

# AGENDA – AUDIT COMMITTEE

**Monday, September 14, 2020 – 5:30 PM**

**Limestone Education Centre**

**220 Portsmouth Avenue, Kingston, ON**

[Virtual Link](#)

## **PUBLIC MEETING – 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.”

- 1. ADOPTION OF AGENDA**
- 2. DECLARATION OF CONFLICT OF INTEREST**
- 3. WELCOME EXTERNAL AUDIT COMMITTEE MEMBERS**
- 4. ACTION ITEMS**

### **4.1 ELECTION OF COMMITTEE CHAIR**

*The Chair of the Audit Committee shall be a member of the Committee, elected by the members of the Audit Committee at the first meeting of the committee in each fiscal year – Board Policy 10 section 5.43*

**4.2 2019-20 ANNUAL REPORT ON INTERNAL AUDIT ACTIVITIES (ATTACHED)**

*To be received for information*

**4.3 2020-21 REGIONAL INTERNAL AUDIT MANDATE (ATTACHED)**

**MOTION:** *That the Limestone District School Board Audit Committee approves the 2020-21 Regional Internal Audit Mandate-Ontario East.*

## **PRIVATE SESSION - 6 PM**

\*In accordance with the Education Act, Section 207(2) a meeting of a committee of a board including a committee of the whole board, may be closed to the public when the subject under consideration involves,

- a) The security of the property of the board;
- b) The disclosure of intimate, personal or financial information in respect of a meeting of the board or committee, an employee or prospective employee of the board or a pupil or his or her parent or guardian;
- c) The acquisition or disposal of a school site;
- d) Decisions in respect of negotiations with employee of the board; or
- e) Litigation affecting the board.

### **1. MOTION TO MOVE INTO PRIVATE SESSION**

### **2. REGIONAL INTERNAL AUDIT (reports attached)**

**2.1 2020-21 REGIONAL INTERNAL AUDIT PLAN**

**MOTION:** *That the Limestone District School Board Audit Committee approves the 2020-21 Internal Audit Plan as presented in Appendix 1.*

**2.2 OUTSTANDING RECOMMENDATIONS AS OF SEPTEMBER 2020**

*To be received for information.*

### **3. KPMG – INTERIM/YEAR END AUDIT (verbal update)**

### **4. COMMITTEE TO RISE AND REPORT**

### **5. OTHER BUSINESS**

**6. FUTURE MEETING DATES**

**MONDAY NOVEMBER 9, 2020**

**MONDAY MAY 3, 2021**

**7. ADJOURNMENT**

<b>Subject:</b> <b>Presented by:</b> <b>Meeting Date:</b>	2019-20 Annual Report on Internal Audit Activities Geneviève Segu, Regional Internal Audit Manager September 14, 2020
<b>Introduction</b>	<p>The Ontario East Regional Internal Audit Team (RIAT)'s work is regulated and guided by the following three main documents:</p> <ul style="list-style-type: none"> <li>• Ontario Regulation 361/10: Audit Committees<sup>1</sup> (The Regulation);</li> <li>• The Regional Internal Audit Mandate (The Mandate); and</li> <li>• The International Professional Practices Framework (The Framework) from the Institute of Internal Auditors (IIA).</li> </ul> <p>In accordance with these documents, the RIAM is pleased to present the Ontario-East RIAT's Annual Activities Report (the Report) to the Audit Committee. The contents of the Report include essential requirements under the Regulation, the Mandate and the Framework, such as:</p> <ul style="list-style-type: none"> <li>• A confirmation of the independence of the audit activities;</li> <li>• A description of its function;</li> <li>• A confirmation of conformance with the Code of Ethics; and</li> <li>• A summary of the 2019-20 activities.</li> </ul>
<b>Mandate &amp; Purpose</b>	<p>Audit Committee members reviewed and approved the Ontario East Regional Internal Audit Team (RIAT)'s mandate at the September 2019 meeting.</p> <p>The mandate defines the purpose of the RIAT to “provide independent, objective assurance and consulting services designed to add value and improve the district school boards’ operations in the Ontario East region.” As per Ministry guidelines, Regional Internal Audit Teams across the province have developed an internal audit mandate, posted on their Host Board’s website.</p> <p>No changes have taken place with this mandate since its presentation to the Committee in September 9, 2019. The mandate is appended to this memorandum for your review and approval (see Appendix 1).</p>

<sup>1</sup> The full regulation is available at the following link: <https://www.ontario.ca/laws/regulation/100361>

<p><b>Independence</b></p>	<p>Independence is an essential component to building public trust and preserving objectivity and integrity associated with the internal audit function. To ensure this independence, RIAT reports:</p> <ul style="list-style-type: none"> <li>• Functionally to each of the nine Audit Committees of the Ontario East region<sup>2</sup>; and</li> <li>• Administratively to the Senior Business Official of the host board, Ottawa Catholic School Board.</li> </ul> <p>As required under the Mandate, and in alignment with the Framework, the RIAT staff henceforth confirm that they are not aware of any relationships with the School Board that may be perceived to bear on their independence.</p>
<p><b>Organizational Structure, Staffing and Professional Development</b></p>	<p>The RIAT consists of a team of two Internal Auditors, one Senior Internal Auditor and one Internal Audit Manager. All Auditors report directly to the Regional Internal Audit Manager.</p> <p>Each Auditor is responsible for audits at three of the nine school boards, as follows:</p> <ul style="list-style-type: none"> <li>• Gord Champagne: Hastings Prince Edward DSB, Ottawa-Carleton DSB, Renfrew County DSB;</li> <li>• Pasquale L'orfano: Limestone DSB, Ottawa Catholic SB, Upper Canada DSB; and</li> <li>• Portia Marcaida: Algonquin Lakeshore Catholic DSB, Catholic DSB of Eastern Ontario, Renfrew County Catholic DSB.</li> </ul> <p>We are pleased to report that all positions within the team are currently filled with qualified staff. The professional designations held by the RIAT include:</p> <ul style="list-style-type: none"> <li>• Chartered Professional Accountant (CMA and CGA);</li> <li>• Certified Internal Auditor (CIA);</li> <li>• Certified Information System Auditor (CISA); and</li> <li>• Certification in Risk Management Assurance (CRMA).</li> </ul> <p>The governing bodies issuing the professional designations require that members complete continuing professional development/education on an annual basis to</p>

<sup>2</sup> The nine school boards in the Ontario East region are: Algonquin Lakeshore Catholic DSB, Catholic DSB of Eastern Ontario, Hastings Prince Edward DSB, Limestone DSB, Ottawa Catholic SB, Ottawa-Carleton DSB, Renfrew County Catholic DSB, Renfrew County DSB, Upper Canada DSB.

	<p>upkeep their proficiency and knowledge. This also includes an annual ethics training requirement. Each member of the RIAT received eight days of training, leveraging associations within the K-12 sector, the Public Sector as well as professional organizations. The following are the main topics of the RIAT training in the 2019-20 school year:</p> <ul style="list-style-type: none"> <li>• Ethics;</li> <li>• Risk management;</li> <li>• Information technology and cybersecurity; and</li> <li>• Leadership skills.</li> </ul> <p>In addition to full time staff, RIAT, resorts to co-sourcing when a specialist is required or resources are limited in the performance of an engagement. In 2019-20, RIAT engaged the following firms to assist with various projects across the portfolio:</p> <ul style="list-style-type: none"> <li>• MNP with the new Strategic Risk Assessment process at eight of nine school boards;</li> <li>• KPMG with a portfolio-wide Cybersecurity engagement; and</li> <li>• Deloitte with employee absences data visualization engagements at three of the nine school Boards in the portfolio.</li> </ul>
<p><b>Quality Assurance</b></p>	<p>The mandate requires that RIAT performs its function and operations in accordance with the Framework.</p> <p>Standard 1310 requires that both internal and external quality assessments be conducted on a periodic basis. The following provides further details on how the RIAM ensures quality and continuity in the RIAT's activities:</p> <ul style="list-style-type: none"> <li>• Internally, the RIAM continuously ensures QA by performing activities such as: ongoing monitoring, reviewing of working papers and being present at exit interviews. In addition, the RIAT use an internal audit software<sup>3</sup> with audit program templates based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework<sup>4</sup>. A number of documents (such as the mandate and the final reports) developed by the collective of RIAMs in Ontario, are based on the Framework's standards of practice.</li> </ul>

<sup>3</sup> Pentana

<sup>4</sup> See the following link for further information about COSO: <https://www.coso.org/Pages/default.aspx>

	<ul style="list-style-type: none"> <li>Externally, the RIAM is in the process of acquiring Quality Assessment services to be performed in 2020-21. This assessment also includes interviews with a selection of staff and Audit Committee members. The RIAM will communicate to the Audit Committee the result of the external QA, including a plan to remedy gaps, as required.</li> </ul>																									
<b>2019-20 RIAT Annual Plan Activities</b>	<p>As per the Ministry of Education's 2016: B10 memo<sup>5</sup>, each Board should receive a minimum of two engagements a year, in addition to follow-up procedures on recommendations issued for previous audits (where necessary).</p> <p>The RIAM, in collaboration with Management, prepares an annual or multiyear plan each year based on risk assessments and input from Management. The RIAM then provides the plan to the audit committee, for their approval and to make recommendations to the board of trustees.</p> <p><u>2019-20 Region-Wide Plan</u></p> <p>The following table presents a summary of the status of all RIAT engagements in the Ontario East Region:</p> <table border="1" data-bbox="431 928 1503 1520"> <thead> <tr> <th>Engagement Type</th> <th>Completed<sup>6</sup></th> <th>Work in Progress<sup>7</sup></th> <th>Postponed due to Covid</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Assurance and Consulting</td> <td>12</td> <td>7</td> <td>1</td> <td>20</td> </tr> <tr> <td>Strategic Risk Assessment</td> <td></td> <td>1</td> <td>7</td> <td>8</td> </tr> <tr> <td>Follow-up</td> <td>9</td> <td></td> <td></td> <td>9</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>21</b></td> <td><b>8</b></td> <td><b>8</b></td> <td><b>37</b></td> </tr> </tbody> </table>	Engagement Type	Completed <sup>6</sup>	Work in Progress <sup>7</sup>	Postponed due to Covid	TOTAL	Assurance and Consulting	12	7	1	20	Strategic Risk Assessment		1	7	8	Follow-up	9			9	<b>TOTAL</b>	<b>21</b>	<b>8</b>	<b>8</b>	<b>37</b>
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<sup>5</sup> The complete list of B and SB memos can be found at this link: <https://efis.fma.csc.gov.on.ca/faab/Memos.htm>

<sup>6</sup> Presented to AC in the 2019-20 school year.

<sup>7</sup> Includes 3 engagements where the report is final but has not been presented to AC.

RIAT staff also participated in 29 Audit Committee meetings, including three for this school board.

2019-20 School Board Plan

At the September 2019 Audit Committee meeting, Audit Committee members approved the following audit plan for the School Board:

Year	Audit	Status
2019-20	Attendance Data Visualization	Completed
2019-20	Procurement Data Analytics Engagement	Work in progress
2019-20	Strategic Risk Assessment	Postponed
2019-20	Follow-up Procedures	Completed

RIAT completed half of its 2019-20 plan and, due to Covid, postponed the in-person Strategic Risk Assessment workshop to October 2020.

2019-20 Follow-up Procedures

Following up on previous audit recommendations is a recurrent engagement on the yearly RIAT plan, where there are outstanding recommendations from previous audits.

Across the Region, in the spring of 2018, there were 298 recommendations outstanding, with 122 recommendations with an initial implementation date prior to 2018-19. In 2019-20, RIAT staff focused on following up these recommendations and in the spring of 2020 there were 95 recommendations outstanding with only 5 dating prior to 2018-19.

At this school board, RIAT conducted and presented follow-up procedures to the Audit Committee members in 2019-20. There are currently 9 recommendations outstanding compared to 16 a year prior. This indicates that Management is actively implementing previous audit recommendations.



<b>Recommendations</b>	That the Limestone District School Board Audit Committee: <ol style="list-style-type: none"><li>1. Receives for information the 2019-20 Annual Report on Internal Audit Activities; and</li><li>2. Approves the 2020-21 Regional Internal Audit Mandate.</li></ol>
<b>Appendix</b>	<ol style="list-style-type: none"><li>1. 2020-21 Regional Internal Audit Mandate – Ontario East.</li></ol>



## **Regional Internal Audit Mandate**

### **PURPOSE AND DEFINITION**

The purpose of the regional internal audit team is to provide independent, objective assurance and consulting services designed to add value and improve the district school boards' operations in the Ontario East region. It helps the district school boards accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### **ROLE**

The regional internal audit activity is established by the Ministry of Education through the annual Grants for Student Needs funding. The oversight role of the Audit Committee of the Board of Trustees over the regional internal audit activity is established by Regulation 361/10.

### **PROFESSIONALISM**

The regional internal audit activity will adhere to the Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the regional internal audit activity's performance.

### **AUTHORITY**

The regional internal audit activity, with strict accountability for confidentiality and the safeguarding of records and information is authorized full, free and unrestricted access to any and all of the district school boards' records, physical properties, and personnel pertinent to carrying out any engagement. All school board employees are requested to assist the regional internal audit team in fulfilling its responsibilities. The regional internal audit team will also have free and unrestricted access to school board leaders and to the Audit Committee of the Board of Trustees.



## **ORGANIZATION**

The internal audit function follows a regional model. The function consists of a Regional Internal Audit Manager responsible to district school boards in one of the eight regions in the province of Ontario as identified by the Ministry of Education. The Regional Internal Audit Manager will report functionally to their regional audit committees of the Boards of Trustees and administratively are supported by a host school board Senior Business Official. Every effort is made to adequately staff the internal audit function, within available financial resources, in order to perform its audit activities.

Each Audit Committee of the Board of Trustees will for their Board:

- Approve the regional internal audit mandate;
- Recommend for approval the risk based internal audit plan;
- Receive information from the Regional Internal Audit Manager about the internal audit activity performance to plan and other relevant matters;
- Inquire of the Regional Internal Audit Manager and the Senior Business Official whether there are resource or scoping limitations; and
- Review annually the performance of the regional internal audit activity and provide the Board of Trustees with their comments regarding the performance of the Regional Internal Audit Manager.

The Regional Internal Audit Manager will interact directly with the Audit Committee of the Board of Trustees, including in-camera sessions and between audit committee meetings as appropriate.

## **INDEPENDENCE AND OBJECTIVITY**

The regional internal audit activity will remain free from interference by any element in the district school board including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

Regional internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair judgment.

Regional internal auditors will exhibit the highest standards of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Regional Internal Audit Manager will confirm to the Audit Committee of the Board of Trustees, at least annually, the organizational independence of the internal audit activity.

## **RESPONSIBILITY**

The scope of work of the regional internal audit team encompasses but is not limited to:

- Evaluating risk exposure relating to the achievement of the district school board's strategic objectives;
- Evaluating the reliability and integrity of information and the means used to identify measure, classify and report information;
- Evaluating the systems which ensure compliance with policies, procedures, applicable laws and regulations which impact the district school board;
- Evaluating whether resources are acquired economically, used efficiently, and are adequately protected;
- Evaluating operations and processes to ascertain whether results are consistent with established objectives and whether processes are functioning as planned;
- Performing consulting and advisory services or assessments of specific operations as requested by the Audit Committee of the Board of Trustees or district school board management as appropriate;
- Evaluating the effectiveness of the district school board's risk management and governance processes;
- Reporting periodically on the regional internal audit performance against plans; and
- Reporting significant risk exposures and control issues, including fraud risks, governance issues and other matters requested by the Audit Committee of the Board of Trustees.

## **INTERNAL AUDIT PLAN**

Annually, the Regional Internal Audit Manager will submit to district school board management and to the Audit Committee of the Board of Trustees an internal audit plan for recommendation to their Board of Trustees for approval. If there are any resource limitations or interim changes, these will be communicated.

The internal audit plan will be developed based on a prioritization of the internal audit universe using a risk based methodology which includes input of district school board management. The Regional Internal Audit Manager will review and adjust the plan as required in response to changes in the risk profile. Any significant deviation from the approved internal audit plan will be communicated through periodic status reports. The Regional Internal Audit Manager or any of his or her team may initiate and conduct any other audit or review deemed necessary for potential illegal acts, fraud, abuse, or misuse of funds. Reasonable notice shall be given to appropriate personnel of intent to audit in their areas except when conditions warrant an unannounced audit.



## REPORTING AND MONITORING

Opportunities for improving internal control may be identified during audits. A written report will be issued by the Regional Internal Audit Manager at the conclusion of each audit and will be distributed according to the school board's requirements. (This could include the head of the audited activity or department, the director of education, the audit committee and the external auditor of the district school board.)

Each report will describe opportunities to strengthen district school board risk, internal control and governance processes and conclude on the adequacy and effectiveness of the processes. The district school board management will provide action plans and timelines to address each opportunity (observation). The regional internal audit team is responsible to perform appropriate follow-up procedures to attest to the completion of action plans. Significant observations will remain in an open issue status until cleared.

## QUALITY ASSURANCE

The regional internal audit team will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and conformance with the International Standards for the Professional Practice of Internal Auditing.

The Regional Internal Audit Manager will communicate to district school board management and the Audit Committee of the Board of Trustees on the internal audit activity's quality assurance and improvement program, including the results of ongoing internal assessments and external assessments conducted as appropriate, usually on a five year cycle.

*Genevieve Segu*

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Regional Internal Audit Manager

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Audit Committee Chair

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Director of Education

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Dated

## DEFINITION OF SELECTED TERMS

Add Value	Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.
Advisory/Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed to with the client and which are intended to add value and improve a school board's governance, risk management and control processes without the regional internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
Assurance	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Results can be relied upon for supporting informed decision making.
Board of Trustees	A legislative body that has overall responsibility and accountability for the district school board. For purposes of this Mandate, this also includes committees that support the Board of Trustees including the audit committee.
Compliance	Conformity and adherence to policies, plans, procedures, laws, regulations, contracts or other requirements.
Control Environment	<p>The attitude and actions of the Board of Trustees and district board management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Integrity and ethical values.</li> <li><input type="checkbox"/> Management's philosophy and operating style.</li> <li><input type="checkbox"/> Organizational structure.</li> <li><input type="checkbox"/> Assignment of authority and responsibility.</li> <li><input type="checkbox"/> Human resource policies and practices.</li> <li><input type="checkbox"/> Competence of personnel.</li> </ul>
Control/Internal Controls	<p>Any action taken by district board management and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.</p> <p>The system of management controls (business plans, capturing and analyzing data, performance reporting, code of conduct, etc.) that are implemented within a school board to ensure that assets (human, physical and information) are protected and to provide reasonable assurance that its objectives can be achieved.</p>

Control Processes	The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.
Fraud	Any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.
Governance	The combination of processes and structures implemented by the Board of Trustees in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.
In-camera	A separate discussion between members of the Audit Committee and the ( <i>insert title here</i> ) promoting open communication and discussion of any sensitive issues or problems.
Independence	The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.
Objectivity	An unbiased mental attitude that allows regional internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires regional internal auditors to not subordinate their judgment on audit matters to that of others.
Risk	Effect of uncertainty on objectives or outcomes.
Risk Management	A structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks an organization faces. Overall, it is about choices made under conditions of uncertainty, balanced by acceptable levels of risk.