

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 112 OF THE AUDIT COMMITTEE

April 28, 2014

To the Business Board,
University of Toronto.

Your Committee reports that it met on Monday April 28, 2014 at 4:00 p.m. in the Boardroom, Simcoe Hall, with the following members present:

Ms Paulette L. Kennedy (Chair)	Mr. Mark Britt, Director, Internal Audit +++
Ms Penny Somerville (Vice-Chair)	Ms Sheila Brown, Chief Financial Officer ++
Mr. Howard Shearer	Mr. Louis Charpentier, Secretary of the Governing Council ++
Mr. Brian Lawson	Prof. Scott Mabury, Vice-President, University Operations ++
Mr. Peter Robinson	
Mr. Chris Thatcher	

Ms. Sheree Drummond, Secretary

Regrets:

Mr. Jeff Collins
Ms Kathryn A. Jenkins

In Attendance:

Ms Diana Brouwer, Ernst & Young ++
Ms Stephanie Chung, Ernst & Young ++
Mr. Rafael Eskenazi, Director, Freedom of Information and Protection of Privacy Office ++++
Mr. Pierre G. Piché, Controller and Director of Financial Services +
Ms Martha J. Tory, Ernst & Young ++

+ Absent for items 5 - 11
++ Absent for items 10 - 11
+++ Absent for item 11
++++ In attendance for item 6

ALL ITEMS ARE REPORTED TO THE BUSINESS BOARD FOR INFORMATION.

1. Chair's Remarks

The Chair welcomed members and reminded them that the Committee met in closed session and that the materials were confidential.

2. Report of the Previous Meeting: Report Number 111 of the Audit Committee – March 6, 2014

The Chair advised members that a minor amendment was received from the Vice-Chair and that this was reflected in the version posted on the governance portal. She also noted that the Minutes would not be made publicly available until following the May 22 Governing Council meeting.

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Report Number 111 (March 6, 2014) was approved.

3. Business Arising from the Report of the Previous Meeting

The Chair noted that one matter of business arising was related to the *Procedures for Reporting Incidents of Financial Impropriety* and that this was item 5 on the agenda. She said that there were no other items of business arising other than any updates that Mark Britt might provide on items that he reported on *in camera* at the previous meeting. She said that any such updates would take place in the *in camera* session.

4. Draft Audited Financial Statements and Notes – April 30, 2014

The Chair noted that the full statements would come before the Committee at the June 11, 2014 meeting, at which time the Committee would consider a motion to recommend approval. She advised members that at this time no formal action was required other than to provide any advice on the notes.

Mr. Piché highlighted the major changes in the notes. The main change was that the University had decided to early adopt Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations, of the CPA Canada Handbook – Accounting. He indicated that other Ontario universities were following the University of Toronto's example and would be early adopting as well. Mr. Piché explained that as a result of this change, remeasurements and other items would be recognized directly in net assets in the statement of financial position, rather than in the statement of operations. He said that by adopting 3463 the University would eliminate a lot of variability in its net income. He also noted that determination of the University's obligations for all of its employee future benefits will be done using funding assumptions rather than using accounting assumptions. Mr. Piché said that the remaining changes in the notes could be classified as 'cleaning up' and that the goal had been to make the notes easier to understand (e.g., the reclassification of investments have been provided in a table for greater clarity).

A member commented that in the prior year there was an assumption regarding the value of the land and that he did not see that in this year's notes. Mr. Piché explained that this had been a one-time notation as the new book value of the land was as of May 1, 2011. The Chair asked for clarification of (5.) under 2. A. a.) specifically whether the cost was the fair value when the University changed accounting principles. Mr. Piché replied in the negative and explained that this was land that was held in capital assets and that there was no discussion of that valuation. A member suggested that in 2. A. g.), Capital Assets, a sentence could be added for clarity.

In response to a question as to whether the Sunnybrook land was accounted for, Mr. Piché explained that this was the one parcel of land that was excluded from the University's valuation. Professor Mabury remarked that with regard to the Sunnybrook land, the City had made a preliminary approach to the University about the possibility of building a fire station and ambulance bay on a part of the land but that this matter had not been further pursued by the City to date.

The Chair asked about the status of the matter of revenue recognition and endowments that was being considered by the CPA Canada. Ms Tory replied that the CPA Canada had received over 300 responses on this matter, by far the most responses ever received on any matter, and that for the most part they were not positive. She indicated that the CPA Canada was likely considering its next steps and that the recent change in leadership might have some impact on this issue.

REPORT NUMBER 112 OF THE AUDIT COMMITTEE – April 28, 2014**5. Reporting Incidents of Suspected Financial Impropriety Procedure – Procedural Amendments Revisited**

The Chair reminded members that at the last meeting Mr. Britt had reported that he had met with the President and the Vice-Presidents and that they were supportive of the changes that he had proposed with regard to the *Procedure*. She noted that the revisions that were proposed had arose from a request from this Committee to explicitly identify the process for receiving reports of suspected financial impropriety and reporting them to management and the Chair of the Audit Committee.

Mr. Britt advised that two paragraphs in Section D have been amended to clarify the order of reporting a concern and to ensure the protection of privacy of the alleged or suspected individual(s) involved.

The Chair commented that it was appropriate that University officers would be informed before the matter was brought to the attention of the Chair of the Audit Committee, however, she noted that the proposed language would suggest that the Chair would not be informed until the Director of Internal Audit, after undertaking an initial review, was confident that an impropriety had occurred. In response to a question from a member, Mr. Britt provided members with a brief description of what an 'initial review' entailed. Members suggested that it might be more appropriate for the Chair to be contacted once an initial review had determined that there was 'sufficient likelihood' that a financial impropriety had occurred. Mr. Britt agreed to further refine the language accordingly and to bring back the item to the June 2014 meeting.

6. Freedom of Information and Protection of Privacy - Update

The Chair welcomed Mr. Rafael Eskenazi, Director, Freedom of Information and Protection of Privacy (FIPP) Office. She said that in light of the Committee's mandate, it had been decided that it would be useful for the Committee to receive a briefing on Freedom of Information and Protection of Privacy at the University.

Mr. Charpentier reminded members that universities in Ontario came under the *Freedom of Information and Protection of Privacy Act* (FIPPA) in 2006. Prior to that period the University of Toronto had had policies in place that were similar to, and in line with, the existing legislation. In addition, the University had a well-established culture with regard to freedom of information. Nevertheless, when the University came under the FIPPA there were some changes required in order to ensure compliance with the legislation. Based on recommendations from a consultant hired to assist the University with planning for the transition, a small office was formed and a Director was hired who brought with him experience as a senior staff member in the Ministry of Government Services as well as experience in the Office of the Information and Privacy Commissioner (IPC). At that time a network of individuals across the University's academic and administrative divisions was established. These Freedom of Information Liaisons (FOILs) were the first point of contact for the FIPP Office on FIPPA related matters. Mr. Charpentier explained that this was a good example of how the University successfully managed a decentralized activity while still being highly responsive. Mr. Charpentier noted that at the outset there was a strong commitment to the success of this venture by the then President and then Provost.

Mr. Britt advised members that after the legislation had been in place for five years, Internal Audit had worked with the FIPP Office to undertake a self-assessment exercise (in the form of an electronic survey). The goal had been to determine the extent to which practices were consistent with the legislation and whether further training would be required. The survey was undertaken between January and February

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2012, with a fairly high response rate. Mr. Britt said that the results were informative and that they indicated that there were some issues that needed to be addressed in regard to the level of knowledge and understanding of the legislation. Since that time Internal Audit had been working with the FIPP Office to develop additional training. On a go-forward basis Internal Audit had also developed a check-list to use in department audits. Assessments would be done at that time and the information would be provided to the FIPP Office.

Mr. Eskenazi referred to the University's Year-End Statistical Report that was provided on an annual basis to the IPC. He explained that the key purpose of the Report was for the IPC to track compliance with the 30 day response requirement. He said that the University of Toronto had regularly scored at the 80% - 90% level, in 2013 it was 94.7% (well above the average for universities and other institutions covered by FIPPA). He noted that extensions were permitted under the legislation and that its extended compliance rate was 100%. On the privacy front he said that while there had been incidents of privacy breaches, the University had effectively managed these breaches and where appropriate had reported to the IPC. He said that the two breaches that had been reported to the IPC were accepted by the IPC and that there had been no requests for further action. He noted that the University had a robust privacy breach protocol in place that was in line with what the IPC expected and recommended.

In the discussion that followed a member asked about the huge sample of data that was collected by the University and inquired as to whether any attempt had been made to monetize that data. Mr. Eskenazi replied that this was the type of action that the legislation was designed to prevent. He said that the University did share alumni information with affinity partners and that it also used information for the purposes of its own fundraising, but that this was done in accordance with requirements under the legislation (i.e., notice is given and there is an opt out provision).

A member asked whether there were fees associated with requests. Mr. Eskenazi explained that there was a \$5 fee for making a request and that there were other fees (e.g., 20 cents per page for photocopying). Professor Mabury noted that the fees were very modest. Mr. Eskenazi emphasized that the goal was to keep the fees reasonable and explained that they were not cost recovery.

7. Reports of the Administrative Assessors

Professor Mabury updated the Committee on the evolving relationship with the local city councilor. He said that the councilor had expressed support for the University's plans for the Huron-Sussex neighborhood and was also very positive about the proposed residence for Sussex-Spadina.

8. Date of the Next Meeting – Wednesday, June 11, 2014

The Chair reminded members that the major item of business for the meeting would be the review of the audited financial statements.

THE COMMITTEE MOVED *IN CAMERA*.

9. Other Business

No items of other business were raised.

THE COMMITTEE MOVED *IN CAMERA*.

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The Chair indicated that for the Cycle 5 meeting in 2015 a Private Meeting with the External Auditor would be included on the agenda. The Chair asked the Director, Internal Audit to leave the room to allow for a brief report from the external auditors.

10. Internal Auditor – Private Meeting

Members of the administration, the Secretariat (with the exception of the Committee Secretary) and the external auditors absented themselves. The Committee met privately with the Director, Internal Audit.

11. Committee Members Alone

Members discussed a matter related to the financial statements.

The Committee returned to closed session.

The meeting adjourned at 5:45 p.m.

Secretary

Chair

April 29, 2014