

AUDIT COMMITTEE REPORT (PUBLIC)

Wednesday, September 25, 2019

7:00 pm

Trustees' Committee Room

133 Greenbank Road

Ottawa, Ontario

- Members: Sandra Schwartz, Mark Fisher (Trustee), Keith Penny (Trustee), Erik Husband (External Member), Annik Blanchard (External Member)
- Staff: Camille Williams-Taylor (Director of Education), Mike Carson (Chief Financial Officer), Kevin Gardner (Manager of Financial Services), Sandra Lloyd (Manager of Risk and Supply Chain Management), Susan Baker (Acting Manager of Board Services)
- Guests: Genevieve Segu (Regional Internal Audit Manager) (electronic communication), Gord Champagne (Senior Regional Internal Auditor), Rebecca Prophet (Senior Manager Audit, KPMG LLP), and Jan Mattingly (Risk Management Consultant).

1. Call to Order

Trustee Schwartz called the public session to order at 7:04 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 Fisher,

THAT the agenda be approved.

Carried

3. Delegations

There were no delegations.

4. Superintendent's Report

Chief Financial Officer (CFO) Carson advised that the Province is developing a Centralized Procurement Initiative (CPI) for the Ontario Public Service and Broader Public Sector (BPS) organizations, which includes school boards. Among the interim measures is the need for Ministry approval for contracts valued over

\$100,000 (previous limit was \$25,000) that are not covered under established Vendor of Record (VOR) arrangements, and limiting the contract duration to no more than two years.

CFO Carson noted that the District will have spent close to \$60 million by the end of October 2019 on facilities improvement projects undertaken over the past summer, including the addition of gymnasiums at three schools. He added that a few projects were delayed, due to high pricing and labour shortages.

In response to a request from Trustee Penny, CFO Carson agreed to provide additional information on projects that were not completed due to high pricing.

5. Matters for Action

5.1 Review of Audit Committee Report

a. 22 May 2019

Moved by Trustee Fisher,

THAT the Audit Committee report dated 22 May 2019 be received.

Carried

b. Business Arising

There was no business arising from the report.

5.2 Report 19-075, External Auditor's Audit Plan for the 2018-2019 Year-End Audit (M.Carson, ext. 8881)

Your Committee had before it Report 19-075 seeking approval of KPMG LLP's plan for the external audit of the 2018-2019 Consolidated Financial Statements.

Moved by Annik Blanchard,

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

During the presentation of the audit plan by KPMG LLP Senior Manager, Audit, Rebecca Prophet, and in the ensuing discussion, the following points were noted:

- There have been no significant changes with regard to the District's operations and therefore no change is required in how the external audit is conducted;
- The materiality is \$12 million, up from \$11.5 million last year, based on increased expenses in 2018-2019;
- The fee for the audit of the consolidated financial statements is \$79,000;

- The fees for the audit of School Generated Funds and School Council Funds is an additional \$17,000;
- Two additional small, provincially-mandated audits will also be conducted and are not included in the quoted fees;
- As a result of changes made to the Public Sector Accounting Board (PSAB) standard on asset retirement that will be effective in a couple of years, KPMG LLB will work with management to ensure they are up to date on the impact of the new standard;
- KPMG LLB is hosting a breakfast seminar on 8 October 2019 on Cyber Security Insights. Audit Committee members are welcome to attend;
- In addition to the focus on financial risks, KPMG will also review information technology systems and controls; and
- Mr. Husband requested that the items listed in the Audit Committee work plan on page 95 of the agenda package be included in the scope of work for the external audit.

Moved by Annik Blanchard

THAT KPMG LLP's plan for the audit of the 2018-2019 Consolidated Financial Statements be approved. (Attached as Appendix A)

Carried

5.3 Report 19-073, 2018-2019 Annual Report on Internal Audit Activity

Your Committee had before it Report 19-073 seeking approval of the Audit Committee's 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 Committee*.

CFO Carson advised that, during 2018-2019, the RIAT conducted audits on the District's Records and Information Management (RIM) program, and the Extended Day Program (EDP). In addition, follow-up reviews on past audits, including RIM, EDP, continuing education, health and safety, and patch and release management were conducted. The findings will be presented in 2019-2020.

Moved by Annik Blanchard

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

Carried

5.4 Report 19-074, Audit Committee Annual Report for 2018-2019

Your Committee had before it Report 19-074 seeking approval of the 2018-2019 annual report of activities for submission to the Board in accordance with Ontario Regulation 362/10, Audit Committee.

CFO Carson advised that the report covers the activities of the Audit Committee. A major part of the work is related to strategic risk management. Trustee Fisher requested that Board members have an opportunity to discuss the work related to strategic risk management when the report is presented to the Board.

Moved by Annik Blanchard

THAT Report 19-074 be approved as the Audit Committee Annual Report to the Board for 2018-2019. (Attached as Appendix C)

Carried

6. Matters for Discussion

6.1 Report 19-084, Strategic Enterprise Risk Management Update

Your Committee had before it Report 19-084 providing an update on the implementation of the Strategic Enterprise Risk Management (SERM) framework, with the assistance of the Ontario School Board Insurance Exchange (OSBIE).

During presentation and discussion of the report, the following points were noted;

- CFO Carson, Jan Mattingly, Consultant in Risk Management, and Manager Lloyd, reported that there is evidence of good risk management activity across the District. There are also some gaps as noted on page 75 in the Phase 1, Readiness Assessment Results, dated May 2019;
- The implementation plan includes the development of a risk management policy statement to clarify the purpose and responsibilities for risk management, develop an understanding of the principle risks for use in strategic planning, budgeting, and decision-making, and adapt existing or develop new training and tools;
- There is a wide range in appetite for risk;
- Staff are considering a variety of ways to actively engage with the Board and Audit Committee;
- Risk management assessment and training is based on ISO 31000 standards;

- Senior staff is committed to learning more about the principle risks, and formalizing the application of risk management strategies;
- The draft policy will reflect the roles of Board and Audit Committee in risk management; and
- The Audit Committee will have an opportunity to provide input on the draft policy before it is submitted to the Board for approval.

6.2 Memo 19-094 Regional Internal Audit Team Evaluation Process for 2018-2019

Your Committee had before it Memo 19-094 providing information on the process for the performance evaluation process for the Regional Internal Audit Team (RIAT) for 2018-2019.

CFO Carson asked Committee members to complete the evaluation form on pages 83-86 of the agenda package and submit it to Manager Gardner not later than 18 October 2019. The results will be compiled and presented to the Audit Committee at its meeting in November 2019.

6.3 Memo 19-097 Cyber Insurance Coverage

Your Committee had before it Memo 19-097 providing information with respect to the District's cyber insurance coverage purchased through the Ontario School Board Insurance Exchange (OSBIE), and examples of cyber incidents and how insurance coverage applies.

During discussion of the memo, the following points were noted:

- The District has access to the insurer's "breach coaches" to assist in closing a network breach, if required;
- Business & Learning Technologies (B<) staff attend Audit Committee meetings once or twice per year to provide an update on network security. CFO Carson advised that he would ask B< to include an update on staff awareness and training on risks at its next update to the Audit Committee;
- Insurance coverage of equipment failures is assessed on an individual basis; and
- B< staff track network breaches.

7. Information Items

7.1 Long Range Agenda

The Audit Committee reviewed the long range agenda. Mr. Husband noted that a number of items have not yet been scheduled. CFO Carson advised that he would consult with the Chair on when these items should be

scheduled. Mr. Husband also suggested that meeting references be added for each item when they have been dealt with.

In response to a query from Trustee Schwartz, CFO Carson confirmed that the review of the performance of the regional internal auditor would be dealt with at the November meeting of the Committee.

8. New Business

8.1 Regional Internal Audit Team Action Plan for 2019-2020

Gord Champagne and Genevieve Segu reviewed the plan, and during the ensuing discussion, the following points were noted:

- The Audit Committee is required to approve the action plan and the mandate of RIAT annually. There have been no changes to the RIAT mandate since last year;
- The RIAT reports functionally to the nine audit committees in the Eastern Ontario region;
- The RIAT reports administratively to the senior business official at the Ottawa Catholic School Board who hosts the RIAT;
- The RIAT manager and members take professional development courses on internal audit, ethics, etc. on an ongoing basis to fulfill their accounting certification requirements and to ensure they have the capacity to conduct the audits they propose;
- As the OCDSB is currently in phase 2 of its strategic enterprise risk management initiative, the RIAT will wait until it is completed before conducting any internal audits in that area;
- The RIAT is currently undertaking an attendance support review and the report will be presented in the near future;
- Deloitte is using analytics to prepare a data visualization report on attendance management based on attendance data received from the OCDSB Human Resources department;
- Approximately 25 school boards have received data visualization reports from Deloitte to date, and many of them are experiencing similar levels of rising absenteeism;
- Data visualization reports from the Tableau system will allow the user to select the information they wish to display in graphic form. The system cannot provide predictive information. The Tableau system is already in use at the OCDSB and some staff are proficient in its use;

- Deloitte is familiar with some of the systems used by school boards to track attendance; and
- Follow-up procedures will be undertaken to determine if high and medium priority RIAT recommendations from previous audits have been addressed.

Moved by Trustee Fisher

- A. **THAT the Regional Internal Audit Activity Update be received;**
- B. **THAT the 2019-20 Regional Internal Audit Mandate be approved (Attached as Appendix D);**
- C. **THAT the Regional Internal Audit Plan for 2019-2020 be approved (Attached as Appendix E).**

Carried

9. Adjournment

The public meeting adjourned at 8:31 p.m.

Sandra Schwartz, Chair, Audit Committee