



**Office of the President and Vice Chancellor**

Kristan Ash, Chair

Kwantlen Polytechnic University Board of Governors

January 31st, 2015

Dear Kristan,

Please find attached my response to the recommendations of the audit commissioned by the Board of Governors on Executive and Senior Administration Compensation for the period April 1, 2010 to June 30<sup>th</sup>, 2014.

As you will see, all the recommendations are accepted and I have provided actions and deadlines where appropriate in order to promptly address matters that were raised by the audit.

I should point out that in several cases, KPU is already well on the way to meeting the expectations that these recommendations outline. Furthermore, as circumstances change, such as external and internal regulations and in the spirit of continuous improvement at KPU, we will be re-visiting and updating the results of our work regularly.

I would appreciate the direction and advice of the Board on our approach to these recommendations.

A handwritten signature in black ink that reads 'Alan Davis'.

Alan Davis,

President and Vice Chancellor

Rec #	Recommendation	Response
<b>Harris Report</b>		
Harris-1	For any compliance breaches identified in this report that KPU has not already reported to PSEC, report those breaches immediately along with the relevant background information, and seek guidance from PSEC regarding any steps that need to be taken to obtain approval or otherwise rectify such breaches.	<i>Recommendation accepted. No further compliance breaches beyond the internal audit have been identified. New procedures will be in place by March 31<sup>st</sup>, 2015 to ensure proactive approaches to compliance.</i>
H-2	Implement the necessary training to ensure that all KPU employees who are responsible for establishing terms and conditions of employment for excluded administrative employees, reporting the compensation provided to such employees, and terminating the employment of such employees, are familiar with the External Regulatory Framework and the Internal Requirements.	<i>Recommendation accepted. This training is scheduled for March, 2015, and will be repeated as required as staff or regulations change. In the interim, any terms and conditions for the appointment and termination of excluded employees will be approved by the President after consultation with PSEC.</i>
H-3	Establish fair and consistent policies and procedures to ensure the External Regulatory Framework and the Internal Requirements are complied with at all times.	<i>Recommendation accepted. New policy and procedures on the appointment of senior excluded employees that are consistent with the Board Manual and PSEC will be ready for review, approval and immediate implementation by March 31<sup>st</sup>, 2015.</i>
H-4	Ensure that the responsibility for recruiting and hiring excluded administrative employees lies with the Human Resources department, in consultation with the Finance and Legal departments when necessary, and in conjunction with the Board pursuant to the terms of KPU's Appointment Policy.	<i>Recommendation accepted. This will be included in the new policy and procedures referred to in H-3, which will be ready by March 31<sup>st</sup>, 2015.</i>
H-5	Ensure that prior to offering terms of employment or compensation (including benefits such as vacation) that may be outside the terms of KPU's approved compensation plan, KPU seeks written approval from PSEC.	<i>Recommendation accepted and implemented immediately.</i>
H-6	Ensure that all personnel documentation, including employment agreements, is consistent, complete and documented in personnel files. This includes documentation of situations where PSEC approval was sought and obtained for compensation increase.	<i>Recommendation accepted with all relevant files to be checked and updated by April 30<sup>th</sup>, 2015.</i>
H-7	Establish a policy indicating that pre-employment contracts are not to be used except in circumstances where KPU needs a candidate to provide transitional services before he or she commences employment. This policy should specify the provisions such contracts should include, including a timeframe, clear deliverables, and payments that are based on such deliverables. Also, it should be made clear that such contracts must receive proper approvals and must be reported in accordance with the External Regulatory Framework.	<i>Recommendation accepted. Any provision for such contracts will be established in the policy and procedures referred to in H-3, which will be ready by March 31<sup>st</sup>, 2015. In the interim, any such contracts will be approved by the President after consultation with PSEC.</i>

H-8	Ensure coordination between senior management and the Human Resources and Finance departments, in the compilation and review of the compensation reports provided under the External Regulatory Framework.	<i>Recommendation accepted. This coordination will be made explicit in the policy and procedures referred to in H-3, which will be ready by March 31<sup>st</sup>, 2015</i>
<b>MNP Report</b>		
MNP-1	Consistent processes and documentation should be used for all senior executive appointments. While details of the processes for internal or external candidates may differ, all appointments, reclassifications and salary adjustments should be fully documented in each employee's personnel file (also see Recommendations 4 and 7.)	<i>Recommendation accepted. Such processes and documentation will be clarified and made explicit in the policy and procedures referred to in H-3 which will be ready by March 31<sup>st</sup>, 2015.</i>
MNP-2	In order to clearly delineate compensation from non-compensation related matters, KPU should ensure that non-compensation related items, such as research allowances, are negotiated and agreed separately from the compensation negotiation process.	<i>Recommendation accepted. This delineation will be clarified and made explicit in the policy and procedures referred to in H-3 which will be ready by March 31<sup>st</sup>, 2015.</i>
MNP-3	In order to improve consistency, KPU should formally delegate responsibility for making offers of employment and procuring contracts of employment to the HR department.	<i>Recommendation accepted and implemented immediately. The new policy and procedures referred to in H-3, which will be ready by March 31<sup>st</sup>, 2015,</i>
MNP-4	In order to improve consistency, standardized templates for key aspects of the recruitment process should be developed by Human Resource, with the advice and assistance of Finance and Legal departments. In the near term, until standard templates are established, all draft offers of employment to senior executives should be reviewed and formally signed off by KPU's Human Resource, Finance and Legal departments, to ensure conformity with KPU policies and procedures, public sector requirements and limits and the Income Tax Act, prior to offers being made to prospective senior employees (also see recommendation 1).	<i>Recommendation accepted. These templates are in development for senior positions, and in the interim, all draft offers of employment will be reviewed for compliance by HR, Finance and General Counsel and will be approved by the President after consultation with PSEC. Templates will be finalized by March 31<sup>st</sup>, 2015.</i>
MNP-5	Contracts of employment with senior executives should be consistent with the standard terms developed by KPU.	<i>Recommendation accepted. New policy and procedures for the appointment of senior excluded employees that are consistent with the Board Manual and PSEC will be ready for review and approval and immediate implementation by March 31<sup>st</sup>, 2015. In the interim, all contracts of employment will be reviewed for compliance by HR, Finance and General Counsel and will be approved by the President after consultation with PSEC.</i>
MNP-6	Terms of each draft offer of employment should be formally signed off by the person or group assigned responsibility for approving candidates, as specified in Appendix H of the Board Governance Manual.	<i>Recommendation accepted and implemented immediately.</i>

MNP-7	KPU should enhance its policies and procedures for hiring senior academic administrators. These enhancements should clearly define the activities and requirements in the hiring process, including the necessity of formal documentation and where approvals are required.	<i>Recommendation accepted. New policy and procedures for the appointment of senior excluded employees that are consistent with the Board Manual and PSEC will be ready for review and approval and immediate implementation by March 31<sup>st</sup>, 2015. In the interim all draft offers of employment for senior positions will be approved by the president after consultation with PSEC.</i>
MNP-8	Negotiating contract terms should be limited to those persons or groups assigned responsibility for approving candidates as specified in Appendix H of the Board Governance Manual, in consultation with the Human Resources department. KPU should develop guidelines for negotiating contracts that identify negotiating ranges for specific compensation items consistent with the PSEC-approved plan, and ensure that KPU's standard contract terms are consistent with these items.	<i>Recommendation accepted. New policy and procedures for the appointment of senior excluded employees that are consistent with the Board Manual and PSEC will be ready for review and approval and immediate implementation by March 31<sup>st</sup>, 2015. In the interim, any such contracts will be approved by the President after consultation with PSEC.</i>
MNP-9	KPU should develop a policy that discourages pre-employment contracts. In the rare circumstances where specific services may be appropriate during the transition period prior to employment, KPU should develop guidance for pre-employment contracts to ensure compliance with legal and policy compensation restrictions. Any pre-employment contracts should be procured in accordance with good procurement practices, with clear deliverables specific timeframes and appropriate rates and pre-cleared through PSEC.	<i>Recommendation accepted. Any provision for such contracts will be established in the policy and procedures referred to in H-3, which will be ready for review and approval and immediate implementation by March 31<sup>st</sup>, 2015. In the interim, any such contracts will be approved by the President after consultation with PSEC.</i>
MNP-10	As part of drafting the Executive Compensation Disclosure Report to PSEC, the Finance department should be consulted regarding items that could be considered compensation under the Public Sector Executive Compensation Reporting Guidelines issues by PSEC.	<i>Recommendation accepted and implemented immediately.</i>
MNP-11	KPU should establish a clear definition of perquisites in its expense/P-card policies, consistent with the definition provided for expense reporting by PSEC, which should be communicated throughout the University. The perquisites/potential perquisites should be identified during the expense form/P-card statement review and tracked for annual reporting purposes.	<i>Recommendations accepted. The definition of perquisites will be developed and communicated, and procedures for identifying, reviewing and tracking perquisites or potential perquisites will be developed by March 31<sup>st</sup> 2015.</i>
MNP-12	KPU should formally institute procedures for senior management (VP Finance and Administration and/or the President) review and sign-off of disclosures required under the Public Sector Employers Act, including the identification of any judgements made in the compilation of this information, prior to its submission to	<i>Recommendation accepted and implemented immediately. Procedures for the review and sign-off of judgements will be developed by March 31<sup>st</sup>, 2015. In the interim, the President will attest to the disclosure</i>

	the Board Chair for formal attestation.	<i>statements prior to submission to the Board Chair.</i>
MNP-13	KPU should ensure that the processes for collecting, validating and certifying PSEC and other key regulatory submissions are consistently documented and communicated. Key control points in these processes should be clearly identified, and tested in a regular basis to ensure that the processes function rigorously and consistently.	<i>Recommendation accepted. This process will be included in the new policy and procedures for the appointment of senior excluded employees that are consistent with the Board Manual and PSEC will be ready for review and approval and immediate implementation by March 31<sup>st</sup>, 2015. The controls will be tested by a 3<sup>rd</sup> party auditor using a risk-based approach.</i>
MNP-14	As part of drafting the SOFI <sup>1</sup> , the Finance department should identify and provide information regarding items that could be considered compensation under the guidance provided by the Ministry of Finance, such as perquisites and taxable benefits, which have been processed by P-cards or expense reports.	<i>Recommendation accepted and implemented immediately. KPU will continue to consult with PSEC and CRA on identifying perquisites and taxable benefits.</i>
MNP-15	KPU should perform a cost/benefit analysis of automating at least part of the SOFI report generating process.	<i>Recommendation accepted. KPU will continue to monitor automation of SOFI using a cost-benefit analysis.</i>
MNP-16	Given that the SOFI report will be released to the public, a formal, documented supervisory review should be implemented by KPU to validate that the SOFI guidelines or any changes that may occur year to year, have been interpreted correctly.	<i>Recommendation accepted. This review is in place, and will be documented for approval by the Board by March 31<sup>st</sup>, 2015.</i>
MNP-17	The Vice-President, Finance and Administration should review and formally approve the Statement of Financial Information required under the <i>Financial Information Act</i> , attesting to the completeness and accuracy of the information reported before it is provided to the Board for its review and approval.	<i>Recommendation accepted and implemented immediately.</i>
MNP-18	KPU should request and receive written approval from PSEC <i>prior to</i> implementing changes to the compensation of excluded staff, unless the change falls within the PSEC approved plan.	<i>Recommendation accepted and implemented immediately.</i>
MNP-19	KPU's Board should implement a formal orientation process for new board members that includes elements such as the University's structure and operating environment; strategic plan and objectives; operational plans and measures of success; board governance expectations and performance monitoring; KPU finances and board fiduciary responsibility; and KPU's risk management framework and process.	<i>Recommendation accepted. KPU's existing formal Board orientation will be updated and fully documented by June 30<sup>th</sup>, 2015.</i>
MNP-20	KPU's Board should receive and review regular reports of the University's performance against its strategic objectives, including analyses of deviations from objectives and KPU's intended response.	<i>Recommendation accepted. KPU has refined and improved its reports to the Board since adoption of the strategic plan in June, 2013. This will continue, with a</i>

		<i>full report provided to the Board every 6 months.</i>
MNP-21	Give the President's direct responsibility for risk management, overseen by the Board, the operational responsibility for risk management should be re-assigned directly to the President or in the alternate, to the Board. Accordingly, risk management staff should report directly to the President or the Board.	<i>The structure and functions of risk management at KPU are under review, for a decision by the Board by June 30<sup>th</sup>, 2015</i>
MNP-22	Using the ISO31000 risk management framework, KPU should develop a comprehensive risk register as soon as possible, and use this register as the basis for regular reporting to the Board on the status of risks and KPUs programs to manage them.	<i>The structure and functions of risk management at KPU are under review, for a decision by the Board by June 30<sup>th</sup>, 2015</i>
MNP-23	KPU should formally assign responsibility for the Code of Conduct to a senior staff member, and this responsibility should include the development and delivery of an implementation plan as well as periodic review and updating of the Code.	<i>The Code of Conduct was finalized in November, 2014, with appropriate responsibilities assigned. An update will be provided to the Board by June 30<sup>th</sup>, 2015 and on a regular basis</i>
MNP-24	Using a well-established control framework (e.g. COSO Internal Control-Integrated Framework) KPU should assess, enhance and/or implement controls related to key financial areas and processes. These activities should include identification of key controls and control gaps in high priority processes for the University. Testing of such key controls should occur on a regular basis.	<i>Recommendation accepted. KPU will work with 3<sup>rd</sup> party auditors to develop and implement a framework by June 30<sup>th</sup>, 2015.</i>

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<sup>i</sup> SOFI – Statement of Financial Information.