
1. Purpose

The purpose of the Audit Committee is to assist the Board in fulfilling its obligations and oversight responsibilities relating to:

- i. the integrity of the University's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- ii. the University's compliance with legal, statutory and regulatory requirements;
- iii. the management of the principal risks that could impact the financial statements;
- iv. review and ensuring that procedures are in place for the receipt, retention and treatment of complaints received by the University regarding accounting, internal accounting controls or audit matters; and
- v. the selection and hiring of the external auditors who shall report to the Committee, not to Administration and who may not perform any non-audit services for the University without the prior written approval of the Committee.

In the process of overseeing TRU's audit procedures, the Audit Committee will have unrestricted access to TRU's personnel and documents, and will be provided with the resources necessary to carry out its responsibilities, including the authorization to engage independent counsel and other advisors as set out below.

2. Composition and Quorum

The Audit Committee is composed of three Order-in-Council members appointed by the Board on nomination by the Chair of the Board, at least one of whom must also serve on the Finance Committee. ¹

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

¹ The President, Vice-President Administration and Finance, Associate Vice-President Finance, and the Director of Internal Audit shall normally be invited to attend committee meetings.

Committee members should be independent and financially literate.²

At least one member of the Committee should have a financial designation or relevant financial management expertise.

A majority of members of the Committee shall constitute a quorum.³

3. Accountability to the Board

The Committee has no authority to direct Administration or to commit TRU 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 Audit Committee will perform the following duties.

4.1. Financial Reporting

The Committee will:

- a) review TRU'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 Administration 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

² In this context, "independent" means having no material direct or indirect association with TRU, which could, in the view of TRU'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 TRU's financial statements.

³ Bylaws, Section III, Paragraph 4(a).

- v) all estimates or judgments of Administration that may be material to financial reporting.
- d) discuss with Administration 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.

4.2. External Audit

The Committee will:

- a) recommend to the Board the appointment of the External Auditor;⁴
- b) determine whether the performance of the External Audit is satisfactory, effective and meets the requirements of TRU;
- 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 Administration;
- h) determine whether Administration 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 Administration and all

⁴ 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.

- significant accounting issues on which there was a disagreement with Administration;
- j) review the post-audit opinion letter containing the recommendations of the External Auditor and review Administration'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 without administration present with the External Auditor at least annually or as requested and shall permit the External Auditor to attend Committee meetings on request.

4.3. Accounting System and Internal Controls

The Committee will:

- a) through discussions with Administration and the External Auditors, obtain reasonable assurance that TRU 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 TRU'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 TRU's accounting procedures and internal controls, together with Administration's response; and
- d) direct the External Auditor's examinations to particular areas of concern with respect to internal controls.

4.4. Internal Audit

The Committee will:

- a) review and approve the terms of the Internal Auditor's engagement;
- b) review and approve the Internal Audit plan;
- c) ensure the Internal Auditor's approach to risk and internal controls are appropriate;

- d) determine whether the performance of the Internal Audit is satisfactory, effective and meets the requirements of TRU;
- e) ensure there are adequate resources for the internal control function;
- f) review problems experienced by the Internal Auditor in performing its functions, including any restriction imposed by Administration and all significant difficulties or disagreements with Administration; and
- g) meet with the Internal Auditor at least annually, without Administration present.

4.5. Risk Management

The Committee will:

- a) lead the Board's oversight of TRU's risk management;
- b) understand the material risks to TRU;
- c) review TRU'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 material risks to TRU;
- f) annually review TRU's insurance coverage of material business risks and uncertainties; and
- g) review TRU's disaster recovery plans.

4.6. 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 TRU, its employees or Governors; and
- b) review and advise the Board with respect to complaints or allegations of wrong-doing.

4.7. Material Litigation

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

- a) Administration'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 Administration in attendance and may engage independent counsel and other advisors as required.

4.8. Other Responsibilities

The Committee will:

- a) confirm that appropriate policies and procedures are in place for monitoring compliance with applicable laws and ascertain their adequacy and the levels of compliance;
- b) advise the Board on any new or pending developments in accounting and/or reporting standards;
- c) report to the Board all financial matters of which the Committee has knowledge that may materially affect the current or future position of TRU; and
- d) review such other matters that the Committee or the Board deems advisable or timely.

5. Meetings

The Committee meets at least two 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.

6. Reporting

The Committee will report to the Board after each of the Committee's meetings.

7. Staff Support

The Corporate Secretary provides staff support to the Committee, and the Corporate Secretary or his/her delegate is secretary to the Committee.

8. External Advisors

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

9. Responsibility for Document 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 documents:

- Audit Committee Terms of Reference (must be reviewed annually)
- Governor Indemnity and Liability Insurance
- Risk Management Report

10. Committee Timetable

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

| AUDIT COMMITTEE CALENDAR | | |
|---|--------------------|------------|
| | NOV | MAY |
| 1. Review audited financial statements | | X |
| 2. Review FTE Summary and audited enrolment report | | X |
| 3. Review accounting policies, financial reporting practices and proposed changes thereto | As required | |
| EXTERNAL AUDIT | | |
| 4. Review Auditor's engagement and fees | X | |
| 5. Review External Audit plan | X | |
| INTERNAL CONTROLS | | |
| 6. Review internal controls and ensure adequacy | | X |
| 7. Review compliance with statutory and regulatory requirements | | X |
| INTERNAL AUDIT | | |
| 8. Review Internal Audit Plan | X | |
| 9. Review Internal Audit performance | X | |
| 10. Review engagement of Internal Auditor | X | |
| RISK MANAGEMENT | | |
| 11. Review management's report on identification and management of material risks | | X |
| 12. Review insurance coverage of material business risks and uncertainties | | X |
| OTHER | | |
| 13. Review applicable Board and organizational documents | As required | |