

Audit Committee

AGENDA

September 19, 2017 – 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 (via telephone), David McDonald
- External Members:** Sheldon Black
- Administration:** Stephen Sliwa-Director of Education, Nancy Barkley-Superintendent of Business, Carole McKewen-Comptroller of Finance, Lianne Webster-Recording Secretary
- Guests:** Line Robitaille-Regional Internal Audit Manager, Valerie Allen-Superintendent of Schools, Jodie Barrett-Superintendent of Schools, Ron Ferguson-Superintendent of Schools, Jeremy Hobbs-Superintendent of HR and Operational Services
- Regrets:** None

AGENDA ITEM		NOTES
A1	Call to Order	
A2	Approval of Agenda September 19, 2017 – Meeting No. 30	
	Election of Chair	OPEN SESSION Information, By-Law and Nomination Form
A3	Conflict of Interest Declaration(s)	
A4	Approval of Minutes – OPEN SESSION June 13, 2017 – Meeting No. 29	OPEN SESSION Minutes Attached
A5	Regional Internal Audit • Regional Internal Audit Activities Update	OPEN SESSION Report
A6	Move into CLOSED SESSION	
A7	Report from CLOSED SESSION	
A8	❖ Adjournment Next Meeting: November 6, 2017	

David McDonald
Chair, Audit Committee

Nancy McCaslin-Barkley
Superintendent of Business/Treasurer

UPCOMING AGENDA & ACTION ITEMS		TIMELINE
1.	2018-19 Meeting Dates	June 2018
2.	2017-18 External Audit Plan – Executive Summary	June 2018
3.	Election of Chair	September 2018

Audit Committee
OPEN SESSION
Election of Chair

September 19, 2017 – 6:30 pm

Information

The Election of Chair will be presided over by Nancy Barkley, Superintendent of Business.

A sample nomination form has been included with the agenda package. Nomination forms will be available for completion on the evening of the meeting. Please ensure they are completed in full, signed and submitted directly to the Recording Secretary, Lianne Webster no later than 6:30 pm.

The Election of Chair By-Law 4.30 is provided below for reference.

Excerpt from the By-Laws of the Upper Canada District School Board

Election of Chair 4.30

Each member present shall vote in the election of the Chair, with the election being conducted in the following manner:

1. The nomination of each candidate for the position of Chair shall be in writing with the consent of the nominee, shall not require a second and self-nomination is permitted.
2. If, when nominations have been closed, there is one candidate, the candidate shall be declared Chair for the year and shall assume the duties of Chair.
3. If, when nominations have been closed, there is more than one candidate, an election by ballot shall be held to determine who shall be Chair for the year.
4. Nominees will be permitted to address the Board for no more than three minutes. The speaking order will be determined by the order in which the nominations were received.
5. In the case of an election, the presiding officer shall appoint two (2) scrutineers from administration.
6. The successful candidate must receive a clear majority of the votes cast.
7. In the event a Chair is not elected on the first ballot, the following procedure shall be followed:
 - a) the candidates shall draw lots if a clear majority is not attained (*when there are only two candidates; see 4.35 Lottery Process below*)
 - b) Where there are more than two candidates:
 - i) a second ballot shall be taken if a clear majority is not attained for any reason;
 - ii) the candidate with the least number of votes on the first ballot shall be dropped from the second ballot; and
 - iii) in the event that there is a tie for the least number of votes, all candidates tied shall be dropped from the second ballot except where such action will reduce the number of candidates to less than two (2), in which event the candidate or candidates to remain on the ballot shall be determined by lot.

4.35 Lottery Process

In the event of a tie-vote, a lottery shall be conducted as follows:

- i) A number of folded pieces of paper (4 times the number of candidates), one of which shall be marked, will be placed in a receptacle and the candidates shall draw in alphabetical order.
- ii) If there is not a winner on the first draw, a second draw will be made with the candidate who drew second on the previous draw drawing first, and the candidate who drew first on the previous draw drawing last, this rotation in drawing to continue until a winner has been declared.

**Audit Committee
OPEN SESSION
Election of Chair**

September 19, 2017 – 6:30 pm

**Nomination Form
for the
Position of Chair
Audit Committee
2017-2018**

I, nominate

.....

for the position of Chair of the Audit Committee of the Upper Canada District School Board.

CONSENT OF NOMINEE:

.....

Signature

Audit Committee
Minutes of June 13, 2017
OPEN SESSION
Meeting No. 29

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

- School Board Members:** Jeremy Armer, John McAllister, David McDonald
- External Members:** Sheldon Black
- Administration:** Stephen Sliwa-Director of Education Nancy Barkley-Superintendent of Business, Carole McKewen-Comptroller of Finance, Lianne Webster-Recording Secretary
- Guests:** Andrew Newman-Lead Audit Engagement Partner KPMG, Krystyna Gagnon-Audit Senior Manager KPMG, Line Robitaille-Regional Internal Audit Manager, Jeremy Hobbs-Superintendent of HR and Operational Services, Diana Kingston-Manager of Accounting Services, , Brad Notman-Manager of Purchasing & Admin Services, Dennis Koluk-Health & Safety Specialist, David Coombs-Superintendent of Schools (via telephone)
- Regrets:** None

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 J.Armer, that the agenda for the June 13, 2017 Meeting No. 29 be approved. <p 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.Armer, seconded by S.Black, that the minutes for April 11, 2017, Meeting No. 28 be approved. <p align="right">Carried.</p>
A5	<u>2017-18 Meeting Dates</u> <ul style="list-style-type: none"> • The Committee set the following meeting dates for 2017-18: <ul style="list-style-type: none"> ○ September 19, 2017 ○ November 6, 2017 ○ February 13, 2018 ○ April 10, 2018 ○ June 12, 2018 <p>Moved by J.Armer, seconded by S.Black, that the Upper Canada District School Board Audit Committee set the meeting dates for 2017-18. <p align="right">Carried.</p></p>
A6	<u>External Member Recruitment</u> <ul style="list-style-type: none"> • N.Barkley updated the Committee regarding the external member recruitment. • Ads are running the week of June 12th with closing date of June 22nd • Anticipate interviews being held the last week of June
A7	<u>Move into CLOSED Session</u> Moved by J.McAllister, seconded by S.Black, that the Upper Canada District School Board Audit Committee move into Closed Session ~ June 13, 2017. <p align="right">Carried.</p>

Audit Committee
Minutes of June 13, 2017
OPEN SESSION
Meeting No. 29

A8	<p><u>Rise and Report</u></p> <p>The Upper Canada District School Board received reports and discussed the following:</p> <ul style="list-style-type: none"> • 2016-17 External Audit Plan • Monitoring 2016-17 High Risk Policies • Regional Internal Audit Update <ul style="list-style-type: none"> ○ Facility Operations Management – Follow-up on Audit ○ Review of UCDSB School Generated Funds (SGF) and Enrolment Audit Programs ○ 2017-2020 Multi-year Plan
A9	<p><u>2016-17 External Audit Plan – Executive Summary</u></p> <ul style="list-style-type: none"> • Chair McDonald presented the 2016-17 External Audit Plan – Executive Summary on behalf of KPMG <p>Moved by S.Black, seconded by J.McAllister, that the Upper Canada District School Board Audit Committee adopts the 2016-17 External Audit Plan – Executive Summary.</p> <p align="right">Carried.</p>
A10	<ul style="list-style-type: none"> ❖ Adjournment ❖ Next Meeting – September 19, 2017 <p>Moved by S.Black, seconded by J.McAllister, that the Upper Canada District School Board Audit Committee adjourn at 8:23 pm.</p> <p align="right">Carried.</p>

David McDonald
Chair, Audit Committee

Stephen Sliwa
Director of Education

**Audit Committee
OPEN SESSION
Report**

September 19, 2017 – 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"> ○ 2017-18 Regional Internal Audit Activities Update
Appendices	A5 – 2017-18 Regional Internal Audit Activities Update
Recommendation	THAT the Upper Canada District School Board Audit Committee accepts the 2017-18 Regional Internal Audit Activities Update.



TO: Members of the Audit Committee, Upper Canada DSB
FROM: Line Robitaille, Regional Internal Audit Manager – Ontario East
DATE: September 19, 2017
SUBJECT: 2017-18 Regional Internal Audit Activities 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. No changes have taken place with this mandate since it was presented to the Committee in September, 2016. The mandate has been appended to this memorandum for your review and reference.

Annual Plan

As per the Ministry of Education's 2016:B10 memo, dated May 26, 2016, two engagements will be conducted at the Board during 2017-18. In addition, follow-up procedures for two audits will 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 Regional Internal Audit Team – Ontario East (hereafter 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 last presented to the Committee.

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:

- CPA Better Understanding of Risk Management
- IIA Relationships, Interpersonal Skills, Becoming a Trusted Advisor
- CPA Fearless Public Speaking and Communications Mastery
- 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.

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	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>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.

**Audit Committee
OPEN SESSION**

September 19, 2017 – 6:30 pm

Item A6	Move into CLOSED SESSION
Recommendation	THAT the Upper Canada District School Board Audit Committee moves into CLOSED SESSION ~ September 19, 2017

**Audit Committee
OPEN SESSION**

September 19, 2017 – 6:30 pm

Item A7	REPORT FROM CLOSED SESSION
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**Audit Committee
OPEN SESSION**

September 19, 2017 – 6:30 pm

Item A8	ADJOURNMENT
Recommendation	THAT the Upper Canada District School Board Audit Committee adjourn ~ September 19, 2017