

AUDIT COMMITTEE MEETING MINUTES – NOVEMBER 9, 2020

PUBLIC SESSION

Roll Call:

Administrative Staff Present:

Committee Members:	Staff:
G. Elliott, Trustee L. French, Trustee (Chair) S. Ruttan, Trustee R. Richard, External Member C. Innocente, External Member	K. Burra, Director of Education C. Young, Superintendent of Business Services M. Baumann, Manager of Financial Services
Invitees:	Recorder & Producer:
L. Huber, KPMG External Auditor P. L'Orfano, Internal Auditor G. Segu, Internal Auditor	D. Burns, Administrative Assistant S. Saccary, Administrative Assistant

Chair French began the meeting with opening remarks and by welcoming Committee Members, Senior Staff and the viewing public. She then read the 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.”

Adoption of Agenda

MOVED BY: Trustee Elliott, that the agenda, as presented, be approved. Carried.

Declaration of Conflict of Interest

Trustee Elliott declared a conflict as his wife is an employee of the Board and a member of

ETFO.

Information Items

2020-2021 Regional Internal Audit Plan Update

G. Segu provided the Audit Committee with an update on the progress of the 2020-21 RIAT work. The report links with Regulation 361/10 in relation to the Audit Committee's duties to the Internal Auditor 9(3) and the Board's Internal Controls 9(2).

The Audit Committee approved the 2020-21 Audit Plan at the September 14, 2020 meeting. The following presents an update on the engagements:

Status	Audit & Scope	Schedule
In Progress	<p>Strategic Risk Assessment</p> <p>This is a region-wide initiative.</p> <p>The goal is to facilitate the risk assessment at a high level in order to (i) provide Management with a risk register and (ii) align RIAT's work with the main risks identified. They are currently in the process of finalizing all local workshops and validating results across the Ontario East Region.</p>	<p>15 Jan 2020: Region-Wide In-Person Workshop</p> <p>28 Oct 2020: Local Virtual Workshop</p> <p>Next Steps: Reporting</p>
In Progress	<p>Procurement Data Analytics</p> <p>RIAT is currently in the process of validating results with Management.</p>	<p>Near Complete</p> <p>Next Steps: Finalize and Report to Audit Committee</p>
In Progress	<p>Cyber Security Review</p> <p>This engagement aligns with the region-wide Strategic Risk Assessment which identified Cybersecurity as both a risk and an opportunity to promote the School Boards ability to safeguard IT systems to protect information and avoid service disruption.</p> <p>The goal of the virtual workshop was to identify business drivers, critical assets, and perform an IT risk assessment.</p>	<p>28 Feb 2020: Presented the project to EOIT Managers.</p> <p>8-9 Oct: Virtual workshop</p> <p>Next Steps: Reporting</p>

	The output will provide the school board with a list of controls to prioritize in the cybersecurity framework.	
In Progress	Follow-up Procedures RIAT continues to follow-up on the remaining recommendations, as they come due.	Ongoing
Not Initiated	Management Request Engagement To cover any important items that may be required during the school year.	If Requested
Not Initiated	Critical Positions Engagement This engagement aligns with the preliminary region-wide Strategic Risk Assessment which identified Succession Planning as one of the top risks in the portfolio. The scope is to provide Management with a current state assessment/inventory of all positions, outside of the schools. Each position is critical, key, support or specialist.	TBD

Audit Committee Annual Report to the Board

Chair French presented the Audit Committee Annual Report. The document is a standard template that outlines the Audit Committee requirements for the Ministry of Education.

Action Items

Presentation of Draft 2019-2020 Consolidated Financial Statements

Manager Baumann provided an overview of the Draft Consolidated Financial Statements for the year ended August 31, 2020.

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:

- a) Cash (see consolidated statement of cash flows, page 4) – increase \$2.5 million from prior year.
- b) Accounts Receivable: Municipalities–increase of \$14.3 million due to the Province of Ontario response to COVID-19 extending the deadline for municipalities to pay Education Property Tax amounts to the Board (note 2, page 10).
- c) Accounts Receivable: Government of Ontario-approved capital – decrease of \$13.1 million due to change in year over year spending April to August on capital expenditures under Capital Priorities (down \$6.8 million - Kingston Secondary School); School Condition Improvement (down \$3.2 million) (note 3, page 10) and \$3.1 million principal payments received.
- d) Accounts Receivable: Government of Ontario-non-capital–increase of \$4.9 million due to the Ministry’s cash management strategy that delays grant payments due to the increase in operating accumulated surplus (note 3, page 10).
- e) Temporary Borrowing – decrease of \$5.7 million due to a decrease in short term borrowing to finance spending on construction costs for Kingston Secondary School (\$4.6 million) and School Condition Improvement projects (\$1.1 million) (note 4, page 11).
- f) Accounts Payable and Accrued Liabilities – increase of \$16.6 million. \$15.5 million due to the Province of Ontario response to COVID-19 extending the deadline for municipalities to pay Education Property Tax amounts to the Board. To mitigate the financial impact of this deferral the Province adjusted its cash flow to the Board in July 2020. Additional \$1.1 million due to the increase in the Ministry’s cash management strategy receivable as a result the increase in operating accumulated surplus and GSN payable due to strike savings (note 5, page 11).
- g) Net Long-term Liabilities – decrease of \$3.1 million due to principal payments (note 10, page 18 to 20).
- h) Deferred Revenue – decrease of \$2.5 million due to use of proceeds of disposition for spending on construction costs for the Kingston Secondary School (\$4.2) offset by an increase in school renewal capital deferred (\$1.7) (note 7, page 16 and 17).
- i) Deferred Capital Contributions – increase of \$5.1 million due to \$19.7 million in additions offset by amortization of \$14.6 million (note 8, page 17).

- j) Tangible Capital Assets – increase of \$11.1 million due to acquisitions of \$25.8 million net of amortization of \$14.7 million. (note 15, 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 \$9.1 million as compared to the budgeted deficit of \$.1 million.
- The favorable \$9.2 million variance is primarily a result of: increased grants stemming from higher enrolment than anticipated at March 31; lower salary costs due to unpaid leaves, retirements, vacancies and replacements; and COVID-19 expenditure savings as a result of reductions in replacement costs, instructional supply purchases, utilities usage, operational maintenance and transportation.

3. Note 2: Accounts Receivable-Municipalities (Page 10)

- New note that speaks to the Province of Ontario's response to COVID-19 extending the deadlines for municipalities to pay Education Property Tax amounts to the Board. \$14.1 million will be recovered fully by the Board in the following school year.

4. Note 5: Accounts Payable-Government of Ontario (Page 11)

- New note that speaks to the Province of Ontario response to COVID-19 extending the deadlines for municipalities to pay Education Property Tax amounts to the Board. To mitigate the financial impact of this deferral the Province adjusted the cash flow to the Board in July 2020 by \$15.5 million. This amount will be recovered by the Province in 2021.

5. Note 19: Accumulated surplus (page 24)

- At the accumulated level:
- \$27.5 million of available for compliance surplus is comprised of:

- a) \$8.7 million unappropriated
- b) \$9.1 million committed capital projects
- c) \$2.8 million school budget balances
- d) \$4.7 million retirement benefits
- e) \$2.2 million WSIB
- \$0.9 million of unavailable for compliance surplus is comprised of:
 - a) \$(6.2) million employee future benefits
 - b) \$(.8) million accrued interest
 - c) \$3.4 million school generated funds
 - d) \$4.5 million revenue recognized for land

6. Note 20: Impact of COVID-19 (Page 25)

- New note speaking to the impact of COVID-19 on the Board during both the 2019-20 and 2020-21 school year.
- Impact on cash flow as detailed in note 2 and 5.
- Board received PPE and cleaning supplies from the Ministry of Education prior to year-end.
- At August 31 2020, no significant adjustments to reflect the possible future impact of COVID-19.
- Management assessed the impact on the Board and believes there are no significant financial issues.

L. Huber made mention of the Independent Auditors' Report stating that in KPMG's opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of August 31, 2020, and its consolidated results of operations, and its consolidated cash flows for the year then ended in accordance with the basis of accounting as described in note 1 to the financial statements.

Motions:

- 1) That the Audit Committee recommend to the Board the approval of the audited consolidated financial statements for the year ended August 31, 2020.
- 2) That the 2019-2020 consolidated financial statements be filed with the Ministry of Education and posted on the Board website subject to the approval at the November 11, 2020 Board meeting.

MOVED BY: R. Richard, that the motions, as presented, be approved. Carried

Chair French thanked staff and auditors for all their work.

Other Business

None at this time.

Future Meeting Dates

Monday May 3, 2021

The meeting moved into Private Session at 5:58 pm.

PRIVATE SESSION

Roll Call:

Administrative Staff Present:

Committee Members:	Staff:
G. Elliott, Trustee L. French, Trustee (Chair) S. Ruttan, Trustee R. Richard, External Member C. Innocente, External Member	K. Burra, Director of Education C. Young, Superintendent of Business Services M. Baumann, Manager of Financial Services
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MOTION: To move into Private Session.

MOVED BY: Trustee Ruttan. Carried.

Admin Report on Draft 2019-2020 Consolidated Financial Statements

Manager Baumann presented the Administrative Report on the Draft 2019-2020 Consolidated Financial Statements.

KPMG – Audit Findings Report

L. Huber, External Auditor provided a brief update on the Audit Findings Report.

Committee to Rise and Report

The Committee will rise and report to the full Board of Trustees in Private Session and to the public at the next Board meeting.

Adjournment

MOTION: To adjourn.

Limestone District School Board

Limestone District School Board is situated on traditional territories of the Anishinaabe & Haudenosaunee.

MOVED BY: Trustee Elliott. Carried.

The meeting adjourned at 6:48 pm.

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