



Finance and Audit Committee

TERMS OF REFERENCE

Approved by the Board of Governors on June 19, 2018

Revised on March 24, 2020

1. PURPOSE

The purpose of the Finance and Audit Committee is to assist the Board in fulfilling its oversight responsibilities over the financial affairs of the University, to ensure the establishment of sound financial practices that lead to the long-term financial sustainability of the University, and to fulfil obligations and oversight related to the integrity of the University's financial reporting, internal controls and risk management.

2. COMPOSITION AND QUORUM

The Board Chair will appoint at least four members to the Committee. Only appointed members of the Board will be appointed to this Committee by the Board Chair.

All Committee members shall be independent and "financially literate"¹. At least one member shall have "accounting or related financial management expertise"². Preferably one member will hold a financial designation (Canadian CPA).

The terms of membership will be two-year renewable terms commencing in August of each year. Where possible the terms of membership will be staggered.

Annually, a chair and a vice-chair of the Committee will be appointed by the Board Chair and confirmed by the Board as a whole.

Committee quorum will be a majority of the Committee members.³

The auditors will be advised of the names of the Committee members.

¹ "Financial literacy" means the ability to read and understand a balance sheet, income statement and a cash flow statement in accordance with current accepted professional accounting standards.

² Where there is a requirement for a director to have accounting or financial expertise, this means the director shall have the ability to analyze and understand a full set of financial statements, including the notes attached thereto in accordance with current accepted professional accounting standards.

³ Bylaws Policy B.306, article 11.1.

3. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

Terms of Reference and Policy Review

The Committee will:

- (a) annually review the Committee's Terms of Reference, orient new Committee members and develop a work plan for the coming year;
- (b) oversee the development and review of Board policies on accounting and financial matters and make recommendations for developing, updating, or rescinding such policies to the Board for approval; and
- (c) establish annual policy priorities on accounting and financial matters for approval by the Board.

Financial Statements and Other Financial Reporting

The Committee will:

- (a) review and recommend for approval to the Board, financial information that will be forwarded to the Government or made publicly available, including the annual audited financial statements and financial content of the annual report;
- (b) ensure that the Board receives timely, meaningful reports that keep it properly informed of the University's financial situation and that provide the information needed for decision-making; and
- (c) review and discuss:
 - (i) appropriateness of Board accounting policies and financial reporting practices;
 - (ii) any significant proposed changes in financial reporting and accounting policies and practices;
 - (iii) management's key estimates and judgments that may be material to the financial statements; and
 - (iv) any new or pending developments in accounting and reporting standards that may affect the University.

External Audit

The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- (a) reviewing and recommending to the Board, for approval, engagement of the external auditor and the appropriateness and reasonableness of the proposed audit fees;
- (b) reviewing and recommending to the Board the annual external audit plan;
- (c) meeting with the external auditor to discuss the annual financial statements and the auditor's report, including the appropriateness of accounting policies and underlying estimates;
- (d) reviewing and advising the Board with respect to the planning, conduct and reporting of the annual audit;

- (e) assessment of the performance, independence and consideration of the annual appointment of external auditors for recommendation to the Board; and
- (f) meeting at least annually with the external auditor without management present.

Internal Audit

The Committee in consultation with the Vice President Finance and Administration, will review the planning and results of internal audit activities and the ongoing relationship with the internal auditor. This includes:

- (a) reviewing and approving the appointment or termination of the internal auditor, for recommendation to the Board and annually evaluating the internal auditor's performance;
- (b) reviewing and approving the annual internal audit plan with the internal auditor for recommendation to the Board;
- (c) ensuring the internal auditor's approach to risk and internal controls is appropriate and that the internal audit plan is consistent with international standards for the professional practice of internal auditing;
- (d) ensuring that adequate resources are available for the internal auditor to implement the internal audit plan, including any restrictions imposed by Senior Leadership or difficulties or disagreements with Senior Leadership;
- (e) reviewing the findings of the internal audit reports and receiving periodic reports to ensure that recommendations are implemented; and,
- (f) meeting with the internal auditor in camera at least annually without other management present.

Budget Development

The Committee will, with the assistance of the Vice President Finance and Administration, monitor the budget development process including methodology used to establish operating and capital budgets.

The Committee will recommend the annual operating and capital budgets to the Board for approval.

Risk Management

Initial oversight responsibilities for risk management are conducted by the Committee on behalf of the Board and include:

- (a) review the risk management framework; and
- (b) receive regular updates from management on the risks monitored by the Committee.

Internal Controls

The Committee will, through discussions with administration and the external auditors, obtain reasonable assurance that the University has implemented appropriate systems of internal control:

- (a) over financial reporting and that these systems are operating effectively;
- (b) to ensure compliance with its policies and procedures and that these systems are operating effectively;
and

- (c) to identify, monitor, mitigate and report significant financial or operational risk exposures and that these systems are operating effectively.

Other Services

The Committee will review and recommend to the Board, for approval, engagement of the external auditor for other professional services.

4. ACCOUNTABILITY

The Committee is accountable to the Board.

The Committee has no power to make decisions on behalf of the Board, except as specifically directed by the Board or authorized by the Board through the Committee's Terms of Reference.⁴

The Committee shall carry out its duties and responsibilities and the work assigned from time to time by the Board, shall report to the Board, and may make recommendations to the Board. All recommendations presented to the Committee for consideration shall be reported to the Board.⁵

The Committee will review its Terms of Reference annually and propose any changes to the Governance Committee for review and recommendation to the full Board.

The Committee is accountable to remain informed about emerging best practices in corporate governance relevant to the work of the Committee.⁶

5. MEETINGS

The Committee will meet at least four times each year, or more frequently as deemed necessary by the Committee.

The Committee Chair, in consultation with the senior administrator(s) assigned to support the Committee or designate, schedules the meetings and develops the agenda for each Committee meeting.

The auditors will receive notice of and be invited to attend at least one meeting annually. The auditors will be heard at those meetings on matters relating to the auditor's duties.

The Committee shall meet with the auditors as it deems appropriate to consider any matter that the Committee or the auditors determine should be brought to the attention of the Board.

Committee members may participate in a Committee meeting by means of conference telephones or other communication facilities by which all participants in the meeting can understand and communicate with each other.⁷

Committee meetings may be held by electronic means when in person meetings are not practical. When synchronous meetings are held by electronic means the same rules as for in-person meetings will apply.⁸

⁴ Board Charter (Policy B.308), article 2.5.

⁵ Board Bylaws (Policy B.306), article 10.4.

⁶ Board Charter (Policy B.308), article 2.5.

⁷ Board Bylaws (Policy B.306), article 9.1(c).

⁸ Board Bylaws (Policy B.306), article 9.1(e).

Asynchronous meetings may be held over email when synchronous meetings are not practical in accordance with the rules set out in article 9.1(e) of the Board Bylaws (Policy B.306).

In accordance with articles 10.2 and 10.3 of the Board Bylaws (Policy B.306), Committee meetings are not public and shall be attended only by members of the Committee, with any guests invited by the Committee chair, and with University administrators assigned to serve as resource persons or who are requested to attend by the Committee chair.

The Committee shall maintain minutes of its meetings.

6. EXTERNAL ADVISORS

The Committee may engage independent advisors at the expense of Capilano University when it deems necessary, subject to the approval of the Board Chair.

7. TIMETABLE

The timetable outlines the Committee's annual schedule of activities. The Committee Chair may amend the timetable without Board approval if necessary to accomplish the work of the Committee.

	Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Terms of Reference and Policy Review												
1	Terms of reference review					X							
2	Orientation and Planning									X			
3	Review and recommend changes to the University's accounting and financial policies	As required											
4	Review policies status and develop plan and priorities									X			
	Financial Statements and Reporting												
5	Review audited financial statements					X							
6	Review quarterly reporting to the Ministry					X				X			X
7	Review FTE summary and audited enrolment report					X							
8	Review Executive Compensation Reporting					X							
9	Review Statement of Financial Information									X			
10	Review financial reporting practices and any proposed changes	As required											
	External Audit												
11	Review external auditor's engagement, fees and performance			X									
12	Review External Audit Plan			X									
13	Meet with External Auditor without management			X									
	Internal Audit												
14	Review internal auditor's engagement and performance			X									
15	Review Internal Audit Plan			X									
16	Meet with Internal Auditor without management			X									
	Budget Development												
17	Budget Development			X								X	
	Risk Management												
18	Review management's report on identification and management of material risks					X							
19	Review insurance coverage of material business risks and uncertainties					X							
	Internal Controls												
20	Review internal controls and ensure adequacy					X							
21	Review applicable Board and organization documents	As required											