



AUDIT COMMITTEE REPORT (PUBLIC)

Wednesday, September 26, 2018

7:00 pm

Trustees' Committee Room

133 Greenbank Road

Ottawa, Ontario

Members: Lynn Scott (Trustee), Keith Penny (Trustee), Eric Husband (External Member)

Staff and Guests: Jennifer Adams (Director), Michael Carson (Chief Financial Officer), Kevin Gardner (Manager of Financial Services), Sandra Lloyd (Manager of Risk and Supply Chain Management), Mary Jane Farrish (Superintendent of Instruction), Katrine Mallan (Manager of Board Services), Pasquale L'orfano (Regional Internal Auditor)-electronic communication, Diana Swedani (Audit Manager KPMG LLP) and Nicole Guthrie (Committee Coordinator)

1. Call to Order

Chair Scott called the public session to order 7:00 p.m.

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 advised that preliminary enrollment is slightly than the projection and that revenue projections are on target. He added that staff

anticipates further growth and that the District has made the necessary changes at school sites to accommodate for further fluctuations and changes.

CFO Carson expressed concern for those families affected by the tornado that touched down in Ottawa on 21 September 2018. District staff responded early and all schools with the exception of Knoxdale Public School had returned to business as usual as of 26 September 2018. He noted that Knoxdale PS will reopen on 28 September 2018. The decision to Knoxdale PS closed was a result of the risks to the safety of students owing to the debris and broken glass blown into the yard during the tornado. He added that the District is working closely with Ottawa Student Transportation Authority (OSTA) on transportation for those students that have been dislocated from their homes as a result of the tornado. The District and OSTA aim to support the students in their home school where possible.

CFO Carson advised that the tree damage to District property is not insurable. The District has begun discussions with the province to apply for disaster relief funding. Staff is currently tallying the costs of the damage. A preliminary review suggests that the majority of the expense is a result of the staff time that was required to supervise schools that were without power. CFO Carson highlighted the efforts of the staff and administration of West Carleton Secondary School which was used as a shelter and provided relief to the Dunrobin community.

CFO Carson noted that the elimination of the greenhouse gas funding announced by the province did not affect the District as the funding had already been committed. The changes to the Grants for Student Needs (GSNs) did not impact the District. CFO Carson noted that recent reports identifying opportunities for provincial savings are worrying, and he anticipates the 2019-2020 budget process will be more difficult than the past two years.

CFO Carson advised that the recruitment for the new Regional Internal Audit Manager has begun under the direction of David Leach, Superintendent of Finance & Administration, Ottawa Catholic School Board (OCSB). He noted the District has an excellent relationship with OCSB and that the cooperation of the two school boards was evidenced during the aftermath of the tornado.

In response to a query from Mr. Husband regarding the application of the business continuity plan in the wake of the tornado, CFO Carson noted that the formal plan was not followed, but the response operated as planned. The facilities staff were contacted immediately and under the direction of the Associate Director, the District activated its processes and formed a plan to manage the incident. Director Adams added that the emergency response team came together to make the important decision to close all schools on 24 September 2018. She noted that the plan and processes advised by the emergency response team were followed. CFO Carson indicated that there was no formal emergency declaration.

Chair Scott praised the coordination with OSTA staff as well as OCSB to develop alternate routes and pick up points for affected areas.

5. Matters for Action

5.1 Review of Audit Committee Report

a. Report 3, 23 May 2018

Moved by Trustee Penny,

THAT the Report 3, Audit Committee, dated 23 May 2018 be received.

- Carried –

b. Business Arising

There was no business arising.

5.2 Report 18-082, External Auditor's Audit Plan for the 2017-2018 Year-End Audit (M. Carson ext.8881)

Your Committee had before it Report 18-082 seeking approval of KPMG LLP's plan for the audit of the 2017-2018 Consolidated Financial Statements.

Moved by Trustee Penny,

THAT KPMG LLP's plan for the audit of the 2017-2018 consolidated financial statements be approved. (Attached as Appendix A)

During the presentation of the audit plan by KPMG Audit Manager Diana Swedani, and in the ensuing discussion, the following points were noted:

- Rob Clayton has taken on the role of Lead Audit Engagement Partner and oversees the District's external audit process;
- There have been no significant changes with regard to the District's operations and therefore no change in how the external audit is conducted is required;
- For the current period, the materiality is 1.3%, the performance materiality is \$8,625,000 and the audit misstatement posting threshold is \$575,000. All of the amounts are consistent with prior year's audits;
- KPMG LLP rebuts the fraud risk as the majority of the District's revenue consists of government funding;
- KPMG LLP conducts testing on journal entries, performs a retrospective review of estimates and evaluates the business rationale of unusual transactions to evaluate fraud risk from management override controls;
- KPMG LLP will be integrating data and analytics procedures into the audit and will focus on journal entry testing, and school-generated funds. These are consistent with the previous year;
- CFO Carson advised that as a result of changes made to the Public Sector Accounting Board (PSAB) standard, asset retirement will be a

challenge for school boards across the province as there is no funding source available until the site and or asset is disposed of. The liability is typically funded by the sale of the asset. He added that school boards are unlikely to be early adopters of the PSAB standard and are trying to work through options; and

- In response to a query from Mr. Husband regarding current developments in internal controls, CFO Carson responded that the District has adequate internal controls but that more of the COSO framework components as outlined on page 45 could be built into existing management practices. He noted that at present the District relies on the evaluation provided by KPMG.

Moved by Trustee Penny

THAT KPMG LLP's plan for the audit of the 2017-2018 Consolidated Financial Statements be approved (Attached as Appendix A).

- Carried –

- 5.3 Report 18-080, 2017-2018 Annual Report on Internal Audit Activity (M. Carson ext. 8881)

Your Committee had before it Report 18-080 seeking approval of the annual report to the Board summarizing the work performed by the Regional Internal Audit Team (RIAT) during 2017-2018 in accordance with *Ontario Regulation 361/10, Audit Committees*.

Manager Gardner noted that a summary of the audit activity of the District can be found within the report and that Appendix A to Report 18-080 lists the internal audits that were started and/or completed by August 31, 2018. He added staff has confirmed that no enrolment audit has been identified in the multi-year Internal Audit Plan.

Moved by Eric Husband,

THAT Appendix A to Report 18-080 be approved as the 2017-2018 Annual Report on Internal Audit Activity.

- Carried –

- 5.4 Report 18-081, Audit Committee Annual Report for 2017-2018 (M. Carson ext. 8881)

Your Committee had before it Report 18-081 seeking approval of the 2017-2018 annual report on internal audit activity.

Chief Financial Officer (CFO) Carson advised that *Ontario Regulation 361/10, Audit Committees* requires that a summary of work performed by the Regional Internal Audit Team (RIAT) be provided to the Board and the Ministry of Education. This report is in compliance with the requirements set

out in the regulation and covers the period 01 September 2017 to 31 August 2018.

CFO Carson noted that as a result of the RIAT audit of school council funds, the District was able to work closely with the Ottawa-Carleton Assembly of School Councils (OCASC) to help further best practices and accountability. He added that the audit of the District's Continuing Education programs has enabled a broader understanding of the business of continuing education.

Mr. Husband requested that the report include the work that has been undertaken in the areas of compliance and risk management. CFO Carson responded that the District is currently working towards formalizing compliance measures owing to the ongoing work of Manager Lloyd. He noted that the District is not alone in its response to overall risk management and that many school board's across the province are similarly challenged. The provincial government had provided funding to investigate Strategic Enterprise Risk Management (SERM) and the District had hoped to be a part of the pilot which will begin in the fall of 2018. Unfortunately, the District is not included in the pilot but much of the preliminary work has been undertaken by Manager Lloyd and a report should be provided to the committee in January 2019. The department has identified SERM as a goal. He noted that staff in all departments incorporate elements of risk management in their work but there is currently no formal risk management framework.

CFO Carson noted that compliance is addressed in paragraph 9 of the report and at the committee's request it could be expanded and re-titled to reference compliance specifically.

In response to a query from Trustee Scott regarding the deadline for the report's submission to the Board and the Ministry, Manager Gardner noted that the final report will be brought to the Board in December.

Director Adams requested that the CFO work with the Chair of the Audit Committee to ensure the report is rewritten to include reference to both the risk management and compliance practices undertaken by the District. CFO Carson indicated that he would speak with the Ministry liaison to inquire whether or not the deadline for the submission of the report could be extended to ensure the Audit Committee has an opportunity to discuss the amended report.

5.5 Report 18-083, Approval of the 2018-2019 Internal Audit Plan (M. Carson ext. 8881)

Your Committee had before it Report 18-083 seeking approval of the 2018-2019 Internal Audit Plan.

Manager Gardner noted that the plan includes an audit of attendance support, information technology (IT) security management and procurement. The plan also includes a risk assessment update.

CFO Carson advised that staff worked closely with the RIAT to identify priorities within the District and noted that four engagements are proposed for audit during the 2018-2019 school year, but indicated that the new Regional Internal Audit Manager may identify alternate priorities. He added that the audit committee would be advised of any major changes to the annual plan.

In response to a query from Mr. Husband regarding the risk assessment update, CFO Carson responded that system-wide risk assessment is a part of all board operations and that it has guided the audit approach to date but an update is required.

CFO Carson noted the process to replace the Regional Internal Audit Manager has begun and he anticipates an announcement will be made in advance of Superintendent Leach's retirement.

Moved by Eric Husband,

THAT the regional internal Audit Manager's 2018-2019 Internal Audit Plan be approved. (Attached as Appendix C)

- Carried -

5.6 Report 18-090, Final Report: Records and Information Management Audit (M. Giroux ext. 8310)

Your Committee had before it Report 18-090 presenting the Regional Internal Audit Team (RIAT) manager's summary regarding the audit of records and information management.

CFO Carson thanked Ms. Robitaille, Mr. L'orfano and the internal audit team for their work. He noted that the District is committed to transparency and the RIAT provides an audit summary for the public. He noted that staff has begun to implement an action plan in response to the audit recommendations.

Manager Mallan noted that the District has re-established the Privacy Committee and will be hosting a privacy awareness week in the fall of 2018. She added that the District will also be reviewing and updating the records management policy to include advances in technology and digital record keeping.

Mr. Husband requested the nature of the findings be further expanded for the public.

Trustee Penny queried whether or not a moderate rating is a concern. CFO Carson indicated that the RIAT makes a concerted effort to present information to the public in the interest of transparency, however much of the discussion is reserved for in-camera. Many school boards operate their audit committees entirely in-camera. He added that that staff could provide a follow-up memo with further details on the audit to bolster public assurance.

Chair Scott expressed the view that the in-camera report is more detailed as the subject matter involves the security of the property of the board. She noted that many aspects of the audit such as the classification and retention schedule and the destruction of records could be made public.

6. Matters for Discussion

6.1 Memo 18-108, Regional Internal Audit Team Evaluation Process for 2017-2018 (M. Carson ext. 8881)

Your Committee had before it Memo 18-108 requesting the Committee's input in preparing a high-level performance evaluation for the regional internal audit team (RIAT). Ratings and comments will be summarized and the evaluation, inclusive of management's evaluation, will be presented to the Audit Committee for approval in November 2018.

Chair Scott noted that the completed evaluations should be returned to Manager Gardner by 19 October 2018. CFO Carson added that the information will be shared with Superintendent Leach of the OCSB.

In response to a query from Trustee Penny regarding the education of the newly elected Board members on the role and function of the audit committee and whether or not there are plans for an orientation. CFO Carson indicated that he intends to have KPMG LLP and the RIAT make a joint presentation to new members of the Board. Information will be provided to the new Board and a more formal presentation will be made to the members of the audit committee.

7. Information Items

7.1 Long Range Agenda

The long-range agenda was provided for information.

Trustee Scott requested that the long-range agenda include reference to the risk management update.

Mr. Husband queried whether or not CFO Carson plans to provide the Audit Committee with year to date financial information noting his previous suggestion that year to date financials be brought to the committee biannually. CFO Carson indicated that he will provide the information at the January meeting.

In response to a query from Trustee Penny regarding succession planning, CFO Carson noted that a Superintendent McCoy is working on a formal succession plan. Director Adams noted that senior staff have discussed succession planning and it is an element of the Director's Work Plan. She added that the new Director of Human Resource has experience with succession planning and she will be involved in the framework. CFO Carson

added that although there is no current formal succession plan, each department has undertaken their own reviews.

8. New Business

There was no new business.

9. Adjournment

The public meeting adjourned at 8:13 p.m.

Sandra Schwartz, Chair, Audit Committee