

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 116 OF THE AUDIT COMMITTEE

April 29, 2015

To the Business Board,
University of Toronto.

Your Committee reports that it met on Wednesday, April 29, 2015 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++
Mr. Brian D. Lawson (Vice-Chair)	Ms Sheila Brown, Chief Financial Officer+
Mr. Robert Boeckner	Mr. Louis Charpentier, Secretary of the Governing Council+
Ms Janet Ecker	Professor Scott Mabury, Vice-President, University Operations+
Ms Kathryn Jenkins	
Ms Penny Somerville	
Mr. Christopher Thatcher	

Mr. David Walders, Secretary

Regrets:

Mr. Howard Shearer

In Attendance:

Ms Diana Brouwer, Ernst & Young +++
Dr. Pierre G. Piché, Controller and Director of Financial Services +
Ms Joyce Yu, Ernst & Young +++

+ Absent for items 13-14
++ Absent for Item 14
+++ Absent for Items 12-14

ITEM 2 IS RECOMMENDED FOR APPROVAL AND ALL OTHER 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.

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2. Report of the Previous Meeting: Report Number 115 of the Audit Committee – December 2, 2014

Report Number 115, from the meeting of December 2, 2014, was approved.

3. Pension Plans: Annual Financial Report

Ms Brown informed the Committee that the University's application to the Provincial Government for Stage 2 solvency relief had been accepted. As such, the Annual Financial Report had only recently been finalized and was therefore now being presented to the Committee. Additionally, Ms Brown outlined various initiatives within the Broader Public Sector, the university community and the University of Toronto itself to explore Jointly Sponsored Pension Plans. She also noted that the process to merge the University of Toronto Pension Plan (RPP) and the University of Toronto Pension Plan (OISE) remained under advisement.

Turning to the Report, she noted that results were greatly improved over the previous year despite the increase in liability occasioned by the change in mortality tables. In response to a members question regarding any available updates to the Report, Ms Brown replied that investment returns as of the end of March, 2015 were approximately 11%.

4. Report on Non-Audit Services by the External Auditors for the period from November 1, 2014 to January 31, 2015

Dr. Piche drew member's attention to one line item in the Report - RST recovery for prepared meals and food- and provided a brief explanation.

There were no questions from members.

5. Oversight Of Auditors: Not-for Profit Organizations

The Chair reminded members that the Committee had asked the external auditors for this report and she thanked Ms Brouwer and her team for preparing it and presenting it to the Committee.

Ms Brouwer noted that reports such as this were becoming more commonplace within the not-for-profit sector and, especially for organizations that had long-standing relationships with a given external auditor reports such as this were very useful.

Following a discussion, members and the Chair agreed that at the next regular meeting of the Committee, members would use the template questions contained in the report provided by Ms Brouwer and her team to conduct a review of the external auditors with the auditors present, rather than *in camera*.

REPORT NUMBER 116 OF THE AUDIT COMMITTEE – April 29, 2015**6. Draft Notes to Audited Financial Statements – April 30, 2015**

Dr. Piché drew member's attention to two changes to the Notes: one was the addition of an accounting policy for joint ventures, while the other concerned the disclosure of the Toronto Pan Am Sport Centre Incorporated financial information and related third party transactions.

In reply to a member's question, Dr. Piché confirmed that, with the acquisition by the University of additional shares in the Pan Am joint venture with the City of Toronto, the University had not increase its ownership share in the joint venture since the City had also increased its shares in the joint venture. Replying to a question from a member, Ms Brown and Dr. Piché noted that the current University policy concerning FX hedging on the USD was 65%.

7. Freedom of Information and Protection of Privacy (FIPP)– Update

Mr. Charpentier informed the Committee that the University had performed exceptionally well with respect to compliance with information requests as well as managing private information and responding to privacy breaches. Mr. Rafael Eskenazi provided an overview of the FIPP office and the management and oversight mechanisms in place to ensure privacy protection and responsiveness to freedom of information requests. He noted that the 30-day response rate for compliance with information requests was 98%, which was very high. He also noted that by September 2015, it was expected that all divisions within the University would have their own internal privacy policy.

In reply to a member's question concerning the involvement of the FIPP office in dealing with hacking incidents at the University, Mr. Eskenazi noted that the FIPP office was directly involved in providing critical notices to parties potentially affected by such incidents.

8. Draft Policy on Cyber Security¹

Professor Mabury provided an overview of the Draft *Policy*, highlighting the following key points:

- This third draft of the *Policy* contained a key amendment from earlier versions, namely the creation of an Information Security Council, which would be an expert panel charged with the continual monitoring of cyber security as well as recommending both preventative and reactive initiatives regarding potential security breaches. The Council would be co -chaired by an academic expert and the membership of this Council would include individuals from both the central

¹ The formal name for the proposed Policy is *the Policy on Information Security and the Protection of Digital Assets*.

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administration and from the individuals units, as well as individuals from outside the University.

- The revised *Policy* also articulated that individual units within the University were responsible for cyber security within their units. The units could carry out this function in one of two ways: they could either devise individual policies and mechanisms that were unit-specific and assume joint responsibility for cyber security with the central administration or, in the alternative, units could choose to sign onto the *Policy* developed by the central administration.
- It was expected that once the *Policy* had been approved by governance, it would be fully operational within approximately one year.

In reply to a member's question, Professor Mabury reported that, should units elect to assume responsibility for their own cyber security, the vast majority of employees charged with carrying out this responsibility within the units would be doing so in addition to the existing duties within their portfolios.

9. Reports of the Administrative Assessors

Professor Mabury provided an update on a member's query from the previous meeting of the Committee, regarding offers made by the University to domestic undergraduate students. In so doing, he reiterated careful attention was made to ensure that there was an appropriate balance of domestic students and international students reflecting the University's strategic priorities.

10. Date of the Next Meeting – June 17, 2015 at 4:00 p.m.

The Chair advised that the next meeting would be on Wednesday, June 17, 2015 at 4:00 p.m.

11. Other Business

There were no items of other business.

THE COMMITTEE MOVED *IN CAMERA*.

12. Incident Report

Professor Mabury updated the Committee on a security breach that had occurred within the University.

13. Internal Auditor – Private Meeting

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Members of the administration absented themselves and the Committee met privately with the Director, Internal Audit.

14. Committee members alone

The Committee returned to closed session.

The meeting adjourned at 6:15 p.m.

Secretary

Chair

April 30, 2015