

17 February 2021



**OTTAWA-CARLETON**  
DISTRICT SCHOOL BOARD

2020-21 AUDIT COMMITTEE TRAINING

## AGENDA

REGIONAL INTERNAL AUDITORS

EXTERNAL AUDITORS

REGULATION 361/10



INTERNAL  
AUDIT TEAM



# REGIONAL INTERNAL AUDITORS



INTERNAL  
AUDIT TEAM



## YOUR REGIONAL INTERNAL AUDIT TEAM



**Genevieve Segu** Regional Internal Audit Manager, bringing 20+ years of experience in the Public Sector and 8 years in the Ontario education sector, with the ministry and school boards.



**Gord Champagne** Sr. Internal Auditor with 30+ experience in auditing and accounting.



**Pasquale L'orfano** Internal Auditor with 12+ years in internal audit and with RIAT since its inception in 2010.



**Portia Marcaida** Internal Auditor with 17+ years of experience in the education sector.



## REGIONAL INTERNAL AUDIT TEAM - STATS



- ❑ 8 RIAT teams – 72 School Boards
- ❑ Audit Committees - Regulation 361/10  
(administration, powers, duties)
- ❑ 2 engagements per School Board each year
- ❑ A periodic Risk Assessment guides our work  
(last one was 2014-15)
- ❑ Work for 9 School Boards, reports to their Audit Committee – no reporting to MOE

## REGIONAL INTERNAL AUDIT TEAM - STRUCTURE

### REPORT

- RIAMs/RIATs are school board employees, RIAMs report directly to and are accountable to each of the individual audit committees within the region.

### ADMINISTRATION

- Administratively, RIAM has a dotted line relationship with the senior business official of the regional host board.

### PROVINCE

- Currently 8 teams with 33 full-time internal auditors
- EDU funding - \$5 mil envelope

## REGIONAL INTERNAL AUDIT TEAM - CYCLE

### RISK

- Perform risk assessments every 4-5 years
- Identify main risks to each School Board

### PLAN

- Align RIAT work with main risks identified
- Collaborate with Management and AC to design the plan

### AUDIT

- Assurance: comparison to a standard
- Consulting: benchmarking and other more analytical work

### FOLLOW

- Follow-up on each recommendation
- Inform AC of outstanding recommendations



INTERNAL  
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## RIAT - INTERNAL AUDIT DEFINITION

AC  
OVERSIGHT

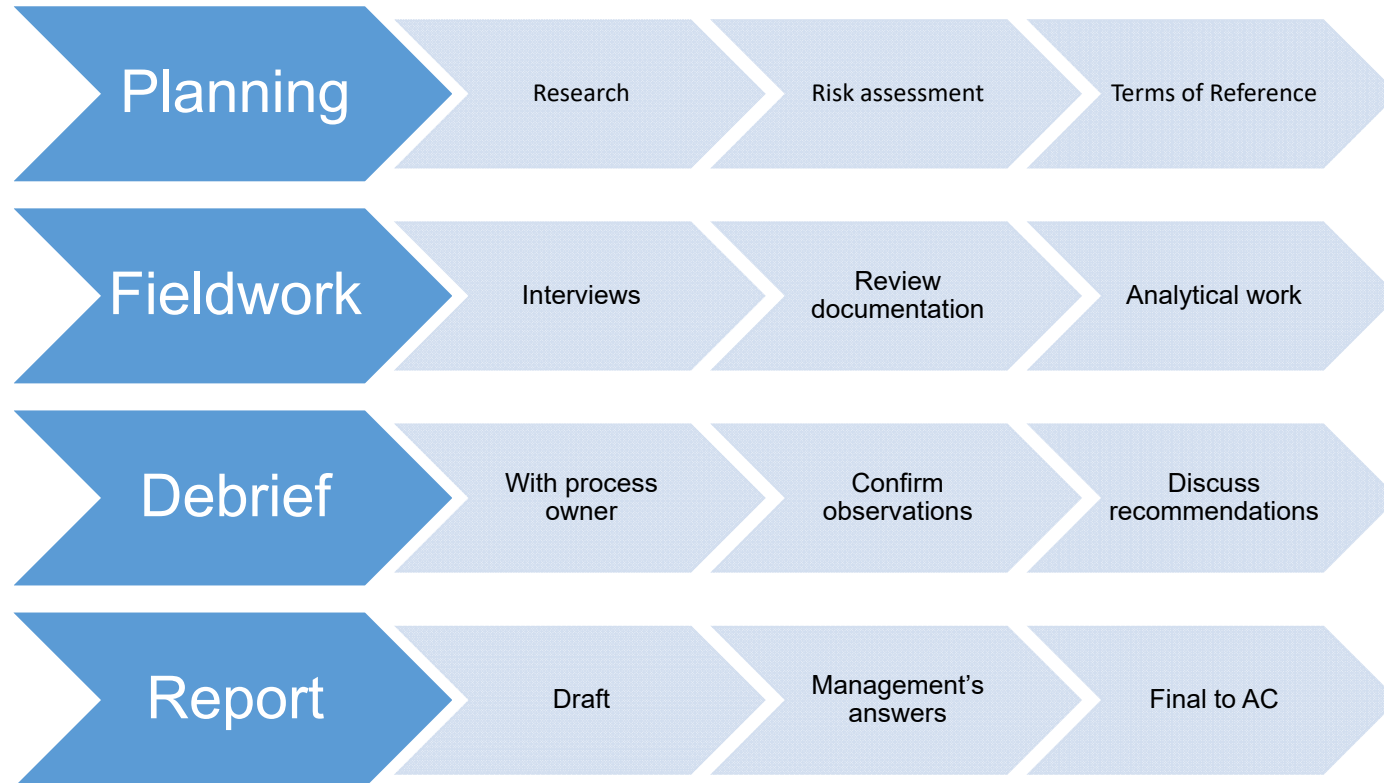
- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations.

HOW

- It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.



## RIAT - INTERNAL AUDIT PROCESS



# RIAT - INTERNAL AUDIT REPORTING

Ranking states the severity of the observation	Medium	3 – Physical Security of IT Assets	
	Observation	Failure to track who has access to the server room	Observation provides details and evidence of issue
Impact provides examples of how risk can affect board	Impact	Unauthorized access to the network equipment is more likely to occur	
	Recommendation	Introduce a swipe pass system	Proposed solution to mitigate observed risk
Board official tasked with implementing recommendation	Process Owner	IT Manager	
	Action Plan	The Board will seek quotations for the introduction of a access management system	
	Due Date	Spring 2020	Response and timeline for implementation

## RIAT – ASSURANCE AND CONSULTING WORK TO-DATE

Compensation, Pay,  
Benefit

- 2011-12

AP Purchasing

- 2012-13

Manage Facilities  
Operations

- 2013-14

School Generated  
Funds

- 2014-15

School Generated  
Funds

- 2015-16

Patch Management  
(Consulting)

- 2015-16

Occupational Health  
and Safety

- 2015-16

School Councils

- 2016-17

Continuing  
Education

- 2016-17

Extended day  
Program

- 2017-18

Records and  
Information  
Management

- 2017-18

Attendance Data  
Visualization  
(Consulting)

- 2019-20

Attendance Support  
Program  
(Consulting)

- 2019-20

# EXTERNAL AUDITORS



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AUDIT TEAM



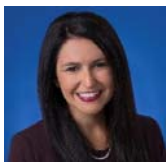
## YOUR KPMG EXTERNAL AUDIT TEAM



**Rob Clayton CPA, CA** Audit Partner, bringing 15+ years of experience in the Public Sector, Regions East Leader of KPMG Canada's Education Practice and Leader of KPMG Ottawa's Public Sector Audit Practice.



**Andrew Newman FCPA, FCA** Quality Review Partner, with 25+ years of experience in the Public Sector, recently finished tenure as vice-Chair of the Public Sector Accounting Standards Board.



**Rebecca Prophet** Senior Manager with 10+ years of experience in the public sector, with a focus in the education sector.



# REGULATION 361/10



INTERNAL  
AUDIT TEAM



## AUDIT COMMITTEE – COMPOSITION (SECTION 3)

Members must be independent of management

Appropriate mix of skills and experience

Board members and non-board members

Number of members depends on size of the board

## AUDIT COMMITTEE – IMPORTANT KNOWLEDGE

The board's mission and current significant issues

The board's structure, including key relationships

The board's culture

Any relevant legislation

Key risks and the government environment



## AUDIT COMMITTEE – TERMS OF APPOINTMENT (SECTION 7)

Terms determined by the board, maximums apply

- Four year maximum term for Board Members
- Three year maximum term for Non-Board Members

Board by-laws create additional restrictions

## AUDIT COMMITTEE – POWERS (SECTION 10)

Retain counsel, accountants, other professionals in an advisory capacity

Receive explanations from management, auditors and staff it deems necessary

Private sessions with external/internal auditor, board staff, with or without board staff

Request reports

Have access to all documents examined by internal/external auditors

## AUDIT COMMITTEE – LEADING PRACTICES

AC to establish and communicate its information requirements

Information should be provided to the audit committee at least one week prior

AC members prepare for and participate in committee meetings

AC members can hold private sessions with management, the internal and external auditors

The Director, SBO and RIAT should attend all committee meetings

## AUDIT COMMITTEE – DUTIES (SECTION 9)



## AUDIT COMMITTEE – FINANCIAL REPORTING (SECTION 9(1))

### Consolidated financial statements prepared in accordance with the Financial Administration Act:

- Relevant accounting and reporting practices and issues;
- Complex or unusual financial and commercial transactions of the board;
- Material judgments and accounting estimates of the board; and
- Any departures from the accounting principles.

# AUDIT COMMITTEE – FINANCIAL REPORTING

- Involvement of Audit Committee



# AUDIT COMMITTEE – EXTERNAL AUDIT

## What's the objective?

Do the financial statements paint a picture that is a fair presentation of the organization's financial position and results from operations?

## What are their opinions?

Unqualified: statements are fairly presented  
Qualified: issues were noted in the statements

## What do they do?

- Gather audit evidence
- Assess internal controls
- Review accounting policies

## What do they report?

The report contains three elements:

- Audited financial statements
- Accompanying notes (MD&A)
- Auditor's opinion



INTERNAL  
AUDIT TEAM



## AUDIT COMMITTEE – FINANCIAL REPORTING (SECTION 9(1))

Review all materials from the external auditor including:

- External Auditor's role and responsibilities;
- Engagement letter and planning memo; and
- Changes to accounting standards.

Ask External Auditor about:

- Any restrictions or limitations on the scope;
- Access to required information;
- Any significant changes to the audit plan; and
- Any significant disagreements between the external auditor and the director of education or a senior business official and how those disagreements were resolved.






# AUDIT COMMITTEE – AUDIT PLAN

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

# AUDIT COMMITTEE – EXTERNAL AUDIT PLAN

## Relevant factors affecting our risk assessment

Areas of audit risk	Our audit approach	Complexity 	Estimate 	Related party transaction 
Salaries and benefits, including the employee future benefit liability	<ul style="list-style-type: none"> <li>- Test and evaluate design and operating effectiveness over controls related to payroll monitoring controls</li> <li>- Significant payroll-related accruals recalculated and vouched to supporting documentation</li> <li>- Perform substantive analytical procedures over salaries and benefits, and related accounts</li> <li>- Receipt and analysis of the actuarial report to independently verify employee future benefit accruals</li> <li>- 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</li> </ul>			
School generated funds and school council funds	<ul style="list-style-type: none"> <li>- Substantive testing including selecting a sample of expense and revenue transactions, obtaining supporting documentation</li> <li>- Performing analytic procedures over expenses and revenue followed by discussion with management</li> </ul>			
Accumulated surplus	<ul style="list-style-type: none"> <li>- Significant additions and disbursement vouched to supporting documentation</li> <li>- Ensure purpose-specific restrictions are recognized and accounted for appropriately</li> </ul>			
Contingencies	<ul style="list-style-type: none"> <li>- Review of Board of Trustee and Audit Committee meeting minutes and legal correspondence</li> <li>- Direct communication with external legal counsel to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded</li> <li>- Significant findings reviewed with management</li> </ul>			
Financial reporting	<ul style="list-style-type: none"> <li>- 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</li> </ul>			

## AUDIT COMMITTEE – FINANCIAL REPORTING (SECTION 9(1))

AC reviews the financial statements & ask questions:

- Establish a variance tolerance (4-5%)
- Identify and query variances to budget and to prior year: Revenues, Expenses, Accumulated Surplus/Deficit (internally appropriated/externally appropriated/unappropriated)

AC recommends to the Board that the annual audited financial statements be approved

## AUDIT COMMITTEE – EXTERNAL AUDIT (SECTION 9(4))

### To review:

- The performance and the independence of the external auditor
- The external auditor's audit plan, incl. engagement letter, IA coverage to reduce redundancies, use of other public accountant

### Make recommendations to the board on:

- The appointment, replacement or dismissal of the external auditor
- The fee and fee adjustment
- The content of the external auditor's audit plan and on all proposed major changes to the plan.

To recommend to the board a policy designating services that the external auditor may perform for the board and, if the board adopts the policy, to oversee its implementation.

## AUDIT COMMITTEE – INTERNAL CONTROLS (SECTION 9(2))

### Audit Committees Duties:

- Review the overall effectiveness of the Board's internal controls
- Review the scope of the auditor's review of the Board's internal controls
- Discuss significant financial risks and measures to monitor and manage these risks

### Resources:

- RIAT audit reports and activities updates at each AC meeting
- Management letter containing risks identified during the audit from external auditors

## AUDIT COMMITTEE – INTERNAL AUDIT (SECTION 9(3))

### The Audit Committee will:

- Review the internal auditor's mandate, activities, staffing and organizational structure
- Review and make recommendations to the Board of Trustees for approval of the internal audit plan
- Conduct a performance review of the Regional Internal Audit Team

## AUDIT COMMITTEE – INTERNAL AUDIT (SECTION 9(3))

### Review Internal Audit Reports:

- RIAM updates, mandate, risk assessments and audit plans
- Audit reports containing observations, recommendations, and management action plans
- Follow-up reports on the progress of management's action plans

### Ask the RIAM, Director, SBO about:

- Significant findings and recommendations by IA and responses of the board's staff;
- Any difficulties encountered, including any restrictions or limitations on the scope of work or access to required information; and
- Any significant changes the internal auditor made to the audit plan in response

## AUDIT COMMITTEE – INTERNAL AUDIT (SECTION 9(3))

### 2020-21 AUDIT PLAN

Cybersecurity Review

Follow-up Procedures

Management Request Engagement

Covid Response Review

Educational Assistant Deployment Engagement



## AUDIT COMMITTEE – COMPLIANCE (SECTION 9(5))

Review the effectiveness of the board's system for monitoring compliance with legislative requirements and with the board's policies and procedures

With the assistance of management:

- Rely on the delegation of authority in place to ensure compliance with the Code of Conduct
- Address issues of non-compliance as they arise
- Receive, from the Director of Education, a confirmation that the board is in compliance and all statutory requirements have been met (usually in the form of negative confirmation)

## AUDIT COMMITTEE – RISK MANAGEMENT (SECTION 9(6))

Stay informed on significant risks to the school board

Review the Board's risk assessment and risk management policies

Assess the risk management process of the school board

Review risk assessments provided by Internal and External Auditors

## AUDIT COMMITTEE – RISK MANAGEMENT (SECTION 9(6)) DEFINITIONS

Risk is the effect of uncertainty on objectives, deviation from the expected.

Risk can be either positive (**opportunity**) or negative (**threat**).

Risk is measured in terms of Likelihood and Impact.

## AUDIT COMMITTEE – RISK MANAGEMENT (SECTION 9(6)) DEFINITIONS

SERM = Strategic Enterprise Risk Management

A Continuous, proactive and dynamic process

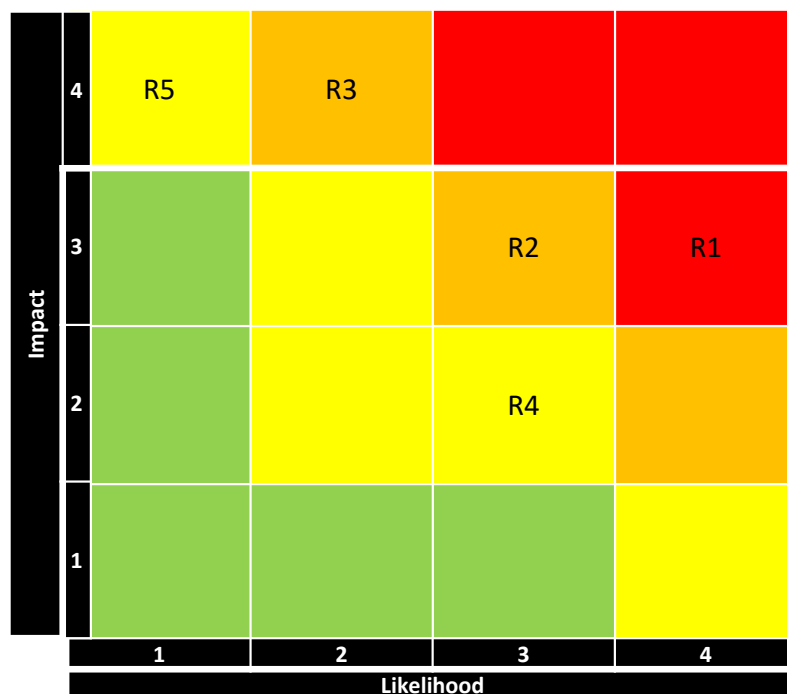
Includes a variety of risk management activities

An integrated and disciplined process

Links to strategic objectives

## AUDIT COMMITTEE – RISK MANAGEMENT (SECTION 9(6))

### RISK HEAT MAP



Risks	
R1	Attendance Management
R2	Staff Recruitment and Retention
R3	Students Health and Safety
R4	Cybersecurity
R5	Information Management

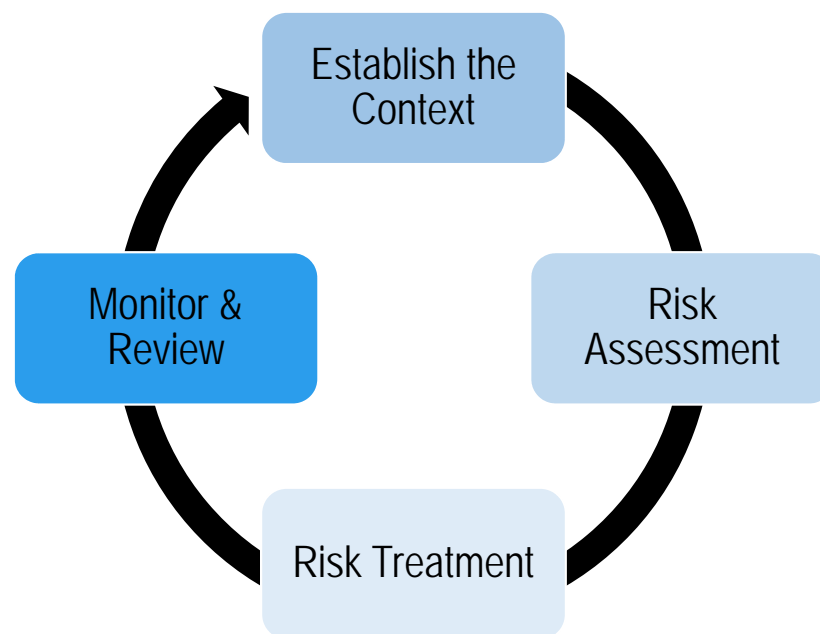
## AUDIT COMMITTEE – RISK MANAGEMENT (SECTION 9(6))

### RISK MANAGEMENT CYCLE

Process centered on :

1- Understanding potential variances to objectives

2- Determining options to address these variances



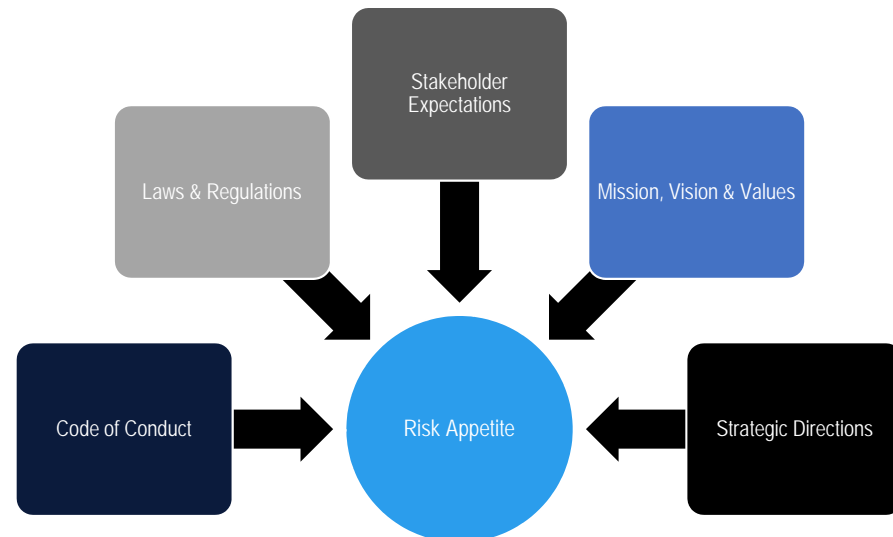
## AUDIT COMMITTEE – RISK MANAGEMENT (SECTION 9(6))

### RISK TOLERANCE

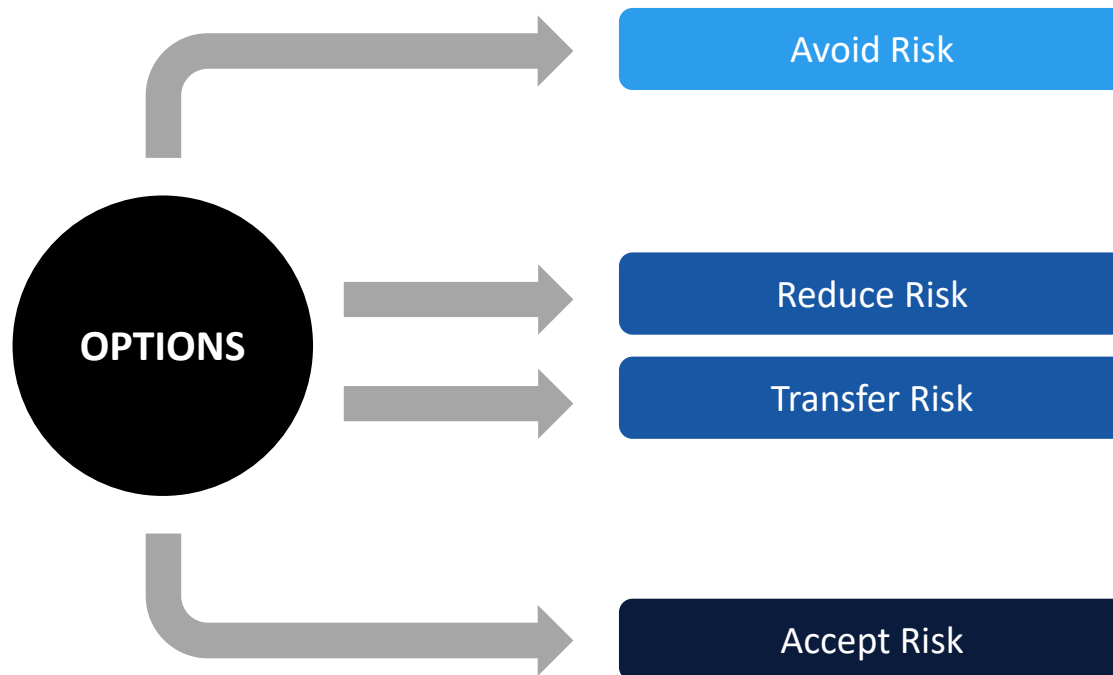
A driver of strategic decisions and effective monitoring of key risks

Amount of risk the school board is willing and able to bear in executing its strategies/activities

Reflects the school board's capacity to bear the risk, after treatment, to achieve desired outcomes.

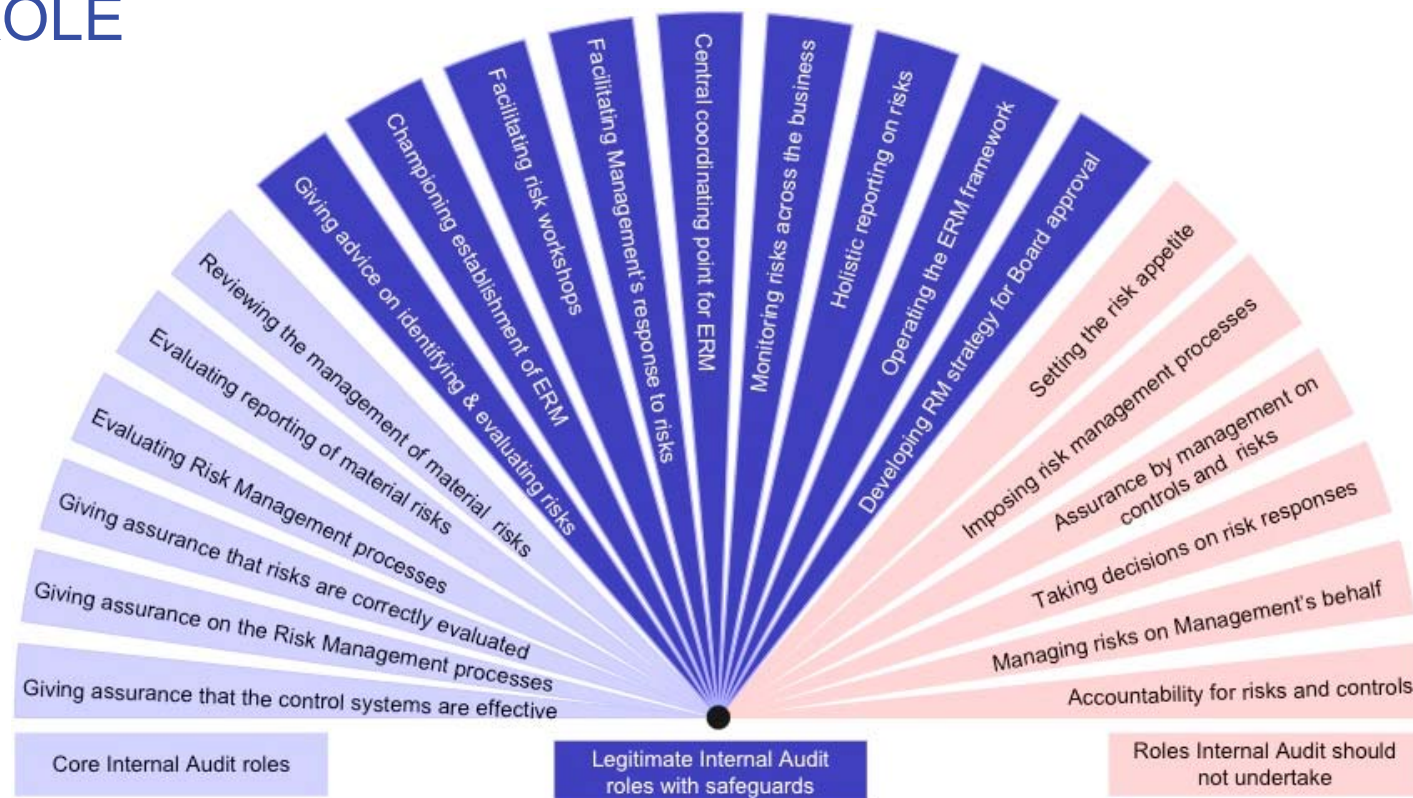


## AUDIT COMMITTEE – RISK MANAGEMENT (SECTION 9(6)) RISK TREATMENT





# AUDIT COMMITTEE – RISK MANAGEMENT (SECTION 9(6)) RIAT ROLE



# AUDIT COMMITTEE – CYBER SECURITY KEY QUESTIONS



How effective is our cybersecurity strategy at addressing risks the business faces?

How are we keeping track of and protecting sensitive information held by third parties?

How do we stay current on the cyber threat landscape around the industry & market?

Do we have the information we need to oversee cyber risks?

How do we know that we have an effective cyber incident response plan?

# AUDIT COMMITTEE – COVID19

COVID-19 is undoubtedly going to have an impact to the Entity's business and the Entity's financial reporting.

## Potential financial reporting implications

Refer to our [COVID-19 Financial Reporting](#) site:

- Events or conditions that cast significant doubt regarding going concern
  - Determining plans to mitigate such conditions or events (e.g., debt restructuring)
  - Evaluating ability to carry out those plans in light of the current conditions
- Impairment of non-financial assets (e.g., PPE, intangible assets, goodwill)
  - Analysis of triggering events and impairment testing (e.g. cash flow forecasts and assumptions)
- Impairment of financial assets (e.g., financial instruments)
- Hedge accounting
- Fair value measurements
- Leases
- Employee benefits and employer obligations
- Government assistance
- Income Taxes (recoverability of DTA or tax relief measures)
- Provisions, contingencies and onerous contracts
- Revenue-cycle (process) accounting (e.g. contracts with customers)
- Revenue process assets (e.g. Inventories (NRV))
- Classification of debt
- Capitalized borrowing costs
- Subsequent events

## Potential financial reporting implications related to disclosures

Refer to our [COVID-19 Financial Reporting](#) site:

- Events and conditions that cast significant doubt regarding going concern (including "close calls")
- New accounting policies
- Significant management judgements in applying accounting policies
- Major sources of estimation uncertainty that have significant risk
- Liquidity risks

## Potential implications on internal control over financial reporting

- Reconsideration of financial reporting risks, including fraud risks, given possible new pressures on management or new opportunities to commit fraud given changes in ICFR or to bias estimates
- New or enhanced controls, including those that may need to occur at quarter-end, to respond to new financial reporting risks or elimination of on-site preventative controls
- Consideration of changes in the individuals performing the control (e.g. re-directing the performance to head-office)
- Consideration of the appropriateness of segregation of duties because of a potential reduction in the number of employees
- Revisions may be needed for internal audit visits planned
- Plan for inventory counts may need to be re-considered (e.g. cycle-counts) to ensure all inventory is counted once during the year
- Reconsideration of ICFR impacts related to broader IT access given remote work arrangements

## Other potential considerations

- Reporting material changes in ICFR
- Possible MD&A enhanced requirements (e.g. liquidity, critical accounting estimates)
- Cyber security risks (e.g., wire transfers schemes)
- Possible delay in filing interim and annual financial statements
- Communication of the inability to have the <condensed> <consolidated> interim financial information reviewed (see next slide)

# AUDIT COMMITTEE – COVID19

Similarly, COVID-19 is a major consideration in the development of our audit plan for your 2021 financial statements.

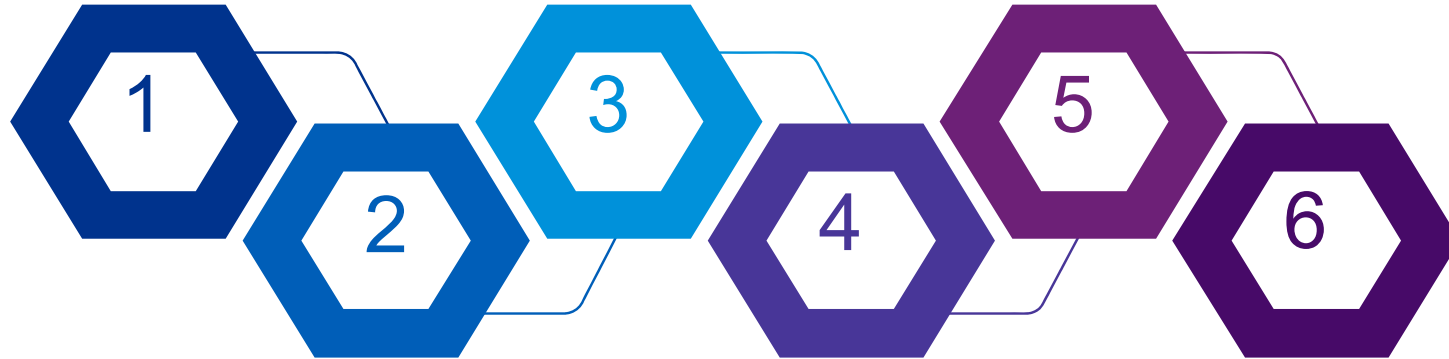
Engagement Letter Rider	
Potential audit implications	Potential interim review implications
<p>Planning and risk assessment</p> <ul style="list-style-type: none"> <li>Understanding the expected impact on the relevant metrics for determining materiality (including the benchmark) and the implication of that in identifying the risks of material misstatement, responding to such risks and evaluating uncorrected misstatements</li> <li>Understanding the potential financial reporting impacts, the changes in Entity's environment, and changes in the entity's system of internal control, and their impact on our: <ul style="list-style-type: none"> <li>identified and assessed risks of material misstatement</li> <li>audit strategy, including the involvement of others (e.g., our internal specialists or use of internal audit's work or internal audit in a direct assistance capacity) and the nature, timing and extent of tests of controls and substantive procedures</li> </ul> </li> </ul> <p>Executing</p> <ul style="list-style-type: none"> <li>Remote auditing <ul style="list-style-type: none"> <li>Increased use of other collaboration tools (Facetime, Skype etc.) and the need for written management acknowledge for their use</li> <li>Potential increased use of electronic evidence (and understanding the Entity's processes to provide such evidence to us)</li> </ul> </li> <li>Timing of procedures may need to change <ul style="list-style-type: none"> <li>Tests of controls may need to be deferred (to allow the Entity to put new or revised controls in operation and to be able to re-perform such controls)</li> </ul> </li> </ul> <p>Reporting</p> <ul style="list-style-type: none"> <li>Possible scope limitation(s)</li> </ul>	<ul style="list-style-type: none"> <li>Understanding the Entity's potential financial reporting impacts, the changes in Entity's environment, and changes in the Entity's system of internal control, and their impact on our: <ul style="list-style-type: none"> <li>the design of the analytical procedures (e.g. more disaggregated analytical procedures on per day basis)</li> <li>need to perform additional procedures or early audit work</li> <li>ability to complete interim review.</li> </ul> </li> </ul>

# 6 TIPS FOR AN EFFECTIVE AUDIT COMMITTEE

Focus on those few things with greatest impact

Consider how the Committee might improve efficiency and make the most of meetings

Reinforce the right culture and dynamics



Make sure the Committee is getting information, not just data

Understand it likely can't all be done at the formal meetings

Take a critical look at the Committee's performance

## AUDIT COMMITTEE – OTHER SECTIONS

Meetings – SECTION 11: 3/year, 1<sup>st</sup> no later than Sept 30<sup>th</sup>.

Codes of conduct – SECTION 12: All AC members to conform

Remuneration and compensation – SECTION 13:

- None except for travel expenses, when applicable

Declaration of conflicts – SECTION 14

- All AC members to confirm at least once a year and if applicable

Reporting SECTION 15, in writing, to:

- The Ministry once a year
- The board at least once a year

# QUESTIONS???



INTERNAL  
AUDIT TEAM



## RESOURCES

### Trustee professional development program

- <http://www.ontarioschooltrustees.org>

### Ontario Regulation 361/10

- <http://www.ontario.ca/laws/regulation>

### The Institute of Internal Auditors

- <https://na.theiia.org/Pages/IIAHome.aspx>



## RIAT CONTACT INFORMATION

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