



BOARD OF GOVERNORS
AUDIT & FINANCE COMMITTEE

MINUTES OF THE MEETING OF JUNE 10, 2019
PUBLIC SESSION
1:00 p.m. – 2:45 p.m., ERC 3023

Attendees: Nigel Allen (Chair), Stephanie Chow (*via teleconference*), Dale MacMillan (*via teleconference*), Steven Murphy (*via teleconference*), Dietmar Reiner

Staff: Becky Dinwoodie, Cheryl Foy, Doug Holdway, Brad MacIsaac, Pamela Onsiong

Regrets: Doug Allingham

Guests: Bobbi-Jean White and Reagen Travers (KPMG)

1. Call to Order

The Chair called the meeting to order at 1:05 p.m.

2. Agenda

As the President was delayed in another meeting, it was suggested that his remarks be deferred until later in the meeting. S. Chow also requested the removal of agenda item 20.1 (Amendment to Statement of Investment Policies & Asset Class Management Strategy).

Upon a motion duly made by D. Reiner and seconded by S. Chow, the Agenda was approved as amended.

3. Conflict of Interest Declaration

There were no conflict of interest declarations.

4. Chair's Remarks

The Chair welcomed B. White from KPMG to the meeting. He noted it was the last committee meeting of the year and he thanked the committee members for all of their work this year.

5. President's Remarks (deferred)

6. Finance

6.1 Fourth Quarter Financial Reports

P. Onsiong reviewed the fourth quarter financial reports with the committee and responded to the committee's questions. She noted the year-end surplus, after capital expenses, debenture and lease payments, is \$5.1m against a \$4.7m year end forecast surplus reported at the end of the third quarter for a net upside of \$0.4m. She also advised that the surplus funds are available for restriction.

6.2 New Accounting Standards

P. Onsiong provided an overview of the new accounting standards, which are effective for annual periods beginning on or after January 1, 2019. Accordingly, the University will be required to apply the new standard for the first time in its annual financial statements for the year ending March 31, 2020 and hence apply for transactions starting April 1, 2019. Although earlier application is permitted, the university will adopt the standard on a prospective basis. The new standard requires that the cost of a tangible capital asset made up of significant separable component parts be allocated to the component parts when practicable and when estimates can be made of the lives of the separate components. Each component is then amortized separately on a straight-line basis over the estimated useful life of that component. P. Onsiong used the new building project as an example. The result of componentization is an acceleration of amortization expense for those components whose useful lives have now been recognized to be less than the useful life of the building exterior.

P. Onsiong responded to the committee's questions. She clarified that the new standard will apply only to new construction and not retroactively. There was also a discussion regarding how "practicable" is defined. The new building project would meet the definition of "practicable" as the project manager will work with the construction company to separate out the components. In terms of equipment, the university does not really have the expertise in-house to isolate equipment value. The shorter lifespan of equipment in the institution would be captured (included as a 10-year amortization in the financial statements).

(S. Murphy joined at 1:20 p.m.)

7. Investment Committee Oversight Quarterly Report

S. Chow delivered the Investment Committee's quarterly report. She informed the committee that the university's endowment investment balance was sitting at just under \$27M and it performed just slightly behind benchmark in the last quarter. For the full cycle of 3-5 years, the portfolio performed over 100 basis points over the benchmark (+1.16 and +1.28). PH&N also provided the committee with an educational session on the central bank monetary tools used to help stimulate the economy.

5. President's Remarks

The President thanked the committee members for their participation in the recent Board retreat. He also noted that many governors attended this year's Convocation ceremonies and thanked everyone for their involvement.

8. Project Updates

8.1 New Building

B. MacIsaac provided an update on the progress of the new building project, a report of which was included in the meeting material. He also updated the committee on the status of the plumbers and sheet metal workers strikes.

8.2 ACE Enhancement

B. MacIsaac updated the committee on the status of the ACE enhancement project. The ACE facility will be down for approximately three weeks; in order to minimize the impact on the budget, the down time was accounted for in the budget. The project is tracking to planned completion:

- building extension – 31 July 2019
- equipment integration – 30 September 2020

8.3 Campus Recreation & Wellness Centre (CRWC) Expansion

B. MacIsaac delivered an update and discussed the CRWC expansion project. He explained the \$250,000 difference between the estimated cost and the bids coming in. He confirmed that this has been accounted for in the 2019-2020 budget.

8.4 AVIN

D. Holdway provided an update on the AVIN project, a presentation of which was included in the meeting material.

8.5 Land Exchange

C. Foy provided an update on the land exchange with the City of Oshawa. She confirmed that the archaeological reports are complete and the valuation report is almost finished. Upon finalization of the valuation, the land exchange can proceed. The goal is to bring the final agreement to the Board for approval at the meeting on June 26.

9. Risk, Compliance & Policy

9.1 Annual Risk Management Report

C. Foy summarized the development of the form of the Annual Risk Management Report, which was first presented to the Board in 2017. The goal is to develop a risk culture so that risk is considered during the decision-making process. She reviewed the key sections of the report. A suggestion was made to expand the section on metrics. C. Foy responded that the next steps include an increased emphasis on metrics. This year, the focus was on strategic risks and creating a risk tool. A number of reporting tools have been created. C. Foy commented that good progress has been made on strategic risks, but there remains more work to do on clarifying them - it remains a draft list of strategic risks.

C. Foy reviewed the focus for 2019-2020, which includes continuing to implement risk management (training risk owners); insurance implementation (educating university community); and determining the risk appetite of the university. She responded to questions from the committee

She clarified that they would be aligning the strategic risks with the university's strategic objectives. She also informed the committee that a new Copyright and Compliance Officer was recently hired and one of their priorities is to understand controlled goods on campus and the university's related obligations. C. Foy also discussed the work completed on developing the Business Continuity Management (BCM) Policy. They are developing a BCM work plan for 2019-2020 and regular updates will be on A&F's work plan.

There was a discussion regarding the assignment of risks to the President. C. Foy advised that the organizational reality is that the director of ACE reports directly to the President. S. Murphy added that he is aware that it is an anomalous reporting structure, which might change upon the arrival of the VP Research and Innovation. It is preferable for the President not to be identified as a risk owner.

9.2 Annual Policy Review & Compliance Update

C. Foy delivered the annual policy review and compliance update. She advised that during the Policy Framework review, she committed to providing the committee with an annual update on the types of policies that are being developed, revised, and approved. She confirmed that the list of policy activity has been updated since the last committee meeting.

9.3 Annual Insurance Report

C. Foy provided an overview of the university's insurance program. She reviewed the insurance coverage for the university, which was included in the meeting material. She responded to questions from the committee. She advised that the university puts our insurers on notice approximately 6-10 times per year of potential claims. Property claims have been the primary source of claims. The university submits approximately 1-2 property claims per year. There was also a discussion regarding the university's cyberliability coverage.

10. Audit & Finance Committee Annual Board Report 2018-2019

C. Foy presented the draft annual report to the committee for review and comment before being presented to the Board. A comment was made on the amount of work that was accomplished this year. There was a discussion regarding whether it would be reasonable to get everything done over the next year.

11. Consent Agenda:

Upon a motion duly made by D. Reiner and seconded by S. Chow, the Audit and Finance Committee approved the following items on the Consent Agenda:

11.1 Gender Change Policy

11.2 Minutes of Public Session of Meeting of April 15, 2019

12. Other Business

D. Reiner shared OPG's recent announcement that their corporate campus will be moving to Clarrington, with construction to start next year. The target for opening the campus is 2024.

13. Adjournment

Upon a motion duly made by D. Reiner and seconded by S. Chow, the public session adjourned at 2:29 p.m.

Becky Dinwoodie, Secretary