

BROCK UNIVERSITY AUDIT COMMITTEE CHARTER

The Board of Trustees (the "Board") has established a committee of the Board known as the Audit Committee (the "Committee") to assist the Board in its monitoring of the University's:

- (a) financial reporting and disclosure;
- (b) risk management; and
- (c) compliance with applicable laws and regulations.

1. Composition of Committee

- (a) The Committee shall be appointed annually and shall consist of at least 5 members, one of whom is the Chair-Elect or failing the Chair-Elect, the Vice-Chair or failing the Vice-Chair, the Immediate Past Chair ex-officio, from among the Trustees of the University, each of whom shall be an independent Trustee and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgement as a member of the Committee. The Chancellor is an ex officio member of the Committee. Officers of the University, including the Chairman of the Board and the President may not serve as members of the Audit Committee.
- (b) All members of the Committee shall be financially literate as described in paragraph 3 of the Operating Principles.
- (c) The Governance/Nominating Committee shall nominate the Chair of the Committee for the consideration of the Board of Trustees from those appointed to the Committee.

2. Reliance on Management and Experts

In contributing to the Committee's discharging of its duties under this charter, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the University represented to him or her by an officer of the University or in a written report of the external auditors to present fairly the financial position of the University in accordance with generally accepted accounting principles (GAAP); and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

"Good faith reliance" means that the Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competency and integrity of management or the expert unless there is a reason to doubt their honesty, competency and integrity.

3. Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject.

II AUDIT COMMITTEE CHARTER

A. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles:

(1) Committee Values

The Committee members will act in accordance with University policies, including the University Conflict of Interest policy and the Expectations and Code of Personal Conduct of Individual Trustees (The Code). The Committee expects all employees of the University to operate in compliance with University policies, including the University's Conflict of Interest policy; with laws and regulations governing the University; and to maintain strong financial reporting and control processes.

(2) Communications

The Chair and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairs, the external auditors, the Internal Auditor and other key Committee advisors as applicable.

(3) Financial Literacy

All Committee members shall have the ability to read and understand a set of financial statements that 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 the University's financial statements.

(4) Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter.

In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the University's financial disclosure.

(5) Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chair of the Committee in consultation with Committee members, senior management and the external auditors.

(6) Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.

(7) External Resources

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the University, retain external consulting expertise.

(8) In Camera Meetings

At each meeting of the Committee, the members of the Committee shall meet in private session with the external auditors, as required; with senior management; and with the Committee members only. The Committee shall meet in private session with the Internal Auditor and with senior management responsible for Risk Management and Compliance as often as it deems necessary, but in any event, no less than twice per year.

(9) Reporting to the Board

The Committee, through its Chair, shall report after each Committee meeting to the Board at the Board's next regular meeting.

(10) The External Auditors

The Committee expects that, in discharging their responsibilities, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

(11) Approval of Other Engagements

The Committee shall approve all engagements for accounting advice provided by an audit firm other than the external auditors before such work has commenced.

B. Operating Procedures

- (1) The Committee shall meet a minimum of two times annually or more frequently at the discretion of the Committee. Meetings shall be held at the call of the Chair, upon the request of two members of the Committee or at the request of the external auditors, and a majority of the members of the Committee shall form a quorum.

- (2) The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each Committee member (including the Chair) is entitled to one vote in Committee proceedings. For greater certainty the Chair does not have a second or casting vote.
- (3) Any Trustee may request attendance at a Committee meeting. The Committee may invite any officer or employee of the University or any other person to attend any Committee meetings to participate in the discussion and review of the matters considered by the Committee.
- (4) Unless the Committee otherwise specifies, the Secretary or designate of the University shall act as Secretary of all meetings of the Committee.
- (5) In the absence of the Chair of the Committee, the members shall appoint an acting Chair.
- (6) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each Trustee of the University in a timely fashion.

C. Responsibilities and Duties

Financial Reporting

The Committee shall:

- (1) review the University's annual financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the University's financial position and performance and are in accordance with GAAP and together with management's discussion and analysis constitute a fair presentation of the University's financial condition and report thereon to the Board before such financial statements are approved by the Board;
- (2) review with management and the external auditors the financial statements of the University's significant related organizations and of the University's ancillary operations;
- (3) receive from the external auditors reports on their review of the annual financial statements;
- (4) receive from management a copy of the representation letter provided to the external auditors and any additional representations required by the Committee;
- (5) review and, if appropriate, recommend approval to the Board of Trustees of all public disclosure documents containing audited financial information; and
- (6) satisfy itself that adequate procedures are in place for the review of the University's disclosure of financial information extracted or derived from the University's financial statements in order to satisfy itself that such information is fairly presented;
- (7) periodically assess the adequacy of the procedures outlined in #6.

Accounting Policies

The Committee shall:

- (1) review with management and the external auditors the appropriateness of the University's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with GAAP; and report thereon to the Board;
- (2) review major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the accounts of the University and its subsidiaries;
- (3) review with management and the external auditors the degree of conservatism of the University's underlying accounting policies, key estimates and judgements and reserves.

Risk and Uncertainty

Enterprise Risk Management (ERM)

The Committee shall gain reasonable assurance that risks of the University under the purview of the Board of Trustees (recognizing the responsibilities of Senate for the educational policy of the University as described in the *Brock University Act*) are being effectively managed or controlled by:

- (1) recommending to the Board for approval an ERM Policy setting out an ERM framework for the management of business risks including:
 - (a) the requirement to identify the principal risks of the University;
 - (b) the requirement to develop a methodology to establish the overall tolerance of the University for risk;
 - (c) the requirement to develop and adopt policies which set out the expectations and accountabilities for the management of risk within an established risk tolerance;
- (2) recommending to the Board for approval the principal risks of the University identified by management and any proposed changes thereto;
- (3) recommending to the Board for approval policies setting out the framework within which each identified principal risk of the University shall be managed;
- (4) recommending to the Board for approval any changes to policies addressing and managing the principal risks of the University;
- (5) recommending to the Board for approval the ERM Process that enables management to effectively monitor, manage and report on principal risks;
- (6) at least semi-annually, receiving from management a report specifying the management of the principal risks of the University including compliance with the ERM Policy and other policies of the University for the management of principal risks;

- (7) at each meeting, receiving from the internal auditor a report regarding management's implementation and maintenance of an effective ERM Process throughout the University in compliance with the ERM Policy and other policies of the University for the management of principal risks.

Financial Risk Management

The Committee shall gain reasonable assurance that the financial risks of the University are being effectively managed and controlled by:

- (1) reviewing with management the University's tolerance for financial risk;
- (2) reviewing with management its assessment of the significant financial risks facing the University;
- (3) reviewing with management the University's policies and any proposed changes thereto for managing those significant financial risks by ensuring that policies and procedures are in place to monitor the following: environmental, occupational health and safety, insurance and other risks to asset value and strategies to mitigate damage to or deterioration of asset value;
- (4) reviewing with management its plans, processes and programs to manage and control such risks;
- (5) discussing with management, at least annually, the guidelines and policies utilized by management with respect to financial risk assessment and management, and the major financial risk exposures and the procedures to monitor and control such exposures in order to assist the Committee to assess the completeness, adequacy and appropriateness of financial risk disclosure in management's discussion and analysis and in the financial statements;
- (6) reviewing policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- (7) reviewing foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
- (8) ensuring that policies and procedures are in place to monitor the adequacy of insurance coverages maintained by the University;
- (9) reviewing regularly with management and the external auditors and the University's legal counsel any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the University and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

The Committee shall:

- (1) regularly assess the University's system of internal financial controls and the University's control environment to gain reasonable assurance that such controls are effective and efficient and assist the Board in assessing whether senior management has created a culture of integrity and an effective control environment throughout the organization.
- (2) review the plans of the internal and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;
- (3) receive regular reports from management, the external auditors, the Internal Auditor and the University's legal advisors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

Compliance with Laws and Regulations

The Committee shall:

- (1) review regular reports from management and others (e.g., internal and external auditors) with respect to the University's compliance with laws and regulations having a material impact on the financial statements including:
 - (a) tax and financial reporting laws and regulations;
 - (b) legal withholding requirements;
 - (c) environmental protection laws and regulations;
 - (d) other laws and regulations which expose Trustees to liability;
- (2) review the status of the University's tax filings and those of its related organizations and ancillary operations
- (3) review regular reports from management and others with respect to the University's compliance with laws and regulations and gain reasonable assurance that the University's policies, procedures and programs in relation thereto are operating effectively and that the University's provisions with respect to such matters are sufficient and appropriate;
- (4) (a) Ensure that policies are in place to establish standards to promote integrity and deter wrongdoing including:
 - (i) Freedom of Information and Protection of Privacy Policy
 - (ii) Conflict of Interest Policy
 - (iii) Ethical Purchasing Policy
 - (iv) Disclosure of Financial impropriety Policy
 - (v) Code of Personal Conduct of Individual Trustees

- (b) gain reasonable assurance that waivers of compliance with University policies granted for the benefit of any Trustee or member of management are being granted only by the Board or an appropriately empowered Board committee;
 - (c) review annually the process for monitoring compliance with and communication of University policies to the University's employees and Trustees and gain reasonable assurance that such process is operating effectively;
- (5) discuss with University Legal Counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the business and affairs of the University, or on the compliance policies of the University.

Relationship with External Auditors

The Committee shall:

- (1) recommend to the Board the nomination of the external auditors and the remuneration and the terms of engagement of the external auditors;
- (2) if necessary, recommend the removal of the current external auditors and replacement with new external auditors;
- (3) review the performance of the external auditors annually or more frequently as required;
- (4) receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the University;
- (5) establish a process under which management shall bring to the attention of the Chair of the Committee for approval, all requests for non-audit services above the threshold of \$10,000 to an aggregate ceiling of \$50,000 to be performed by the external auditors for the University and its related organizations and ancillary operations before such work is commenced.
- (6) discuss with management and the external auditors the timing and the process for implementing any rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner;
- (7) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;
- (8) meet regularly with the external auditors in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;

- (9) establish effective communication processes with management and the University's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;
- (10) oversee the work of the external auditors and the resolution of disagreements between management and the external auditors with respect to financial reporting.

Internal Auditor

The Committee shall:

- (1) review the Internal Auditor's terms of reference;
- (2) review the annual plan of the Internal Auditor;
- (3) review the reports of the University's Internal Auditor with respect to control and financial risk, and any other matters appropriate to the Committee's duties. The Committee shall review the adequacy and appropriateness of management's response, including the implementation thereof;
- (4) review and approve the reporting relationship of the Internal Auditor to ensure that an appropriate segregation of duties is maintained and that the Internal Auditor has an obligation to report directly to the Committee on matters affecting the Committee's duties, irrespective of his or her other reporting relationships;
- (5) approve the appointment, replacement, reassignment or dismissal of the Internal Auditor;
- (6) in consultation with management, review and approve the annual compensation payable to the Internal Auditor within the context of the Senior Staff Compensation Policy.

Other Responsibilities

The Committee shall:

- (1) periodically review the form, content and level of detail of financial reports to the Board;
- (2) review annually the expenses of the Chair of the Board and the President and Vice-Chancellor for the purpose of gaining reasonable assurance as to the reasonableness of such expenses;
- (3) after consultation with senior management and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the University's accounting and financial personnel and other resources;
- (4) review in advance the appointment of the University's Chief Financial Officer;
- (5) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;

- (6) review reports from the Internal Auditor, the external auditors, and/or other Committee Chairs on their review of compliance with the Expectations and Code of Personal Conduct of Individual Trustees.
- (7) develop and approve the University's policies with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors;
- (8)
 - (a) review procedures for:
 - (i) the confidential receipt, retention and treatment of complaints received by the University regarding the University's accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters; and
 - (b) require that all breaches of the Financial Impropriety Policy be reported to the Committee together with a description of the resolution of the complaints or concerns;
- (9) review management's reports on compliance with, and proposed changes to, all Board level policies that have been approved by the Board from time to time.

Accountability

The Committee shall:

- (1) review and assess this Charter and Terms of Reference in the Bylaws at least once every three years, or more frequently if necessary, or at the request of the Secretary or Associate Secretary of the University as a result of legislative or regulatory changes, taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines and, if appropriate, recommend changes to the Charter to the Governance/Nominating Committee for recommendation to the Board for its approval, except for minor technical amendments to this Charter, authority for which is delegated to the Secretary or Assistant Secretary of the University, who will report any such amendments to the Board at its next regular meeting.

[Approved by the Board of Trustees
April 28, 2011]