



**AUDIT COMMITTEE  
Report No. 20-075**

**21 October 2020**

**Audit Committee Annual Report for 2019-2020**

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**PURPOSE:**

1. To seek approval of Report 20-075 as the 2019-2020 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 2019 to 31 August 2020.

**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.

The work of the Audit Committee was significantly affected by the COVID-19 pandemic and the lockdown imposed by the provincial government in response to the public health emergency. The lockdown resulted in the closure of the District's schools effective 14 March 2020 and the cancellation of a number of scheduled meetings.

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 2019 to 30 November 2019</u>	
Trustees: Sandra Schwartz, Mark Fisher and Keith Penny	
External Members: Annik Blanchard and Erik Husband	
<u>Meeting Date</u>	<u>Attendance</u>
25 September 2019	All members present
25 November 2019	Sandra Schwartz, regrets
<u>Committee Members for the Period 01 December 2019 to 31 August 2020</u>	
Trustees: Sandra Schwartz, Mark Fisher and Keith Penny	
External Members: Annik Blanchard and Erik Husband	
<u>Meeting Date</u>	<u>Attendance</u>
22 January 2020	Keith Penny, regrets
11 June 2020	All members present

Audit Committee met four 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 2018-2019 Consolidated Financial Statements at its 25 November 2019 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 2018-2019 Consolidated Financial Statements. Audit Committee also discussed the draft 2018-2019 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.

At the September meeting, the Audit Committee reappointed KPMG LLP to audit the District's financial statements for both the 2020-2021 and 2021-2022 school years.

**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. The RIAT was present at all four Audit Committee meetings during the year.

The following work was completed during the year:

- attendance support review - as a consulting engagement, the objective of the review was to provide the District with an assessment of the processes used in its attendance support program as compared to leading practices and the practices used in other school boards of similar size. The review commenced during the previous school year and was completed in 2019-2020. The results of the review, which included opportunities to enhance processes, were shared with Audit Committee at the 11 June 2020 meeting;
- attendance data visualization - as a consulting engagement, the objective was to present the District's absenteeism data in a format that would enable management to interpret the data, form conclusions and consider changes to reduce staff absences. The RIAT engaged Deloitte LLP to assist with the development of the model. The results of the review were shared with Audit Committee at the 11 June 2020 meeting; and
- follow-up procedures - the RIAT customarily conducts follow-up procedures to ascertain the District's progress towards implementing changes in response to audit recommendations. The RIAT completed its update of follow-up procedures and provided a summary of outstanding recommendations as part of the information shared in Report 20-034, Regional Internal Audit Manager's Update. The update noted that a small

number of recommendations remain outstanding. Further updates on follow-up procedures will be presented during 2020-2021.

The RIAT manager also shared information on the internal audit mandate, the structure of the internal audit team and the findings of a review of the internal audit model as it currently exists.

In addition to discussing the audit findings and the need to ensure that 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 2018-2019. Providing formal feedback to the internal audit team through a high-level performance evaluation contributes to continued improvement in the team's effectiveness. Feedback is also provided to the audit team during Audit Committee meetings.

Additional information on the work of the RIAT is provided in Report 20-074, 2019-2020 Annual Report on Internal Audit Activity. Staff continues to work with the RIAT to finalize the internal audit plan for 2020-2021.

#### **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 the 2019-2020 Revised Estimates to the Audit Committee at the 22 January 2020 meeting. The forecast showed a modest decrease in the projected deficit in comparison to that approved by the Board with the approval of the 2019-2020 Budget.

An updated forecast was presented at the 11 June 2020 meeting. The forecast identified anticipated changes in revenues and expenses as a result of the pandemic and it also included the impact of labour sanctions taken by unionized staff in support of the collective bargaining process. Additional provincial funding is expected to mitigate the effect of lower revenues from child care operations and staff anticipates a deficit that is smaller than originally budgeted.

Three forecasts are planned for the 2020-2021 year.

#### **9. Risk Management**

The duties of the Audit Committee related to the District's risk management activities include inquiring about significant risks, reviewing the District's policies for risk assessment and risk management and ensuring 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.

At the 25 September 2019 meeting, the Audit Committee received an update on the implementation of the District's SERM framework. As a reminder, the

framework being adopted aligns with the International Organization for Standardization (ISO) 31000 risk management guidelines and is 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.

Phase 1 of the SERM initiative was a readiness assessment which assessed elements of governance, leadership and principles for applying the SERM framework. Phase 2, which focused on the development of a toolkit to be used for SERM integration planning and execution, progressed during the year. Phase 3 will focus on operationalizing the plan in alignment with the 2019-2023 Strategic Plan.

A further update on SERM was provided at the 11 June 2020 meeting. This included the status of the work on the project. As part of the update, there was a comprehensive review of the challenges presented by the pandemic and discussion of the District's responses. The SERM toolkit was used in managing the District's response to the pandemic.

Updates on the SERM project will be provided to Audit Committee on a regular basis in the coming year. Importantly, staff will be seeking the Audit Committee's input for the development, finalization and approval of the Board's draft risk management policy.

#### 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. The report was presented at the 22 January 2020 meeting, but regulatory compliance is always a consideration in many of the discussions.

#### 11. **Information Technology**

A reliance on the information technology network is integral to the District's business and learning activities. A number of issues were discussed at Audit Committee during the year including:

- the planned conversion of the student management system;
- changes to the Business and Learning Technologies department's organizational structure;
- the approach to managing network and application security;
- the deployment of technology to assist with remote learning and working arrangements in response to the pandemic; and
- a review of Policy P.074.IT Computer Network Security.

12. **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; and
- incidents that may result in significant financial and reputational risk.

13. **Mandatory Audit Committee Reports**  
*Ontario Regulation 361/10* requires that the 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 2019, Audit Committee approved the mandatory reports for 2018-2019 and the report summarizing the work of the RIAT was submitted to the Ministry.

14. **Summary**  
Audit Committee performs work that contributes to the District's successful corporate governance framework. The work performed by the Audit Committee during 2019-2020 continues to enhance the District's internal control, risk management, and financial reporting processes.

## **RESOURCE IMPLICATIONS:**

15. Approval of the report has no financial impact.

## **COMMUNICATION/CONSULTATION ISSUES:**

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

## **STRATEGIC LINKS:**

17. Aligned with the culture of social responsibility identified in the Board's 2019-2023 Strategic Plan, 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 20-075 be approved as the Audit Committee Annual Report to the Board for 2019-2020.

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Michael Carson  
Chief Financial Officer

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