

## **FINANCE AND AUDIT COMMITTEE TERMS OF REFERENCE**

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Primary responsibility for the financial reporting, accounting systems, risk management, management plans and budgets, internal controls and treasury of VCC is vested in senior leadership and overseen by the Board of Governors.

### **1. PURPOSE**

The purpose of the Finance and Audit Committee is to assist the Board in fulfilling its obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, the system of corporate controls and risk management, and when required, to make recommendations to the full Board for approval.

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

### **2. COMPOSITION AND QUORUM**

The Finance and Audit Committee is composed of up to four appointed Board Members.

Non-Members may only attend Committee meetings upon the approval of the Committee chair.

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

Committee members should be independent and financially literate.<sup>24</sup> At least one member of the Committee should have a financial designation or relevant financial management expertise. A majority of members of the Committee constitutes a quorum.

### **3. ACCOUNTABILITY TO THE BOARD**

The Committee has no authority to direct senior leadership or to commit VCC 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 Finance and Audit Committee will perform the following duties.

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<sup>24</sup> In this context, "independent" means having no material direct or indirect association with VCC, which could, in the view of VCC'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 VCC's financial statements.

#### **4.1 Financial Planning**

The Committee:

- a) reviews and make recommendations to the Board in respect of:
  - i) tuition and other academic and major mandatory fees;
  - ii) financial plans and budgets forwarded to the Board for approval;
  - iii) the appropriateness and validity of any material assumptions and estimates used in the preparation of such plans or budgets;
  - iv) the consistency of the plans and budgets with policies, objectives and initiatives approved by the board;
  - v) the consistency of the financial plans and budgets with any other financial data;
  - vi) any significant assumptions, forecasts, targets or performance goals used by senior leadership in the preparation of the financial plans and/or budgets; and
- b) ensures the board receives on a timely basis meaningful financial information regarding VCC's current financial status and up-to-date forecasts required to make decisions.

#### **4.2 Financial Reporting**

The Committee:

- a) reviews VCC's annual financial statements to ensure they are fairly presented in all material respects in accordance with generally accepted accounting principles;
- b) reviews all public reporting by VCC to ensure that it represents a complete, accurate and balanced picture of VCC's performance and financial situation;
- c) reviews the financial statements and reports, and recommends their approval or disapproval to the Board; the Committee will provide an explanation if it cannot recommend approval;
- d) discusses with senior leadership 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
  - v) all estimated or judgments of senior leadership that may be material to financial reporting;
- e) discusses with senior leadership and the External Auditor significant financial reporting, record or presentation issues discussed during the fiscal period and the manner of their resolution; and

- f) examines the audited annual financial statements in conjunction with the reports 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 statements 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;
- g) reviews and recommends 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.

#### **4.3 External Audit**

The Committee:

- a) recommends to the Board the appointment of the External Auditor;
- b) determines whether the performance of the External Auditor is satisfactory, effective and meets the requirements of VCC;
- c) reviews all issues related to any change in External Auditor and the planned steps for an orderly transition;
- d) confirms the independence of the External Auditor;
- e) reviews the terms of the External Auditor's engagement, and the appropriateness and reasonableness of the proposed fees;
- f) reviews and recommends to the Board the amount of fees paid to the External Auditor;
- g) reviews and recommends to the Board the audit plan with the External Auditor and senior leadership;
- h) determines whether senior leadership has provided full and open disclosure to the External Auditor's inquiries;
- i) reviews problems experienced by the External Auditor in performing the audit, including any restrictions imposed by senior leadership and all significant accounting issues on which there was a disagreement with senior leadership;
- j) reviews the post-audit opinion letter containing the recommendations of the External Auditor and reviews the senior leadership's response and subsequent follow-up to any significant identified weaknesses; and

- k) reviews and approves the provision of non-audit services provided by the External Auditor.

The Committee shall meet with the External Auditor at least bi-annually, including meeting *in camera* with the External Auditor at least annually or as requested. The Committee shall permit the External Auditor to attend Committee meetings on request.

#### **4.4 Accounting Systems and Internal Controls**

The Committee:

- a) through discussion with senior leadership and the External Auditors, obtains reasonable assurances that VCC has implemented appropriate systems of internal control:
  - i) over financial reporting, information technology, data security and protection of personal information and privacy, and that these systems are operating effectively;
  - ii) to ensure compliance with its policies and procedures 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) reviews with counsel on at least an annual basis any legal matters that could have a significant impact on VCC's financial statements, and to ensure compliance with legal and regulatory requirements;
- c) reviews the evaluation of internal controls by the External Auditor, including any recommendations for improvement of VCC's accounting procedures and internal controls, together with senior leadership's response; and
- d) directs the External Auditor's examinations to particular areas of concern with respect to internal controls.

#### **4.5 Internal Audit**

To the extent there is an Internal Audit function, the Committee:

- a) reviews and approves the terms of an Internal Auditor's engagement;
- b) reviews and approves the Internal Audit plan;
- c) ensures the internal Auditor's approach to risk and internal controls are appropriate;
- d) determines whether the performance of the Internal Auditor is satisfactory, effective and meets the requirements of VCC;
- e) ensures there are adequate resources for the Internal Auditor in performing its functions, including any restrictions imposed by senior leadership and all significant difficulties or disagreements with senior leadership; and
- f) meets with the Internal Auditor *in camera* at least annually.

#### **4.6 Risk Management**

The Committee:

- a) leads the Board's oversight of VCC's risk management;
- b) understands the material risks to VCC;
- c) reviews VCC's risk management controls and policies and seeks input and assistance from other Board Committees as appropriate;
- d) obtains reasonable assurance that senior leadership's systems to eliminate or manage these risks are effective;
- e) receives regular reports on the management of material risks to VCC;
- f) annually reviews VCC's insurance coverage of material business risks and uncertainties; and
- g) reviews VCC's disaster recovery plans.

#### **4.7 Material Litigation**

The Committee reviews and advises the Board with respect to:

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

#### **4.8 Compliance**

The Committee:

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

### **5. MEETINGS**

The Committee meets at least four times per year. Additional meetings may be held as deemed necessary by the Committee chair or as requested by any two Committee members or the External Auditor.

## **6. REPORTING**

The Committee reports to the Board by providing a high-level summary of the Committee's activities at the next Board meeting. The summary details what the Committee has been working on (since it last reported to the Board), what the Committee is bringing forward for discussion or approval, and key issues that the Committee is focused on.

## **7. STAFF SUPPORT**

The Chief Financial Officer provides staff support to the Finance and Audit Committee. Corporate secretarial resources shall be provided to the Committee.

## **8. EXTERNAL ADVISORS**

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

## **9. RESPONSIBILITY FOR POLICY REVIEW**

The Committee has responsibility to review at least every two years, and more frequently if necessary (e.g., based on legislative changes or a development in governance best practices) the following Board and Board-approved organizational policies:

### **9.1 Board Policies**

- Finance and Audit Committee Terms of Reference
- Board Member Liability Coverage
- Board Member Remuneration and Expenses

### **9.2 Board-Approved Organizational Policies**

- Whistleblower Policy
- Procurement Policy
- Investment Policy
- Authorities and Delegations
- Enterprise Risk Management (ERM)

## **10. COMMITTEE CALENDAR OF ACTIVITIES**

The annual calendar of activities for the Finance and Audit Committee is set out below.

FINANCE AND AUDIT COMMITTEE CALENDAR OF ACTIVITIES							
Agenda Item	Sept	Nov	Feb	April	May	June	As needed
At each meeting: Approve minutes of last meeting Review action items	X	X	X	X	X	X	
<b>Financial Planning</b>							
Review quarterly financial results to budget	X	X	X				
Review quarterly FTE performance	X	X	X				
Review quarterly internal financial and FTE forecasts	X	X	X				
Review performance against business plan KPIs	X	X	X		X		
Tuition Approval <ul style="list-style-type: none"> <li>• Domestic</li> <li>• International</li> <li>• New programs</li> </ul>		X X					X
Approve annual operating and capital budgets: <ul style="list-style-type: none"> <li>• Assumptions and risks</li> <li>• Draft</li> <li>• Final</li> </ul>		X	X		X		
Review business plan				X			
AVED funding letter – for information					X		
Review annual financial results and FTE/enrolment performance against budget					X		
Approve Capital Submission to Ministry					X		

FINANCE AND AUDIT COMMITTEE CALENDAR OF ACTIVITIES							
Agenda Item	Sept	Nov	Feb	April	May	June	As needed
Review: <ul style="list-style-type: none"> <li>critical accounting policies, significant estimates, alternative treatments of financial information and material communications between management and external auditor</li> <li>any changes in accounting policies, trends or practises or financial reporting requirements that may affect the financial statements</li> <li>the (i) tax assessments, changes or other tax issues; and (ii) any material pending or threatened litigation, claims and assessments that could have a material impact on the organization's financial position</li> <li>compliance with statutory and regulatory requirements (including privacy)</li> </ul>					X		
<b>External Audit</b>							
Review external auditor's engagement, fees and audit plan		X					
Review audited financial statements and audit report					X		
Review audited FTE statement and audit report					X		
Review external auditor's significant audit findings and management's responses					X		
Discuss external auditor performance					X		
Review third party audit results							X
<b>Internal Controls and Internal Audit</b>							
Review internal audit plan		X					
Receive internal audit report				X			



<b>FINANCE AND AUDIT COMMITTEE CALENDAR OF ACTIVITIES</b>							
<b>Agenda Item</b>	<b>Sept</b>	<b>Nov</b>	<b>Feb</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>As needed</b>
Discuss internal audit performance				X			
Review management's report on internal controls				X			
Review adequacy of financial and accounting staff				X			
Review with external auditor the overall control environment and the adequacy of accounting system controls.					X		
Review any reports under the Whistleblower Policy							X
<b>Risk Management</b>							
Review risk management framework	X						
Receive report on enterprise risk management	X	X	X		X		
Review schedule of investments	X						
Review insurance coverage			X				
Review disaster recovery plan			X				
<b>Procurement</b>							
Approve procurement matters over \$200,000 and review matters over \$500,000 for approval by the Board							X
<b>Public Reporting</b>							
Quarterly External Forecast – for information	X	X	X		X		
Review Government Letter of Expectations				X			
Approval of Institutional Accountability Plan						X	
Approval of Statement of Financial Information						X	
Five Year Capital Plan Request						X	

FINANCE AND AUDIT COMMITTEE CALENDAR OF ACTIVITIES							
Agenda Item	Sept	Nov	Feb	April	May	June	As needed
<b>Governance Matters</b>							
Review Committee terms of reference and calendar of activities.	X						
Review results of Committee self-evaluation		X					
VCC Foundation Update		X					
Review key polices: <ul style="list-style-type: none"> <li>• Board Member Liability Coverage</li> <li>• Board Member Remuneration and Expenses</li> <li>• Whistleblower Policy</li> <li>• Procurement Policy</li> <li>• Investment Policy</li> <li>• Authorities and Delegations</li> <li>• ERM</li> </ul>							X – at least every other year