives approved by the Board;
  - v) the consistency of the financial plans and budgets with any other financial data; and
  - vi) any significant assumptions, forecasts, targets or performance goals used by management in the preparation of the financial plans and/or budgets;

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<sup>2</sup> Bylaws, Article 8.3. (Unless otherwise determined by the Board, a quorum for a committee shall be a majority of the members of the Committee.)

- b) ensure the Board receives on a timely basis meaningful financial information regarding UNBC's current financial status and up-to-date forecasts required to make decisions.

#### **4.2. Financial Reporting**

The Committee will perform the following duties:

- a) review UNBC's annual financial statements to ensure they are fairly presented in all material respects in accordance with generally accepted accounting principles;
- b) review the financial statements and reports, and recommend their approval or disapproval to the Board; the Committee will provide an explanation if it cannot recommend approval;
- c) discuss with management and with the External Auditor:
  - i) all proposed changes in accounting policy;
  - ii) the import and presentation of all large risks or uncertainties;
  - iii) compliance with accounting standards;
  - iv) adjustments arising out of the audit process and related party transactions; and
  - v) all estimates or judgments or management that may be material to financial reporting;
- d) discuss with management and the External Auditor significant financial reporting, record or presentation issues discussed during the fiscal period and the manner of their resolution; and
- e) examine the audited annual financial statements in conjunction with the report of the External Auditor, which may include determining whether the statements:
  - i) properly reflect the significant accounting policies selected;
  - ii) reflect estimates and other financial statement elements that are reasonable and consistent;
  - iii) adequately disclose all major transactions and issues;
  - iv) disclose all post-year-end significant events; and

- v) are understandable, relevant, reliable and comparable;
- f) review and recommend to the Board approval of the:
  - i) annual audited financial statements;
  - ii) management discussion and analysis that accompanies the audited financial statements; and
  - iii) significant financial reports made publicly available.

#### **4.3. External Audit**

The Committee will:

- a) recommend to the Board the appointment of the External Auditor;<sup>3</sup>
- b) determine whether the performance of the External Audit is satisfactory, effective and meets the requirements of UNBC;
- c) review all issues related to any change in External Auditor and the planned steps for an orderly transition;
- d) confirm the independence of the External Auditor;
- e) review the terms of the External Auditor's engagement, and the appropriateness and reasonableness of the proposed audit fees;
- f) review and recommend to the Board on an annual basis the amount of fees paid to the External Auditor;
- g) review and recommend to the Board the audit plan with the External Auditor and management;
- h) determine whether management has provided full and open disclosure to the External Auditor's inquiries;
- i) review problems experienced by the External Auditor in performing the audit, including any restriction imposed by management and all significant accounting issues on which there was a disagreement with management;

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<sup>3</sup> Pursuant to section 33 of the *University Act*, unless the Auditor General is appointed in accordance with the *Auditor General Act* as the Auditor of the Board, the Board must appoint an Auditor to audit the accounts of the Board at least once each year.

- j) review the post-audit opinion letter containing the recommendations of the External Auditor and review management's response and subsequent follow-up to any significant identified weaknesses; and
- k) review and approve the provision of non-audit services provided by the External Auditor.

The Committee shall meet *in camera* with the External Auditor at least annually or as requested and shall permit the External Auditor to attend Committee meetings on request.

#### **4.4. Accounting System and Internal Controls**

The Committee will:

- a) through discussions with management and the External Auditors, obtain reasonable assurance that UNBC has implemented appropriate systems of internal control:
  - i) over financial reporting and that these systems are operating effectively;
  - ii) to ensure compliance with its policies and procedures and that these systems are operating effectively; and
  - iii) to identify, monitor, mitigate and report significant financial or operational risk exposures and that these systems are operating effectively;
- b) review with counsel on at least an annual basis any legal matters that could have a significant impact on UNBC's financial statements, and to ensure compliance with legal and regulatory requirements;
- c) review the evaluation of internal controls by the External Auditor, including any recommendations for improvement of UNBC's accounting procedures and internal controls, together with management's response;
- d) direct the External Auditor's examinations to particular areas of concern with respect to internal controls;
- e) receive and review regular enrolment reports, monitor trends, and in consultation with Senate, establish enrolment limits as required;
- f) review Senate decisions requiring Board approval, and specifically within this context, approve on behalf of the Board the establishment of

scholarships, bursaries and other awards as may be recommended by Senate except where it decides to refer the matter to the Board for further consideration; and

- g) receive and review internal reports relating to the provision of student services, and in particular reports on the provisions for student loans and other forms of student financial aid as required by the University Act.

#### **4.5. Statutory and Regulatory Compliance**

The Committee will:

- a) review the university's compliance with statutory and regulatory obligations within the Committee's area of responsibility ;
- b) review compliance with applicable tax requirements;
- c) review any legal or regulatory matters which may have a material impact on the financial statements; and
- d) approve the payment of the grant in lieu of municipal taxes to the appropriate municipality or municipalities.

#### **4.6. Risk Management**

The Committee will:

- a) lead the Board's oversight of UNBC's risk management;
- b) understand the risks to UNBC;
- c) review UNBC's risk management controls and policies and seek the input and assistance from other Board Committees as appropriate;
- d) obtain reasonable assurance that management's systems to eliminate or manage these risks are effective;
- e) receive regular reports on the management of risks to UNBC;
- f) annually review UNBC's insurance coverage; and
- g) review UNBC's disaster recovery plans.

#### **4.7. Alleged Wrong-Doing**

The Committee will:

- a) ensure that management has implemented a process to receive and respond to complaints or allegations of wrong-doing or questionable acts by UNBC, its employees or Governors; and
- b) review and advise the Board with respect to complaints or allegations of wrong-doing.

#### **4.8. Material Litigation**

The Committee will review and advise the Board with respect to:

- a) management's assessment of material litigation risks; and
- b) the adequacy of provisions and estimates made in financial information including the financial statements relating to material litigation issues.

As appropriate, the Committee may request that legal representatives attend Committee meetings to review significant litigation risks without management in attendance and may engage independent counsel and other advisors as required.

#### **4.9. Investments**

The Committee will:

- a) review and make recommendations to the Board investment policies with respect to UNBC's endowment fund;
- b) establish an advisory committee to advise the Committee on investments as required;
- c) recommend appointments to the advisory investment committee and investment managers; and
- d) review the advice of the advisory investment committee on matters relating to investment policy and practice.

#### **4.10. Property**

##### **a) Real Property**

The Committee will:

- i) liaise with the Senate and recommend to the Board rules respecting the management, governance and control of UNBC's real property, buildings and structures;
- ii) review and recommend to the Board policies related to university land, buildings, and equipment, and seek the advice of Senate on such matters;
- iii) liaise with the Senate and recommend to the Board policies regarding the conservation of UNBC's heritage sites;
- iv) recommend to the Board requirements in relation to the use of UNBC's real property, buildings, structures and personal property;
- v) ensure a strategic capital plan is in place;
- vi) review major maintenance and cyclical maintenance programs;
- vii) review and recommend to the Board the acquisition, leasing or disposal of real property;
- viii) review and recommend major capital, supply and facilities management contracts to the Board for approval and to monitor capital projects on a regular basis;
- ix) receive annual reports on the space utilization of university buildings; and
- x) review periodic reports on the control of vehicle and pedestrian traffic on the university campus;

**b) Intellectual Property**

The Committee will:

- i) review and recommend policies on intellectual property to ensure compliance with relevant legislation; and
- ii) review and recommend policies relating to the commercialization of research and technology transfer and review the performance of the university in these areas;

**4.11. Other Responsibilities**

The Committee will:

- a) review the annual expenses of the President and Board Chair;
- b) confirm that appropriate policies and procedures are in place for monitoring compliance with applicable laws and ascertain their adequacy and the levels of compliance, except for human resources;
- c) advise the Board on any new or pending developments in accounting and/or reporting standards;
- d) report to the Board all financial matters of which the Committee has knowledge that may materially affect the current or future position of UNBC;
- e) approve authorized signing officers in respect of all banking and make recommendations to the Board in respect of banking services; and
- f) review such other matters that the Committee or the Board deems advisable or timely.

## 5. MEETINGS

The Committee meets at least four times per year. Additional meetings may be held as deemed necessary by the Committee Chair or as requested by any Committee member or the External Auditor.

The Committee Chair has the responsibility to excuse any elected member of the Committee, from any given topic, who might be perceived to have a conflict of interest.

## 6. REPORTING

The Committee will report to the Board by distributing the minutes of its meetings to the Board. When a Board meeting closely follows a Committee meeting, the Committee Chair will provide a verbal report to the Board and the minutes will be circulated at the next Board meeting.

**7. SUPPORT**

The Vice-President Administration and Finance provides senior administrative support to the Finance and Audit Committee.

The Executive Assistant to the Board is secretary to the Committee.

**8. EXTERNAL ADVISORS**

The Committee may engage independent advisors at the expense of UNBC when it deems necessary (in addition to the External Auditor), subject to the approval of the Board Chair.

**9. RESPONSIBILITY FOR POLICY REVIEW**

The Committee has responsibility to review at least every two years, and more frequently if necessary (e.g., based on legislative or regulatory changes, or a development in governance best practices) the following Board and organizational policies.

Board Policies:

- Finance and Audit Committee Terms of Reference
- Governor Indemnity and Liability Insurance
- Risk Management

**10. COMMITTEE TIMETABLE**

The timetable for the Committee’s activities is reflected in the Committee’s calendar set out below.

<b>Finance and Audit Committee Calendar</b>					
	Date	Date	Date	Date	Date
<b>Financial Planning</b>					

<b>Finance and Audit Committee Calendar</b>					
	Date	Date	Date	Date	Date
1. Review financial plans					
2. Review annual budgets					
<b>Financial Reporting</b>					
3. Review financial reports					
4. Review audited financial statements					
5. Review accounting policies, financial reporting practices and proposed changes thereto					
<b>External Audit</b>					
6. Review Auditor's engagement and fees					
7. Review External Audit plan					
<b>Internal Controls</b>					
8. Review internal controls and ensure adequacy					
9. Review compliance with statutory and regulatory requirements					
<b>Risk Management</b>					
10. Review management's report on identification and management of material risks					

<b>Finance and Audit Committee Calendar</b>					
	Date	Date	Date	Date	Date
11. Review insurance coverage of material business risks and uncertainties					
12. Lead annual review of material risks					
<b>Other</b>					
13. Review President and Board Chair's annual expenses					
14. Review applicable Board policies					