

## **Policy on Use of the External Auditor for Non-Audit Services**

### **Purpose**

The Governing Council approves the appointment of the University's external auditor upon the recommendation of the Business Board and the Audit Committee. The Audit Committee is responsible to ensure that the objectivity and independence of the external auditor is maintained while providing non-audit services. The primary role of the external auditor is to perform audits for the University of Toronto for which an audit opinion is issued.

The external auditor is bound by the independence rules promulgated by the Canadian Institute of Chartered Accountants, effective January 1, 2004, and published in the *Guide to New Canadian Independence Standard*.

A non-audit service is defined as a service for which an external audit opinion is not issued and for which an additional fee is charged.

The purpose of this policy is to articulate the authorities for engaging the external auditor for non-audit services.

### **Policy**

1. The University will not engage its external auditor to carry out any prohibited services as determined by the Canadian Institute of Chartered Accountants.
2. The external auditor may refuse any assignment that it deems to be an infringement of its independence without negative consequence.
3. The Governing Council delegates to the Chair of the Audit Committee the authority to approve the engagement of the external auditor for non-audit services.
4. The Chair of the Audit Committee has the authority 1) to approve the non-audit service or 2) to consult with the full Audit Committee before making a decision, or 3) to refer it to the Audit Committee to recommend approval to the Business Board and Governing Council.

5. The Governing Council delegates to the Chief Financial Officer the authority to engage the external auditor for the following pre-approved routine non-audit services up to \$250,000 per assignment:
  - a. All tax matters, including, but not limited to income tax, retirement planning, sales taxes, commodity taxes, business taxes, real estate taxes, land transfer taxes, issuance of charitable receipts and assessments of the broad-based tax implications for individual transactions.
  - b. External auditor participation in the risk assessment process.
  - c. Professional services with respect to advice on the accounting for individual transactions (e.g. real estate acquisitions) or categories of transactions (e.g. employee future benefits).
  - d. Professional services with respect to advice on financial statement note disclosures (e.g. Ontario Student Opportunity Trust Fund disclosures).
6. The Chief Financial Officer can delegate his or her authority to other members of the administration, as appropriate to engage the external auditor for pre-approved non-audit services within their area of responsibility (e.g. income tax consulting delegation to Human Resources).
7. The Audit Committee receives an annual report from the external auditor which lists all non-audit services performed by the external auditor.
8. This policy becomes effective May 1, 2006.

Sheila Brown  
Chief Financial Officer  
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