



**AUDIT COMMITTEE**  
**Report No. 18-081 (Revised)**

**19 November 2018**

**Audit Committee Annual Report for 2017-2018**

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

**PURPOSE:**

1. To seek Audit Committee approval of Report 18-081 as the 2017-2018 annual report of activities for submission to the Board in accordance with *Ontario Regulation 361/10, Audit Committees*. This report is being presented for consideration, as revised, following discussion at the 26 September 2018 meeting of the Audit Committee.

**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 2017 to 31 August 2018.

**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 2017 to 30 November 2017</u>	
Trustees: Theresa Kavanagh, Lynn Scott and Sandra Schwartz	
External Members: Annik Blanchard and Erik Husband	
<u>Meeting Date</u>	<u>Attendance</u>
27 September 2017	Erik Husband, regrets
22 November 2017	All members present
<u>Committee Members for the Period 01 December 2017 to 31 August 2018</u>	
Trustees: Sandra Schwartz, Lynn Scott and Keith Penny	
External Members: Annik Blanchard and Erik Husband	
<u>Meeting Date</u>	<u>Attendance</u>
22 January 2018	Annik Blanchard and Keith Penny, regrets
25 April 2018	All present
23 May 2018	All present

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 2016-2017 Consolidated Financial Statements at its 22 November 2017 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 2016-2017 Consolidated Financial Statements. Audit Committee also discussed the draft 2016-2017 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 guides 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 following initiatives were either completed or commenced during the reporting year:

- In September 2017, the RIAT presented the final report on the audit of processes supporting school council funds (SCF). The overall objectives of the audit, which was undertaken as part of the 2016-2017 Internal Audit Plan, were to verify compliance with the School Council Funds Management Guide; evaluate the controls in place over the planning, execution, collection and use of the funds; and assess cash handling practices. The audit confirmed that greater outreach to the school community is required to promote the practices that have been established for managing SCF.
- In November 2017, the RIAT presented the final report on the audit of Continuing Education (CE) programs. The overall objectives of the audit, which was undertaken as part of the 2016-2017 Internal Audit Plan, were to verify compliance with enrolment instructions, Board procedures and Ministry guidelines; and assess the overall efficiency and effectiveness of CE programs. The audit confirmed that staff's efforts to improve administrative practices over the last few years have been effective.

- In June 2018, the RIAT completed an audit of the Records and Information Management (RIM) program. The objectives of this 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. The audit findings and management responses will be presented to Audit Committee in 2018-2019.
- In March 2018, the RIAT commenced an audit of key processes relating to the management of the Extended Day Program. The work is ongoing and the final report will be presented to Audit Committee in 2018-2019.
- 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 will be presented to Audit Committee in 2018-2019.

In addition to approving the internal audit plan and discussing audit findings, Audit Committee provided the host board with an assessment of the work performed by the audit team in 2016-2017. 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 18-080, 2017-2018 Annual Report on Internal Audit Activity.

#### 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 2017-2018. The forecasts confirmed that budget development practices have changed and that anticipated year-end results are now 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 through verbal reports 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 May 2018 the Audit Committee identified that an audit of enterprise risk management (ERM) practices should be considered. The Ministry of Education has developed a strategic enterprise risk management (SERM) framework for school boards and has piloted the framework with four school boards in the past year. This framework aligns with the new International Organization for Standardization (ISO) 31000 risk management guidelines. Risk Management staff has expressed interest in adopting the framework and are planning to start implementation and training on the ERM in January 2019. Information regarding the ERM framework will be shared with the Committee when it is released by the Ministry.

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;
- management of school generated and school council funds;
- 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 2017, Audit Committee approved the mandatory reports for 2016-2017 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 2017-2018 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. Public consultation was not undertaken.

**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 18-081 be approved as the Audit Committee Annual Report to the Board for 2017-2018.

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Michael Carson  
Chief Financial Officer

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Jennifer Adams  
Director of Education and  
Secretary of the Board