



University of Toronto TORONTO ONTARIO M5S 1A1

OFFICE OF THE GOVERNING COUNCIL

Date: June 14, 2002
To: Business Board
For: Meeting of June 20, 2002, Agenda Item

Item Identification: Business Board and Audit Committee: Proposed Revised Terms of Reference

Sponsor: Louis R. Charpentier, Secretary of the Governing Council

Jurisdictional Information: The Governing Council, on the recommendation of the Business Board, establishes the terms of reference of the Board and its Audit Committee.

Previous Action Taken: The proposed revisions are the outcome of an overall review of the terms of reference of the Governing Council's Boards and Committees.

Action Sought: Recommendation to the Governing Council

THAT the proposed revised terms of reference of the Business Board and the Audit Committee be approved.

Highlights: Business Board

- Reflecting the precedent established last spring, policy governing the execution of capital projects would be approved at the level of the Governing Council rather than by the Board.
- Reflecting practice since 1988, the Board would not be asked to approve policies, in effect mission statements, for units reporting to the Vice-President and Chief Advancement Officer – units such as alumni affairs and public affairs. Instead, the Board would continue to receive the annual report of the Vice-President, including information on the work of those units.
- The Board would receive an annual accountability report with respect to the University's activities in the area of government relations, now coordinated by a new Vice-Presidential portfolio.
- The proposed terms of reference would include, for the sake of completeness, the Business Board procedures established by Governing Council approval of the Report of the Chairman's Advisory Group on Governance (the Balfour Report). The key procedures are: (a) the Business Board normally limits itself to approving, rejecting or referring back proposals from the administration;

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Highlights: Business Board (Cont'd)

it does not normally make substantive amendments to them; and (b) the Business Board considers proposals initiated by the Presidential assessors; it does not normally establish special committees to develop proposals for action.

- The proposed terms of reference specify a number of the Board's current, distinctive procedures including its "consent agenda" procedure and the inclusion on the agenda of a closed-session report at the end of each meeting.

Highlights: Audit Committee

- Most significantly, the Committee would be charged with monitoring the University's risk exposures.
- The Committee's practice of carrying out an annual review of the use of legal services and potential legal liabilities is stated specifically, along with its purpose – monitoring possible risk exposures and contingent liabilities.
- The Committee would receive reports on the occurrence of significant audits of University operations or projects carried out by external bodies: governments, granting councils, regulatory agencies, etc. If there is any substantial irregularity, the Committee would review the audit reports.

Financial Implications: No direct financial implications.



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OFFICE OF THE GOVERNING COUNCIL

MEMORANDUM

TO: Business Board

FROM: Louis Charpentier
Secretary of the Governing Council

DATE: June 14, 2002

SUBJECT: BUSINESS BOARD: PROPOSED REVISED TERMS OF REFERENCE

One of the objectives of the Office of the Governing Council for this governance year was to recommend updated terms of reference for all committees and boards. Accordingly, the senior staff in the Office of the Governing Council reviewed the current terms of reference with the intent of updating each to reflect current practice. The first draft of the terms of reference for the Business Board was forwarded to the administrative officers associated with the Board for their initial review. A revised draft was then reviewed by the Chair and the Vice-Chair. The outcome of this process is attached and forwarded to the Board for its review and, if members are substantially satisfied, recommendation to the Governing Council for approval.

For the most part, the proposed revisions consist of changed or rearranged wording. Some additions/deletions are intended to clarify the particular functions of the Business Board and its relationships with the University's administration and the Governing Council. In some instances, new wording is proposed to facilitate the functioning of the Board where new requirements for accountability could not have been foreseen when the current terms of reference were approved. Ideally, the changes proposed also will serve to remove ambiguity or vagueness from the terms of reference and will support both the administration and the Governing Council in an efficient, productive approval process.

Proposed revisions also include a number of substantive changes.

- Reflecting the precedent established last spring, policy governing the execution of capital projects would be approved at the level of the Governing Council rather than by the Board.
- Reflecting practice since 1988, the Board would not be asked to approve policies, in effect mission statements, for units reporting to the Vice-President and Chief Advancement Officer – units such as alumni affairs and public affairs. The current terms of reference state that the Board is responsible for policies

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concerning the operation of those units, but the provision is effectively moribund. Instead, it is proposed that the Board continue to receive the annual report of the Vice-President, including information on the work of those units.

- The Board would receive an annual accountability report with respect to the University's activities in the area of government relations, now co-ordinated by a new Vice-Presidential portfolio.

The proposed terms of reference also include the Business Board procedures established by the Report of the Chairman's Advisory Group on Governance (the Balfour Report) approved by the Governing Council in May 1988. The inclusion of those provisions would have no effect on the functioning of the Board; they are already in effect. Their inclusion in the terms of reference would, however, make the framework of the Board's operations more transparent. The key provisions are the following:

- The Business Board normally limits itself to approving, rejecting or referring back proposals from the administration. It does not normally make substantive amendments to them.
- The Business Board considers proposals initiated by the Presidential assessors. It does not normally establish special committees to develop proposals for action in particular areas. It is important to note that neither the Balfour Report nor this provision would in any way limit the Board's recently developed practice of holding "off-line sessions" to explore various areas, to have a more detailed exchange of views with the administration, and to provide advice to the administration with respect to matters that the administration might subsequently bring forward for approval.

Finally, the proposed terms of reference specify a number of the Board's current, distinctive procedures including its "consent agenda" procedure and the inclusion on the agenda of a closed-session report at the end of each meeting.

Detailed section-by-section comments follow.

(1) Composition

There is no substantive change.

- **Membership:** the apparent change in the number of members from 27 to 31 simply includes in the count the four officers who are *ex officio* members of all boards and committees: the Chairman and Vice-Chair of the Governing Council, the President and the Chancellor. There is no proposal to increase the size of the Board. The specification that the Secretary of Governing Council is an *ex officio*, non-voting member reflects the current fact and is included for completeness. (By-Law Number 2, clause 29[e], [i].)

(1) Composition (Cont'd)

- **Membership: appointment of members.** The description of the method of appointment of Governing Council and co-opted members to the Board is intended for completeness to specify the current practice. (By-Law Number 2, clause 29[d].) The procedure for nominating the “co-opted lay members” again specifies current practice, which is established in the Balfour Report, Appendix D-2.
- **Terms of office.** The information on terms of office is included for completeness to specify current practice.

(2) Quorum

There is no change. The usual number for quorum - 11 being one third of the usual membership of 31 - is included for convenience only.

(3) Committees

- **Special committees.** The proposed specification that the Business Board “does not normally establish special committees” reflects current practice, which derives from the Balfour Report. That report states (on page 26) that “the President or the appropriate Presidential assessor will have an obligation to tender advice and develop proposals.”

The statement is not, however, prohibitive, given the use of the word “normally.” The Balfour Report goes on to include a provision for handling proposals “presented to the Board other than through this route” i.e., the route of a proposal from the President or an assessor. In such cases, “the President or appropriate assessor will have the right to defer action until the next meeting of the Board,” provided that they act before a vote is taken on any such proposal. This provision is stated in the proposed terms of reference.

The Balfour Report did see one specific situation in which the Business Board might want to establish a special committee. “From time to time the Business Board might choose to establish Special Committees to exercise particularly close oversight with respect to the development or major changes in ... contracts [with employee groups], or negotiations on salaries and benefits. However no special provisions for this are included in this report.” (Page 19.) The Business Board has not, since its establishment in 1988, chosen to establish such a special committee. Therefore, no provision is included in the proposed, revised terms of reference.

- **Striking Committee.** The description of the Striking [nominating] Committee and its activities is included for completeness to specify current

(3) Committees (Cont'd)**Striking Committee (Cont'd)**

practice. That practice is set out in Appendix D-2 to the Balfour Report, on page 39. The provision that “the Board’s voting assessors attend meetings of the Striking Committee in an advisory capacity” does not appear in the Balfour Report but reflects current practice, established in the case of the Business Board in 2000. The provision that “the Striking Committee meets *in camera* and its recommendations are considered by the Board meeting *in camera*” again reflects current practice, as required by clause 33(ii) of By-Law Number 2.

(4) Areas of responsibility

- **Approval of transactions in the normal course of business.** The terms of reference would provide a clear delegation of authority to the administration to act on behalf of the Governing Council in approving transactions in the normal course of business. This represents no substantive change but would assist greatly in providing assurance to counterparties in transactions that routine matters can be approved by the appropriate administrator without a resolution of the Governing Council or the Business Board.
- **Terminology.** Two small changes of language are proposed solely for the purpose of clarification. The reference to “fiscal” policy is replaced with “financial” policy. The term fiscal policy is today generally associated with government taxation policy as a tool of macroeconomic control, in contrast to monetary policy used for the same purpose. The term “communications” is narrowed to “institutional communications” to reflect the intended situation and to omit the broader meaning today given to the word communications, which includes telecommunications.
- **Property: Works of art.** It is proposed to add to the caption “property” the words “including works of art” to reflect the fact that the Business Board has been dealing with policy with respect to works of art as an outgrowth of its responsibility for University property. In section 5.2(b), which sets out the specific levels of approval, it is proposed that the “approval of policies concerning the University’s art collections” be at the Board level.
- **5.1(b), Concurrence with respect to major cost-recovery projects, plans or programs.** There is no substantive change. The example of a supercomputer acquisition is removed as a dated one.

(4) Areas of responsibility Cont'd)

- **5.2(a), Policies concerning the execution of capital projects.** It is proposed that final approval of such policies be at the level of the Governing Council, on the recommendation of the Board, rather than at the level of the Board itself. This is intended to reflect the recently established practice. The current policy on the execution of capital projects was combined with the policy on the planning of capital projects, which required Governing Council approval. Moreover, the policy deals with one subject beyond business matters, i.e. design. Therefore, the higher level of approval is probably appropriate in any event.
- **5.3(c) Terminology: Buildings and grounds.** A small change in terminology is proposed simply to make the language more accurate. The administration would be called upon to prepare regular reports on the maintenance and safety of “buildings and grounds” (i.e. the annual report on deferred maintenance and facilities renewal) rather than a report on the “physical plant.”
- **5.4(b) Budgets for unincorporated business ancillary operations.** The terms of reference currently call for the “periodic approval, at least every five years, of business plans.” There is only one unincorporated business ancillary at the present time, the real-estate ancillary, which has to date preferred to present annual budgets, albeit in the context of a longer range plan. It has preferred to do so because of the uncertainty of its budget plan in later years. The proposed, revised provision would give any unincorporated business ancillary the choice of presenting for approval annual budgets or periodic business plans.
- **5.6, 5.7, and 5.8, Relations with the external community, institutional communications and alumni affairs.** A substantive change to the terms of reference is proposed to reflect current practice. Prior to the approval of the Balfour Report, the Committee on Campus and Community Affairs, the predecessor to the University Affairs Board, was responsible for policy concerning external-community relations, institutional communications and alumni affairs. That Committee followed a practice whereby various units within its purview were encouraged to develop policies - something akin to mission statements - which were submitted to the Committee for approval. Those policies were subject to the Committee’s review not less than every three years.

It is proposed that the Business Board terms of reference be amended to reflect the current practice, whereby the Board would not expect policies / mission statements for those areas, but would receive reports about activities

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(4) Areas of responsibility (Cont'd)

in those areas - most often as part of the annual report of the Vice-President and Chief Advancement Officer.

I anticipate that, subject to the approval of the proposed terms of reference, the Vice-President and Chief Advancement Officer will bring to the Board in the fall a recommendation concerning the out-of-date policies - presumably a recommendation to rescind them.

A second substantive change is proposed in this area: specification that the Board would also receive an annual accountability report with respect to the University's activities in the area of government relations - the focus of a new Vice-Presidency. Given the Business Board's general responsibility for external relations, it would appear to be the logical governance body to which the new Vice-Presidency would relate.

- **5.9(b), Personnel policy.** The wording is clarified to make it clear that the Board is responsible for personnel policy only with respect to non-union staff except professional librarians. Personnel policies with respect to union staff are established in their collective agreements.
- **5.10, Agreements with respect to terms and conditions of employment.** The current terms of reference assign to the Board authority to approve "all changes to agreements outside the *Labour Relations Act* with respect to terms and conditions of employment." The provision is inconsistent with one aspect of article 6 of the memorandum of agreement with the Faculty Association, which provides for the possibility of something similar to binding arbitration. When agreement is not reached in negotiation or mediation, the process concludes with the report of a tripartite Dispute Resolution Panel. A unanimous report comes into effect without governance approval. The President is empowered to recommend repudiation of a non-unanimous report of a Dispute Resolution Panel. That recommendation would be considered by the Business Board. But, in the absence of such a recommendation, the non-unanimous report comes into effect without governance approval. Provision is made for this article 6 procedure by adding to the statement of the Board's authority the words "subject to any limitations established by law or contract." A footnote explains the exception.

(5) Procedures

For completeness, revisions to the terms of reference of all of the Boards and Committees have been proposed to include certain procedures, for example, specifying whether the Board or Committee normally meets in open or closed session. The Business Board procedures also take into account some of the Board's

(5) Procedures (Cont'd)

unique procedures such as the routine item at the end of each agenda for closed session reports to encourage initial discussions of policy matters at an early stage of their development, well before ideas have been fixed for forwarding to the Board for approval.

In addition, as noted above, the section on procedures has also been expanded to include a number of special Business Board procedures resulting from the Governing Council's approval of the Balfour Report in 1988.

A summary of the proposed changes to the section on procedures follows.

- **6.1, Meetings.** This proposed section states that the Board normally meets in open session. For completeness, it also specifies the circumstances, set out in clause 33 of By-Law Number 2, when the Board would meet in closed session or *in camera*. The second paragraph also specifies the Board's usual practice of having a "closed session report" at the end of the agenda of each regular meeting to provide for reports on confidential matters and to facilitate discussion on policy matters at an early stage of development before the administration wishes to bring forward a proposal for open-session debate and approval.
- **6.2, Agenda.** This section explains the role of the Chair and the agenda planning group in setting the agenda for meetings. For completeness, the section summarizes the provisions in By-Law Number 2 for adding matters to the agenda.
- **6.3, Consent agenda.** This section sets out the Board's "consent agenda" procedure, which is unique among the Governing Council boards and committees.
- **6.4, Level of approval.** This section establishes the authority of the Chair, as advised by the agenda planning group, to interpret the terms of reference to make determinations whether a matter should be reported for information, submitted for Board approval, or submitted for the Board's recommendation to the Governing Council. (Those determinations can, of course, be superseded by a decision of the Executive Committee.)

For completeness, the second paragraph sets out the By-Law procedures enabling the Chair, the Chairman of the Governing Council, the President, the assessor, or the Board itself to determine that a matter planned for Board approval should be determined instead by the Governing Council. The paragraph also sets out the non-applicability of this procedure to certain compensation matters, where the Board retains final authority.

(5) Procedures (Cont'd)

- **6.5, Board and administrative responsibility.** This section codifies the Balfour Report procedures established for the Business Board. In the bicameral systems of governance found in most universities, the Board is advised on many matters by the academic Senate, and the Board accepts / rejects or refers back those recommendations. In the absence of a Senate to advise the Business Board, it relies on the President and the President's assessors for advice. The Business Board then normally accepts, rejects or refers back proposals from its assessors. The Business Board does not generally strike special committees to develop policies and it does not normally make substantive amendments to proposals from the administration. It may make "minor amendments (a) that do not contravene the sense of the original motion or negate it, and (b) that are accepted by the President or the appropriate assessor."

The word "normally" appears, giving the Board the opportunity to strike a special committee to develop proposals or to amend proposals in special circumstances. Should the Board decide to depart from its normal rule and make a substantive amendment to a proposal, the "President or an assessor acting on the President's behalf will have the right to withdraw the from consideration any proposal the administration has made for action, prior to a final vote being taken on the proposal or on an amended version of the proposal." The Board could, in such circumstances still "schedule an item for discussion or debate at a future meeting of the Board" even if the administration did not choose to reintroduce the proposal.

The same situation would apply if a proposal were brought forward by some method other than the usual administrative recommendation: a notice of motion or a Board vote to add a matter to its agenda. Again, the President would have the right to defer the matter until the next regular meeting so that the administration could prepare advice. Again, the Board would have the right to consider the matter at its next meeting.

The terms of reference include, as a final item, the Balfour Report provision that "the Business Board will still possess the residual power of Governing Council to take any action deemed appropriate in some unforeseeable circumstance." Exercise of the residual power "to take any action deemed appropriate in some unforeseeable circumstance" should, according to one highly experienced former Governing Council member and committee chair, take place only in the event of the Board's loss of confidence in the President or the Board's relevant assessor.

Attached are: (a) a copy of the proposed terms of reference, with changes underscored, scored out, or shown by a line in the right margin; (b) a clean copy of the proposed terms of reference, and (c) a copy of the current terms of reference.

BUSINESS BOARD

TERMS OF REFERENCE

1. MEMBERSHIP

1.1 Composition

Total membership is about 2731, including at least 12 alumni members or Lieutenant-Governor-in-Council appointees to Governing Council, up to 6 co-opted lay members and 2 administrative assessors selected by the President appointed *ex officio*. There will also be representatives on the Board from teaching staff, administrative staff and students. The usual composition of the Board is shown below. Membership may vary slightly from year to year.

CONSTITUENCY	GOVERNING COUNCIL	NON-GOVERNING COUNCIL	TOTAL
Administrative Staff	1 or 2	1 or 0	2
Alumni	5	0	5
LGIC Appointees	7	0	7
Teaching Staff	1 or 2	1 or 0	2
Students	1 or 2	1 or 0	2
Presidential Appointees	0 or 1	0	0-1
Presidential Assessors			2
Others (Co-opted lay members)	0	up to 6	up to 6
<i>Ex Officio</i>			
Chancellor	1	0	1
Chairman	1	0	1
Vice-Chair	1	0	1
President	1	0	1
TOTALS	19 - 23	9 - 6	up to 31

The Secretary of the Governing Council is an *ex officio*, non-voting member.

Members of the Governing Council are appointed to the Board annually by the Council. Other, or "co-opted", members are appointed by the Board on the recommendation of its Striking Committee (see below). For the co-opted lay member seats, the Chairman of the Governing Council and the Chair of the Business Board shall take particular responsibility for nominating candidates to the Striking Committee.

1.2 Term

Terms begin on July 1 and continue to June 30 of the next year.

Governing Council members are appointed by Council for one-year terms. They may be reappointed, subject to their continued membership of the Council.

Because Governing Council members may in any year fill all places on the Board for administrative staff, alumni, LGIC appointees, teaching staff and students, co-opted members from those constituencies are appointed for a one-year term only, which is renewable if the place is available the next year.

The co-opted lay member appointments are normally made for three-year terms, which are renewable for a second and, in exceptional circumstances, a third term. In making these appointments, the Board will seek an appropriate balance between continuity and renewal. The Board will also seek to establish a rotation so that the terms of office will be staggered and one third of the co-opted lay members' terms will end each year.

1. **MEMBERSHIP** (Cont'd)

1.3 **Chair and Vice-Chair**

The Chair and Vice-Chair of the Board are appointed by the Governing Council from among the members of the Council on the Board.

2. **QUORUM**

One-third of the voting members (usually 11 members).

3. **COMMITTEES**

3.1 **Standing Committees**

The Audit Committee reports to the Business Board.

3.2 **Special Committees**

The Business Board does not normally establish Special Committees. The President or the appropriate Presidential assessor has an obligation to tender advice and develop proposals for action on all matters within the terms of reference of the Business Board.

3.3 **Striking Committee**

The Striking Committee, appointed annually by the Board on the recommendation of the Chair, shall recommend to the Board: (a) the appointment of co-opted members (members who are not members of the Governing Council) to the Business Board and the Audit Committee and (b) the Chair and Vice-Chair (if any) of the Audit Committee.

Membership of the Striking Committee consists of the Chair of the Board, *ex officio*, plus five members of the Board who shall be selected so that the Striking Committee includes at least one administrative staff member, one alumni member, one Lieutenant-Governor-in-Council appointee, one member of the teaching staff and one student member. The Chair of the Board serves as Chair of the Committee. The Board's voting assessors are invited to attend meetings of the Striking Committee in an advisory capacity.

The Striking Committee meets *in camera* and its recommendations are considered by the Board meeting *in camera*.

4. **FUNCTION**

The Business Board is responsible for consideration of policy and for monitoring matters affecting the business affairs of the University.

5. AREAS OF RESPONSIBILITY

~~Specific areas of responsibility include~~ The following areas are within the Board's responsibility:

~~Fiscal~~Financial policy, including policy delegating financial authority and approval of financial transactions ~~not in the normal course of business as required by policy~~
 Policy on financing and execution of capital projects and approval of any transactions as required by policy¹
 University-owned or leased property including physical plant, equipment and works of art ~~related matters~~
 University policy on ancillary operations and monitoring of business ancillaries
 Policy on fundraising
 Alumni affairs
 Relations with the external community
Institutional communications
 Policy on organization of business functions
 Personnel policy for administrative staff (except librarians)
 Employee benefits
 Monitoring and recommending policy on the occupational health and safety of members of the staff of the University and other policy pertaining to the health and safety of all members of, and visitors to, the University except for those matters falling within the terms of reference of the University Affairs Board
 Contractual relations with employee groups
 Tuition fees/policy on ancillary fees

The Business Board holds delegated authority to act for Governing Council with respect to all matters in its terms of reference except for matters:

- (a) which are deemed, pursuant to By-law Number 2, Section 31(d)², to be of major significance for the University as a whole, or to have major significance with respect to the University's public or fiduciary responsibilities; or

¹ The Policy on Capital Planning and Capital Projects states that "the Business Board will assess the extent to which the project is within its approved parameters, its cost effectiveness, the extent to which full funding is committed or obtainable, and whether there are any significant outstanding and unresolved issues with respect to the project."

- ² This section provides that "Where the Council, with respect to any matter or class of matters, has conferred on any committee reporting directly to it authority to act on its behalf, and where, prior to the adoption by the committee of a resolution to determine the matter, the Chairman of the Governing Council, the Chair of the committee, the President (or an administrative assessor acting for the President), or the committee itself is of the opinion that the matter is major in significance with respect to the University as a whole or with respect to the public or fiduciary responsibilities of the Governing Council, the Chairman, Chair, President or committee, as the case may be, may require that the action of the committee be submitted to the Council for confirmation." This provision does not apply to actions taken by the Board with respect to "agreements with the teaching or administrative staff of the University concerning the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly related to compensation or that are negotiated in a collective fashion for a class or group of employees of the University."

5. AREAS OF RESPONSIBILITY (Cont'd)

- (b) which Governing Council is required by statute or specific contractual obligation to approve; or
- (c) which are reserved to Governing Council by these terms of reference, as amended from time to time by Governing Council.

The President or designate holds delegated authority to act for Governing Council with respect to approval of business transactions in the normal course of business.

Authority for approval in specific matters is as follows. The specific items below are intended to supplement, not limit, the general statements above in sections 4 and 5.

5.1 Fiscal-Financial policy and financial transactions

(a) Governing Council

- appointment of the University's auditors
- approval of the annual audited financial statements
- review of reports from the Business Board at least annually on the Board's receipt and discussion of reports on investment matters

(b) Business Board

- approval of policies governing the ~~fiscal-financial~~ operations of the University, including policies delegating financial authority
- approval of policies with respect to financial programs and transactions, and approval of individual programs and transactions as required by those policies
- review of regular reports on matters affecting the finances of the University³ and on financial programs and transactions
- concurrence with the recommendation of the Academic Board that the Budget Guidelines be approved, when the Guidelines propose deviation from approved ~~fiscal-financial~~ policies; concurrence with the recommendation of the Academic Board that the ~~annual~~-budget report be approved.⁴
- establishment, if necessary, of interim operating budget appropriations, ~~at for~~ the beginning of the fiscal year
- approval of banking resolutions and amendments thereto
- concurrence with respect to major projects, plans, or programs outside the normal course of business that require the balancing of expense and revenue (e.g., ~~supercomputer acquisition, including but not limited to~~ new residences or parking structures)

³ For example, operating fund forecasts, reports on capital funding and reports on investment activities.

⁴ Such concurrence would indicate that the Business Board is satisfied that the proposed budget or budget guidelines are is a fiscally-financially responsible one.

5.1 Fiscal-Financial policy and ~~financial~~ transactions (Cont'd)

- review and approval from time to time of the investment policies for university investment funds and amendments thereto; annual review and approval (as required by the Financial Services Commission of Ontario) of investment policies for the pension funds and amendments thereto; such policies to include, without limitation: normal asset mixes, asset-mix ranges, risk tolerances, quality criteria, and rate-of-return objectives including benchmarks for each fund
- approval of the conditions for the delegation of authority to a University-controlled asset management corporation for the management of the investment of University funds and pension funds, including provisions for the appointment of an expert Board to oversee the work of that corporation and arrangements for the appointment and removal of its members.
- review of annual reports, or more frequent reports as the Board may from time to time determine, on the investment of University and pension funds, such reports to include, without limitation: (i) reports on investment performance as measured against the rate-of-return objectives and benchmarks established in the investment policies, and the reasons for the results; (ii) reports on portfolio risk compared to the risk tolerances established in the investment policies; (iii) reports on the costs for managing each fund; and (iv) reports on the major investment decisions made in the reporting period by the asset management corporation (in contrast to the decisions made by the external portfolio managers).

(c) President or designate

- approval of guidelines, programs and transactions in the normal course of business to implement approved policies
- preparation of regular reports to the Board on matters affecting the finances of the University⁵ and on ~~fiscal~~ financial programs and transactions

5.2 Capital projects, involving new construction and major renovations

(a) Governing Council

- Approval of policies governing the execution of capital projects
- (Priority is assigned to capital projects on the recommendation of the Academic Board)

⁵ For example, operating fund forecasts, reports on capital funding and reports on investment activities.

5.2 Capital projects, involving new construction and major renovations (Cont'd)**(b) Business Board**

- approval of ~~policies governing the establishment and change of capital appropriations-expenditures~~ for, and the execution of, approved projects, as required by approved policies⁶; approval of increases in capital expenditures, required as the result of changes in the scope or cost of projects, as required by approved policies.

(c) President or designate

- within established policy, ~~approval of transactions to carrying out~~ approved projects including: appointment of architects; call and approval of tenders within cost limits; and the establishment and change of capital appropriations authorized expenditures within approved limits⁷

5.3 University-owned or leased property, physical plant, equipment and related matters**(b) Business Board**

- approval of acquisition or disposal of real estate and approval of arrangements for the non-University use or development of University property⁸
- approval of general policies on the acquisition and disposal of equipment
- approval of any general policies governing the maintenance of buildings and grounds ~~the physical plant~~
- approval of policies governing the University's art collections

(c) President or designate

- approval of transactions in the normal course of business including: leases for which funding has been approved; acquisition and disposal of rights of way and easements; etc., with reports for information to the Board on any major transactions
- preparation of regular reports on the overall maintenance and safety of ~~the physical plant~~ buildings and grounds⁹

⁶ The Policy on Capital Planning and Capital Projects states that "the Business Board will assess the extent to which the project is within its approved parameters, its cost effectiveness, the extent to which full funding is committed or obtainable, and whether there are any significant outstanding and unresolved issues with respect to the project."

⁷ The Vice-President, Business Affairs is currently authorized to approve appropriation expenditure increases not exceeding the lesser of 10% or \$2,000,000.

⁸ For the disposal, or the non-University use or development of University property, by the University or others, concurrence of the Academic Board is required, on advice of the Planning and Budget Committee, to indicate that the property is surplus to University requirements.

5.4 Ancillary operations

(b) Business Board

- designation of incorporated or unincorporated units as ancillaries¹⁰ or termination of such designation
- ~~general fiscal~~financial policy on ancillaries
- for incorporated business ancillaries:
 - acceptance of annual reports and financial statements
 - approval of arrangements for incorporation
 - approval of capital spending and/or borrowing, as required by ~~fiscal~~financial policy or the by-laws of the ancillary
- for unincorporated business ancillaries:
 - approval of annual budgets or periodic approval, at least every five years, of business plans

5.5 Fundraising

(a) Governing Council

- approval of overall policies and plans for fundraising campaigns
- general priorities for fundraising campaigns - established by Governing Council on the Business Board's recommendation, with the concurrence of the Academic Board
- approval of receipt of major gifts and bequests with terms and conditions of an unusual nature

⁹ The Board receives an annual report on deferred maintenance and facilities renewal. The Board also receives an annual report on health and safety matters, which deals with the safety of buildings and grounds.

¹⁰ There are at present four classes of ancillaries.

(a) Incorporated Business Ancillaries: U of T Press, Innovations Foundation, University of Toronto Asset Management Corporation.

(b) Unincorporated Business Ancillaries: Real Estate.

(c) Campus and Student Services: Hart House, University College Residences, Graduate/Second Entry Residence, New College Residences, Innis College Residence, Scarborough College Residences, Scarborough College Conference Services and Facilities Rental, Erindale College Residences, Erindale College Conference Services, St. George Campus Conference Services, St. George Campus Food Services, University College Food Services, Scarborough College Food Services, Erindale College Food Services, St. George Campus Beverage Services, Scarborough College Beverage Service, St. George Campus Parking Services, Scarborough College Parking Services, Erindale College Parking Services.

(d) Research Ancillaries: Hungarian Research Institute of Canada.

Annual plans and budgets for the campus and student service ancillaries are approved by the University Affairs Board, within parameters established by general ~~fiscal~~financial policy for ancillary operations and the University budget process.

5.5 Fundraising (Cont'd)**(b) Business Board**

- approval of strategies and policies concerning the general conduct of fundraising
- approval of policies on the receipt, acknowledgement and use of gifts and bequests
- approval of the designation of the use of unrestricted gifts and bequests over \$500,000 (1996 dollars)

(c) President or designate

- the organization of fundraising campaigns is the responsibility of the President
- creation of volunteer fundraising bodies and appointment of members
- the President has the authority to approve the designation of the use of unrestricted gifts and bequests of \$500,000 or less (1996 dollars) - the designation of such gifts is to be reported to the Business Board for information
- preparation of regular reports on gifts and bequests received

5.6 Relations with the external community

~~Policy concerning the Review of an annual report from the President or designate(s) on the University's public and community relations activities and government relations activities and concerning the interaction between the University and the various communities external to it is the responsibility of the Board.~~

5.7 Institutional Communications

~~Review of an annual report from the President or designate(s) on the University's The Business Board is responsible for policy concerning the operation of the Department of institutional communications activities. The Board approves the terms of reference of official publications.~~

5.8 Alumni affairs

~~Review of an annual report from the President or designate(s) on the University's The Business Board is responsible for policy concerning alumni affairs activities.~~

5.9 Personnel policy for administrative staff (except professional librarians) and benefit programs for all employees

(b) Business Board

- ~~The Board holds delegated authority for the Approval of personnel policies for non-union administrative staff, except professional librarians¹¹~~
and
- Approval of benefit programs and amendments thereto.

(c) President or designate

- approval of guidelines, programs and transactions to implement approved policies
- approval of individual early retirements and appointments beyond the usual retirement age within established policies

5.10 Agreements with teaching and administrative staff with respect to terms and conditions of employment

(b) Business Board

- approval of initial agreement with any employee group
- approval of changes concerning the process of determining salaries and benefits
- approval of changes which constitute new policy directions, except for changes to academic employment policies within the jurisdiction of the Academic Board¹²
- approval of ~~all agreements and changes to agreements outside the~~ *Labour Relations Act* with respect to terms and conditions of employment, subject to any limitations established by law or contract¹³

¹¹ Personnel policies for unionized administrative staff are usually included in collective agreements. Authority with respect to agreements with employee groups is dealt with in section 5.10 below.

¹² Employment policies within the jurisdiction of the Academic Board are defined in By-Law Number 2, section 31(b) as matters “with respect to the nature of academic employment” assigned by resolution of the Governing Council to the Academic Board.

¹³ Agreements with the Faculty Association arising from the report of a Dispute Resolution Panel pursuant to clauses 22, 23 and 25 of article 6 of the Memorandum of Agreement with that Association take effect without Business Board approval, unless the President recommends the repudiation of a non-unanimous report. Subject to any limitations imposed by law of contract, the Board approves any recommendation from the President pursuant to section 23 of article 6 of the Memorandum of Agreement with the Faculty Association to repudiate a non-unanimous report of a Dispute Resolution Panel.

5.10 Agreements with teaching and administrative staff with respect to Terms and conditions of employment (Cont'd)

(c) President or designate

- responsibility for the conduct of negotiations with all employee groups
- approval of changes to ~~contracts~~ collective agreements under the *Labour Relations Act* which fall within existing policies and salary determination procedures

5.11 Tuition and ancillary fees

(a) Governing Council

- approval of annual general academic fee schedule

(b) Business Board

- policy on ancillary fees
- approval of miscellaneous academic fees as may be required by the Policy on Ancillary Fees. Ancillary fees for student services, student organizations and student levies for specific limited purposes are the responsibility of the University Affairs Board

5.12 Health and safety

(a) Governing Council

- approval of policies concerning the health and safety of members of the University and visitors

(b) Business Board

- recommendation of policies to the Governing Council
- periodic review of programs to implement: (a) the *Occupational Health and Safety Act*, the *Environmental Protection Act* and regulations issued pursuant to them; and (b) other Governing Council policies concerning the health and safety of members of the University and visitors

(c) President or designate

- approval of University regulations and other actions to implement the *Occupational Health and Safety Act*, the *Environmental Protection Act*, and policies on health and safety approved by the Governing Council
- preparation of an annual report on environmental health and safety activities, including activities undertaken to ensure compliance with the *Occupational Health and Safety Act* and the *Environmental Protection Act*

5.12 Health and safety (Cont'd)

(c) President or designate (Cont'd)

- preparation of reports, made to the next regular meeting of the Board, on any instances where, pursuant to the *Occupational Health and Safety Act* or the *Environmental Protection Act*: (a) an order is issued by the relevant Ministry or other regulatory authority and there is not full compliance within the specified time; (b) employees refuse to work for reason of danger to their health or safety; (c) the President or designate decides not to implement a recommendation of a Joint Health and Safety Committee established pursuant to the *Occupational Health and Safety Act*; or (d) any other significant event occurs where the Business Board should be informed to enable it to perform, on behalf of the Governing Council, its responsibilities pursuant to the *Occupational Health and Safety Act*, the *Environmental Protection Act* or other applicable legislation

6. PROCEDURES¹⁴

6.1 Meetings

The Business Board usually meets in open session but may, pursuant to clause 33 of By-Law Number 2, meet in closed session or *in camera* when: (i) matters may be disclosed at the meeting of such a nature, having regard to the circumstances, that the desirability of avoiding open discussion thereof outweighs the desirability of adhering to the principle that meetings be open to the public; or (ii) intimate financial or personal matters of any person may be disclosed at the meeting or part thereof.

Pursuant to clause 33 of By-Law Number 2, the Board routinely moves into closed session at the end of each meeting to consider receipt of any closed session reports from its assessors. Assessors are invited to report on any matters of a confidential nature and to initiate discussion on any policy matters at an early stage of policy development, before they wish to bring a recommendation forward for debate and approval.

¹⁴ Clauses 32 - 36 of By-Law Number 2 establish fundamental procedures for all Governing Council Boards and Committees. Certain Governing Council policies also determine specific procedures for all Boards and Committees: *Procedures for Non-Members to Address Governing Council* and *Policy on Disruption of Meetings*.

6. PROCEDURES (Cont'd)

6.2 Agenda

In establishing agenda for meetings of the Board, the Chair will usually be advised by an agenda planning group that includes the Vice-Chair and the voting and non-voting assessors. The proposed agenda for a meeting, together with background documentation, is reviewed at an agenda planning meeting, usually scheduled ten to fourteen days prior to the Board meeting.

Notwithstanding the usual procedure for establishing the agenda for meetings, matters may be added to the agenda of a current or subsequent meeting, as provided in clauses 32 (d), (e) and (f) of By-Law Number 2, by: a vote of two thirds of the members present and voting to add a matter to the agenda of a meeting; a resolution to determine that a matter be included on the agenda of a subsequent meeting; a written request signed by at least 10% of the voting members and submitted at a meeting that a stated matter be included on the agenda of the next regular meeting; or a notice of motion approved by the Chair for inclusion on the agenda of a subsequent meeting.

6.3 Consent agenda

The Chair may determine that an item should be placed on a “consent” portion of the agenda. Those items are not given individual consideration by the Board, unless a member so requests. Rather, members with questions for clarification, or requests for further information, contact the assessor or other contact person shown on the item in advance of the meeting. Members with concerns who would like an item to be discussed by the Board notify the Secretary well in advance of the meeting. Upon the request of any member, the matter will be considered by the Board in the usual manner. Consent items may be distributed by the Secretary with the agenda and other items for a meeting or in advance of it. To keep members abreast of developments in a timely manner and to provide members with the most time possible to review items before meetings, assessors are encouraged to make consent items available to the Secretary for distribution as soon as possible.

6.4 Level of approval for matters coming before the Board

The Chair of the Board, with the advice of the Board’s agenda planning group and subject to the duly established authority of the Executive Committee of Governing Council, has the authority to interpret the terms of reference of the Board with respect to whether an item should be placed on the Board’s agenda for recommendation to the Governing Council, for approval, or for information and discussion.

Notwithstanding the above paragraph, where the Chair has determined that a matter is to come before the Board for approval, and prior to the adoption by the Board of a resolution to determine the matter, the Chairman of the Governing Council, the Chair of the Board, the President or an administrative assessor acting for the President, or the Board itself, may, pursuant to clause 31(d) of By-Law Number 2, determine that the matter is major in significance with respect to the University as a whole or with respect to

6. PROCEDURES (Cont'd)**6.4 Level of approval for matters coming before the Board** (Cont'd)

the public or fiduciary responsibilities of the Governing Council, and the Chairman, Chair, President, assessor or Board, as the case may be, may require that the action of the Board be submitted to the Council for confirmation. Where a matter is referred to the Governing Council pursuant to this provision, the action taken by the Board shall not have effect unless confirmed by the Council.

This provision does not apply to actions taken by the Board under its delegated authority under clause 31(b) of By-Law Number 2 to act on behalf of the Governing Council with respect to agreements with the teaching or administrative staff of the University concerning the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly related compensation or that are negotiated in a collective fashion for a class or group of employees of the University.

6.5 Board and administrative responsibility

Given the nature of its responsibilities and the absence in the unicameral system of a collegial body with the statutory right to advise it, the Business Board normally exercises its powers (a) through judging proposals for policies, programs and major transactions brought forward by the President and the Board's assessors, and (b) through monitoring reports from those officers on matters within these terms of reference.

The Board will normally rely on the President and the Board's assessors to develop proposals and options for its consideration. The President's responsibility as Chief Executive Officer would oblige him/her or his/her colleagues to advise the Business Board on all issues within its terms of reference.

The Board will normally accept or reject proposals from the President or the appropriate administrative assessor(s) or refer them back for further consideration of a particular aspect(s). The Board will not normally amend proposals developed by the administration, apart from minor amendments (a) that do not contravene the sense of the original motion or negate it, and (b) that are accepted by the President or the appropriate assessor.

The President or an assessor acting on the President's behalf will have the right to withdraw from consideration any proposal the administration has made for action, prior to a final vote being taken on the proposal or on an amended version of the proposal, subject to the Board's residual power to schedule an item for discussion or debate at a future meeting of the Board.

Similarly, in the event that a proposal is presented to the Board other than through an administrative recommendation, the President or appropriate assessor has the right to defer action until the next meeting of the Board.

6. **PROCEDURES** (Cont'd)

6.5 Board and administrative responsibility (Cont'd)

Notwithstanding anything else in this clause 6.5, the Business Board will still possess the residual power of Governing Council to take any action deemed appropriate in some unforeseeable circumstance and to determine what matters of business should come before it.

~~December 14, 2000~~Draft Revision, June 13, 2002

Sections 4, 4.3, 4.12 amended by the Governing Council, June 27th, 1991

Section 1 amended by the Governing Council, December 19th, 1991

Section 4.7 amended pursuant to the revised Policy on Appointments and Remuneration May 18th, 1992. Footnote 4 amended on the establishment of the Planning and Budget Committee, approved by Governing Council June 22nd, 1994

Section 4.5 and 4.8 amended by Governing Council, June 1st, 1995

Sections 4.4(b), 4.5(b) and 4.5(c) amended by Governing Council December 19th, 1996

Sections 4.1(a) and 4.1(b) amended by Governing Council May 29, 1997

Section 4.1(b) amended by Governing Council December 14, 2000

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BUSINESS BOARD

TERMS OF REFERENCE

1. MEMBERSHIP

1.1 Composition

Total membership is about 31, including at least 12 alumni members or Lieutenant-Governor-in-Council appointees to Governing Council, up to 6 co-opted lay members and 2 administrative assessors selected by the President appointed *ex officio*. There will also be representatives on the Board from teaching staff, administrative staff and students. The usual composition of the Board is shown below. Membership may vary slightly from year to year.

CONSTITUENCY	GOVERNING COUNCIL	NON-GOVERNING COUNCIL	TOTAL
Administrative Staff	1 or 2	1 or 0	2
Alumni	5	0	5
LGIC Appointees	7	0	7
Teaching Staff	1 or 2	1 or 0	2
Students	1 or 2	1 or 0	2
Presidential Appointees	0 or 1	0	0-1
Presidential Assessors			2
Others (Co-opted lay members)	0	up to 6	up to 6
<i>Ex Officio</i>			
Chancellor	1	0	1
Chairman	1	0	1
Vice-Chair	1	0	1
President	1	0	1
TOTALS	19 - 23	9 - 6	up to 31

The Secretary of the Governing Council is an *ex officio*, non-voting member.

Members of the Governing Council are appointed to the Board annually by the Council. Other, or “co-opted”, members are appointed by the Board on the recommendation of its Striking Committee (see below). For the co-opted lay member seats, the Chairman of the Governing Council and the Chair of the Business Board shall take particular responsibility for nominating candidates to the Striking Committee.

1.2 Term

Terms begin on July 1 and continue to June 30 of the next year.

Governing Council members are appointed by Council for one-year terms. They may be reappointed, subject to their continued membership of the Council.

Because Governing Council members may in any year fill all places on the Board for administrative staff, alumni, LGIC appointees, teaching staff and students, co-opted members from those constituencies are appointed for a one-year term only, which is renewable if the place is available the next year.

The co-opted lay member appointments are normally made for three-year terms, which are renewable for a second and, in exceptional circumstances, a third term. In making these appointments, the Board will seek an appropriate balance between continuity and renewal. The Board will also seek to establish a rotation so that the terms of office will be staggered and one third of the co-opted lay members' terms will end each year.

1. MEMBERSHIP (Cont'd)

1.3 Chair and Vice-Chair

The Chair and Vice-Chair of the Board are appointed by the Governing Council from among the members of the Council on the Board.

2. QUORUM

One-third of the voting members (usually 11 members).

3. COMMITTEES

3.1 Standing Committees

The Audit Committee reports to the Business Board.

3.2 Special Committees

The Business Board does not normally establish Special Committees. The President or the appropriate Presidential assessor has an obligation to tender advice and develop proposals for action on all matters within the terms of reference of the Business Board.

3.3 Striking Committee

The Striking Committee, appointed annually by the Board on the recommendation of the Chair, shall recommend to the Board: (a) the appointment of co-opted members (members who are not members of the Governing Council) to the Business Board and the Audit Committee and (b) the Chair and Vice-Chair (if any) of the Audit Committee.

Membership of the Striking Committee consists of the Chair of the Board, *ex officio*, plus five members of the Board who shall be selected so that the Striking Committee includes at least one administrative staff member, one alumni member, one Lieutenant-Governor-in-Council appointee, one member of the teaching staff and one student member. The Chair of the Board serves as Chair of the Committee. The Board's voting assessors are invited to attend meetings of the Striking Committee in an advisory capacity.

The Striking Committee meets *in camera* and its recommendations are considered by the Board meeting *in camera*.

4. FUNCTION

The Business Board is responsible for consideration of policy and for monitoring matters affecting the business affairs of the University.

5. AREAS OF RESPONSIBILITY

The following areas are within the Board's responsibility:

- Financial policy, including policy delegating financial authority and approval of financial transactions as required by policy
- Policy on financing and execution of capital projects and approval of any transactions as required by policy¹
- University-owned or leased property including physical plant, equipment and works of art
- University policy on ancillary operations and monitoring of business ancillaries
- Policy on fundraising
- Alumni affairs
- Relations with the external community
- Institutional communications
- Policy on organization of business functions
- Personnel policy for administrative staff (except librarians)
- Employee benefits
- Monitoring and recommending policy on the occupational health and safety of members of the staff of the University and other policy pertaining to the health and safety of all members of, and visitors to, the University except for those matters falling within the terms of reference of the University Affairs Board
- Contractual relations with employee groups
- Tuition fees/policy on ancillary fees

The Business Board holds delegated authority to act for Governing Council with respect to all matters in its terms of reference except for matters:

- (a) which are deemed, pursuant to By-law Number 2, Section 31(d)², to be of major significance for the University as a whole, or to have major significance with respect to the University's public or fiduciary responsibilities; or

1. The Policy on Capital Planning and Capital Projects states that "the Business Board will assess the extent to which the project is within its approved parameters, its cost effectiveness, the extent to which full funding is committed or obtainable, and whether there are any significant outstanding and unresolved issues with respect to the project."

2 This section provides that "Where the Council, with respect to any matter or class of matters, has conferred on any committee reporting directly to it authority to act on its behalf, and where, prior to the adoption by the committee of a resolution to determine the matter, the Chairman of the Governing Council, the Chair of the committee, the President (or an administrative assessor acting for the President), or the committee itself is of the opinion that the matter is major in significance with respect to the University as a whole or with respect to the public or fiduciary responsibilities of the Governing Council, the Chairman, Chair, President or committee, as the case may be, may require that the action of the committee be submitted to the Council for confirmation." This provision does not apply to actions taken by the Board with respect to "agreements with the teaching or administrative staff of the University concerning the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly

5. AREAS OF RESPONSIBILITY (Cont'd)

- (b) which Governing Council is required by statute or specific contractual obligation to approve; or
- (c) which are reserved to Governing Council by these terms of reference, as amended from time to time by Governing Council.

The President or designate holds delegated authority to act for Governing Council with respect to approval of business transactions in the normal course of business.

Authority for approval in specific matters is as follows. The specific items below are intended to supplement, not limit, the general statements above in sections 4 and 5.

5.1 Financial policy and transactions**(a) Governing Council**

- appointment of the University's auditors
- approval of the annual audited financial statements
- review of reports from the Business Board at least annually on the Board's receipt and discussion of reports on investment matters

(b) Business Board

- approval of policies governing the financial operations of the University, including policies delegating financial authority
- approval of policies with respect to financial programs and transactions, and approval of individual programs and transactions as required by those policies
- review of regular reports on matters affecting the finances of the University³ and on financial programs and transactions
- concurrence with the recommendation of the Academic Board that the Budget Guidelines be approved, when the Guidelines propose deviation from approved financial policies; concurrence with the recommendation of the Academic Board that the budget report be approved.⁴
- establishment, if necessary, of interim operating budget appropriations, for the beginning of the fiscal year
- approval of banking resolutions and amendments thereto
- concurrence with respect to major projects, plans, or programs outside the normal course of business that require the balancing of expense and revenue (including but not limited to new residences or parking structures)

related to compensation or that are negotiated in a collective fashion for a class or group of employees of the University.”

³ For example, operating fund forecasts, reports on capital funding and reports on investment activities.

⁴ Such concurrence would indicate that the Business Board is satisfied that the proposed budget or budget guidelines are financially responsible.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.1 Financial policy and transactions (Cont'd)

- review and approval from time to time of the investment policies for university investment funds and amendments thereto; annual review and approval (as required by the Financial Services Commission of Ontario) of investment policies for the pension funds and amendments thereto; such policies to include, without limitation: normal asset mixes, asset-mix ranges, risk tolerances, quality criteria, and rate-of-return objectives including benchmarks for each fund
- approval of the conditions for the delegation of authority to a University-controlled asset management corporation for the management of the investment of University funds and pension funds, including provisions for the appointment of an expert Board to oversee the work of that corporation and arrangements for the appointment and removal of its members.
- review of annual reports, or more frequent reports as the Board may from time to time determine, on the investment of University and pension funds, such reports to include, without limitation: (i) reports on investment performance as measured against the rate-of-return objectives and benchmarks established in the investment policies, and the reasons for the results; (ii) reports on portfolio risk compared to the risk tolerances established in the investment policies; (iii) reports on the costs for managing each fund; and (iv) reports on the major investment decisions made in the reporting period by the asset management corporation (in contrast to the decisions made by the external portfolio managers).

(c) President or designate

- approval of guidelines, programs and transactions in the normal course of business to implement approved policies
- preparation of regular reports to the Board on matters affecting the finances of the University⁵ and on financial programs and transactions

5.2 Capital projects, involving new construction and major renovations

(a) Governing Council

- Approval of policies governing the execution of capital projects
- (Priority is assigned to capital projects on the recommendation of the Academic Board)

⁵ For example, operating fund forecasts, reports on capital funding and reports on investment activities.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.2 Capital projects, involving new construction and major renovations (Cont'd)

(b) Business Board

- approval of capital expenditures for, and the execution of, approved projects, as required by approved policies⁶; approval of increases in capital expenditures, required as the result of changes in the scope or cost of projects, as required by approved policies.

(c) President or designate

- within established policy, carrying out approved projects including: appointment of architects; call and approval of tenders within cost limits; and the establishment and change of authorized expenditures within approved limits⁷

5.3 University-owned or leased property, physical plant, equipment and related matters

(b) Business Board

- approval of acquisition or disposal of real estate and approval of arrangements for the non-University use or development of University property⁸
- approval of general policies on the acquisition and disposal of equipment
- approval of any general policies governing the maintenance of buildings and grounds
- approval of policies governing the University's art collections

(c) President or designate

- approval of transactions in the normal course of business including: leases for which funding has been approved; acquisition and disposal of rights of way and easements; etc., with reports for information to the Board on any major transactions
- preparation of regular reports on the overall maintenance and safety of buildings and grounds⁹

⁶ The Policy on Capital Planning and Capital Projects states that "the Business Board will assess the extent to which the project is within its approved parameters, its cost effectiveness, the extent to which full funding is committed or obtainable, and whether there are any significant outstanding and unresolved issues with respect to the project."

⁷ The Vice-President, Business Affairs is currently authorized to approve expenditure increases not exceeding the lesser of 10% or \$2,000,000.

⁸ For the disposal, or the non-University use or development of University property by the University or others, concurrence of the Academic Board is required, on advice of the Planning and Budget Committee, to indicate that the property is surplus to University requirements.

⁹ The Board receives an annual report on deferred maintenance and facilities renewal. The Board also receives an annual report on health and safety matters, which deals with the safety of buildings and grounds.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.4 Ancillary operations

(b) Business Board

- designation of incorporated or unincorporated units as ancillaries¹⁰ or termination of such designation
- general financial policy on ancillaries
- for incorporated business ancillaries:
 - acceptance of annual reports and financial statements
 - approval of arrangements for incorporation
 - approval of capital spending and/or borrowing, as required by financial policy or the by-laws of the ancillary
- for unincorporated business ancillaries:
 - approval of annual budgets or periodic approval, at least every five years, of business plans

5.5 Fundraising

(a) Governing Council

- approval of overall policies and plans for fundraising campaigns
- general priorities for fundraising campaigns - established by Governing Council on the Business Board's recommendation, with the concurrence of the Academic Board
- approval of receipt of major gifts and bequests with terms and conditions of an unusual nature

¹⁰ There are at present four classes of ancillaries.

(a) Incorporated Business Ancillaries: U of T Press, Innovations Foundation, University of Toronto Asset Management Corporation.

(b) Unincorporated Business Ancillaries: Real Estate.

(c) Campus and Student Services: Hart House, University College Residences, Graduate/Second Entry Residence, New College Residences, Innis College Residence, Scarborough College Residences, Scarborough College Conference Services and Facilities Rental, Erindale College Residences, Erindale College Conference Services, St. George Campus Conference Services, St. George Campus Food Services, University College Food Services, Scarborough College Food Services, Erindale College Food Services, St. George Campus Beverage Services, Scarborough College Beverage Service, St. George Campus Parking Services, Scarborough College Parking Services, Erindale College Parking Services.

(d) Research Ancillaries: Hungarian Research Institute of Canada.

Annual plans and budgets for the campus and student service ancillaries are approved by the University Affairs Board, within parameters established by general financial policy for ancillary operations and the University budget process.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.5 Fundraising (Cont'd)

(b) Business Board

- approval of strategies and policies concerning the general conduct of fundraising
- approval of policies on the receipt, acknowledgement and use of gifts and bequests
- approval of the designation of the use of unrestricted gifts and bequests over \$500,000 (1996 dollars)

(c) President or designate

- the organization of fundraising campaigns is the responsibility of the President
- creation of volunteer fundraising bodies and appointment of members
- the President has the authority to approve the designation of the use of unrestricted gifts and bequests of \$500,000 or less (1996 dollars) - the designation of such gifts is to be reported to the Business Board for information
- preparation of regular reports on gifts and bequests received

5.6 Relations with the external community

Review of an annual report from the President or designate(s) on the University's public and community relations activities and government relations activities.

5.7 Institutional Communications

Review of an annual report from the President or designate(s) on the University's institutional communications activities

5.8 Alumni affairs

Review of an annual report from the President or designate(s) on the University's alumni affairs activities.

5. AREAS OF RESPONSIBILITY (Cont'd)**5.9 Personnel policy for administrative staff (except professional librarians) and benefit programs for all employees****(b) Business Board**

- Approval of personnel policies for non-union administrative staff, except professional librarians¹¹
- Approval of benefit programs and amendments thereto.

(c) President or designate

- approval of guidelines, programs and transactions to implement approved policies
- approval of individual early retirements and appointments beyond the usual retirement age within established policies

5.10 Terms and conditions of employment**(b) Business Board**

- approval of initial agreement with any employee group
- approval of changes concerning the process of determining salaries and benefits
- approval of changes which constitute new policy directions, except for changes to academic employment policies within the jurisdiction of the Academic Board¹²
- approval of agreements and changes to agreements outside the *Labour Relations Act* with respect to terms and conditions of employment, subject to any limitations established by law or contract¹³

(c) President or designate

- responsibility for the conduct of negotiations with all employee groups
- approval of changes to collective agreements under the *Labour Relations Act* that fall within existing policies and salary determination procedures

¹¹ Personnel policies for unionized administrative staff are usually included in collective agreements. Authority with respect to agreements with employee groups is dealt with in section 5.10 below.

¹² Employment policies within the jurisdiction of the Academic Board are defined in By-Law Number 2, section 31(b) as matters “with respect to the nature of academic employment” assigned by resolution of the Governing Council to the Academic Board.

¹³ Agreements with the Faculty Association arising from the report of a Dispute Resolution Panel pursuant to clauses 22, 23 and 25 of article 6 of the Memorandum of Agreement with that Association take effect without Business Board approval, unless the President recommends the repudiation of a non-unanimous report. Subject to any limitations imposed by law of contract, the Board approves any recommendation from the President pursuant to section 23 of article 6 of the Memorandum of Agreement with the Faculty Association to repudiate a non-unanimous report of a Dispute Resolution Panel.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.11 Tuition and ancillary fees

(a) Governing Council

- approval of annual general academic fee schedule

(b) Business Board

- policy on ancillary fees
- approval of miscellaneous academic fees as may be required by the Policy on Ancillary Fees. Ancillary fees for student services, student organizations and student levies for specific limited purposes are the responsibility of the University Affairs Board

5.12 Health and safety

(a) Governing Council

- approval of policies concerning the health and safety of members of the University and visitors

(b) Business Board

- recommendation of policies to the Governing Council
- periodic review of programs to implement: (a) the *Occupational Health and Safety Act*, the *Environmental Protection Act* and regulations issued pursuant to them; and (b) other Governing Council policies concerning the health and safety of members of the University and visitors

(c) President or designate

- approval of University regulations and other actions to implement the *Occupational Health and Safety Act*, the *Environmental Protection Act*, and policies on health and safety approved by the Governing Council
- preparation of an annual report on environmental health and safety activities, including activities undertaken to ensure compliance with the *Occupational Health and Safety Act* and the *Environmental Protection Act*
- preparation of reports, made to the next regular meeting of the Board, on any instances where, pursuant to the *Occupational Health and Safety Act* or the *Environmental Protection Act*: (a) an order is issued by the relevant Ministry or other regulatory authority and there is not full compliance within the specified time; (b) employees refuse to work for reason of danger to their health or safety; (c) the President or designate decides not to implement a recommendation of a Joint Health and Safety Committee established pursuant to the *Occupational Health and Safety Act*; or (d) any other significant event occurs where the Business Board should be informed to enable it to perform, on behalf of the Governing Council, its responsibilities pursuant to the *Occupational Health and Safety Act*, the *Environmental Protection Act* or other applicable legislation

6. PROCEDURES¹⁴

6.1 Meetings

The Business Board usually meets in open session but may, pursuant to clause 33 of By-Law Number 2, meet in closed session or *in camera* when: (i) matters may be disclosed at the meeting of such a nature, having regard to the circumstances, that the desirability of avoiding open discussion thereof outweighs the desirability of adhering to the principle that meetings be open to the public; or (ii) intimate financial or personal matters of any person may be disclosed at the meeting or part thereof.

Pursuant to clause 33 of By-Law Number 2, the Board routinely moves into closed session at the end of each meeting to consider receipt of any closed session reports from its assessors. Assessors are invited to report on any matters of a confidential nature and to initiate discussion on any policy matters at an early stage of policy development, before they wish to bring a recommendation forward for debate and approval.

6.2 Agenda

In establishing agenda for meetings of the Board, the Chair will usually be advised by an agenda planning group that includes the Vice-Chair and the voting and non-voting assessors. The proposed agenda for a meeting, together with background documentation, is reviewed at an agenda planning meeting, usually scheduled ten to fourteen days prior to the Board meeting.

Notwithstanding the usual procedure for establishing the agenda for meetings, matters may be added to the agenda of a current or subsequent meeting, as provided in clauses 32 (d), (e) and (f) of By-Law Number 2, by: a vote of two thirds of the members present and voting to add a matter to the agenda of a meeting; a resolution to determine that a matter be included on the agenda of a subsequent meeting; a written request signed by at least 10% of the voting members and submitted at a meeting that a stated matter be included on the agenda of the next regular meeting; or a notice of motion approved by the Chair for inclusion on the agenda of a subsequent meeting.

6.3 Consent agenda

The Chair may determine that an item should be placed on a “consent” portion of the agenda. Those items are not given individual consideration by the Board, unless a member so requests. Rather, members with questions for clarification, or requests for further information, contact the assessor or other contact person shown on the item in advance of the meeting. Members with concerns who would like an item to be discussed by the Board notify the Secretary well in advance of the meeting. Upon the request of any member, the matter will be considered by the Board in the usual manner. Consent items may be distributed by the Secretary with the agenda and other items for a meeting or in advance of it. To keep members abreast of developments in a timely manner and to provide members with the most time possible to review items before meetings, assessors are encouraged to make consent items available to the Secretary for distribution as soon as possible.

¹⁴ Clauses 32 - 36 of By-Law Number 2 establish fundamental procedures for all Governing Council Boards and Committees. Certain Governing Council policies also determine specific procedures for all Boards and Committees: *Procedures for Non-Members to Address Governing Council* and *Policy on Disruption of Meetings*.

6. PROCEDURES (Cont'd)**6.4 Level of approval for matters coming before the Board**

The Chair of the Board, with the advice of the Board's agenda planning group and subject to the duly established authority of the Executive Committee of Governing Council, has the authority to interpret the terms of reference of the Board with respect to whether an item should be placed on the Board's agenda for recommendation to the Governing Council, for approval, or for information and discussion.

Notwithstanding the above paragraph, where the Chair has determined that a matter is to come before the Board for approval, and prior to the adoption by the Board of a resolution to determine the matter, the Chairman of the Governing Council, the Chair of the Board, the President or an administrative assessor acting for the President, or the Board itself, may, pursuant to clause 31(d) of By-Law Number 2, determine that the matter is major in significance with respect to the University as a whole or with respect to the public or fiduciary responsibilities of the Governing Council, and the Chairman, Chair, President, assessor or Board, as the case may be, may require that the action of the Board be submitted to the Council for confirmation. Where a matter is referred to the Governing Council pursuant to this provision, the action taken by the Board shall not have effect unless confirmed by the Council.

This provision does not apply to actions taken by the Board under its delegated authority under clause 31(b) of By-Law Number 2 to act on behalf of the Governing Council with respect to agreements with the teaching or administrative staff of the University concerning the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly related compensation or that are negotiated in a collective fashion for a class or group of employees of the University.

6.5 Board and administrative responsibility

Given the nature of its responsibilities and the absence in the unicameral system of a collegial body with the statutory right to advise it, the Business Board normally exercises its powers (a) through judging proposals for policies, programs and major transactions brought forward by the President and the Board's assessors, and (b) through monitoring reports from those officers on matters within these terms of reference.

The Board will normally rely on the President and the Board's assessors to develop proposals and options for its consideration. The President's responsibility as Chief Executive Officer would oblige him/her or his/her colleagues to advise the Business Board on all issues within its terms of reference.

The Board will normally accept or reject proposals from the President or the appropriate administrative assessor(s) or refer them back for further consideration of a particular aspect(s). The Board will not normally amend proposals developed by the administration, apart from minor amendments (a) that do not contravene the sense of the original motion or negate it, and (b) that are accepted by the President or the appropriate assessor.

The President or an assessor acting on the President's behalf will have the right to withdraw from consideration any proposal the administration has made for action, prior to a final vote being taken on the proposal or on an amended version of the proposal, subject to the Board's residual power to schedule an item for discussion or debate at a future meeting of the Board.

6. PROCEDURES (Cont'd)

6.5 Board and administrative responsibility (Cont'd)

Similarly, in the event that a proposal is presented to the Board other than through an administrative recommendation, the President or appropriate assessor has the right to defer action until the next meeting of the Board.

Notwithstanding anything else in this clause 6.5, the Business Board will still possess the residual power of Governing Council to take any action deemed appropriate in some unforeseeable circumstance and to determine what matters of business should come before it.

Draft Revision, June 13, 2002

Sections 4, 4.3, 4.12 amended by the Governing Council, June 27th, 1991

Section 1 amended by the Governing Council, December 19th, 1991

Section 4.7 amended pursuant to the revised Policy on Appointments and Remuneration May 18th, 1992. Footnote 4 amended on the establishment of the Planning and Budget Committee, approved by Governing Council June 22nd, 1994

Section 4.5 and 4.8 amended by Governing Council, June 1st, 1995

Sections 4.4(b), 4.5(b) and 4.5(c) amended by Governing Council December 19th, 1996

Sections 4.1(a) and 4.1(b) amended by Governing Council May 29, 1997

Section 4.1(b) amended by Governing Council December 14, 2000

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BUSINESS BOARD

TERMS OF REFERENCE

1. COMPOSITION

Total membership is about 27, including at least 12 alumni members or Lieutenant-Governor-in-Council appointees to Governing Council, up to 6 co-opted lay members and 2 administrative assessors selected by the President appointed *ex officio*. There will also be representatives on the Board from teaching staff, administrative staff and students.

2. QUORUM

One-third of the voting members.

3. FUNCTION

The Business Board is responsible for consideration of policy and for monitoring matters affecting the business affairs of the University.

4. AREAS OF RESPONSIBILITY

Specific areas of responsibility include:

- Fiscal policy and financial transactions not in the normal course of business
- Policy on financing and execution of capital projects and approval of any transactions as required by policy
- University-owned or leased property, physical plant, equipment and related matters
- University policy on ancillary operations and monitoring of business ancillaries
- Policy on fundraising
- Alumni affairs
- Relations with the external community
- Communications
- Policy on organization of business functions
- Personnel policy for administrative staff (except librarians)
- Employee benefits
- Monitoring and recommending policy on the occupational health and safety of members of the staff of the University and other policy pertaining to the health and safety of all members of, and visitors to, the University except for those matters falling within the terms of reference of the University Affairs Board
- Contractual relations with employee groups
- Tuition fees/policy on ancillary fees

Business Board Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

The Business Board holds delegated authority to act for Governing Council with respect to all matters in its terms of reference except for matters:

- (a) which are deemed, pursuant to By-law Number 2, Section 31(d), to be of major significance for the University as a whole, or to have major significance with respect to the University's public or fiduciary responsibilities; or
- (b) which Governing Council is required by statute or specific contractual obligation to approve; or
- (c) which are reserved to Governing Council by these terms of reference, as amended from time to time by Governing Council.

Authority for approval in specific matters is as follows. The specific items below are intended to supplement, not limit, the general statements above in sections 3 and 4.

4.1 Fiscal policy and financial transactions

(a) Governing Council

- appointment of the University's auditors
- approval of the annual audited financial statements
- Review of reports from the Business Board at least annually on the Board's receipt and discussion of reports on investment matters

(b) Business Board

- approval of policies governing the fiscal operations of the University
- approval of policies with respect to financial programs and transactions, and approval of individual programs and transactions as required by those policies
- concurrence with the recommendation of the Academic Board that the Budget Guidelines be approved, when the Guidelines propose deviation from approved fiscal policies; concurrence with the recommendation of the Academic Board that the annual budget report be approved¹
- establishment, if necessary, of interim operating budget appropriations, at the beginning of the fiscal year
- approval of banking resolutions and amendments thereto
- concurrence with respect to major projects, plans, or programs outside the normal course of business that require the balancing of expense and revenue (e.g., supercomputer acquisition, new residences or parking structures)

¹ Such concurrence would indicate that the Business Board is satisfied that the proposed budget is a fiscally responsible one.

Business Board Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

4.1 Fiscal policy and financial transactions (Cont'd)

(b) Business Board (Cont'd)

- review and approval from time to time of the investment policies for university investment funds and amendments thereto; annual review and approval (as required by the Financial Services Commission of Ontario) of investment policies for pension funds and amendments thereto; such policies to include, without limitation: normal asset mixes, asset-mix ranges, risk tolerances, quality criteria, and rate-of-return objectives including benchmarks for each fund
- approval of the conditions for the delegation of authority to a University-controlled asset management corporation for the management of the investment of University funds and pension funds, including provisions for the appointment of an expert Board to oversee the work of that corporation and arrangements for the appointment and removal of its members.
- review of annual reports, or more frequent reports as the Board may from time to time determine, on the investment of University and pension funds, such reports to include, without limitation: (i) reports on investment performance as measured against the rate-of-return objectives and benchmarks established in the investment policies, and the reasons for the results; (ii) reports on portfolio risk compared to the risk tolerances established in the investment policies; (iii) reports on the costs for managing each fund; and (iv) reports on the major investment decisions made in the reporting period by the asset management corporation (in contrast to the decisions made by the external portfolio managers).

(c) President or designate

- approval of guidelines, programs and transactions in the normal course of business to implement approved policies
- preparation of regular reports on matters affecting the finances of the University² and on fiscal programs and transactions

4.2 Capital projects, involving new construction and major renovations

(a) Governing Council

- (Priority is assigned to capital projects on the recommendation of the Academic Board)

² For example, reports on capital funding and investment activities.

Business Board Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

4.2 Capital projects, involving new construction and major renovations (Cont'd)

(b) Business Board

- approval of policies governing the establishment and change of capital appropriations for and the execution of approved projects

(c) President or designate

- within established policy, approval of transactions to carry out approved projects including: appointment of architects; call and approval of tenders within cost limits; and the establishment and change of capital appropriations within approved limits³

4.3 University-owned or leased property, physical plant, equipment and related matters

(b) Business Board

- approval of acquisition or disposal of real estate⁴
- approval of policies on the acquisition and disposal of equipment

(b) Business Board

- approval of policies governing the maintenance of the physical plant

(c) President or designate

- approval of transactions in the normal course of business including: leases for which funding has been approved; acquisition and disposal of rights of way and easements; etc., with reports for information to the Board
- preparation of regular reports on the maintenance and safety of the physical plant

³ The Vice-President – Business Affairs is currently authorized to approve appropriation increases not exceeding the lesser of 10% or \$2,000,000.

⁴ For the non-University use or development of University property, by the University or others, concurrence of the Academic Board is required, on advice of the Planning and Budget Committee, to indicate that the property is surplus to University requirements.

Business Board Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

4.4 Ancillary operations

(b) Business Board

- designation of incorporated or unincorporated units as ancillaries⁵ or termination of such designation
- general fiscal policy on ancillaries
- for incorporated business ancillaries:
 - acceptance of annual reports and financial statements
 - approval of arrangements for incorporation
 - approval of capital spending and/or borrowing, as required by fiscal policy or the by-laws of the ancillary
- for unincorporated business ancillaries:
 - periodic approval, at least every five years, of business plans

4.5 Fundraising

(a) Governing Council

- approval of overall policies and plans for fundraising campaigns
- general priorities for fundraising campaigns - established by Governing Council on the Business Board's recommendation, with the concurrence of the Academic Board
- approval of receipt of major gifts and bequests with terms and conditions of an unusual nature

⁵ There are at present four classes of ancillaries.

- (a) Incorporated Business Ancillaries: U of T Press, Innovations Foundation.
- (b) Unincorporated Business Ancillaries: Guidance Centre.
- (c) Campus and Student Services: Hart House, University College Residences, University College Food Services, Graduate/Second Entry Residences, New College Residences, Innis College Residence, Scarborough College Residences, Scarborough College Conference Services and Facilities Rental, Erindale College Residences, Erindale College Conference Services, St. George Campus Conference Services, St. George Campus Food Services, University College Food Services, Scarborough College Food Services, Erindale College Food Services, St. George Campus Beverage Services, Scarborough College Beverage Service, St. George Campus Parking Services, Scarborough College Parking Services, Erindale College Parking Services.
- (d) Research Ancillaries: Hungarian Research Institute of Canada.

Annual plans and budgets for the campus and student service ancillaries are approved by the University Affairs Board, within parameters established by general fiscal policy for ancillary operations and the University budget process.

Business Board Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

4.5 Fundraising (Cont'd)

(b) Business Board

- approval of strategies and policies concerning the general conduct of fundraising
- approval of policies on the receipt, acknowledgement and use of gifts and bequests
- approval of the designation of the use of unrestricted gifts and bequests over \$500,000 (1996 dollars)

(c) President or designate

- the organization of fundraising campaigns is the responsibility of the President
- creation of volunteer fundraising bodies and appointment of members
- the President has the authority to approve the designation of the use of unrestricted gifts and bequests of \$500,000 or less (1996 dollars) - the designation of such gifts is to be reported to the Business Board for information
- preparation of regular reports on gifts and bequests received

4.6 Relations with the external community

Policy concerning the public and community relations and concerning the interaction between the University and the various communities external to it is the responsibility of the Board.

4.7 Communications

The Business Board is responsible for policy concerning the operation of the Department of Communications. The Board approves the terms of reference of official publications.

4.8 Alumni affairs

The Business Board is responsible for policy concerning alumni affairs.

4.9 Personnel policy for administrative staff (except professional librarians) and benefit programs for all employees

(b) Business Board

The Board holds delegated authority for the approval of policies and benefit programs and amendments thereto.

Business Board Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

4.9 Personnel policy for administrative staff (except professional librarians) and benefit programs for all employees (Cont'd)

(c) President or designate

- approval of guidelines, programs and transactions to implement approved policies
- approval of individual early retirements and appointments beyond the usual retirement age within established policies

4.10 Agreements with teaching and administrative staff with respect to terms and conditions of employment

(b) Business Board

- approval of initial agreement with an employee group
- approval of changes concerning the process of determining salaries and benefits
- approval of changes which constitute new policy directions, except for changes to academic employment policies within the jurisdiction of the Academic Board
- approval of all changes to agreements outside the *Labour Relations Act* with respect to terms and conditions of employment

(c) President or designate

- responsibility for the conduct of negotiations with all employee groups
- approval of changes to contracts under the *Labour Relations Act* which fall within existing policies and salary determination procedures

4.11 Tuition and ancillary fees

(a) Governing Council

- approval of annual general academic fee schedule

(b) Business Board

- policy on ancillary fees
- approval of miscellaneous academic fees as may be required by the Policy on Ancillary Fees - ancillary fees for student services, student organizations and student levies for specific limited purposes are the responsibility of the University Affairs Board

Business Board Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

4.12 Health and safety

(a) Governing Council

- approval of policies concerning the health and safety of members of the University and visitors

(b) Business Board

- recommendation of policies to the Governing Council
- periodic review of programs to implement: (a) the *Occupational Health and Safety Act*, the *Environmental Protection Act* and regulations issued pursuant to them; and (b) other Governing Council policies concerning the health and safety of members of the University and visitors

(c) President or designate

- approval of University regulations and other actions to implement the *Occupational Health and Safety Act*, the *Environmental Protection Act*, and policies on health and safety approved by the Governing Council
- preparation of an annual report on environmental health and safety activities, including activities undertaken to ensure compliance with the *Occupational Health and Safety Act* and the *Environmental Protection Act*
- preparation of reports, made to the next regular meeting of the Board, on any instances where, pursuant to the *Occupational Health and Safety Act* or the *Environmental Protection Act*: (a) an order is issued by the relevant Ministry or other regulatory authority and there is not full compliance within the specified time; (b) employees refuse to work for reason of danger to their health or safety; (c) the President or designate decides not to implement a recommendation of a Joint Health and Safety Committee established pursuant to the *Occupational Health and Safety Act*; or (d) any other significant event occurs where the Business Board should be informed to enable it to perform, on behalf of the Governing Council, its responsibilities pursuant to the *Occupational Health and Safety Act*, the *Environmental Protection Act* or other applicable legislation

December 14, 2000

Sections 4, 4.3, 4.12 amended by the Governing Council, June 27th, 1991

Section 1 amended by the Governing Council, December 19th, 1991

Section 4.7 amended pursuant to the revised Policy on Appointments and Remuneration May 18th, 1992. Footnote 4 amended on the establishment of the Planning and Budget Committee, approved by Governing Council June 22nd, 1994

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Section 4.1(b) amended by Governing Council December 14, 2000



University of Toronto TORONTO ONTARIO M5S 1A1

OFFICE OF THE GOVERNING COUNCIL

MEMORANDUM

TO: Audit Committee

FROM: Louis Charpentier
Secretary of the Governing Council

DATE: June 11, 2002

SUBJECT: AUDIT COMMITTEE: PROPOSED REVISED TERMS OF REFERENCE

One of the objectives of the Office of the Governing Council for this governance year was to recommend updated terms of reference for all committees and boards. Accordingly, the senior staff in the Office of the Governing Council reviewed the current terms of reference with the intent of updating each to reflect current practice. The proposals were then forwarded to the Chair of the Audit Committee and the administrative officers associated with it for their initial review. The outcome of this initial process is attached and forwarded to the Committee for its review. It is likely that further work will be required on the draft based on members' advice. If it happens that members are substantially satisfied with the attached, it could of course be forwarded to the Business Board with the Committee's recommendation for approval.

For the most part, the proposed revisions consist of changed or rearranged wording. Some additions/deletions are intended to clarify the particular functions of the Audit Committee and its relationships with the University's administration and the Business Board. In some instances, new wording is proposed to facilitate the functioning of the Committee where new requirements for accountability could not have been foreseen when the current terms of reference were approved. Ideally, the changes proposed also will serve to remove ambiguity or vagueness from the terms of reference and will support both the administration and the Governing Council in an efficient, productive approval process.

The most important change proposed would charge the Committee to monitor the University's major risk exposures. At its meeting of November 26, 2001, the Committee reviewed the University's overall risk assessment profile. Report Number 63 of the Audit Committee includes the following:

The Audit Committee was not responsible for all of the areas of risk covered in the report, but it was concerned to see that all risks were being assessed and dealt with somewhere in the administration or the governance system. The Secretary of the Governing Council was looking into the question of the appropriate location in the governance system for ensuring overall monitoring of any appropriate action in response to the risk assessment - for ensuring that items of unmitigated risk were being dealt with

The terms of reference propose that the Audit Committee be that appropriate location. The inclusion of risk monitoring as an area of responsibility for the Audit Committee is consistent with current best practices. The Committee has already begun the process. It routinely meets in closed session, which would enable frank discussions of risks without making them public and thereby increasing the risk exposures. The Committee has a well established process for dealing with the problems it perceives, which is set out in the terms of reference. The Committee has no decision-making authority, but it can and does give advice to the Vice-President, Business Affairs and, if necessary, to the President. Then if still necessary, it can draw unresolved matters to the attention of the Business Board.

There are proposals for two other changes in the Committee's stated responsibilities.

- The Committee's practice of carrying out an annual review of legal services is stated, along with its purpose – monitoring possible risk exposures and contingent liabilities.
- The Committee is called upon to receive reports on the occurrence of significant audits of University operations or projects carried out by external bodies: governments, granting councils, regulatory agencies, etc. In any case where there is a substantial irregularity, the Committee would review the audit report.

One provision that appeared in the previous draft has been removed:

reviews periodically budget controls and procedures for reporting major variances to the appropriate committee of the Governing Council

Following further thought and consultation, Mr. Robert Weiss, the Chair of the Committee, thought it best to remove specific reference to any Committee responsibility for budget controls. The Audit Committee would indeed carry out responsibility for budget controls as part of its general mandate to monitor controls and risk-assessments. In the absence of knowledge about the budget, however, it would be inappropriate to specify the review of budget controls as a separate responsibility.

Detailed section by section comments are attached.

Attached also are: (a) a copy of the proposed terms of reference, with changes underscored or shown by a line in the right margin; (b) a clean copy of the proposed terms of reference, and (c) a copy of the current terms of reference.

- **Section 1, Composition.** There is no substantive change.

The first paragraph includes a list of the four officers who are *ex officio* members of all boards and committees: the Chairman and Vice-Chair of the Governing Council, the President and the Chancellor. This does not represent any increase in the size of the Committee.

The additional comments in the fourth paragraph simply make explicit current practice – that members of this technical Committee are appointed primarily on the basis of their expertise in accounting, law and business administration rather than constituency representation.

The description of the method of appointment of Governing Council and co-opted members to the Committee is intended for completeness to specify the current practice.

- **Terms.** The new information is included for completeness to specify current practice.
- **Section 3.2, Committees: special committees.** The proposed specification that the Audit Committee “does not normally establish special committees” reflects current practice, which derives from the Balfour Report. That report states (on page 26) that “the power of a committee to develop a proposal for action will not normally be exercised by the Business Board. The President or the appropriate Presidential assessor will have an obligation to tender advice and develop proposals.” A limitation that applies to the Business Board, of course, also applies to its committee.
- **Section 4, Function.** The amendment in the general description of the Committee’s function adds the proposed responsibility for monitoring risk exposures.

The section also specifies the Committee’s usual method of operation when it has concerns about some matter. The current terms of reference specify that the Committee “where appropriate makes recommendations to the Business Board.” The proposed revision specifies that the Committee, “where appropriate . . . gives advice to the University’s senior officer reporting to the President responsible for financial matters [in the current structure, the Vice-President, Business Affairs] or to the President or makes recommendations to the Business Board, to which the Audit Committee reports.”

Other changes in this section are purely editorial.

- **Section 5.1 (c), Areas of responsibility: annual report on the pension plans.** The section merely specifies the current content of the annual stewardship report on the pension plans.

- **Section 5.1(k), Areas of responsibility: review of a report from the President on any removal or suspension of the Director of the Internal Audit Department.** The Policy on Appointments and Remuneration requires that the President report to the Business Board any removal or suspension of the Director of Internal Audit. The current terms of reference require that such a report also be made to the Audit Committee. The section has been strengthened to require that the reports specify the reasons for any such removal or suspension. Current events have underscored the need for a fully independent internal, as well as external, audit function, and it might well be appropriate for the University to amend its Policy on Appointments and Remuneration to require appropriate governance approval (rather than only a report for information) for any removal or suspension of the Director of Internal Audit.
- **Section 5.1 (l), Areas of responsibility: review of annual report on risk exposures.** This section sets out the Committee's proposed major new responsibility, discussed above.
- **Section 5.1 (m), Areas of responsibility: review of annual report on the use of legal services.** This section sets out the Committee's current practice of reviewing an annual report on the use of legal services and specifies the purpose of that review: monitoring possible risk exposures and contingent liabilities.
- **Section 5.1 (n), Areas of responsibility: receipt of reports from management on audits by external agencies.** This section sets out the Committee's recently established practice of receiving from the administration reports on significant audits conducted by governments, granting councils, and other external bodies. Where the audit indicates any substantial irregularity, the Committee would review the audit report.
- **Section 5.1(o), Areas of responsibility: monitoring other financial matters on the request of the Business Board.** A footnote sets out an area where the Business Board has asked the Committee to monitor certain financial matters: in 1996, it delegated to the Committee the Board's stewardship responsibility with respect to two of the incorporated business ancillary operations, the University of Toronto Innovations Foundation and the University of Toronto Press.
- **Section 6, Procedures: Meetings.** The paragraph on establishing the Committee's agenda and the role of the agenda planning group simply specifies existing practice. A similar paragraph has been proposed for inclusion in all Board/Committee terms of reference.

AUDIT COMMITTEE

TERMS OF REFERENCE

1. MEMBERSHIP

1.1 Composition

Membership is ~~from 7 to 9~~ about nine, other than *ex officio* members, of whom a minimum of five will be members of the Business Board or members of the Governing Council. The Chairman and Vice-Chair of the Governing Council, the President and the Chancellor are *ex officio* voting members of the Audit Committee.

In addition, the following officers are *ex officio* non-voting members: the senior officer of the University reporting to the President who is responsible for financial matters, as so designated by the President; a second senior officer of the University responsible for financial matters, as so designated by the President; the Secretary of the Governing Council; and the Director, Internal Audit.

Two-thirds of the voting members must be external to the University: that is, not faculty, staff or students.

The Audit Committee is a technical rather than a representative committee. Its members are appointed on the basis of their expertise and interest in accounting, law and business administration rather than constituency representation.

1.2 Term

Terms are for one year, beginning July 1, and may be renewed.

Members of the Governing Council are appointed to the Committee annually by the Council. Other, or “co-opted”, members are appointed annually by the Business Board.

1.3 Chair and Vice-Chair

The Chair and Vice-Chair (if any) are appointed annually by the Business Board.

2. QUORUM

Three members, other than *ex officio* members, two of whom are external to the University.

3. COMMITTEES

3.1 Standing Committees

The Audit Committee is a standing committee of the Business Board. It has no standing subcommittees.

3.2 Special Committees

The Audit Committee does not normally establish Special Committees.

4. FUNCTION

The Audit Committee reviews and assesses recommendations and reports on the finances, ~~and financial controls and risk exposures~~ of the University. ~~and, where appropriate, it makes recommendations~~ gives advice to the University's senior officer reporting to the President responsible for financial matters or to the President or makes recommendations to the Business Board, to which the Audit Committee reports. ~~This~~ The Committee's function includes review of the accounting systems, financial reporting, internal controls, financial reporting and safeguarding of the University's assets and general risk exposure; ~~monitoring~~ The Committee monitors the competence with which external and internal audits are carried out; ensuring ensures that the auditors' recommendations are given due consideration; and assuring ensures the auditors' independence in their relationships with the administration.

5. AREAS OF RESPONSIBILITY

5.1 Without limiting the general responsibilities of the Committee as described above, the Audit Committee:

- (a) reviews the annual audited financial statements of the University with administration and the external auditors, and recommends them for approval to the Business Board;
- (b) assesses the adequacy of substantial public disclosures of financial information;
- (c) 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 and recommends them for approval where required;
- (c) reviews the annual report on the pension plans, including the financial statements of the pension funds, and a summary of the actuarial reports, including the actuarial assumptions, and a summary report on investment returns, and recommends the financial statements to the Business Board for approval;
- (d) meets with the external auditors to determine any problems encountered by the auditors, any restrictions on their work, the co-operation received in the performance of their duties, and their audit findings; reviews the external auditors' management letter and the administrative response to the letter, and satisfies itself that the recommendations are ~~implemented~~ acted upon where appropriate. ~~Where recommendations from the external auditor are not to be implemented~~ acted upon, the Committee satisfies itself that this is acceptable;
- (e) reviews the internal auditor's ~~stewardship~~ reports, significant findings and recommendations concerning the adequacy of internal controls in the University, and satisfies itself that the administration is addressing the issues raised where appropriate;

- (f) receives from the appropriate *ex officio* non-voting members timely reports on any significant financial issues, problems, irregularities or any significant contingent liabilities;
- (g) reviews from time to time the University's accounting policies and practices with the administration and the external auditors; is advised of any significant, relevant changes to generally accepted accounting principles and the University's application thereof;
- (h) reviews the internal auditor's annual and long-range audit plans, internal audit policy and procedures;
- (i) recommends the annual appointment of the external auditors; reviews and accepts the external auditors' engagement letter; reviews annually the external auditors' plan and estimated and actual audit fees. The Committee should be informed of any fees for any non-audit services performed for the University by the audit firm and consider whether the nature or extent of such services could detract from the audit firm's independence in carrying out the audit function;
- (j) the Committee should be informed on a timely basis of any serious difference of opinion between administration and the auditors, whether or not the difference has been resolved; the Committee should ~~request to be~~ informed of any case in which the administration has sought accounting advice on a specific issue from an accounting firm other than the one appointed as external auditors;
- (k) reviews, for information, any report made by the President to the Business Board, pursuant to the Policy on Appointments and Remuneration, on the suspension or removal of the Director of the Internal Audit Department and the reasons therefore. Receives for information a report from the President on the circumstances of any resignation or transfer of the Director;
- (l) reviews an annual management report on significant business, financial and regulatory risks and monitors the University's processes for identifying and controlling those risks. In carrying out this responsibility, the Committee focuses primarily on the adequacy of key controls over those vital few risks considered to be, currently or in the future, more significant and likely to occur, meets with management and the internal or external auditors to come to a fuller understanding and better assessment of management's response to controlling important risk situations, and reports any concerns to the University's senior officer reporting to the President responsible for financial matters, to the President, or to the Business Board, as appropriate;
- (m) reviews, in connection with the review of the audited financial statements, an annual report on the use of legal services and on substantial outstanding legal actions against the University in order to monitor possible risk exposures and contingent liabilities.
- (n) receives reports from management on the occurrence of any significant audits of University operations or projects carried out by governments, granting councils, regulatory agencies or others; in cases where the outcome of an audit indicates any substantial irregularity, reviews the audit report.

- (o) _____ monitors such other financial matters as the Governing Council or the Business Board may direct or as the Audit Committee deems appropriate to carrying out its general function.¹

5.2 Responsibility of Administration

The President, through his/her administration, has an obligation to tender advice and develop proposals for action on all matters within the Committee's terms of reference.

The administration is directly responsible for the University's risk-management and financial reporting processes, including:

- (i) the preparation of financial reports and statements in accordance with the principles of fair presentation and generally accepted accounting principles for University operations;
- (ii) the organization and maintenance of appropriate internal controls designed to safeguard assets, establish the reliability of financial information and ensure adherence to approved policies; and
- (iii) the provision of assurance that the actions of the University's administration comply with applicable laws and standards of proper conduct.

6. PROCEDURES

6.1 Meetings

The Committee meets in closed session. ~~a minimum of three times per fiscal year.~~ Where matters before the Committee are of a particularly confidential or sensitive nature, the Committee may move *in camera*. The Committee meets a minimum of three times per fiscal year.

The Committee meets at least annually with the external auditors and the internal auditor separately, without the presence of any administrative officer, to enquire whether

¹ The Business Board, at its meeting of October 15, 1996, as one of the steps taken to streamline Board operations, delegated to the Audit Committee the Board's stewardship responsibility with respect to two incorporated business ancillary operations: the University of Toronto Innovations Foundation and the University of Toronto Press. To carry out this responsibility, the Committee reviews the annual reports and financial statements of the corporations and recommends that the Business Board "accept" the annual report and financial statements. Unless the Audit Committee reports some substantial concern, the Business Board normally places consideration of the annual reports and financial statements of those corporations on its "consent" agenda. Should the Committee or the Board determine not to "accept" the annual report and financial statements, this would be interpreted as a recommendation to the Governing Council that the affairs of the ancillary operation are not in good order and that the Council should reconsider its appointments to the Boards of these corporations. Because these corporations have their own boards and audit committees, the Audit Committee of the Governing Council is not expected to review the operations' financial statements in detail.

The Audit Committee also reviews the financial statements of the third incorporated business ancillary operation: the University of Toronto Asset Management Corporation (UTAM). It also periodically reviews UTAM's controls on the University and pension plan assets. The Audit Committee is not, however, asked to review the UTAM annual report or its investment performance. That annual report is made directly to the Business Board.

adequate cooperation has been received from administration and whether administration has exerted any undue pressure.

In establishing agenda for meetings of the Committee, the Chair will usually be advised by an agenda planning group that includes the Vice-Chair (if any) and the assessors. The proposed agenda for a meeting, together with background documentation, is reviewed at an agenda planning meeting, usually scheduled eight to fourteen days prior to the Committee meeting.

6.2 Access

The external auditors and internal auditor shall have access to the Chair of the Audit Committee, on serious matters within the scope of ~~his or her~~ their jobs that cannot be resolved through normal administrative reporting lines.

June 10, 2002

Audit Committee Terms of Reference were amended by the Governing Council, on June 22, 1989 and on June 22, 1994

Sections 1 and 5(k) were amended by Governing Council on December 14, 1994.

Section 1 was further amended by the Governing Council on October 25, 2001.

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AUDIT COMMITTEE

TERMS OF REFERENCE

1. MEMBERSHIP

1.1 Composition

Membership is about nine, other than *ex officio* members, of whom a minimum of five will be members of the Business Board or members of the Governing Council. The Chairman and Vice-Chair of the Governing Council, the President and the Chancellor are *ex officio* voting members of the Audit Committee.

In addition, the following officers are *ex officio* non-voting members: the senior officer of the University reporting to the President who is responsible for financial matters, as so designated by the President; a second senior officer of the University responsible for financial matters, as so designated by the President; the Secretary of the Governing Council; and the Director, Internal Audit.

Two-thirds of the voting members must be external to the University: that is, not faculty, staff or students.

The Audit Committee is a technical rather than a representative committee. Its members are appointed on the basis of their expertise and interest in accounting, law and business administration rather than constituency representation.

1.2 Term

Terms are for one year, beginning July 1, and may be renewed.

Members of the Governing Council are appointed to the Committee annually by the Council. Other, or “co-opted”, members are appointed annually by the Business Board.

1.3 Chair and Vice-Chair

The Chair and Vice-Chair (if any) are appointed annually by the Business Board.

2. QUORUM

Three members, other than *ex officio* members, two of whom are external to the University.

3. COMMITTEES

3.1 Standing Committees

The Audit Committee is a standing committee of the Business Board. It has no standing subcommittees.

3.2 Special Committees

The Audit Committee does not normally establish Special Committees.

4. FUNCTION

The Audit Committee reviews and assesses recommendations and reports on the finances, financial controls and risk exposures of the University. Where appropriate, it gives advice to the University's senior officer reporting to the President responsible for financial matters or to the President or makes recommendations to the Business Board, to which the Audit Committee reports. The Committee's function includes review of the accounting systems, financial reporting, internal controls, safeguarding of the University's assets and general risk exposure. The Committee monitors the competence with which external and internal audits are carried out; ensures that the auditors' recommendations are given due consideration; and ensures the auditors' independence in their relationships with the administration.

5. AREAS OF RESPONSIBILITY

5.1 Without limiting the general responsibilities of the Committee as described above, the Audit Committee:

- (a) reviews the annual audited financial statements of the University with administration and the external auditors, and recommends them for approval to the Business Board;
- (b) assesses the adequacy of substantial public disclosures of financial information;
- (c) 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 and recommends them for approval where required;
- (c) reviews the annual report on the pension plans, including the financial statements of the pension funds, a summary of the actuarial reports, including the actuarial assumptions, and a summary report on investment returns, and recommends the financial statements to the Business Board for approval;
- (d) meets with the external auditors to determine any problems encountered by the auditors, any restrictions on their work, the co-operation received in the performance of their duties, and their audit findings; reviews the external auditors' management letter and the administrative response to the letter, and satisfies itself that the recommendations are acted upon where appropriate. Where recommendations from the external auditor are not to be acted upon, the Committee satisfies itself that this is acceptable;
- (e) reviews the internal auditor's reports, significant findings and recommendations concerning the adequacy of internal controls in the University, and satisfies itself that the administration is addressing the issues raised where appropriate;
- (f) receives from the appropriate *ex officio* non-voting members timely reports on any significant financial issues, problems, irregularities or any significant contingent liabilities;
- (g) reviews from time to time the University's accounting policies and practices with the administration and the external auditors; is advised of

- any significant, relevant changes to generally accepted accounting principles and the University's application thereof;
- (h) reviews the internal auditor's annual and long-range audit plans, internal audit policy and procedures;
 - (i) recommends the annual appointment of the external auditors; reviews and accepts the external auditors' engagement letter; reviews annually the external auditors' plan and estimated and actual audit fees. The Committee should be informed of any fees for any non-audit services performed for the University by the audit firm and consider whether the nature or extent of such services could detract from the audit firm's independence in carrying out the audit function;
 - (j) the Committee should be informed on a timely basis of any serious difference of opinion between administration and the auditors, whether or not the difference has been resolved; the Committee should be informed of any case in which the administration has sought accounting advice on a specific issue from an accounting firm other than the one appointed as external auditors;
 - (k) reviews, for information, any report made by the President to the Business Board, pursuant to the Policy on Appointments and Remuneration, on the suspension or removal of the Director of the Internal Audit Department and the reasons therefore. Receives for information a report from the President on the circumstances of any resignation or transfer of the Director;
 - (l) reviews an annual management report on significant business, financial and regulatory risks and monitors the University's processes for identifying and controlling those risks. In carrying out this responsibility, the Committee focuses primarily on the adequacy of key controls over those vital few risks considered to be, currently or in the future, more significant and likely to occur, meets with management and the internal or external auditors to come to a fuller understanding and better assessment of management's response to controlling important risk situations, and reports any concerns to the University's senior officer reporting to the President responsible for financial matters, to the President, or to the Business Board, as appropriate;
 - (m) reviews, in connection with the review of the audited financial statements, an annual report on the use of legal services and on substantial outstanding legal actions against the University in order to monitor possible risk exposures and contingent liabilities.
 - (n) receives reports from management on the occurrence of any significant audits of University operations or projects carried out by governments, granting councils, regulatory agencies or others; in cases where the outcome of an audit indicates any substantial irregularity, reviews the audit report.
 - (o) monitors such other financial matters as the Governing Council or the Business Board may direct or as the Audit Committee deems appropriate to carrying out its general function.¹

¹ The Business Board, at its meeting of October 15, 1996, as one of the steps taken to streamline Board operations, delegated to the Audit Committee the Board's stewardship responsibility with respect to two incorporated business ancillary operations: the University of Toronto Innovations Foundation and the Draft, 6/11/02

5.2 Responsibility of Administration

The President, through his/her administration, has an obligation to tender advice and develop proposals for action on all matters within the Committee's terms of reference.

The administration is directly responsible for the University's risk-management and financial reporting processes, including:

- (i) the preparation of financial reports and statements in accordance with the principles of fair presentation and generally accepted accounting principles for University operations;
- (ii) the organization and maintenance of appropriate internal controls designed to safeguard assets, establish the reliability of financial information and ensure adherence to approved policies; and
- (iii) the provision of assurance that the actions of the University's administration comply with applicable laws and standards of proper conduct.

6. PROCEDURES

6.1 Meetings

The Committee meets in closed session. Where matters before the Committee are of a particularly confidential or sensitive nature, the Committee may move *in camera*. The Committee meets a minimum of three times per fiscal year.

The Committee meets at least annually with the external auditors and the internal auditor separately, without the presence of any administrative officer, to enquire whether adequate cooperation has been received from administration and whether administration has exerted any undue pressure.

In establishing agenda for meetings of the Committee, the Chair will usually be advised by an agenda planning group that includes the Vice-Chair (if any) and the assessors. The proposed agenda for a meeting, together with background documentation, is reviewed at an agenda planning meeting, usually scheduled eight to fourteen days prior to the Committee meeting.

University of Toronto Press. To carry out this responsibility, the Committee reviews the annual reports and financial statements of the corporations and recommends that the Business Board "accept" the annual report and financial statements. Unless the Audit Committee reports some substantial concern, the Business Board normally places consideration of the annual reports and financial statements of those corporations on its "consent" agenda. Should the Committee or the Board determine not to "accept" the annual report and financial statements, this would be interpreted as a recommendation to the Governing Council that the affairs of the ancillary operation are not in good order and that the Council should reconsider its appointments to the Boards of these corporations. Because these corporations have their own boards and audit committees, the Audit Committee of the Governing Council is not expected to review the operations' financial statements in detail.

The Audit Committee also reviews the financial statements of the third incorporated business ancillary operation: the University of Toronto Asset Management Corporation (UTAM). It also periodically reviews UTAM's controls on the University and pension plan assets. The Audit Committee is not, however, asked to review the UTAM annual report or its investment performance. That annual report is made directly to the Business Board.

6.2 Access

The external auditors and internal auditor shall have access to the Chair of the Audit Committee, on serious matters within the scope of their jobs that cannot be resolved through normal administrative reporting lines.

June 11, 2002

Audit Committee Terms of Reference were amended by the Governing Council, on June 22, 1989 and on June 22, 1994

Sections 1 and 5(k) were amended by Governing Council on December 14, 1994.

Section 1 was further amended by the Governing Council on October 25, 2001.

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AUDIT COMMITTEE

TERMS OF REFERENCE

1. COMPOSITION

Membership is from 7 to 9 other than *ex officio* members,¹ of whom a minimum of five will be members of the Business Board or members of the Governing Council. In addition, the following officers are *ex officio* non-voting members: the senior officer of the University reporting to the President who is responsible for financial matters, as so designated by the President; a second senior officer of the University responsible for financial matters, as so designated by the President; the Secretary of the Governing Council; and the Director, Internal Audit. Two-thirds of the voting members must be external to the University: that is, not faculty, staff or students. The Audit Committee is a technical rather than a representative committee. Its members are appointed on the basis of their expertise and interest.

2. QUORUM

Three members, other than *ex officio* members, two of whom are external to the University.

3. FUNCTION

The Audit Committee reviews and assesses recommendations and reports on the finances and financial controls of the University and, where appropriate, makes recommendations to the Business Board. This includes review of the accounting systems, internal control, financial reporting and safeguarding of the University's assets; monitoring the competence with which external and internal audits are carried out; ensuring that the auditors' recommendations are given due consideration; and assuring the auditors' independence in their relationships with the administration.

4. AREAS OF RESPONSIBILITY

Without limiting the general responsibilities of the Committee as described above, the Audit Committee:

- (a) reviews the annual audited financial statements of the University with administration and the external auditors, and recommends them for approval to the Business Board; assesses the adequacy of public disclosure of financial information;

¹ The Chairman and Vice-Chairman of the Governing Council, the President and the Chancellor are, pursuant to section 29(e)(i) of Governing Council By-Law Number 2, *ex officio* members of all Boards, Standing Committees and Special Committees.

Audit Committee Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

- (b) 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 and recommends them for approval where required;
- (c) reviews the annual report on the pension plan, including the financial statements of the pension fund and actuarial assumptions, and recommends the financial statements for approval;
- (d) meets with the external auditors to determine any problems encountered by the auditors, any restrictions on their work, the co-operation received in the performance of their duties, and their audit findings; reviews the external auditors' management letter and the administrative response to the letter, and satisfies itself that the recommendations are implemented where appropriate. Where recommendations from the external auditor are not to be implemented, the Committee satisfies itself that this is acceptable;
- (e) reviews the internal auditor's stewardship reports, significant findings and recommendations concerning the adequacy of internal controls in the University, and satisfies itself that the administration is addressing the issues raised where appropriate;
- (f) receives from the appropriate *ex officio* non-voting members timely reports on any significant financial problems, irregularities or any significant contingent liabilities;
- (g) reviews from time to time the University's accounting policies and practices with the administration and the external auditors;
- (h) reviews the internal auditor's annual and long-range audit plans, internal audit policy and procedures;
- (i) recommends the annual appointment of the external auditors; reviews and accepts the external auditors' engagement letter; reviews annually the external auditors' plan and estimated and actual audit fees. The Committee should be informed of any fees for any non-audit services performed for the University by the audit firm and consider whether the nature or extent of such services could detract from the audit firm's independence in carrying out the audit function;
- (j) the Committee should be informed on a timely basis of any serious difference of opinion between administration and the auditors, whether or not the difference has been resolved; the Committee should request to be informed of any case in which the administration has sought accounting advice on a specific issue from an accounting firm other than the one appointed as external auditors;

Audit Committee Terms of Reference (Cont'd)

4. AREAS OF RESPONSIBILITY (Cont'd)

- (k) reviews, for information, any report made by the President to the Business Board, pursuant to the Policy on Appointments and Remuneration, on the suspension or removal of the Director of the Internal Audit Department. Receives for information a report from the President on the circumstances of any resignation or transfer of the Director;
- (l) monitors such other financial matters as the Governing Council or the Business Board may direct or as the Audit Committee deems appropriate to carrying out its general function.

5. RESPONSIBILITY OF ADMINISTRATION

The administration is directly responsible for the University's financial reporting process, including:

- (i) the preparation of financial reports and statements in accordance with the principles of fair presentation and generally accepted accounting for University operations;
- (ii) the organization and maintenance of appropriate internal controls designed to safeguard assets, establish the reliability of financial information and ensure adherence to approved policies; and
- (iii) the provision of assurance that the actions of the University's administration comply with applicable laws and standards of proper conduct.

6. MEETINGS

The Committee meets in closed session a minimum of three times per fiscal year. Where matters before the Committee are of a particularly confidential or sensitive nature, the Committee may move *in camera*.

The Committee meets at least annually with the external auditors and the internal auditor separately, without the presence of any administrative officer, to enquire whether adequate cooperation has been received from administration and whether administration has exerted any undue pressure.

7. ACCESS

The external auditors and internal auditor shall have access to the Chair of the Audit Committee, on serious matters within the scope of his or her job that cannot be resolved through normal administrative reporting lines.

July 24, 1995

Audit Committee Terms of Reference were amended by the Governing Council, on June 22, 1989 and on June 22, 1994

Sections 1 and 4(k) were amended by Governing Council on December 14, 1994.

Section 1 was further amended by the Governing Council on October 25, 2001.