UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 56 OF THE AUDIT COMMITTEE

May 24th, 2000

To the Business Board,
University of Toronto.

Your Committee reports that it met on Wednesday, May 24th, 2000 at 5:00 p.m. in the Board Room, Simcoe Hall, with the following members present:

Mr. Robert S. Weiss (In the Chair)
Ms Christine A. Capewell
Mr. Roger P. Parkinson
Dr. Marlene Puffer
Professor Wally Smieliauskas
Ms Penny Somerville

Mr. Robert G. White, Chief Financial Officer***
Mr. Mark L. Britt, Director, Internal Audit Department

Mr. Neil Dobbs (Secretary)***

Regrets:

Mr. Donald A. Burwash
Ms Wanda M. Dorosz

In Attendance:

Dr. Peter B. Munsche, Assistant Vice-President, Technology Transfer*
Mr. Keith B. Bowman, Ernst & Young***
Ms Sheila Brown, Controller and Director of Financial Services***
Professor Levante L. Diosady, Secretary-Treasurer, Hungarian Research Institute of Canada*
Ms Laurie M. Lawson, University of Toronto Asset Management Corporation **
Mr. Donald W. Lindsey, President and Chief Executive Officer, University of Toronto Asset Management Corporation**
Mr. Pierre Piché, Associate Controller***
Ms Deborah E. Simon-Edwards, Executive Assistant to the Chief Financial Officer***

* In attendance for item 2.
** In attendance for item 4.
*** Absented themselves for the consideration of item 9.

ALL ITEMS ARE REPORTED TO THE BUSINESS BOARD FOR INFORMATION

1. Report of the Previous Meeting

Report Number 55 (November 24th, 1999) was approved.

2. Hungarian Research Institute of Canada: Audited Financial Statements for the Year ended December 31st, 1998

The Chair noted that the Hungarian Research Institute was an affiliated "research ancillary" of the University. As part of the affiliation agreement, the Institute had undertaken to present its annual report and financial statements to the University. The Audit Committee's role was a limited one: to be satisfied that the Institute was managing its finances in a manner that would not cause the University concern about the affiliation. The Committee had no responsibility to review the non-financial aspects of the Foundation's operations. That was the responsibility of the Vice-President - Research and International Relations.

Professor Diosady noted that the Institute was operated by volunteers such as himself. Having sponsored a major conference in 1997, the Institute's activities in 1998 were more limited and had concentrated on its publishing activities. Although spending had exceeded revenues by about $14,000 in 1998, the Institute remained in a solidly positive financial condition, and Professor Diosady hoped that its activities would provide a good basis for fundraising in 2001.

Dr. Munsche noted that an earlier draft of the financial statements had contained one or two items that had given rise to questions with respect to presentation. The statements had been revised and reviewed by the University's Financial Services Office, and the concerns had been resolved. The Chair noted that this action, along with the long gap since the Committee's previous meeting, had been responsible for the late presentation of statements for the year ended December 31st, 1998.

In response to a question, Professor Diosady said that the donations listed amongst the Institute's expenses were donations to support Hungarian-studies activities. They were not expenses incurred in fundraising. As it happened, most or all of the donations made in 1998 had been made to the University of Toronto.

Following the departure of the guests, the Chair noted that the dollar amount of the Institute's operations was not material relative to the University's financial operations. He had therefore asked the Secretary to consider whether it would be necessary for the Committee to continue its annual review of the Institute's financial statements. The Secretary noted that the terms of reference of the Business Board had at one time required the Committee to review the financial statements of all incorporated research ancillaries and to recommend them for approval by the Board. However, with the closing of all such ancillaries except for the Hungarian Research Institute, that requirement had been removed. The Committee's own terms of reference stipulated simply that the Committee "reviews such other University-related financial statements and reports as the Business Board instructs or the Audit Committee itself deems appropriate to the responsible execution of its duties. . . ." If, therefore, the Committee did not deem the review of the Institute's statements to be of sufficient materiality, it would be free to cease its annual review of them. A member expressed the hope that the statements would continue to be reviewed by the University's Controller. Mr. White and the Secretary replied that the affiliation agreement required that the Institute submit its annual report and financial statements to the President of the University. Therefore, they would continue to be reviewed by the Vice-President - Research and International Relations. If the Vice-President so requested, and it was

2. Hungarian Research Institute of Canada: Audited Financial Statements for the Year ended December 31st, 1998 (Cont'd)

likely that she would, the Controller would arrange for a review of the financial statements. It was generally AGREED that the Committee cease to review the financial statements of the Hungarian Research Institute. It was also generally AGREED that the Committee recommend that the statements be reviewed by the University's Financial Services Office, and that the Chief Financial Officer arrange for the resumption of their review by the Audit Committee if the scope of the Institute's activities were to increase sufficiently to warrant such a review. Mr. White stated, and it was AGREED, that this amendment in the Committee's role should in no way be construed as a reduction of interest on the part of the University in the work of the Institute, which continued to make an important contribution to the field of Hungarian Studies and which helped to cement a highly valued relationship between the University and the Hungarian-Canadian community.

3. Business Arising from the Report of the Previous Meeting

Year 2000 Preparedness: Follow-up Report

The Chair recalled that, at the previous meeting, following Professor Gorrie's report on year-2000 readiness, a member had suggested that it would be useful to receive a follow-up report to let the Committee know how the transition to the new millennium had actually worked out. That report had been distributed with the agenda package.

It was proposed by a member and AGREED that the Committee record its commendation of Dr. Gorrie for his excellent work in leading the University's successful efforts to ready its systems for the changeover to the new millennium. It was proposed by the Chair and AGREED that the Committee extend that commendation to members of the administration, including the Committee's assessors, whose work had also been essential in ensuring that the University achieved readiness. Mr. White thanked the Audit Committee for its role with respect to this issue. It had represented an outstanding job of governance. While the transition to the year 2000 had proved to be uneventful, that outcome had been the result of dedicated efforts to achieve preparedness.

A member asked whether the University had developed protocols to protect the University's systems from computer viruses. Was that an appropriate subject for the Committee's consideration? Mr. White was unaware of the status of University-wide efforts in this area, but he had been aware of at least one episode of a virus infiltration within the University. The Chair asked that a report on the matter be brought to a future meeting. A member cautioned that there were very real limits on the steps that could be taken; it would likely prove impossible to establish any fool-proof means of protecting against computer viruses.

4. Financial Statements: Draft Notes

The Chair recalled that notes to the financial statements would come before the Committee as part of the complete financial statements at the June 21st meeting, at which time the Committee would consider a motion to recommend their approval. It was, however, the Committee's habit to review the notes at the penultimate meeting of the year and to tender any advice or express any concerns at this time.

Mr. White noted that the administration had for many years been bringing the notes to the Committee in advance. It enabled the Committee to focus on what was known at this time. It might well be that as the audit proceeded, it would prove necessary to amend the notes. If so, the Committee would be advised of the specific changes.

Ms Brown presented the notes, focusing on the changes from the previous year. Those changes were all minor, most often made to provide for greater clarity. She recalled that there had been a number of significant changes in accounting policies 1998-99, which had been described in that year's statements and which had required the restatement of comparative figures from the prior year's statements. There would be no changes in accounting policies affecting the 1999-2000 statements.

- **Note 1, Description**. Last year's note described the University as "a not-for-profit organization" that was exempt from income taxes. The term to be used for the 1999-2000 statements was "a registered charitable organization."

- **Note 2, Accounting policies and reporting practices: capital assets**. The current year's note specified that computers were amortized on a straight-line basis at a rate of 20% per year.

- **Note 3(c), Investments: Derivative financial instruments**. The previous year's note had referred to the University's bond swap contract, which had been used as a component of an investment. The bond swap contract had expired early in the fiscal year. The new note described the University's interest-rate swap agreements, which were being used to finance certain University residence projects. The note also described certain equity futures contracts, which continued to be used as investment vehicles.

- **Note 4, Capital assets**. The note provided information concerning the book value of the University's capital assets, including land, buildings, equipment and furnishings, and library books. The note included the replacement value of some of those assets. In the previous year's notes, the replacement value had been based on "inflation indices provided by . . . [the University's] insurer to establish the replacement value of assets for insurance purposes." The new note described the current valuation method: "The University's insurer develops replacement values for buildings and contents for insurance purposes using an independent appraisal service."

- **Note 6, Long-term debt**. The noted contained a corrected weighted average interest rate from the 1999 fiscal year on mortgage loans and term loans used to finance student residences and the new Student Centre at the University of Toronto at Mississauga.

4. **Financial Statements: Draft Notes** (Cont'd)

- **Note 10, Funds committed for specific purposes**. The listing of the funds committed for specific purposes (such funds as departmental trust funds, alteration and renovation funds, the fund to match the University's obligation under the supplementary retirement arrangement, and others) would be reordered in descending order of the magnitude of the funds as at the end of the 1999-2000 fiscal year.

- **Note 11, Endowments**. The University applied its Policy for the Preservation of Capital of Endowment Funds to provide for a payout of 5% of the average value of units in the endowment pool over the previous three years. In 1998-99, that payout had exceeded the investment return on the endowed funds, and the note had reflected that fact. For 1999-2000, the investment return on the endowed funds had exceeded the payout, allowing for a part of the return to be allocated for the preservation of capital. That change was reflected in the note. In addition, the wording of the final paragraph of the note had been amended slightly to improve its clarity.

Ms Brown recalled that the Chief Financial Officer's report on the year's "financial highlights," was included, along with the financial statements, in the booklet entitled *Financial Report*. Those financial highlights would be expanded for the 2000 *Financial Report*, and would include additional information concerning the University's endowments. There would also be minor changes to the *Supplementary Financial Report*. Two schedules from the previous year's report would be combined and simplified: the comparison of actual operating fund results to the original budget (previously schedule 2) and the annual report of appropriation changes (previously schedule 3). The previous schedule 14, a graph illustrating the growth in the market value of the University's endowments over the past decade, would be replaced by two schedules illustrating the ratio of endowment capital to full-time-equivalent student enrolment and the ratio of income from endowment funds to total operating funds.

Questions and discussion arose with respect to the following topics.

(a) Note 10 (b), Funds committed for specific purposes: Unexpended operating funds. In response to a member's question, Ms Brown elaborated on the sentence in note 10(b) stating that "funds are also committed equal to the cumulative unrealized net gains earned on the unexpended asset balance." A portion of the University's Expendable Funds Investment Pool was invested in longer term securities. When the capital value of those investments included unrealized capital gains, the amount of those gains did not "drop to the bottom line" to reduce the University's deficit or increase the surplus on the year's operations. Instead, they were committed as a reserve for future market fluctuations.

(b) Note 11, Endowments: Payout and preservation of capital. In response to a member's question, Mr. White said that the real (after-inflation) investment return for 1999-2000 was more than sufficient (a) to provide for the year's payout, and (b) to make up for the amount by which the 1998-99 payout had exceeded the real investment return. However, the University did not make its payout decisions with a view to making up for any previous year's shortfall in investment return. On the contrary, the University emphasized the use of a formula based on a long-term view of the real return provided by the endowed funds. That provided a stability of

4. Financial Statements: Draft Notes (Cont'd)

payments to support programs throughout the University. Historically, at least since 1991, the real return on the endowed funds had exceeded the payout by a significant margin. That had two positive effects. First, the University could without harm pay out more than the after-inflation investment earnings from time to time. Second, while the payout rate remained constant over time, because the value of the capital increased, the dollar value of the payout increased over time.

(c) Note 2(f), Other post-employment benefit obligations. The Chair observed that the current note stated that post-employment benefit obligations, other than pension obligations, were accounted for on a cash basis. Beginning with the next fiscal year, changes to Generally Accepted Accounting Principles (GAAP) would require that those costs be accrued. The Chair asked what would be: (a) the magnitude of the effect of the change, (b) the outcome of the change with respect to the University's policy of limiting its budget deficit to 1.5% of operating income, and (c) the reason the University had decided not to adopt the changed accounting treatment for the current year. Other members requested elaboration of the accrual.

Mr. White replied that the liability would have to be recorded in the financial statements for the 2000-01 fiscal year. The actuaries had advised that the cost of the first accrual of the liability as at April 30th, 2001 would be between $125-million and $150-million. The annual cost of the accrual thereafter would begin at $15-million per year. The accrual represented the employer's cost of providing the retirement benefits, other than pension benefits, earned by University employees during the fiscal year. The GAAP rule also required accrual of the full remaining cost of those benefits upon an employee's retirement. The benefits included semi-private hospital care, extended health care, dental care, vision care for administrative staff, term life insurance, and tuition-fee waivers.

Mr. White said that at the present time, the actual cost of providing those benefits to retirees was accounted for each year on a cash basis. The cost of accruing future non-pension retirement benefits earned in a given year would not be taken into account in the University's budget or in its policy of limiting the deficit to 1.5% of operating income. Taking into account the accrual of post-retirement benefits in the budgeting process would mean program reductions and staff lay-offs merely to respond to a change in accounting rules. The new GAAP requirement was a useful and well-intentioned one, but it had been driven by needs for disclosure in the private sector. Like the complex accounting required for pension plans, it was likely that the new requirement to accrue the cost of non-pension retirement benefits would not be well understood. Ignoring this accrual in the budget process was consistent with the treatment of the vacation pay accrual and the pension accrual. Mr. Piché noted that the liability for non-pension retirement benefits would likely be offset by the accounting surplus in the pension plan.

Mr. White said that the University had decided not to implement the new GAAP rule early for two reasons. First, implementation would require a good deal of thought, and pressures of other matters had prevented giving the needed thought to the matter at this time. Second and more important, the administration's focus was on managing the University's budget, and the new accounting rule would not be useful in the process of budget management. Ms Brown and

4. Financial Statements: Draft Notes (Cont'd)

Mr. Piché had attended seminars and were working on the issue, and they would present a report to the Committee in the fall.

The Chair acknowledged that other organizations were also waiting to implement the new rule. Nonetheless, the Chair and another member stressed that cost of providing post-retirement benefits was a real one. If the University failed to fund the cost at the time it incurred the liability, just as it funded the cost of pension benefits, a "mere accounting" problem now would become a very real budget problem in the future. Continuing a policy of pay-as-you-go would both forfeit the benefit of investment earnings on a fund established to meet future benefit costs and would leave the University with the need to make large budget reductions in the future when faced with the forthcoming wave of retirements. This problem had been recognized some time ago in the United States. It was true that the problem would be a more manageable one in Canada owing to publicly funded medicare, but the problem would still be very costly if it were not well managed.

Mr. White replied that the ratio of retirees to active employees was already quite high owing to the early retirement program. Retirements would likely be offset by an expansion of the faculty and staff to serve the anticipated growth in enrolment. Therefore, the cost of providing benefits would increase but not as dangerously as the members might have anticipated.

In response to questions, Mr. White said that the benefits provided by the University were comparable to those provided in the private sector. The University funded its own health-care plans, using a private-sector insurer as administrator.

5. Internal Audit: Annual Report, 1999-2000

Mr. Britt presented his report. Among the highlights were the following items.

- **Department activities: general**. The Department had completed nearly 11,000 direct audit hours compared to the planned 9,500 hours. It had issued 41 reports including: 20 departmental audits, 3 continuous auditing reports, 4 special reviews, 11 follow-up reviews, and 2 information-system reviews. The Department had provided assistance to the external auditors for the year-end financial statement audit. It had participated in presentations to various administrative groups about effective financial management, controls, and fraud awareness and prevention.

- **Department activities: risk assessment database**. The Department had updated its risk-assessment database to take into account the effect of organizational and information-system changes. The database was substantially complete and had been used for selecting the areas for audit outlined in the 2000-01 Audit Plan.

- **Department activities: audit effectiveness questionnaire**. The Department had used this new questionnaire to obtain feedback from units that had been audited about their satisfaction with the internal audit process. The responses indicated overall satisfaction,

5. **Internal Audit: Annual Report, 1999-2000** (Cont'd)

with the units concluding that the audits had added value. The responses to this questionnaire would assist the Department in its efforts to do a better job and would form a regular feature of future reports.

- **Significant audit findings: general**. The findings were similar to those included in previous reports. They did not represent material risks and the unit heads were acting responsibly to address problems.

- **Significant audit findings: internal controls at the divisional level**. In six of 21 audits, department heads or principal investigators (lead researchers holding grants) were not reviewing centrally generated financial reports in circumstances combined with a lack of segregation of incompatible duties for the business officers. This created a risk of undetected errors or improprieties and also reflected reliance on shadow accounting records for decision-making and strategic planning. The need for review of centrally generated financial reports was explicit in the accountability reports and was emphasized in all audit reports. In all cases, department heads had indicated that they would henceforward undertake regular reviews of the reports and ask the principal investigators in their departments also to fulfill this requirement. During the year, five new centrally generated management reports had been introduced. Those exception reports were available to department heads and principal investigators to facilitate their review function in a timely and efficient manner.

- **Significant audit findings: cash handling**. In some units that generated significant revenues, the internal auditors had noted a lack of effective control procedures to verify the completeness and accuracy of revenues and cash receipts. The specific problems were a lack of receipting, reconciliations, and segregation of duties. This created the risk of fraud and failure to meet revenue objectives. The management of the areas audited had taken action, or had indicated that action would be taken, to improve their cash-handling controls. Those controls would be revisited during follow-up reviews.

- **Significant audit findings: non-compliance with requirements concerning payments to individuals**. In a number of cases, payments had been made to individuals as self-employed contractors when an apparent employee/employer relationship existed. This created the risk of University responsibility for amounts that should have been withheld for income tax, Canada Pension Plan contributions and Employment Insurance premiums. In other cases, when units had appropriately made payments to self-employed individuals, the units had not documented agreements concerning the work to be performed and the payments to be made. Where employee/employer relationships did exist, the management of the units had undertaken to ensure compliance with proper procedures in the future, including withholding appropriate amounts. The Controller had revised a set of guidelines to assist administrators with assessing employee relationships, and those guidelines would be issued in the near future. The Financial Services Office would offer training sessions to assist administrators in working with the guidelines.

5. **Internal Audit: Annual Report, 1999-2000** (Cont'd)

- **Significant audit findings: non-compliance with Purchasing Policy requirements to obtain quotations and issue purchase orders**. In all cases, unit management had indicated its intention to comply with the requirements. Central monitoring of purchase and accounts-payable transactions was in place within the Financial Services Department and the Procurement Services Department to flag questionable transactions for follow up. Monitoring had been effective in making units aware of the expectation of compliance.

- **Overall assessment of internal controls**. While the results of departmental and continuous auditing indicated that internal control practices were not consistently applied at the divisional level, the resulting risks associated with the weaknesses were not considered to be material and had been addressed appropriately in the various units' responses to the audit findings.

  Among the matters that arose in discussion were the following.

(a) Unit heads' view of centrally produced financial reports. A member referred to section VI of the report, "Assessment of Controls." Some unit heads had apparently attributed their failure to apply controls consistently to the "perceived limited usefulness of administrative system information and reports, and perceived administrative inefficiency." Asked to elaborate, Mr. Britt said that prior to the introduction of the five new exception reports, unit heads had been asked to review lengthy, full financial reports, which some of the unit heads found to be cumbersome, hard to understand and at times inaccurate. Some unit heads also thought that certain procedures within the new financial system were highly inefficient. For individuals who did not issue purchase orders regularly, the procedure to issue those documents required considerable effort, navigating through a number of screens. The complexity of the procedure was, however, inherent in the S.A.P. system and not subject to simplification by the University. Because infrequent users saw the procedure for issuing purchase orders as inefficient, some sought to by-pass the procedure by splitting orders.

The member asked whether steps could be taken to make the required procedure more user-friendly. Should more training be offered? Mr. Britt replied that the administration was considering the use of electronic catalogues and other electronic-commerce applications, which might be more user-friendly and efficient. This was, however, at an early stage. Mr. White added that a proposal from the Director of Procurement Services was currently in the budget process. It was proposed to adopt a new, web-based system that would be much more efficient and user-friendly. The system would, however, have an initial cost of $2-million as well as an additional $200,000 cost per year. The value of the proposal would have be assessed in relation to other priorities, including academic priorities.

(b) General assessment of risk. In response to a member's question, Mr. Britt said that he was not concerned that the University was subject to material financial risk because of the problem areas cited in his report. The breaking-in problems of the new financial information system were now ended. Most divisions and departments had become more comfortable with the new system. In addition, more divisions and departments had become more cognizant of policies and control

5. Internal Audit: Annual Report, 1999-2000 (Cont'd)

procedures. The Facilities and Services Department was audited every year because of the large amount of money it expended. The administration of research funds in all departments was also the subject of special attention. Among the purposes of auditing research funds was to ensure compliance with sponsors' requirements. In addition, principal investigators had full authority to spend from their grants; there was therefore no segregation of incompatible duties. With respect to the operating budget, 80% was used to pay salaries; this left little money for discretionary spending and therefore little money at risk.

(c) Facilities and Services Department. In response to questions relating to the recent defalcations in the Facilities and Services Department, Mr. Britt said that he was reviewing all procurement processes to identify areas of risk for improprieties. He would make recommendations for changes needed to address those risks and work with the Assistant Vice-President, Operations and Services to implement them. By and large, it appeared that controls were in place, but individuals with sufficient knowledge could over-ride them. Mr. Britt indicated that he would make a more detailed report in the *in camera* portion of the meeting. The Chair noted that most of the loss had been covered by the University's insurance.

(d) Risk-assessment database: the risk self-assessment survey. In response to a question, Mr. Britt said that of 308 surveys distributed, 290 had been returned. Of the 18 surveys that were not returned, most were from units that had recently been audited. Unit heads might therefore have thought that completing the survey was not required.

Invited to comment, Mr. Bowman said that the external auditors kept in touch with the Internal Audit Department and ensured coordination of their activities. He had nothing to add to Mr. Britt's report.

The Chair noted that Mr. Britt had been invited to make a presentation about the risk self-assessment tool. That invitation indicated that Mr. Britt's colleagues across Canada thought that the University's Internal Audit Department was using exemplary best practices. The Chair said that it would be desirable that the Internal Audit Report identify no problems, but it was a good second best to receive a report opining that the "risks are not considered to be material." Pointing out such efforts as the work of the Internal Audit Department, the new exception reports, and the training sessions for divisional and departmental administrators, the Chair commended everyone involved for continuing to strengthen the level of internal controls at the University.

6. Internal Audit: Audit Plan, 2000-01

Mr. Britt presented the Internal Audit plan for 2000-01. The Department planned to deliver 9,500 direct audit hours from a staff complement of eight. That included 27 audits of academic, administrative and student-service units, assistance to the external auditors, continuous audits of particular types of transactions in all divisions, special reviews, and information-system reviews. That ambitious plan was made possible by using an improved reporting procedure, electronic work papers, and the newly updated risk-assessment database to select departments for

6. <u>Internal Audit: Audit Plan, 2000-01</u> (Cont'd)

audit. The absence of an audit in the recent past was also a factor in the selection of departments for audit.

Among the matters that arose in discussion were the following.

(a) End of the year-2000 problem. A member noted that the Department had spent a great deal of time in the 1999-2000 year reviewing units' year-2000 readiness. Mr. Britt replied that he had budgeted 650 hours for information-systems reviews in 1999-2000 and had used about 600 of those hours for reviews relating to the year-2000 problem. For 2000-01, only 500 hours were budgeted for information-systems reviews. The saved hours would be used for additional departmental audits or allocated for special reviews.

(b) Audit hours. A member noted that Mr. Britt's report had indicated the completion of about 10,100 hours in contrast to the 9,500 hours planned. Had this been the outcome of overtime work? Mr. Britt replied that the additional hours had been a manifestation of overtime work by senior staff and also the work of contract auditors, one of whom had spent a great deal of time reviewing property-management and construction activities. He was, therefore, comfortable that the Department would be able to complete the year's plan in the scheduled 9,500 hours.

(c) Internal audit cycle. The Chair asked whether the adoption of the various new techniques would reduce the length of the audit cycle - the period of time required for at least one audit of all units as well as more frequent audits of higher risk units. Mr. Britt replied that he had not yet completed that analysis, but he would provide a report in the autumn of 2000. The Chair noted that it was probably correct to say that 80% of the University's material risk exposure could be attributed to the highest risk units. It might well be appropriate to consider expressing the length of the audit cycle in terms of those units only.

7. <u>Report of the Administration</u>

Mr. White and Mr. Britt stated that there were no other matters that should be drawn to the attention of the Audit Committee at this time.

8. <u>Date of Next Meeting</u>

The Chair reminded members that the final regular meeting of the year was scheduled for Wednesday, June 21st at 5:00 p.m.

9. <u>Private Meeting with the Internal Auditor</u>

The Chair stated that the Committee, as a matter of regular procedure, held an annual private meeting with the Director of the Internal Audit Department, with no other University officers present. Pursuant to item 6 of the Committee's terms of reference, Mr. Britt would be invited to state "whether adequate cooperation has been received from management and whether

9. <u>Private Meeting with the Internal Auditor</u> (Cont'd)

management has exerted any undue pressure." He would also be invited to draw the Committee's attention to any other matters he deemed appropriate.

THE COMMITTEE MOVED IN CAMERA.

The Committee held its annual private meeting with the Director of the Internal Audit Department.

THE COMMITTEE CONCLUDED ITS IN CAMERA SESSION.

The Chair stated that there were no matters arising from the *in camera* meeting that would require action. He reported that Mr. Britt had expressed his gratitude to members of the administration for their cooperation and support.

The meeting adjourned at 6:40 p.m.

Secretary	Chair

June 15th, 2000