

BOARD OF GOVERNORS

Audit & Finance Committee

November 21, 2024
2:00 p.m. to 5:00 p.m.
[Videoconference](#)

Members: Carla Carmichael (Chair), Susanna Zagar (Vice-Chair), Nolan Bederman, Laura Elliott, Mitch Frazer, Laura Money, Steven Murphy,

Staff: Kirstie Ayotte, Nicola Crow, Jackie Dupuis, Krista Hester, Lori Livingston, Brad MacIsaac, Pamela Onsiong

Guests: Bobbi-Jean White and Robert Gambin (KPMG); Michelle de Cordova (ESG Global Advisors); Mark St. Cyr (Cassels); Hugh Kerr (Caravel Law); Gary Brewer (Urban Land Advisors)

AGENDA

No.	Topic	Lead	Allocated Time	Suggested Start Time
PUBLIC SESSION				
1	Call to Order	Chair	5	2:00 p.m.
2	Agenda (M)			
3	Conflict of Interest Declaration			
4	Chair's Remarks	Chair	5	2:05 p.m.
5	President's Remarks	Steven Murphy	5	2:10 p.m.
6	Finance			
6.1	<u>Strategic Discussion: ESG and Responsible Investing*</u> (D)	Brad MacIsaac	25	2:15 p.m.
6.2	Second Quarter Financial Reports* (U)	Pamela Onsiong	10	2:40 p.m.
6.3	2025-2026 Budget Assumptions* (D)	Brad MacIsaac Lori Livingston Sarah Thrush	20	2:50 p.m.
7	Compliance and Policy			
7.1	Risk Management Update* (U)	Brad MacIsaac & Jackie Dupuis	10	3:10 p.m.
7.2	Risk Management Policy* (M)	Brad MacIsaac & Jackie Dupuis	5	3:20 p.m.
7.3	MCU Efficiency & Accountability Fund Proposal* (M)	Brad MacIsaac	5	3:25 p.m.
7.4	Auditor General Value for Money Audit Status Update * (U)	Brad MacIsaac	5	3:30 p.m.

No.	Topic	Lead	Allocated Time	Suggested Start Time
8	Consent Agenda (M):	Chair	5	3:35 p.m.
8.1	Minutes of Public Session of A&F Meeting of June 13, 2024* (M)			
8.2	Annual Statement of Investment Policies* (I)			
8.3	Internal Audit Update* (I)			
8.4	Review of Audit and Finance Terms of Reference* (I)			
9	Adjournment (M)	Chair		3:40 p.m.
BREAK – 10 minutes				
NON-PUBLIC SESSION (material not publicly available)				
10	Call to Order	Chair	5	3:50 p.m.
11	Conflict of Interest Declaration			
12	Chair's Remarks	Chair	5	3:55 p.m.
13	President's Remarks	Steven Murphy	5	4:00 p.m.
14	Audit			
14.1	Audit Engagement Plan* (D)	Brad MacIsaac	10	4:05 p.m.
	KPMG Departs			
15	Finance			
15.1	Campus Master Plan – Residence Term Sheet* (M)	Brad MacIsaac	20	4:15 p.m.
15.2	Responsible Investing Procedures* (I)	Brad MacIsaac	5	4:35 p.m.
16	Non-Public Risk Update – Questions Only	Jackie Dupuis & Brad MacIsaac	5	4:40 p.m.
17	Consent Agenda (M):	Chair	5	4:45 p.m.
17.1	Minutes of Non-Public Session of A&F Meeting of June 13, 2024* (M)			
17.2	President & Board of Governors Expenses* (I)			
17.3	Annual Review of Signing Authorities for University Bank Accounts* (I)			
17.4	2024-2025 A&F Work Plan* (I)			
17.5	A&F Committee Action Points* (I)			
18	<i>In Camera</i> Session (M)			
18.1	<i>In Camera</i> with General Counsel	Jennifer MacInnis	5	4:50 p.m.
18.2	Committee <i>in Camera</i>	Chair	5	4:55 p.m.
19	Termination (M)			5:00 p.m.

Nicola Crow, University Secretary

PD SESSION

SESSION:

Public
Non-Public

☒
☐**ACTION REQUESTED:**

Decision
Discussion/Direction
Information

☐
☐
☒

TO: Audit and Finance Committee

DATE: November 21, 2024

PRESENTED BY: Brad MacIsaac, VP Administration
Michelle de Cordova, Principal, ESG Global Advisors

SUBJECT: Strategic Discussion: ESG and Responsible Investing

BACKGROUND/CONTEXT & RATIONALE:

The purpose of this presentation is to help board members enhance their shared understanding of:

- ESG (environmental, social and governance) and responsible investing concepts, terminology and practices
- Ontario Tech's approach to responsible investing

As members are listening to the presentation you may wish to consider strategic questions such as:

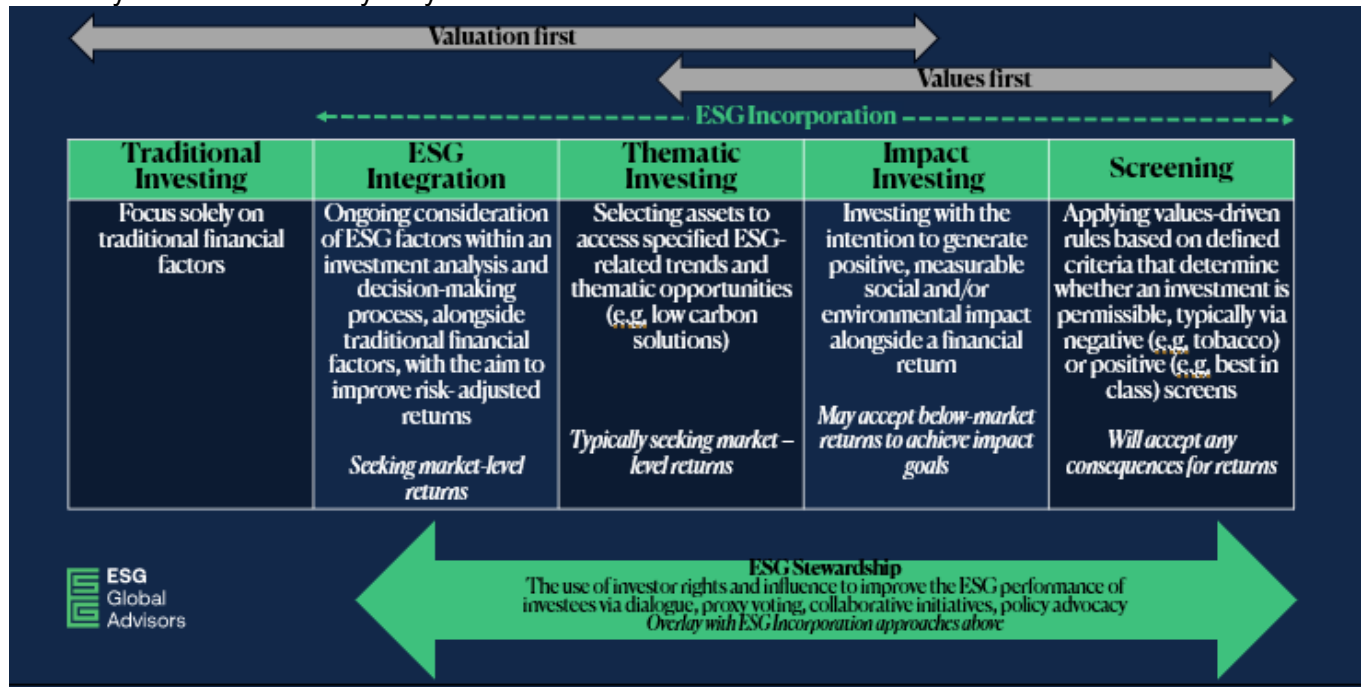
- How can responsible investing be incorporated into investment policies, and how does Ontario Tech's current approach to responsible investing align with expectations for asset owners?
- How should Board members provide oversight of Responsible Investing?
- Where there is significant exposure to material ESG issues within the portfolio, how can Ontario Tech respond if there are diverse perspectives and/or potential responsible investing actions are limited (e.g. due to pooled funds context)?

Ontario Tech has investments of approximately \$36 million, externally managed in pooled funds by PH&N (part of RBC Global Asset Management). A breakdown of the funds can be found in the supporting material. According to the Statement of Investment Policies, the Board has "fiduciary obligation to invest the Fund in the best interests and for the benefit of the university"; the investment objective is to "obtain the best possible total return on investments that is commensurate with the degree of risk that the university is willing to assume in obtaining such return." Ontario Tech has adopted responsible investing, which is incorporated within the [Statement of Investment Policies](#).

Responsible Investing Basics:

1. **Responsible investing is no longer a niche activity:** 49% of professionally managed assets in Canada are managed using one or more responsible investing approaches.

2. A spectrum of approaches to responsible investing exist that may be used separately or in combination within the same fund. A key differentiator of these approaches is the priority assigned to “valuation” (ESG risk management and seeking value in ESG opportunities) or “values” (expressing ethical concerns and pursuing real-world sustainability impacts). As such, some approaches align more easily with strict fiduciary duty.



3. For many asset owners, responsible investing focuses on selection, appointment and monitoring of external investment managers. Asset owner expectations typically include requiring application of ESG Integration and ESG Stewardship by external investment managers. There are some limitations on responsible investing action that asset owners investing through pooled funds can take in response to ESG concerns relating to specific portfolio holdings. For example, divestment may not be feasible, since the assets are managed together with those of other asset owners and according to the same rules. Where significant ESG concerns emerge relating to portfolio holdings in a pooled funds context, good practice for asset owners is to engage external investment managers regarding how they are addressing the concerns.

ESG Incorporation

- Consider ESG incorporation practices in external manager selection, appointment and monitoring
- Require external managers to apply ESG integration
- May require external managers to apply screening (via participation in screened pools or segregated mandates, typically across portfolio)
- May award thematic investing and/or impact investing mandates (typically, an allocation within the overall portfolio)

Stewardship

- Consider ESG stewardship practices in external manager selection, appointment and monitoring
- Require or encourage external managers to apply ESG stewardship
 - External manager portfolio ESG monitoring
 - External manager engagement
 - External manager adoption of ESG proxy voting guidelines
- Require external managers to report on stewardship, including engagement activities and proxy voting decisions
- May participate directly in collaborative engagement and public policy initiatives, where it adds value

Responsible Investing at Ontario Tech:

- [Statement of Investment Policies](#) includes **belief that ESG factors can impact investment financial performance** (aligned with fiduciary obligation); recognizes **limitations** created by external management and pooled funds.
- Expectations for external managers: apply **ESG integration**; maintain **proxy voting records** and produce them on request (encouraged to incorporate ESG to proxy voting guidelines); highlight any **significant exposure to material ESG issues** within the portfolio.

SUPPORTING REFERENCE MATERIALS:

- [ESG and Responsible Investing Presentation, November 2024](#)
- Principles for Responsible Investment (PRI): [What is Responsible Investment?](#) (14 pages)
- Ontario Tech: [Statement of Investment Policies](#)
- [Ontario Tech Holdings Schedule](#)
- RBC Global Asset Management/PH&N Institutional: [Our Approach to Responsible Investment](#) (23 pages)

COMMITTEE REPORT

SESSION:

Public ☒
Non-Public ☐

ACTION REQUESTED:

Decision ☐
Discussion/Direction ☐
Information ☒

TO: Audit and Finance Committee

DATE: November 21, 2024

PRESENTED BY: Pamela Onsiong

SLT LEAD: Brad MacIsaac

SUBJECT: 2nd Quarter - Operating Forecast for year ending March 31, 2025

COMMITTEE MANDATE:

The Committee is responsible for overseeing the financial affairs of the University, including approval of the annual budget and financial reporting to ensure that appropriate financial controls, reporting processes and accountabilities are in place at the University.

BACKGROUND/CONTEXT & RATIONALE:

In February 2024, and in response to the Blue-Ribbon Panel recommendations, the Ontario government announced a **\$903.0M investment over 3 years** through the new Postsecondary Education Sustainability Fund (“PESF”) starting in 2024-25. At the time the 2024/25 budget was finalized in March 2024, the University had no indication from the Ministry as to the amount of PESF fund it will receive for the current year.

In April 2024, the Board approved a **balanced budget for 2024/25** based on estimated revenue and expense assumptions. This budget included **an estimated \$2.0M PESF in revenue** and a **net surplus contingency of \$5.4M** that will be released for future capital renovations and new investments in IT, academic and student-related space, should the budget assumptions be met or exceeded.

This report provides the Committee with an overview of the projected year-end results against the approved budget (Appendix 1).

Technical point only: The operating budget is based on a projection of cash receipts and expenditures for the year. This contrasts with the audited financial statements which are prepared in accordance with generally accepted accounting principles (“GAAP”) for non-for-profit organizations in Canada. In arriving at the year-end results on a GAAP basis, adjustments are required to be made to the management report, e.g.

- The management report includes cash outlays for capital investment in the budget year while the GAAP financial statements include an expense that reflects the amortization of capital assets over their useful lives.
- Conversely, the GAAP financial statements include the non-cash unrealized gain/loss on endowed investments while these are not budgeted and therefore not included in the management report.

HIGHLIGHTS

Based on Fall 2024, Day 10 enrolment count and expense forecasts from budget holders the **net operating surplus for the year projected at \$5.9M**, is ~ \$0.5M above the \$5.4M planned surplus to be set aside for reserves, albeit with **forecast variances to budget** across several revenue and expense lines.

Revenue

Total revenue is favourable \$9.3M (or 4%) against original budget. Approximately 60% of the increase in revenues have offsetting expenses or were for planned reserves, and these are included in this forecast under the Expense and Capital sections. Revenue increase is largely driven by:

- 1) **Grant** increase of \$5.8M (or 7%), comprised of higher than expected provincial grants, including \$3.6M of one-time PSEF grant, \$0.5M of a new one-time Efficiency and Accountability Fund (“EAF”) and \$0.5M higher than expected facilities renewal grant, and other increases, none of which exceeds \$0.5M.
- 2) **Tuition revenues** increase of \$3.5M (or 3%) against budget primarily attributable to a higher than budgeted domestic enrolment (see Table 2). Total enrolment projection is favourable ~ 482 FTE (or 4.6%) against an approved budget of 10,387 FTE.

Domestic enrolment remains strong with a net forecast increase of 401 FTE (additional \$3.5M in revenues) with the most significant increases in Education and Health Sciences. Total international enrolment increased net 81 FTE against budget with minimal increase in tuition revenues as international students registered in lower fee programs than outlined in the budget assumptions.

Revenue (contd)

As a result of the increase in projected enrolment and revenues, Management has allocated funds to support academic growth and invested in strategic initiatives in support of student experience and the future of technology at the University. These additional costs are included in the forecast expenses.

Expenses

Operating expenses are unfavourable net \$2.8M (or 1%) against budget, and is attributable to:

- 1) **Full-time labour** savings of \$1.4M from open positions are offset by \$2.7M increase in limited term contracts attributable to back-fill for full-time open positions, increase in teaching assistants and sessionals due to increased enrolment, and increase in administrative contracts related to workload.
- 2) **General operating expenses** are unfavourable \$1.4M against budget and include:
 - a) \$1.0M of higher than budgeted **consulting services**, including costs associated with the new student residence, the purchase of Campus Corners, and IT consulting services.
 - b) \$0.4M increase in **entrance scholarships** due to more students meeting the eligibility criteria for these scholarships.

Capital Expenses are unfavourable \$3.4M (or 40%) against budget, of which:

- 1) approximately 50% are funded by higher than expected provincial facilities & equipment renewal grants and expendable donations.
- 2) remaining 50% funded from Operations, including a forecast **\$0.5M investment in the University's AI strategy**, and \$1.3M representing the portion of the purchase of the **Campus Corners location which is not funded by external financing** (see under "Other disclosures").

Other disclosures

On September 17, 2024, and in alignment with its Campus Master Plan, the University acquired **50% of an administrative building and its surrounding locations** ("Campus Corners" valued at \$35.4M) for a net cash consideration of \$12.9M. The University is in the final stages of negotiation with a financial institution **for up to \$12.0M external financing** to fund for this acquisition.

FINANCIAL IMPLICATIONS:

The primary purpose of this financial update is to report on the projected year-end results of the operating budget. Maintaining a balanced (or surplus) budget is critical to Ontario Tech University's short-term financial health and long-term financial sustainability.

SUPPORTING REFERENCE MATERIALS:

- Appendix 1: Management Reporting: Operating Forecast Summary for the year ending March 31, 2025
- Appendix 2: Enrolment Table

Ontario Tech University

Management Reporting: Operating Forecast Summary For the year ending March 31, 2025 (in \$ 000's)

The table below shows the variance of the year-end forecast vs the approved 2024/25 budget

April 1, 2024 - March 31, 2025				
	Total Annual Budget	Y/E Forecast	Fav. (Unfav.) Forecast vs Budget \$ / %	
Revenue				
Grants	86,974	92,761	5,787	7%
Tuition	112,234	115,693	3,459	3%
Student Ancillary	18,261	18,090	(170)	-1%
Other	26,785	27,011	226	1%
Total Revenue	\$ 244,254	\$ 253,555	\$ 9,301	4%
Expenditures				
Academic	97,473	98,088	(615)	-1%
Academic Support	55,055	55,988	(933)	-2%
Administrative	33,345	35,509	(2,164)	-6%
Sub-total	\$ 185,873	\$ 189,585	\$ (3,712)	-2%
Purchased Services	16,323	16,236	87	1%
Total Ancillary/Commercial	11,981	11,287	693	6%
Debt Interest Expense	8,474	8,391	83	1%
Total Operating Expenses	\$ 222,650	\$ 225,498	\$ (2,849)	-1%
Net Contribution from Operations	\$ 21,605	\$ 28,057	\$ 6,452	30%
Capital Expenses funded from Operations	8,424	11,781	(3,356)	-40%
Principal Repayments - debt & capital leases	10,567	10,411	156	1%
Funded through PY restricted reserves	2,613	5,865	3,252	124%
Contingency Fund	373	0	(373)	-100%
Total Operating Surplus	\$ 5,429	\$ 5,865	\$ 436	8%
Other disclosures:				
Purchase of 50% of Campus Corners, funded by external financing	\$ -	\$ 12,059	\$ (12,059)	N/A

APPENDIX 2

Ontario Tech University

Management Reporting: Enrolment Table

FTE's	2023/24 Actual	2024/25 Budget	Q2 Forecast *	Variance to Budget
Undergraduate				
Domestic	8,717	8,783	9,185	402
International	753	776	757	-19
Graduate				
Domestic	462	477	476	-1
International	354	351	451	100
Total FTE's	10,286	10,387	10,869	482

** Q2 Forecast reflects Fall 2024, Day 10 enrolment count. With four enrolment count dates over the year, this is currently an estimate until final winter count in February 2025.

Current eligible undergraduate and graduate enrolment projection is within the + / - 3% of the University's corridor midpoint. Core Operating Grant remains flat as under the new funding formula implemented by the Ministry in 2017 -18, the funding for domestic students for the current year remains at the 2016 – 17 level.

COMMITTEE REPORT

SESSION:

Public ☒
Non-Public ☐

ACTION REQUESTED:

Decision ☐
Discussion/Direction ☐
Information ☒

TO: **Audit & Finance Committee**

DATE: **November 21, 2024**

PRESENTED BY: **Pamela Onsiong**

SLT LEAD: **Brad MacIsaac**

SUBJECT: **Financial Statements (unaudited) for the 6 months ending September 30, 2024**

COMMITTEE MANDATE:

The Committee is responsible for overseeing the financial affairs of the University, including approval of the annual financial statements and financial reporting to ensure that appropriate financial controls, reporting processes and accountabilities are in place at the University.

BACKGROUND/CONTEXT & RATIONALE:

This report provides the Committee with an overview of the statements of financial position, operations and cash flow as at September 30, 2024, together with a year-over-year comparison (Appendix 1).

These financial statements are prepared on a consolidated basis in accordance with Canadian Accounting Standards for Non-for-Profit Organizations and include the results of its fully-owned subsidiaries, Regent Square Property Corporation accounted for on a consolidation basis and Ontario Tech Talent (“TALENT”) accounted for on an equity basis. TALENT is a for profit entity, controlled by the University and it follows Canadian Accounting Standards for Private Enterprises, with no significant differences in accounting policies from those followed by the University.

HIGHLIGHTS:

In addition to normal operating activities, these Consolidated financial statements reflect the purchase of 50% of an administrative building and its surrounding locations (“Campus Corners” valued at \$35.4M) on September 17, 2024 for net cash consideration of \$12.8M. This purchase is being funded by a loan of up to \$12.0M, currently under negotiation with a financial institution.

The University continues to operate within a fiscally-constrained environment, given the significant impacts of the provincially mandated 2019 tuition fee cut and the subsequent freeze for Ontario students, the cap of provincial funding at the 2016-17 level for domestic students along with inflationary cost pressures on its operations.

Statement of Operations

The statement of operations shows a **net deficit of \$13.8M** at the end of the reporting quarter. Total revenue increased \$10.6M (or 10.2%) and expenses increased \$12.4M (or 10.7%) over the prior year.

The University follows Canadian Accounting Standards for Non-for-Profit Organizations, Part III of the Chartered Professional Accountants of Canada (“CPA”) Handbook. In compliance with these standards, student tuition fees are recognized as revenue in the statement of operations when courses are provided, resulting in **the deferral of \$73.1M in tuition fees** at the end of the reporting quarter. This deferred revenue will be taken into income by the end of the fiscal year, thus bridging the gap in the operating deficit.

Revenue increase of \$10.6M increase is mainly driven by:

- (1) \$5.4M increase in **student fees**, mainly attributable to the increase in domestic (469 FTE), and international (118 FTE) undergraduate enrolment over the prior year.
- (2) \$3.0M increase in **non-cash unrealized gain on endowed investments** due to more favourable global market conditions in the current year, driven by strong earnings in tech companies.
- (3) \$1.1M increase in **Other income** primarily due to the change in accounting and the resulting recognition of surplus revenues from the University’s revenue generating units. These revenues were deferred in the prior year.

Expenses increase of \$12.4M is driven by:

- (1) \$5.0M increase in **salaries and benefits** for faculty and staff, including \$3.4M for annual salary increases, \$0.8M for new full-time hires, and \$0.8M in limited term contracts for teaching assistants, sessionals and administrative staff.

Salaries and benefits which comprise over half of the total expenses of the University and are mostly tied to collective agreements, have consumed ~ 50% of the year-over-year increase in total revenue.
- (2) \$3.4M increase in **unrealized non-cash loss on swap** due to the less favourable prevailing swap rate in the current year.

Statement of financial position

Despite the ongoing financial pressures, the **statement of financial position** remains stable with stable liquidity and net asset increase of \$5.9M (or 5.5%) versus last year. Net Assets increased in line with the net increase in assets and liabilities, and are supported by cash and restricted investments.

Total Assets increased \$13.3M (or 2.3%) over the prior year is due to:

- (1) \$3.3M increase in **accounts receivable** which includes \$5.0M of student account receivable attributable to year-over enrolment growth, offset by other variances none of which exceeds \$0.5M.

Other accounts receivable balance of \$55.1M consists of net \$50.6M of student receivable (\$40.0M for the future winter semester, \$10.6M for the current fall and prior receivable), \$4.2M of trade, research and ACE receivable and other immaterial variances.

- (2) \$6.1M increase in **endowed investments** held at PH&N and consisting of \$4.9M of mark-to-market unrealized gains due to better market conditions in the current year, net \$1.2M investment income, \$0.6M new endowed donations, offset by \$0.6M of award disbursements to students.

- (3) \$5.7M increase in **capital assets** which comprises of net asset additions of \$27.6M (includes \$18.0M Campus Corners location, \$4.5M major equipment, \$2.2M building renovations) vs net impact of accumulated amortization of \$21.9M.

Total liabilities increased \$7.4M (or 1.5%) and includes:

- (1) \$10.3M increase in **accounts payable and accrued liabilities** including \$3.2M of trade payables due to timing of recording and payment of invoices, \$2.8M of student funds received in advance and to be applied against tuition charges for future semesters, \$1.3M of payroll deductions paid in Oct, and other variances none exceeding \$0.5M

- (2) \$7.6M in total **debt repayment**.

FINANCIAL IMPLICATIONS:

The primary purpose of this financial update is to report on the statement of financial position of the University for the period ending September 30, 2024. Maintaining a stable financial position is critical to Ontario Tech University's long-term financial sustainability.

COMPLIANCE WITH POLICY/LEGISLATION:

These audited financial statements are prepared in compliance with generally accepted accounting principles for not-for-profit organizations.

SUPPORTING REFERENCE MATERIALS:

- Appendix 1: Consolidated (unaudited) Financial Statements for the 6 months ending September 30, 2024.

Appendix 1

Consolidated Financial Statements of

ONTARIO TECH UNIVERSITY

For 6 months ending September 30, 2024

ONTARIO TECH UNIVERSITY
Consolidated Statement of Financial Position
As at September 30, 2024 (in '000s)

	<u>Sep 30, 2024</u>	<u>Sep 30, 2023</u>	<u>YOY Variance</u>	<u>Mar 31, 2024</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 71,706	\$ 73,381	\$ (1,675)	\$ 82,502
Short-Term Investments	17,000	17,000	-	-
Grant receivable	11,423	11,299	124	9,859
Other accounts receivable	53,284	49,981	3,303	9,876
Prepaid expenses, deposits and inventories	3,128	3,187	(59)	2,655
	<u>156,541</u>	<u>154,848</u>	<u>1,693</u>	<u>104,892</u>
Endowed investments	39,277	33,122	6,155	36,442
Other assets	4,278	4,533	(255)	1,763
Capital assets	397,748	392,063	5,685	387,177
Intangible asset - goodwill	973	973	-	973
TOTAL ASSETS	\$ 598,818	\$ 585,539	\$ 13,279	\$ 531,247
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	44,985	34,693	10,292	34,363
Deferred revenue	103,601	101,638	1,962	32,800
	<u>148,586</u>	<u>136,332</u>	<u>12,254</u>	<u>67,163</u>
Other debt	5,617	6,565	(948)	5,939
Obligations under capital leases	26,595	27,065	(469)	26,841
Debenture Debt	125,058	133,225	(8,168)	129,205
Fair value of interest rate swap	21,240	19,214	2,026	20,263
Deficiency in other investments	2,553	1,780	773	1,811
Deferred capital contributions	155,890	153,953	1,937	153,400
	<u>\$ 485,539</u>	<u>\$ 478,134</u>	<u>\$ 7,406</u>	<u>\$ 404,622</u>
NET ASSETS				
Net assets, excluding current year surplus	99,604	93,171	6,433	93,160
Endowments	27,508	26,283	1,225	27,022
Current year deficit	(13,833)	(12,048)	(1,785)	6,443
	<u>113,279</u>	<u>107,405</u>	<u>5,872</u>	<u>126,625</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 598,818	\$ 585,539	\$ 13,279	\$ 531,247

ONTARIO TECH UNIVERSITY
Consolidated Statement of Operations
For the 6 months ending September 2024 (in '000s)

	<u>Sep 2024</u>	<u>Sep 2023</u>	<u>Variance</u>
REVENUE			
Grants - operating and research	\$ 40,990	\$ 41,425	\$ (435)
Grants - debenture	6,750	6,750	0
Donations	753	155	599
Student tuition fees	40,350	34,923	5,427
Student ancillary fees	8,219	8,032	188
Revenues from purchased services	638	593	45
Other income	7,977	6,862	1,115
Amortization of deferred capital contributions	4,169	4,069	100
Interest revenue	2,121	1,429	692
Gain on disposal of assets	0	94	(94)
Unrealized gain on investments	2,299	(675)	2,974
	<u>114,266</u>	<u>103,656</u>	<u>10,610</u>
EXPENSES			
Salaries and benefits	\$ 72,317	\$ 67,334	\$ 4,983
Student aid, financial assistance and awards	9,535	8,692	843
Supplies and expenses	18,781	16,987	1,794
Purchased Services	7,384	6,144	1,240
Professional fees	990	650	341
Interest expense - Long Term Debt	5,402	6,081	(680)
Interest expense - Other	152	129	23
Amortization of capital assets	11,453	11,019	435
Unrealized loss/(gain) on interest rate swap	1,341	(2,103)	3,444
Loss on other investments	743	772	(29)
	<u>128,098</u>	<u>115,704</u>	<u>12,394</u>
Excess of expenses over revenue	\$ (13,833)	\$ (12,048)	\$ (1,785)

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Cash Flows
As at September 30, 2024 (in '000s)

	<u>Sep 30, 2024</u>	<u>Sep 30, 2023</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of expenses over revenue	(13,833)	(12,048)
Items not affecting cash:		
Amortization of capital assets	11,453	11,019
Amortization of deferred capital contributions	(4,169)	(4,069)
Unrealized loss/(gain) on interest rate swap	1,341	(2,103)
Unrealized (gain)/loss on investments	(2,299)	675
(Gain) / loss on disposal of assets	-	(94)
Loss on other investments	743	772
	(6,763)	(5,848)
Working Capital		
Grant and other accounts receivable	(44,973)	(43,890)
Prepaid expenses, deposits and inventories	(473)	(468)
Accounts payable and accrued liabilities	10,622	4,634
Deferred revenue	70,801	66,312
	29,213	20,739
INVESTING		
Purchase of capital assets	(22,025)	(4,765)
Investments	(17,535)	(361)
Other Assets	(2,515)	(1,558)
Endowment contributions	486	351
	(41,589)	(6,334)
FINANCING		
Repayment of interest rate swap	(364)	(353)
Repayment of long term debt	(4,469)	(4,266)
Repayment of obligations under capital leases	(246)	(211)
Deferred capital contributions	6,659	1,630
	1,580	(3,201)
NET CASH (OUTFLOW)/INFLOW	(10,796)	11,204
CASH BALANCE, BEGINNING OF YEAR	82,502	62,176
CASH BALANCE, END OF PERIOD	\$ 71,706	\$ 73,381

COMMITTEE REPORT

SESSION:

Public
Non-Public

☒
☐**ACTION REQUESTED:**

Decision
Discussion/Direction
Information

☐
☒
☐

TO: Audit and Finance Committee

DATE: November 21, 2024

PRESENTED BY: Brad MacIsaac, Vice-President, Administration
Lori Livingston, Provost and Vice-President, Academic
Sarah Thrush, AVP, Planning & Strategic Analysis

SUBJECT: 2025-2026 Budget Assumptions

BACKGROUND/CONTEXT & RATIONALE:

As we start to plan for the next three years, we will focus on 2025-2026 with assumptions based on this year's information to date. In the past few years, we have provided a Fiscal Blueprint that outlined items such as the provincial landscape, revenue estimates and link funding priorities with the Integrated Academic-Research Plan. With the ongoing funding plus geo-political uncertainty, in addition to stakeholder feedback that the paper was repetitive with the April report, a decision has been made to create a more comprehensive final Budget Paper.

The November information sessions will include the key revenue and expense assumptions for stakeholders to comment on. Leadership has created many scenarios from conservative to aspirational growth plan. The budget will be set with the conservative estimates in mind; however, as in past years, leadership will have a listing of priority spends should extra funds be in place when students register in September. Looking at the conservative scenario the main assumptions to be considered are:

- a) Enrolment Revenue: The preparation of the operating budget involves the use of projections and estimates. This major revenue driver assumes enrolment going up over 800 Full-time Equivalents compared to last budget. This is not unrealistic as the number includes an extra 500 that registered September 2024. The risk is related to the international intake due to the federal policy that was implemented in summer 2024 and the revision added in fall 2024.
- b) Tuition Revenue: The assumptions include the provincial government continued freeze on domestic rates as announced for at least 2 years. For international we do not have tuition setting restrictions in place; however, based on a review of system comparators both regionally and internationally we are applying a 3% increase to the model. A full program by program review will occur before February.

- c) Expenses: We must first manage the mandated salary increases and prioritized hiring plans which will be explained further in the final budget proposal. The first draw on the budget is an investment of \$12M more in personnel costs compared to 2023-2024.
- d) Reserves: Although there are many competing short-term demands in budget planning we must continue to set aside funds for future years. At the November 2021 Board meeting leadership discussed the Financial Sustainability and Reserves and outlined a need to set aside at least \$3M for planned future investments in large-scale repairs/replacements, new priorities/equipment/infrastructure, and contingencies to offset unplanned external budget impacts.

With the current assumptions we are estimating about \$260M in revenues and have already committed \$252M in expenses. This increased revenue has come from our Differentiated Growth strategy. Maintaining current operating ratios will be a challenge, however we are committed to investing in our people. We are continuing to invest in technology platforms including the new enterprise system plan, and use of AI in reducing effort on high volume tasks. Additionally, the University is undertaking, with funding provided by the government, efficiencies and effectiveness review of key administrative processes.

There are two major unknowns in the revenue scenario. With the international caps we could see intake held at 2023 levels, which could reduce our revenues by over \$3M. We also have not heard about the provincial governments efficiency fund which could include an extra \$3M one time only support if we receive similar to 2024. As we get closer to setting the budget in March, we will have more clarity on student application numbers and government funding. Like previous years we will work to set a balanced budget along with a list of unfunded priorities that we can act upon should we see more positive numbers.

In every year there is a level of overall risk of not achieving the desired enrolment results (e.g, a 1% deviation in enrolment will lead to ~\$1M variance, positive or negative, from tuition fee revenues). Note that the university is normally within $\pm 2\%$ when predicting enrolment totals. The bigger risk may be what is not included in the budget framework. We recognize that inflation and supply issues continue to wreak havoc on some operating expenses. Currently, we have not placed an inflationary increase into the budget. Instead, we are asking for units to put in an ask for us to prioritize or reallocate from within their existing budgets.

DISCUSSIONS:

We are asking if stakeholders are comfortable with the assumption and the balanced approach leadership is taken in setting the budget in these complex times. It is important to note the investments being made to move forward the strategic priorities while balancing the long-term sustainability of the institution.

While this budget continues to move us forward on our mission and priorities there are number of areas that will not be funded to the levels we would like. A desired outcome of the budget presentations is to ensure members are aware of the risks and risk mitigation strategies related most specifically to enrolment, capital renewal and future reserves.

NEXT STEPS:

- Information Sessions will be held over November.
- Budget holders are to complete and submit their budget by December 20th.
- The leadership team will review the formal winter count data and finalize the budget submission.
- This will then be presented to Academic Council in March 2025 and the Audit & Finance Committee in April 2025.

SUPPORTING REFERENCE MATERIALS:

2025-2028 Budget Assumptions, November 2024

2025-2028 Budget Assumptions

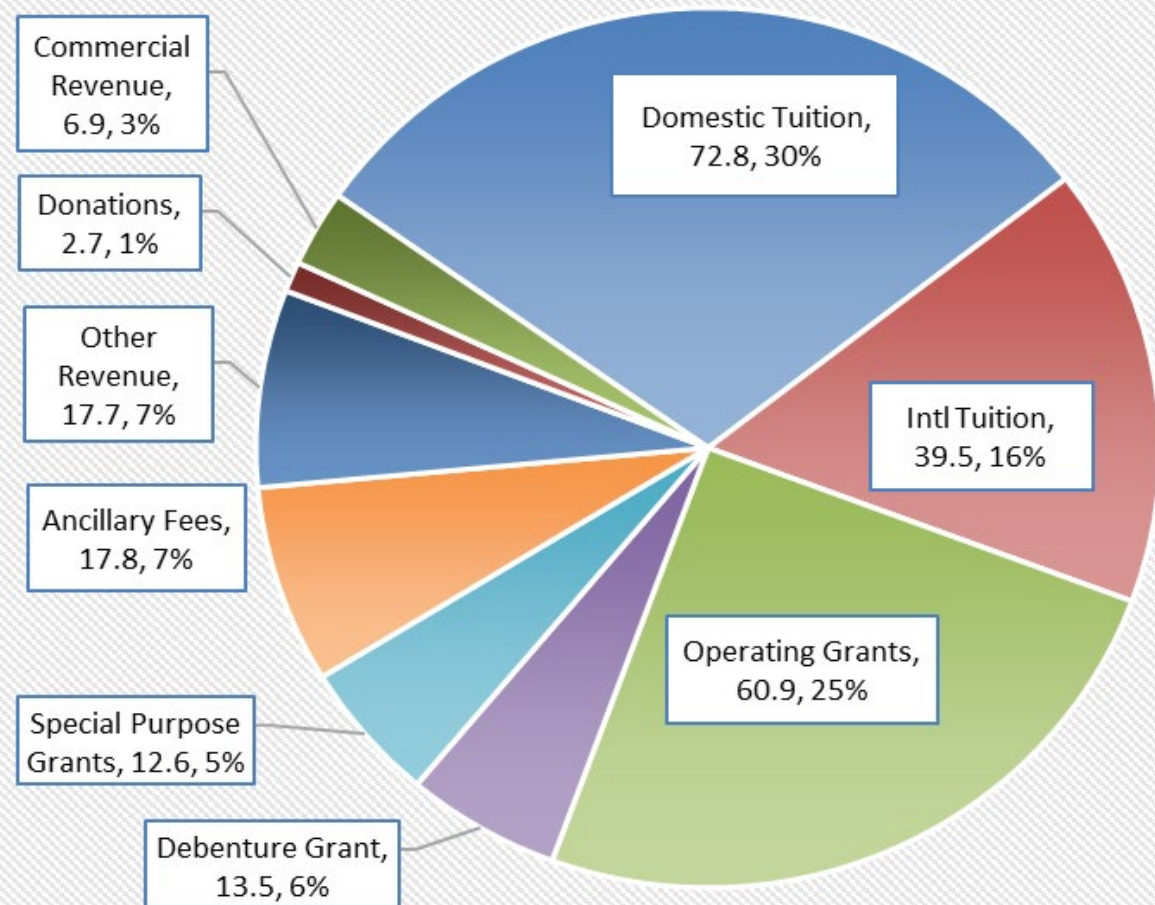
- **Lori Livingston, Provost and Vice-President, Academic**
- **Sarah Thrush, AVP Planning and Strategic Analysis**
- **Brad MacIsaac, Vice-President Administration**

Ontario Tech Budget Process

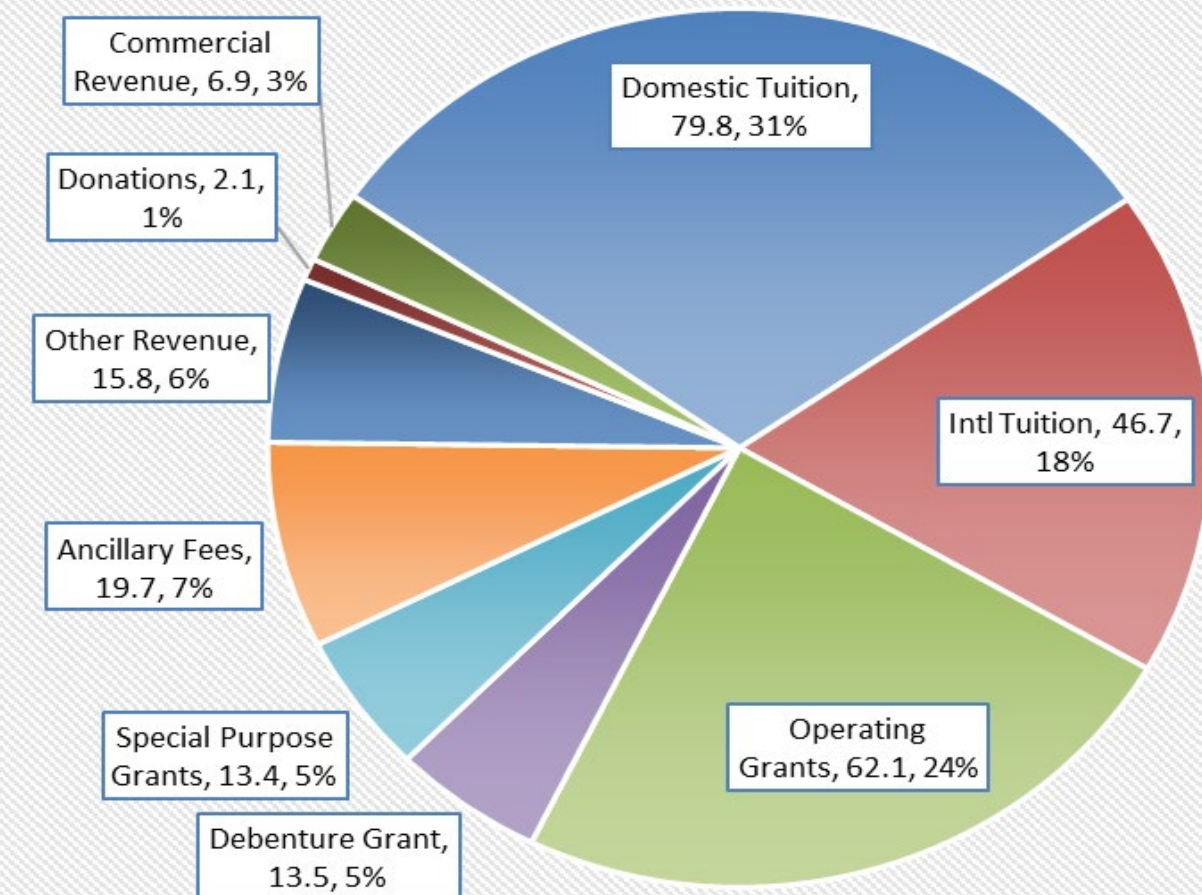
- November present Revenue & Expense assumptions and hold conversation on key priorities
 - April present next Budget year plus two out years
- ❑ <https://sites.ontariotechu.ca/finance/index.php>
 - ❑ <https://sites.ontariotechu.ca/finance/planning-reporting/financial-statements/multi-year-rolling-budget-2024-2027/index.php>

Operating Revenue by Source – FY26 ~\$260M

Operating Revenue (\$M) by Source 2024-25 Budget



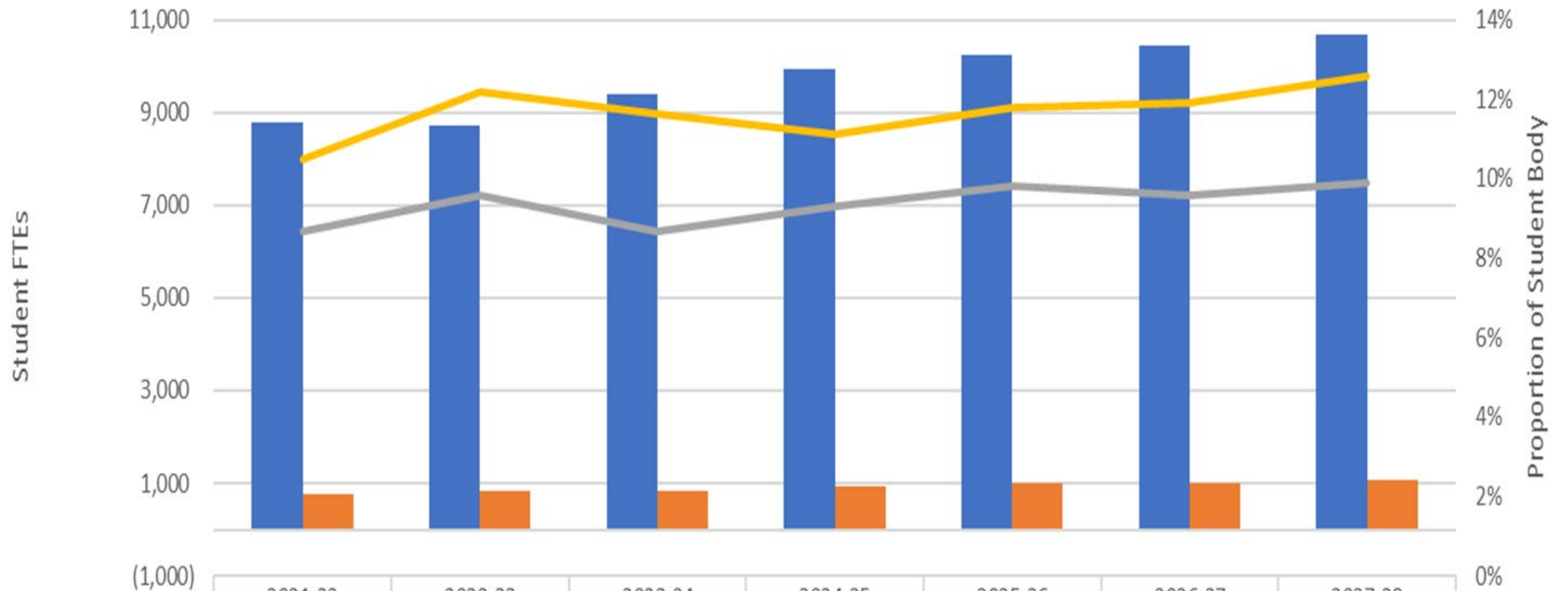
Operating Revenue (\$M) by Source 2025-26 Budget



Revenues

- Government Grants
 - While modifications have been made over the years, essentially frozen at 2012.
 - Operating vs Performance
 - Directed Increases (ie Facilities Renewal, Mental Health, etc)
- Tuition
 - Domestic (grant eligible) freeze
 - International 3%
- Ancillary
 - Fees are collected for specific purposes ... so if \$2M more basically all allocated

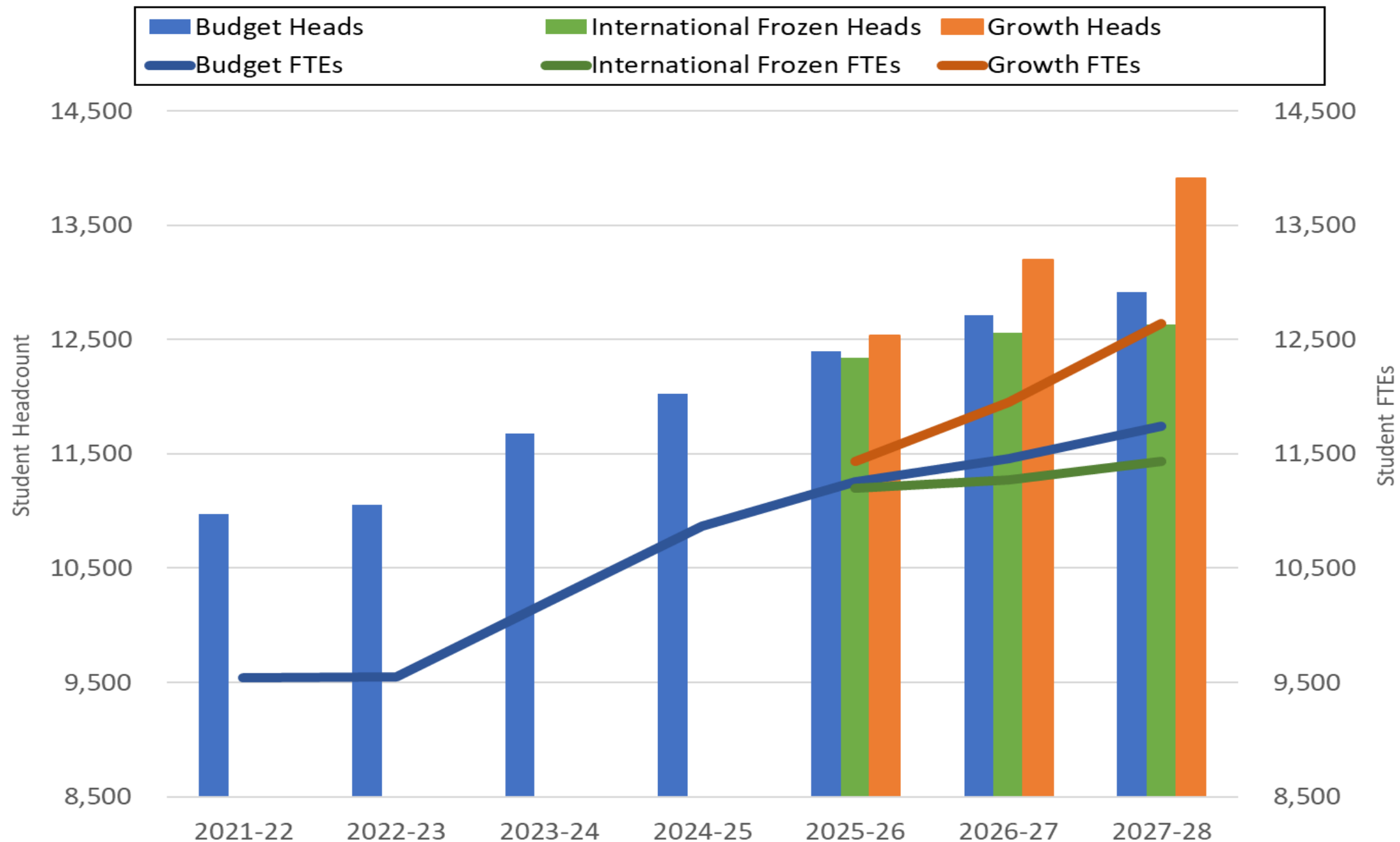
Enrolment Plan - BUDGET



	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Undergraduate	8,778	8,711	9,398	9,942	10,251	10,457	10,682
Graduate	760	834	816	926	1,005	1,002	1,056
% Graduate	9%	10%	9%	9%	10%	10%	10%
% International	10%	12%	12%	11%	12%	12%	13%

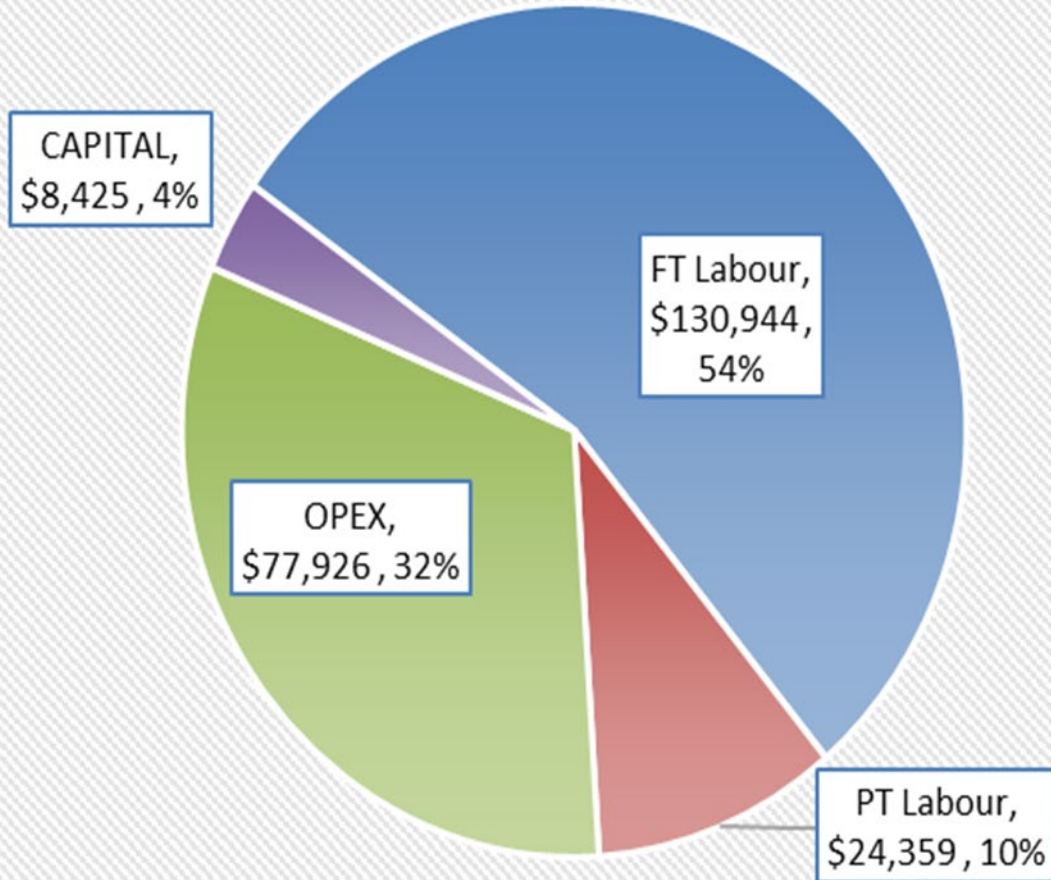


Student Enrolment

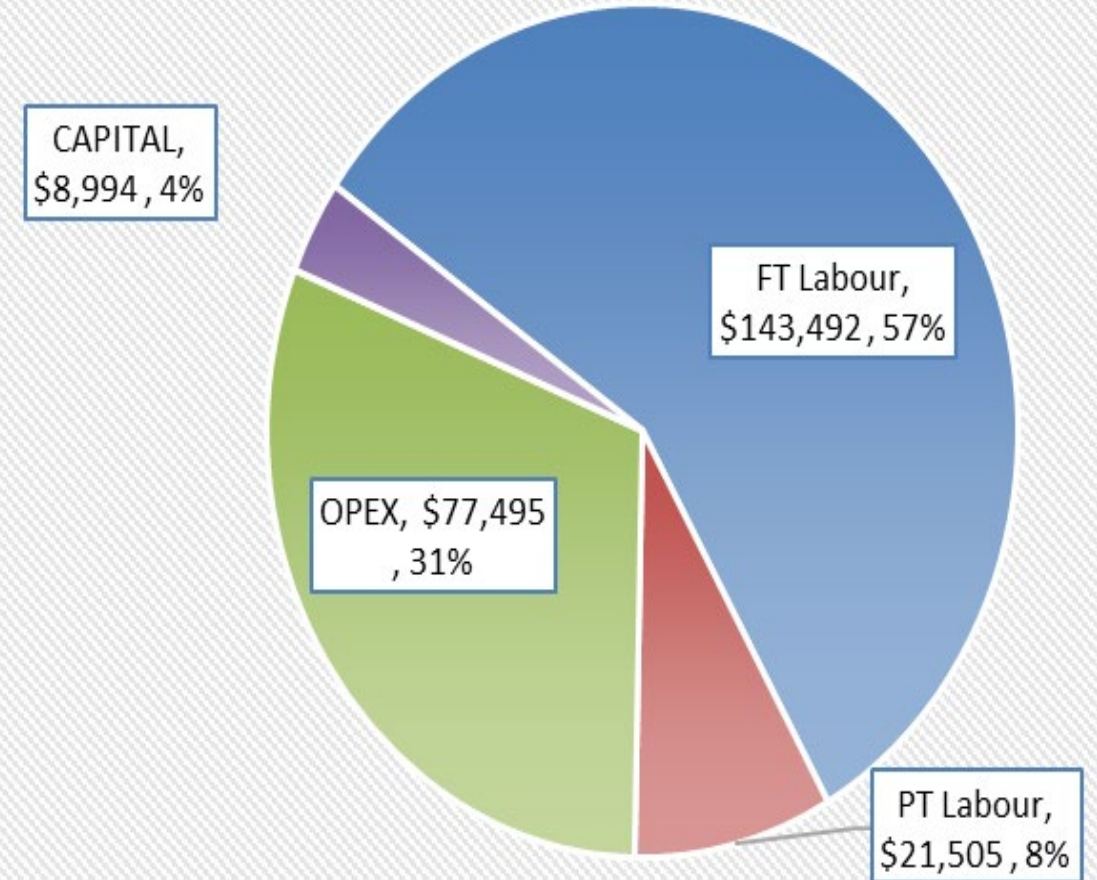


Total Expenses by Category – FT 26 ~252M allocated

Expense (\$M) by Category: Budget 2024-25

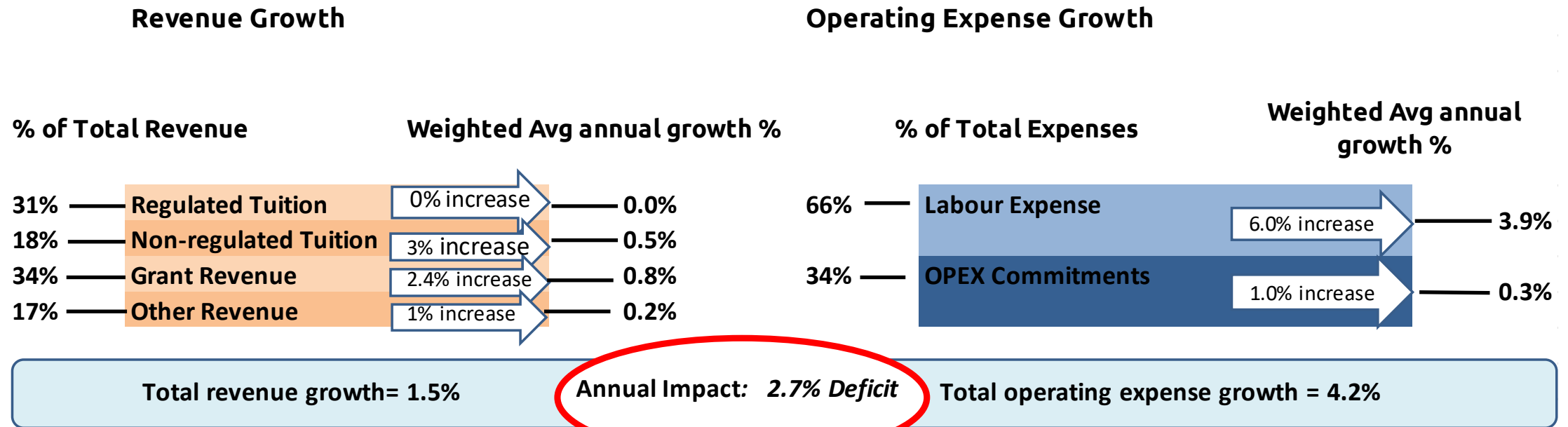


Expense (\$M) by Category: Budget 2025-26



Expenses

- Revenue: If UG international went up 3% on average the weighted impact on budget is less than 0.5%.
- Expenses: Looking at current salaries alone when we include ATB and PTR they are going up 6% a year for a weighted average of 3.9%
- Starting base budget DOES NOT include inflationary increase for OPEX. Most units will need to reallocate from within



Expenses: Examples of Potential Investments by Strategic Priority

- Continued focus on our “Differentiated growth” strategy, other forms of revenue generation (e.g., philanthropy)
- Create reserves to deal with the uncertainty of our fiscal future



Next Steps

- Nov 14 – 27th: Information Sessions (budget managers, Joint Faculty Association, Academic Council, Board Audit & Finance).
- Nov 14th Budget Module Opens
- Dec 20th Budget Submission
- Jan 20th Senior Leaders Budget Retreat
- Late March: Information Sessions
- April 10th Budget presented to Audit & Finance



Questions??



COMMITTEE REPORT

SESSION:

Public
Non-Public

☒
☐**ACTION REQUESTED:**

Decision
Discussion/Direction
Information

☐
☐
☒

TO: Audit & Finance Committee

DATE: November 21, 2024

FROM: Brad MacIsaac, Vice President Administration

SUBJECT: Quarterly Risk and Insurance Report

COMMITTEE MANDATE:

The Audit and Finance Committee is responsible for overseeing risk management and other financial systems and control functions at the University. This oversight includes approving the risk management process and ensuring the adequacy of the insurance portfolio, as well as ensuring appropriate mitigative actions are taken or planned in areas where material risk is identified.

BACKGROUND/CONTEXT & RATIONALE:

The University provides a quarterly update to the Board on risk management initiatives since the last report, culminating in a comprehensive annual review each April. This past quarter, Risk Management's primary objective was to identify areas where enhancements could further strengthen our risk management culture. This involved both assessing new opportunities to support our strategic objectives and refining existing resources to enhance the experience for University members. These improvements will promote more informed decision-making and operational consistency that aligns with the University's risk appetite and overarching vision.

This quarterly report highlights key developments in four primary areas: Insurance, Risk Management, Thematic Risk Buckets, and Audit and Compliance.

Insurance*Operational Efficiencies:*

The Office of Risk Management (ORM) has optimized its operational processes by centralizing functions, such as certificate of insurance (COI) requests and contract collection/review resulting in streamlined transaction handling and enhanced reporting capabilities. This centralization has improved the accuracy and timeliness of data collection and has reduced response times for service requests across the University.

Financial Exposures:

Through our insurance reciprocal, CURIE, the University has expanded its coverage to include physical damage and financial loss from equipment breakdown, addressing prior coverage gaps. This enhanced policy, effective January 1, 2025, will reduce premium costs and provide comprehensive protection for previously excluded areas of the University.

Risk Management

Newly Developed Risk Resources:

The ORM introduced several new resources, including an Event Guideline, Field Trip Awareness Guideline, and A Practical Guide to Risk Management. These resources promote operational consistency, enhance decision-making, support training and onboarding, and promote compliance across the University. Additionally, over 20 risk bulletins were created to provide standardized methods for addressing specific risks, aligning actions with the University's risk tolerance. These resources can be found on the [risk management website](#).

Enhancements to Existing Resources:

The ORM has refined various existing risk forms, including the campus event forms, drone application, international travel and the Risk Management Policy, to improve user experience and foster collaboration with other departments. These updates align with ORM's ongoing commitment to support University-wide risk management objectives.

Business Continuity Planning:

A comprehensive Business Continuity Plan (BCP) toolkit was developed to enhance operational resilience. This toolkit includes communication protocols and response frameworks to support incident management and recovery. Next steps will include collaborating with business functions to ensure these strategies are robust and aligned with organizational needs. The ultimate objective is to establish a comprehensive response plan to ensure operational continuity in the event of a technology system outage or a full-scale operational disruption.

Thematic Risk Buckets

Risk Register Integration:

The ORM has incorporated thematic risk buckets into the University's risk register. During the annual risk review that occurs over fall/ winter, these thematic risks will be discussed with risk owners to facilitate alignment across departments.

As thematic risk management is in its early stages, further development will continue over the next two years. Appendix A, attached, includes a summary of the approved enterprise risks currently under active management.

Audit and Compliance

Collaborative Digitization of Inspection Forms:

In collaboration with the Biosafety & Radiation Office and the Health & Safety Office, ORM is transitioning inspection forms to digital platforms, enhancing accuracy, accessibility, and environmental sustainability. This initiative also includes integrating these digital forms with the Audit Reporting tool to automate data transfer, streamline workflows, and minimize manual data entry.

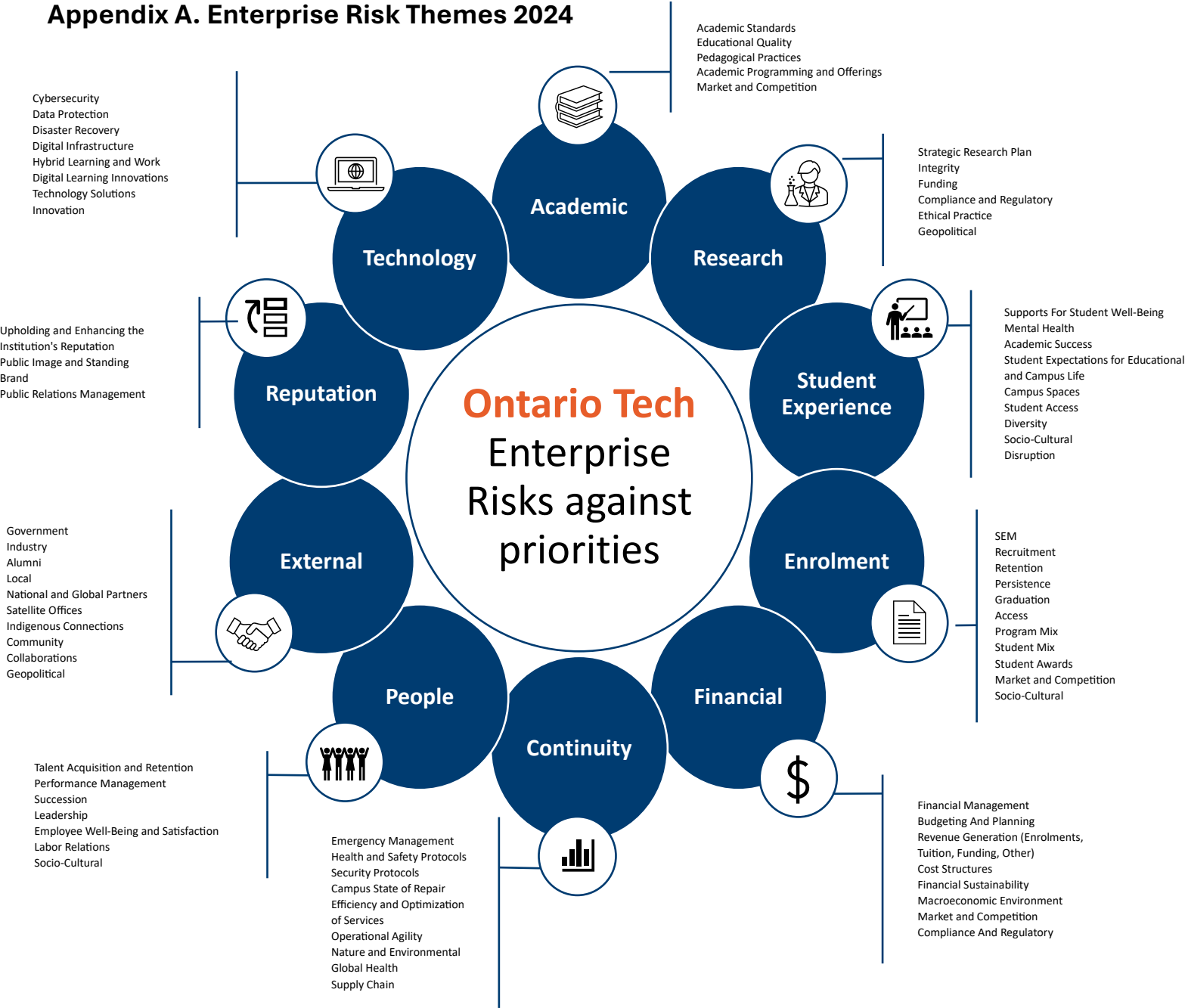
Next Steps

Looking ahead, the Office of Risk Management will continue to advance the University's risk management portfolio, remaining agile to external changes and emerging risks. Over the coming year, Senior Leadership will collaborate closely with ORM to drive continuous improvement in established practices while also progressing the thematic risk management framework.

Attachments:

Enterprise Risk Thematic Buckets

Appendix A. Enterprise Risk Themes 2024



Academic	Research	Student Experience	Enrolment	Financial
• Key Indicators: University rankings, entering GPA, quality assurance, development of new programs, experiential learning, learning outcomes, program mix • Consequence of not Managing this Risk: The erosion of credibility and competitiveness within the institution from compromised academic standards. • Risk Owner: Provost	• Key Indicators: Ethical standards, data protection, research funding, research publications, citations, health and safety, partnerships, research standing and reward • Consequence of not Managing this Risk: Standing and advancements in the field are compromised, impeding the ability to advance knowledge and attract top researchers. • Risk Owner: VPRI	• Key Indicators: Student satisfaction survey, student retention and persistence, student/faculty ratios, participation in work-integrated learning, campus space metrics • Consequence of not Managing this Risk: Negative student experience, impacting the university's reputation, revenue and sustainability. • Risk Owner: Provost	• Key Indicators: Applications, conversion, enrolments, retention, graduation rates (tracked against targets and the system) • Consequence of not Managing this Risk: Reduced access to education and diversity, impacting the university's revenue and sustainability. • Risk Owner: Provost	• Key Indicators: MCU financial health indicators, economic indicators, enrolment, market share • Consequence of not Managing this Risk: Compromised ability to operate robustly, efficiently, and to make the necessary investments for ongoing and future success. • Risk Owner: VP-Admin
Continuity	People	External	Reputation	Technology
• Key Indicators: Facilities condition metrics, health and safety metrics, security metrics, emergency response metrics, cost of service delivery • Consequence of not Managing this Risk: Campus safety and operational disruptions, impacting various university functions. • Risk Owner: VP-Admin	• Key Indicators: Applications per academic appointment, offer success rates, failed searches, number of vacant leader positions, employee surveys, voluntary turnover rates, grievances • Consequence of not Managing this Risk: Difficulties in acquiring and retaining top talent and strained labor relations, impacting the institution's ability to deliver on its priorities. • Risk Owner: VP-People and Transformation	• Key Indicators: Government metrics (e.g. proportion of the University's revenue from the province, proportion of government funding going to higher education), fundraising metrics, number of partnerships • Consequence of not Managing this Risk: Limited opportunities for growth and innovation, impeding the advancement of academic, research and student success priorities. • Risk Owner: President	• Key Indicators: Reputation rankings, brand tracking surveys • Consequence of not Managing this Risk: Damage to the institution's public image, diminishing its ability to attract students, faculty,partnerships, and funding. • Risk Owner: President	• Key Indicators: Information security incidents, investment in cybersecurity, development of hybrid programs, utilization rates of technological platforms • Consequence of not Managing this Risk: Data security compromises and operational disruptions, affecting the institution's competitiveness, innovation and brand. • Risk Owner: VP-Admin

COMMITTEE REPORT

SESSION:

Public: ☒
Non-public: ☐

ACTION REQUESTED:

Decision: ☒
Discussion/Direction: ☐
Information: ☐

TO: **Audit & Finance Committee**

DATE: **November 21, 2024**

PRESENTED BY: **Jacquelyn Dupuis, Director of Risk Management**

SLT LEAD: **Brad MacIsaac, Vice-President, Administration**

SUBJECT: **Risk Management Policy**

COMMITTEE MANDATE:

Under the University's Act, section 9 (1), the Board of Governors has the power to establish academic, research, service and institutional policies and plans to control the manner in which they are implemented. The University's Policy Framework is a key institutional policy that delegates the Board's power, establishing categories of policy instruments with distinct approval pathways.

Under the Policy Framework, the Board of Governors is the approval authority for the Risk Management Policy, on the recommendation of the Audit and Finance Committee.

We are submitting this report and proposed amended Policy for Audit and Finance Committee's consideration.

BACKGROUND/CONTEXT AND RATIONALE:

The Risk Management Policy establishes the foundation for a University Risk Management program which ensures that risk management is an integral part of the university's core strategy and integrated into all key activities and/or functions at Ontario Tech University. The policy instruments last had editorial amendments in 2019 and are being amended to make important clarifications, update practices, and integrate content from the Compliance Policy. As compliance has rolled into the Office of Risk Management, this will allow us to retire and supersede the Compliance Policy with a robust Risk Management Policy.

SUMMARY OF CHANGES:

A short summary of revisions to date are as follows:

Risk Management Policy

- Added an objective which provides information on compliance risk assessment.
- Added definitions of compliance risk, financial risk, operational risk, reputational risk, and strategic risk.
- Throughout the policy the department was updated to Office of Risk Management.
- Removed the Risk Management Committee from Risk Owners. As the Risk Management program has matured, the need for a formal committee to support implementation has reduced. Stakeholder consultation remains an important aspect of the risk management program, and the Director of Risk Management will continue to establish ad hoc working groups as needed.
- Added the responsibility of the Director of Risk Management and all members of the university to the Risk Owners.
- Added a section on training and education for the institution to reinforce the importance of Risk Management.
- Stated under the relevant legislation section that all legislations applicable to university activities under compliance risk. The Compliance Officer remains responsible for maintaining a comprehensive list of legislation applicable to university activities.
- Added more policies and procedures to the related policies, procedures, and documents section.

CONSULTATION:

The consultation and approval path for the Policy will be as follows:

- ✓ Policy Advisory Committee
- ✓ Online Consultation
- ✓ Academic Council (consultation)
- ✓ Senior Leadership Team (consultation)
- Audit & Finance (deliberation)
- Board of Governors (approval)

The Policy was posted for online consultation, and received community comments. The Policy was also reviewed by Academic Council.

Online Consultation Comments

A community member sent comments in the form of a marked-up draft of the Policy. Those comments were helpful in improving the drafting of the policy, and enhancing its clarity and were adopted in part, as set out in Appendix A. The community member also expressed concern about the top-down approach of the Risk Management Policy and lacking references to consultation and inclusion of the University community in identification, assessment and management of Risk. Because the same concern was raised at Academic Council, those comments will be addressed as part of the Academic Council Comments below.

Academic Council Comments

Comment: Academic Council members were concerned that University Members were listed as Risk Owners in the Policy. The view expressed by AC members is that responsibility and accountability for Risk at the university should fall to members of management, not to employees.

Response: We concur. Risk Owners are intended to be members of the senior administration of the university (Vice-Presidents, Assistant/Associate Vice-Presidents and other positions of equivalent responsibility) who are accountable for a portfolio of risks. Specific Risk Owners and their portfolio are set out in the Risk Register, not in the Policy. We have clarified the section on Risk Owners and added a separate section to list the roles and responsibilities of other University Members in an effort to make this distinction more clear.

Comment: The reporting pathway contemplated in section 8.3 should be clarified so that University Members know who to contact with any concerns related to risk.

Response: We have clarified the language in this section to give more detail on reporting pathways. The lack of clarity around Risk Owners (as set out in the previous comment) may have contributed to the confusion here. Any Risk Owner (a member of the senior administration of the university) should be a valid recipient of risk-related concerns. Another valid pathway would be to raise risk concerns to a direct supervisor, or to raise them to the Office of Risk Management at orm@ontariotechu.ca.

Comment: AC Members stated that a more consultative and “bottom up” approach to Risk Management would be valuable. The Policy as written gives a great deal of authority and responsibility to Risk Owners (members of the senior administration of the university) to identify risks and develop strategies for mitigating those risks. A consultative approach would ensure that more voices are heard, and would be a more collegial approach. This echoes comments received in online consultation.

Response: A top-down approach is prudent for effective Risk Management. Risk Owners have accountability for ensuring that the risks within their portfolio are properly mitigated, and to do so, they need commensurate authority to enact mitigation strategies. This does not mean that university members with knowledge about risks are not consulted, however. The Risk Register process entails consultation with units across the university, and Risk Owners are encouraged to involve employees in these discussions. The detailed risk register process is not set out in the policy, as it is procedural in nature. The policy was also amended to clarify that members are encouraged to raise concerns related to risk, and that Risk Owners are responsible for appropriately addressing these concerns through risk mitigation strategies.

Comment: This amendment to the Risk Management Policy represents a shift from simply managing health and safety risks to managing risks in ever greater areas of the university.

Response: The scope of the Risk management program has been enterprise wide since its inception, and encompassed Financial, Operational, Reputational, and Strategic Risks. These Risk categories have long been used to catalog and define risks at the university, and Risk Management has been involved in many activities and programs to mitigate these types of risks. The major change to the scope of the Risk Management Policy is the formal addition of responsibilities for risks associated with legislative compliance. This flows from changes in organizational structure and reporting, and allows the consolidation of compliance

processes into the existing risk register processes, creating efficiencies.

MOTION FOR CONSIDERATION:

That the Audit & Finance Committee hereby recommends the Risk Management Policy, as presented, for approval by the Board of Governors

NEXT STEPS:

Pending recommendation by the Audit & Finance Committee, the Policy will be submitted to the Board of Governors for approval.

SUPPORTING MATERIALS:

- Appendix A – Community Comments
- Risk Management Policy – Redline
- Risk Management Policy – Clean

Appendix A – Community Comments and Response

s. 2 Risk Definitions (Compliance Risk, Financial Risk, Operational Risk, Reputational Risk)	Comment: Risk should be defined based upon potential <u>negative</u> impacts only. Response: Risk should not be limited to only negative impacts. Risk may include the potential of positive impact as well.
s. 2 Definition of Strategic Risk	Comment: Definition is unclear. Response: Amended definition of Strategic Risk.
s. 6.2 “significant and material Risks”	Comment: Is this "significant material Risks" or are "significant Risk" and "material Risk" separate entities? If latter, what does each refer to? Response: Amended to remove the term “material risk”. Both terms are synonymous.
s. 6.2 “better management and understanding of risk”	Comment: Understanding should come before management. Response: Adopted amendment.
s. 6.3 “improved Risk Management communication”	Comment: Improved in relation to what? Response: Amended to “Robust Risk management communication”.
s. 7.2 “ensure”	Comment: “ensure that” Response: Adopted amendment.
s. 7.3 “President, Vice-Chancellor”	Comment: Removal of “and” suggests these are two separate positions. Response: Removal of “and” was an error. The Correct title is “President and Vice-Chancellor”.
s. 7.4 b) Senior Leadership Team	Comment: Requires definition. Who are the members of the SLT? Response: This policy does not create the SLT, it merely refers to an existing body, and therefore this policy does not define SLT or set out the membership of SLT. The President controls the composition and responsibilities of the Senior Leadership Team.
s. 7.4 b) “AVP”	Comment: What does AVP refer to? Response: We have amended the policy to refer to the titles of “Assistant/Associate Vice-President”.
s. 7.4 b) “regardless of title, guided”	Comment: “regardless of title and guided” Response: Adopted amendment.
s. 7.4 b) “Administrative Leadership Team”	Comment: Requires definition. Who falls under ALT? Response: This body has since been replaced in this policy by the Integrated All Managers Team (“IAM”). IAM will act in an advisory role concerning various aspects of the URM program. IAM will work to ensure that the URM program is integrated into the planning work of the University. A Terms of Reference and membership list for IAM is maintained by the

	President's Office and will not be duplicated in this Policy.
s. 7.4 c) "The Office of Risk Management is committed to fostering a culture of risk ownership throughout the University. Providing strategic leadership[...]"	Comment: "throughout the university by providing strategic leadership". The sentence starting with Providing has no subject or verb. Response: Adopted amendment.
s. 8 Statements of Principle	Comment: A key principle missing: consultation with and inclusion of the University community in identification and assessment of Risk. Right now it reads as: thou shall do as we tell you to (we - SLT). Response: A top-down approach is prudent for effective Risk Management. Risk Owners have accountability for ensuring that the risks within their portfolio are properly mitigated, and to do so, they need commensurate authority to enact mitigation strategies. This does not mean that university members with knowledge about risks are not consulted, however. The Risk Register process entails consultation with units across the university, and Risk Owners are encouraged to involve employees in these discussions. The detailed risk register process is not set out in the policy, as it is procedural in nature. The policy was also amended to clarify that members are encouraged to raise concerns related to risk, and that Risk Owners are responsible for appropriately addressing these concerns through risk mitigation strategies.
s. 8.2 Communication	Comment: This addresses or perhaps enshrines the principle of one-way communication, top-down, which is a great concern. Response: Again, a top-down approach is prudent for effective Risk Management.

PURPOSE

1. The purpose of this Policy is This policy aims to establish the foundation for a University Risk Management (“URM”) program which that ensures that Risk ~~management~~ Management is an integral part of the University’s core strategy and integrated into all key activities and ~~for~~ functions. The URM program establishes a Risk management framework which that will provide a proactive and consistent approach to ensuring that Risk is considered when decisions are made at all levels of the organization and, in turn, assists the University in operating to operate within its capacity and willingness to take Risk. The URM program further establishes a commitment to raise awareness surrounding Risk management and provide guidance to all levels of the University.
2. **Objectives:** The overall objectives of the Risk Management Policy are to:
 - 2.1. Formalize a consistent approach to identifying, assessing, measuring, managing, communicating, and mitigating Risks to the University’s strategic plan and priorities and to the University’s operations in an effort to reduce uncertainty; and
 - 2.2. Assist the University to make in making better-informed decisions and promote accountability for Risk management with stakeholders and University Members at all levels.
 - 2.3. Assess all applicable laws through compliance risk assessment and ensure clear roles, responsibilities, and processes are in place.

DEFINITIONS

- 3. For the purposes of** this Policy, the following definitions apply:

“University Risk Management (“URM”)” means a consistent, coordinated, integrated approach to identify, assess, measure, manage, communicate, and mitigate significant and material Risks to the University in achieving its strategic objectives.

“Risk” means the uncertainty of outcomes against the achievement of planned objectives. This concept can be applied to strategic objectives as well as all operational activities within the University. While the application of the definition may change with different University Members, the concept should not change.

“Risk Assessment” means a formalized, systematic ranking and prioritizing of identified Risks, using a likelihood/consequence framework.

“Risk Appetite” means the University’s willingness to accept Risk. Risk Appetite may also be viewed as the acceptable deviation from expected outcomes.

“University Member” means any individual who is:

- Employed by the University;
- Registered as a student, in accordance with following the academic regulations of the University;
- Holding an appointment with the University, including paid, unpaid, and/or honorific appointments; and/or
- Otherwise subject to University policies by virtue of the requirements of a specific policy (e.g., Booking and Use of University Space) and/or the terms of an agreement or contract.

“Compliance Risk” means potential exposure to penalties, fines, damages, and loss caused by not adhering to applicable laws, regulations, and policies mandated under federal, provincial, or municipal laws, regulations, University policies, procedures, directives, or by-laws.

“Financial Risk” means exposures that arise from the University’s financial operations and/or external market forces, with the potential to impact funding level, investment performance, liquidity, budget, premium revenue/rates, and other key financial indicators.

“Operational Risk” means exposures that arise from people or a failure of internal processes, systems, or controls and may impact the University’s ability to sustain immediate or future business operations.

“Reputational Risk” means exposures that arise from stakeholders’ perception of the University with the potential to impact public trust in the University as a result of direct or indirect actions of the University, its employees, partners, or suppliers.

“Strategic Risk” means risk that arises from the university’s ability to identify and execute strategic objectives and/or from internal and external trends and events that might impact the University’s ability to achieve its mandate. ~~means risk that arises from internal and external~~

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~~trends and events that might impact the University's ability to achieve its mandate or that arise from its ability to identify and execute objectives and to establish and implement strategies to achieve them.~~

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SCOPE AND AUTHORITY

4. This Policy applies to all University Members and extends to all functions and activities.
5. The ~~University Secretary~~Office of Risk Management, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration, and interpretation of this Policy.

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POLICY

This Policy and the associated documents will describe the specific responsibilities for those groups and individuals expected to support the implementation and maintenance of the URM program. In addition, all University Members are expected to support the Risk management of Risk and the success of the URM program at the University.

6. Risk Framework

- 6.1. Effective Risk management across the institution will ~~result in increased~~ increase stability, safety ~~and~~ security, and prosperity for University Members. This Policy and the associated documents create the Risk management framework developed specifically to fit the governance structure and culture of the University. The framework is ~~aligned~~ aligned with the strategic priorities of the University and incorporates leading practices, tailored to the University's needs and culture.
- 6.2. The framework is intended to support the University in identifying, assessing, measuring, managing, reporting, and mitigating ~~significant and material~~ Risks. The ultimate goal of the framework is to assist the University in achieving its strategic priorities and operational objectives through better ~~management understanding~~ and ~~understanding management~~ of Risk.
- 6.3. The framework provides:
- Formalized process and approach to executing URM;
 - Clearly defined accountabilities for execution of URM;
 - ~~Improved~~ Robust Risk management communication; and
 - Consistency in Risk management.

7. Risk Governance Structure

- 7.1. **Oversight:** The responsibility to oversee the University's URM program resides with the University's Board of Governors ("Board"). The Audit and Finance Committee is delegated to carry out this oversight responsibility on the part of the Board and to report ~~annually~~ quarterly to the Board on the status of the URM.
- 7.2. **Direction:** The University's President ~~and Vice Chancellor~~ is responsible to ~~provide for providing~~ direction to ensure ~~that~~ the University's strategic priorities remain the ultimate focus of all University Members.
- 7.3. **Risk Parameters Appetite:** The Risk Appetite will be determined by the University's President ~~and Vice Chancellor along with and~~ the Senior Leadership Team ("SLT") and ultimately approved by the Board. The Risk Appetite will be reviewed no less ~~frequently~~ than ~~once annually every eighteen to twenty-four months~~.
- 7.4. **Risk Owners:**
- a) **Chief Risk Officer:** The University's President will designate a member of SLT to serve as Chief Risk Officer. The Chief Risk Officer will, among the members of the SLT, have responsibility for ~~the coordination of~~ coordinating SLT's Risk management activities. The Chief Risk Officer will ~~act as the~~ primary advisor on Risk to the Board and ~~to the~~ President and Vice-

Chancellor. ~~The Chief Risk Officer will serve as Chair of the University's Risk Management Committee ("RMC") and will have accountability for that Committee's work.~~

- b) **Senior Leadership Team ("SLT"):** SLT as a group is responsible for the management of all institutional and operational Risks, the overall success of URM, and the integration of the URM program into the core operational and strategic decision framework of the University. Individual members of the SLT will act as the primary owners of Risks and Risk management at the University. Each SLT member will delegate responsibility for Risk management to functional leaders within that SLT member's area of ~~responsibility.~~ ~~responsibility.~~ Delegates must hold a position of Director, Executive Director, ~~AVP~~Assistant/Associate Vice President, Registrar, Dean or equivalent.*

*equivalency of positions will be determined based on the level of authority of a position within the university, regardless of title, and guided by the assessed job evaluation of a given position. A determination will be made by the Policy Owner, or delegate, in consultation with Human Resources.

7.5. Responsibilities:

- c)a) ~~Administrative Leadership Team ("ALT"):~~ Integrated All Managers Team ("IAM"): ~~ALT-IAM~~ will act in an advisory role ~~in respect of~~ concerning various aspects of the URM program. ~~ALT-IAM~~ will work to ensure that the URM program is integrated into the planning work of the University.

8. Office of Risk Management: ~~Committee~~ ("RMC")

- ~~8.1.b)~~ The Office of Risk Management ~~Committee~~ will hold responsibility is responsible for the successful integration and execution of the URM framework. ~~Operational and supports the strategic planning process by working to raise awareness of risks that may adversely affect its successful implementation and maintenance of the URM program will be conducted with oversight and guidance from SLT.~~ The Committee will also be responsible for facilitating the Office of Risk identification and Risk Assessment process at Management is committed to fostering a culture of risk ownership throughout the University by ~~providing~~ strategic leadership and direction in the Senior Leadership Team evolution and implementation of enterprise risk management ensures a consistent and functional leadership levels, consolidating that information and finalizing the institutional Risk profile for the Board. This committee will be a skills-based committee comprised of individuals who are best able to help the University fulfil its URM objectives. proactive approach.

- a)c) All members of the University: All members of the University are expected to read, understand, and apply this policy.

9.8. Statements of Principle

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The University adopts the following statements of principle for application in the implementation of this Policy:

9.1.8.1. Risk Culture: The University is committed to fostering a culture of Risk ownership throughout the University. This does not mean that we avoid engaging in activities that have Risk or that we avoid Risk in our teaching ~~and~~, research, and other activities we undertake for the University. It is recognized that both strategic and operational decisions and the work ~~undertaken~~ conducted by University Members, all inherently involve Risk.

To the University, having a culture of Risk ownership means that:

- a) Strategic and operational decisions are made with full awareness of the Risks relevant to those decisions;
- b) All University Members are aware of the organization's emphasis on URM and incorporate a proactive approach and awareness to managing Risk in their individual roles.
- b)c) Risk Owners will establish a processes for seeking feedback from knowledgeable individuals in their areas of responsibility.

9.2.8.2. Communication: A key principle of a successful URM program is regular communication. The Board and Senior Leadership Team are committed to developing a communication plan to ensure that those who require information to support the URM program receive it. The University's Risk Management Policy, goals and objectives will be made available to all University Members ~~and it~~. Each member will be expected that each member readsto read and understandunderstands the Risk management philosophy and outlined framework.

8.3. Reporting: University Members are encouraged to raise concerns related to risk to their supervisor or ORM@ontariotechu.ca, and Risk Owners will ensure that these concerns are appropriately considered in the development of risk mitigation strategies.

9.3.8.4. No Reprisal: The University will not discharge, discipline, demote, suspend, threaten, or in any manner discriminate against any officer, ~~or employee or student~~, based on any good faith and lawful actions of such employee to responsibly and carefully report Risk issues using the channels provided by the University.

9.4.8.5. The University is committed to academic freedom.

9. Training and Education

The Office of Risk Management will support the development and implementation of institutional Risk management training and education programs needed to reinforce the importance of Risk management. The type of training and education will be developed and conducted as appropriate.

MONITORING AND REVIEW

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10. ~~This Policy will be reviewed as necessary and at least every three years. The Director of Risk Management Committee, or successor thereof, is responsible to monitor for monitoring and review reviewing this Policy at least every three years.~~

RELEVANT LEGISLATION

- ~~11. This section intentionally left blank.~~
- ~~11. All legislation applicable to University activities under Compliance Risk.~~

RELATED POLICIES, PROCEDURES & DOCUMENTS

- ~~12. Field Trip Risk Management and Approval Directive~~
- ~~12. University-Hosted Event Risk Management and Approval Directive~~
- ~~Aircraft Approval Directive~~
- ~~High-Risk International Travel Policy~~
- ~~Student International Travel Policy~~
- ~~Booking and Use of University Space Policy~~
- ~~Booking and Use of University Space Procedures~~
- ~~Directives for the Appropriate Use of Space~~
- ~~University Continuity Management Framework Policy~~
- ~~Safe Disclosure Policy~~
- ~~Ethical Conduct Policy~~
- ~~1. All University policies applicable to Compliance Risk~~
- ~~Field Trip Risk Management and Approval Directive~~
- ~~Risk Management Committee Terms of Reference~~

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Classification	LCG 1116
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	Vice-President Administration
Approval Date	DRAFT FOR APPROVAL
Review Date	XXXX
Supersedes	

RISK MANAGEMENT POLICY

PURPOSE

1. This policy aims to establish the foundation for a University Risk Management (“URM”) program that ensures that Risk Management is an integral part of the University’s core strategy and integrated into all key activities and functions. The URM program establishes a Risk management framework that will provide a proactive and consistent approach to ensuring that Risk is considered when decisions are made at all levels of the organization and, in turn, assists the University in operating within its capacity and willingness to take Risk. The URM program further establishes a commitment to raise awareness surrounding Risk management and provide guidance to all levels of the University.
2. **Objectives:** The overall objectives of the Risk Management Policy are to:
 - 2.1. Formalize a consistent approach to identifying, assessing, measuring, managing, communicating, and mitigating Risks to the University’s strategic plan and priorities and to the University’s operations to reduce uncertainty and
 - 2.2. Assist the University in making better-informed decisions and promote accountability for Risk management with stakeholders and University Members at all levels.
 - 2.3. Assess all applicable laws through compliance risk assessment and ensure clear roles, responsibilities, and processes are in place.

DEFINITIONS

3. For this Policy, the following definitions apply:

“University Risk Management (“URM”)” means a consistent, coordinated, integrated approach to identify, assess, measure, manage, communicate, and mitigate significant and material Risks to the University in achieving its strategic objectives.

“Risk” means the uncertainty of outcomes against the achievement of planned objectives. This concept can be applied to strategic objectives as well as all operational activities within the University. While the application of the definition may change with different University Members, the concept should not change.

“Risk Assessment” means a formalized, systematic ranking and prioritizing of identified Risks using a likelihood/consequence framework.

“Risk Appetite” means the University’s willingness to accept Risk. Risk Appetite may also be viewed as the acceptable deviation from expected outcomes.

“University Member” means any individual who is:

- Employed by the University;
- Registered as a student following the academic regulations of the University;
- Holding an appointment with the University, including paid, unpaid, and/or honorific appointments; and/or
- Otherwise subject to University policies by virtue of the requirements of a specific policy (e.g., Booking and Use of University Space) and/or the terms of an agreement or contract.

“Compliance Risk” means potential exposure to penalties, fines, damages, and loss caused by not adhering to applicable laws, regulations, and policies mandated under federal, provincial, or municipal laws, regulations, University policies, procedures, directives, or by-laws.

“Financial Risk” means exposures that arise from the University’s financial operations and/or external market forces, with the potential to impact funding level, investment performance, liquidity, budget, premium revenue/rates, and other key financial indicators.

“Operational Risk” means exposures that arise from people or a failure of internal processes, systems or controls and may impact the University’s ability to sustain immediate or future business operations.

“Reputational Risk” means exposures that arise from stakeholders’ perception of the University with the potential to impact public trust in the University as a result of direct or indirect actions of the University, its employees, partners, or suppliers.

“Strategic Risk” means risk that arises from the university’s ability to identify and execute strategic objectives and/or from internal and external trends and events that might impact the University’s ability to achieve its mandate.

SCOPE AND AUTHORITY

4. This Policy applies to all University Members and extends to all functions and activities.
5. The Office of Risk Management, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration, and interpretation of this Policy.

POLICY

6. Risk Framework

- 6.1. Effective Risk management across the institution will increase stability, safety, security, and prosperity for University Members. This Policy and the associated documents create the Risk management framework developed specifically to fit the governance structure and culture of the University. The framework is aligned with the strategic priorities of the University and incorporates leading practices tailored to the University's needs and culture.
- 6.2. The framework is intended to support the University in identifying, assessing, measuring, managing, reporting, and mitigating Risks. The ultimate goal of the framework is to assist the University in achieving its strategic priorities and operational objectives through better understanding and management of Risk.
- 6.3. The framework provides:
 - Formalized process and approach to executing URM;
 - Clearly defined accountabilities for execution of URM;
 - Robust Risk management communication; and
 - Consistency in Risk management.

7. Risk Governance Structure

- 7.1. **Oversight:** The responsibility to oversee the University's URM program resides with the University's Board of Governors ("Board"). The Audit and Finance Committee is delegated to carry out this oversight responsibility on the part of the Board and to report quarterly to the Board on the status of the URM.
- 7.2. **Direction:** The University's President is responsible for providing direction to ensure that the University's strategic priorities remain the ultimate focus of all University Members.
- 7.3. **Risk Appetite:** The Risk Appetite will be determined by the University's President, and the Senior Leadership Team ("SLT") and ultimately approved by the Board. The Risk Appetite will be reviewed no less frequently than every eighteen to twenty-four months.
- 7.4. **Risk Owners:**
 - a) **Chief Risk Officer:** The University's President will designate a member of SLT to serve as Chief Risk Officer. The Chief Risk Officer will, among the members of the SLT, have responsibility for coordinating SLT's Risk management activities. The Chief Risk Officer will be the primary advisor on Risk to the Board and the President and Vice-Chancellor.
 - b) **Senior Leadership Team ("SLT"):** SLT as a group is responsible for the management of all institutional and operational Risks, the overall success of URM, and the integration of the URM program into the core operational and strategic decision framework of the University. Individual members of

the SLT will act as the primary owners of Risks and Risk management at the University. Each SLT member will delegate responsibility for Risk management to functional leaders within that SLT member's area of responsibility. Delegates must hold a position of Director, Executive Director, Assistant/Associate Vice President, Registrar, Dean or equivalent.*

*equivalency of positions will be determined based on the level of authority of a position within the university, regardless of title and guided by the assessed job evaluation of a given position. A determination will be made by the Policy Owner, or delegate, in consultation with Human Resources.

7.5. Responsibilities:

- a) Integrated All Managers Team ("IAM"):** IAM will act in an advisory role concerning various aspects of the URM program. IAM will work to ensure that the URM program is integrated into the planning work of the University.
- b) Office of Risk Management:** The Office of Risk Management is responsible for the successful integration and execution of the URM framework and supports the strategic planning process by working to raise awareness of risks that may adversely affect its successful implementation. The Office of Risk Management is committed to fostering a culture of risk ownership throughout the University by providing strategic leadership and direction in the evolution and implementation of enterprise risk management ensures a consistent and proactive approach.
- c) All members of the University:** All members of the University are expected to read, understand, and apply this policy.

8. Statements of Principle

The University adopts the following statements of principle for application in the implementation of this Policy:

- 8.1. Risk Culture:** The University is committed to fostering a culture of Risk ownership throughout the University. This does not mean that we avoid engaging in activities that have Risk or that we avoid Risk in our teaching, research, and other activities we undertake for the University. It is recognized that both strategic and operational decisions and the work conducted by University Members all inherently involve Risk.

To the University, having a culture of Risk ownership means that:

- a)** Strategic and operational decisions are made with full awareness of the Risks relevant to those decisions;
- b)** All University Members are aware of the organization's emphasis on URM and incorporate a proactive approach and awareness to managing Risk in their individual roles.
- c)** Risk Owners will establish a processes for seeking feedback from knowledgeable individuals in their areas of responsibility.

- 8.2. Communication:** A key principle of a successful URM program is regular communication. The Board and Senior Leadership Team are committed to developing a communication plan to ensure that those who require information to support the URM program receive it. The University's Risk Management Policy, goals and objectives will be made available to all University Members. Each member will be expected to read and understand the Risk management philosophy and outlined framework.
- 8.3. Reporting:** University Members are encouraged to raise concerns related to risk to their supervisor or ORM@ontariotechu.ca, and Risk Owners will ensure that these concerns are appropriately considered in the development of risk mitigation strategies.
- 8.4. No Reprisal:** The University will not discharge, discipline, demote, suspend, threaten, or in any manner discriminate against any officer, employee or student based on any good faith and lawful actions of such employee to responsibly and carefully report Risk issues using the channels provided by the University.
- 8.5.** The University is committed to academic freedom.

9. Training and Education

The Office of Risk Management will support the development and implementation of institutional Risk management training and education programs needed to reinforce the importance of Risk management. The type of training and education will be developed and conducted as appropriate.

MONITORING AND REVIEW

- 10.** The Director of Risk Management, or successor thereof, is responsible for monitoring and reviewing this Policy at least every three years.

RELEVANT LEGISLATION

- 11.** *All legislation applicable to University activities under Compliance Risk.*

RELATED POLICIES, PROCEDURES & DOCUMENTS

- 12.** Field Trip Risk Management and Approval Directive
University-Hosted Event Risk Management and Approval Directive
Aircraft Approval Directive
High-Risk International Travel Policy
Student International Travel Policy
Booking and Use of University Space Policy
Booking and Use of University Space Procedures
Directives for the Appropriate Use of Space

University Continuity Management Framework Policy

Safe Disclosure Policy

Ethical Conduct Policy

All University policies applicable to Compliance Risk

DRAFT

COMMITTEE REPORT

SESSION:

Public ☒
Non-Public ☐

ACTION REQUESTED:

Decision ☒
Discussion/Direction ☐
Information ☐

TO: Audit and Finance Committee

DATE: November 24, 2024

PRESENTED BY: Brad MacIsaac, VP Administration

SUBJECT: MCU Efficiency and Accountability Fund Proposal

COMMITTEE MANDATE:

The Audit and Finance Committee (A&F) is responsible for overseeing the financial affairs of the university with respect to all auditing.

The Policy on use of [External Auditor for Non-Audit Services](#) requires A&F to approve the use of our audit firm, which is currently KPMG LLP, if the university wishes to engage them for activities that are above 15% of their audit fee. With each engagement, the external audit partner is required to confirm independence with respect to the project.

The Advisory practice of KPMG has been engaged by Ontario Tech University to provide assistance relating to the project described below. The purpose of this memo is to: a) confirm the project does not impair the independence of KPMG as the External Auditor of Ontario Tech; and b) seek approval of A&F for the engagement.

BACKGROUND/CONTEXT & RATIONALE:

As discussed at recent Board meetings, Ontario Tech, like most Ontario universities, has experienced increasing financial pressures. The university has been actively offsetting these pressures through implementing efficiencies and cost-saving measures as well as executing its differentiated growth strategy.

To further address and mitigate financial demands, the university has received approval from Ontario's Ministry of Colleges and Universities (MCU) to move forward with a review financed by the [Efficiency and Accountability Fund](#). This fund supports third-party reviews of individual post-secondary institutions to identify opportunities to maximize resources, while continuing to meet the evolving needs of students, faculty, staff, and local communities. This review is about determining the most effective uses of our daily limited time, and discovering which tasks and workflow processes we can rework, to improve administrative services and processes while providing opportunities for employees to participate in higher-impact activities. The review will cover five mandatory areas:

- revenue-generating opportunities
- collaborative procurement opportunities
- physical assets and facilities
- academic programming
- university governance, administrative and student services

It will also explore opportunities to collaborate with other institutions, such as our campus partner, Durham College, which is participating in a similar review.

The review will begin immediately, with the preliminary report due to the MCU by January 31, 2025, and the final report due by March 31, 2025. The results will be reported to the university's Board of Governors in April 2025.

With the short duration for this report the ministry worked with Supply Ontario to recommend six potential providers. Ontario Tech released a Request for Proposal to three firms we have worked with in the past and understand our unique situation. Based on the submission evaluation, the university has hired consulting firm KPMG to complete the review. Please note that due to the short deadlines an engagement contract has been signed; but, we do have a provision that if this motion is not passed by A&F that it can be terminated.

As this is our external audit partner, we must receive A&F approval to hire. Hence, as noted above, the contract was signed subject to A&F's approval. KPMG has confirmed that under the relevant rules of the firm, CPA Ontario and other applicable legislation, the non-audit services of the efficiency project has and will not conflict or impair their independence as the external auditor of Ontario Tech University. See Appendix A for their response on the Assessment of Independence.

MOTION:

THAT the Audit and Finance Committee approves the engagement of KPMG LLP to provide non-audit services to Ontario Tech estimated at Three Hundred and Fifty Thousand Dollars (\$350,000) in respect of an efficiency and accountability review.

SUPPORTING DOCUMENTATION:

- The Policy on use of [External Auditor for Non-Audit Services](#)

Appendix A – KPMG Assessment of Independence Response

The Audit and Finance Committee has responsibility to assess and review the continuing independence of the External Auditor including a review and annual approval by the Audit Committee of all non-audit services and the remuneration thereof. In determining KPMG's independence as External Auditor with respect to this project, the University has considered the relevant rules and related interpretations prescribed by CPA Ontario and any applicable legislation or regulation, covering such matters as:

- a) Provision of services in addition to the audit engagement: The scope of these projects does not include:
 - designing and implementing financial controls and systems,
 - acting in the capacity of management, such as signing contracts or making staffing, financial and operational decisions, or
 - providing corporate financing.
- b) Other relationships such as:
 - Holding a financial interest, either directly or indirectly, in a client;
 - Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
 - Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client; and
 - Economic dependence on a client.

KPMG does not have any of these relationships with Ontario Tech University.

The project as described above, does not create a conflict on any of these factors. More specifically, KPMG will be providing assistance and delivering on project mandates to University management and would not be acting in a management capacity of making management decisions.

KPMG has taken the necessary steps to ensure full independence of the project team that will carry out the project from our Ontario Tech University financial statement audit team. In particular:

- The team that will carry out the project will do so based solely on their established expertise in the respective areas; and
- No member of the financial statement audit team will participate in the delivery of the project.

We have assessed and concluded, that the above described project will not impair KPMG's independence as the External Auditor of the University.

COMMITTEE REPORT

SESSION:

Public ☒
Non-Public ☐

ACTION REQUESTED:

Decision ☐
Discussion/Direction ☐
Information ☒

TO: Audit and Finance Committee

DATE: November 21, 2024

PRESENTED BY: Brad MacIsaac, VP Administration

SUBJECT: Auditor General of Ontario (AGO) Value for Money Audit Status Update

COMMITTEE MANDATE:

The Audit and Finance Committee (A&F) is responsible for overseeing the financial affairs of the university with respect to all auditing. This update is provided to ensure members are aware of the two-year report back and how management is addressing each of the AGO recommendations.

BACKGROUND/CONTEXT & RATIONALE:

In summer 2022 Ontario Tech was selected along with three other institutions for the AGO's Value for Money (VFM) audit. A VFM audit is an independent, objective, and systematic assessment of how ministries/entities are managing their activities, responsibilities, and resources. VFM audits focus on how economically and efficiently programs operate.

In June 2024 the university indicated all items are on track with two outstanding items, which were:

- a) Recommendation 6 – collect relevant data on the location and careers of international alumni. This is planned to be completed by December 2024. Management is working on a graduation survey to collect this information.
- b) Recommendation 10 – reduce the size of the Board, including the number of internal members and increase the duration of governor terms. Management is conducting a best practice review and will have a response ready for June 2025.

In November 2024 the AGO completed its two-year review and asked for more work to be completed on the following items:

- c) Recommendation 2 - develop strategies to manage and maximize the profitability of its ancillary services where necessary. Management has created a business case and request for annual three-year plans as part of the annual budget cycle. However, as that process just began last year the AGO indicated it would not be complete without the first annual report.

- d) Recommendation 7 - apply a fee structure in future international recruitment contracts that encourages recruiters to target students with higher scholastic achievement, such as applying bonuses for higher student performance as they progress through their university studies. The AGO does not believe this is long enough to incentivize recruiting agents to pursue perspective students that exceed admission requirements and/ or are likely to graduate from the university. Management is reviewing the protocol to weigh the return of incentivizing higher admissions averages verses our accessibility strategy.
- e) Recommendation 8 and 14 - create a program-based costing model to provide a comprehensive picture of the financial contribution in order to offer a sustainable suite of programs and determine whether there are programs that can be reduced or restructured to provide a better financial contribution to the university while still retaining overall academic credibility with department course offerings. While the university created this at the faculty level and presented it to Academic Council and Board in 2024 the AGO is requiring this be done at the program level. Management is working on this for a June 2025 report in line with the next budget approval.
- f) Recommendation 11 - develop both permanent and emergency presidential succession plans to provide for an effective future transition of the university president position. While the university approved the provost as the short-term delegate and created formal procedures for the presidential search the AGO came back requiring internal professional development which we will be providing.

There are 12 recommendations with 21 actions. As part of the AGO's pending public report from its first 2-year review, the AGO is reporting that 48% of its recommendations are complete.

SUPPORTING REFERENCE MATERIALS:

N/A



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. MacIsaac 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. Onsiong 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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. MacIsaac 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

COMMITTEE REPORT

SESSION:

Public ☒
Non-Public ☐

ACTION REQUESTED:

Decision ☐
Discussion/Direction ☐
Information ☒

TO: Audit and Finance Committee

DATE: November 21, 2024

PRESENTED BY: Brad MacIsaac, VP Administration

SUBJECT: Annual Statement of Investment Policies

COMMITTEE MANDATE:

The Audit & Finance Committee (A&F) is responsible for overseeing the investment of the Funds in accordance with the university's [Statement of Investment Policies](#) ("SIP") and the performance of the investment manager.

BACKGROUND/CONTEXT & RATIONALE:

In summer 2021 A&F recommended receiving updates twice a year (February and June) with management bringing forward updates if needed (i.e. changes outside of the Investment Manager's purview). Key metrics in the policies include:

- The overall objective is to obtain the best possible total return on investments that is commensurate with the degree of risk that Ontario Tech is willing to assume in obtaining such return. The plan is a long-term moderate approach to investing.
- A defined **Asset mix range** of fixed assets, equities and alternatives as per SIP section 6.1
- A defined **minimum performance** of 6% annually in a 5-year period as outline in SIP section 7.1.

SUPPORTING REFERENCE MATERIALS:

N/A

COMMITTEE REPORT

SESSION:

Public ☒
Non-Public ☐

ACTION REQUESTED:

Decision ☐
Discussion/Direction ☐
Information ☒

TO: Audit and Finance Committee

DATE: November 21, 2024

PRESENTED BY: Brad MacIsaac, VP Administration

SUBJECT: Internal Audit Update

COMMITTEE MANDATE:

The Audit and Finance Committee (A&F) is responsible for overseeing the financial affairs of the university with respect to all auditing. This update is provided to ensure members are aware of the status of the three-year internal audit plan.

BACKGROUND/CONTEXT & RATIONALE:

As part of the 2022 Auditor General report, they noted that Ontario Tech had dedicated positions for risk management and compliance but not for internal audit. The AG recommended, “to have and promote effective oversight of the university’s finances and operations ... Ontario Tech University implement internal oversight functions (i.e., risk management, compliance and internal audit) where they do not exist and have them report regularly to the Board.

At the June 2024 A&F meeting A&F endorsed hiring an external company to help with this function rather than establishing our own Internal Audit office as a larger firm would be able to pick subject matter experts from across their company. To select the three year plan, the senior leaders first looked at the revised Enterprise Risk top 10 that were endorsed by Board in April 2024. We strategically evaluated the potential areas of review provided as a guide by our selected firm, Deloitte, against a few criteria such as: level of risk, probability of incident, alternate reviews (for example as we have external academic program reviews already occurring this would be less of a need for IA), and the recency of policy/process creation (for example as we just completed an cybersecurity table exercise and drafted a new process we wanted to give this one year to implement before a review).

The recommendation that A&F accepted included an Internal Audit in year one of Research: authorization for grants and funding. The Deloitte Project Charter for this Internal Audit is attached.

The objective of this review is to assess the effectiveness, and compliance of the institution’s processes and controls related to the management of external research grants and funding. Internal Audit will evaluate the institution’s methods to ensure funds allocated for research are being utilized appropriately and in accordance with applicable laws, regulations, funding agency terms and conditions, and internal

policies. We anticipate most data collection and interviews to occur by January with a draft report ready by April and final report to A&F by June 2025.

SUPPORTING DOCUMENTATION:

Deloitte Project Charter – External Research Grants and Funding Audit



Ontario Tech University

Project charter – External Research Grants and Funding Audit

SEPTEMBER 23, 2024

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Project objectives

Internal Audit (“IA”) will conduct a review of the agreement creation and financial control process for external research grants and funding at Ontario Tech University (“OTU” or “the University”). The review will focus on funding received from the federal Tri-agencies (*Canadian Institutes of Health Research, the Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council*), in addition to other external grant funding organizations.

The objective of this review is to assess the effectiveness, and compliance of the institution’s processes and controls related to the management of external research grants and funding. Internal Audit will evaluate the institution’s methods to ensure funds allocated for research are being utilized appropriately and in accordance with applicable laws, regulations, funding agency terms and conditions, and internal policies.

Review scope and methodology:

As part of the review, IA will conduct the following activities to assess the current controls processes for external research grants at OTU:

1. Grant policies and procedures

- Evaluate the adequacy and effectiveness of OTU’s policies and procedures to support the controls in place for external research grants and funding:
 - Verify that the relevant policies and procedures are well-defined, documented, and communicated to all relevant stakeholders; and
 - Assess if the process for research grants aligns with applicable regulations and guidelines.

2. Documentation and record-keeping

- Evaluate OTU’s record keeping practices:
 - Review the adequacy and completeness of documentation supporting external grant-related transactions, including invoices, receipts, contracts, and financial reports; and
 - Assess the OTU’s financial record-keeping practices ensuring that all required documentation is maintained and easily accessible.

3. External research grant agreements

- Evaluate the processes and controls in place for adherence to external research grants agreements:
 - Review the executed grant agreement to ensure compliance with the terms and conditions set by the funding organization;
 - Verify that controls are in place to validate if grant funds are being used in accordance with the approved budget; and
 - Assess OTU's adherence to any specific financial reporting requirements or payment milestones outlined in the grant agreement and understand the process for compiling the information to be reported.

4. Compliance monitoring with external grant funding requirements

- Evaluate the financial compliance of external research grant activities with all applicable funding requirements, such as those imposed by government agencies or funding bodies:
 - Review the documentation and records to verify adherence to specific external grant requirements, such as reporting obligations, budget restrictions, and allowable expenses;
 - Assess OTU’s controls to monitor compliance with funding requirements and mitigate the risk of non-compliance; and

- Verify that OTU has controls in place to ensure the institution is adhering to the Tri-agency Guide on Financial Administration, where applicable.

5. Financial management

- Evaluate OTU's financial management process and controls for external research grants, including the monitoring and tracking of external grant costs:
 - Review OTU's budget creation and approval practices;
 - Verify the monitoring and tracking of costs related to external grants against budgets including cost reconciliation and cost categorization;
 - Verify the financial records and accounting systems to ensure proper recording and allocation of grant funds; and
 - Assess the adequacy of internal controls to prevent fraud, misappropriation, or misuse of grant funds.

6. Reporting to external parties

- Evaluate OTU's process for reporting the financial status of research projects funded by grants:
 - Controls for validating the accuracy of reporting to external parties (i.e., Tri-Agency), including the structuring of research funds and grants across different accounts.
 - Roles and responsibilities for tracking, labelling, and segregating key data (i.e., financial information) to be used in reporting to external parties such as Council of Ontario Finance Officers (COFO) and Canadian Association of University Business Officers (CAUBO).

To execute the review, IA will conduct the following activities:

- Conduct interviews with relevant stakeholders to understand the current process for the external research grants process and related activities.
- For a sample of thirty (30) externally funded research activities (including Tri-Agency grants), assess the effectiveness of OTU's implementation of the processes, policies, and procedures for the research funding to support financial controls and adherence to external funding grant funding terms and conditions; and
- Assess the use of funds training documentation and processes provided to staff and researchers to identify gaps in employee training and awareness regarding grants practices.

Audit Universe

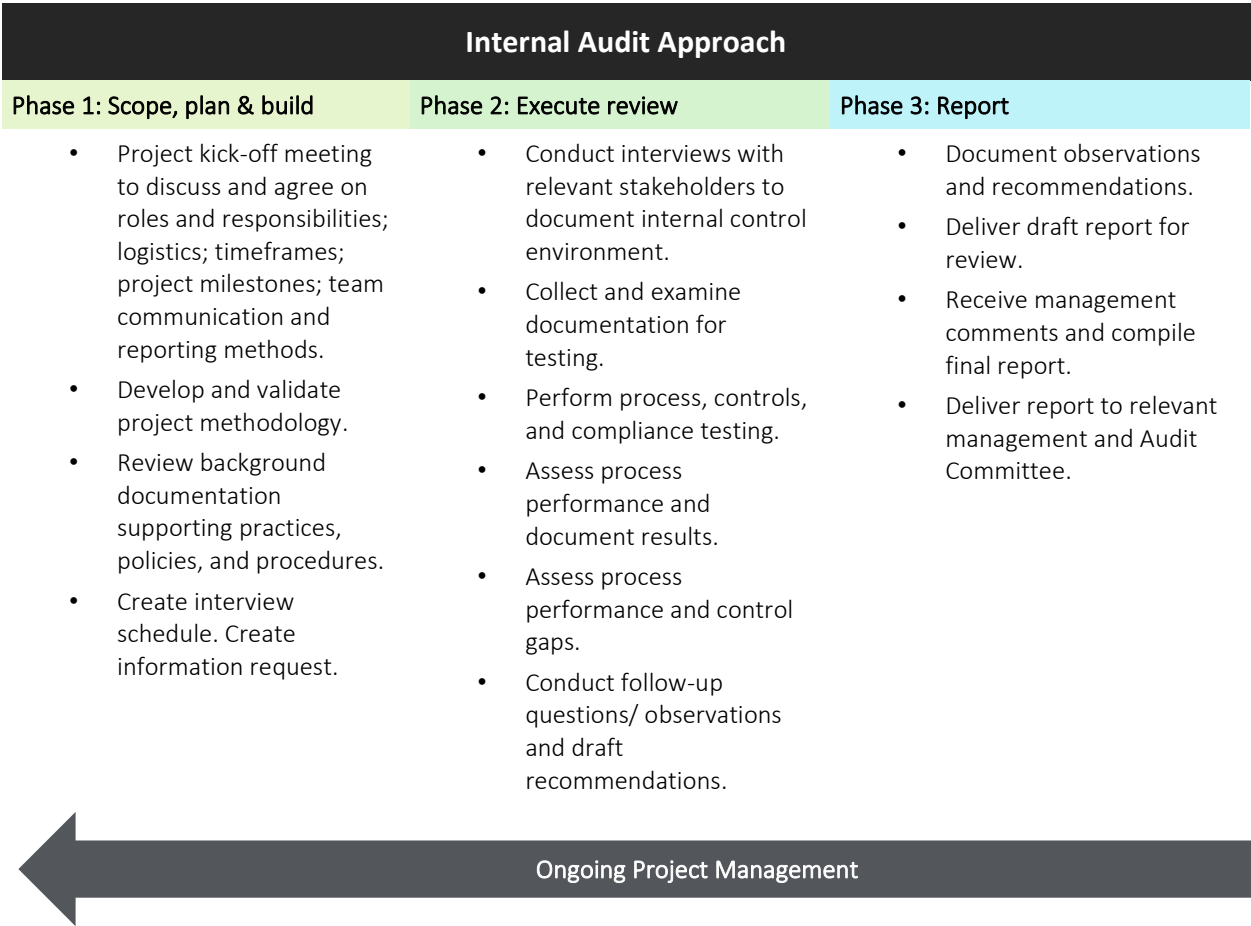
Internal Audit performs reviews from a process perspective with a faculty/unit standpoint. In order to organize and better report on results of Internal Audits, we have leveraged our higher education Internal Audit Universe. For the purposes of this review, we have highlighted the Audit Universe areas, which are partially covered by this audit.

Internal Audit Universe areas	URM Risk categories	Risks		
Institutional	Strategy and Governance	• Leadership • Environmental • Financial Resources • Core Mandate • Human Resources	• Competitor • Capital Availability • Reputation • Financial Planning	• Decision Making • Change Readiness • Accountability • Governance
	Legal and Regulatory	• Environmental • Physical Plant	• Security	• Government Policy
	Development	• Financial Resources	• Advancement	• Capital Availability
Academic	Academic Programs	• Core Mandate • Human Resources	• Academic Program Management • Productivity	• Physical Infrastructure
	Students and Enrolment	• Core Mandate	• Student Satisfaction	• Strategic Enrolment Management
	Teaching and Learning Services	• Core Mandate	• Productivity	• Student Satisfaction
	Academic Administration	• Human Resources • Leadership	• Skills and Capacity Management	• Management Effectiveness
Research	Research	• Core Mandate • Physical Plant	• Research	• Physical Infrastructure
International	International	• Core Mandate • Physical Plant	• International	• Security

Internal Audit Universe areas	URM Risk categories	Risks		
Administration	Human Resources	Human Resources	- Skills and Capacity Management - Accountability	- Productivity - Change Readiness
	Finance	- Financial Resources - Financial	- Liquidity - Interest Rate - Credit/Default	- Financial Instrument - Advancement - Capital Availability
	Information Technology	Information Technology	- Confidentiality/Access - Integrity	Institutional Information Systems and Technology
	Facilities Management	Physical Plant	Security	Physical Infrastructure
	University Services	- Core Mandate - Physical Plant	Student Satisfaction	Physical Infrastructure
	Institutional research	Leadership	Resource Allocation	Decision Making
	University Administration	- Leadership - Physical Plant	Performance Management	Security

Approach and methodology

The approach for the project will include three phases as outlined below.



Interviews

Interviews will be conducted with relevant stakeholders, and other University staff as required, to provide an understanding of processes and internal controls in scope. These discussions will enable Internal Audit to identify and document key controls within a process in order to assess design effectiveness and assist in our risk identification. An interview schedule will be created and distributed to participants in advance of the audit. The University is requested to send out a notification to all areas in scope in advance of the review notifying them of the timeline of the audit.

Project schedule and resource requirements

Fieldwork will commence in November 2024 and is estimated to require approximately six weeks of effort. The estimated time involvement by university stakeholders will vary.

Management accountability

The table below indicates the party having accountability for the primary process and risks within the scope of the review. Observations, recommendations, and management action plans will generally be the responsibility of the accountability holder. Note that depending on the type of recommendation, escalation to the President may be required.

Process	Management accountability
Research Grants and Funding Review	• Brad MacIsaac – Vice-President, Administration • Susanne Brown – Manager, Research Accounting • Les Jacobs – Vice-President Research & Innovation • Jennifer Freeman – Executive Director, Research Services • James Barnett – Vice-President, Advancement

Deloitte delivery team

The table on the following page outlines the Deloitte project structure and delivery team.

Project Leadership	Office	Email	Telephone
Aneesa Ruffudeen, Lead Engagement Partner	Kitchener	aruffudeen@deloitte.ca	519-650-7817
Dailene Kells, Quality Assurance Partner	Saskatoon	dkells@deloitte.ca	306-370-2700
Delivery team			
Nancy Murray, Senior Manager	Montreal	nanmurray@deloitte.ca	514-393-5415
Jonas Lawrence, Senior	Halifax	jonlawrence@deloitte.ca	902-721-5658
Chantel Ferro, Consultant	Toronto	chferro@deloitte.ca	416-956-9096

Appendix 1 – Internal audit reporting protocols

Memo

Date: September 9th, 2024
To: Auditee
From: Internal Audit
Subject: Internal Audit Reporting Protocols

This memorandum outlines reporting protocols employed for all internal audit projects executed at the Ontario Tech University (“OTU” or “the University”). These protocols are typical of those used within other similar organizations.

In this memorandum, “VP Admin” means the University Vice-President, Administration, or their delegate, and the “Committee” means the Audit and Finance Committee of the Board of Governors at the University.

Reporting timelines

In order to maximize the value that the University receives from internal audit, reports must be prepared and issued on a timely basis. As a result, deadline dates have been established to facilitate the report issuance process. These dates are in effect for all internal audit projects. Actual results relative to timelines will be monitored and measured and will be reviewed with the Committee on a regular basis. Established deadlines for all key reporting milestones have been outlined below:

Action	Deadline
Internal Audit will share observations with the VP Admin as needed throughout the audit. Internal Audit will also email the draft report to the VP Admin for review. The VP Admin will hold discussions with management prior to the closing meeting to discuss observations.	14 calendar days before the closing meeting
Draft report e-mailed to management contact, with a copy for the VP Admin, for management comments on individual observations and recommendations (Appropriate management contact will vary by project and will be agreed with management at the start of each audit).	7 calendar days after completion of fieldwork and closing meeting
If management comments not received, Internal Audit to advise the VPA (for information) by e-mail and telephone management contact as a reminder to provide comments by the deadline date. Auditees are reminded to ensure respective managers have signed off on the management comments.	10 calendar days after draft report issuance
Deadline for management to e-mail finalized management comments, action plans and timelines to Internal Audit.	14 calendar days after draft report issuance
If management comments have not been received for all observations and recommendations, Internal Audit to escalate to the VPA for follow-up.	15 calendar days after draft report issuance

Internal Audit to provide final draft report, with management comments, to the functional manager(s), as appropriate.	18 calendar days after draft report issuance
Internal Audit to provide the final report to the VPA.	21 calendar days after draft report issuance
Internal Audit to issue final report to the VPA who will ensure the report is on the agenda for the next meeting of the Committee. If management comments have not been received, the Committee will be informed that management comments were not provided.	10 calendar days before Audit Committee meeting

Escalation and “Flash” Reports

Where a review identifies significant control weaknesses, the Committee will be notified immediately by expediting the above reporting protocols. The internal auditor will prepare a “flash report” within 48 hours of identifying the deficiencies and provide it to the VPA prior to the auditors communicating directly with the Committee. Following consultation with the VPA, the flash report will be forwarded to the Committee by Internal Audit within 48 hours of consultation with the VPA.

Where a review identifies significant process control weaknesses, Internal Audit will determine if immediate attention of the Committee is warranted. If immediate attention is warranted, then the protocol in the preceding paragraph will be followed. If immediate attention is not warranted, then internal audit will follow the normal reporting protocols and the issues will be reported at the next meeting of the Committee.

Role of the VPA in the Internal Audit Process

The VPA will be actively involved in the Internal Audit process as outlined in the Reporting Timelines above. The VPA will be engaged in all scoping meetings, closing meetings and review of all reports and documentation issued to the Committee. Internal Audit will also escalate to the VPA if management comments have not been received for all observations and recommendations and if reasonable agreement cannot be reached.

Management Comments

In order to provide the user of the report with a clear understanding as to whether management is supportive of each observation and recommendation, management comments for each observation/recommendation should begin with “Management agrees” or “Management disagrees” wherever possible.

Management comments should include any background information or additional information required for the user of the report to clearly understand the basis for the management comments, action plan and timing.

Action Plan and Timing

Action plans should be specific and measurable and should address the observation. A reasonable deadline should be provided for all action plans. The responsible party has accountability for the implementation of the action plan by the deadline date with regular reporting of implementation status to the VPA. In rare situations where the deadline date will not be met, the responsible party should provide an explanation to the VPA and to Internal Audit, in advance, to explain why the action plan will not be implemented within the agreed timeframe. The VPA is required to report to the Committee to explain the need to change implementation timelines for high and medium priority observations, meaning the reports from responsible parties to the VPA are vital to the ability to provide appropriate updates to the Committee.

Responsible Party

It is important that the responsible party be one individual who will be held accountable for implementation of the action plan at the location under review. This individual may not be the actual person who executes the action item.

In addition, the individual accountable for the execution of the action plan should be an individual within the functional area to which the observation and recommendation relates.

The responsible party ought to be identified and agreed when closing meetings are conducted and as drafts of reports are circulated and modified. In all cases where there is uncertainty regarding the appropriate responsible party, the matter must be settled by management prior to the issuance of the final report. If management is unable to inform Internal Audit as to the name of the responsible party prior to providing the final report to the VPA in accordance with the timelines set out above, then the VPA will take the question to the appropriate vice-president or vice-presidents for immediate resolution.

Should you have any questions or comments regarding the reporting protocols outlined in this memorandum, please do not hesitate to contact one of the following individuals:

Aneesha Ruffudeen
Internal Audit Partner
519-650-7817



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COMMITTEE REPORT

SESSION:

Public
Non-Public

☒
☐**ACTION REQUESTED:**

Decision
Discussion/Direction
Information

☐
☐
☒

TO: Audit and Finance Committee (A&F)

DATE: November 21, 2024

FROM: Nicola Crow, University Secretary

SUBJECT: Review of A&F Terms of Reference

COMMITTEE MANDATE:

- A&F's responsibilities under its Terms of Reference include "overseeing the financial affairs of the university with respect to all auditing, financial reporting and internal systems and control functions, budget approvals, investment of the university's endowment funds, risk management, and other internal and external audit functions and activities at the university."
- In accordance with governance best practices, the Committee conducts an annual review of its Terms of Reference and recommends revisions to the Governance, Nominations and Human Resources Committee when appropriate.
- The Committee is therefore asked to review its Terms of Reference.

BACKGROUND/CONTEXT & RATIONALE:

- The last revision to the Terms of Reference was made in June 2021 in the context of the restructuring of the Board's Audit & Finance and Investment Committees.
- No revisions are recommended at this time.

COMPLIANCE WITH POLICY/LEGISLATION:

- This is compliant with the Act and By-laws.

NEXT STEPS:

- The University Secretary will record revisions, if any, and present proposed updates to the Board of Governors.
-

SUPPORTING REFERENCE MATERIALS:

- A&F Terms of Reference

BOARD OF GOVERNORS Audit and Finance Committee

1. TERMS OF REFERENCE

The Audit and Finance Committee is a standing committee of the university's Board of Governors and is responsible for overseeing the financial affairs of the university with respect to all auditing, financial reporting and internal systems and control functions, budget approvals, investment of the university's endowment funds, risk management, and other internal and external audit functions and activities at the university. The Committee will report and make recommendations to the Board of Governors regarding these and other related matters.

The Committee will also consider such other matters that are delegated to the Committee by the Board of Governors, including special examinations as may be required from time to time, and if appropriate retain special counsel or experts to assist.

Specifically, the Audit and Finance Committee has the following responsibilities:

a. Finance

- i) Ensuring fiscal responsibility with respect to the financial resources of the university, including:
 - 1) Reviewing and recommending approval of the annual operating budgets, capital budgets, tuition fees and ancillary fees;
 - 2) Reviewing on a quarterly basis financial statements and financial performance against budget;
 - 3) Reviewing policies on financial administration and recommending their approval by the Board;
 - 4) Reviewing and monitoring all long-term debt and providing recommendations as appropriate; and
 - 5) Providing financial oversight for subsidiary operations.

b. Audit and Financial Reporting

- i) Ensuring that appropriate financial controls, reporting processes and accountabilities are in place at the university, including:
 - 1) Appointing the external auditor, and approving the fee for such service;

- 2) Reviewing the external auditor's letter of engagement, independence, and the scope of services;
 - 3) Reviewing the external auditor's comprehensive audit plan, scope of the examination, and the nature and level of support to be provided by the internal audit function;
 - 4) Meeting with the external auditor, independent from management, to review audit results and when planning the upcoming audit year;
 - 5) Assessing the performance of the external audit function; and
 - 6) Providing an avenue of communication between the external auditor, management and the Board of Governors.
- ii) Reviewing and recommending to the Board approval of the university's annual audited financial statements, as well as reviewing significant findings or recommendations submitted by the external auditor.
 - iii) Overseeing the provision of internal and external audit functions at the university, including annual reviews, area specific evaluations, functional assessments and process appraisals.
- c. Oversight of the Investment of the University's Endowment Funds**
- i) Overseeing the investment of the university's endowment funds in accordance with the university's Statement of Investment Policies ("SIP").
 - ii) Overseeing the performance of the Investment Manager, including the Investment Manager's compliance with their mandate.
 - iii) Providing recommendations to the Board of Governors regarding the SIP and the selection, engagement and dismissal of the Investment Manager, and any other agents or advisors that may be necessary to prudently manage the university's endowment funds.
 - iv) Overseeing the administration of the university's endowment funds by the VP, Administration.
- d. Risk Management**
- i) Reviewing and approving the risk management process at the university that ensures that appropriate processes are in place to determine management's risk parameters and risk appetite.
 - ii) Monitoring and ensuring that appropriate processes are in place to identify, report and control areas of significant risk to the university and ensuring that appropriate mitigative actions are taken or planned in areas where material risk is identified.

- iii) Receiving regular reports from management on areas of significant risk to the university, including but not limited to legal claims, development (fundraising activities), environmental issues, health, safety and other regulatory matters.

2. MEETINGS

The Committee will meet at least four (4) times per year, or otherwise at the Committee's discretion. In accordance with the university's Act and the Board of Governors Meeting Policy and Procedures, the Committee will conduct three types of Meetings as part of its regular administration: Public, Non-Public and *In Camera* (when required).

3. MEMBERSHIP

The Committee will be composed of:

- Between three (3) and seven (7) external governors

The Chair and Vice-Chair of the Committee will be selected from among the external governors.

At least one member of the committee will have an accounting designation or related financial experience.

All members of the committee will be financially literate and have the ability to read and understand the university's financial statements, or must be able to become financially literate within a reasonable period of time after his/her appointment to the Committee. In this regard, the VP, Administration or other financial expert will ensure that each new member receives appropriate training in reading and understanding the financial statements.

4. QUORUM

Quorum requires that half of the Committee members entitled to vote be present.