



NOTICE OF MEETING

AUDIT COMMITTEE

Wednesday, 25 September 2019
Trustees' Committee Room
7:00 p.m. Public
In Camera to Follow

COMMITTEE MEMBERS:

Mark Fisher
Trustee, Zone 11

Sandra Schwartz
Trustee, Zone 12

Keith Penny
Trustee, Zone 8

EXTERNAL MEMBERS:

Erik Husband

Annik Blanchard

DISTRIBUTION:

All Board Members
Senior Administration
Auditor

If you would like further information on this agenda please contact:
Nicole Guthrie, Senior Board Coordinator, Board Services, at 596-8211, ext. 8643, or
nicole.guthrie@ocdsb.ca

ABOUT AUDIT COMMITTEE:

- The Audit Committee recommends annual internal and external audit plans to the Board; receives and reviews the resulting internal audit reports; receives the reports of the audits of individual schools/operations and use of Board-allocated and school-generated funds; receives the report from the External Auditor on any finding commented on during the annual audit, and the management responses thereto; and oversees the selection of the external auditor and recommends the appointment of the external auditor to the Board.
- The Audit Committee shall meet before the end of January each year and at the call of the Chair of the Committee. You may confirm dates and start times on the Board's web site.
- The Audit Committee shall meet in private when internal control issues are discussed to ensure the Board's assets are not inadvertently put at risk.

ABOUT THE AUDIT COMMITTEE AGENDA:

- The Ottawa-Carleton District School Board posts complete standing committee and Special Education Advisory Committee agendas and reports on the website on the Friday, at least ten days prior to the scheduling of the meeting.
- In most instances, staff names have been included on the agenda for contact purposes should you have any questions prior to the meeting.
- If you would like further information on this Agenda or how the Committee meeting works, please contact Nicole Guthrie, Committee Coordinator, at 613-596-8211, extension 8643 or (613) 596-8211 ext. 8643

PURPOSE OF IN CAMERA MEETINGS:

- Under provincial law, *"A meeting of a committee of a board, including a committee of the whole board, may be closed to the public when the subject-matter under consideration involves*
 - (a) *the security of the property of the board;*
 - (b) *the disclosure of intimate, personal or financial information in respect of a member of the board or committee, an employee or prospective employee of the board or a pupil or his or her parent or guardian;*
 - (c) *the acquisition or disposal of a school site;*
 - (d) *decisions in respect of negotiations with employees of the board; or*
 - (e) *litigation affecting the board."*

AUDIT COMMITTEE PUBLIC AGENDA

Wednesday, September 25, 2019, 7:00 pm

Trustees' Committee Room

133 Greenbank Road

Ottawa, Ontario

Pages

1. Call to Order
2. Approval of Agenda
3. Delegations
4. Superintendent's Report
5. Matters for Action
 - 5.1 Review of Audit Committee Report
 - a. 22 May 2019 1
 - b. Business Arising
 - 5.2 Report 19-075, External Auditor's Audit Plan for the 2018-2019 Year-End Audit (M.Carson, ext. 8881) 7
 - 5.3 Report 19-073, 2018-2019 Annual Report on Internal Audit Activity (M. Carson, ext. 8881) 55
 - 5.4 Report 19-074, Audit Committee Annual Report for 2018-2019 (M.Carson, ext. 8881) 63
6. Matters for Discussion
 - 6.1 Report 19-084, Strategic Enterprise Risk Management Update (M. Carson, ext.8881) 69
 - 6.2 Memo 19-094 Regional Internal Audit Team Evaluation Process for 2018-2019 (M. Carson, ext. 8881) 81
 - 6.3 Memo 19-097 Cyber Insurance Coverage 87

7. Information Items

7.1 Long Range Agenda

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8. New Business

9. Adjournment



AUDIT COMMITTEE REPORT (PUBLIC)

Wednesday, May 22, 2019
7:00 pm
Trustees' Committee Room
133 Greenbank Road
Ottawa, Ontario

Members: Sandra Schwartz (Trustee), Mark Fisher (Trustee), Keith Penny (Trustee), Erik Husband (External Member)
Staff and Guests: Lynn Scott (Trustee), Camille Williams-Taylor (Director of Education), Michael Carson (Chief Financial Officer), Kevin Gardner (Manager of Financial Services), Sandra Lloyd (Manager of Risk and Supply Chain Management), Genevieve Segu (Regional Internal Audit Manager), Gord Champagne (Senior Regional Internal Auditor), Nicole Guthrie (Board/Committee Coordinator)

1. Call to Order

Trustee Schwartz called the public session to order at 7:03 p.m and acknowledged that the meeting is taking place on unceded Algonquin Territories and thanked the Algonquin Nations for hosting the meeting on their land.

2. Approval of Agenda

Moved by Trustee Penny

THAT the agenda be approved.

Carried

3. Delegations

There were no delegations.

4. Superintendent's Report

Chief Financial Officer (CFO) Carson shared that the senior team will meet to discuss the Strategic Enterprise Risk Management (SERM) framework. Jan Mattingly, Risk Management Advisor, will work with staff to review the concepts and next steps.

CFO Carson advised that on 21 May 2019 Premier Doug Ford announced that funding would be made available to large municipalities and school boards to review their budgets to find savings. He added that the District is awaiting further details.

CFO Carson noted that the District would present the 2019-2020 Staff Recommended Budget on 29 May 2019. He added that staff are confident the recommended budget will permit the District to operate at a similar level of service in 2019-2020 but advised that ongoing reductions in revenue will necessitate an earlier start to the budget deliberations for the 2020-2021 budget year.

Mr. Husband queried the choice of the International Standards Organization (ISO) 31000 model over the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, CFO Carson noted that Ms. Mattingly was involved in the development of the ISO 31000 model and that it was customized for Ontario School Districts.

Mr. Husband commented that he was pleased to see reference to SERM in the 27 March 2019 Audit Report. He expressed confidence that the District is headed in the right direction.

5. Matters for Action

5.1 Review of Audit Committee Report

a. 27 March 2019

Moved by Trustee Penny,

THAT the Audit Committee report dated 27 March 2019 be received.

Carried

b. Business Arising

There was no business arising from the report.

6. Matters for Discussion

6.1 Report 19-040, 2018-2019 Updated Financial Forecast (February)

Your committee had before it Report 19-040, 2018-2019 Updated Financial Forecast, providing information on the District's 2018-2019 Updated Financial Forecast as of 28 February 2019.

CFO Carson advised that the Ministry has announced transitional support for transportation in 2019-2020 and suggested that the funding formula will be reviewed. The funding for 2019-2020 is set at the current years' deficit plus 4%. The amount of funding to offset the deficit is based on the District's performance in the effectiveness and efficiency reviews and the District anticipates receipt of the maximum entitlement.

In response to a query from Trustee Penny, staff advised that the increase of the occasional teacher costs by \$2.9 million was identified in the forecast.

Staff advised that the legal provision to address potential costs relating to legal claims is approximately \$4.5 million.

6.2 Report 19-046, Student/Visitor Incidents Reported to OSBIE

Your committee had before it Report 19-046 providing a summary report on the various types and the number of student/visitor incidents reported to the District's insurer, the Ontario School Board Insurance Exchange (OSBIE) for the period 1 September 2017 to 31 August 2018.

Incident reports are submitted to OSBIE to inform the insurer of incidents that have occurred that may result in potential claims. Risk management staff also reviews the information with follow-up with principals and other departments to assist in the mitigation of further incidents.

During discussion and in response to questions, the following points were noted:

- Trustee Fisher queried whether or not the severity of the injury is noted. Staff advised that in some cases, severity will be recorded. Incidents may be updated with further details as the school receives confirmation of the injury. When detailed information of incidents are confirmed after the initial reporting, updates are provided to OSBIE;
- Staff advised that the category listed as "other", is input by school staff. Items typically not listed as a cause are input as other. A comment box enables staff to annotate the other;
- Staff had previously been recording every incident, but the requirement is only to report if an ambulance is called or medical attention is sought. This has resulted in a decrease in the number of reported incidents. However, the risk management training provided to staff has also contributed to the reduction;
- Mr. Husband shared that he was pleased to note the trend was towards an overall decrease in the number of incidents reported; however, he queried whether or not the District had a target for further reductions. Staff is working with the Employee Wellness division to ensure the safety of personnel is improved in the same area. Staff noted that it would be difficult to improve in the area of sport-related incidents given the nature of sport. Slips and falls are an area the District can expect further improvement and staff are optimistic the pilot project of salt use during the 2018-2019 school year will show up in the comparison of 2018-2019 to 2017-2018;
- Mr. Husband suggested the report highlight comparisons with other school boards;
- Trustee Fisher expressed the view that a blended report comparing staff incidents, especially those within the classroom, with that of student/visitor incidents would be of value. Staff is working with the Human Resources department to provide a comparison. A hazard is a hazard, regardless of

who is impacted. There may be some common aspects related to injury, but some categories may not have a comparator; and

- Chair Schwartz recommended that Appendix B note comparisons to previous years.

7. Information Items

7.1 Long Range Agenda

The long range agenda was provided for information.

Mr. Husband expressed appreciation for the new format and noted the importance of the document to ensure all the elements required under the Act are met. CFO Cason advised that he would review the long range agenda to reflect the status of each element.

7.2 Information from the Regional Internal Audit Manager

Ms. Segu, Regional Internal Audit Manager, noted that she began in mid-January 2019 and has spent the first several months deepening her understanding of the role and function of the Regional Internal Audit Team (RIAT) in the Ontario East region and familiarizing herself with the nine school boards that make up the portfolio.

Ms. Segu noted that conversations with the Human Resources department had been undertaken to begin the audit of attendance support. Using a data visualization tool from Deloitte, the RIAT plans to map the results of the attendance support audit into an informative report. The audit will focus on the process, and the Deloitte tool will help the RIAT team make comparisons with other boards. She added that the field work for the audit would be completed by August and the RIAT may be in a position to report in September 2019.

Ms. Segu noted that the RIAT intends to provide the Audit Committee with a report regarding the follow-up of the audits on health and safety, continuing education and school council funds in September 2019. The RIAT is reassessing the relevance of the recommendations noting that processes and systems may have changed and may no longer be applicable. She added that the RIAT will provide follow-up reporting to the Audit Committee on a more regular basis in the future.

Ms. Segu advised that the RIAT will align the work of the risk assessment with the timeline of the District's work plan for SERM. She noted that the school boards have suggested that one audit be conducted across the nine boards allowing the boards to benchmark results and make comparisons.

Ms. Segu noted that she is in the process of acquiring a data analytics tool to enable full data analytic audits offsite.

Trustee Fisher expressed the view that facilities and fleet management and revenue and expenditure management are areas of concern to the District

and hoped to see them added to the audit plan. Ms. Segu responded that until the SERM has been implemented or the RIAT has had an opportunity to conduct a risk assessment she could not advise whether these would be priority areas or not.

Mr. Champagne noted that the last audit of facilities was conducted in 2012 and that it may be reviewed again.

In response to a query from Trustee Fisher regarding the scheduling of audits, Ms. Segu responded that the RIAT works with senior staff in advance of the risk assessment to gather information and input prior to the audit's commencement to avoid duplication of effort.

8. New Business

There was no new business.

9. Adjournment

The public meeting adjourned at 7:59 p.m.

Sandra Schwartz, Chair, Audit Committee



AUDIT COMMITTEE Report No. 19-075

25 September 2019

External Auditor's Audit Plan for the 2018-2019 Year-End Audit

Key Contact: Michael Carson, Chief Financial Officer, (613) 596-8211 ext. 8881

PURPOSE:

1. To seek Audit Committee approval of KPMG LLP's plan for the audit of the 2018-2019 Consolidated Financial Statements.

CONTEXT:

2. The *Education Act* requires that school boards prepare audited financial statements. The external auditor engages with Audit Committee as part of the audit planning process.

Ontario Regulation 361/10, Audit Committees requires that Audit Committee make a recommendation to the Board on the content of the external auditor's audit plan and on all proposed major changes to the plan.

KEY CONSIDERATIONS:

3. The *Education Act* requires that school boards prepare financial statements. Management is responsible for preparing and presenting the statements in accordance with requirements and standards which include Canadian public sector accounting standards. In addition, the financial statements must be audited by an external auditor who is licensed under the *Public Accountancy Act*. The purpose of the audit is to allow the external auditor to express an opinion on whether the District's financial statements are, in all material respects, in accordance with the established financial reporting framework.

Each year, the external auditor meets with Audit Committee and discusses the engagement letter and audit plan to ensure that members of Audit Committee are aware of the purpose, extent and limitations of the annual financial statement audit. The engagement letter and audit plan are attached as appendices A and B, respectively. The information presented in these documents assists committee members in understanding the audit process and financial statements.

RESOURCE IMPLICATIONS:

4. The expected cost of the year-end audit is provided for in the annual budget.

COMMUNICATION/CONSULTATION ISSUES:

5. The external auditor's attendance at the meeting provides the opportunity for members of Audit Committee to raise any issues or areas of concern that may need to be addressed in the audit. The external auditor meets with various members of the senior management team including the Director of Education, Superintendent of Human Resources and Chief Financial Officer during the audit. In addition, Finance, Business and Learning Technologies and Facilities staff are consulted to obtain information necessary to form an audit opinion.

STRATEGIC LINKS:

6. An effectively functioning Audit Committee and approach to risk management is a key component of a focus on sustainably allocating resources. Audit Committee's engagement with the external auditor establishes an understanding of the purpose, extent and limitations of the annual financial statements and provides an opportunity for members to consider the audit plan in relation to risk.

RECOMMENDATION:

THAT KPMG LLP's plan for the audit of the 2018-2019 Consolidated Financial Statements be approved.

Michael Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and
Secretary of the Board

APPENDICES

Appendix A – KPMG LLP Engagement Letter
Appendix B – KPMG LLP Audit Planning Report



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150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
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Telephone 613-212-5764
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Mr. Michael Carson
Chief Financial Officer
Ottawa-Carleton District School Board
133 Greenbank Road
Nepean, Ontario
K2H 6L3

September 25, 2019

Dear Mr. Carson:

The purpose of this letter is to outline the terms of our engagement to audit the consolidated annual financial statements ("financial statements") of the Ottawa-Carleton District School Board ("the Entity"), commencing for the period ending August 31, 2019.

This letter supersedes our previous letter to the Entity dated September 4, 2018. The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

Financial Reporting Framework for the Financial Statements

The annual financial statements will be prepared and presented in accordance with a basis of accounting described in the notes to the financial statements (hereinafter referred to as the "financial reporting framework").

The annual financial statements will include an adequate description of the financial reporting framework.

Management's Responsibilities

Management responsibilities are described in Appendix A – Management's Responsibilities.

An audit does not relieve management or those charged with governance of their responsibilities.

Auditor's Responsibilities

Our responsibilities are described in Appendix B – Auditor's Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.



Auditor's Deliverables

The expected form and content of our report(s) is provided in Appendix C – Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the financial statements after we have issued our audit report, but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity, to prevent further reliance on our audit report. Such steps include, but may not be limited to, appropriate disclosures by the Entity to the users of the financial statements and audit report thereon of the newly discovered facts and the impact to the financial statements.

Our deliverables regarding income tax compliance and advisory services are described in Appendix – Income Tax Compliance and Advisory Services.

Additional Responsibilities regarding "Other Information"

"Other information" is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditors' report thereon) included in the "annual report". An "annual report" is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditors' report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on the Entity's:
 - operations; and/or
 - financial results and financial position as set out in the financial statements.
 - Based on discussions with management, there are no reports expected to meet the definition of an "annual report" under professional standards.

Fees

Appendix D – Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.



We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

Rob J. Clayton, CPA, CA

Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

613-212-3601

Enclosure

cc: Audit Committee

The terms of the engagement for Ottawa-Carleton District School Board are set out as agreed:

Michael Carson, Chief Financial Officer

Date (dd/mm/yy)



Appendix A – Management’s Responsibilities

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.
- (b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the financial statements. All significant actions are to be included in such summaries.
- (c) providing us with unrestricted access to such relevant information.
- (d) providing us with complete responses to all enquiries made by us during our engagement.
- (e) providing us with additional information that we may request from management for the purpose of the engagement.
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.
- (g) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (h) ensuring that all transactions have been recorded and are reflected in the financial statements.
- (i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.
- (j) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.



Appendix B – Auditor’s Responsibilities

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable “professional standards”).

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.



Appendix C – Expected Form of Report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Ottawa-Carleton District School Board

Opinion

We have audited the consolidated financial statements of the Ottawa-Carleton District School Board (the "Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2019, and its consolidated results of operations, its change in net debt and its cash flows for the year then ended in accordance with the basis of accounting described in note 1(a) to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1(a) to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.



Appendix C – Expected Form of Report (continued)

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in note 1(a) of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



Appendix C – Expected Form of Report (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

(date)

Ottawa, Canada



Appendix D – Fees for Professional Services

Our fees for this engagement will be based on the complexity of the issues and the time required of the individuals who will be performing the services, and will be billed, as the work progresses. The Entity and KPMG agree to fees, before HST, based on our proposal dated April 24, 2012 quoting:

Service	Fees for the year-ended August 31, 2019
Audit of the consolidated financial statements of the Ottawa-Carleton District School Board	\$79,000
Audit of the Ottawa-Carleton District School Board School Generated Funds and the additional audit work over the School Council Funds (subsequent to proposal)	\$17,000
Total fees	\$96,000

Interest on overdue invoices as described in the terms and conditions ("Fee Arrangements") shall be 1% per month, calculated and compounded monthly (effective annual rate of 12.683%).

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm's HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG within 30 days of receipt.

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of Entity.

1. DOCUMENTS AND LICENSES.

- a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.
- b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that KPMG may list Entity as a customer in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "Client is an Audit, Advisory, and/or Tax client of KPMG LLP").

2. ENTITY'S RESPONSIBILITIES.

- a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.
- b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity's failure to deliver documents and information as required.
- c. To the extent that KPMG personnel are on Entity's premises, Entity will take all reasonable precautions for their safety.
- d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.
- e. Except as required by applicable law or regulation, Entity shall keep confidential the terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission.
- f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings.

3. FEE AND OTHER ARRANGEMENTS.

- a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues.
- b. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee. Our professional fees are also subject to an additional charge to cover information technology infrastructure costs and administrative support of our client service personnel. Disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.
- c. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.

- d. Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in the Engagement Letter.
- e. Canadian Public Accountability Board ("CPAB") participation fees, when applicable, are charged to Entity based on the annual fees levied by CPAB.

4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

- a. KPMG is a member firm of the KPMG International Cooperative ("KPMG International"). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity's confidential information and personal information ("information"). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity's confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above.
 - b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information with its legal advisers and insurers for the purposes of obtaining advice.
 - c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity's information to offer services that may be of interest to Entity.
- #### 5. PERSONAL INFORMATION CONSENTS AND NOTICES.
- KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG's Privacy Officer noted in KPMG's privacy policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.

a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG or a foreign component auditor which has been engaged in connection with an assurance engagement ("component auditor") may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's or the component auditor's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG or its component auditor, as applicable, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG or its component auditor, as applicable, will produce documents and provide information in response to the third party demand, without further authority from Entity, its subsidiaries or affiliates.

b. KPMG will use reasonable efforts to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of Entity is required for such disclosure, then Entity hereby provides its consent.

c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands.

d. Entity waives and releases KPMG from any and all claims that it may have against KPMG as a result of any disclosure or production by KPMG of documents or information as contemplated herein.

e. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.

a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.

b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Entity assumes all responsibility or liability in respect of the risk associated with the use of the foregoing, and agrees that KPMG is not responsible for any issues that might arise (including loss of data) as a result of Entity using the foregoing to transmit information to or otherwise share information with KPMG and, in the case of online tools other than email, KPMG's access to and use of the same in connection with obtaining Entity information and documents.

8. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 14, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION ON LIABILITY AND INDEMNIFICATION.

a. Subject to Section 14: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints,

demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the lesser of one million dollars (\$1,000,000) or two times the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. Subject to Section 14, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 14: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 9, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 9 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

10. CONSENT TO THE USE OF THE KPMG NAME OR KPMG REPORT.

Except as otherwise specifically agreed in this Engagement Letter, KPMG does not consent to:

- the use of our name or our report in connection with information, other than what we have reported on as part of this Engagement Letter or our report thereon, that contains, incorporates by reference, or otherwise accompanies our report or our name;
- the use of our report in another language, or the use of our report in connection with information that we reported on that has been translated into another language, or the use of our name in connection with information that we reported on that has been translated into another language;
- the use of our report in connection with an offering document or other securities filing, including continuous disclosure filings; or
- the use of our name or our report in connection with the interim financial statements (or other interim financial information) or any statement by the Entity regarding the services that we provided on the interim financial statements or other interim financial information.

Any communication, report, statement or conclusion on the interim financial statements may not be included in, or otherwise referred to in any public document or public oral statements except when the interim review conclusion contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.

If the Entity wishes to obtain KPMG's consent regarding the matters above or other matters not otherwise specifically covered by this Engagement Letter, we will be required to perform procedures as required by applicable professional standards, and such procedures would be a separate engagement and subject to separate engagement terms.

11. ALTERNATIVE DISPUTE RESOLUTION.

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation. If mediation is not successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing this engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

12. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity; and (ii) provide advice or services to any other person or entity



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.

c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.

d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. In the event that circumstances arise that place KPMG into a conflict of interest as between Entity and a pre-existing client, which in KPMG's sole opinion cannot be adequately addressed through the use of confidentiality and other safeguards, KPMG shall be entitled to immediately terminate the engagement with Entity, without liability.

f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

13. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.

14. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

15. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

16. LLP STATUS.

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

17. INDEPENDENT LEGAL ADVICE.

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent

legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

18. SURVIVAL.

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.

Ottawa-Carleton District School Board

Audit Planning Report for the year ended
August 31, 2019

KPMG LLP

Prepared on August 8, 2019 for the
Audit Committee Meeting on
September 25, 2019

KPMG

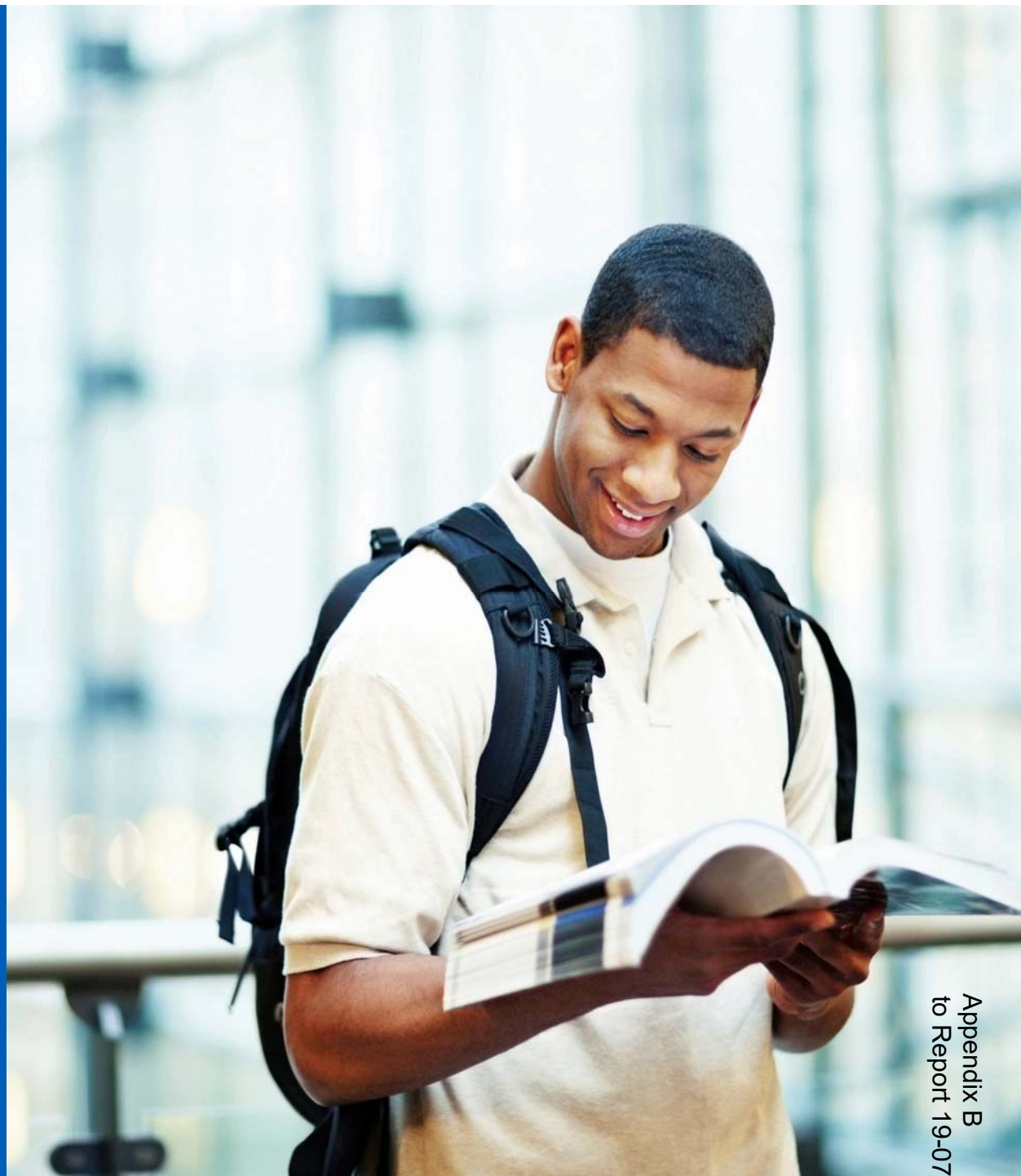


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The contacts at KPMG in connection with this report are:

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 Engagement Quality Review Partner
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Executive summary



Audit and business risks

Our audit is risk-focused. In planning our audit of the consolidated financial statements of the Ottawa-Carleton District School Board (the "Board") we have taken into account key areas of focus for financial reporting. These include:

- Cash, investments, and investment income
- Government grants, related accounts receivable, and deferred revenues
- Capital assets and deferred capital contributions
- Accounts payable and accrued liabilities, including non-payroll expenses
- Long-term debt
- Salaries and benefits, including the employee future benefit liability
- Other fees and revenues
- School-funded activities including the school generated funds and school council funds
- Accumulated surplus
- Contingencies
- Financial reporting



Audit materiality

Materiality has been determined based on total prior year expenses. We have determined materiality to be \$12,000,000.



Additional audit-related work

KPMG will perform the following services in addition to the audit of the Board's consolidated financial statements:

- Audit of the School Generated Funds and School Council Funds
- Audit of the Ontario Youth Apprenticeship Program



Executive summary (continued)



Independence and Quality Control

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Audit Committee approved protocols.



Proposed Fees

Proposed fees for the consolidated financial statement audit are \$79,000.

Proposed fees for additional work related to School Generated Funds and School Council Funds for the year-ended August 31, 2019, which is required in support of our audit opinion over the financial statements, are \$17,000.



Current Developments and Audit Trends




Please refer to Appendix 6 for upcoming accounting and auditing changes relevant to the OCDSB and relevant audit trends.

There are no significant new relevant accounting or auditing changes to be brought to your attention at this time, other than the New Independent Auditor's Report.

This Audit Planning Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Highly talented and experienced team

Team member	Background / experience	Discussion of role
 <p>Rob Clayton, CPA, CA Lead Audit Engagement Partner Tel: (613) 212-3601 rclayton@kpmg.ca</p>	<ul style="list-style-type: none"> Rob has over 15 years of experience serving not-for-profit organizations. Rob co-leads Ottawa's Public Sector practice. 	<ul style="list-style-type: none"> Rob will be responsible for the quality and timeliness of our work and the conclusions reached by the engagement team. He will provide the overall direction for audit and related services, and will have frequent and direct contact with the Board. Rob will help ensure the entity receives the full benefit of our audit and specialist resources on a timely and effective basis.
 <p>Rebecca Prophet, CPA, CA Audit Senior Manager Tel: (613) 212-3748 rprophet@kpmg.ca</p>	<ul style="list-style-type: none"> Rebecca has over ten years of experience serving public sector and not-for-profit organizations. Rebecca is a key member of KPMG's public sector audit practice group in Ottawa. 	<ul style="list-style-type: none"> Rebecca will work closely with Rob in developing and executing the audit strategy. She will be responsible for the direct supervision and management of the audit, the development of the detailed audit approach in consultation with Rob, the identification of financial reporting and operational efficiency issues, as well as review of the audit. Rebecca will be on site regularly during the audit period and will be your main point of contact throughout the year.
 <p>Andrew C. Newman, FCPA, FCA Engagement Quality Review Partner Tel: (613) 212-2877 andrewnewman@kpmg.ca</p>	<ul style="list-style-type: none"> Andrew has over 25 years of experience serving not-for-profit organizations. Andrew is KPMG Canada's National Leader, Education, and co-leads Ottawa's Public Sector practice. Andrew is also Vice-Chair of the Public Sector Accounting Board of Canada. 	<ul style="list-style-type: none"> Andrew will be responsible for ensuring the overall quality of our work and to review the conclusions reached by the engagement team. Through his role on the Public Sector Accounting Board, Andrew will support the Board through any accounting standard changes and continue to provide updates and insights to the Board regarding the future of accounting standards.

Key Board team members

KPMG has identified the following management and other team members who will play a vital role in the Board's audit execution. The availability and participation of these individuals in the audit process is key to the successful completion of the audit in the timelines provided. During the post-audit Audit Committee meeting, we will debrief the Audit Committee on the readiness and performance of the Board's team during the audit.

Key Team Member	Key Responsibilities in Support of the Audit
Michael Carson , Chief Financial Officer	— Michael Carson provides general oversight of the financial close process and will attend debrief meetings with the KPMG Partner and Senior Manager.
Kevin Gardner , Manager of Finance	— Kevin Gardner provides general oversight of the financial close process and will attend debrief meetings with the KPMG Partner and Senior Manager.
Teri Adamthwaite , Financial Reporting Coordinator	— Teri Adamthwaite provides general oversight of consolidation, expenses, cash, and accounts payable of the Board.
Kim Lebrun , Finance Officer	— Kim Lebrun provides general oversight of the revenue, accounts receivable, and capital assets of the Board.
Richard Sinclair , Manager of Legal Services	— Richard Sinclair provides general oversight of legal matters of the Board.
Amanda Wright , Supervisor Payroll Services	— Amanda Wright provides general oversight of the salaries of the Board.
Andrea Henry , Assistant to Kevin Gardner	— Andrea Henry provides general oversight of minutes, Internal Audit, School Generated Funds, School Council Funds, scheduling meetings with Kevin Gardner (Manager of Finance) with the Board and will attend debrief meetings with the KPMG Partner and Senior Manager.





Audit risks

Significant financial reporting risks

Professional standards presume a fraud risk from revenue recognition.

Why is it significant?

Audit standards require us to assume there are generally pressures & incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. This can be perpetrated through revenue cut-off or manual journal entries and other adjustments related to revenue recognition.

Our audit approach

Although there is a presumption that there are risks of fraud in revenue recognition, this presumption may be rebutted. We have exercised professional judgment and have rebutted this presumed risk. We have done this primarily because no risk factors have been identified. Revenues are not complex and they do not involve elements of significant judgment and there are no external expectations specifically on the Board's revenue which will be used for significant financial decisions of third parties.



Audit risks (continued)

Significant financial reporting risks

Professional standards presume the risk of management override of controls exists in all organizations.

Why is it significant?

The risk of fraudulent revenue recognition can be rebutted but the risk of management override of controls cannot, since management is typically in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit approach

As this risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

We also make enquiries of upper management and the Audit Committee related to their awareness of fraud risk factors of the Board and whether the Board is currently dealing with any suspected, alleged or known fraudulent activity.



Materiality

Materiality represents the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors. To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

The first step is the determination of the amounts used for planning purposes as follows:

Materiality determination	Comments	Amount
Metrics	Relevant metrics including net assets/equity, total revenue, total expenses, and other program costs.	
Benchmark	Based on total prior year expenses. The benchmark and materiality will be re-assessed during the audit period to adjust for any new normalization or adjustment in activities. The prior year amount was \$888,048,201.	\$952,262,168
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the consolidated financial statements. The prior year amount was \$11,500,000.	\$12,000,000
% of Benchmark	The corresponding percentage in the prior year was 1.30%.	1.26%
Performance Materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The prior year amount was \$8,625,000.	\$9,000,000
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The related prior year amounts were \$575,000 and \$1,150,000 respectively.	\$600,000 \$1,200,000 for reclassification

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate. Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.



Audit approach

Areas of Audit Focus

The following accounts have been identified in our risk based audit approach and our audit work will be focused on these items that represent the majority of assets, liabilities, revenues and expenses for the Board. These areas of audit focus may be revised because of new transactions or events at the Board, or changes in systems, people or structure, and/or the results of our audit procedures. We will communicate any changes to the Audit Committee in our Audit Findings Report.

Significant account	Comments
Cash, investments, and investment income	<ul style="list-style-type: none"> - Confirmation with third parties for cash and bank indebtedness - Review of bank reconciliations and vouch significant reconciling items to supporting documentation - Review of restrictions and disclosures
Government grants, related accounts receivable, and deferred revenues	<ul style="list-style-type: none"> - Perform substantive analytical procedures over revenues and related accounts - Evaluate revenue recognition, revenue restrictions, deferral and presentation considerations - Vouch a selection of revenue transactions to supporting documentation to verify restrictions, if any - Direct confirmation of amounts received and receivable from the Ministry - For amounts receivable at year-end, we will inquire of management as to the collectability of the receivable balance
Capital assets and deferred capital contributions	<ul style="list-style-type: none"> - Significant additions / disposals vouched to supporting documentation - Assessment of assets for write-down - Amortization / interest on long-term debt, and amortization of deferred capital contributions recalculated - Examination of supporting documentation related to restriction of funds intended for capital asset additions and treatment of proceeds from any disposed contributed assets
Accounts payable and accrued liabilities, including non-payroll expenses	<ul style="list-style-type: none"> - Perform substantive analytical procedures over payables and non-payroll expenses - Significant accruals vouched to supporting documentation - Search for unrecorded liabilities - Evaluate completeness and valuation of the liability for contaminated sites, if any
Long-term debt	<ul style="list-style-type: none"> - Confirmation of debt balances with third parties



Audit approach (continued)

Significant account	Comments
Salaries and benefits, including the employee future benefit liability	<ul style="list-style-type: none"> - Test and evaluate design and operating effectiveness over controls related to payroll monitoring controls - Significant payroll-related accruals recalculated and vouched to supporting documentation - Perform substantive analytical procedures over salaries and benefits, and related accounts - Receipt and analysis of the actuarial report to independently verify employee future benefit accruals - We will review the assumptions used in the valuations and perform audit procedures on the underlying employee data provided to the actuary in the year of full valuation
Other fees and revenues	<ul style="list-style-type: none"> - Significant additions and disbursements vouched to supporting documentation - Ensure purpose-specific restrictions are recognized and accounted for appropriately
School-funded activities including the school generated funds and school council funds	<ul style="list-style-type: none"> - Substantive testing including selecting a sample of expense and revenue transactions, obtaining supporting documentation - Performing analytic procedures over expenses and revenue followed by discussion with management
Accumulated surplus	<ul style="list-style-type: none"> - Significant additions and disbursements vouched to supporting documentation - Ensure purpose-specific restrictions are recognized and accounted for appropriately
Contingencies	<ul style="list-style-type: none"> - Review of Board of Trustee and Audit Committee meeting minutes and legal correspondence - Direct communication with external legal counsel to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded - Significant findings reviewed with management
Financial reporting	<ul style="list-style-type: none"> - Review by the engagement team of the consolidated financial statements prepared by the Board's management to ensure the disclosure is consistent with current public sector accounting, disclosure requirements, as well as industry practice

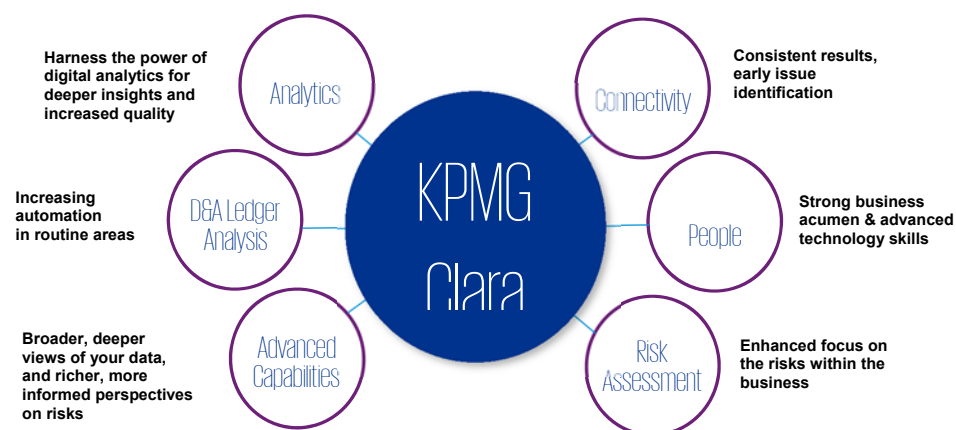
KPMG has not identified any significant financial reporting risks as at the time of preparing this report that will require any additional audit procedures for the August 31, 2019 consolidated financial statement audit. KPMG will assess throughout the audit whether there are any activities that are outside the normal operations for the Board and will perform additional procedures if necessary. KPMG will address any new significant financial reporting issues with the Audit Committee in the Audit Findings Report.



The audit of today, tomorrow & the future

As part of KPMG's technology leadership, our audit practice has developed technologies and alliances to continuously enhance our capabilities and deliver an exceptional audit experience.

Technology empowers us with the ability to perform deep analysis over your financial information, focusing our effort and interactions on the areas of greatest risk and minimizing disruption to your business.



Technology we use today	
Tool	Benefit to audit
KPMG Clara Client Collaboration	KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit, providing you with real-time access to the process at every step, including exchange of information and access to the real-time reporting you need in one central location.
KPMG Clara Advanced Capabilities	KPMG Clara Advanced Capabilities leverage our data and analytics capabilities, enabling us to analyze 100% of your general ledger data in the planning and account analysis stage and adjust our planned audit approach accordingly to target the areas of greatest risk. It allows us to use automation in performing our audit procedures over accounts such as (teams to edit for client-specific D&A routines; i.e., revenue and receivables, salaries, purchases and payables) and journal entries.
Journal Entry Analysis	Our journal entry tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



Data & analytics in the audit

We will be integrating Data & Analytics (D&A) procedures into our planned audit approach. Use of innovative D&A allows us to analyze greater quantities of data, dig deeper and deliver more value from our audit.

We believe that D&A will improve both the quality and effectiveness of our audit by allowing us to analyze large volumes of financial information quickly, enhancing our understanding of your business as well as enabling us to design procedures that better target risks.

Areas of focus	Planned D&A routines
Journal Entry Testing	<ul style="list-style-type: none"> Utilizing KPMG application software to evaluate the completeness of the journal entry population through a roll-forward of all accounts. Utilizing computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.
School Generated Funds and School Council Funds – funds raised directly in the school for activities and events within the schools	<ul style="list-style-type: none"> KPMG will perform a substantive test of details over the revenue and expense transactions reported. KPMG will also perform a variance analysis using data and analytics techniques on the balances by school to identify any unusual activity during the year for further investigation and discussion with management. Utilizing computer-assisted audit techniques (CAATs) KPMG intends to analyse the reported School Generated Funds and School Council Funds of the top 10 schools in terms of revenue and expenses. KPMG also plans to perform a trend analysis over revenue and expenses by month and by type for the current year in comparison to the prior year in order to identify any significant anomalies.

Detailed results and summary insights gained from D&A will be shared with management and presented in our Audit Findings Report.



Additional audit-related work

KPMG will perform the following services in addition to the audit of the consolidated financial statements of the Board, either as a required deliverable per the Proposal dated April 24, 2012, the Engagement Letter dated September 25, 2019, or per request from the Audit Committee or consolidated entities.

Additional audit work required to support our audit opinion on the financial statements

- | | |
|-----|--|
| N/A | <ul style="list-style-type: none"> • KPMG will complete audit procedures over the School Generated Funds and School Council Funds for the year-ended August 31, 2019. These school-funded activities are incorporated into the consolidated financial statement of the Board. These activities are material to the Board's consolidated financial statements, and are reported on within the Board's Audit Findings Report. • The Ottawa Student Transportation Authority (OSTA) is a consolidated entity to the Board. The OSTA's financial statements for the year ended August 31, 2019 will be audited by another auditor. KPMG will request a confirmation from that audit firm, a copy of the financial statements, and perform procedures over the consolidation into the Board's financial records. • As at the date of this report, KPMG has not identified any additional, one-time audit procedures required to support our audit opinion of the consolidated financial statements. • Any additional audit work identified during our audit will be discussed with Management and communicated to the Audit Committee in the Audit Findings Report. |
|-----|--|

Other audits

- | | |
|-----|---|
| N/A | <ul style="list-style-type: none"> • KPMG will complete the audit of the Ontario Youth Apprenticeship Program for the year-ended August 31, 2019. • KPMG will complete the audit of the Ottawa-Carleton Education Network (OCENET) for the year-ended August 31, 2019. OCENET is a consolidated entity of the Board, but is not considered material in our audit approach. • As at the date of this report, KPMG has not identified any other audits to be performed. • Any additional audit engagements identified will be discussed with Management and communicated to the Audit Committee in the Audit Findings Report. |
|-----|---|

Additional requested audit-related work

- | | |
|-----|---|
| N/A | <ul style="list-style-type: none"> • Any additional audit work identified during our audit will be discussed with Management and communicated to the Audit Committee in the Audit Findings Report. |
|-----|---|



Key deliverables and milestones

The following table details the detailed audit timetable for the year, outlining specific dates that KPMG will deliver on, as well as deadlines for audit requirements of management. The following planned dates have been agreed-upon by KPMG and management, and delays from this timeline may impact the achievement of this audit plan. KPMG will work with management to achieve this planned timeline and will communicate significant changes in our Audit Findings Report to the Audit Committee in November 2019.

Audit Key Activities/Deliverables	Fiscal Year 2018 Date	Planned Milestone Date
Engagement Letter and Audit Planning Report sent to Management for review and approval	August 31, 2018	August 13, 2019
Presentation of the Audit Planning Report to the Audit Committee	September 26, 2018	September 25, 2019
Receipt of signed confirmation letters from management	August 21, 2018	September 6, 2019
Board to substantially complete the close of the August 31, 2019 year-end books and records	October 1 -November 7, 2018	October 5, 2019
Management to provide required working papers to KPMG	October 9, 2018	October 7, 2019
Audit fieldwork and wrap-up to be performed by KPMG	October 9 – November 9, 2018	October 7 – November 7, 2019
Draft financial reporting deliverables prepared by KPMG and provided to management	November 13, 2018	November 15, 2019
Deadline of receipt of legal letters, management to follow up with outstanding confirmations if applicable	November 10, 2018	November 20, 2019
Presentation of Audit Findings Report to the Audit Committee	November 19, 2018	November 25, 2019
Attendance at the Board of Trustees meeting for approval of the consolidated financial statements and KPMG's issuance of our independent auditor's report thereafter	November 20, 2018	November 26, 2019



Proposed fees



In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above.

Our fee analysis has been reviewed with and agreed upon by management as outlined in our proposal submission.

Our fees are as follows:

	Current period (budget)
Audit of the consolidated financial statements for the Ottawa-Carleton District School Board for the year-ended August 31, 2019	\$79,000
Additional audit work related to School Generated Funds and School Council Funds for the year-ended August 31, 2019 that is required in support of our audit opinion on the financial statements	\$17,000



Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the Engagement Letter.

The critical assumptions, and factors that could cause a change in our fees, include:

- Audit readiness, including delays in the receipt of requested working papers, audit samples, inquiries and financial statements information from the agreed upon timelines, and the books and records being properly closed at the start of our year-end audit work;
- The availability, participation and responsiveness of key Board team members during the audit;
- Identification of control deficiencies during our audit, resulting in additional audit effort;
- Significant changes in the nature or size of the operations of Board beyond those contemplated in our planning processes;
- Changes in professional standards or requirements arising as a result of changes in professional standards or the interpretation thereof;
- Changes in the timing of our work, including the deadlines for deliverables;
- Significant one-time transactions entered into by the Board;
- Attendance at more than two meetings of the Audit Committee annually;



- Attendance at more than one meeting of the Board of Trustees annually.

New auditor reporting

The new auditors' report will come in to effect for the 2019 fiscal year of the Ottawa-Carleton District School Board. The impact on the Board will be fairly minimal as a **non-listed** entity:

Change	Applicability
Re-ordering of the auditors' report including moving opinion to the first section	Listed and non-listed entities
Expanded descriptions of the responsibilities of management, those charged with governance and auditor	Listed and non-listed entities
Separate section on "Material Uncertainty Related to Going Concern", if applicable	Listed and non-listed entities
Separate section on "Other Information" (e.g. MD&A)	Listed and non-listed entities
Disclosure of name of the engagement partner	Listed entities

Please refer to the Engagement Letter in Appendix 1 for a draft auditors' report using the new auditor reporting model.

Key audit matter reporting today

There has been much discussion in the financial reporting community about the inclusion of Key Audit Matters (KAMs) in the auditors' report. KAMs are those matters that, in the auditors' professional judgment, were of most significance in the audit, such as areas of higher assessed risk of material misstatement, significant auditor judgments and the impact on the audit of significant events or transactions.

Currently, in Canada, the reporting of KAMs in the auditors' report is only applicable when required by law or regulation or when the auditor is engaged to do so. There is no law or regulation requiring the reporting of KAMs for national not-for-profit organizations, and we have not been engaged to do so by the Board.

Key audit matter reporting in the future

The Auditing and Assurance Standards Board in Canada is deliberating how and when the disclosure of KAMs will be required for **listed** entities in Canada. It is anticipated KAM reporting for certain listed entities in Canada will be required starting in 2020.



Appendices



Appendix 1: Required communications



Appendix 2: Audit quality and risk management



Appendix 3: KPMG's audit approach and methodology



Appendix 4: Lean in Audit™



Appendix 5: Background and professional standards



Appendix 6: Current Developments

Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:



Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the Engagement Letter as attached.



Management representation letter

We will obtain from management certain representations at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Audit Committee.



Audit planning report

This report. The purpose of this report is to provide Audit Committee members with an understanding of the audit approach and to provide the opportunity to provide input into the audit approach.



Audit findings report

At the completion of our audit, we will provide our audit findings report to the Audit Committee.



Required inquiries

Professional standards require that during the planning of our audit we obtain your views on risk of fraud and other matters. We make similar inquiries of management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly.



Annual independence letter

At the completion of our audit, we will provide our Independence Letter to the Audit Committee.

Appendix 2: Audit quality and risk management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems. Visit our [Audit Quality Resources webpage](#) for more information including access to our audit quality report, *Audit quality: Our hands-on process*.

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality. We do not offer services that would impair our independence.

All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching



We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Technical department and specialist resources provide real-time support to audit teams during the audit.

Our professionals receive industry-specific training on the trends, environment, regulations, common transactions, relevant accounting standards and audit risks, to provide our team members with an understanding of our client's operating environment.

Appendix 3: KPMG's audit approach and methodology



This year we will expand our use of technology in our audit through our new smart audit platform, KPMG Clara.

Collaboration in the audit

A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team

Issue identification

Continuous updates on audit progress, risks and findings before issues become events

Data-driven risk assessment

Automated identification of transactions with unexpected or unusual account combinations – helping focus on higher risk transactions and outliers



Deep industry insights

Bringing intelligence and clarity to complex issues, regulations and standards

Analysis of complete populations

Powerful analysis to quickly screen, sort and filter 100% of your journal entries based on high-risk attributes

Reporting

Interactive reporting of unusual patterns and trends with the ability to drill down to individual transactions



Appendix 4: Lean in Audit™



An innovative approach leading to enhanced value and quality

Our innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and management. For example, we may identify control gaps and potential process improvement areas, while management has the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.



How it works

Lean in Audit employs three key Lean techniques:



1. Lean training

Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity.



2. Interactive workshops

Perform interactive workshops to conduct walkthroughs of selected financial processes providing end-to-end transparency and understanding of process and control quality and effectiveness.

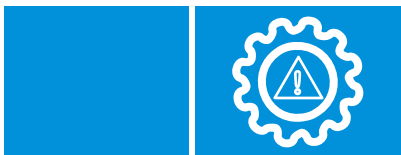


3. Insight reporting

Quick and pragmatic insight report including immediate quick win actions and prioritized opportunities to realize benefit.



Appendix 5: Background and professional standards



Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

Management has represented to us that the Board does produce an annual report containing or referring to audited consolidated financial statements. We will ensure our audit requirements are completed prior to the issuance of our auditors' report.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 6: Current developments

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes some of the regulatory, operational and governance developments impacting public sector, charitable and not-for-profit organizations. We provide this summary to inform our clients of changes that may impact their organization, and the trends we see in the industry based on our discussions with management and Audit Committee members of our public sector, not-for-profit and charity clients. Some of these developments may not impact your organization directly but we believe it is important for management and Committee members of charities and not-for-profit organizations to understand what is happening in the broader public, not-for-profit and charity sector.

Annual Accounting, Tax and Risk Update for Not-for-Profit Organizations

KPMG held its Annual Accounting, Tax & Risk Update for Not-for-Profit Organizations on April 4, 2019 at the KPMG office in downtown Ottawa. The seminar covered current accounting, tax, technology and risk issues, including some of those discussed below, in greater detail providing not-for-profit organizations and charities with guidance on new standards, regulations and best practices. This event consistently attracts over 100 executives, financial officers and Board members from the Ottawa and area not-for-profit and charity community.

Audit Committee members are also invited to attend our future sessions, and be invited to other relevant webinars and thought leadership events. If you wish to have your name included on the invite list going forward, please e-mail Marcella Mannrich at mmannrich@kpmg.ca.

Registered Charities

Below we provide a summary of activities and announcements that could have an impact on Canadian registered charities:

Official Donation Receipts:

All official donation receipts need to include the CRA's name and website address. CRA's website recently merged with the Canada.ca domain website. Therefore, official donation receipts will need to be updated to include the new website address: [Canada.ca/charities-giving](https://www.canada.ca/charities-giving). Receipts issued after March 31, 2019 must include the new website address.

Social Innovation and Social Financing:

The federal government's Social Innovation and Social Finance Strategy Co-Creation Steering Group released its report: *Inclusive Innovation: New Ideas and New Partnerships for Stronger Communities*. The report provides a number of recommendations to the Government to promote social innovation and social financing in Canada, and is of significant interest to the Canadian charity and not-for-profit industry. The full report can be found at the following website:

<https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/reports/recommendations-what-we-heard.html>.

Senate Committee on the Charitable Sector

In January 2018, The Senate of Canada established a new special committee to examine the impact of federal, provincial and territorial laws and policies governing charities and study the role that the charitable sector plays in Canadian society. The Committee will issue a report of the Committee's findings and make recommendations on revisions to government policies at all levels to support charities to fulfil their important missions. The Committee continues to hold meetings and hear from expert witnesses from the charity and other sectors. More information on the Committee can be found on the website of the Senate of Canada.



Appendix 6: Current developments (continued)

CRA's Charity Education Project

In the fall of 2017, Canada Revenue Agency announced the implementation of its Charity Education Project (CEP) initiative, as a complement to its traditional audit program. Per the CRA announcement the CEP program is “*designed to conduct in-person visits with registered charities, providing them with information and assistance in understanding these obligations*”. A CEP visit by a CRA Charity Education Officer will include information sharing on the charity's purpose and activities, a review of the charity's books and records and T3010 information return, and a summary of findings and recommendations prepared by the Charity Education Officer. The registered charity will be requested to sign the summary of findings and recommendations to indicate their agreement with it.

CRA plans to perform 500 CEP visits per year. We are aware of registered charities receiving notification that they have been selected for a CEP visit in January 2018. At KPMG, we will be tracking these initial visits at our clients to identify patterns in CRA's approach and in their findings and recommendations, to assist our clients in preparing for future CRA visits.

To paraphrase Shakespeare's “A rose by any other name would smell as sweet”; a CRA visit by any other name smells like an audit. We encourage our registered charity clients who receive a CEP request letter to contact us to discuss how to prepare for CRA's visit and to prepare a response to the summary of findings and recommendations.

As a matter of good governance, we also encourage all registered charities to do the following on a regular basis:

- 1) Review the charity's operations to verify that activities directly support their charitable objectives. Consider the level of time and resources invested in fundraising or political activities, as these are two activities that CRA monitors.
- 2) Verify that the charity's T3010 Charity Information Return is accurate and that it strategically and faithfully represents the activities and operations of the charity. Verify that the T3010 published on the CRA's website agrees with the submitted return.
- 3) Assess the charity's accumulated reserves, surpluses and net assets, including the purpose for having them and support for the amounts. Consider developing a Board-approved “net asset reserve policy” documenting the purpose and amount of reserves in the context of organization risks and strategic plan.

KPMG will continue to monitor this situation and will provide updates to you.

Tax-Exempt Status of Not-for-Profit Organizations

Over the past few years, the income tax-exempt status of not-for-profit organizations and the activities that should be eligible for this exemption have been the subject of significant political and public debate.

This debate intensified with the CRA's Non-Profit Organization Risk Identification Project (the “NPORIP”) looking at entities claiming the exemption from income tax under Paragraph 149(1)(l) of the Income Tax Act of Canada, and the release of their report in 2014. The report emphasized three main risk areas which in the eyes of CRA would disqualify a not-for-profit organization from claiming the income tax exemption:

- having individual activities not related to their not-for-profit objectives; or earning non-incidental profits from individual activities
- using income to provide personal benefits to members
- maintaining excessive accumulated reserves, surpluses or net assets



Appendix 6: Current developments (continued)

In 2014, the Department of Finance announced its intention to hold public consultations with not-for-profit organizations on these issues. Since then, the Department of Finance has provided no further indication as to when, or if, it expects to begin public consultations with the not-for-profit community on the issues surrounding the tax-exempt status of not-for-profit organizations, or when legislation is anticipated.

In the interim, CRA has not performed specific audits of the income tax-exemption status of not-for-profit organizations to our knowledge. However, CRA continues to perform regular HST and payroll compliance audits of not-for-profit organizations and charities. As part of these audits, CRA has included questions relating to the accumulated surplus/net assets/reserves of the audited organization, and is seeking documented evidence of purpose, future plans and governance oversight related to these balances.

KPMG encourages the Boards and management of not-for-profit organizations, and of charities, to continue to prepare their organizations for the anticipated changes to tax legislation and regulations. Not-for-profit organizations should review and consider their not-for-profit or charitable objectives, strategic plans, risk assessments, financial results and operational practices in the context of the aforementioned risk areas identified by CRA. In particular, not-for-profit organizations should develop or update a written, approved Board policy relating to their net assets, accumulated surpluses and/or reserves explicitly documenting the reasons for maintaining these balances, how the amounts were calculated and quantified, and how the amounts will ultimately be used. Boards should also demonstrate and document their oversight of this policy on an annual basis.

KPMG continues to monitor this situation closely and will continue to update you and all of our NPO audit clients.

Decriminalization of Cannabis

On October 17, 2018, the use of cannabis for recreational purposes became legal in Canada. Most organizations are reviewing their policies with respect to the use of cannabis from a human resources perspective, such as impairment in the workplace. However, from a governance and management perspective there are also a number of policies that will also need to be considered and revised. A couple of examples:

- 1) What is the organization's policy with respect to serving cannabis-infused drinks or products at official events and functions?
- 2) What is the organization's policy with respect to reimbursing for cannabis-infused drinks and products on expense reports of employees, volunteers and Board members?
What are the policies of your funders relating to whether these will be considered eligible costs under their contribution agreements?

Fortunately, most organizations have these policies relating to alcohol which will serve as a good starting point. We encourage our clients to review all of their policies to identify ones potentially in need of revisions to reflect this new law.

Charities, Not-for-Profit Organizations and the # MeToo Movement

In the last five years, the bar has been raised steadily for employers by a series of class-action and individual law-suits, legislative, regulatory and public policy changes, all in relation to sexual harassment in the workplace. There is a need and desire to stamp out sexual harassment in the workplace, and Boards and Management must understand their role in addressing this very real and significant workplace risk. Apart from the obvious impact to individuals involved in a harassment situation, there are significant reputational risks for charities, not-for profit organizations and individuals.

Managing the risk of sexual harassment in the workplace is similar to managing other risks in the organization and must be included as a very important element of an organization's overall governance and risk management strategy. To protect against the risk of sexual harassment in the workplace, Boards and Management need to maintain a robust risk management program designed to address the core objectives of prevention, detection and response.



Appendix 6: Current developments (continued)

Prevention starts with the “tone from the top”, where a culture of honest and ethical behaviour is promoted throughout the organization, starting with the Board and Senior Management. This tone can be reflected in the Code of Conduct or Ethics policy, outlining core values and specifics regarding what constitutes sexual harassment. In addition to setting an appropriate tone for the organization, periodic risk assessments should be conducted, which identify the areas/business units and activities most susceptible to incidents of sexual misconduct.

Detection of sexual harassment in the workplace can be difficult, and as such, it is critical for organizations to provide a mechanism for employees, volunteers and the public at large to report incidents of sexual harassment to Senior Management or the Board, if they suspect an issue. The keys to a successful incident reporting mechanism include sufficient training and awareness for all employees and volunteers, ongoing communication including periodic reminders of the program (and annual signoff by employees regarding their awareness of the program and their duty to report), and transparency of reporting the status of complaints (in an anonymous fashion) to employees.

An organization’s **response** to sexual harassment in the workplace is critical in mitigating potential damage, including personal and organizational reputational harm. As such, it is important to have a response plan in place before a sexual harassment complaint occurs, including investigation and communication protocols.

Boards and Management of charities and not-for-profit organizations are beginning to incorporate sexual harassment awareness in their training programs to increase awareness, and to develop a greater understanding of the key organizational elements of a robust sexual harassment risk management strategy. Such a risk management strategy is not a “nice to have” - it is a business imperative.

Cyber Security – Prevention and Response

Organizations are subject to increasing amounts of legislative and public pressures to show they are managing and protecting their information appropriately. Simultaneously, the threats from cyber criminals and hackers are growing in scale and sophistication. Organizations are also increasingly vulnerable as a result of technological advances and changing working practices including remote access, cloud computing, mobile technology and services on demand. The financial and reputational costs of not being prepared against a cyber-breach could be significant. Not-for-profit organizations are at particular risk due to the information they maintain, including research data, personal data, and health and financial information. The reputational risk of this information not being adequately protected can often outweigh the financial consequences of a breach.

Cyber Security is not solely about information technology; it is fundamentally an operational and governance issue. Not-for-profit organizations should document their assessment of operational threats, implement preventative safeguards against a cyber-attack, and create a comprehensive response plan to a cyber-breach. Every organization should have a Computer Security Incident Response Team (CSIRT) consisting of individuals from many areas of the organization, including those involved in finance, human resources, procurement, customer/member relations, upper management and Board members. Key elements to consider in developing your cyber plans include:

- Assessing the likelihood and intensity of a cyber-attack, based on the value of your information and your public profile
- Assessing your organization’s vulnerabilities to a cyber-attack
- Preparing your people, processes, infrastructure and technology to prevent a cyber-attack from being successful
- Detecting, responding and reporting a cyber-breach within your organization
- Initiating your cyber response plan, including containing and investigating the cyber breach
- Recovering from a cyber-breach and resuming business operations
- Reporting on the cyber breach, including informing authorities and affected individuals, as required by legislation and industry common practices.
- Doing a “lessons learned” process to identify improvements



Appendix 6: Current developments (continued)

Not-for-profit organizations need to review their operations from the perspective of cyber risks, preventative measures against an attack and response plans for breaches. Of particular importance is the cyber response plan as most experts believe that it is now a matter of when, not if, a cyber-breach occurs. A proper cyber response plan should include at least the following elements:

- 1) Define sensitive data and information -- what is important to your organization and of value to hackers
- 2) Identify cyber breach scenarios -- perform a Threat Risk Assessment of threats, vulnerabilities and likelihood of exploitation
- 3) Assess detection and response capabilities -- what is your organization's capability to manage an incident (CSIRT structure and effectiveness, required performance metrics, business resumption, internal/external communication protocols)
- 4) Develop and refresh your organization's response plan -- Identify a target state and address gaps, including time to discover, time to manage, severity of post-mortem reviews
- 5) Test and improve response plan -- develop a testing strategy that includes key internal and external CSIRT responders (event simulations, live testing)

We encourage all not-for-profit organizations and charities to develop their cyber response plans and discuss them at the Board level.

Members of Audit Committees should be asking management fundamental questions such as: How effective is our organization's cyber strategy at identifying and addressing cyber risks? Is the organization relying on the correct and accurate information to oversee and understand those risks? Is the organization addressing its data privacy and security obligations? Does the organization have a response plan in place to manage a cyber-crisis when an incident occurs?

Indirect Tax Considerations

The GST/HST is constantly evolving. The kinds and pace of the changes affecting your organization will depend on your status and activities, and may result from new legislative and regulatory rules, court cases, and changes in the CRA's administrative policies. In addition, major organization changes, such as reorganizations, cessation of activities, major capital projects, new relationships (e.g., shared service arrangements), and new revenue generating activities may have significant GST/HST implications.

The Canada Revenue Agency (CRA) continues to increase its focus on public service bodies (e.g., municipalities, universities, colleges, hospitals, schools, associations, charities, non-profits etc.) for purposes of conducting GST/HST audits. These audits may be undertaken by GST/HST audit teams dedicated to the public sector or by auditors attached to the CRA's GST/HST Refund Integrity Unit. Many organizations have undergone audits over the past couple of years. Based on our work with audited organizations, we offer the following general observations on the impact of the CRA's ongoing focus on the public sector:

- The CRA has been focusing on documentation, cost sharing and buying group arrangements, grants and sponsorships, as well as the allocation of inputs between taxable and exempt activities for input tax credit purposes (e.g. the filing of a Section 211 election and claiming of input tax credits on the use of real property).
- The CRA has not consistently been applying audit offsets (e.g., allowing unclaimed input tax credits or rebates) that would help minimize the impact of any assessments.
- Proposed assessments based on sampling and alternative valuation or allocation methodologies conducted by CRA auditors should be reviewed as fair and reasonable alternatives may be available that could significantly reduce an GST/HST assessment.
- The CRA is required to communicate the amount and basis for a proposed assessment to the registrant, and should allow the registrant a reasonable amount of time to review and respond to the assessment (i.e., generally 30-days). It is entirely appropriate to carefully review and question a proposed assessment. Our experience is that proposed assessments can often be significantly reduced at the audit stage. If a Notice of Assessment is issued, you will have 90 days to file a Notice of Objection with the CRA.



Appendix 6: Current developments (continued)

- It is important that you have a plan in place for a GST/HST audit, including having a fixed point of contact for the auditor. Planning and managing the audit is as important as having the appropriate policies and procedures.
- Organizations that have undergone significant changes in operations are more likely to be selected for an audit. Many of these organizations are completing compliance reviews by indirect tax professionals in advance of a potential GST/HST audit to verify that the GST/HST is being appropriately handled. A proactive approach can reduce compliance costs and the time needed to deal with CRA auditors.

Our experience with GST/HST auditors has varied from audit to audit. However, in each case, the taxpayer has the burden of proof. The best approach is to be prepared in advance of receiving that audit notification from CRA.

Reporting Requirements in the United States

Over the past two years, the United States has implemented significant tax reforms impacting Canadian business and individuals with activities and investments in the United States. Given this current environment, it is prudent for Canadian charities and not-for-profit organizations to consider whether they have any reporting obligations in the United States, which is dependent on their U.S. sources of revenue and activities.

For example, Canadian registered charities may be required to file the Form 990: Return of Organizations Exempt From Income Tax, depending on whether the Canadian charity is recognized as a U.S. public charity or a U.S. private foundation and depending on the total gross receipts that the Canadian charity receives from U.S. sources (including individual and corporate donations). The Internal Revenue Service (IRS) assumes that a Canadian registered charity is the equivalent of a U.S. private foundation unless it applies to the IRS to be recognized as a public charity. Normally, a Canadian registered charity receiving more than \$25,000 in gross receipts from sources within the United States will have a requirement to submit the Form 990 to the IRS.

The Form 990 reporting requirements are significantly more extensive than the Canadian reporting requirements. The Form 990 can easily be more than 50 pages long and includes an 8-page detailed questionnaire on the organization's governance, operations and activities, and very detailed information on the organization's donors, activities outside of the United States, grants provided to other entities inside/outside the United States, executive compensation, and related party transactions. The Form 990 is a Canadian registered charity's only public document in the United States and is available on the IRS information website.

We encourage all of our charity and not-for-profit clients to review their activities and sources of revenue on a regular basis to determine whether they have U.S. reporting requirements.

Fraud Risk in Charities and Not-for-Profit Organizations

You only have to read the local and national news to understand the significant, adverse impact that a fraudulent or illegal act can have on an entity's financial position, on-going operations and public reputation. For charities and not-for-profit organizations, a fraudulent or illegal act can be absolutely devastating not only because of their reliance on public financial support but also their need to maintain public confidence and trust in their activities. With social media, and the 24-hour continuous news cycle, the financial, operational and reputational risk of a fraud on a charity or not-for-profit organization has never been higher.

Therefore, fraud risk management is now a very important element of an organization's overall governance and risk management. To protect against the risk of fraud, Boards and management need to maintain a robust fraud risk management program designed to address the core objectives of prevention, detection and response.

Prevention starts with having a heightened awareness of fraud including the key indicators that a fraud may have occurred, an understanding of the profile of a fraudster and what may drive otherwise good people to do bad things. In addition to a heightened awareness of fraud, conducting regular fraud risk assessments allows charities and not-for-profit organizations to identify the key fraud risks they are facing and what they need to do to mitigate these risks.



Appendix 6: Current developments (continued)

Detecting fraud can be difficult, so in addition to implementing and monitoring detection controls, it is critical for organizations to provide a mechanism for employees, volunteers and the public at large to report incidents of alleged fraud or wrongdoing to the Board.

An organization's response to a fraud is critical in mitigating potential damage, including reputational harm. As such, it is important to have a response plan in place before a fraud occurs, including investigation and communication protocols.

Boards and management of charities and not-for-profit organizations are beginning to incorporate fraud awareness in their training programs to increase fraud awareness, and to develop a greater understanding of the key organizational elements of a robust fraud risk management program.

The COSO Framework: Demonstrating Sound Management Practices and Internal Controls

Charities and not-for-profit organizations are facing increasing pressures and challenges from various internal and external stakeholders, who are demanding greater transparency and accountability. Chief among these is a heightened level of scrutiny and higher expectations on charities and NPOs to demonstrate sound stewardship, accountability, and achievement of results. This includes being able to demonstrate that resources are managed in a cost-effective manner and that funding received is used to maximize the achievement of the organization's mandate.

A charity's or not-for-profit organization's ability to clearly demonstrate sound management and use of funding and the achievement of objectives are of direct interest to donors, funders, partners, stakeholders and beneficiaries, and increasingly to the Canadian general public. This, combined with a general increase in competition for scarce resources, can compound the challenges experienced by charities and not-for-profit organizations.

In this environment, your organization will be asked to demonstrate that it is using and managing funds in an economical and efficient way and that maintains a solid control environment supporting management decisions made by the organization. National charities and not-for-profit organizations are beginning to formally adopt the "COSO Framework" of management practices and internal controls to respond to their stakeholder demands. The COSO Framework is an internationally recognized framework for the assessment of management practices and internal controls in all types of entities.

The main reason that the COSO Framework is gaining acceptance in the charity and not-for-profit sector is that it considers internal controls from the perspective of achieving organizational objectives categorized into three areas:

- Effectiveness and efficiency of operations, at the entity-wide and divisional/program levels
- Reliability of financial and non-financial reporting to internal and external stakeholders
- Compliance with applicable laws and regulations

In the current environment of transparency and accountability, charities and not-for-profit organizations must not only achieve, but also explicitly demonstrate, their performance in these three areas. COSO provides a methodology to develop and maintain an effective system of internal control that reduces, to an acceptable level, the risk of not achieving these objectives.

The COSO Framework identifies five core components (Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring Activities) and seventeen key principles within these five components that are required for an effective system of internal control. The Framework is fully scalable to an organization's size, structure, funding sources, or mandate.



Appendix 6: Current developments (continued)

The Framework provides a recognized baseline against which existing management practices can be documented and assessed to confirm existing sound practices and identify areas for improvement to strengthen an organization's internal control structure and prioritize efforts and resources to the areas of most significance. As a recognized management control framework, an assessment of internal controls against COSO will also serve to provide both internal and external stakeholders with additional confidence in the stewardship, accountability and overall control environment of the organization.

Accounting Standards Board: Accounting Standards for Government Not-for-Profit Organizations

The Public Sector Accounting Board of Canada is responsible for setting the accounting standards that your organization is required to apply in preparing the general purpose financial statements. The following new or revised accounting standards approved by the Board may have an impact on your financial statements over the next couple of years, as described below. In addition, PSAB has various projects underway which may significantly impact your financial reporting for future fiscal years. We encourage Management to review these standards and projects to determine the impact, if any, on your organization's financial statements.

Summary of New and Revised Accounting Standards

PSAB previously issued the following sections that are effective in the Board's 2019 fiscal year or future years:

Sections	Effective for fiscal years
<i>Restructuring Transactions</i> , Section 3430	Beginning on or after April 1, 2018
<i>Financial Instruments</i> , Section 3450 * <i>Portfolio Investments</i> , Section 3041 * <i>Foreign Currency Translation</i> , Section 2601 * <i>Financial Statement Presentation</i> , Section 1201 * (* Must be adopted together)	Beginning on or after April 1, 2021 <i>For entities who previously applied Part V of CICA Handbook, Accounting – April 1, 2012</i>
<i>Asset Retirement Obligations</i> , Section 3280	April 1, 2021
<i>Revenues</i> , Section 3400	April 1, 2022

The three standards with the most impact on government not-for-profit organizations are summarized on the following pages.



Appendix 6: Current developments (continued)

Restructuring Transactions

This section relates to accounting for assets and liabilities transferred in a restructuring transaction. It also differentiates between an acquisition (where a payment or other consideration approximates the fair value of the net assets) and a restructuring transaction (with little or no consideration rendered, or consideration which is disproportional to the value of assets received). Restructuring transactions differ from a government transfer as restructuring transactions result in the recipient assuming the related program or operating responsibility as opposed to a government transfer, where only a contributed asset is received and accounted for as a contribution.

Assets and liabilities are to be measured at their carrying amount in a restructuring transaction.

The section is effective for years commencing on or after April 1, 2018. Earlier adoption is encouraged.

Asset Retirement Obligations

In August 2018, PSAB issued the new standard, Section PS 3280, Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets such as buildings with asbestos, and solid waste landfill sites by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability.

The new accounting standard proposes similar accounting for asset retirement obligations as in private sector accounting. An asset retirement obligation would be recognized when, as at the financial reporting date, ALL of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Public sector entities would be required to capitalize asset retirement obligations associated with fully amortized tangible capital assets, except in the following instances:

- Asset retirement obligations associated with unrecognized tangible capital assets should be expensed;
- Asset retirement obligations associated with tangible capital assets no longer in productive use should be expensed.

The estimate of a liability should include costs directly attributable to asset retirement activities. Costs would include post-retirement operations, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset. Includes costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

The new Section is to apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. This Section may be applied retroactively or prospectively. If retroactive application is selected, a public sector entity may choose to apply certain transitional provisions provided in the Section.



Appendix 6: Current developments (continued)

Revenue

In June 2018, PSAB approved Section PS 3400, Revenue. The final standard is to be released by March 31, 2019.

The framework is focused on two categories of revenue – exchange and unilateral. Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time. If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources.

Excluded from this standard are reporting of contributions and appropriations which continue to be accounted for as government transfers, and tax revenues, interest, dividends, gains and restricted assets.

The proposed new section is expected to apply to fiscal years beginning on or after April 1, 2022, and be accounted for as a change in accounting policy applied retroactively with restatement of prior periods.



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AUDIT COMMITTEE Report No. 19-073

25 September 2019

2018-2019 Annual Report on Internal Audit Activity

Key Contact: Michael Carson, Chief Financial Officer, (613) 596-8211 ext. 8881

PURPOSE:

1. To seek Audit Committee approval of Appendix A to Report 19-073 as its annual report to the Board summarizing the work performed by the regional internal audit team (RIAT) during 2018-2019 in accordance with *Ontario Regulation 361/10, Audit Committees*.

CONTEXT:

2. *Ontario Regulation 361/10* requires that a summary of work performed by the RIAT be provided to the Board and that a copy of the report be submitted to the Ministry of Education. Appendix A presents the information in Ministry-prescribed format. This report is in compliance with the requirements set out in the regulation and covers the period 01 September 2018 to 31 August 2019.

KEY CONSIDERATIONS:

3. Audit Committee is integral to the District's corporate governance framework. Reporting to the Board, Audit Committee works with District management to ensure that matters affecting financial, compliance and risk management activities are conducted appropriately. Audit Committee meets this mandate by providing oversight in ensuring that management has implemented an appropriate system of internal control, by liaising with internal and external auditors, by discussing risks that may have a significant effect on the District's operations and financial resources and by reviewing significant financial reports.

A key responsibility of the Audit Committee is to work with the RIAT which supports the Committee by providing analyses, assessments, recommendations and advice that contribute to the effectiveness of risk management, internal control, and governance processes. The RIAT is led by the regional internal audit team manager who reports administratively to the senior business official

of the host board (Ottawa Catholic School Board) and functionally to the audit committees in the region.

In June 2015, Audit Committee approved the 2015-2020 Risk-Based Internal Audit Plan which has guided the work of the internal audit team. Audits identified in the plan focus on various policies and processes including those relating to school generated funds, health and safety, staffing and information technology. The timing and scope of the anticipated work shown in the multi-year plan is, in consultation with Audit Committee, confirmed with the approval of the annual internal audit plan which is developed with consideration of emerging priorities.

The 2018-2019 Internal Audit Plan was approved on 26 September 2018. In addition to finalizing the work initiated in the preceding year, the following work was planned:

- a risk assessment update;
- audit of information technology security policy and practices;
- audit of attendance support programs and practices;
- a review of construction procurement in support of student learning and accommodation planning initiatives;
- follow-up procedures on the continuing education and school council funds audits; and
- follow-up procedures on the health and safety audit that had originally been planned for 2017-2018.

The RIAT experienced a change in leadership in 2018-2019. Line Robitaille, the incumbent manager, resigned in September 2018 which resulted in the need to defer the risk management update and planned audits. The new manager, Genevieve Segu, assumed the role in early January 2019 and commenced a review of the status of past audits and the needs of the nine school boards which she supports. Consequently, the RIAT's work was limited to presenting completed audits and commencing follow-up reviews.

4. **Final Report: Records and Information Management Audit**

In September 2018, the audit of records and information management (RIM) programs was presented. The audit, which focused on the period from September 2016 to March 2018, had the following objectives:

- to verify compliance with Board policies, procedures, laws and regulations;
- to assess the program area's internal controls; and
- to examine the effectiveness and efficiency of RIM processes.

The District's RIM program makes use of two discrete business systems. The Infolinx system is used to manage the life cycle of physical records. The life cycle includes record creation, storage, and destruction in accordance with the District's records retention policy. The Laserfiche system is an enterprise content management (ECM) solution that allows records of all types to be managed in an electronic format. Use of the ECM system continues to increase

and opportunities to enhance business processes using workflow automation are being pursued. The audit focused on the following processes:

- the filing, classification, safeguarding, retention and disposal of paper and electronic records;
- the handling of Freedom of Information requests;
- the application of the Board's privacy breach protocol;
- consent forms and confidentiality agreements; and
- employee awareness and training.

Although a number of strong management controls and processes were observed during the audit, opportunities to enhance current practices were identified that would strengthen controls relating to records and information management. An overall rating of "moderate" was assigned to the audit. Of the six observations, three were considered to be medium priority meaning that timely consideration of opportunities to improve internal control was appropriate. The other three areas were assessed as low priority. The overall rating means that the controls evaluated expose the District to a moderate risk of potential or direct financial loss and operational risk.

The audit confirmed that staff's efforts to improve administrative practices over the last few years have been effective.

5. **Final Report: Extended Day Program Audit**

In November 2018, the audit of the Extended Day Program (EDP) was presented. The audit, which focused on processes and documentation relating to the 2016-2017 and 2017-2018 school years, had the following objectives:

- to obtain an understanding of the key administrative, operational and financial processes relating to the EDP;
- to ensure the Board is in compliance with legislative requirements relating to the program;
- to assess the adequacy and effectiveness of associated internal controls; and
- to identify opportunities for control or process improvements.

Although a number of strong management controls and processes were observed during the audit, opportunities to enhance current practices were identified that would strengthen controls relating to various aspects of the program. An overall rating of "moderate" was assigned to the audit. The rating means that the controls as evaluated, expose the District to potential or direct financial loss and operational risk.

Of the twelve observations, five were considered to be medium priority and five areas were assessed as low priority. The ratings of medium and low mean that timely consideration of opportunities to improve internal control is appropriate. Two recommendations were considered to be high priority and focused on the need to leverage business automation solutions and to enhance resource allocation processes.

The audit confirmed that staff has successfully managed many aspects of this complex program. The action plans developed in response to the audit recommendations continue to enhance the District's administrative practices and internal control environment.

6. Follow-up Procedures on the Audit of Patch and Release Management

In March 2017, the RIAT completed an audit of processes supporting patch and release management relating to the District's human resources and payroll system. A number of recommendations were made which focused on the need to ensure that the software environment was maintained on a current basis.

In November 2018, the findings of follow-up procedures were presented to Audit Committee. The findings showed that staff was actively engaged in testing the newest version of the software. Since then, the District's finance, human resources and payroll systems have been fully migrated to the most current versions and processes have been established to manage future updates.

7. Follow-up Procedures on Past Audits

In May 2019, the RIAT commenced follow-up reviews on the audits of records and information management, the EDP, continuing education, health and safety, and patch and release management. The reviews are only focused on outstanding recommendations relating to the audits. The findings will be presented during 2019-2020.

8. Internal Audit Meeting Participation

RIAT staff participated in three of the five Audit Committee meetings held during the year. Ms. Genevieve Segu, RIAT manager, introduced herself to committee members at the 22 May 2019 meeting. At the meeting, she presented her plan to provide more frequent reporting on the status of past audit recommendations. She also indicated her intent to use technology to analyze data and advised that the 2019-2020 audit plan and risk assessment would be aligned with the District's work on the strategic enterprise risk management framework.

9. Completed and Planned Enrolment Audits

Ontario Regulation 361/10 clarifies the Ministry's information needs as it relates to efforts to coordinate its own enrolment audits with those planned by the RIAT. Staff has confirmed that no enrolment audits have been identified in the approved Multi-Year Internal Audit Plan.

RESOURCE IMPLICATIONS:

10. Approval of the report has no financial impact.

COMMUNICATION/CONSULTATION ISSUES:

11. The report was prepared by Finance staff. No consultation was required.

STRATEGIC LINKS:

12. An effectively functioning Audit Committee and approach to risk management is a key component of a focus on sustainably allocating resources. Independent reviews performed by the RIAT assist in identifying opportunities to enhance operational practices to effectively and responsibly manage human and financial resources in support of students.

RECOMMENDATION:

THAT Appendix A to Report 19-073 be approved as the 2018-2019 Annual Report on Internal Audit Activity.

Michael Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and
Secretary of the Board

APPENDICES:

Appendix A – 2018-2019 Annual Report on Internal Audit Activity (Ministry Format)

Report 19-073, 2018-2019 Annual Report on Internal Audit Activity was approved by Audit Committee as its annual report to the Board summarizing the work performed by the regional internal audit team (RIAT) during 2018-2019 in accordance with Ontario Regulation 361/10, Audit Committees. The following information has been prepared based on the report.

District School Board Name: Ottawa-Carleton District School Board

Fiscal Year: 2019

Re: Annual Audit Committee report to the Ministry of Education as per Ontario Regulation 361/10

During the 2019 fiscal year, the following internal audits were started and/or completed by August 31, 2019:

1. **Report 18-091 – Final Report: Records and Information Management Audit**
As part of the 2017-2018 Internal Audit Plan, an audit of key processes relating to records and information management was completed. The final report was presented to Audit Committee on 26 September 2018.
2. **Report 18-116 – Final Report: Extended Day Program Audit**
As part of the 2017-2018 Internal Audit Plan, an audit of key processes relating to the management of the District's Extended Day Program (EDP) was completed. The final report was presented to Audit Committee on 19 November 2018.
3. **Follow-up Procedures on the Audit of Patch and Release Management**
The follow-up review was completed in June 2018 and the findings were presented to Audit Committee on 19 November 2018.
4. **Follow-up Procedures on Past Audits**
In May 2019, the RIAT commenced follow-up reviews on the audits of records and information management, the EDP, continuing education, health and safety, and patch and release management. The reviews are only focused on outstanding recommendations relating to the audits. The findings will be presented during 2019-2020.

Based on the internal audit plan, the District is not expecting an enrolment audit to be performed in the 2020 fiscal year.

Approved by Audit Committee on 25 September 2019

Sandra Schwartz
Audit Committee Chair



AUDIT COMMITTEE Report No. 19-074

25 September 2019

Audit Committee Annual Report for 2018-2019

Key Contact: Michael Carson, Chief Financial Officer, (613) 596-8211 ext. 8881

PURPOSE:

1. To seek approval of Report 19-074 as the 2018-2019 annual report of activities for submission to the Board in accordance with *Ontario Regulation 361/10, Audit Committees*.

CONTEXT:

2. *Ontario Regulation 361/10, Audit Committees* requires that a summary of work performed by the Audit Committee be provided to the Board. This report is in compliance with the requirement set out in the regulation and covers the period 01 September 2018 to 31 August 2019.

KEY CONSIDERATIONS:

3. The Audit Committee is integral to the District's corporate governance framework. Reporting to the Board, the Audit Committee works with District management to ensure that matters affecting financial, compliance and risk management activities are conducted appropriately. The Audit Committee meets this mandate by providing oversight in ensuring that management has implemented an appropriate system of internal control, by liaising with internal and external auditors, by discussing risks that may have a significant effect on the District's operational and financial resources, and by reviewing specific financial reports.
4. **Audit Committee Governance**
Audit Committee is a statutory committee of the Board. It is established pursuant to *Ontario Regulation 361/10* and is supported by Board policy P.016.GOV. The regulations and policy stipulate various governance requirements including committee composition, maximum term of office for external members, the minimum number of meetings that must be held during the year and the role and responsibilities of the Committee.

Five individuals serve on the Audit Committee. Prior to 01 December 2014, trustee members were appointed for terms commencing 01 December in each year as part of the Board's annual organizational meeting. The Board policy was updated and now allows for one trustee to be appointed for a two-year term while the others continue to serve one-year terms. In addition to trustee members, two external members are appointed for terms of up to three years.

The following table shows the names of committee members and meeting dates. As required by regulation, attendance at each meeting is also noted.

<u>Committee Members for the Period 01 September 2018 to 30 November 2018</u>	
Trustees: Sandra Schwartz, Lynn Scott and Keith Penny	
External Members: Annik Blanchard and Erik Husband	
<u>Meeting Date</u>	<u>Attendance</u>
26 September 2018	Sandra Schwartz and Annik Blanchard, regrets
19 November 2018	All members present
<u>Committee Members for the Period 01 December 2018 to 31 August 2019</u>	
Trustees: Sandra Schwartz, Mark Fisher and Keith Penny	
External Members: Annik Blanchard and Erik Husband	
<u>Meeting Date</u>	<u>Attendance</u>
21 January 2019	Annik Blanchard, regrets
27 March 2019	Erik Husband, regrets
22 May 2019	Annik Blanchard, regrets

Audit Committee met five times during the year. The work performed during the year is summarized below. The work has previously been communicated to the Board through the provision of meeting minutes which are included in Committee of the Whole agenda packages.

5. **Review of Draft Financial Statements**

The *Education Act* requires that school boards prepare audited financial statements annually and make the statements available to the public. A primary responsibility of the Audit Committee is to review the draft consolidated financial statements and recommend them for Board approval.

Audit Committee reviewed the draft 2017-2018 Consolidated Financial Statements at its 19 November 2018 meeting and recommended that the financial statements be approved. The statements were presented to, and subsequently, approved by the Board.

6. **Liaising with the External Auditor**

The external auditor met with the Audit Committee and provided an engagement letter and audit plan to ensure that members of the Audit Committee were aware of the purpose, extent and limitations relating to the audit of the 2017-2018 Consolidated Financial Statements. Audit Committee also discussed the draft 2017-2018 Consolidated Financial Statements both publicly and in-camera with the external auditor and reviewed observations and recommendations identified in the auditor's Audit Findings Report. The in-camera meeting included a session restricted to the external auditor and Audit Committee members.

7. **Liaising with the Internal Auditor**

The regional internal audit team (RIAT) supports the Audit Committee by providing analyses, assessments, recommendations, and advice that contribute to the effectiveness of risk management, internal control, and governance processes. The RIAT is led by the RIAT manager who reports administratively to the senior business official of the host board (Ottawa Catholic School Board) and functionally to the audit committees in the region.

In June 2015, Audit Committee approved the risk-based 2015-2020 Internal Audit Plan which has guided the work of the internal audit team. Audits identified in the plan focus on various policies and processes including those relating to school generated funds, health and safety, staffing and information technology.

The timing and scope of the anticipated work shown in the multi-year plan is, in consultation with Audit Committee, confirmed with the approval of the annual internal audit plan which is developed with consideration of emerging priorities.

The RIAT experienced a change in leadership in 2018-2019. The incumbent manager resigned in September 2018 and the vacancy was filled in January 2019. Although the change did have an effect on the planned work, the following initiatives were either completed or commenced during the reporting year:

- In September 2018, the RIAT presented its final report on the audit of the records and information management (RIM) program. The objectives of the audit were to verify compliance with Board policies, procedures, laws and regulations; assess the internal controls in place; and to examine the effectiveness and efficiency of the RIM process.
- In November 2018, the RIAT presented its final report on the audit of the Extended Day Program (EDP). The audit focused on processes and documentation relating to the 2016-2017 and 2017-2018 school years. The objectives were to obtain an understanding of the key administrative, operational and financial processes relating to the EDP; to ensure the Board is in compliance with legislative requirements relating to the program; to assess the adequacy and effectiveness of associated internal controls; and to identify opportunities for control or process improvements.

- The RIAT manager customarily conducts follow-up reviews to ascertain progress towards implementing changes in response to audit recommendations. In June 2018, the RIAT completed follow-up procedures on the audit of key processes relating to the audit of patch and release management that had been performed in 2015-2016. The findings of the follow-up review were presented to Audit Committee in November 2018. Follow-up reviews on the audits of RIM and EDP, along with continuing education, health and safety and patch and release management commenced in May 2019. Updates will be presented during 2019-2020.

In addition to discussing the audit findings and the need to ensure that future audit plans are aligned with the District's strategic enterprise risk management (SERM) framework, Audit Committee provided the host board with an assessment of the work performed by the audit team in 2017-2018. Providing formal feedback to the internal audit team through a high-level performance evaluation contributes to continued improvement in the team's effectiveness. Additional feedback is provided to the audit team during Audit Committee meetings.

Additional information on the work of the RIAT is provided in Report 19-073, 2018-2019 Annual Report on Internal Audit Activity. Staff continues to work with the RIAT to finalize the internal audit plan for 2019-2020.

8. **Review of Financial Projections**

Monitoring actual performance against the Board's approved budget allows management to identify opportunities to reallocate resources to address emerging needs and to respond to changes in revenue streams and expense patterns.

Finance staff presented two forecasts to Audit Committee in 2018-2019. The forecasts identified opportunities to enhance budget development practices. As a result, actual costs are expected to be more consistent with the spending plans shown in the approved budget.

Audit Committee's work has encouraged staff to continue its efforts to enhance budgeting and financial monitoring practices. Three forecasts are planned for the coming year.

9. **Risk Management**

The duties of the Audit Committee related to the District's risk management activities include inquiring about significant risks, to review the District's policies for risk assessment and risk management and to ensure there is adequate insurance to cover risks. Significant risks are brought to the attention of the Audit Committee through the Director of Education and Chief Financial Officer as well as in external and internal auditor reports. Audit Committee also receives a staff report annually on the District's insurance coverage and associated costs.

In March 2019, the Audit Committee received a presentation regarding the District's efforts to establish a SERM framework. The framework being adopted aligns with the International Organization for Standardization (ISO) 31000 risk management guidelines and was customized for school boards under the leadership of the Council of Senior Business Officials (COSBO) and the Ontario School Boards' Insurance Exchange (OSBIE). The framework will enhance the District's strategic planning and operational processes by developing an organizational culture that considers both risk exposure and risk tolerance as a fundamental aspect in decision making.

A SERM readiness assessment of the District was conducted during the spring of 2019. The assessment findings resulted in the development of phase II, a SERM implementation plan, which will be implemented in 2019-2020. SERM project updates will be provided to Audit Committee on a regular basis.

10. **Regulatory Compliance**

The Audit Committee is responsible to ensure that appropriate processes and controls are in place so that the District is in compliance with regulations and to monitor and correct instances of non-compliance. A report is provided annually to the Audit Committee on the key statutes and regulations governing the District, the associated substantial compliance or areas of partial or non-compliance, and the plan for becoming fully compliant.

11. **Oversight of Internal Controls and Regulatory Compliance Reporting**

Audit Committee recognizes that a system of internal control is essential to managing risk and to ensuring the provision of quality financial information. Audit Committee's oversight of internal controls included receiving formal presentations and having discussions on key areas including:

- responsibilities of Audit Committee and the role of the internal auditor;
- information technology and information security;
- adherence to purchasing policies and procedures including the effect of new trade treaties and the impact of the Government of Ontario's centralized procurement initiative;
- insurance coverage and business continuity considerations;
- succession planning; and
- incidents that may result in significant financial and reputational risk.

12. **Mandatory Audit Committee Reports**

Ontario Regulation 361/10 requires that Audit Committee provide the Board with a summary of its activities for the previous fiscal year. A separate report summarizing the work of the RIAT during the previous fiscal year must also be provided to the Board and shared with the Ministry of Education.

In September 2018, Audit Committee approved the mandatory reports for 2017-2018 and the report summarizing the work of the RIAT was submitted to the Ministry.

13. **Summary**

Audit Committee performs work that contributes to the District's successful corporate governance framework. The work performed by the Audit Committee during 2018-2019 continues to enhance the District's internal control, risk management, and financial reporting processes.

RESOURCE IMPLICATIONS:

14. Approval of the report has no financial impact.

COMMUNICATION/CONSULTATION ISSUES:

15. The report was prepared by Finance staff. No consultation was required.

STRATEGIC LINKS:

16. An effectively functioning Audit Committee and approach to risk management is a key component in the Board's efforts to allocate resources in a sustainable manner. Audit Committee works with District management to ensure that matters affecting financial, compliance and risk management activities are conducted efficiently and that an appropriate system of internal control exists.

RECOMMENDATION:

THAT Report 19-074 be approved as the Audit Committee Annual Report to the Board for 2018-2019.

Michael Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and
Secretary of the Board



AUDIT COMMITTEE (PUBLIC)
Report No. 19-084

25 September 2019

Strategic Enterprise Risk Management

Key Contact: Michael Carson, Chief Financial Officer, 613-596-8211 ext. 8881

PURPOSE:

1. To provide an update with respect to the implementation of the Strategic Enterprise Risk Management (SERM) framework, with the assistance of the Ontario School Board Insurance Exchange (OSBIE).

CONTEXT:

2. As outlined in Report No 19-016, Strategic Enterprise Risk Management, presented to Audit Committee on 27 March 2019; the Ontario School Board Insurance Exchange (OSBIE) was engaged to assist the District in a readiness assessment regarding the implementation of a strategic enterprise risk management framework. This readiness assessment work (Phase I) was completed in June 2019. Readiness Assessment Results are attached as Appendix A.

KEY CONSIDERATIONS:

3. The implementation of the SERM framework will provide the District with a better understanding of risks, impacts and priorities in alignment with the District's Strategic Plan. The framework will enable the District to address risks and challenges while improving overall strategic governance and decision making.

SERM is implemented by applying the common risk management process to key business processes involving decision making, such as:

- strategic planning;
- operations planning;
- budgeting;
- staffing; and
- specific projects.

The common risk management process includes:

- identification;
- analysis;
- evaluation;
- treatment; and
- monitoring and review.

Identified risks are assessed based on probability and impact.

The framework being implemented is aligned with the International Standards Organization (ISO) 31000 model, is customized for Ontario school districts, and is supported by an implementation guide and toolkit.

The Phase 2 SERM implementation work plan is attached as Appendix B and is expected to be completed by the end of June 2020. This work will be led by Julie Welch, Manager of Risk for OSBIE, Jan Mattingly, an expert in risk subject matter and District Risk Management staff.

The Phase 2 project objectives will consist of:

- a SERM framework integration planning and execution;
- development of a District SERM toolkit (including a risk appetite statement, risk rating approach, development of a risk register and risk reporting format);
- SERM training and orientation to various stakeholders; and
- transition of SERM work to District staff.

4. Expected Outcomes

The SERM framework will be tailored to the District's specific needs which will assist in addressing risks and challenges, while improving strategic governance and decision making to achieve our strategic objectives.

The framework will assist in identifying key risks under a District-wide approach, consistent with a District-approved risk appetite, risk management policy and risk register.

A risk-aware culture will be developed to help distinguish between risk taking and risk avoidance based on the established District risk appetite.

Risk ownership will be assigned to appropriate individuals responsible for identifying, evaluating, mitigating and reporting risk exposures.

RESOURCE IMPLICATIONS:

5. The cost for the Phase 2, SERM Implementation will be managed within the existing operational budget.

As all staff has some responsibility for risk, there will be a time commitment required of senior staff and departmental managers to assist in the implementation.

COMMUNICATION/CONSULTATION ISSUES:

6. There have been ongoing discussions with the Audit Committee with respect to a more formalized risk management approach and process.

The Regional Internal Audit Manager (RIAM) has also communicated interest in the SERM implementation and will begin a new risk assessment plan for internal audit based on the risks identified through this implementation and their associated risk ranking.

During the Phase 1 SERM readiness assessment phase, communication was primarily with senior staff, Audit committee members and the Regional Internal Audit Team (RIAT).

Phase 2, SERM implementation will require the support of the Communications department as staff roll out the SERM framework to all stakeholders. A detailed communication plan will be developed as the implementation work begins.

STRATEGIC LINKS:

7. Implementation of SERM will enable the District to address risks and challenges while improving overall strategic governance and decision making, aligning with the culture of responsibility of the District's strategic plan.

GUIDING QUESTIONS:

8. The following questions are provided to support the discussion of this item by the Committee:
 - Does this initiative assist the Audit Committee in fulfilling their role in risk management oversight?
 - What are the expected outcomes of this initiative?
 - How does this work connect with the District's strategic objectives?

Michael Carson
Chief Financial Officer
(ext. 8881)

Camille Williams-Taylor
Director of Education and
Secretary of the Board

APPENDICES

Appendix A – Phase 1 Readiness Assessment Results
Appendix B – Phase 2 SERM Implementation Work Plan

Report 19-084 Appendix A

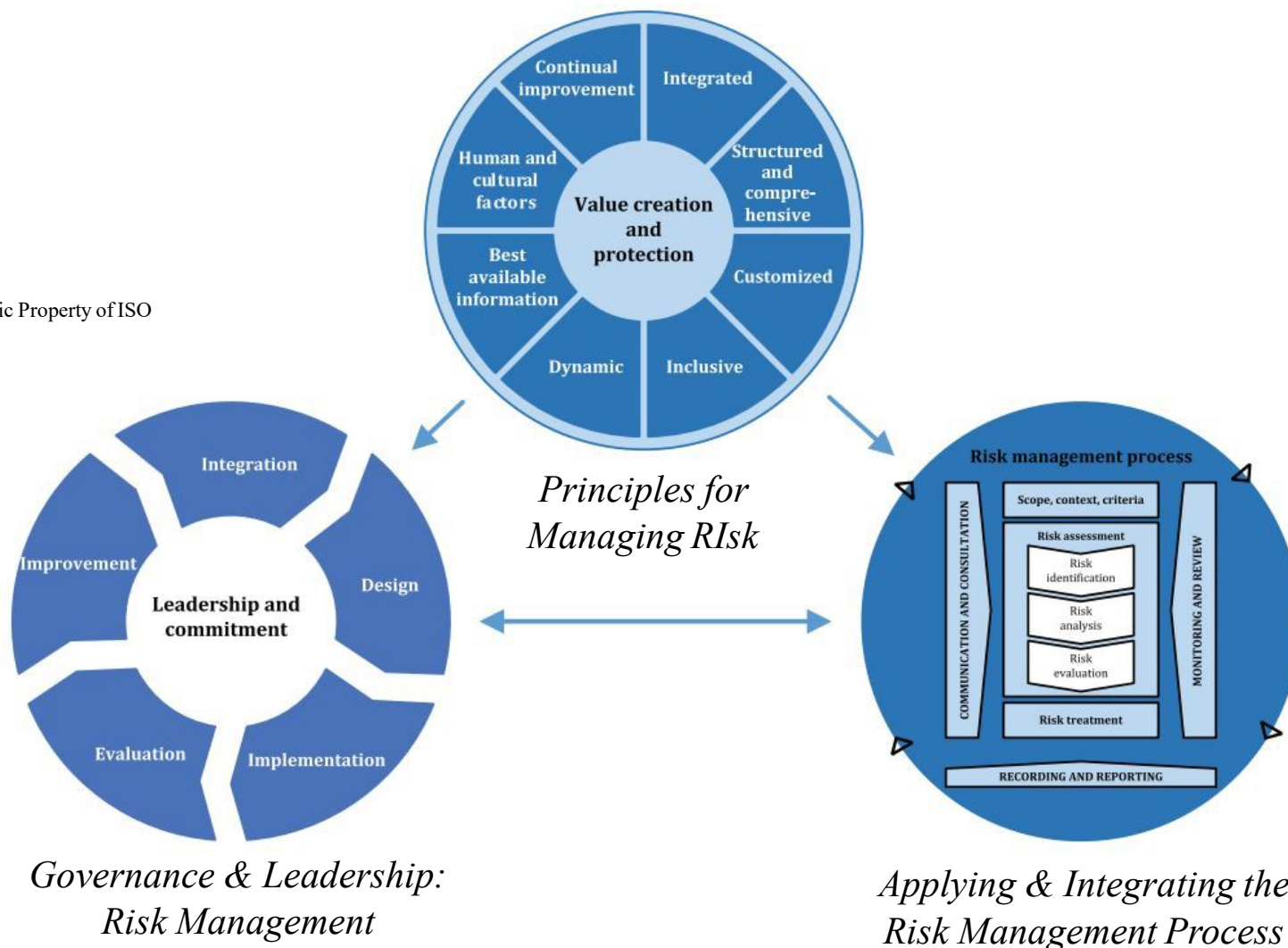
Strategic Enterprise Risk Management

Phase 1 – Readiness Assessment Results

May 2019

Three Readiness Assessment Areas: Based on ISO 31000: 2018 Expectations

Graphic Property of ISO



Findings: *Governance & Leadership: Risk Management*

Strengths

- ✓ Some accountabilities for certain types of risks are clear: Policies such as Board Governance, Audit Committee, Privacy, Computer Network Security, Spending & Signing Authority, Tendering, etc. set out specific roles

Areas of Improvement

- ❑ Formulate and clarify leadership messaging on why OCDSB manages risk: currently, the 'why' is unclear and unstated
- ❑ Discuss and approve risk criteria to guide consistent assessment of risk entity-wide, aligned to executive risk attitude (appetite): at the moment, risk is identified but the assessment of risk and any criteria used for that assessment are not clear or evident
- ❑ OCDSB has not yet designed its framework for managing risk but rather has a variety of discrete processes that include consideration of risk (see above - Strengths)
- ❑ OCDSB does not yet understand its principal risks in pursuit of its objectives
- ❑ Improvement Areas to consider:
- ❑ Unknown internal messaging re 'risk is everyone's business'
- ❑ Governance of risk in the organization exists but is not yet coherent and could be improved

Findings: *Applying & Integrating the Risk Management Process*

Strengths

- ✓ Strategic Planning: Uncertainty, threat and opportunity are explicitly considered as part of its 2019 strategic planning activity (SWOT & PESTLE analysis)
- ✓ Decision making:
 - OCDSB has 3 dedicated risk management resources that provide risk assessment advice, review of waivers or contract documents including negotiation support, also issuing memos on risk assessment recommendations associated with a decision about a specific activity being considered or undertaken
 - Formal risk discussions occur at Audit Committee, including, financial, operational, hazard and reputational risk. Records of these discussions are in the committee minutes but do not always show decision rationale.
 - Risks are also discussed at Budget Committee, Board meetings, Director Executive Council (DEC) meetings, School Operations meetings, Manager's Council meetings, departmental meetings but not necessarily with a conscious risk lens in mind or with a consistent way of identifying and assessing risk.
- ✓ Monitoring identified risks occurs implicitly organization-wide

Areas of Improvement

- ❑ The risk management process itself is applied implicitly usually always, seldom explicit, even with significant decisions the Board takes
- ❑ Risk information developed across the Board is not always centered in relation to OCDSB objectives and can be
- ❑ The Board has an inherent risk averse culture: this means opportunities may not always be considered when decisions are made
- ❑ Various risk management processes exist and should be seen as part of OCDSB's overarching risk management process: OPHEA Guidelines, OSBIE field safety risk management, IT security risk assessment, etc.
- ❑ The output of risk management processes applied across the board varies widely and can be enhanced for improved organizational coherence (e.g. OCDSB objectives, OCDSB risk attitude & rating approach, etc)

Findings: *Principles for Managing Risk*

Strengths

- ✓ Inclusive: Extensive internal and external consultation processes exist with implicitly and sometimes explicitly discuss risk
- ✓ The Board often makes efforts to develop the best possible information in decision making
- ✓ Human and cultural factors are generally always considered in decisions

Areas of Improvement

- ❑ Structured & comprehensive: not always
- ❑ Integrated: Managing risk is not usually integrated
 - ❑ With other relevant key business processes (e.g. strategy)
 - ❑ In relation to the Board's top risks
- ❑ Dynamic & Customized: Managing risk is not always dynamic (previously identified risks may not be revisited in light of new developments) nor customized (scaling the risk management process to the significance of a Board decision)
- ❑ Continual improvement: the Board learns from the past implicitly, sometimes explicitly
- ❑ Discuss and agree on the number and or order of principles that will apply
- ❑ Discuss proposal for how principles can be practically applied during the risk management process

Gap (P=Proposed/□=No action taken yet)	Target Outcome	Board Measure	2018-19		2019-20			
			Q3	Q4	Q1	Q2	Q3	Q4
A. Governance & Leadership: Risk Management <input type="checkbox"/> Gap 1: Clarify & formalize why OCDSB manages risk (policy or policy statement or?) <input type="checkbox"/> Gap 2: confirm risk rating approach & appetite <input type="checkbox"/> Gap 3: confirm governance & accountabilities for risk management at OCDSB <input type="checkbox"/> Evaluation & Continuous Improvement			P					
			P					
			P					
								□
B. Integrating & Applying the risk management process <input type="checkbox"/> Gap 1: develop a Board-wide understanding of its principal risks for use in strategic planning & budgeting-resourcing <input type="checkbox"/> Gap 2: Risk in decision making-apply the risk management process to Decision A <input type="checkbox"/> Gap 3: Risk in decision making-apply the risk management process to Decision B <input type="checkbox"/> Gap 4: Develop-adapt existing training & tools			P					
			□					
			□					
					□	□	□	
C. Principles for Managing Risk <input type="checkbox"/> Gap 1: prioritize or select principles tailored to the Board <input type="checkbox"/> Gap 2: apply principles to risk assessments that support key decisions (see Gaps 1-3 above)			P					
			□					



Phase 2 – SERM Implementation (decided estimation completion December 2019)

Sample Tasks	Target Deliverable	Percentage Complete at Aug 30/19
Task 1: Conduct Strategic Risk Assessment ("Corporate Risk Profile") and planning implications for 2020	OCDSB Profile of Key Risks	60%
Task 2: Prepare ERM Integration	SERM Implementation Plan	25%
Task 3: Execute ERM Integration – Planning <ul style="list-style-type: none"> - Reviewing resource allocation and the OCDSB Planning and budget cycles & processes - Establishing natural crossover points in all three processes for inclusion or enhancement of risk management activity 	SERM Integration into OCDSB Planning process, guidance, tools & training	0%
Task 4: Develop, test and refine OCDSB SERM Policy/Framework & Toolkit <ul style="list-style-type: none"> - Risk appetite statement orientation - Risk rating approach - Risk register - Risk reporting format 	OCDSB SERM toolkit	50%
Task 5: Develop & deliver ERM component of Management Training & orientation	OCDSB Management Training of SERM	25%
Task 6: Develop ERM component of OCDSB existing training & orientation	OCDSB General Training of SERM & Toolkit	0%
Task 7: (Option) conduct risk assessment unique to OCDSB project and upcoming key decision applying OCDSB SERM Toolkit	Applying SERM to 3 OCDSB decisions	15%
Task 8: Project transition to OCDSB resources	Lessons Learned & Key Outcomes	0%
Task 9: Project Closeout	Final payment	



MEMORANDUM

Memo No. 19-094

TO: Audit Committee Members

FROM: Camille Williams-Taylor, Director of Education and Secretary of the Board
Mike Carson, Chief Financial Officer

DATE: 25 September 2019

RE: **Regional Internal Audit Team Evaluation Process for 2018-2019**

A key responsibility of the Audit Committee is to work with the regional internal audit team (RIAT) which supports the committee by providing analyses, assessments, recommendations and advice that contribute to the effectiveness of risk management, internal control and governance processes. The RIAT manager (and staff) report administratively to the senior business official of the host board (Ottawa Catholic School Board) and functionally to the audit committees in the region.

Providing formal feedback to the RIAT through a high-level performance evaluation contributes to continued improvement in the team's effectiveness. It is the responsibility of the host board to complete a performance evaluation of the audit team with input from the audit committees in the region. *Ontario Regulation 361/10, Audit Committees* states that an audit committee is "to review at least once in each fiscal year the performance of the internal auditor and provide the board with comments regarding his or her performance." Completion of the evaluation is recommended despite a change in the team's leadership early in 2018-2019. Note that a full evaluation is not required this year. Instead, observations can be limited to specific aspects of team performance.

The two-part form is attached as Appendix A. Staff is requesting your assistance in preparing the evaluation and asks that you please complete and return *Part 1, Evaluation of Regional Internal Audit – Audit Committee* to Kevin Gardner, Manager of Financial Services by 18 October 2019. Ratings and comments will be summarized and the evaluation, inclusive of management's evaluation, will be presented to Audit Committee for approval in November 2019.

To assist Audit Committee members in reviewing the work performed by the RIAT, reference can be made to Report 19-073 entitled *2018-2019 Annual Report on Internal Audit Activity* which is included in the Audit Committee agenda of 25 September 2019. The report identifies that the RIAT presented final reports on the audits of Records and Information Management and the Extended Day Program. The team also performed follow-up procedures relating to the 2015-2016 Audit of Patch and Release Management.

Please direct questions to Kevin Gardner at kevin.gardner@ocdsb.ca or 613-596-8211, ext. 8350.

Attach

cc Trustees
Senior Staff
Manager of Board Services
Manager of Financial Services
Corporate Records

EVALUATION OF REGIONAL INTERNAL AUDIT – AUDIT COMMITTEE

This checklist should be completed by the audit committee annually prior to feedback from other areas of the Board.

Understanding:

How well does internal audit demonstrate that it:

- Recognizes its accountability to the audit committee;
- Understands the responsibilities and operation of the audit committee;
- Understands the expectations of the audit committee and the chair;
- Understands the Board's operations and risk environment?

Strong	Adequate	Needs Improvement

Comments:

Experience:

Evaluate internal audit's independence from the activities it audits.

How would you assess the committee's confidence in internal audit?

Has internal audit presented its mandate in the last two years?

Does the regional internal audit team demonstrate consistency in quality of service to the Board?

Strong	Adequate	Needs Improvement
N/A	Yes	No

Comments:

Communication:

Has internal audit attended all the audit committee meetings scheduled to attend?

Has internal audit made itself available for consultation outside of audit committee meetings?

N/A	Yes	No

Evaluate internal audit's frankness and candour with the committee.

Evaluate internal audit's handling of difficult or contentious issues.

Evaluate the usual level of preparation for audit committee meetings demonstrated by internal audit.

Evaluate the quality of internal audit reports tabled with the audit committee. Consider relevance and clarity.

Strong	Adequate	Needs Improvement
N/A	Yes	No

Have reports been received from internal audit on a sufficiently timely basis?

If not, has an explanation been provided?

Comments:

Performance:

Assess the quality of the annual audit plan in terms of:

Comprehensiveness, clarity and timeliness,

Coverage of priority and high risk areas.

Did the current internal audit plan leave any significant issues of concern to the audit

Was it clear from its reporting to the committee that internal audit:

Delivered the services outlined in the plan,

Were in accordance with the agreed timetable?

Do you consider that internal audit has added value* to the organization?

In what way has internal audit added value* to the organization?

Strong	Adequate	Needs Improvement
N/A	Yes	No
N/A	Yes	No

"VALUE" is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.

How would you assess internal audit's overall performance?

Strong	Adequate	Needs Improvement

Comments:

Name:

Position:

Audit Committee Chair

Signed:

Date:

EVALUATION OF INTERNAL AUDIT – MANAGEMENT

This checklist is to be completed by all Superintendents of Business/CFOs based on direct interaction with regional internal audit and observation at audit committee meetings, with input from post-audit satisfaction surveys (as available). The Host Board Superintendent will compile responses into an overall evaluation form.

The full checklist should be completed every three years, starting with 2016-17. For the intervening years, please provide the following update:

- * I have no issues to report on the RIAM's performance.
- * I have some concerns with the RIAM's performance detailed below:

--

Planning:

Is the regional internal audit mandate sufficiently communicated to key members of management and the Board?

Was there sufficient pre-planning and coordination by the internal auditors before internal audits and/or special projects commenced?

Did internal audit discuss its approach and major areas of audit focus with you?

Did you raise any major areas of concern that were not reviewed by the internal audit team?

N/A	Yes	No

Comments:

Skill and Experience:

Do you consider the internal audit team have sufficient professional experience, project management, inter-personal skills to effectively carry out the work required?

Do you consider the internal audit team have sufficient experience in the functional specializations (eg IT, risk assessment, program delivery) to effectively carry out the work that was required?

Assess the strength of internal audit's understanding of the Board and its risk involvement.

To what level did the members of the internal audit team demonstrate an appreciation of the key risks and issues of the areas audited?

Did members of the internal audit team consistently demonstrate objectivity in all deliberations?

Do you believe the members of the internal audit team are independent of the activities they audit?

Were members of the internal audit team adequately supervised?

N/A	Yes	No
Strong	Adequate	Needs Improvement
N/A	Yes	No

Skill and Experience:**Comments:****Work Programme:**

Was effective cooperation achieved between the internal auditors and departments including the avoidance of undue disruption to normal activities?

Did internal audit keep you up to date with the progress of your audits/projects?

Did internal audit provide early identification and advise of contentious issues, problem area and delays?

Did internal audit suggest how such issues could be resolved?

Were suggestions realistic and presented clearly and on a timely basis?

N/A	Yes	No

Were internal audit reports:

Relevant, clear and constructive;

Sufficiently detailed to enable effective management action;

Issued on a timely basis?

Were internal audit findings discussed with you prior to being tabled with audit committee?

Did internal audit follow up on recommendations to see if they had been implemented?

Do you have any unresolved disagreements with internal audit?

Did internal audit add value* to the Board? *"Board" meaning corporate entity.*

N/A	Yes	No

In what way did internal audit 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.

Overall Performance:

Overall , we are pleased with the performance of the Regional Internal Audit Manager.

N/A	Yes	No

Comments:**Name:****Position:**

Board Superintendent of Business/CFO

Signed:**Date:**



MEMORANDUM

Memo No. 19-097

TO: Audit Committee

FROM: Camille Williams-Taylor, Director of Education and Secretary of the Board
Michael Carson, Chief Financial Officer

DATE: 25 September 2019

RE: **Cyber Insurance Coverage**

In response to questions at the 22 May 2019 Audit Committee In-Camera meeting, the following information with respect to the District cyber insurance coverage purchased through the Ontario School Board Insurance Exchange (OSBIE) is provided.

1. An overview of cyber insurance policy coverage; and
2. Examples of cyber incidents and how the insurance policy applies.

Attach.

cc. Trustees
Senior Staff
Manager, Board Services
Corporate Records



Coverage Overview - Cyber Insurance

OSBIE's cyber insurance policy provides members coverage designed to help the school board pay for cyber incidents that involve the unauthorized or accidental release of personal, private data of individuals or when the boards own data is held hostage by a third party.

OSBIE's policy provide coverage for:

- **Security and Privacy Liability** – responds to third party liability claims arising from a failure either of the board's network security or to protect personally identifiable information from misappropriation. This also provides coverage for Regulatory Action which would include any legal costs or penalties the board becomes legally obligated to pay as a result of a claim from a government regulatory board as a result of a violations of a privacy law.
- **Event Management** – provides the board coverage to assist in the management and mitigation of a covered privacy or network security incident.
- **Network Interruption** – responds to a security failure which directly results in the interruption or suspension of the boards business.
- **Cyber Extortion** – responds to a financial loss because of a security or privacy incident.
- **Media Content** – coverage for claims arising from copyright, infringement, plagiarism, defamation, libel and slander due to electronic, digital or digitized content displayed on the board's website including advertising, audio, video and written content.

Coverage would be subject to the limit the board has purchased and policy deductible.



What is a cyber incident?

As of January 1st, 2018, the following coverages are included in your Cyber policy:

Event Management Insurance Responds to assist in the management and mitigation of a covered privacy or network security incident.

Example:

A student breaches a board's computer system firewall and obtains a copy of a board's employee payroll file. The payroll file contains personal information including banking and social insurance numbers. A lawyer assisted with an overall strategic response and drafted a letter to the affected employees.

Security and Privacy Liability Insurance

Responds to important third-party liability for claims arising from a failure either of the insured's network security or to protect personally identifiable information from misappropriation.

Example:

An employee whose information was breached due to a security breach launches a third-party liability claim against the board for failing to properly protect their personal information. Security and Privacy Liability insurance provides coverage for the legal council as well as liability damages if the claimant is successful.

Regulatory Action Sublimit of Liability

Coverage for the legal costs and any penalties which the insured becomes legally obligated to pay as a result of a claim from a government regulatory body as a result of a violation of a privacy law.

Example:

Because of a privacy breach event, the board is financially penalized by the Information and Privacy Commissioner regulatory body.

Media Content Insurance

Coverage for claims arising from copyright, infringement, plagiarism, defamation, libel and slander due to electronic, digital or digitized content displayed on a company's website including advertising, audio, video and written content.

Example

A board employee unknowingly posts copyright material without the owner's permission to the boards' website. The board is sued for copyright infringement.

Network Interruption Insurance

Responds to a security failure which directly results in the interruption or suspension of your business.

Example

An employee who had resigned from a board erased all accessible hard drives and removed the firm's intellectual property and primary information from backup systems. A cybersecurity response team worked closely with the firm to recreate all of the applications and information that had been erased and reimbursed the board for an estimated \$300,000 in costs.

Cyber Extortion

Responds to a loss as a result of a security threat or privacy threat. Will refund payments made in bitcoin or other cryptocurrencies.

Example

Hackers penetrated a boards computer network and placed a ransomware attack virus onto the system. The ransomware encrypted the insured's network and demanded \$3,000 to un-encrypt.

What should I do if I suspect we have a Cyber Breach?

It is important to remember that when an incident occurs, time can be of the essence. Data security incidents - even those that are seemingly simple - can be difficult to fully understand.

In the event of any situation that may give rise to a claim, your first step should be to notify a Breach Coach. One of the benefits we receive from partnering with AIG for our Cyber program is access to a qualified Breach Coach:

Dan Michaluk @ Hicks, Morely
 Telephone: 416-864-7253
 Email: daniel-michaluk@hicksmorley.com

How do I report a claim or incident?

To assist in providing prompt service please complete the **Cyber Reporting Form** and call a Claims Examiner at OSBIE with the details.

Audit Committee Work Plan

General Responsibilities

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
3.(1) - Ensure committee composition complies with the regulation						
4.(1) – Ensure newly appointed external members meet eligibility requirements						
6.(1) - Elect the chair and appoint a secretary for the year			•			
7.(2) - Ensure external members have not exceeded the maximum term of appointment						
8.(1) & 8.(2) - Review committee members' compliance with membership rules listed in the regulation						
9.(7) - Report as required to the Board regarding the execution of duties and responsibilities						
9.(8) – Ensure the regulation is posted on board's website						
10.(a) - As necessary (and with Board approval), retain counsel, accountants or other professionals to advise or assist the committee						

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
10.(c) - Meet with management privately to discuss any necessary matters						
11.(6) – Ensure a quorum is present						
11.(7) - Maintain minutes, review and approve the minutes of prior meetings						
14.(3) – Members declare any potential financial benefits relating to agenda items						
15.(1) &15.(3) – Annual report to the Board	•					
15.(2) – Annual report to the Ministry of Education	•					

Financial Reporting

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(1) 1 - Review: - relevant accounting and reporting practices and issues - complex or unusual transactions - material judgments and accounting estimates - any departures from PSAB			•			
9.(1) 2i - Review the external audit results						

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(1) 2ii - Review any difficulties encountered in the course of the audit						
9.(1) 2iii – Review any significant changes made to the external audit plan in response to issues identified during the audit						
9.(1) 2iv - Review significant disagreements between external audit and management and how those disagreements were resolved		•				
9.(1) 3 - Review the annual financial statements		•				
9.(1) 4 - Recommend to the Board the approval of the annual audited financial statements		•				
9.(1) 5 - Review all external auditor communications required under GAAS		•				
9.(1) 6 - Review any material written communication between the external auditor and management		•				
9.(1) 7 – Ask the external auditor whether all reporting entities were consolidated into the board's financial statements		•				

Internal Controls

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(2) 1 & 9.(2) 3 - Enquire about significant financial risks and the measures taken to manage such risks (reviewing the overall effectiveness of board's internal controls)						
9.(2) 2 - Review the scope of the internal and external auditor's reviews of the board's internal controls, as well as any significant findings and recommendations made and management's response to these	•					

Internal Audit

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(3) 1 - Review their mandate, activities, staffing and organizational structure						
9.(3) 2 - Make recommendations to the Board on the content of the internal audit plan		•				
9.(3) 2 - Make recommendations to the Board on all proposed major changes to the internal audit plan		•				

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(3) 4 - Review internal auditor performance and provide comments to the Board and host board		•				
9.(3) 5 - Review internal audit's effectiveness, including compliance with professional internal auditing standards. This could include a review of the quality assurance and improvement program results, which may use tools such as peer reviews and/or periodic external assessments.		•				
9.(3) 6 - Meet with internal audit privately to discuss any necessary matters						
9.(3) 7i - Review significant findings and recommendations made by internal audit and management's response to the recommendations						
9.(3) 3 & 9.(3) 7ii - Discuss significant difficulties, disagreements or scope restrictions/limitations encountered by the internal auditor						
9.(3) 7iii - Review any significant changes internal audit made to the audit plan in response to issues identified during the audit						

External Auditor

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(4) 1 – Review external auditor performance	•					
9.(4) 1 – Make recommendations to the Board on the appointment, replacement or dismissal of the external auditor and on the external auditor's fee and fee adjustment	•					
9.(4) 2 – Review the external audit plan (engagement letter, coordination with internal audit, use of other independent accountants)	•					
9.(4) 2.1 - Make recommendations to the Board on the content of the external audit plan	•					
9.(4) 2.1 - Make recommendations to the Board on all proposed major changes to the external audit plan	•					
9.(4) 3 - Review and confirm external auditor's independence	•					
9.(4) 4 - Meet with the external auditor to discuss any necessary matters	•					
9.(4) 5 - Oversee the resolution of any disagreements between the external auditor and management	•					
9.(4) 6 - Recommend a policy on services the external auditor may perform and oversee its implementation	•					

Compliance

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(5) 1 - Review the board's system for monitoring compliance with legislative requirements, board policies and procedures		•				
9.(5) 1 & 9.(5) 4 - Review instances of non-compliance with legislative requirements and board policies and procedures, as well as actions taken		•				
9.(5) 2 - Review any legal matters or findings of regulatory entities		•				
9.(5) 3 - Review the board's process for communicating and administering any codes of conduct		•				
9.(5) 5 - Receive confirmation that all statutory requirements have been met, e.g., through the annual compliance report signed by the Director		•				

Risk Management

Meeting Date

Audit Committee Agenda Items	S	N	J	M	M	Comments
	E	O	A	A	A	
	P	V	N	R	Y	
	T					
9.(6) 1 - Enquire about significant risks, review and assess the board's risk management policies						
9.(6) 2 - Perform other activities related to the oversight of the board's risk management issues or financial matters as requested by the Board						
9.(6) 3 - Initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealings (including fraud)						

Other Leading Practices

Audit Committee Agenda Items	Meeting Date					Comments
	S	N	J	M	M	
	E	O	A	A	A	
	P	V	N	R	Y	
Develop work plan and meeting schedule for the next fiscal year			•			
Succession planning				T B D		
Perform a self-assessment of the audit committee		•				
Appropriate continuing education/orientation						

Audit Committee Agenda Items	Meeting Date						Comments
	S	N	J	M	M		
	E	O	A	A	A		
	P	V	N	R	Y		
	T						
Review interim financial reports							
Insurance Coverage				•			