

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL
REPORT NUMBER 440 OF
THE EXECUTIVE COMMITTEE

Thursday, June 23, 2011

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Thursday, June 23, 2011 at 3:00 p.m. in the Boardroom, Simcoe Hall, with the following members present:

Mr. John F. (Jack) Petch, Chair
Mr. Richard Nunn, Vice-Chair
Professor David Naylor, President
Dr. Gerald Halbert
Mr. Joseph Mapa
Mr. James Yong Kyun Park
Mr. Timothy Reid
Professor Arthur S. Ripstein
Professor Elizabeth M. Smyth
Miss Maureen J. Somerville
Professor Janice Stein
Dr. Gregory West

Non-Voting Member:

Mr. Louis R. Charpentier

Secretariat:

Mr. Henry Mulhall, Secretary

Regrets:

Ms Diana A.R. Alli
Ms Judy Goldring

In Attendance:

Dr. Anthony Gray, Special Advisor to the President
Professor Ellen Hodnett, Chair, Academic Board and Member of the Governing Council
Professor Cheryl Misak, Vice-President and Provost, and Member of the Governing Council
Ms Catherine Riggall, Vice-President, Business Affairs
Ms B. Elizabeth Vosburgh, Chair, University Affairs Board and Member of the Governing Council
Mr. W. David Wilson, Chair, Business Board and Member of the Governing Council

1. Report of the Previous Meeting

Report Number 439 (June 13, 2011) of the Executive Committee was approved.

2. Business Arising from the Report of the Previous Meeting

There was no business arising from the report of the previous meeting.

3. Report of the President

The President deferred his report to the Governing Council meeting to be held immediately following the Executive Committee meeting.

4. Items for Endorsement and Forwarding to the Governing Council**(a) Audited Financial Statements for the Fiscal Year Ended April 30, 2011**

(Arising from Report Number 190 of the Business Board [June 16, 2011]- Item 3)

Mr. Wilson reported that the Audit Committee had reviewed the financial statements at two meetings, with the external auditors in attendance at both. The Committee had concluded that the statements provided a full and fair disclosure of the University's finances. The Business Board had received a substantial presentation on the highlights of the University's financial results for the year and its financial position. The Board had subsequently recommended the financial statements to the Governing Council for approval. The University's bottom line for 2010-11 had been a positive one, with a small net income of \$7.2-million. Net assets had increased by \$96.4 million to an amount close to \$1.9-billion. The gain had been primarily the outcome of a \$64-million investment gain in the value of the externally restricted endowments. One question of a procedural nature had arisen in discussion at the Business Board. A member had been concerned by the sentence in the "Statement of Administrative Responsibility" that "the majority of members of the Audit Committee are not officers or employees of the University." The Board had been assured that all voting members of the Audit Committee except two were not University employees. Those two were the President who, according to By-Law Number 2 is a voting member of all standing committees of the Governing Council, and a member of the teaching staff with expertise in accounting. Mr. Wilson noted that the appropriateness of a faculty member as a voting member of the Audit Committee would be reviewed by the Implementation Committee for the Task Force on Governance.

On motion duly moved, seconded, and carried,

YOUR COMMITTEE ENDORSED AND FORWARDED to the Governing Council for consideration the recommendation

THAT the University of Toronto audited financial statements for the fiscal year ended April 30, 2011 be approved.

(b) External Auditors: Appointment for 2011-12

(Arising from Report Number 190 of the Business Board [June 16, 2011]- Item 4)

Mr. Wilson reported that the Audit Committee and the Business Board had recommended the re-appointment of Ernst & Young as external auditors for both the University and its pension plans. The auditors attended all meetings of the Audit Committee, and the Committee had been satisfied that they were performing well. The partner in charge of the University's audits was held in high regard as a leading national expert in accounting for not-for-profit organizations and especially universities. As part of its annual work, the Audit Committee reviewed the other assignments completed by Ernst & Young for the University to ensure that those assignments did not compromise the auditors' independence. The Audit Committee also reviewed the audit fees

4. Items for Endorsement and Forwarding to the Governing Council (cont'd)**(b) External Auditors: Appointment for 2011-12 (cont'd)**

charged, along with the fees charged to all other universities in Ontario. The Committee had been satisfied on both scores.

Mr. Wilson noted that Ernst & Young had been the University's auditors for many years, and a member of the Business Board had asked whether, as a principle of good governance, there should be a periodic tendering for audit services? The Chief Financial Officer had advised that the University followed the practice established by the U.S. National Association of College and University Business Officers (NACUBO) which did not stipulate an annual tendering process. Because of the unique nature of the accounting for post-secondary institutions, few firms were able to provide appropriate audit services. Therefore, to prevent too close a relationship between the auditor and the institution, NACUBO stipulated that there be at least a rotation of the partner in charge of the audit, perhaps every seven years. On balance, the Business Board had found that the arrangement for rotation of the partner in charge to be a satisfactory one. In view of the complexity of this University and its financial statements, there were real advantages to experience and familiarity.

A member asked whether the argument that few firms were able to provide appropriate audit services due to the "unique nature of accounting for post-secondary institutions" also applied to the annual audit of the pension plans. Mr. Nunn responded that it was normal practice that the same firm would conduct the audit of an institution as well as the audit of its pension plans given the interrelatedness of the information required in the two processes.

On motion duly moved, seconded, and carried,

YOUR COMMITTEE ENDORSED AND FORWARDED to the Governing Council for consideration the recommendation

- 1) THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto for the fiscal year ending April 30, 2012; and
- 2) THAT Ernst & Young LLP be re-appointed as external auditors of the University of Toronto pension plans for the fiscal year ending June 30, 2012.

(c) Asbestos Management Policy: Update

(Arising from Report Number 190 of the Business Board [June 16, 2011]- Item 7)

Mr. Wilson reported that this was a proposal to make relatively minor amendments to the long-standing *Asbestos Control Policy* and to rename it the *Asbestos Management Policy*. The amendments were required to bring the Policy into conformity with the updated regulations under Ontario's *Occupational Health and Safety Act*.

On motion duly moved, seconded, and carried,

YOUR COMMITTEE ENDORSED AND FORWARDED to the Governing Council for consideration the recommendation

THAT the proposed updated and renamed *Asbestos Management Policy*, a copy of which is attached to Professor Hildyard's memorandum of June 9, 2011, be approved, replacing the *Asbestos Control Policy* approved by the Governing Council on June 23, 2003.

Documentation is attached to Report Number 182 of the Business Board as Appendix "D".

4. Items for Endorsement and Forwarding to the Governing Council (cont'd)

On motion duly moved, seconded, and carried,

IT WAS RESOLVED

THAT, pursuant to sections 28 (e) and 33 of *By-Law Number 2*, consideration of item 4 (d) take place *in camera*, with the Board Chairs, Vice-Presidents, Special Advisor to the President, and invited guests admitted to facilitate the work of the Committee.

In Camera Session

(d) Board and Committee Assignment, 2011-2012

On motion duly moved, seconded, and carried,

YOUR COMMITTEE APPROVED

THAT the revised proposal from the Chair for additional Board and Committee assignments for 2011-12, dated June 13, 2011, be recommended to the Governing Council for approval; and

THAT, pursuant to Section 38 of *By-Law Number 2*, this recommendation be considered by the Governing Council *in camera*.

The Committee returned to closed session.

5. Date of the Next Meeting

The Chair noted that the first regularly scheduled meeting of the Executive Committee for 2011-12 was scheduled for Wednesday, October 19, 2011, at 12:00 p.m.

6. Other Business

The Chair noted that the Implementation Committee for the *Report of the Task Force on Governance* was scheduled to meet on June 30, July 18, and August 11, 2011. He added that, in order to ensure continuity, it would be appropriate to preserve the existing membership of the Implementation Committee as it continued its deliberations in the subsequent months. There was agreement by the Committee that the existing membership should be maintained.

There were no items of other business.

7. Closing Remarks

The Chair thanked the members of the Committee for their service over the course of the year. Membership required a significant time commitment, but the Committee's work was invaluable in allowing the Governing Council to function effectively. In particular, the Chair thanked those members who were completing their terms of service on the Committee: Ms Diana Alli, Mr.

7. Closing Remarks (cont'd)

Tim Reid, Dr. Gerald Halbert, Mr. James Park, Dr. Greg West, Professor Arthur Ripstein, and Professor Janice Stein.

The President reiterated the Chair's thanks to the members, noting the important role that the Executive Committee played in providing strategic advice to the Senior Administration. The President also noted that this would be the Chair's final meeting as Chair of the Executive Committee. He would be thanked for his enormous contributions to the governance of the University at the subsequent meeting of the Governing Council, but his specific contributions to the Executive Committee as a member (2003-4), as Vice-Chair (2004-7), and as Chair (2007-11) were particularly noteworthy and to be commended. Finally, the President thanked the Secretariat for the professional support that they provided to the Executive Committee as well as to all the Boards and Committees of the Governing Council.

The meeting adjourned at 3:20 p.m.

Secretary
June 24, 2011

Chair