

A meeting of the Audit Committee was held in the Barry C. O'Connor Board Room at the Limestone Education Centre, 220 Portsmouth Avenue, Kingston, ON on Monday, November 11, 2019, at 5:30 p.m.

Present:

Trustee L. French
Members: G. Elliott
S. Ruttan

Community A. Young
Members: F. Tan - regrets

Officials: C. Young, Superintendent of Business Services & Treasurer
M. Baumann, Manager, Financial Services
D. Rantz, Director of Education

Others: L. Huber, Partner, KPMG
V. Trottier, Senior Manager, KPMG
P. L'Orfano, Regional Internal Audit Manager, Ontario East

Recorder: D. Burns, Administrative Assistant to the Superintendent of Business Services

Trustee French called the meeting to order at 5:30 pm.

Acknowledgement of Territory:

"The Limestone District School Board is situated on the traditional territories of the Anishinaabe and Haudenosaunee. We acknowledge their enduring presence on this land, as well as the presence of Métis, Inuit and other First Nations from across Turtle Island. We honour their cultures and celebrate their commitment to this land."

Approval of the Agenda

MOVED BY: A. Young, that the agenda, as presented, be approved. Carried.

Declaration of Conflict of Interest

Trustee Elliott declared a conflict of interest as his wife is an employee of the Board.

Motion to Private Session

MOVED BY: Trustee Ruttan, that the meeting move into Private Session.

Information Items

1. Report on Draft 2018-2019 Consolidated Financial Statements

Manager Baumann provided a report on the Draft 2018-2019 Consolidated Financial Statements.

2. Audit Findings Report - KPMG

L. Huber, KPMG Partner provided an overview of the Audit Findings report. V. Trottier, KPMG Senior Manager provided a review on Data and Analytics in the audit.

3. Regional Internal Audit Plan - Pasquale L'Orfano

P. L'Orfano provided an update on the Regional Internal Audit plan for the LDSB.

MOVED BY: A. Young, that the Regional Internal Audit Update, as presented, be approved. Carried.

Committee to Rise and Report

MOVED BY: Trustee Elliott, the committee Rise and Report to Public Session. Carried.

Public Session

Action Items

4. Presentation of Draft 2018-2019 Consolidated Financial Statements

Manager Baumann presented the Draft 2018-2019 Consolidated Financial Statements:

1. Consolidated Statement of Financial Position (page 1)

Details of Financial Assets, Financial Liabilities, Non-Financial Assets and Accumulated Surplus. Significant variances year over year are:

- Cash (see consolidated statement of cash flows, page 4) – increase \$1.1 million from prior year.
- Accounts Receivable: Government of Ontario – increase of \$5.3 million due to operating receivable increase of \$12.2 million due to the Ministry introduction of a cash management strategy effective September 1, 2018 offset by change in year over year spending April to August on capital expenditures under Capital Priorities (down \$1.7 million Kingston Secondary School); School Condition Improvement (up \$.5 million); Green House Gas Reduction (down \$1.0 million); Community Hubs (down \$.6 million) and Child and Family Spaces (down \$1.1 million) (note 2, page 11) and \$3.0 million principal payments received.
- Temporary Borrowing – decrease of \$3.2 million due to a decrease in short term borrowing to finance spending on construction costs for Kingston Secondary School (\$3.1 million) and School Condition Improvement projects (\$.1 million) (note 3, page 11).
- Accounts Payable and Accrued Liabilities – increase of \$6.7 million due to an increase of \$3.8 in the Ministry Payable as a result of the introduction of a cash management strategy effective September 1, 2018 and a \$2.9 million increase in capital project and holdback accruals year over year.
- Net Long-term Liabilities – decrease by \$3.0 million due to principal payments (note 8, page 18 to 20).
- Deferred Capital Contributions – increase of \$32.8 million due to \$45.1 million in additions offset by amortization of \$12.3 million. (note 6, page 17)

- Tangible Capital Assets – increase of \$32.7 million due to acquisitions of \$45.1 million net of amortization of \$12.4 million. (note 13, page 22 and 23) and (consolidated statement of change in net debt, page 3).

2. Consolidated Statement of Operations and Accumulated Surplus (page 2)

Details revenues and expenditures for the year in comparison to budget and prior year results. There is an in-year surplus of \$5.2 million as compared to the budgeted deficit of \$.3 million. The favorable \$5.5 million variance is primarily a result of: increased grants stemming from higher enrolment than anticipated at March 31; higher investment income due to bank interest rate increases; Manulife benefit plan reserve payments; lower salary costs due to unpaid leaves, retirements, vacancies and replacements; lower WSIB costs experienced as compared to actuarial evaluation; and transportation savings.

3. Note 1(h): Significant accounting policies – retirement and other employee future benefits (page 8)

2nd paragraph updated to note board no longer administers health, life and dental plans for employees and instead funds the ELHTs on a monthly basis. Removed details on when union groups had transitioned to the trust and removed reference to retired individuals.

3rd paragraph removed reference to all groups and now notes which groups of retired individuals the Board continues to provide health, dental and life insurance benefits to (ETFO, OSSTF and CUPE).

4. Note 2: Accounts Receivable-Government of Ontario (Page 11)

3rd paragraph added which speaks to the new cash management strategy effective September 1, 2018. The Ministry has delayed \$12,2 million of the grant payment to the Board based on the adjusted accumulated surplus and deferred revenue balances in excess of certain criteria set out by the Ministry.

5. Note 8: Net Long-Term Liabilities (Page 18)

All reference to the long-term financing agreement with RBC was removed since the loan was fully paid November 2017 and comparative numbers no longer needed.

6. Note 17: Accumulated surplus (page 25)

Displays how the in-year surplus of \$5.2 million is distributed amongst the various categories of available and unavailable for compliance:

- \$.1 million decrease in committed capital projects
- \$.3 million decrease in school budget
- \$5.6 million increase in employee future benefits deficit

At the accumulated level- \$19.7 million of available for compliance surplus is comprised of:

- \$2.6 million unappropriated
- \$3.1 pupil accommodation and school renewal
- \$3.1 million committed capital projects
- \$2.4 million school budget balances
- \$.3 million technology infrastructure
- \$5.8 million retirement benefits
- \$2.3 million WSIB

\$(.4) million of unavailable for compliance deficit is comprised of:

- \$(7.5) million employee future benefits
- \$(.9) million accrued interest
- \$3.4 million school generated funds
- \$4.6 million revenue recognized for land

7. Note 18: Adoption of new accounting standards (Page 26)

Reference to the Board's adoption on September 1, 2017 to the Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual rights was removed.

Effective September 1, 2018 the Board adopted Canadian public sector accounting standards PS 3430 Restructuring Transactions.

The adoption of these standards did not result in an accounting policy change for the Board and did not result in any adjustments to the consolidated financial statements as at September 1, 2018.

Trustee Elliott inquired about the investments. Manager Baumann stated the investments were bonds in the Charitable Trust.

MOVED BY: Trustee Elliott,

- 1) *That the Audit Committee recommend to the Board the approval of the audited consolidated financial statements for the year ended August 31, 2019.*
- 2) *That the 2018-2019 consolidated financial statements be filed with the Ministry of Education and posted on the Board website subject to the approval at the December 11, 2019 Board meeting. Carried.*

5. **Audit Committee Annual Draft Report to the Board**

The members reviewed the report, which summarizes the actions of the Limestone District School Board Audit Committee for the year ended August 31, 2019. This report will be presented to the Board of Trustees, and a summarized version sent to the Ministry of Education.

The report summarizes the actions of the Limestone District School Board (LDSB) Audit Committee for the year ended August 31, 2019.

In accordance with Board Policy #10 - Committees of the Board and the recruitment and selection process outlined in *Ontario Regulation 361/10*, the following Audit Committee members were appointed to serve during the current term as follows: Laurie French - Trustee representative and Chair of the Committee, Garrett Elliott - Trustee representative, Suzanne Ruttan - Trustee representative, Adam Young - External member and Frances Tan - External member

Board Policy #10 and Ontario Regulation 361/10 stipulate that Audit Committee meetings will be held at least three times a year. All meetings have been held as planned in 2018-2019. The Limestone DSB has had an Audit Committee in place since May 2004.

The members in attendance at each meeting in 2018-2019 were as follows:

Member's Name	May 6, 2019	September 9,	November 11,
Laurie French, Committee		x	X
Garrett Elliott		x	X
Suzanne Ruttan	x	x	x
Adam Young	x	x	X
Frances Tan	x	x	

The Audit Committee of the Limestone DSB was originally established in May 2004. The appointment of the members to the Audit Committee was completed in accordance with provisions 3. (1) and 3. (2) of *Ontario Regulation 361/10*.

External Audit Committee Members – after an advertised search, on March 7, 2017 Ms. Frances Tan accepted a three-year appointment to serve on the Audit Committee. Term to end on November 30, 2019.

At the November 7, 2017 Audit Committee meeting, the committee passed a motion to extend Mr. Adam Young’s appointment for two more years. Term to end on November 30, 2019.

Limestone DSB will engage in a search for External Audit Committee members.

Relationships with both internal and external auditors have been satisfactory. Both internal and external auditors were present at Audit Committee meetings that were held in private session.

The external auditors, KPMG LLP, were present at all Audit Committee meetings. The following material was presented:

- May 6, 2019 meeting – Provided the Committee with the draft audit plan for the Limestone District School Board for the 2018-2019 fiscal year.
- September 9, 2019 meeting - Provided the Committee with an update on the Limestone District School Board Interim/Year End audit activities for the 2018-2019 fiscal year.
- November 11, 2019 meeting - Provided the Committee with an audit opinion on the Limestone District School Board consolidated financial statements for the year ended August 31, 2019 and the audit findings report.

The Regional internal auditors were present at all Audit Committee meetings. The following material was presented:

- May 6, 2019 meeting - Provided the Committee an update on the multi-year audit plan and an Internal Audit Activities Update.
- September 9, 2019 meeting - Provided the Committee with an overview of the RIAT Internal Audit Mandate, including the roles and responsibilities of its Auditors, it’s reporting and monitoring procedures and its quality assurance. Also provided to the Committee were the following audit reports: Hiring and Occasional Teacher Audit Final Report, Follow up Procedures Final Report and

Activities Update 2019/20-2020/21.

- November 11, 2019 meeting – Provided the Committee with an Internal Audit Activities Update and the Executive Summary for the Records and Information Management engagement performed in 2018-19.

The following is a summary of work undertaken by the Audit Committee in the last 12 months:

- reviewed and approved Audit Plan for 2018-2019 financial statements;
- reviewed and approved 2018-2019 consolidated financial statements;
- reviewed Audit Findings Report for 2018-2019 consolidated financial statements;
- reviewed and approved Audit Committee's Annual Report to the Board;
- reviewed regional internal audit reports;
- reviewed regional internal audit plans.

Once report is signed, the LDSB attests that they have discharged their duties and responsibilities in accordance with *Ontario Regulation #361/10*. Under this regulation there is a requirement to submit a copy of the report to the Ministry.

Trustee Ruttan inquired if the Annual Report to the Board and Ministry is a requirement for all school boards. Superintendent Young stated it was a requirement.

Other Business

Selection of external Audit Committee Members.

Chair French and Superintendent Young both thanked Adam Young and Frances Tan for serving on the Audit Committee for the last two years. As per ministry requirements we will be looking for submissions for new external members for Audit Committee in 2020. Chair French inquired if A. Young's term would be renewable. Superintendent Young stated that A. Young could be reinstated but he would still have to go through the proper process of applying for the position when the ad is posted. Trustee Elliott inquired what would happen if there were 50 plus applications for new Audit Committee members. Superintendent Young stated that in the past not many people have applied for this position and that the resumes received would be vetted and candidates would be interviewed.

Next Meeting Date

Monday, May 4, 2020

Adjournment

MOVED BY: Trustee Ruttan, that the meeting adjourn. Carried.

The meeting adjourned at 6:32 pm.