

## 1. PURPOSE

The Finance, Audit & Risk Committee (“the Committee”) is established by the University of Prince Edward Islands Board of Governors (The “Board”) pursuant to the provisions of the *University Act R.S. P.E.I. 1988 Cap. U-4*, to assist the Board in providing oversight of the University’s budgeting and financial reporting process, its internal control systems, its Information Technology (IT) systems and its audit, risk and compliance processes.

## 2. VALUES

The Committee contributes to the effective governance of the University by promoting a culture of transparency, accountability, honesty, and ethical behaviour.

## 3. MANDATE

The Committee’s mandate is to:

- 3.1. Assist the Board in fulfilling its oversight responsibilities in the following areas:
  - 3.1.1. The effectiveness and financial integrity of the University’s financial accounting and reporting processes.
  - 3.1.2. The University’s annual operating and capital funding budgets.
  - 3.1.3. The University’s external audit.
  - 3.1.4. The University’s internal audit function.
  - 3.1.5. Internal controls.
  - 3.1.6. Risk management.
  - 3.1.7. Information systems.
  - 3.1.8. Governance and administration of the University’s Endowment and Special Purpose Funds.
  - 3.1.9. Through the Committee’s appointees, the governance and administration of the pension plan for the Employees of the University of Prince Edward Island.
- 3.2. Review and approve expenditures as per the University Spending Authority Policy.
- 3.3. Perform other duties as may be assigned by the Board.

## 4. AUTHORITY

The Committee has the authority to:

- 4.1. Conduct or authorize an investigation into any matters within its scope of its mandate in accordance with University policies and internal control systems.
- 4.2. At the University’s expense, and with prior approval of the Executive Committee, retain independent consultants or other expertise to advise the Committee.

- 4.3. Invite key personnel to their meetings to provide information or to report on the areas overseen by the Committee.
- 4.4. Make recommendations to the Board on matters falling within the mandate of the Committee.
- 4.5. Meet with Management, the external auditor, the University Auditor or outside counsel as necessary.
- 4.6. Call a meeting of the Board to consider any matter of concern to the Committee
- 4.7. Appoint employee representatives to the Sponsor Board and the Board of Trustees for the Pension Plan for the Employees of the University of Prince Edward Island.
- 4.8. Review and approve expenditures as per the University Spending Authority Policy.

## **5. COMPOSITION AND TERMS OF OFFICE**

- 5.1. The Committee shall be composed of three (3) or more Governors, appointed by the Board on the recommendation of the Executive Committee. All voting Committee members shall be independent of the University and financially literate. At least two members shall be a financial expert, in their capacity as an accountant or financial professional and an active member of a recognized professional body.
- 5.2. The Chair of the Board shall be an ex-officio voting member of the Committee.
- 5.3. The President shall be an ex-officio non-voting member of the Committee.
- 5.4. Vacancies
  - 5.4.1. Appointed voting members shall hold office until their successors are appointed or they cease to be Board members, whichever comes first.
  - 5.4.2. The Committee Chair shall advise the Chair of the Governance, Nominating and Appeals Committee of vacancies on the Committee.
  - 5.4.3. The Board, on the recommendation of the Governance, Nominating and Appeals Committee, may fill vacancies of members of the Committee for the remainder of the current term of appointment.

## **6. The CHAIR**

- 6.1. The Board, on the recommendation of the Governance, Nominating and Appeals Committee, shall appoint a Committee Chair to preside over its meetings.
- 6.2. In the absence or unavailability of the Committee Chair, one of the other members of the Committee present shall be chosen by the Committee to act in place of the Chair.
- 6.3. The Chair does not vote unless it is needed to break a tie.

6.4 The Committee Chair shall fulfil the role assigned to the Committee Chairs in the University by-laws, in any role description, and as may be assigned by the Board.

## **7 QUORUM**

Fifty percent of voting Committee members present in person or by teleconference shall constitute quorum at a meeting.

## **8. WORKPLAN AND REPORTING**

The Committee shall:

- 8.1. Develop and approve an annual workplan to be provided to the Board for information.
- 8.2. Report to the Board after each meeting and annually with respect to its workplan and the fulfillment of its Terms of Reference.

## **9. MEETING AGENDA**

The agenda for each meeting will be prepared by the University Secretary, in consultation with the Committee Chair, the Chair of the Board, the Vice-President, Administration & Finance, the University Auditor and other Senior Management, and will be approved by the Committee Chair.

## **10. IN-CAMERA SESSIONS**

The Committee shall hold in-camera sessions with the internal and external auditors, and with the Chief Information Officer, the Vice-President, Administration and Finance and the Comptroller, at least once, annually.

## **11. MEETINGS**

- 11.1. The committee shall meet at least five (5) times annually, or more frequently as required.
- 11.2. The Committee Chair may also call special meetings outside the regular calendar of Board meetings or request electronic voting to attend to time-sensitive matters.
- 11.3. Meeting materials shall be provided to the Committee in enough time to allow for proper preparation and, ideally, at least one week before the scheduled meeting.
- 11.4. It is expected that Committee members shall make every effort to attend all meetings in person or by teleconference. The Committee chair shall report to the Governance, Nominating and Appeals Committee on member attendance.

## **12. CONFLICT OF INTEREST**

Committee members shall adhere to the Board of Governors Code of Conduct, the University's Conflict of Interest Policy and the University's values on accountability and integrity.

## **13. RESOURCES**

The Office of the President shall provide all necessary resources the Committee may require for its proper functioning.

## **14. RESPONSIBILITIES**

### **14.1. Financial Accounting and Reporting Processes**

The Committee shall:

- 14.1.1. Monitor the effectiveness of the University's financial accounting and reporting process.
- 14.1.2. Monitor financial performance against the approved budget, noting variance and significant issues.
- 14.1.3. Ensure the integrity and reliability of its financial statements
- 14.1.4. Ensure compliance with all legal and regulatory requirements relating to financial management and disclosure of financial information
- 14.1.5. Review and recommend to the Board approval of the University's financial statements.
- 14.1.6. In considering its recommendation to approve the University's financial statements, review and approve changes in accounting policies and the implementation of new accounting standards.

### **14.2. Budgets**

The Committee shall:

- 14.2.1. Oversee the annual process for the development of the University's annual operating and capital budgets.
- 14.2.2. Review and recommend to the Board the approval of the annual operating and capital budgets of the University.

### **14.3. External Audit**

- 14.3.1. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing and issuing the Auditor's Report and performing other audit, review or attest services for the University, including the resolution of disagreements between management and the external auditor regarding financial reporting. As required by the Board, the external auditor reports directly to the Committee.

- 14.3.2. The Committee shall recommend to the Board:
  - 14.3.2.1. The approval of the external auditor to be engaged by the University for purposes of performing audit, review or attest services for the University.
  - 14.3.2.2. The terms of the engagement, including the compensation, to be paid to the external auditor.
- 14.3.3. The Committee shall develop and oversee a policy respecting non-audit services.
- 14.3.4. The Committee shall pre-approve all significant non-audit services to be provided to the University by the external auditor. The Committee Chair, when expedient or necessary, has the authority to pre-approve non-audit services by external auditors, with such pre-approval communicated to the Committee at the next scheduled Committee meeting following such pre-approval.

#### 14.4. Internal Audit

The Committee is responsible for overseeing the internal audit process. The Committee shall:

- 14.4.1. Review annually and approve the internal audit charter
- 14.4.2. Approve decisions regarding the appointment and removal of the University Auditor
- 14.4.3. Review and approve the annual internal audit plan and all major changes to the plan
- 14.4.4. Review the internal audit activity's performance relative to its plan
- 14.4.5. Review the progress, findings, recommendations, and follow-up actions stemming from the internal audit activities, and
- 14.4.6. Support the internal audit function in receiving the right support and cooperation from management and ensure it has sufficient independence to conduct activities in a professional manner.

#### 14.5. Internal Controls

The Committee shall:

- 14.5.1. Ensure the effectiveness of the University's internal control framework, including its information technology security and control system.
- 14.5.2. Receive and examine reports from internal and external auditors' review of the state of the University's internal controls to obtain reasonable assurance on their effectiveness.

#### 14.6. Risk Management

- 14.6.1. The Committee shall ensure that the University undertakes a risk management program and shall oversee such program including:
  - 14.6.1.1. Overseeing the University's process for identifying, assessing, and managing the principal risks of the university
  - 14.6.1.2. Reviewing regular reports on all areas of significant risk to the University.
  - 14.6.1.3. Reviewing insurance coverage pertaining to all property of the University, liability and other insurable risks as identified by management.

- 14.6.2. The Committee shall receive and review the opinions of management, the University Auditor and others, as needed, regarding the strength and appropriateness of management’s risk mitigation strategies.

#### 14.7. Information Systems

The Committee shall oversee the University’s information systems and IT including:

- 14.7.1. Periodically assess the adequacy and effectiveness of the University’s IT resources in meeting the University’s strategic objectives.
- 14.7.2. Review IT strategy and ensure its alignment with the University’s strategic objectives.
- 14.7.3. Monitor progress of major IT projects.
- 14.7.4. Assess the adequacy and effectiveness of the IT risk management process.
- 14.7.5. Provide oversight to the development of a cybersecurity strategy that aligns with University strategy and priorities and identifies the necessary controls to protect the organization from material cyber events and monitor progress on strategy implementation.
- 14.7.6. Provide oversight to the development of a digital transformation strategy that aligns with University strategy and priorities and monitor strategy implementation.
- 14.7.7. Monitor the risks and financial consequences associated with deferred IT renewal (technical debt).

#### 14.8. Endowment and Special Purposes Funds

The Committee shall:

- 14.8.1. Provide oversight on the governance and administration of the University’s Endowment and Special Purpose Funds.
- 14.8.2. Receive and review the annual report of the University’s Endowment and Special Purpose Funds.

#### 14.9. Pension Plan

Through the Committee’s appointees, the Committee shall provide oversight on the governance and administration of the Pension Plan for the Employees of the University of Prince Edward Island.

#### 14.10. Expenditures Approval

The Committee shall review and recommend for approval to the Board any expenditures that require Board approval as per the University Spending Authority Policy.

#### 14.11. Board Policies

The Committee shall oversee the development of, and recommend for approval, the Board policies falling within the mandate of the Committee. Advise the Board on policies falling within the mandate of the Committee.

14.12. Committee Liaison

The Committee will meet, at least annually, with the Properties and Environmental Sustainability Committee and the Development, Fundraising and External Relations Committee to review capital infrastructure priorities and capacity.

14.13. The Committee shall carry out such other responsibilities as may be delegated by the Board.

**15. REVIEW OF TERMS OF REFERENCE**

The Terms of Reference shall be reviewed annually unless indicated otherwise by the Board.