To the Business Board,
University of Toronto

Your Committee reports that it met on Wednesday, December 5, 2018, at 4:00 p.m. in the President’s Boardroom, Simcoe Hall, with the following members present:

Christopher Thatcher (Chair) 
Janet Ecker (Vice-Chair) 
Robert Boeckner

**REGRETS:**
Claire Kennedy, Chair, Governing Council 
N. Jane Pepino, Vice-Chair, Governing Council 
Sue Graham-Nutter

**Non-Voting Assessors:**
Mark L. Britt, Director, Internal Audit 
Sheila Brown, Chief Financial Officer 
Sheree Drummond, Secretary, Governing Council 
Scott Mabury, Vice-President, University Operations

**Secretariat:**
Joan Griffin

**In Attendance:**
Vandana Bhamidi, Internal Audit Staff 
Diana Brouwer, Ernst & Young 
Alana Charles, Ernst & Young 
Francis Low, Ernst & Young 
Daniel Ottini, Deputy Director, Internal Audit 
Pierre Piché, Controller and Director of Financial Services 
Gurvir Sangha, U of T Law Student, “OnBoard: Board Governance” Intern 
Isaac Straley, Chief Information Security Office, 
Kristine Tkachenko, Internal Audit Staff 
Bo Wandschneider, Chief Information Officer 
Peter Wong, Internal Audit Staff
Audit Committee meets in Closed Session.

1. Chair’s Remarks

The Chair welcomed members and noted the large number of guests present. He thanked the External Auditors for their attendance and work, and welcomed Daniel Ottini from Internal Audit. He also acknowledged three staff members from the Internal Audit office who were in attendance as part of their professional development plans.

His final words of welcome introduced Gurvir Sanga, a law student participating in the “OnBoard: Governance Board” program, who attended as the “governance intern” working on a project for the Office of Governing Council.

2. Report of the Previous Meeting

Report Number 129, from the meeting of September 10, 2018, was approved.

3. Business Arising from the Report of the Previous Meeting

As committed to in the September 5, 2018 meeting, Chief Information Officer at the University, Bo Wandschneider and Professor Scott Mabury, Vice-President, University Operations introduced Isaac Straley, the new Chief Information Security Officer for the University. In their introduction, they outlined Mr. Straley’s extensive experience in information security including his most recent work at the University of California, Irvine.

In brief introductory remarks to the Committee, Mr. Straley shared his initial thoughts and plans for the University of Toronto, which were to ensure no data breaches occur; to use security to help enable, not limit, the mission of the University; to optimize the use of existing data collection for previously unexplored and meaningful metrics; and to harness the good-will that exists on the campuses to “do the right cyber security thing”. Mr. Wandschneider and Mr. Straley committed to returning to the Committee in the near future to continue the discussion on information security.

4. Registered Pension Plan

a. Audited Financial Statements for the Year ended June 30, 2018

The Chair introduced the item and explained that under the Terms of Reference, the Committee reviews the Audited Financial Statements of the Pension Plan and the Auditor’s Report of these documents, and recommends the financial statements to the Pension Committee for approval. The Pension Committee had the authority to review, approve, reject or refer back the audited financial statements.

The Chair invited Sheila Brown to speak to the items of business. Ms. Brown noted that the Audited Financial Statements and the Annual Financial Report provide a sense of the overall audit picture of the pension plan. The Audited Financial Statements confirmed the value of the assets
and the roll-forward of liability but did not include the experience for the year, this was included in the Annual Financial Report.

Mr. Francis Low, Ernst & Young LLP, who acts as the external auditor for the registered pension plan, reported to the Committee that he was comfortable with the audited financial statements and that these reflected a fair presentation in all material aspects; he further confirmed that he was comfortable with the pension statements. In response to a member’s questions, Mr. Low stated that some hedge fund investments had been re-classified from a Level 2 to Level 3 on the Fair Value Hierarchy. This was largely due to the challenges encountered in making estimates from the review of unaudited items.

It was further noted that an additional disclosure this year concerned the Jointly Sponsored Pension Plan (JSPP), which Ms. Brown explained was a proposal in discussion to bring together three (and possibly more) universities’ pension plans into a single plan.

On a motion duly moved, seconded and carried

YOUR COMMITTEE RECOMMENDS

THAT the audited Financial Statements for the University of Toronto Pension Plan for the Year ended June 30, 2018 be approved.

b. Annual Financial Report for the Year ended June 30, 2018

The Committee received for information the University of Toronto Pension Plan Annual Financial Report for the Year ended June 30, 2018. The Report provided context for the Committee’s review of the audited pension financial statements.

5. External Auditors

a. Report on Non-Audit Services by the External Auditors

The Chair reported that in accordance with the Policy on the Use of the External Auditor for Non-Audit Services, the Audit Committee received a quarterly report that resulted in an annual report that detailed payments made to the external auditor with respect to non-audit services. For transparency and historical record, the items had been separated out on the meeting agenda.
b. Engagement Letter for 2019 and Audit Plan

Ms. Diana Brower, Engagement Partner, Ernst & Young, commented on the Audit Plan and the Engagement Letter for 2019. In her remarks she noted that, the 2019 Audit Plan included an emphasis on the pension plan, which had not been included previously. She also commented that vacation accrual continued to be a focus, and that work on data analytics continued.

On a motion duly moved, seconded and carried

YOUR COMMITTEE RECOMMENDS

THAT the Audit Committee accept the external auditor’s audit plan and engagement letter for the University for the year ended April 30, 2019 and for the pension plan for the year ended April 30, 2019, as outlined in the report from Ernst & Young dated October 30, 2018.

c. Report on the Audit Fees


6. Internal Audit: Semi Annual Activity Report for the Six Month Ended October 31, 2018

The Chair informed members that the Audit Committee Terms of Reference included the review of the Semi Annual Activity Report from the Internal Auditor and invited Mark Britt, Director, Internal Audit, to present his report.

Mr. Britt reported that no significant unmitigated risks existed and that on-going reviews and compliance work continued. He shared that the office was fully staffed with 11.0 FTE, and that maintenance of the full compliment would be necessary to be reaching the Audit Plan on schedule. He noted the large volume of work being done by the office, and acknowledged the participation of four work study students who helped to complete the Continuous Audit program. Other gains were achieved in the CFI funding compliance program where it was reported that Internal Audit developed a program to look at the oversight of compliance as it related to certain Gift-in-Kind and their fair market value. As part of the pilot, process issues were identified and discussions with research services and procurement services had been started to better support Primary Investigators.

Daniel Ottini, Deputy Director, Internal Audit, provided a report on the work of the Internal Audit Office as participants on the Information Security Council and commenting on the successes being made by this group. In response to a member’s question, Mr. Ottini confirmed that the University of Toronto Communications office was part of the Council’s working group.
7. **Annual Administrative Accountability Reports, 2017-18**

In accordance with the Audit Committee’s *Terms of Reference*, the Committee reviews the operation of the University’s system of annual financial and administrative accountability reports. The Chair recognized Pierre Piché and invited him to report on the Annual Administrative Accountability Reports - 2017-18. Dr. Piché explained that all staff with financial responsibilities, including the President, must complete an Accountability Report for their Supervisor. The President submitted his completed report to the Chair of Governing Council.

In response to a member’s question about any negative or questionable responses, Mr. Piché and Ms. Brown explained the process undertaken to review the responses, to confirm the data, to investigate as appropriate, and the steps taken to rectify any issue.

8. **Enrolment Report to the Ministry of Training, Colleges and Universities, 2017-18**

Ms. Brown submitted the annual report required by the Ministry of Training, Colleges and Universities. The report was used to confirm the accuracy of enrolment data on which grants to the University and its federated colleges are based, and was used by the external auditors to substantiate income reported on the University’s financial statements. It was noted that the report straddled changes to the funding formula, therefore not all changes had been implemented in the 2017-18 budget year. Professor Mabury commented that more international students had been admitted than planned and that work to diversify enrolment continued.

9. **Reports of the Administrative Assessors**

There were no additional reports from the Administrative Assessors.

10. **Date of the Next Meeting**

Members were reminded that the next meeting is scheduled for March 5, 2019.

11. **Other Business**

No other business was noted.

*THE COMMITTEE MOVED IN CAMERA.*

12. **Internal Auditor – Private Meeting**

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

13. **Committee Members Alone**

Committee members discussed topics of interest and concern.
The Committee returned to closed session.

The meeting adjourned at 6:15 p.m.

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Secretary                      Chair

December 7, 2018