

February 2014

UNIVERSITY BOARD GOVERNANCE EXAMINATIONS

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Auditor General
of British Columbia



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The Honourable Linda Reid
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Dear Madame Speaker:

I have the honour to transmit to the Legislative Assembly of British Columbia my *University Board Governance Examinations report*.

We conducted this examination under Section 13 of the *Auditor General Act* to assess how well university board structures and activities are designed, how effectively they operate, and to evaluate government oversight of university board governance and accountability.

The report examines the Ministry of Advanced Education in providing support for university governance and accountability. We also selected three universities: Capilano University, Thompson Rivers University and the University of Victoria, with the objective of providing a balanced picture of university board governance.

Universities provide a range of social and economic benefits to our local communities and to British Columbia. Good board governance ensures universities allocate their resources wisely and serve the public interest openly and transparently.

This is our third report in a series on board governance. For all three of the universities examined, we found good governance practices in the areas of oversight of risk management and board evaluations. We also found areas requiring improvement.

My Office intends to conduct additional governance examinations of Crown agencies in the future to identify further opportunities for improved governance. We will follow-up with each of the universities and the Ministry in one year to learn how they have addressed the recommendations in this report, and to determine if further work by my Office is required.

Russ Jones, MBA, CPA, CA
Auditor General
Victoria, British Columbia
February 2014

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THIS IS MY OFFICE'S THIRD report in a series on board governance. In the first governance report, my Office examined the board governance and structure at four Crown agencies, and the second report focused on school district board governance. This report centres on board governance at three universities: Capilano University, Thompson Rivers University and the University of Victoria. It also examines the Ministry of Advanced Education in providing support for university governance and accountability.

Universities provide a range of social and economic benefits to our local communities and British Columbia. In addition to educating students and being an agent for advancing and transferring knowledge and creative experiences, universities promote continuing education and stimulate economic growth.

Good governance is the foundation of an effectively run organization. Good board governance ensures that an organization allocates its resources wisely and serves the public interest openly and transparently. In turn, this builds and maintains citizens' confidence in the organization. Therefore, I feel it is important that my Office routinely examines the governance practices of Government, including public universities, which are part of the government reporting entity.

The governance of universities is unique in that they have two governing bodies: the Senate and the Board of Governors. The Senate operates in an autonomous manner from Government due to its academic responsibilities. The Board of Governors, on the other hand, has an accountability relationship with the Ministry of Advanced Education, as well as an important linkage between the university, Senate, and the local community. The Board of Governors' roles and responsibilities include the power to make rules for the conduct of its business and the management, administration and control of the property, revenue, business and affairs of the university. Our scope examined the performance of the Board of Governors and did not include the Senate.

My Office intends to conduct additional governance examinations of Crown agencies in the future to identify further opportunities for improved governance. We will follow-up with each of the universities and the Ministry in one year to learn how they have addressed the recommendations in this report, and to determine if further work by my Office is required.

I would like to thank Capilano University, Thompson Rivers University, the University of Victoria and the Ministry of Advanced Education for their cooperation and involvement in this report.



Russ Jones, MBA, CPA, CA
Auditor General
Victoria, British Columbia
February 2014



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Ministry of Advanced Education, the Board Resource and Development Office, and the Capilano University Board

We recommend that the Ministry of Advanced Education, the Board Resource and Development Office, and the Capilano University Board:

- 1** Work closely to ensure continuity of board membership including staggered terms for board members.

Capilano University Board

We recommend that the Capilano University Board:

- 2** Ensure that board members understand the roles and responsibilities of elected members, and that the Board takes collective responsibility for its decisions.
- 3** Monitor the university's performance in achieving its strategic plan.
- 4** Review and approve its *Institutional Accountability Plan and Report* prior to submitting it to the Ministry of Advanced Education.
- 5** Ensure performance expectations for the President are established and formally assess the performance of the President against these expectations on an annual basis.

Thompson Rivers University Board

We recommend that the Thompson Rivers University Board:

- 6** Review and approve its *Institutional Accountability Plan and Report* prior to submitting it to the Ministry of Advanced Education.

University of Victoria Board

We recommend that the University of Victoria Board:

- 7** Review and approve its *Institutional Accountability Plan and Report* prior to submitting it to the Ministry of Advanced Education.

Ministry of Advanced Education

We recommend that the Ministry of Advanced Education:

- 8** Communicate directly with university boards to improve board members' understanding of performance expectations contained in the *Government Letter of Expectations*.

THIS IS OUR THIRD report in a series on board governance. This report focuses on board governance at universities, specifically Capilano University, Thompson Rivers University and the University of Victoria. It also examines the Ministry of Advanced Education in providing support for university governance and accountability.

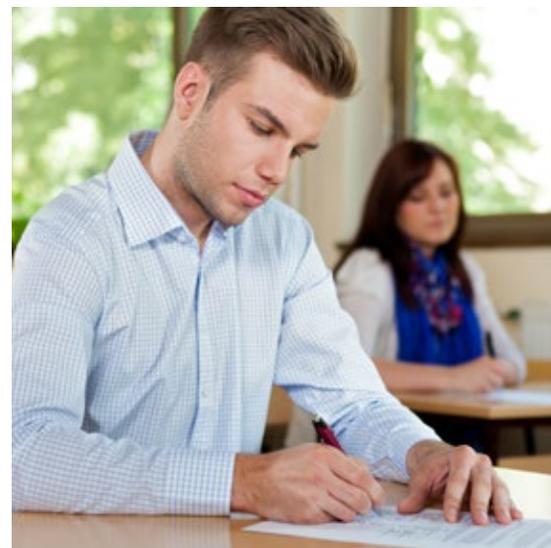
For all three of the universities examined, we found good governance practices in the areas of oversight of risk management and board evaluations. In our previous report [School District Board Governance Examinations](#), both were areas for improvement, so we were particularly encouraged to see these as common areas of good practice here. It is important for boards to oversee a formal risk management framework to ensure that appropriate controls are in place to mitigate risks. Board evaluations provide important feedback to board members and can inform continuous improvement of governance practices.

We also found areas requiring improvement. We found that each university board did not meet one of our expectations regarding the oversight of accountability reporting to the Ministry. University accountability reports, known as *Institutional Accountability Plans and Reports* outline the university's goals, objectives, performance measures and annual performance. They are key documents that the Ministry uses to assess whether the organization is meeting its accountabilities. Boards at each of the three universities examined did not review and approve this report prior to its submission to the Ministry for publication.

Additional areas for improvement at Capilano University and additional areas of good practice at the universities are provided in the detailed report that follows.

At the Ministry of Advanced Education we found good practice in its development of annual performance expectations for universities. We noted an opportunity for improvement in how the Ministry subsequently communicates performance expectations to university boards.

Detailed findings not discussed in this report have been communicated to the Ministry and each university.



INTRODUCTION

What is board governance?

“Governance” refers to the structures and processes that direct, control and hold an organization to account. For most organizations, the governing body is a board of directors (or in the case of universities, governors) made up of people elected or appointed to provide organizational oversight. In the public sector, the Legislature, the responsible minister, government ministries, central government agencies and public stakeholders also play a role in governance.

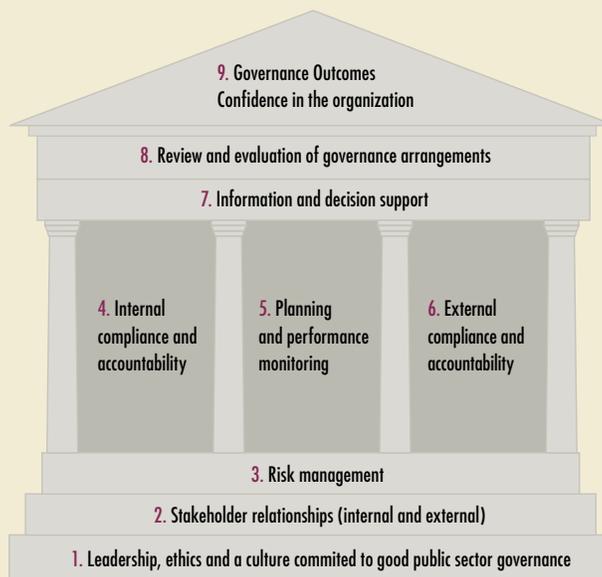
Whether in the private or public sector, good governance is achieved when an organization’s structures, processes and actions enable it to:

- ♦ deliver goods, services, or programs effectively and efficiently; and
- ♦ meet the requirements of the law, regulations, published standards and community expectations of accountability and openness.

Why is good governance important?

Good governance is the foundation from which an organization can achieve its objectives. Good governance ensures that an organization allocates its resources wisely and serves the public interest openly and transparently. In turn, this builds and maintains citizens’ confidence in the organization (see Exhibit 1).

Exhibit 1: House of Governance



Source: Australian National Audit Office, “Public Sector Governance”, 2003

Poor governance increases the risk that the organization will not deliver on its mandate effectively and efficiently.

Over the past decade, principles of good governance have been adapted and applied to public sector governance. Guidance developed for the British Columbia public service includes:

- ◆ *Shareholder's Expectations Manual for British Columbia Crown Agencies* (prepared by the Crown Agencies Resource Office, 2010);
- ◆ *Best Practice Guidelines—BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations* (prepared by the BC Board Resourcing and Development Office, 2005);
- ◆ *Crown Agency Corporate Governance: A Good Practices Checklist* (prepared by BC Crown Agencies Secretariat and the Board Resourcing and Development Office); and
- ◆ *Crown Agency Risk Management and Internal Controls: A Good Practices Checklist* (prepared by BC Crown Agencies Secretariat and the Board Resourcing and Development Office).

The importance of universities to our province and local communities

Universities provide a range of benefits to their local communities and the province. In addition to educating students, being a repository of knowledge, and an agent for advancing and transferring knowledge and creative experiences, universities are centres of culture. They promote and provide support for their local communities through continuing education, athletics, and special programs for children and adults. Further, international students can provide knowledge of foreign cultures, along with foreign connections, which can increase the socio-economic potential and performance of communities and the province.

Universities also have a vital role in local and provincial economies. They stimulate economic growth both directly and indirectly by providing employment, increasing demand for local businesses, and promoting regional economic development through research and training in areas specific to their communities and the province.

With the increasingly global and knowledge-based economy, universities help their respective communities and the province become and remain economically competitive, by influencing and providing residents with the means to obtain higher education and necessary skills. In addition, universities can increase the economic potential and competitiveness of their communities and the province by advancing and applying research in emerging fields of technology, health, sustainability and economic productivity, all of which are important to the development and prosperity of the economy.

University governance in BC

BC public universities are public sector organizations and part of the government reporting entity. As such, the above noted guidance and good practice on board governance applies to public universities. The primary legislation governing public universities is the *University Act* (the Act)¹. As set out in the Act, public universities are governed by two separate bodies: the Senate and the Board of Governors.

The Senate's roles and responsibilities cover academic governance including establishing admission and program prerequisites, assisting with university budget preparation, review and recommendation of courses and programs, granting degrees, and awarding scholarships and fellowships. The Board of Governors' roles and responsibilities include the power to make rules for the conduct of its business and the management, administration and control of the property, revenue, business and affairs of the university.

University senates and boards of governors have multiple responsibilities to each other as set out in the Act; however, the Senate operates in an autonomous manner from Government due to its academic responsibilities. Universities are unique from most other organizations with this bi-cameral structure. Another unique feature for universities under the Act is that the university President is a voting member on both of these bodies.

The Act sets out the composition of university boards of governors in section 19. All universities covered under the Act have a 15 member board (except for the University of British Columbia [not examined in this report] which has a 21 member board) as follows:

- ◆ the Chancellor;
- ◆ the President;
- ◆ two faculty members elected by the faculty members;
- ◆ eight persons appointed by the Lieutenant Governor in Council, two of whom are to be appointed from among persons nominated by the alumni association;
- ◆ two students elected from students who are members of an undergraduate student society or a graduate student society; and
- ◆ one person elected by and from the employees of the university who are not faculty members.

¹ While Thompson Rivers University is incorporated under the *Thompson Rivers University Act*, all sections of the *University Act* discussed in this report apply to Thompson Rivers University.

As outlined above, university boards include a unique mix of appointed and elected members. The five elected members bring the knowledge and perspective of their constituents to the board; however they also must act in the best interests of the university as set out in section 19.1 of the Act. For these members, balancing their responsibilities both as a board member and as a representative of their respective constituencies introduces challenges that board members must collectively manage.

The appointment process for appointed members begins with the university boards recommending candidates to Government; however, these appointments are the prerogative of the Provincial Government, exercised collectively by cabinet through Order-in-Council. The Board Resourcing and Development Office monitors the process to ensure that appointments are made on merit following an open, transparent and consistent appointment process.

EXAMINATION SCOPE AND OBJECTIVES

This compendium report is the third in a series of governance reports that our Office has undertaken.

We conducted this examination to assess how well university board structures and activities are designed and how effectively they operate, including an assessment of government oversight for university board governance and accountability. University senates were excluded from the scope of this examination as they are not directly accountable to Government. Our work was carried out under Section 13 of the *Auditor General Act*.

We selected three universities: Capilano University, Thompson Rivers University and the University of Victoria, with the objective of providing a balanced picture of university board governance. Selection of the three universities was based on:

- ◆ A balanced geographical representation;
- ◆ Type of university – teaching and/or research university; and
- ◆ The size of the university by expenses and student enrollment.

Objectives of our examination

We focused on the following three objectives, explained in further detail below:

1. The structure and composition of the board
2. The board's fulfillment of its roles and responsibilities
3. The performance expectations provided and monitored by Government



These objectives are consistent with those used in our previous two governance reports.

The three primary sources of criteria we used to conduct our examination were:

- ◆ *Best Practice Guidelines: BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations*, prepared by the BC Board Resourcing and Development Office (2005);
- ◆ *Crown Agency Governance: Audit Objectives and Criteria*, prepared by the Canadian Council of Legislative Auditors (2011); and
- ◆ *Shareholder's Expectations for British Columbia Crown Agencies*, prepared by the Crown Agencies Resource Office (2010).

Secondary sources for criteria included other British Columbia government guidelines and policies, and good practice guidelines from other Canadian and international jurisdictions.

Objective 1: Examining the structure and composition of the Board

With this objective we sought to answer the question:

Does the board's composition, size, term length, and appointment process result in a board with members that have the capacity to fulfill their governance roles?

Boards are only as effective as the people who serve on them. Each board needs to plan strategically to identify the skills and experience it requires to best support the organization.

We looked for evidence that:

- ◆ The board identifies and recommends to Government new candidates based on an understanding of the competencies required, and that Government selects eligible candidates to fill the existing competency gaps;
- ◆ The board has a succession plan for the orderly turnover of board members;
- ◆ The size of the board is appropriate to the roles and responsibilities being assigned;
- ◆ Board vacancies are filled on a timely basis, without leaving gaps in board membership that affect decision-making ability;
- ◆ The term length for the board governors is appropriate to allow for continuity of membership but also to ensure independence from management, encourage performance evaluation and enable Government to replace board members who are not fulfilling their role; and

- ◆ The Chair of the Board is selected from amongst the appointed members as per legislation section 19.2.

Objective 2: Examining the board's fulfillment of its roles and responsibilities

With this objective we sought to answer the question:

Is the board taking the necessary steps to fulfill its roles and responsibilities, thereby providing effective governance for the university?

To foster the short- and long-term success of a public sector organization, the entity's board has a range of governance responsibilities. Provincial guidelines recommend that each board develop and make public a charter that specifies its roles and responsibilities. This provides a standard against which the board can assess its performance each year, and against which the public can hold the board to account.

We looked for evidence that:

- ◆ The board possesses and makes publicly available a written charter that describes the board's responsibilities;
- ◆ Board members have the knowledge and capacity to fulfill their governance responsibilities;
- ◆ The board has structured itself effectively and the audit committee fulfills its governance responsibilities;
- ◆ The board functions in a professional manner;
- ◆ The board ensures goals, objectives and strategies are in place, and monitors and follows up on the university's performance in meeting the strategic plan;
- ◆ The board is aware of key risks facing the organization and ensures management has established appropriate systems of control to mitigate risks; the board sets an appropriate "tone at the top" that fosters a strong ethical culture;
- ◆ The board has delegated responsibilities for operational decisions to management and effectively monitors the performance of the President in fulfilling its strategic priorities;
- ◆ The board ensures it receives appropriate information so it can obtain assurance that the organization's strategic and operational goals are being addressed;
- ◆ The board ensures the organization effectively manages external stakeholder relationships and communication;

- ◆ The board fulfills its accountability obligations to government and its external stakeholders; and
- ◆ The board evaluates its own performance in fulfilling its governance responsibilities.

Each board should function professionally, which includes ensuring that all members attend meetings and are prepared and able to participate fully in respectful discussions. As well, any conflict must be resolved appropriately. Board members are expected to be loyal and act honestly, in good faith and in the best interests of the organization.

The Board Chair often plays a key role in ensuring an effective board culture. The Chair also facilitates a good working relationship between the board and management, ensuring that each group understands its role and does not interfere in the responsibilities of the other.

Objective 3: Examining the performance expectations provided and monitored by Government

With this objective we sought to answer the question:

Has Government made its performance expectations of the university clear, and does it monitor compliance with them?

The *Government Letter of Expectations* is the principal mechanism Government uses to convey policy direction and performance expectations to university boards.

To exercise effective oversight, it is critical that Government maintain open, timely and effective communication, monitor the achievement of results, and work closely and collaboratively with universities to resolve issues.

We looked for evidence that Government:

- ◆ provides the university with documentation outlining performance expectations and accountabilities, which is developed in consultation with the organization;
- ◆ periodically reviews the *Government Letter of Expectations* to ensure it stipulates the level of performance expected of a university;
- ◆ ensures it has the capacity and skills needed to review the university's corporate plans and reports; and
- ◆ reviews the university's corporate plans and reports annually for alignment with Government expectations and compliance with Government guidelines.

February 2014

REPORT A: BOARD GOVERNANCE
EXAMINATION OF CAPILANO UNIVERSITY

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THE BOARD OF CAPILANO UNIVERSITY appreciates the efforts of the Office of the Auditor General of British Columbia in their examination of Board governance structures and processes that achieve university objectives and meet performance expectations.

Capilano University is a publicly-funded post-secondary institution that was designated as one of five special purpose teaching universities in 2008. The university is committed to serving the educational needs of students at three campuses located in North Vancouver, Squamish, and Sechelt. Effective governance of Capilano University is of great importance when considering the university's mission to offer a wide range of programs and services enabling students to succeed in their current studies, in their lifelong pursuit of knowledge, and in their contribution as responsible citizens in a rapidly changing and diverse global community.

The Board considers the recommendations of the Office of the Auditor General valuable in identifying enhancements to the Board's management planning, performance accountability and evaluation, and communications.

The Board of Governors at Capilano University has an established tradition of functioning in a respectful, collaborative and data-based decision-making approach. Both appointed and elected members of the board provide a wealth of perspectives and professional backgrounds that lead to mutual understanding and bigger picture thinking about the university. Board members are dutiful and diligent in attending the general board meetings as well as the standing committees on which they serve. The relationship between management and the board has been open, cooperative and based on best practices of shared governance. It should be noted that the board members at Capilano University have elected to forego any monetary compensation as members of the board.

While this report acknowledges strong governance practices, such as the Board's evaluation process and oversight of risk management, it also highlights areas for improvement in three areas: Board member succession and continuity, Board member roles and responsibilities, and performance monitoring.



1. BOARD MEMBER SUCCESSION AND CONTINUITY

The Board shares the view that it must work closely with the Ministry of Advanced Education and the Board Resource and Development Office (BRDO) to ensure the Board benefits from both continuity of experience and orderly turnover of its appointed members. To date, the university has been fortunate in the appointments made by the Ministry, as well as the quality and commitment of the representatives elected by our faculty, staff and students. The Board has mandated its nominations committee to work with BRDO on new appointments and the Board's 'skills matrix' to ensure we continue to enjoy stability, skill and renewal at the Board table.

2. BOARD MEMBER ROLES AND RESPONSIBILITIES

Capilano's Board of Governors gains depth and balance by the inclusion of representatives directly elected from the university community – faculty, staff and students. These representatives have special responsibilities to their electors not shared by the appointed governors. Nonetheless, the Board agrees that the institution is best served when the Board 'speaks with one voice.' The Board has adopted a written policy of Board solidarity, intended to foster a culture of explaining Board decisions, rather than continuing to debate those decisions, outside Board meetings.

3. PERFORMANCE MONITORING

The Board has committed to review Capilano University's Institutional Accountability Plan and Report prior to submission to the Ministry of Advanced Education. Likewise, the Board recognizes that the current strategic plan requires renewal, along with the academic plan now in development. To enhance the Board's practices in monitoring, the Board has worked with the executive to develop key performance indicators to assist in evaluating progress towards the goals stated in the strategic plan.

The Board shares the view that establishing the president's annual objectives and evaluating achievement against those goals is a critical function for the Board. The Board has adopted a new policy outlining a process of collaboration on annual priorities and expectations, as well as mechanisms for full Board participation in a formal annual performance appraisal for the president.

We also note that the Board has developed an annual calendar tool to assist in ensuring appropriately scheduled discussions of the IAPR, president's evaluation, strategic plan, annual priorities and key performance indicators.

In conclusion, the Capilano University Board agrees with the Auditor General's overall governance findings and recommendations in this report. The valuable guidance on how to improve our governance practices will be used to inform and improve the Board's oversight of the university.

BACKGROUND

Capilano University is a teaching focused university with its main campus located in North Vancouver, and regional campuses in Squamish and Sechelt that serve the communities of Howe Sound and the Sunshine Coast. Capilano University offers courses in a range of specialized programs, arts and sciences, and preparatory studies and awards credentials that include bachelor degrees, advanced diplomas, and certificates.

Founded in 1968, the school served as a community college prior to being re-designated as a special purpose university in 2008. As one of British Columbia's smallest universities, the school has about 8,000 registered students and expenses of \$92 million in fiscal 2013.

GOOD PRACTICES

Oversight of risk management

We looked for evidence that the Board oversees a risk management framework. We found that the Board does this through its audit committee, who regularly reviews management's progress in identifying Capilano University's risk profile and ensuring mitigating strategies are in place. The audit committee reports on progress to the Board as a whole. Risk management is an important control supporting achievement of organization objectives.

Board evaluation

We looked for evidence that the Board evaluates its own performance in fulfilling its governance responsibilities and makes changes as necessary to enhance governance. We found that the Board conducts an annual self-assessment survey of its processes and its individual members, and implements changes based on the results. Regular evaluations support the continued growth and effectiveness of the Board.

AREAS FOR IMPROVEMENT

Board member succession and continuity

According to the *Board Appointment Guidelines* published by the Board Resource and Development Office, “to achieve a good balance between continuity of experience and injection of fresh perspectives to a board, appointments to an organization’s board should be staggered.” Therefore, we expected to find an orderly replacement of appointed board members.

We found that three board members, one of which was previously the Board Chair, all concluded their six-year terms in July 2013. At the same time, the former Vice-Chair who was recently elected to be Board Chair, and who was put forward by the Board to Government for reappointment for a final three year term, was not reappointed.

Consequently four of the Board’s 15 members, or four of the eight appointed members, departed at once. This impacted the Board’s continuity of knowledge and experience. This could again become a problem for the Board if the four new appointees serve full terms.

RECOMMENDATION 1: *We recommend that the Ministry of Advanced Education, the Board Resource and Development Office, and the Capilano University Board work closely to ensure continuity of board membership including staggered terms for board members.*

Board member roles and responsibilities

While the *University Act* provides for five board members to be elected by faculty, students and employees, section 19.1 of the Act states that all board members “must act in the best interests of the university.” This can pose challenges as elected members must adhere to section 19.1 of the Act while representing their constituents. Constituents of elected members expect their voices to be heard, and the decisions of a board may not always be viewed favourably by all constituents (e.g. budget cuts to certain areas). Consequently, achieving collective responsibility for university boards can be a challenge.

We found that the Board was engaged, committed and functioned in a professional manner. On occasion, however, elected members have publicly spoken against decisions of the Board where there were contentious issues, which does not provide a collective voice of the Board. We heard from board members that the Board could benefit from a better understanding of the roles, responsibilities, and expectations of elected members in terms of balancing their responsibilities both as board members and as representatives of their respective constituencies. When collective responsibility is not achieved, it can undermine the authority and strength of the Board as whole.

Collective Responsibility

means that board members fully support board decisions once made, and are equally responsible and accountable for the consequences of those decisions.

RECOMMENDATION 2: *We recommend that the Capilano University Board ensure that board members understand the roles and responsibilities of elected members, and that the Board takes collective responsibility for its decisions.*

Performance monitoring

Strategic plan

We expected to find that the Board has ensured a strategic plan is in place for the university, including goals, objectives, and strategies. We also expected to find that the Board is monitoring and following up on the university's performance in meeting its strategic plan.

While goals and strategies are published on the university's website, we found that the Board is not monitoring the university's progress towards the achievement of these goals. It is important for boards to fulfill this oversight function to hold management accountable for achieving the goals and strategies set out by the university.

RECOMMENDATION 3: *We recommend that the Capilano University Board monitor the university's performance in achieving its strategic plan.*

Institutional Accountability Plan and Report

We looked for evidence that the Board fulfills its oversight responsibility for the university's accountability reporting. We found that the Board performs oversight of the university's various financial reporting obligations; however, we found that the Board has not met its oversight obligations for the university's annual *Institutional Accountability Plan and Report* as they have not consistently reviewed and approved this report prior to its submission to the Ministry for publication. The Board did not review the 2013 report until after it was submitted to the Ministry for publication, and we were unable to obtain documentary evidence of board review and approval of the 2012 report.

The *Institutional Accountability Plan and Report* is a key accountability document. Annual review and approval prior to its publication would ensure the Board is aware of, and responsive to, the institution's performance in key areas and whether the institution has met its accountability obligations.

RECOMMENDATION 4: *We recommend that the Capilano University Board annually review and approve its Institutional Accountability Plan and Report prior to submitting it to the Ministry of Advanced Education.*

President's evaluation

We expected to find that the Board and President agree to the President's performance expectations for the upcoming year annually and at the end of the year, assess the President's performance against the agreed upon goals.

We found that the Board and President have not established performance expectations or assessed the performance of the President. Agreeing to annual goals and evaluating the President's performance are important practices that support the President's motivation and development, as well as the performance of the university in achieving its strategic goals.

For universities, this accountability mechanism is particularly important given the President is a voting board member under the Act as well as the Board's one employee. The evaluation helps ensure proper separation between the Board and management.

RECOMMENDATION 5: *We recommend that the Capilano University Board ensure performance expectations for the President are established and formally assess the performance of the President against these expectations on an annual basis.*

February 2014

REPORT B: BOARD GOVERNANCE
EXAMINATION OF THOMPSON
RIVERS UNIVERSITY

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THOMPSON RIVERS UNIVERSITY appreciates the Office of the Auditor General of B.C. examining Board Governance at the University. Effective governance is key to the University achieving its mission and for this reason the Board of Governors has in recent years spent considerable time and effort in reviewing its governance practices. Public sector bodies in B.C. are fortunate to have Best Practices Guidelines issued by the Province’s Board Resourcing and Development Office and TRU has relied on those Guidelines in reviewing its governance practices. TRU welcomes the independent examination of its governance practices by the OAG and the comments from the OAG on the completion of that examination.

TRU is a member of the Research Universities Council of British Columbia and is committed to providing access to excellent learning, research and scholarly activities for the benefit of people locally and globally. At this institution, students can choose from a wide range of credential levels, including certificates, diplomas and bachelor and master’s degrees. Programs are offered in diverse areas of study from the Trades to Law, Business to traditional academic paths in the Arts, Science, Education and Social and Health Sciences. Through TRU Open Learning, learners across the province and the country meet their varied educational objectives through distance. TRU is proud to host 2,645 Aboriginal students (11% of all students). There are also 2,589 international students (11% of all students) from more than 85 countries who learn side by side with their Canadian and Aboriginal classmates, in one of the most culturally enriched educational communities in our province. TRU is committed to developing, in partnership with business and industry, innovative responses to the country’s growing need for skilled trades and trades leadership—our new Bachelor of Education in Trades and Technology and the Saw Filer program offered exclusively at our Williams Lake campus are just two cases in point.

The examination of Board governance practices at TRU by the OAG has been a valuable experience for the University and the Board generally agrees with the findings of the OAG. The OAG has made only one recommendation with regard to TRU Board governance, namely that the Board review and approve its Institutional Accountability Plan and Report prior to it being submitted to the Ministry of Advanced Education. The Board agrees to continue to approve the plan and will work with the Ministry with regard to scheduling its review of TRU’s draft plan so that the Board can review and approve the final plan prior to the Ministry’s deadline for its submission.

TRU considers that maintenance of good governance practices is a matter that requires ongoing diligence and the University remains committed to excellence in Board governance practices.



BACKGROUND

Thompson Rivers University's (TRU) main campus is located in Kamloops and another smaller campus is located in Williams Lake, BC. In addition to offering studies on campus, the university also offers online and distance education. Collectively, the university's programs cover diverse areas of studies from trades, law and business to traditional academic paths in the arts, science, education and social and health sciences as well as Masters degrees. TRU has a unique research mandate as set out in the *Thompson Rivers University Act*.

Starting as a college in 1970 and then becoming a university college in 1989, the institution became a university in 2005 incorporated under the *Thompson Rivers University Act*. In 2013, the university had 13,170 full- and part-time learners on its campuses and an additional 11,794 enrolled by distance and online. Expenses totalled \$163 million.

GOOD PRACTICES

Board manual

We looked for evidence that the Board had defined roles, responsibilities, and processes for its members and committees. We found that the Board has focused significant time and resources over recent years towards establishing good practices in its governance processes, including their decision in 2010 to engage a specialist in corporate governance to review the university's governance practices.

One of the key results of this work and the Board's focus towards improving its governance practices is a comprehensive board manual that effectively supports the Board in fulfilling its governance roles and responsibilities. The board manual is publicly available on TRU's website.

Oversight of risk management

We looked for evidence that the Board oversees a risk management framework. We found that the Board does this through its audit committee as set out in its board manual. The audit committee oversees management's progress regularly, identifies university risks and related mitigation strategies, and subsequently updates the Board as a whole. Risk management is an important control supporting achievement of TRU's objectives.

Board evaluation

We looked for evidence that the Board evaluates its own performance in fulfilling its governance responsibilities. We found that the Board has a strong evaluation process outlined in its board manual and that an annual assessment of the Board, Board Chair, Board Committees, and board member self-assessment was performed in accordance with the board manual process. Evaluation results were discussed and considered by the Board. Regular evaluations support the continued growth and effectiveness of the Board.

AREAS FOR IMPROVEMENT

Board review and approval of institutional accountability report

We looked for evidence that the Board fulfills its oversight responsibility for the university's accountability reporting. We found that the Board performs oversight of the university's strategic plan and various financial reporting obligations; however, we found that the Board has not met its oversight obligations for the university's annual *Institutional Accountability Plan and Report*.

In 2013, the Board did not review and approve the report until after it was submitted to the Ministry. In 2012, we were unable to review any documentation showing board review or approval of the report prior to its submission to stakeholders. The *Institutional Accountability Plan and Report* is a key stakeholder accountability document that should be endorsed by the Board prior to being issued to stakeholders.

RECOMMENDATION 6: *We recommend that the Thompson Rivers University Board review and approve its Institutional Accountability Plan and Report prior to submitting it to the Ministry of Advanced Education.*

February 2014

REPORT C: BOARD GOVERNANCE
EXAMINATION OF THE UNIVERSITY
OF VICTORIA

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THE BOARD OF GOVERNORS of the University of Victoria was pleased to participate in the Office of the Auditor General’s examination of university board governance in BC. The opportunity for interaction and dialogue with members of the OAG about best practices and standards in governance was valuable and prompted us to reflect on our governance practices.

The Board has reviewed the OAG’s draft report and accepts its findings. The OAG’s acknowledgment of the strength of University of Victoria’s board evaluation, risk management and presidential evaluation practices is appreciated. In our view, careful attention to succession planning for appointed members and Board member orientation and engagement have been fundamental to the Board’s successful performance.

The OAG’s one recommendation with respect to the University of Victoria was “that the University of Victoria board review and approve its Institutional Accountability Plan and Report prior to submitting it to the Ministry of Advanced Education.” Whereas to date the Institutional Accountability Plan and Report had been treated as an administrative reporting mechanism, henceforth, it will be submitted to the Board annually for review and approval before its submission to government. At its meeting on January 28, 2014, the Board of Governors approved a motion to accept this recommendation, which will be implemented in the spring of 2014.

The Board of Governors and members of the University Secretary’s Office thank the members of the OAG team for their professionalism and courtesy and for the pleasure of working with them in the course of this examination.



BACKGROUND

The University of Victoria (UVic) is a research and teaching university located in Victoria, BC. Established in 1963, the university offers undergraduate and graduate programs in the sciences, social sciences, humanities, fine and performing arts and professional schools, as well as its programs of continuing study. It is recognized as one of Canada's top universities.

In 2013, the university had over \$500 million in expenses, approximately 850 regular faculty, 3,400 other staff, and student enrolment of 20,201 of which 3,272 were graduate students.

GOOD PRACTICES

President's evaluation

We looked for evidence that the Board annually evaluates the President's performance against mutually agreed upon performance expectations. We found that the Board approves the President's goals on an annual basis. Subsequent to this, the Board, through its Compensation and Review Committee, performs a mid-year and end-of-year review of the President's performance before submitting a final report to the Board.

Establishing and agreeing to annual goals and evaluating the President's performance are important practices. They support the President's motivation and development, as well as the performance of the university in achieving its strategic goals. For universities, this accountability mechanism is particularly important given that the President is a voting board member under the Act as well as the Board's one employee. The evaluation helps ensure proper separation between the Board and management.

Oversight of risk management

We looked for evidence that the Board oversees a risk management framework. We found that the Board oversees management's progress in identifying, ranking, and preparing mitigation strategies for risks. Risks are presented to the relevant board committee and eventually to the audit committee and the Board as a whole. Risk management is an important control supporting the achievement of UVic's objectives.

Board evaluation

We looked for evidence that the Board evaluates its own performance in fulfilling its governance responsibilities. We found that the Board has a strong evaluation process covering key areas such as board effectiveness, committee effectiveness, roles and responsibilities of the Board and management, as well as several other areas pertaining to board operations. The evaluation process also included individual member self-assessments covering areas pertaining to the member's understanding of the organization, his/her governance role and contributions to the Board, as well as several other important areas. Regular evaluations support the continued growth and effectiveness of the Board.

AREAS FOR IMPROVEMENT

Board review and approval of institutional accountability report

We looked for evidence that the Board fulfills its oversight responsibility for UVic's accountability reporting. We found that the Board performs oversight of the university's strategic plan and various financial reporting obligations; however, we found that the Board has not met its oversight obligations for the university's annual *Institutional Accountability Plan and Report* as it has not been annually reviewing and approving this report. The *Institutional Accountability Plan and Report* is a key stakeholder accountability document that should be endorsed by the Board prior to being issued to stakeholders.

RECOMMENDATION 7: *We recommend that the University of Victoria Board review and approve its Institutional Accountability Plan and Report prior to submitting it to the Ministry of Advanced Education.*

February 2014

REPORT D: UNIVERSITY BOARD
GOVERNANCE EXAMINATION OF THE
MINISTRY OF ADVANCED EDUCATION

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THE MINISTRY OF ADVANCED EDUCATION expresses its appreciation to the Office of the Auditor General of British Columbia for conducting the examination of board governance at three of our province's post-secondary institutions – Capilano University, Thompson Rivers University, and the University of Victoria.

It is the role of the Ministry of Advanced Education to ensure that B.C.'s post-secondary system provides opportunities for British Columbians to obtain the education and training needed to take full advantage of labour market opportunities and contribute to B.C.'s economy.

This report and earlier reports by the Office of the Auditor General addressing good public sector governance practices provide valuable guidance for the Ministry and public post-secondary institutions, as we jointly work to continuously improve the effectiveness and efficiency of public post-secondary education in British Columbia.

Effective governance of our institutions is of great importance to the Ministry. The recommendations of the Office of the Auditor General are valuable in identifying areas for improvement, as well as affirming those areas in which governance practices are working well.

The Ministry generally agrees with the findings and recommendations and is committed to working with the universities in implementing them. The Ministry has already discussed the findings related to Capilano University with its board chair and will work with Capilano University to ensure that the Auditor General's findings and recommendations are addressed. In fact, the ministry has already taken steps to do this by communicating performance expectation to board chairs through the 2014/15 Government Letter of Expectations. The Ministry will also continue to work with the Board Resourcing and Development Office to ensure succession planning is undertaken to achieve optimal continuity of board membership at post-secondary institutions.

The Ministry is pleased that board risk management frameworks and self-evaluation mechanisms have been found to be effective. The Ministry wishes to highlight other areas of good practice that have been established through co-operation between the Ministry and the institutions. Most notably, the Ministry has strived to implement recommendations and practices identified in the earlier 2012/2013 report *Crown Agency Board Governance* and will do so again with these recommendations. As a result of these measures, boards are maintaining comprehensive competency matrices and succession plans to effectively support the board appointment process and to ensure board members collectively possess adequate skills and experience. As well, the Ministry and the Board Resourcing



and Development Office have been working with post-secondary boards to ensure board appointments are made in a timely manner.

In conclusion, the Ministry believes that the Auditor General's report provides useful guidance on how to continually improve governance practices. The perspective provided through this report will assist in achieving governance objectives, and the opportunity for an external evaluation of the work of university boards is greatly appreciated.

BACKGROUND

The Ministry of Advanced Education works to ensure that BC's post-secondary system provides opportunities for British Columbians to obtain the education and training needed to take full advantage of the job market and contribute to BC's economy. The Ministry has several responsibilities in this regard including the legal structure under which the post-secondary education system operates, post-secondary finance, and performance expectations for individual institutions.

The Ministry oversees 25 public post-secondary institutions (11 of which are universities) with more than 440,000 students. In 2012/13 the Ministry provided \$1.9 billion in funding to post-secondary education.

GOOD PRACTICES

Annual performance expectation review

We looked for evidence that the Ministry annually reviews the *Government Letter of Expectations* issued to universities to ensure they stipulate the current level of performance expected of a post-secondary institution. We found that the Ministry has an annual process in place to complete an annual review: Ministry staff at various levels review the letters to confirm that they reflect current priorities before the letters are submitted to the institutions for consultation.

Performance expectation consultation

We looked for evidence that the Ministry annually consults with post-secondary institutions on annual performance expectations. We found that the Ministry consults with institutions on performance expectations through various mechanisms. The consultation includes establishment of the Performance Measures Working Group which has institutional membership, requesting feedback on draft expectation letters and various informal consultations with institution board chairs and presidents, and with the Research Universities' Council of British Columbia.

AREAS FOR IMPROVEMENT

Performance expectation communication to boards

We found that the Ministry communicates its performance expectations within the *Government Letter of Expectations* issued to institutions. Consultation and communication of this letter has occurred primarily between the Ministry and the university President, who in turn, is expected to provide and explain the information to the Board. We found that some board members would like to see more direct communication between the Ministry and the Board to reduce potential miscommunication and misunderstandings.

RECOMMENDATION 8: *We recommend that the Ministry of Advanced Education communicate directly with university boards to improve board members' understanding of performance expectations contained in the Government Letter of Expectations.*

OUR OFFICE INTENDS TO CONDUCT additional governance examinations of Crown agencies in the future to identify further opportunities for improved governance.

Our Office will follow-up with each of the universities and the Ministry in one year to learn how they have addressed the recommendations in this report, and to determine if further work by our Office is required.



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