

Effective Date: June 20, 2025

Date of Next Review: June 2028

1. Purpose of the Committee

The purpose of the Audit and Risk Committee (the “**Committee**”) is to ensure that appropriate controls and accountabilities exist within the University of Alberta (the “**University**”) with respect to:

- 1.1 financial reporting;
- 1.2 external audit;
- 1.3 internal audit function;
- 1.4 health, safety and the environment;
- 1.5 information technology; and
- 1.6 enterprise risk management.

Indicatively, the Committee makes certain that the University’s financial reporting processes are sound; that the internal and external audit functions are ably performed; and that proper mechanisms are engaged to identify, report, and control areas of significant risk to the University, including those related to health, safety and the environment and information technology.

The Committee also fosters open dialogue among the University’s external auditors, the Office of Internal Audit & Enterprise Risk Management (“**IA&ERM**”), the executive director of the IA&ERM (the “**University-Auditor**”), University management, and the Board of Governors (the “**Board**”), serving as a forum for candid discussions relating to audit and risk management.

2. Delegated Authority from the Board

In furtherance of the purpose of the Committee, the Board has delegated to the Committee the following powers, duties and functions:

2.1 Financial Reporting

(a) *Oversight and Review of Accounting Principles and Practices*

- (i) as it deems necessary or appropriate, overseeing, reviewing and discussing with University management, the external auditors and the University Auditor (together and separately as it deems necessary), among other items and matters:
 1. the quality, appropriateness and acceptability of the accounting principles, practices and policies used by the University in its financial reporting, its consistency from period to period, changes in the University’s accounting

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- principles or practices, and the application of particular accounting principles and disclosure practices by University management to new or unusual transactions or events;
2. all significant financial reporting issues, estimations and judgments made in connection with the preparation of the University's financial statements, including the effects of alternative methods within accounting standards or generally accepted accounting principles on the financial statements and any "second opinions" sought by University management from an independent auditor with respect to the accounting treatment of a particular item;
 3. any material change to the University's auditing and/or accounting principles and practices as required by accounting standards or recommended by University management, the external auditors or the University Auditor or which may result from proposed changes to applicable generally accepted accounting principles;
 4. the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented; and
 5. the effect of regulatory and accounting initiatives on the University's financial statements and other financial disclosures.
- (b) reviewing, and, where required by applicable accounting standards or University policy, recommending for approval by the Board, the following:
- (i) audited annual financial statements;
 - (ii) interim financial statements; and
 - (iii) annual and interim management discussion and analysis.
- (c) periodically assessing the adequacy of the controls and procedures that have been adopted to confirm that published documents containing financial information derived from the University's financial statements are consistent with the information contained in such financial statements.

2.2 External Audit

- (a) *Oversight of External Auditors*
- (i) overseeing the relationship between University management and the external auditor concerning financial reporting; and
 - (ii) meeting privately with the external auditor to discuss any items of concern to the Committee or the external auditor.



- (b) *Oversight and Monitoring of Audits*
 - (i) reviewing with the external auditors, the University Auditor and University management:
 - 1. the audit function generally;
 - 2. the objectives, staffing, locations, coordination (reduction of redundant efforts) and effective use of audit resources;
 - 3. reliance upon, and responsibilities of, University management;
 - 4. the overall audit plans;
 - (ii) reviewing with University management the results of external audits; and
 - (iii) providing an open avenue of communication between the external auditors, IA&ERM, the Board and University management and taking such other reasonable steps as it may deem necessary to satisfy itself that each audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

2.3 Internal Audit Function

- (a) *Mandate and Charter*
 - (i) discussing with the University Auditor and senior University management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function;
 - (ii) participating in discussions with the University Auditor and senior University management regarding the “essential conditions” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function; and
 - (ii) annually approving the internal audit function’s charter, which includes the internal audit mandate and the scope and type of internal audit services.
- (b) *Strategy*
 - (i) reviewing and providing input into the University’s Internal Audit Strategy, which is updated no less than triennially.
- (c) *Planning and Resources*
 - (i) annually approving the risk-based internal audit plan, including any significant changes thereto;



- (ii) reviewing and providing input into the internal audit function's resources, budget, expenses and human resources administration, ensuring it has the necessary support to fulfill its mandate and achieve the internal audit plan; and
 - (iii) reviewing a summary of the coordination among internal and external assurance and advisory service providers.
- (d) *Services*
- (i) reviewing a summary of assurance and advisory engagements performed by the internal audit function, focusing on significant findings, and ensuring that University management's responses and action plans are timely and appropriate;
 - (ii) monitoring and ensuring that University management addresses recommendations promptly and appropriately. This includes reviewing and assessing the following:
 - 1. periodic status updates on outstanding internal audit recommendations;
 - 2. engagement findings to confirm the implementation of recommendations and action plans; and
 - (iii) reviewing a summary of investigations into reports of fraud and irregular activity.
- (e) *Support and Oversight of the University Auditor*
- (i) approving the appointment, role and responsibilities, and dismissal of the University Auditor;
 - (ii) reviewing the University Auditor's performance and providing input into the University Auditor's remuneration;
 - (iii) ensuring that the internal audit function and the University Auditor are positioned independently thus enabling internal audit services and responsibilities to be performed without interference from University management, and receiving an independence confirmation from the University Auditor on an annual basis;
 - (iv) ensuring that the University Auditor has unrestricted access to and direct communication with the Committee, including:
 - 1. holding separate *in-camera* sessions with the University Auditor at each Committee meeting, without senior University management present, to discuss any matters that either the Committee or the University Auditor believe should be discussed privately;
 - 2. ensuring that there are regular meetings between the Chair of the Committee and the University Auditor;



3. discussing any difficulties or disputes that may arise with University management in the course of performing internal audit services, including any restrictions on the scope of their work or access to required information, the adequacy of University management's responses and actions to implement the recommendations; and
 - (v) facilitating direct and open communication between the University Auditor, external auditors, senior University management, and the Board.
- (f) *Quality*
- (i) ensuring that a Quality Assurance and Improvement Program ("QAIP") has been established and reviewing the results of the same on an annual basis;
 - (ii) approving the internal audit function's performance objectives at least annually;
 - (iii) assessing the effectiveness and efficiency of the internal audit function, including:
 1. reviewing the achievement of the internal audit mandate and performance objectives, including progress towards completing the internal audit plan; and
 2. compliance with the current Institute of Internal Auditors' International Professional Practices Framework, along with all applicable laws and regulations;
 - (iv) reviewing and approving the University Auditor's plan for conducting an external quality assessment every five years , and receiving the results of such assessments directly from the independent assessor, reviewing and approving the University Auditor's action plans, if applicable, and monitoring the progress of their implementation.
- (g) *Reporting*
- (i) reviewing Internal Audit Progress Reports at each meeting of the Committee, which reports include a resourcing update, a summary of performance relative to the internal audit plan, any significant changes to the internal audit plan, results of internal audit services, any potential impairments to independence, and a summary of investigation activity; and
 - (iii) reviewing the Internal Audit Annual Report that, in addition to the Internal Audit Progress Reports, include an annual summary of results and performance objectives, QAIP results, the annual independence confirmation, and summary of investigation activity over the course of the year.

2.4 Information Technology

- (a) Cybersecurity and Data Privacy



- (i) reviewing and monitoring University management's identification and mitigation of key risks related to:
 - 1. the confidentiality, integrity, and availability of information systems, including cybersecurity, incident response, and disaster recovery; and
 - 2. data protection across academic and administrative functions, including data governance, privacy, and security.
- (b) Monitoring Technology Strategy and Technology-Related Risks
 - (i) reviewing and monitoring University management's:
 - 1. processes for the identification, evaluation, and mitigation of technology-related risks affecting the University's digital infrastructure and operations; and
 - 2. strategy and processes for the adoption and implementation of the University's comprehensive information technology strategy, including emerging technologies such as AI, machine learning, and blockchain, and its alignment with the University's overall strategy, risk tolerance, and data protection policies; and
 - (ii) receiving information from University management on key technology-related risks, including those related to system downtime, cyber threats, data breaches, and technology obsolescence, and the effectiveness of mitigation strategies.

2.5 Enterprise Risk Management ("ERM")

- (a) ensuring that an ERM program is established, maintained and updated by University management the objective of which is to identify, analyze, evaluate, treat and monitor significant risks and opportunities that may impact the University;
- (b) reviewing and, if deemed appropriate, recommending for approval to the Board new and/or significant changes to the *Enterprise Risk Management Policy*, including the University's Institutional Risk Appetite Statement;
- (c) overseeing and maintaining a risk aware culture and supporting strategic oversight, insight and foresight for proactive risk management at the University;
- (d) providing regular Board education about the ERM program and associated roles and responsibilities;
- (e) guiding and coordinating the consideration of risk by other Board committees as may be applicable to their respective mandates and the incorporation of ERM into their decision making processes;
- (f) receiving a quarterly report providing an update on the University's ERM program, highlighting any significant changes in the program, top institutional risks and emerging risk items;

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- (g) reviewing, monitoring and keeping the Board apprised of significant changes to the University's institutional risks including the risk levels, opportunities, emerging risk items, and risk mitigation strategies (including internal controls);
- (h) reviewing significant risks or exposures with University management, the University Auditor and external auditors, assessing the adequacy of risk mitigation strategies, including internal controls, including, but not limited to, reviewing the following:
- (i) annual reporting:
 - 1. summarizing the University's insurance coverage;
 - 2. on competitive bid exceptions;
 - 3. on compliance by the Board Chair, the University President and Vice-Presidents with applicable policies respecting travel and hosting expenditures;
 - 4. on the strategies and plans regarding cybersecurity and risks related to the University's information technology systems;
 - 5. on processes and controls to prevent and detect fraud and irregularities, including procedures for the safe disclosure of complaints and concerns regarding financial irregularities or other accounting or auditing matters, including annual reporting on financial fraud risk assessment and from the Office of Safe Disclosure and Human Rights;
 - 6. on legal or privacy matters that could have a material effect upon the reputation or operations of the University;
 - (ii) quarterly reporting on the strategies and plans regarding health, safety and environmental risks, and providing advice and recommendations with respect to significant incidents, trends and outcomes at the University relating to the purpose of the Committee, and strategies and measures to support a culture that promotes occupational health, safety, environmental stewardship and security at the University;
 - (iii) annual updating on the University's disaster recovery and business continuity plans and processes;
 - (iv) compliance by University management, including a quarterly certificate with respect to compliance with the *Freedom of Information and Protection of Privacy Act* (Alberta) and a University Centres & Institutes annual compliance certificate;
- (i) obtains reasonable assurance that financial risk is being effectively managed or controlled by reviewing with senior University management:
- (i) the University's tolerance for financial risks;



- (ii) its assessment of the significant financial risks facing the University;
 - (iii) the University’s policies and any proposed changes thereto for managing those significant financial risks; and
 - (iv) its plans, processes and programs to manage and control such risks so as to ensure the protection of assets and investments from an enterprise perspective; and
- (j) receiving, reviewing and, if deemed appropriate, approving the annual report required to be prepared by the University and submitted to the applicable Minister pursuant to the applicable provisions of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada).

2.6 Additional Matters

- (a) reviewing the University’s annual report to the Government of Alberta from a financial and ERM perspective and, if deemed appropriate, recommending the approval of such annual report to the Board; and
- (b) reviewing signing officer authorizations in respect of all banking and safekeeping requirements, and approving such individuals.

3. Limitations on Delegated Authority

The Committee has the authority to carry out its roles and responsibilities, subject to any specific conditions or restrictions that are imposed on it by the Board. 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.

4. Reporting Obligation(s)

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

5. Composition of the Committee

The Committee functions in accordance with the Principles for Board Standing Committee Composition.

Members	
<i>Ex-officio</i> (2)	
(a)	the Board Chair
(b)	the Chancellor

Appointed (7)	
(c)	where appropriate, no more than seven Governors or Non-Governor Committee Members, as appointed by the Board or its delegate ¹
Internal Resources	
Ex-officio	
(d)	the President and Vice-Chancellor
Appointed by the President	
(e)	the Provost and Vice-President (Academic)
(f)	the Vice-President (University Services, Operations and Finance)
(g)	the Associate Vice-President (Finance, Procurement and Planning)
(h)	the Associate Vice-President (Information Services and Technology) and Chief Information Officer
(i)	the Associate Vice-President (Human Resources, Health, Safety and Environment)
(j)	the University Auditor
(k)	the General Counsel
(l)	the University Secretary
(m)	the Committee Secretary
(n)	other resources, as determined by the President or the Committee
External Auditor / Agent	
(o)	the External Auditor (Auditor General of Alberta)

¹ Members of the Committee must be independent, as set out in the Principles for Board Standing Committee Composition and the Board Bylaws.



Chair / Vice-Chair

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| (p) | the Committee Chair and Vice-Chair shall be selected from the Committee membership appointed pursuant to sub-section 5.(c) of these Terms of Reference ² |
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6. Effective Date

These Terms of Reference will be effective on the date that they are approved by the Board. All prior or existing Terms of Reference of the Committee are repealed as of the effective date of these Terms of Reference.

² The Vice-Chair undertakes and discharges all duties of the Chair of the Committee in the absence of the Chair.