

**Report of the Audit and Risk Committee**

GD22-50

Board of Governors Meeting of February 8, 2023

Secretariat

845 Sherbrooke St. West, room 313

Montreal, QC, H3A 0G4

Tel: (514) 398-3948 | Fax: (514) 398-4758

The following items arise from the Audit and Risk Committee meeting of February 2, 2023. They are presented to the Board of Governors for its information.

I. FOR THE INFORMATION OF THE BOARD OF GOVERNORS**1. External Audit Plan for Fiscal Year 2023** [AD22-18]

In accordance with its Terms of Reference, the Committee approved the External Audit Plan for the year ending April 30, 2023, as presented by representatives of the external auditors, Deloitte LLP (Deloitte).

The audit will be conducted in accordance with Canadian generally accepted auditing standards. Members were informed of new and revised standards, amendments and proposals that will become effective for the University's fiscal year 2023 and beyond. The fees of the external audit plan are based on the fee structure approved by the Board of Governors.

2. Update on Activities under the Policy on the Approval of Contracts and Designation of Signing Authority [AD22-14]

The Committee received an update on the activities under the *Policy on the Approval of Contracts and Designation of Signing Authority*, which came into effect on May 1, 2018. The results for the second fiscal quarter (August 1, 2022 – October 31, 2022) were presented to the Committee, indicating full compliance by the 30 delegates who were established by signing officers and registered in the reporting tool during this quarter. A total of 15 contracts were captured.

3. Declaration of Compliance for period ended December 31, 2022 [AD22-12]

In accordance with its Terms of Reference, the Committee received and reviewed the Declaration of Compliance for the period ended December 31, 2022. The Declaration, which included signed reports by the responsible University Officers, generally confirmed the University's compliance with applicable laws and regulations. The Committee reviewed the current status of reports relating to fraud and expressed an interest in expanding the reporting practice more broadly within the senior administration.

4. Progress Report on Internal Audits [AD22-19]

The Committee received a progress report on internal audits, including an overview of Internal Audit activity, the status of Internal Audit Plan (FY2023) as well as the status of action items from previous audits.

The following Internal Audit reports were completed since the Committee's last meeting and the report has been issued: Report of the Unifier Post-Implementation Review (part of FY2022 audit plan).

5. 2021-2022 Report from Risk Advisory and Insurance Services [AD22-20]

The Committee received the Risk Advisory and Insurance Services Annual Report for the period of May 1, 2021 to April 30, 2022. As a follow-up from the 2020-2021 Report, the Committee was informed that the University is moving the majority of its most important insurance policies, including the Directors & Officers insurance policy, to the *Programme d'assurances du regroupement des universités québécoises* ("PARUQ") an insurance purchasing group consisting of 19 Quebec universities which is managed by the *Bureau de Coopération Interuniversitaire*. The Committee was assured that while the current insurance market remains hard, meaning insurance companies apply more stringent underwriting and charge higher premiums, it is expected to soften over a 2 to 3-year period and that joining PARUQ should alleviate premium increases in the short to medium term.

6. Review of the Safe Disclosure Policy [AD22-17]

The Committee was consulted on a preliminary draft of the revised Safe Disclosure Policy which creates a framework for the safe disclosure of wrongdoing at the University. The Policy was adopted in 2007 and revised in 2010 and 2015. It is undergoing a regularly scheduled review in accordance with the University's Policy on the Development and Review of Policies. The Committee was consulted as part of this review process and provided constructive feedback on Policy's content. The Committee was informed that the review process and community consultations are ongoing, and that it can expect to receive a final draft of the Policy for further consideration and approval at a future meeting.

7. Delegation of Authority Concerning Non-Audit Services [AD22-21]

The Audit and Risk Committee approved to formalize a current and established practice by authorizing its Chair to approve the submission of proposals or tenders, as the case may be, from the University's external auditor, as appointed from time to time, for the provision of specialized services other than those related to the auditing of the financial statements ("NAS"), on the condition that the tenders meet the following ratio requirements:

- Ratio of Audit fees and audit related fees to Total Fees must exceed 0.5
- Ratio of Audit fees and tax compliance to NAS fees must exceed 1.0

- Ratio of Audit fees and audit related to Tax Compliance and NAS fees must exceed 1.0

To further administrative efficiency, the Audit and Risk Committee approved, on the recommendation of its Chair, a delegation authorizing the Vice-Principal (Administration and Finance) to approve, for fiscal year 2023, the submission of proposals from the University's external auditor for the provision of NAS subject to the same ratio requirements as applicable to the Chair and on the condition that the NAS do not require an audit opinion, and that their fees do not exceed \$100,000, excluding taxes, per proposal.

Following discussion, the Committee agreed that an annual report will be rendered to the Committee on the total services rendered, as approved by the Chair and the Vice-Principal.

9. University Controls to Maintain Financial Health [AD22-16]

The Committee received an overview of the financial controls in place to maintain financial health at McGill. The presentation outlined McGill's funding model, in comparison to other provinces, and the controls in place within the University's funds and transaction streams.

11. Annual Report from the General Counsel

In accordance with its Terms of Reference, the Committee received an annual report from the University's General Counsel on claims. Overall, it was reported that the estimated real risk for the University was low.

12. ERM Overview: Information Technology Committee of the Board

The Committee received a presentation from Mr. Alan Desnoyers, Chair of the Information Technology Committee, on the mandate and main functions of the IT Committee and recent activities in relation to the Enterprise Risk Management Top Institutional Risk of Information Technology. This presentation briefed the Audit and Risk Committee on the ways in which the IT Committee exercises oversight of risk considerations and mitigation.

13. Updates and Reports

The Committee received the following reports and updates for information:

- Report on Quarterly Financial Results for Fiscal Period Ended October 31, 2022 and Variance Report [AD22-13]
- Progress Report on the McGill University Master Plan [AD22-15]
- Update on the Implementation of the Action Plan related to the Report of the Vérificateur Général du Québec

END

February 2023