

June 7, 2018

VICTORIA UNIVERSITY

MANDATE OF THE FINANCE, PENSION AND AUDIT COMMITTEE OF THE BOARD OF REGENTS

1. Purpose

The Finance, Pension and Audit Committee (“the Committee”) of the Board of Regents (“the Board”) shall have responsibility for overseeing preparation of Victoria University’s (“the University”) annual and long-term budgets for operating, ancillary and capital expenditures and shall recommend the budgets to the Board for final approval. The Committee shall also monitor on a regular basis the financial performance of the University in relation to the approved budget. In discharging its responsibilities, the Committee will ensure that it meets its fiduciary responsibilities through the recommendation of policies with respect to the financial resources of the University to the Board.

In addition to the foregoing, the Pension Sub-Committee (“the Pension Sub-Committee”) of the Committee provides assistance to the Board who acts as the University’s General Pension Plan Administrator. The Pension Sub-Committee’s role is to support the Board’s intent of providing former and current employees of the University with pensions in accordance with the University’s General Pension Plan (“the Plan”) and the University’s Supplemental Arrangement (“the SRA”) and to recommend changes to the Plan and the SRA when appropriate.

In addition to the foregoing, the Audit Sub-Committee (“the Audit Sub-Committee”) of the Committee, provides assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the University.

2. Authority

The Committee of the Board is established pursuant to By-law Number One.

3. Membership

The membership of the Committee shall include:

- (a) The Chair, the Treasurer of the Board (who shall act as Chair of the Committee), the President, the Bursar, the Principals of Emmanuel College and Victoria College;
- (b) At least three external members of the Board;
- (c) Two faculty members of the Board; and
- (d) Two student members of the Board.

Any members of the Committee designated by the Committee to be members of the Audit Sub-Committee, will be external members of the Board. All members of the Audit Sub-Committee shall be financially literate.¹

The members of the Pension Sub-Committee shall consist of the Chair, the Treasurer of the Board, a member of the teaching staff appointed by the Board from among the faculty members on the Board, the President, the Bursar, and such other members, including co-opted members of the Board, as the Board deems appropriate.

The Chair of the Committee is expected to be involved in the selection process of potential Board candidates for membership on the Audit Sub-Committee and the Pension Sub-Committee. All members selected to be on the Audit Sub-Committee and the Pension Sub-Committee will be referred to the Governance, Nominations, Appointments and University Affairs Committee for confirmation.

4. Responsibilities of the Committee

- (a) To review, in consultation with the Office of the Bursar, the budget framework and assumptions prepared by the University administration ensuring that there is alignment between the budget and the strategic plans of the University;
- (b) To review and recommend approval of the annual and long-term operating, ancillary and capital budgets;
- (c) To review and recommend changes as necessary to Board policies related to financial resources;

¹ For greater clarity, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present the 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 the University's financial statements.

- (d) To review, recommend approval of and monitor all debt;
- (e) To review and report on the University's actual and forecast financial experience (six months and annual) in income and expenditures relative to approved budgets;
- (f) To receive an annual report from management as to the level and appropriateness of insured risks and to receive a report on the University's loss history;
- (g) To review financial information, such as cash flow analyses, and give advice to the University administration as appropriate; and
- (h) To set up sub-committees and special task forces that may be required for specific tasks and projects.

The Committee shall, on an ongoing basis, seek to educate itself and the Board on broad budget management issues, opportunities and risks.

5. Responsibilities of the Pension Sub-Committee

- (a) To make such rules and regulations as it shall deem necessary or proper for the efficient administration of the Plans, including the development of a funding policy for recommendation to the Board if considered prudent to do so;
- (b) To interpret the Plan, such interpretation thereof to be in good faith, final and conclusive;
- (c) To appoint an actuary, legal counsel, custodian or other service providers/advisors and to commission such studies as may be required for effective administration of the Plan;
- (d) To ensure the proper maintenance of records, and make available such reports as are required by the Actuary for the purposes of making actuarial valuations and estimates of required contributions by the University;
- (e) To receive from the Investment Committee, who manages the investments of the Plans on behalf of the Committee, and to review an annual report concerning the management of the Plan's assets;

- (f) To review legislation regarding pension plan administration and ensure that systems regarding pensions are established to facilitate the monitoring of both the Board's and the Committee's governance roles;
- (g) To advise the Board of Regents on the Plans' policy issues;
- (h) To recommend to the Board of Regents amendments to the Plans as appropriate;
- (i) To advise the Board on current practices and standards in pension plan administration;
- (j) To receive from administration a compliance certificate stating that the Plans are in compliance with all relevant pension legislation;
- (k) To ensure communication and facilitate awareness and understanding of the Plans and any changes thereto by members of the Plans and beneficiaries and survivors;
- (l) To participate and inform the Board of issues or general strategies ahead of bargaining;
- (m) To make an annual report to the Board with respect to the Plans and the annual report shall include, without limitation:
 - Information on the funded status of the Plans; the Plans' liabilities and substantial changes thereto; the Plans' assets, including contributions and investment performance; and fees and expenses to be paid by the Plans for investment management;
 - Key excerpts from the actuarial valuations of the Plans;
 - The audited financial statements of the Plan; and
- (n) Any other information of importance to the Committee in the discharge of its duties to the Board in its role with respect to the fiscal integrity of the University, and to the Boards in its role as the Plans' Administrator; and,
- (o) To carry out such additional functions as the Board may require;

The Pension Sub-Committee shall, on an ongoing basis, seek to educate itself and the Board on broad pension management issues, opportunities and risks.

The day-to-day operation of the Plan shall be the function of the Bursar subject to any delegation by the Pension Sub-Committee to an outside administrator of all or any part of such operation, with operating decisions based on rules and regulations as established from time to time by the Board.

5.1. Consistency

In accordance with pension legislation, whenever, in the administration of the Plan, any action by the Pension Sub-Committee or the Board is required, such action shall be uniform in nature as applied to all persons similarly situated.

5.2. Conflict of Interest

See the Board's "Guidelines re: Conflict of Interest".

5.3. Standard of Care and Consistency

Members of the Pension Sub-Committee bear a fiduciary responsibility to the members of Plans, and also have a duty of care to the University. In carrying out their responsibilities relating to the administration of the Plans, members of the Pension Sub-Committee shall act with the care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person. In addition, each member shall use all relevant knowledge and skill that the member possesses or by reason of the member's profession, business or calling, ought to possess.

Keeping in mind the University as a whole, and in accordance with pension legislation, whenever, in the administration of the Plans, any action or recommendation to the Board by the Pension Sub-Committee is required, such action shall be uniform in nature as applied to all persons similarly situated.

6. Responsibilities of the Audit Sub-Committee

- (a) To recommend to the Board:
 - (i) The external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the University; and
 - (ii) The compensation of the external auditors.
- (b) To oversee the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the University, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- (c) To approve all non-audit services to be provided to the University by its external auditors. In the interest of time, the Chair is authorized to act on behalf of the Sub-Committee in this regard, and will report back to the Sub-Committee.

- (d) To review the financial statements and references to other financial information before the University publicly discloses the information.
- (e) To establish procedures for:
 - (i) The receipt, retention and treatment of complaints received by the University regarding accounting, internal accounting controls, or auditing matters; and
 - (ii) The confidential, anonymous submission by employees of the University of concerns regarding questionable accounting or auditing matters.
- (f) Recognizing that financial statements exist in a dynamic environment, each member of the Audit Sub-Committee is responsible for keeping his/her knowledge base up-to-date, and for keeping current with changing regulations and requirements.

6.1. Further Specific Audit Sub-Committee Responsibilities

(1) Financial Reporting

The Audit Sub-Committee shall:

- (i) Gain an understanding of the current areas of greatest financial risks and how management is managing these effectively;
- (ii) Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues;
- (iii) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the financial statements, as necessary concurring with proposed methods of implementation;
- (iv) Ask management and the external auditors about significant risks and exposures and how they are disclosed in the financial statements;
- (v) Review complex and/or unusual transactions, and judgmental areas such as significant claims and contingencies that could materially impact the University's financial position; and
- (vi) Review any legal matters which could significantly impact the financial statements.

(2) Annual Financial Statements

Unless otherwise indicated, roles and responsibilities apply to the annual financial statements of the University and of the fund of the pension plan.

The Audit Sub-Committee shall:

- (i) Meet with management and external auditors to review the financial statements and the results of the audit;
- (ii) Review the annual audited financial statements prior to their presentation to the Board and distribution and determine, within the limits of the information known to the Audit Sub-Committee members, whether they are complete and consistent with generally accepted accounting principle;
- (iii) Recommend that the annual financial statements of the University and all related documents be received and approved by the Board;
- (iv) Review the financial statements of the fund of the pension plan prior to their being submitted to a regulatory body; and
- (v) Be satisfied that adequate procedures are in place for the review of any disclosure of financial information extracted or derived from these financial statements and periodically assess the adequacy of those procedures.

(3) Internal Control

The Audit Sub-Committee reviews the plans of management and the external auditors to ensure the evaluation and testing of control is comprehensive, cost-effective and appropriate to risks, business activities, changing circumstances, etc.

The Audit Sub-Committee shall:

- (i) Assist with the appointment of key people involved in financial reporting through an Audit Sub-Committee member being part of the selection process;
- (ii) Ensure that insurance coverage is properly disclosed;
- (iii) Review fraud prevention programs and monitor their implementation;
- (iv) Evaluate whether management is setting the appropriate “control culture” by communicating the importance of internal control and the management of risks and ensuring that all employees have an understanding of their roles and responsibilities;
- (v) Consider how management maintains the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown;

- (vi) Gain an understanding of whether internal control recommendations made by the external auditors have been implemented by management; and
- (vii) Receive and review an annual report on internal controls from management.

(4) External Audit

The Audit Sub-Committee is directly responsible for engaging and overseeing the work of the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the University. The external auditors shall report all material issues or potentially material issues to the Audit Sub-Committee.

The Audit Sub-Committee shall:

- (i) Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope;
- (ii) Review the performance of the external auditors;
- (iii) Consider the independence of the external auditors, including reviewing the range of services provided;
- (iv) Review the nature and the extent of the liaison between the University's staff and the external auditors;
- (v) Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis;
- (vi) Report to the Board any disagreement between the external auditors and management regarding financial reporting that the Audit Sub-Committee has been unable to resolve within a reasonable period of time;
- (vii) Review the draft audit opinion on the annual financial statements; and
- (viii) Meet separately with the external auditors to discuss any matters that the
 - a. Audit Sub-Committee or auditors believe should be discussed privately.

(5) Compliance with Laws and Regulations

The Audit Sub-Committee shall:

- (i) Obtain regular updates from management and others (e.g. external auditors, legal counsel) concerning the University's compliance with financial-related laws and regulations, such as tax and financial reporting laws; and regulations, and legal withholding requirements;

- (ii) Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (iii) Review the findings of any examination by regulatory agencies.

6.2. Conflicts of Interest

The Audit Sub-Committee shall:

- (i) Review the University's policies relating to the avoidance of conflicts of interest between the University and members of management as well as procedures with respect to officers' expense accounts and perquisites, including the use of University assets.

Approval of the President's expense accounts is the responsibility of the Chair of the Board of Regents.

6.3. Right to Seek Independent Advice

If the Audit Sub-Committee deems it appropriate, it has the authority to seek independent expert advice, including the retaining of independent counsel, accountants or others, to assist the Audit Sub-Committee in fulfilling its duties and responsibilities and has the authority to set and pay the compensation for any advisors employed.

6.4. Caveat

While the Audit Sub-Committee has the duties and responsibilities as set out in the Mandate, the Audit Sub-Committee is not responsible for planning or conducting the audit or for determining whether the University's financial statements are complete and accurate and in accordance with generally accepted accounting principles.

7. Meetings of the Committee

The Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out the Committee's duties and responsibilities, but shall meet not less than four times in each calendar year.