



BOARD OF GOVERNORS

Audit & Finance Committee

Minutes of the Public Session of the Meeting of June 13, 2024 1:00 – 2:29 p.m., videoconference

- Members:** Dale MacMillan (Acting Chair), Frank Carnevale, Laura Elliott, Steven Murphy, Gaurav Singh
- Regrets:** Carla Carmichael, Mitch Frazer, Kim Slade,
- Staff:** Kirstie Ayotte, Jamie Bruno, Jacquelyn Dupuis, Barbara Hamilton, Krista Hester, Lori Livingston, Brad MacIsaac, Pamela Onsiong, Sarah Thrush,
- Guests:** Dwight Thompson (guest governor), Chelsea Bauer, Mikael Eklund, Matthew Mackenzie, Bobbi White (KPMG)

1. Call to Order

The Chair called the meeting to order at 1:00 p.m. and read aloud the land acknowledgment.

2. Agenda

Upon a motion duly made by F. Carnevale and seconded by L. Elliott, the Agenda was approved as presented.

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair welcomed everyone to the final Audit & Finance (A&F) meeting for this academic year and thanked Frank Carnevale and Gaurav Singh for joining the A&F committee for the June 2024 (approved by Executive Committee) meeting to help maintain quorum. She reviewed the agenda, highlighting key topics like audited financial statements, a proposal, and a new building model.

5. President's Remarks

The President reflected on the peaceful resolution for the recent encampment, acknowledging it as a learning experience and emphasizing the commitment to safety and respectful engagement within the campus community. He mentioned ongoing efforts to implement the agreement that was reached, particularly the committee on responsible investing and noted that this committee will advise to him directly, with recommendations moving through A&F and the Board. He then highlighted the recent successful convocation ceremonies, noting we now have over 30,000 alumni.

In response to a question regarding summer activities at the University, the President noted that the University's Spring/Summer programming is in full swing, aiming to make summer as robust as other semesters; this supports growing co-op programs and provides opportunities for students to catch up or advance. The campus will also welcome new Ontario Tech students and host STEM camps for children from preschool to high school.

6. Finance

6.1. Draft Audited Financial Statements 2023-2024 (Includes internally restricted funds)

The Committee Chair invited Pamela Onsiong to provide the draft audited financial statements for 2023-2024.

P. Onsiong addressed an error in the Collective Agreement duration in the note disclosure, clarifying it was negotiated for 4 years instead of 3, noting the report would be corrected before the presentation to Board. She presented draft financial statements highlighting a 12% increase in salaries, an 18% rise in supplies & expenses, and a \$6.4 million net surplus from increased tuition and investment returns. Despite revenue challenges, net expendable assets rose by 8%. She recommended allocating \$5.7 million in reserves: \$3.6 million for revenue-generating units and \$2.1 million for academics, student aid, and capital projects. The University's financial health ratios, including a 70-day reserve ratio, were discussed, with liquidity and performance ratios being stable and the reserve ratio falling into the medium-risk category due to the utilization of prior year reserves for infrastructure investments over the last 5 years. Comparatively, the University lags slightly behind sector averages in reserve days. High-risk sustainability ratios reflect substantial debt, including \$129 million of outstanding debenture debt at the end of the fiscal year. She noted that the University receives \$13.5 million in provincial funding annually, covering 80% of its debenture payments which significantly improves adjusted debt ratios, most falling outside of risk categories except for the 2.3% adjusted burden ratio, which still pose as a medium risk. Once the debenture debt is fully repaid by 2034, debt ratios are expected to align more closely with Ontario sector averages.

P. Onsiong clarified that provincial grant funding for the base operating grant has remained fixed at the 2016-2017 level, except for the fully funded collaborative nursing program. She emphasized the importance of financial health ratios in managing

university operations and adhering to governance and debt policies. The Ministry reviews these ratios and requires the university to disclose improvement plans if thresholds are not met.

B. Maclsaac added that the Ministry sends letters to medium and high-risk institutions, allowing a three-month period for action plans. He highlighted the University's focus on addressing the impact of debt repayment in their response. Additionally, while the base operating grant has not changed, a new funding initiative of one billion dollars over three years could provide extra support to medium or high-risk institutions. The University has budgeted to receive at least \$2 million from this initiative.

Upon a motion duly made by L. Elliott and seconded by F. Carnevale, the Audit & Finance Committee hereby recommends to the Board of Governors the approval of the 2023/24 audited financial statements and the 2023/24 internally restricted reserves, as presented.

6.2. Fourth Quarter Financial Reports

P. Onsiang presented the fourth quarter financial reports which reported a surplus of \$5.7 million for the fiscal year, exceeding the forecasted \$3.1 million. This was driven by a \$4.7 million increase in other revenues, including surplus from revenue generating units being recognized as revenue in the fiscal year as a result of a change in accounting. However, expenses saw a \$1 million negative variance primarily due to underestimated faculty and staff benefits. She explained that the variance between the Q3 forecast and year-end results is influenced by several factors that include additional expenses like the significant variance in benefits, which were not fully captured in the Q3 estimate due to anomalies. She acknowledged that the discrepancy is a result of both management estimates and timing differences in expenses paid throughout the year. Continuous improvement efforts are ongoing to refine these processes annually.

B. Maclsaac reiterated the commitment made in 2021 regarding reserves, emphasizing that any amount less than \$4 million should be reviewed by Board. He highlighted that this fiscal year reserves were diminished, primarily allocated to operational needs rather than capital investments and reaffirmed ongoing discussions with the president on strategies aimed at restoring reserves to the \$4 million target.

B. Maclsaac acknowledged the question regarding the \$4 million reserve target, recognizing the need to reassess its appropriateness given changing circumstances and agreed to revisit the target Fall semester. He noted the importance of balancing immediate needs with long-term planning for infrastructure repairs and replacements.

6.3. Auditor General Updates

B. Maclsaac reported that the university underwent a value-for-money audit in 2022, which produced twelve overarching recommendations. Ten of these recommendations have been completed. The remaining areas of focus include

improving data collection on international students' post-graduation outcomes, with plans to enhance current surveys by Fall 2024. Additionally, there is an ongoing review of the university's board size and term durations, requiring careful consideration due to legislative implications and comparisons with public sector board practices.

B. Maclsaac addressed questions about the University's audit process and follow-up. He acknowledged the challenge of low response rates for international student surveys but expressed confidence for improvement. He clarified that there is a five-year report-back period for audits, with annual updates required and emphasized the importance of having a rationale for any unimplemented recommendations.

6.4. Internal Audit Update

B. Maclsaac discussed a recommendation from the Auditor General to enhance the University's internal audit process. He explained that the University currently has a decentralized audit approach, with various departments like the Research office, Human Resources, and the Provost's office conducting specialized audits. The Auditor General noted the absence of a dedicated internal audit manager. To address this, the University has hired Deloitte to conduct at least one review per year for the next three years. The first audit will focus on the research grant process. Higher-priority areas like cybersecurity will be reviewed later, allowing recent policy changes to take effect.

In response to questions and concerns made, B. Maclsaac acknowledged the value of considering different audit-related products, such as assurance pieces and reviews, rather than traditional audits. He emphasized the importance of flexibility, especially when an in-progress external review might be needed and noted that managing the audit process will be coordinated by J. Dupuis, ensuring that relevant expertise is utilized. He highlighted the choice of Deloitte for their collaborative approach, focusing on improvement rather than fault-finding and agreed that this perspective should be communicated more clearly to the board, underscoring the constructive nature of these audits.

6.5. Campus Master Plan Update – New Residence

B. Maclsaac updated on the University's plan to add new residence beds to accommodate growth from 11,000 to 18,000 students, reminding members that in February 2024 it was decided to outsource the project to a third party to design, build, finance, operate, and maintain the residence. This strategy allows the University to focus its financial resources on core academic and support services, avoiding the need to invest in or take on debt for residence construction. The Request for Proposal (RFP) process attracted seven submissions, narrowed down to three, and a preferred vendor was selected. The University is now in detailed discussions to finalize the agreements. He advised that the goal is to complete the agreements before the next A&F meeting and emphasized that today's motion seeks approval for the Executive Committee to review and make decisions on these agreements over the summer, ensuring transparency and proper authorization from A&F and the Board.

He explained the University's commitments towards a new residence project by noting that the University will provide a 79 to 99-year ground lease to the third-party vendor and advised that discussions are ongoing regarding financial arrangements and potential profit-sharing. He stressed the importance of selecting a reliable partner, as the residence will feature Ontario Tech's branding, impacting the university's reputation despite being managed by a third party.

In response to a question regarding affordability and accessibility, B. Maclsaac explained that by selecting the residence partner, the University prioritized affordability for students over university profit. Proposal requests had to specify their pricing for students and inflation rates, with more points awarded for affordable pricing. The University also emphasized accessibility, ensuring the residence accommodates students with diverse needs, including those with disabilities, in compliance with AODA standards. He highlighted the University's goal is to ensure no student misses out on higher education due to financial or accessibility issues.

Responding to concerns raised regarding sustainability, particularly regarding the possibility of Ontario Tech becoming its own energy provider, a member inquired whether the new residence partner would be required to source energy from the University if it were able to provide it. B. Maclsaac responded that the University has some control over the design and annual rent adjustments for the residence. He mentioned minimal energy efficiency targets and discussed the potential for integrating geothermal or other innovative energy solutions, which will be explored further in the upcoming strategy and planning meeting.

Upon a motion duly made by F. Carnevale and seconded by L. Elliott, the Audit & Finance Committee hereby recommends to the Board of Governors for approval: WHEREAS the university is in the process of completing a Request for Services on Purpose-Built Student Residence;

WHEREAS having received and considered the report entitled "Campus Master Plan – Update and Discussion" on February 8, 2024, the Strategy and Planning Committee:

(a) discussed the need for the building, the general location as it relates to the overall campus master plan and the strategy of using a private/ public partnership. The committee provided direction to continue to move forward with the RFS process.

WHEREAS having received and consider the "Campus Master Plan – Update and Discussion" on February 15, 2024, the Audit and Finance Committee:

(a) discussed the need for the building and different funding models from borrowing to build to fully outsourcing the design, build, finance, operate, maintain. With a focus on university funding being saved for core academic / research mission the committee provided direction to continue to move forward with the RFS process.

WHEREAS pursuant to section 8 of Bylaw 1 of the University of Ontario Institute of Technology Act, the Executive Committee of the Board of Governors has the following role:

- to exercise on behalf of the Board, between regular meetings of the Board, in circumstances where a matter cannot be delayed until the next regular meeting, and where a special meeting of the Board cannot be called, all the powers of the Board. The power of the Executive Committee to act for the Board is subject to prior delegation of powers from the Board to any other committee of the Board and to any specific directions given by the Board to the Executive Committee from time to time;

WHEREAS it is anticipated that the negotiation and agreement with respect to the terms governing the term sheet(s) and agreement(s) required to select a proponent of the Project will occur over the summer 2024 and will be time sensitive;

NOW THEREFORE, having received and considered "Campus Master Plan – New Residence Update and Award Process" dated June 13, 2024, the Audit and Finance Committee:

i) Authorizes and delegate to the Executive Committee the execution and delivery (under the corporate seal or otherwise) all such other documents and do all such other acts as may be necessary or desirable to finalize the Project transaction.

7. Investment Oversight – Semi-Annual Investment Report

B. MacIsaac provided an investment update emphasizing the focus on long-term funds that can consistently exceed a 6% return rate over 20 years. He addressed a previous inquiry regarding ethical investing, noting that Phillips, Hager & North Investment Funds Limited (PH&N) has a responsible investing strategy aligned with United Nations principles. Responsible investing for PH&N includes financial sustainability alongside environmental, social, and governance (ESG) factors. Future discussions will explore these topics further, potentially including board training sessions in the upcoming months.

8. Risk – Annual Report

J. Dupuis began by updating on climate change, noting minimal past claims primarily from third-party vendors, while cautioning future risks due to aging infrastructure and university expansion. Emphasizing proactive maintenance and insurance adjustments, she then highlighted accessibility compliance efforts, including faculty training and initiatives like National Accessibility Week and Disability Awareness Month, part of a multi-year plan aligning with government guidelines.

She discussed advancements in data-driven decision-making and risk management, emphasizing data cleanup for accuracy using a new Power BI dashboard. Mentioning substantial contributions from the Faculty of Business and Information Technology (FBIT) Capstone teams, she noted ongoing insurance reviews and plans for a more financially viable intellectual property policy. Updates on Fine Arts and nuclear policies were shared. Key measurements shared demonstrated the university's commitment to risk management, including a detailed seven-year data history on meetings, assessments, and emerging risks. New risks like crisis management and geopolitical

factors influencing risk assessment were highlighted. She concluded with enhancements in risk management through expanded controls and causes analysis, showcasing a draft dashboard with improved risk heat maps and ratings. Progress in business continuity, cybersecurity, mental health support, and contract management training was noted, alongside ongoing efforts in thematic bucket refinement, key risk indicators development, and advancing risk tolerances.

In response to a question J. Dupuis explained that risk appetite is set using a risk management framework based on likelihood and consequence, organized in a matrix. Residual risks are assessed after controls and mitigation strategies are applied. B. MacIsaac added that risk updates are approved by subcommittees or the board. Unit leads provide initial assessments, which are then reviewed by senior leadership for consistency. High or extreme risks are report to the Board. The new strategic framework discussed will start reporting in the Fall.

9. Consent Agenda

9.1. Minutes of Public Session of A&F Meeting of April 11, 2024

9.2. A&F Annual Report

9.3. Annual Policy Review

9.4. Privacy Report 2024

Upon a motion duly made by F. Carnevale and seconded by G. Singh, the Consent Agenda was approved as presented.

10. Adjournment

There being no other business, upon a motion duly made, by G. Singh the meeting adjourned at 2:29 p.m.

Krista Hester, Interim University Secretary