

Audit Committee

AGENDA

September 13, 2016 – 6:30 pm

Meeting Location: Stormont Room, Board Office Administrative Building
225 Central Ave. West, Brockville, Ontario K6V 5X1

- School Board Members:** Jeremy Armer, John McAllister, David McDonald
- External Members:** Sheldon Black, Jay Woollven
- Administration:** Stephen Sliwa-Director of Education, Nancy Barkley-Superintendent of Business, Carole McKewen-Comptroller of Finance, Diana Kingston-Manager of Accounting Services, Lianne Webster-Recording Secretary
- Guests:** Line Robitaille-Regional Internal Audit Manager, David Coombs-Superintendent of Schools, Phil Dawes-Superintendent of District Alignment, Jeremy Hobbs-Superintendent of HR and Operational Services, Patti Whyte-Accountability & Alignment Officer, Allison Grange-Acting Manager of Communications, Dennis Koluk-Health & Safety Specialist, Brad Notman-Manager of Purchasing & Admin Services, Jim Guerin-Manager of ITS
- Regrets:** Susan Edwards-Superintendent of Schools

AGENDA ITEM		NOTES
A1	Call to Order	
A2	Approval of Agenda September 13, 2016 – Meeting No. 25	
A3	Conflict of Interest Declaration(s)	
A4	Approval of Minutes – OPEN SESSION June 14, 2016 – Meeting No. 24	OPEN SESSION Minutes Attached
A5	Regional Internal Audit <ul style="list-style-type: none"> • 2016-17 Regional Internal Audit Update <ul style="list-style-type: none"> ○ Revised Regional Internal Audit Mandate 	OPEN SESSION Report
A6	Move into CLOSED SESSION	
A7	Report from CLOSED SESSION	
A8	❖ Adjournment Next Meeting: November 7, 2016	

David McDonald
Chair, Audit Committee

Nancy McCaslin-Barkley
Superintendent of Business/Treasurer

UPCOMING AGENDA & ACTION ITEMS		TIMELINE
1.	Proposed Ministry Report to Board	November 2016
2.	2017-18 Meeting Dates	June 2017
3.	2016-17 External Audit Plan – Executive Summary	June 2017

Audit Committee
OPEN SESSION
MINUTES of June 14, 2016
Meeting No. 24

The meeting was held at the Upper Canada District School Board Office, 225 Central Avenue West, Brockville, Ontario.

- School Board Members:** Jeremy Armer, David McDonald, John McAllister, Jeff McMillan
- External Members:** Jay Woollven
- Administration:** Stephen Sliwa-Director of Education, Nancy Barkley-Superintendent of Business, Carole McKewen-Comptroller of Finance, Diana Kingston-Manager of Accounting Services, Lianne Webster-Recording Secretary
- Guests:** Andrew Newman-Lead Audit Engagement Partner (until 7:13pm), Line Robitaille-Regional Internal Audit Manager, Pasquale L'Orfano-Regional Internal Audit Team Member, Jennifer McDonald-Manager of Human Resources Operations (7:05-7:13 pm), Dennis Koluk-Health & Safety Specialist (7:52-8:09 pm)
- Regrets:** Sheldon Black (External Member), Krystyna Gagnon-Audit Senior Manager

A1	The meeting was called to order by David McDonald, Chair, at 6:32 p.m.
A2	<u>Approval of Agenda</u> Moved by J.McAllister, seconded by J.Armer, that the agenda for the June 14, 2016 Meeting No. 24 be approved. <p style="text-align: right;">Carried.</p>
A3	<u>Conflict of Interest Declaration(s)</u> No conflict of interest declarations were received.
A4	<u>Approval of Minutes – OPEN SESSION</u> Moved by J.Woollven, seconded by J.Armer, that the minutes for the April 12, 2016, Meeting No. 23 be approved. <p style="text-align: right;">Carried.</p>
A5	<u>2016-2017 Meeting Dates</u> <ul style="list-style-type: none"> • The Committee set the following meeting dates for 2016-17: <ul style="list-style-type: none"> ○ September 13, 2016 ○ November 7, 2016 ○ February 14, 2017 ○ April 11, 2017 ○ June 13, 2017
A6	<u>Move into CLOSED Session</u> Moved by J.Woollven, seconded by J.McAllister, that the Upper Canada District School Board Audit Committee move into Closed Session ~ June 14, 2016. <p style="text-align: right;">Carried.</p>
A7	<u>Rise and Report</u> The Upper Canada District School Board received reports and discussed the following: <ul style="list-style-type: none"> • External Audit – 2015-16 Audit Plan • Absences and Occasional Teachers Audit Final Report – Interim Status Report • UCDSB Policy Review and Update: Audit Committee Recommendations April 2016 • Regional Internal Audit Update <ul style="list-style-type: none"> ○ Backups and Data Management Audit • Draft UCDSB Wi-Fi Statement

Audit Committee
OPEN SESSION
MINUTES of June 14, 2016
Meeting No. 24

A8	<p><u>Regional Internal Audit</u></p> <ul style="list-style-type: none"> • L.Robitaille provided a verbal update regarding Ministry Memo B10 – Increasing Consistency Amongst Regional Internal Audit Teams dated May 26, 2016 <ul style="list-style-type: none"> ○ Recommendation to have two (2) engagements per year; currently completing one (1) per board; Regional Internal Audit Team (RIAT) may need to divide team members and reduce scope as required ○ Looking at aligning and standardizing across the province for all audit teams ○ Performance review document will be enhanced and Regional Internal Audit Manager (RIAM) will reach out to the Senior Business Officials for a review ○ Moving forward there will be post-audit feedback surveys <p>Moved by J.McAllister seconded by J.Armer, that the Upper Canada District School Board Audit Committee receives the verbal update from the Regional Internal Audit Manager. Carried.</p>
A9	<ul style="list-style-type: none"> ❖ Adjournment ❖ Next Meeting – September 13, 2016 <p>Moved by J.Woollven, seconded by J.Armer, that the Upper Canada District School Board Audit Committee adjourn at 8:20 pm. Carried.</p>

David McDonald
Chair, Audit Committee

Stephen Sliwa
Director of Education

DRAFT

**Audit Committee
OPEN SESSION
Report**

September 13, 2016 – 6:30 pm

Item A5	Regional Internal Audit
Purpose	<ul style="list-style-type: none"> • To provide the Audit Committee with an update from the Regional Internal Audit Manager.
Content	<ul style="list-style-type: none"> • A verbal update will be provided on the following: <ul style="list-style-type: none"> ○ 2016-17 Regional Internal Audit Update <ul style="list-style-type: none"> • Revised Regional Internal Audit Mandate ○ 2016:SB14 Update on the Internal Audit Leading Practice Repository
Appendices	A5a – 2016-17 Regional Internal Audit Update A5b - 2016:SB14 Update on the Internal Audit Leading Practice Repository
Recommendation	<p>THAT the Upper Canada District School Board Audit Committee receives the verbal update from the Regional Internal Audit Manager.</p> <p>THAT the Upper Canada District School Board Audit Committee accepts the revised Regional Internal Audit Mandate.</p>



**INTERNAL
AUDIT TEAM**
Ontario East

TO: Members of the Audit Committee, Upper Canada DSB
FROM: Line Robitaille, Regional Internal Audit Manager – Ontario East
DATE: September 7, 2016
SUBJECT: 2016-17 Regional Internal Audit Update

Mandate

As per Ministry guidelines, Regional Internal Audit Teams across the province have developed an internal audit mandate, which is posted on their Host Board's website.

Revisions have been made to the mandate since it was last presented to the Committee on September 15, 2015 to better align it with internal audit standards. The revised mandate has been appended to this memorandum for your review and reference.

Activities

As per the Ministry of Education's 2016:B10 memo, dated May 26, 2016, two engagements will be conducted at the Board during 2016-17. In addition, follow-up procedures for two audits will also be conducted.

Reporting Structure and Independence

Independence is an essential component to building public trust and preserving objectivity and integrity associated with the audit function. To ensure this independence, the RIAT reports functionally to the nine Audit Committees of the Ontario East region and administratively to the Senior Business Official of the Host Board. As such, the RIAT is not aware of any relationships with the Board that may be thought to bear on their independence.

Staffing and Professional Development

The RIAT consists of a team of two Internal Auditors, one Audit Senior and one Internal Audit Manager. It is the RIAT's objective to adequately staff the internal audit function in order to effectively perform its audit activities. We are pleased to report that all positions are currently filled with qualified staff. There have been no staffing changes since this report was presented to the Committee in September, 2015.

The professional designations held by the RIAT include: Certified Professional Accountant (CA, CMA and CGA) and Certified Internal Auditor (CIA). The governing bodies issuing the professional designations require that 40 hours of continuing professional development/education be completed on an annual basis. Some of the courses/conferences that members of the RIAT have attended this past school year include:

- IIA Fundamentals of IT Audit
- IIA Evidence & Professional Judgment
- IIA Evaluating Organizational Ethics
- CPA Getting “On Top” of Risk Management
- Ministry of Education Internal Audit Conference
- OASBO Finance/Internal Audit Conference



Regional Internal Audit Mandate

PURPOSE AND DEFINITION

The purpose of the regional internal audit team is to provide independent, objective assurance and consulting services designed to add value and improve the district school boards' operations in the Ontario East region. It helps the district school boards accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

ROLE

The regional internal audit activity is established by the Ministry of Education through the annual Grants for Student Needs funding. The oversight role of the Audit Committee of the Board of Trustees over the regional internal audit activity is established by Regulation 361/10.

PROFESSIONALISM

The regional internal audit activity will adhere to the Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the regional internal audit activity's performance.

AUTHORITY

The regional internal audit activity, with strict accountability for confidentiality and the safeguarding of records and information is authorized full, free and unrestricted access to any and all of the district school boards' records, physical properties, and personnel pertinent to carrying out any engagement. All school board employees are requested to assist the regional internal audit team in fulfilling its responsibilities. The regional internal audit team will also have free and unrestricted access to school board leaders and to the Audit Committee of the Board of Trustees.

ORGANIZATION

The internal audit function follows a regional model. The function consists of a Regional Internal Audit Manager responsible to district school boards in one of the eight regions in the province of Ontario as identified by the Ministry of Education. The Regional Internal Audit Manager will report functionally to their regional audit committees of the Boards of Trustees and administratively are supported by a host school board Senior Business Official. Every effort is made to adequately staff the internal audit function, within available financial resources, in order to perform its audit activities.

Each Audit Committee of the Board of Trustees will for their Board:

- Approve the regional internal audit mandate;
- Recommend for approval the risk based internal audit plan;
- Receive information from the Regional Internal Audit Manager about the internal audit activity performance to plan and other relevant matters;
- Inquire of the Regional Internal Audit Manager and the Senior Business Official whether there are resource or scoping limitations; and
- Review annually the performance of the regional internal audit activity and provide the Board of Trustees with their comments regarding the performance of the Regional Internal Audit Manager.

The Regional Internal Audit Manager will interact directly with the Audit Committee of the Board of Trustees, including in-camera sessions and between audit committee meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY

The regional internal audit activity will remain free from interference by any element in the district school board including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

Regional internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair judgment.

Regional internal auditors will exhibit the highest standards of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Regional Internal Audit Manager will confirm to the Audit Committee of the Board of Trustees, at least annually, the organizational independence of the internal audit activity.

RESPONSIBILITY

The scope of work of the regional internal audit team encompasses but is not limited to:

- Evaluating risk exposure relating to the achievement of the district school board's strategic objectives;
- Evaluating the reliability and integrity of information and the means used to identify measure, classify and report information;
- Evaluating the systems which ensure compliance with policies, procedures, applicable laws and regulations which impact the district school board;
- Evaluating whether resources are acquired economically, used efficiently, and are adequately protected;
- Evaluating operations and processes to ascertain whether results are consistent with established objectives and whether processes are functioning as planned;
- Performing consulting and advisory services or assessments of specific operations as requested by the Audit Committee of the Board of Trustees or district school board management as appropriate;
- Evaluating the effectiveness of the district school board's risk management and governance processes;
- Reporting periodically on the regional internal audit performance against plans; and
- Reporting significant risk exposures and control issues, including fraud risks, governance issues and other matters requested by the Audit Committee of the Board of Trustees.

INTERNAL AUDIT PLAN

Annually, the Regional Internal Audit Manager will submit to district school board management and to the Audit Committee of the Board of Trustees an internal audit plan for recommendation to their Board of Trustees for approval. If there are any resource limitations or interim changes, these will be communicated.

The internal audit plan will be developed based on a prioritization of the internal audit universe using a risk based methodology which includes input of district school board management. The Regional Internal Audit Manager will review and adjust the plan as required in response to changes in the risk profile. Any significant deviation from the approved internal audit plan will be communicated through periodic status reports. The Regional Internal Audit Manager or any of his or her team may initiate and conduct any other audit or review deemed necessary for potential illegal acts, fraud, abuse, or misuse of funds. Reasonable notice shall be given to appropriate personnel of intent to audit in their areas except when conditions warrant an unannounced audit.

REPORTING AND MONITORING

Opportunities for improving internal control may be identified during audits. A written report will be issued by the Regional Internal Audit Manager at the conclusion of each audit and will be distributed according to the school board's requirements. (This could include the head of the audited activity or department, the director of education, the audit committee and the external auditor of the district school board.)

Each report will describe opportunities to strengthen district school board risk, internal control and governance processes and conclude on the adequacy and effectiveness of the processes. The district school board management will provide action plans and timelines to address each opportunity (observation). The regional internal audit team is responsible to perform appropriate follow-up procedures to attest to the completion of action plans. Significant observations will remain in an open issue status until cleared.

QUALITY ASSURANCE

The regional internal audit team will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and conformance with the International Standards for the Professional Practice of Internal Auditing.

The Regional Internal Audit Manager will communicate to district school board management and the Audit Committee of the Board of Trustees on the internal audit activity's quality assurance and improvement program, including the results of ongoing internal assessments and external assessments conducted as appropriate, usually on a five year cycle.

Regional Internal Audit Manager

Audit Committee Chair

Director of Education

Dated

DEFINITION OF SELECTED TERMS

Add Value	Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.
Advisory/Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed to with the client and which are intended to add value and improve a school board's governance, risk management and control processes without the regional internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
Assurance	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Results can be relied upon for supporting informed decision making.
Board of Trustees	A legislative body that that has overall responsibility and accountability for the district school board. For purposes of this Mandate, this also includes committees that support the Board of Trustees including the audit committee.
Compliance	Conformity and adherence to policies, plans, procedures, laws, regulations, contracts or other requirements.
Control Environment	The attitude and actions of the Board of Trustees and district board management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements: <ul style="list-style-type: none"> <input type="checkbox"/> Integrity and ethical values. <input type="checkbox"/> Management's philosophy and operating style. <input type="checkbox"/> Organizational structure. <input type="checkbox"/> Assignment of authority and responsibility. <input type="checkbox"/> Human resource policies and practices. <input type="checkbox"/> Competence of personnel.
Control/Internal Controls	<p>Any action taken by district board management and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.</p> <p>The system of management controls (business plans, capturing and analyzing data, performance reporting, code of conduct, etc.) that are implemented within a school board to ensure that assets (human, physical and information) are protected and to provide reasonable assurance that its objectives can be achieved.</p>

Control Processes	The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.
Fraud	Any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.
Governance	The combination of processes and structures implemented by the Board of Trustees in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.
In-camera	A separate discussion between members of the Audit Committee and the <i>(insert title here)</i> promoting open communication and discussion of any sensitive issues or problems.
Independence	The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.
Objectivity	An unbiased mental attitude that allows regional internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires regional internal auditors to not subordinate their judgment on audit matters to that of others.
Risk	Effect of uncertainty on objectives or outcomes.
Risk Management	A structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks an organization faces. Overall, it is about choices made under conditions of uncertainty, balanced by acceptable levels of risk.

Ministry of Education

School Business Support Branch
900 Bay Street
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Toronto, ON M7A 1L2

Ministère de l'Éducation

Direction du soutien aux activités
scolaires
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Toronto ON M7A 1L2

**2016: SB14**

MEMORANDUM TO: Senior Business Officials
Regional Internal Audit Managers

FROM: Cheri Hayward
Director
School Business Support Branch

DATE: **April 29, 2016**

SUBJECT: **Update on the Internal Audit Leading Practice
Repository**

In 2015: SB20, volunteers were requested to join a committee tasked with developing a tool to share with the sector leading practices identified through internal audits. This memorandum is intended to provide an update on the project.

I would like to thank all volunteers for their participation in the committee. These volunteers represent 15 boards (senior business officials, finance managers and board internal auditors), 6 regional internal audit teams (RIAT) and the Regional Internal Audit Coordinator. This reflects a strong desire in the sector for sharing leading practices.

Pilot

The repository will be piloted with the leading practices of a single process from the standard audit universe. The committee has selected the payroll process.

The pilot will be available to the sector by September 2016. To participate, payroll leading practices should be submitted by August 1, 2016 using the process specified below.

Once the pilot is successfully implemented, the repository will be expanded to include all processes in the school board audit universe.

Submission Process

A standard template should be used to document leading practices, which will be provided to senior business officials (SBO) and regional internal audit managers (RIAM) when available.

The process to submit a leading practice for inclusion in the repository is as follows:

- Internal auditors (regional or board) will populate the template. Each leading practice identified should be included in a separate document. As agreed upon by COSBO, information to be captured includes the school board's name.
- The relevant board's SBO must approve each leading practice.
- All approved documents will be sent to the Ministry, translated into English (if required) and forwarded to a professional writer who will review each leading practice for clarity. Please send your approved documents to Paula Hatt, Senior Analyst, Audit at paula.hatt@ontario.ca.
- Reviewed documents will be translated and converted to PDF, with both English and French versions posted to the repository.

The repository will be hosted on a password protected website. Further details will be shared when available. Access will be provided to all SBOs and RIAMs. SBO approval will be required for board internal auditors and finance managers to gain access.

Eligible Leading Practices

All leading practices identified through internal audits undertaken by RIATs or board internal auditors are eligible to be included in the repository, including exemplary practices and recommendations or action plans made in response to findings. All completed templates approved and submitted will be included in the repository.

To keep the repository current, it will include practices from audits completed in 2014-15 and beyond. Specific practices from earlier years may be selected if all relevant parties agree.

I encourage you to support the repository by sharing your board's leading practices. Participation is critical in creating a tool that meets the sector's needs.

For any questions relating to the repository, please contact Paula Hatt at paula.hatt@ontario.ca or 416-326-1170.

Original signed by

Cheri Hayward
Director
School Business Support Branch

cc: Dan Duszczyzyn, Regional Internal Audit Coordinator

**Audit Committee
OPEN SESSION**

September 13, 2016 – 6:30 pm

Item A6	Move into CLOSED SESSION
Recommendation	THAT the Upper Canada District School Board Audit Committee moves into CLOSED SESSION ~ September 13, 2016

**Audit Committee
OPEN SESSION**

September 13, 2016 – 6:30 pm

Item A7	REPORT FROM CLOSED SESSION
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Item A8	ADJOURNMENT
Recommendation	THAT the Upper Canada District School Board Audit Committee adjourn ~ September 13, 2016