

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

**REPORT NUMBER 109 OF THE AUDIT COMMITTEE**

**October 9, 2013**

To the Business Board,  
University of Toronto.

Your Committee reports that it met on Wednesday, October 9, 2013 at 4:00 p.m. in the Board Room, Simcoe Hall, with the following members present:

Ms Paulette L. Kennedy (Chair)  
Ms Penny Somerville (Vice-Chair)  
Mr. Jeff Collins  
Mr. Brian Lawson  
Mr. Peter Robinson  
Mr. Chris Thatcher +

Mr. Louis Charpentier, Secretary of the Governing Council  
Prof. Scott Mabury, Vice-President, University  
Operations

Ms. Sheree Drummond, Secretary

Regrets:

Mr. Mark Britt  
Ms Sheila Brown  
Ms Kathryn A. Jenkins

In Attendance:

Ms. Diana Brouwer, Ernst & Young ++  
Ms Stephanie Chung, Ernst & Young ++  
Mr. Pierre G. Piché, Controller and Director of Financial Services  
Ms Martha J. Tory, Ernst & Young ++

+ Absent for item 8.

++ Absent for items 6 - 8.

ITEM 5 IS RECOMMENDED TO THE BUSINESS BOARD FOR APPROVAL. ALL OTHER ITEMS ARE REPORTED TO THE BUSINESS BOARD FOR INFORMATION.

**1. Chair's Remarks**

The Chair welcomed the newest member of the Committee, Mr. Brian Lawson. She also noted that two of the Presidential Assessors, Ms Sheila Brown and Mr. Mark Britt, would not be in attendance as both were out of the country.

**2. Report of the Previous Meeting**

Report Number 108 (June 12, 2013) was approved.

**REPORT NUMBER 109 OF THE AUDIT COMMITTEE – October 9, 2013****3. Business Arising from the Report of the Previous Meeting**

The Chair noted that Professor Mabury would report on U of T's Risk Management Framework at the November 26, 2013 meeting of the Committee. Further to the *Reporting Incidents of Suspected Financial Impropriety Procedure* discussion at the June meeting and the suggestion to create a 'register', the Chair advised that Mr. Mark Britt had indicated that he would come forward with a proposal to discuss at the November meeting.

**4. Audit Committee****(a.) Terms of Reference: Annual Review**

The Chair reminded members that the Committee approved a revision to the Terms of Reference at the June meeting. This should have proceeded to the Cycle 1 Business Board meeting, however, due to an oversight it did not go forward at that time but it would go forward in Cycle 2.

In reviewing the Terms of Reference, the Committee discussed existing practices and reviewed areas for further evaluation and opportunities.

**(b.) Calendar of Business**

The Chair noted that the Calendar of Business was publicly available on the Governing Council website and that it was updated weekly as needed. There were no suggestions for additions or deletions of items from members.

**(c.) Overview of the structure of the University**

Professor Mabury provided an overview of the academic and administrative structure of the University. He began by noting that in his view, a faculty member and a student were at the top of the organizational structure. This is where teaching and research, the twin pillars of the University's mission, played out. He pointed out that all faculty and students exist within a department and he briefly outlined the faculty and departmental structure of the University, noting that there are multi-department faculties (e.g., Arts & Science) as well as single department faculties (e.g., Social Work). He spoke to the size of the student body across the three campuses and the rapidly increasing numbers of international undergraduate students, noting that last fall they made up approximately 13% of the incoming class and that this fall that numbers was almost 22%. He reminded members that the University had a \$1.8 billion operating budget of which \$200 million was in the divisions, and that 89% of the University's revenue came from tuition and government grant. Professor Mabury continued by describing the vice-presidential level, noting that the Vice-President and Provost is the chief academic and budget officer. He explained that the portfolios that were represented by a vice-president made up the shared services domain. He said that the allocation for the shared services was currently \$450 million (roughly 25% of total expenditures at the University) and that the Divisional Advisory Committee (DAC) advised the President on shared services funding. In terms of the divisional budgets, the Vice-President and Provost and senior members of her team had an annual academic budget review meeting with each Dean. These meetings involved an extensive review of the respective divisions' priorities and budget plan. These meetings also informed the Provost's decisions as to where to allocate the University Fund (the Fund was created by taking 10% off of new revenues that came into the divisions and was used to support strategic priorities). Professor Mabury commented that the role of the President and the Governing Council was to support what happens with a

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faculty member and a student. He posited that some of the reasons why the University had been able to perform well even with the lowest per student funding in Canada were: because there was a deep sense of common purpose; departmental Chairs were empowered with significant responsibility and were held accountable; the University hired well; the University was very lean bureaucratically; the University had detailed policies and procedures, but was not rigid; and, that the budget model was a unique strength. He closed by saying that the University of Toronto was a place driven by the quality of an idea.

A member asked whether more could be done to make use of University facilities over the summer months. Professor Mabury agreed that as building assets were fixed assets increasing the revenue from these spaces was a positive goal. He noted that all three Arts & Science divisions had implemented plans for increased summer enrolment and that they hit their three-year target in the first year. Another member asked what the next step was in terms of what needed to be implemented in order to take the University to the next level. Professor Mabury replied that while the University had been well-served by the budget model to date this was in a period of revenue gains, as the expense side comes to the fore it would become apparent whether the Model would enable the University to better manage this aspect. He noted that on November 1, 2013 he would be announcing a \$50 million efficiency target in the University Operations portfolio.

**5. Policy on the use of the External Auditor for Non-Audit Services**

The Chair invited Mr. Pierre Piché to introduce the item. Mr. Piché advised members that the revisions reflected the changes suggested by members at the April 29, 2013 meeting of the Committee, namely:

- 1) A reduction in the delegation to the Chief Financial Officer from \$250,000 to \$100,000, excluding applicable taxes, per assignment, with no change in the specific categories so delegated.
- 2) The introduction of quarterly accumulative reporting by the Administration to the Audit Committee on payments to the external auditor for non-audit services.

He noted that the delegation level was reduced because, over the period of more than six years since the inception of the policy, no individual assignment had been large enough to exceed the delegation. He said that the payment reporting was added to augment the annual reporting provided to the Audit Committee with information that would be more immediate.

The Chair noted that there could be circumstances whereby the Chair had approved an assignment but that the services were never provided. In cases like these the Committee would still receive a report.

On a motion duly moved, seconded and carried

**YOUR COMMITTEE RECOMMENDED**

**THAT** the revised *Policy on the Use of External Auditor for Non-Audit Services* dated October 9, 2013, be approved effective November 1, 2013.

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**Statement of Principles – Improvements for Not-for-Profit Standards**

The Chair invited Mr. Pierre Piché to introduce the item. She noted that it was for information. Mr. Piché advised members that the Accounting Standards Board and the Public Sector Accounting Board proposed to revise Part III in the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, and the CICA Public Sector Accounting (PSA) Handbook. The statement of principles and any resulting exposure drafts would apply to private and public sector not-for-profit organizations (NFPO). He said that the statement represented a first step in each Board's due process for developing improved standards. He reported to members that the Financial Committee of the Council of Ontario Finance Officers had expressed its serious concerns with the statement in a response it had sent to the CICA. Mr. Piché and Ms Tory explained to members the impact on universities should this approach go forward. Members discussed a possible response from the University of Toronto that would highlight why the proposed standards would not meet the needs of the users and ultimately would not meet the public interest.

THE COMMITTEE MOVED *IN CAMERA*.

**6. Reports of the Administrative Assessors**

Professor Mabury reported on a real estate matter, a capital project matter, an enrolment matter and a government relations matter.

The Committee returned to closed session.

**7. Date of the Next Meeting – Tuesday, November 26, 2013 at 4:00 p.m.**

**8. Other Business**

THE COMMITTEE MOVED *IN CAMERA*.

Mr. Piché updated the Committee on the Request For Proposals process.

The Committee returned to closed session.

The meeting adjourned at 5:55 p.m.

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Secretary

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Chair

October 30, 2013