

AGENDA – AUDIT COMMITTEE

Monday, September 13, 2021 – 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. ACTION ITEM**

3.1 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. REPORTS

4.1 2020-21 ANNUAL REPORT ON INTERNAL AUDIT ACTIVITIES, G. SEGU & P. L'ORFANO (REPORT APPENDED PAGES 5-11)

4.2 REGIONAL INTERNAL AUDIT CHARTER, G. SEGU & P. L'ORFANO (REPORT APPENDED PAGES 12-17)

***MOTION:** That the Limestone District School Board Audit Committee approves the 2021-22 Regional Internal Audit Team Charter.*

4.3 QUALITY ASSURANCE REPORT, G. SEGU (REPORT APPENDED PAGES 18-31)

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. REPORTS

2.1 REGIONAL INTERNAL AUDIT UPDATE, G. SEGU (REPORTS APPENDED PAGES 32 – 34)

2.2 CYBERSECURITY FRAMEWORK FINAL REPORT, G. SEGU (REPORT APPENDED PAGES 35 – 49)

2.3 CYBERSECURITY RISK REPORT ONTARIO EAST SCHOOL BOARDS, G. SEGU (REPORT APPENDED PAGES 50 – 77)

2.3 MULTI-YEAR INTERNAL AUDIT PLAN, G. SEGU & P. L'ORFANO (REPORT APPENDED PAGES 78-82)

***MOTION:** That the Limestone District School Board Audit Committee approves the Multi-Year 2021-2024 Internal Audit Plan.*

2.4 INTERNAL AUDIT PLANNING-COVID COST & FUNDING REVIEW, G. SEGU (REPORT APPENDED PAGE 83)

2.5 2021-2022 REGIONAL INTERNAL AUDIT PLAN, G. SEGU (REPORT APPENDED PAGE 84)

***MOTION:** That the Limestone District School Board Audit Committee approves the Regional Internal Audit Plan.*

2.6 APPENDIX 3 – 2021-22 RIAT PLAN- LIMESTONE DSB, G. SEGU (REPORT APPENDED PAGE 85)

2.7 OUTSTANDING RECOMMENDATIONS FOR SEPTEMBER 2021. G. SEGU (REPORT APPENDED PAGE 86)

3. KPMG – INTERIM/YEAR END AUDIT, L. HUBER (verbal update)

4. COMMITTEE TO RISE AND REPORT

5. OTHER BUSINESS

6. FUTURE MEETING DATES

MONDAY NOVEMBER 8, 2021

MONDAY MAY 2, 2022

7. ADJOURNMENT

<p>Subject:</p> <p>Presented by:</p> <p>Meeting Date:</p>	<p>2020-21 Annual Report on Internal Audit Activities</p> <p>Geneviève Segu, Regional Internal Audit Manager</p> <p>Pasquale L’Orfano, Internal Auditor</p> <p>September 13, 2021</p>
<p>Introduction</p>	<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"> • Ontario Regulation 361/10: Audit Committees¹ (The Regulation); • The Regional Internal Audit Charter (The Charter); and • The International Professional Practices Framework (The Framework) from the Institute of Internal Auditors (IIA). <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 Charter and the Framework, such as:</p> <ul style="list-style-type: none"> • A confirmation of the independence of the audit activities; • A description of its function; • A confirmation of conformance with the Code of Ethics; and • A summary of the 2020-21 activities.
<p>Charter & Purpose</p>	<p>Audit Committee members reviewed and approved the Ontario East Regional Internal Audit Team (RIAT)’s charter at the September 2020 meeting.</p> <p>The charter 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 charter, posted on their Host Board’s website.</p> <p>In accordance with the recommendations set out in the 2020-21 Quality Assurance Report RIAT’s action plan include the following changes to the Charter (redlined in the Appendix 1 – 2021-22 Regional Internal Audit Team Charter):</p>

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

	<p>1110 - Organizational Independence:</p> <p>a) Update the charter to reflect the functional reporting relationship to the AC.</p> <p>2600 – Communication of Risk</p> <p>a) Formalize, in the charter, the dispute resolution process and communication to AC when there is a disagreement with Management on the risk acceptance level.</p> <p>Opportunities for improvement:</p> <p>a) Update the charter to include the term “Review” as meaning “Consulting”.</p> <p>Although not a recommendation, the title of the document was changed from “mandate” to “charter” to reflect the Standards.</p> <p>The RIAM also communicated the changes to the other RIATs across the province.</p> <p>The Internal Audit Charter is appended to this memorandum for your review and approval (see Appendix 1).</p>
<p>Independence</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"> • Functionally to each of the nine Audit Committees of the Ontario East region²; and • Administratively to the Senior Business Official of the host board, Ottawa Catholic School Board. <p>As required under the Charter, 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>

² 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>Organizational Structure,</p> <p>Staffing and</p> <p>Professional Development</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"> • Gord Champagne: Hastings Prince Edward DSB, Ottawa-Carleton DSB, Renfrew County DSB; • Pasquale L’orfano: Limestone DSB, Ottawa Catholic SB, Upper Canada DSB; and • Portia Marcaida: Algonquin Lakeshore Catholic DSB, Catholic DSB of Eastern Ontario, Renfrew County Catholic DSB. <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"> • Chartered Professional Accountant (CMA and CGA); • Certified Internal Auditor (CIA); • Certified Information System Auditor (CISA); and • Certification in Risk Management Assurance (CRMA). <p>The governing bodies issuing the professional designations require that members complete continuing professional development/education on an annual basis to upkeep their proficiency and knowledge. This also includes an annual ethics training requirement. Each member of the RIAT received 8 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 2020-21 school year:</p> <ul style="list-style-type: none"> • Ethics; • Risk management; • Data Analytics • Cybersecurity; and • Soft skills. <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 2020-21, RIAT engaged the following firms to continue work undertaken in the previous year across the portfolio:</p> <ul style="list-style-type: none"> • MNP with the Strategic Risk Assessment process at eight of nine school boards; and
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	<ul style="list-style-type: none"> • KPMG with a portfolio-wide Cybersecurity engagement.
<p>Quality Assurance</p>	<p>The charter 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"> • <i>Internally</i>, 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 software³ with audit program templates based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework⁴. A number of documents (such as the charter and the final reports) developed by the collective of RIAMs in Ontario, are based on the Framework’s standards of practice. • <i>Externally</i>, the RIAM engaged the Institute of Internal Auditors⁵ to evaluate and review the RIAT’s Quality Self Assessment in the spring of 2021. The core of the assessment was to compare RIAT’s practices with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (the Standards). This assessment also included an independent survey and interviews with a selection of staff and Audit Committee members. The RIAM communicated to the Audit Committee the result of the external Quality Assurance, including a plan to remedy gaps, included as Appendix 2 to this report.
<p>2020-21 RIAT Annual Plan Activities</p>	<p>As per the Ministry of Education’s 2016: B10 memo⁶, 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 prepares an annual or multiyear plan each year based on the risk assessments and input from Audit Committee Members and Management. The</p>

³ Pentana

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

⁵ See the following link for the North America Chapter of the IIA: <https://na.theiia.org/Pages/IIAHome.aspx>

⁶ The complete list of B and SB memos can be found at this link: <https://efis.fma.csc.gov.on.ca/faab/Memos.htm>

RIAM then provides the plan to the audit committee, for their approval and to make recommendations to the board of trustees.

2020-21 Region-Wide Plan

Of 42 planned engagements:

- 31⁷(74%) were presented to AC or in the reporting phase by August 31st 2021;
- 8(19%) were postponed per Management's request; and
- 3(7%) were either in the planning or fieldwork phase.

The following table presents a summary of the status of all RIAT engagements in the Ontario East Region:

Engagement Type	Completed ⁸	Work in Progress ⁹	Postponed (Management's request)	TOTAL
Assurance and Consulting	7	10	8	25
Strategic Risk Assessment	8			8
Follow-up	9			9
TOTAL	24	10	8	42

RIAT staff participated in 31 Audit Committee meetings, including three for this school board and performed Audit Committee training for 3 school boards.

On the back-end, RIAT performed a quality assurance self-assessment, participated in provincial meetings relating to Internal Audit, Information Technology, Cybersecurity and Attendance/Disability Management.

⁷ 31=24 completed plus 7 in reporting phase.

⁸ Presented to AC in the 2020-21 school year.

⁹ Includes 7 engagements where the report is final but has not been presented to AC.

2020-21 School Board Plan

At the September 2020 Audit Committee meeting, Audit Committee members approved the following audit plan for the School Board:

Year	Audit	Status
2020-21	Cybersecurity Framework	Report
2020-21	Procurement Data Analytics	Completed
2020-21	Strategic Risk Assessment	Completed
2020-21	Follow-up Procedures	Completed
2020-21	Critical Positions	Postponed

RIAT completed 80% of its 2020-21 plan and, per Management's request, postponed the Critical Position engagement to 2021-22.

2020-21 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 Ontario East Region, in the spring of 2019, there were 298 recommendations outstanding, with 122 recommendations with an initial implementation date prior to 2018-19. In 2019-20, there were 95 recommendations outstanding with only 5 dating prior to 2018-19. In the spring of 2020-21, despite the pandemic, the recommendations went down to 63 outstanding with only one dating prior to 2018-19. This trend clearly demonstrates that the follow-up procedures of the past three years is achieving its goal of ensuring that Management improves their internal control, where recommended.

The bulk of the remaining outstanding recommendations resides with a third (3/9) of the DSBs in the region. At one of them, AC requested an implementation plan from Management. This indicates that AC training on Regulation 362/10, along with the periodic reporting from RIAT to AC on the number of outstanding

	<p>recommendations is helping AC identify and act on internal controls deficiencies, hence fulfilling their responsibilities under Regulation 361/10.</p> <p>At this school board, RIAT conducted and presented follow-up procedures to the Audit Committee members in the spring 2020-21. There are currently 3 recommendations outstanding compared to 9 a year prior. This indicates that Management is actively implementing previous audit recommendations.</p> <p><u><i>2020-21 Strategic Risk Assessment and Development of the Risk-Based plan</i></u></p> <p>RIAT performed a Strategic Risk Assessment (SRA) engagement at eight out of nine DSBs. Results were communicated to both the Executive Leadership Teams and the Audit Committees, including region-wide observations.</p> <p>RIAT then developed a risk-based plan for the next three years, leveraging regional and board-specific SRA results and asking each AC chair for feedback on the proposed plan.</p> <p>The reviewed plan was then discussed with Management to ensure alignment with strategic priorities and avoid duplication with pre-existing projects at the Board.</p> <p>The resulting multi-year plan is presented to AC for final discussion and approval under a separate folder at this September 2021 AC meeting.</p>
<p>Recommendations</p>	<p>That the Limestone District School Board Audit Committee:</p> <ol style="list-style-type: none"> 1. Receives for information the 2020-21 Annual Report on Internal Audit Activities; and 2. Approves the 2021-22 Regional Internal Audit Team Charter.
<p>Appendices</p>	<ol style="list-style-type: none"> 1. 2021-22 Regional Internal Audit Team Charter. 2. SAIV Final Report – Regional Internal Audit Team of East Ontario 2020-21



Regional Internal Audit Charter

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 (RIAM) 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.

The functional reporting relationship between the RIAM and each Audit Committee of the Board of Trustees will be further demonstrated by each Audit Committee of the Board of Trustees for their Board performing the following functions:

- Approve the regional internal audit charter;
- 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 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.

When the RIAM concludes that management has accepted a level of risk that may be unacceptable to the organization, the RIAM will discuss the matter with senior management. If the RIAM determines that the matter has not been resolved, they will communicate the matter to Audit Committee of the Board of Trustees.

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.

Gensviève Segu September 1st, 2021

Regional Internal Audit Manager Signature & Date

Audit Committee Chair Signature & Date

Director of Education Signature & Date

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/ Review	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. These activities can also be described as "review", interchangeably with "consulting".
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 that has overall responsibility and accountability for the district school board. For purposes of this Charter , 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	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: <ul style="list-style-type: none"> <input type="checkbox"/> Integrity and ethical values. <input type="checkbox"/> Management's philosophy and operating style. <input type="checkbox"/> Organizational structure. <input type="checkbox"/> Assignment of authority and responsibility. <input type="checkbox"/> Human resource policies and practices. <input type="checkbox"/> Competence of personnel.
Control/Internal Controls	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. 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.

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 Regional Internal Audit Manager 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.



**INTERNAL
AUDIT TEAM**
Ontario East

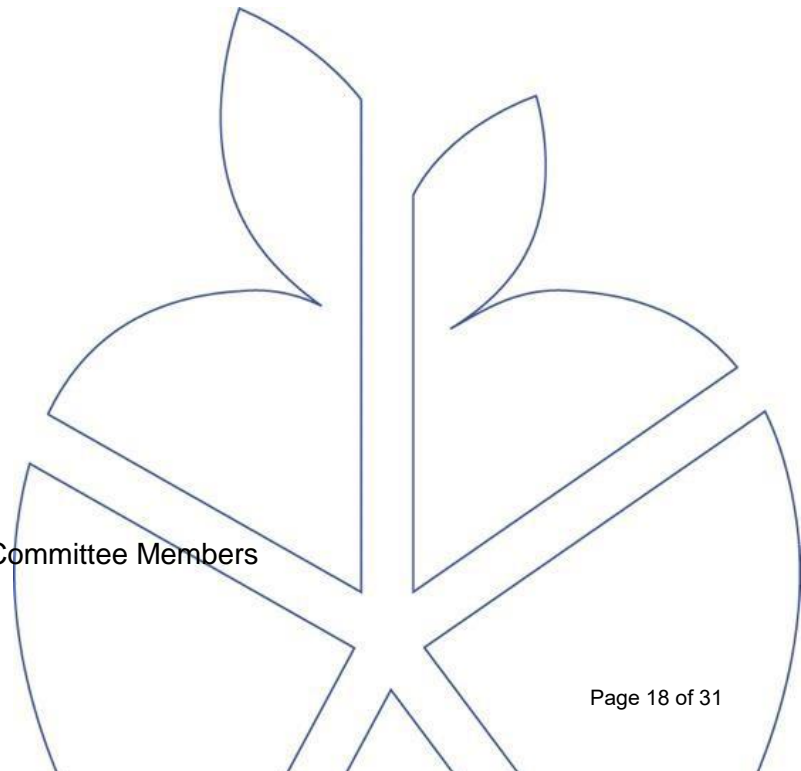
Quality Assurance Report Final Report

Genevieve Segu, Regional Internal Audit Manager

June 18, 2021

Distribution List:

Ontario-East District School Boards Audit Committee Members



Executive Summary

Introduction

The International Standards for the Professional Practice of Internal Auditing requires that an external quality assessment (QA) of an internal audit activity be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the QA process. The QA can be accomplished through a full external assessment or a self-assessment with independent validation.

The Regional Internal Audit Manager (RIAM) discussed the form and frequency of the QA, as well as the independence and qualifications of the external assessor or assessment team from outside the organization, including any potential conflicts of interest with the board. Upon presentation of the requirements to the Audit Committee in September 2020, the Regional Internal Audit Team (RIAT) conducted a self-assessment of its internal audit activity (IA) and selected the Institute of Internal Auditors as the qualified, independent external assessor to conduct a validation of RIAT's self-assessment.

Objectives

- The main objective of the QA was to assess RIAT's conformance with the Standards and the Code of Ethics.
- RIAT also evaluated its effectiveness in carrying out its mission (as set forth in the internal audit charter and expressed in the expectations of Management); identified successful internal audit practices demonstrated by RIAT; and identified opportunities for continuous improvement to enhance the efficiency and effectiveness of the infrastructure, processes, and the value to their stakeholders.
- An external independent assessor validated the results of RIAT's self-assessment. The main focus was to validate the conclusion of RIAT related to conformance with the *Standards* and the Code of Ethics. They also reviewed RIAT observations related to successful internal audit practices and opportunities for continuous improvement. They offered additional observations as they deemed appropriate.

Scope

- The scope of the QA included RIAT's operations and responsibilities, as set forth in the internal audit mandate and approved by the board.
- The QA concluded on 28 May 2021, and provides senior management and the board with information about RIAT as of that date.

- The Standards and the Code of Ethics in place and effective as of 28 May 2021, were the basis for the QA.

Methodology

- RIAT compiled and prepared information consistent with the methodology established in the *Quality Assessment Manual for the Internal Audit Activity*. This information included completed and detailed planning guides, together with all supporting documentation; an evaluation summary, documenting all conclusions and observations; and the self-assessment report by the IA.
- RIAT identified key stakeholders (IA staff, senior management and audit committee members) and sent surveys to each individual identified. The results were tabulated by the Institute of Internal Auditors, and THE INSTITUTE OF INTERNAL AUDITORS is to maintain confidentiality in responses. Survey results were shared with RIAT during their self-assessment process.
- Prior to commencement of the on-site validation portion of the RIAT self-assessment, THE INSTITUTE OF INTERNAL AUDITORS held a preliminary meeting with RIAT to discuss the status of preparation of the self-assessment, identification of key stakeholders to be interviewed during the on-site validation, and finalization of logistics related to the QA.
- To validate the objectives, THE INSTITUTE OF INTERNAL AUDITORS reviewed information prepared by RIAT and the conclusions reached in the QA report. THE INSTITUTE OF INTERNAL AUDITORS (IIA) also conducted interviews with selected key stakeholders, including the audit committee chair, senior executives, and IA management and staff; reviewed a sample of audit projects and associated working papers and reports; reviewed survey data received from stakeholders and RIAT management and staff; and prepared diagnostic tools consistent with the methodology established for a QA in the *Quality Assessment Manual for the Internal Audit Activity*.
- The validators from the IIA prepared an “Independent Validation Statement” to document conclusions related to the validation of IA’s self-assessment. This statement is included as Attachment B to this report.

Conclusion

It is the overall opinion of the IIA that RIAT generally conforms with the Standards and the Code of Ethics.

The ranking of “Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards and the Code of Ethics. A detailed description of conformance criteria can be found in attachment A.

As a result of this assessment, RIAT will include the mention that “work was conducted in conformance with the International Standards for Professional Practice of Internal Auditing” in its reports going forward.

The detailed report presents the observations, validated by an independent third party as well as an action plan with timeline and status to implement the required changes, where RIAT was found to be in partial conformance or not in conformance (see “Ratings definition” in Attachment A).

Limitation on Use of Internal Audit Report

This report is intended primarily for the information and use of the individuals on the distribution list on the cover page of this report and should not be provided to any other individual without the consent of the Regional Internal Audit Manager, Ontario East Region.

Detailed Report

RIAT believes that the environment in which we operate is well structured and progressive, where the *Standards* are understood, the Code of Ethics is being applied, and management endeavors to provide useful audit tools and implement appropriate practices. Consequently, our comments and recommendations are intended to build on this foundation.

Observations are divided into three categories:

1. **Successful Internal Audit Practices** – Areas where RIAT is operating in a particularly effective or efficient manner when compared to the practice of internal auditing demonstrated in other internal audit activities. The identification of these practices is intended to provide IA stakeholders with a view on things IA is doing in a leading practice manner when compared to other internal audit activities.
2. **Gaps to Conformance** – Areas identified where RIAT is operating in a manner that falls short of achieving one or more major objectives, and attains an opinion of “partially conforms” or “does not conform” with the *Standards* or the Code of Ethics. These practices will include recommendations for actions needed to be “generally in conformance,” and will include an IA response and an action plan to address the gap.
3. **Opportunities for Continuous Improvement** – Observations of opportunities to enhance the efficiency or effectiveness of RIAT’s infrastructure of processes. These practices do not indicate a lack of conformance with the *Standards* or the Code of Ethics, but rather offer suggestions on how to better align with criteria defined in the *Standards* or Code of Ethics. They may also be operational ideas based on the experiences obtained while working with other internal audit activities. A management response and an action plan to address each opportunity noted are normally included.

1. Successful Internal Audit Practices

Observation

GOVERNANCE

- Training of AC members – continue to build on this, as new members come on board.
- RIAT was instrumental in helping the organization establish the foundation for a Strategic Risk Management framework thus contributing to the achievement of key strategic organizational objectives.

RIAT STAFF

Staff are viewed by Senior Management and AC members as very competent, professional, courteous, good listeners.

RIAT MANAGEMENT

- Surveys conducted by the IIA showed very positive results for 5 out of the 6 groups surveyed
- Great Follow-Up process established, with a concerted effort to clear out old outstanding recommendations that were either obsolete or no longer relevant;
- Use of COSO, COBIT, ISO, NIST frameworks, which RIAT should bring forward in its reports, as part of the audit objectives; and
- Use of IDEA software for continuous auditing (Data Analytics).

RIAT PROCESS

- Audit Reports are concise, clear and of very good quality;
- Use of an audit software package for engagements and follow-up (Pentana); and
- Good use of report templates, planning checklists, and IA Manual is very good.

2. Gaps to Conformance

Observations

GOVERNANCE

- Partially Conforms (PC) with *Standard 1110 - Organizational Independence*:
 - The RIAT? should report functionally to the AC (on paper as well as in practice); and
 - The Internal Audit Mandate should reflect the specifics of the nature of the functional reporting relationship, including the implementation conditions.

- Does Not Conform (DNC) with *Standard 1111* - Direct interactions with the AC: do not occur
- Partially Conforms with *Standard 1300* - Quality Assurance and Improvement Plan (QAIP):
 - Develop a QAIP that covers all aspects of the RIAT activity (to demonstrate conformance to all Standards and Code of Ethics)
 - **Internal** periodic assessments need to be developed (1311)
 - **External** independent assessments should happen at least every 5 years (1312)
 - Report results of these ongoing and periodic internal and **external** assessments to Audit Committee, including Action Plans for improvements identified (1320)

IA MANAGEMENT

- Partially Conforms with *Standard 2600*: Communication of Risk that states: “When the RIAM concludes that management has accepted a level of risk that may be unacceptable to the organization, the RIAM must discuss the matter with senior management. If the RIAM determines that the matter has not been resolved, he or she communicates the matter to the Audit Committee.”
 - When presenting the Risk Based Audit Plan (RBAP) to the Audit Committee, the RIAM must communicate the residual risks stemming from the gap between the high risk auditable areas identified in the process and the actual engagements that can be done, based on the available resources. This is the distinction between a Risk-Based Audit Plan, and a Resource-Based Audit Plan. The gap represents a risk due to resource limitations and this must be communicated to the Audit Committee.

3. Opportunities for Continuous Improvement

Observations

GOVERNANCE

Increase access and direct interactions between RIAM and all Audit Committees through:

- Have a one-on-one sit-down or virtual meeting between AC Chair and RIAM - prior to each AC meeting - to go through IA items on agenda or other issues.
- Have regular, private in-camera sessions at the AC meetings – without the presence of management - between the AC members and the RIAM i.e. automatic, standard agenda item – and this would occur, whether you have something to say, or not.

- The organizational Chart must indicate functional reporting relationship of RIAT to the AC. The current organizational chart from the Ottawa Catholic School Board only shows a dotted line (i.e. admin relationship) to its Superintendent of Business Services.
- IA does not have a ‘seat at the table’: not viewed as part of senior executive cadre or C-suite.
- IA Mandate: strengthen definition of consulting engagements. e.g. Procurement Data Analytics ‘Review’ is an Advisory/Consulting engagement.

Action Plan

<p>1110 - Organizational Independence:</p> <p>(a) Update the mandate to reflect the functional reporting relationship to the AC, by including the following examples:</p> <ul style="list-style-type: none"> • Approving the internal audit charter. • Approving the risk-based internal audit plan. • Receiving communications from the RIAM on the internal audit activity’s performance relative to its plan and other matters. • Making appropriate inquiries of management and the RIAM to determine whether there are inappropriate scope or resource limitations. <p>(b) Update the organizational chart to reflect the functional reporting relationship to the AC.</p>	<p>Timeline: September 2021</p>
	<p>Status: In Progress</p>
<p>1111 - Direct interaction with the AC:</p> <p>a) Offer AC chairs to have a short meeting prior to each AC meeting to go through RIAT items on agenda or other issues.</p> <p>b) Communicate to the AC chairs the requirement to have a regular, private in-camera session at AC meetings without the presence of management between the AC members and the RIAT as an automatic, standard agenda item AND, where in place, to exercise it. <i>This has already been implemented at 2/9 of the Ontario-East district school boards in 2020-21. The standing item is also in place at another 2/9 but is not exercised.</i></p> <p>c) Reach out to each AC chair to seek input into the annual and multi-year plan. <i>This has already been implemented in 2020-21 for the upcoming 2021-22 plan and out-years.</i></p>	<p>Timeline: September 2021</p>
	<p>Status: In Progress</p>

<p>1300 - Quality Assurance and Improvement Plan:</p> <p>a) 1311 – Internal Assessment:</p> <ul style="list-style-type: none"> • Send one staff for training on conducting periodic internal assessments. <i>This has been implemented in June 2021.</i> • Set up a spreadsheet with the results of the 2021 QAIP. • Set up a task to perform the review in the summer of 2022. <p>b) 1312 – External Assessment:</p> <ul style="list-style-type: none"> • Set up a reminder to perform an External Assessment in 5 years, during the school year 2025-26. <p>c) 1320 – Reporting on the QAIP:</p> <ul style="list-style-type: none"> • Report on the results and action plan in the annual report to AC each September. 	<p>Timeline: August 2022</p>
	<p>Status: In Progress</p>
<p>2600 – Communication of Risk</p> <p>a) Formalize, in the Mandate, the dispute resolution process and communication to AC when there is a disagreement with Management on the risk acceptance level.</p> <p>b) Communicate the effect on the Risk Based Annual Plan (RBAP) of the level of resources, where and if applicable, prior to requesting the approval of the plan.</p>	<p>Timeline: September 2021</p>
	<p>Status: In Progress</p>
<p>Opportunities for improvement:</p> <p>a) Update the mandate to include the term “Review” as meaning “Consulting”.</p> <p>b) Formalize the Ontario-East RIAT strategy and objectives.</p> <p>c) Continue training AC members on Ontario Regulation 361/10 and emerging risks.</p> <p>d) Reference frameworks used during audits (i.e. IPPF, COSO, COBIT, ISO, NIST, etc...).</p>	<p>Timeline: September 2021 for items a) and b) Ongoing for c) and d).</p>
	<p>Status: In Progress</p>

Attachment A – Evaluation Summary and Rating Definitions

	GC	PC	DNC
Overall Evaluation	X		

Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence		X	
1111	Direct Interaction with the Board			X
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program		X	
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments		X	

1312	External Assessments		X	
1320	Reporting on the Quality Assurance and Improvement Program		X	
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	N/A		
1322	Disclosure of Nonconformance	N/A		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval		X	
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		

2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	N/A		
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	N/A		
2431	Engagement Disclosure of Nonconformance	N/A		
2440	Disseminating Results	X		
2450	Overall Opinions	N/A		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks		X	

Code of Ethics		GC	PC	DNC
	Code of Ethics	X		

Rating Definitions

GC – “Generally Conforms” means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

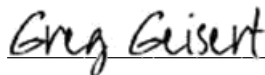
The Validator was engaged to conduct an independent validation of the Regional Internal Audit Team of East Ontario (IA) activity's self-assessment. The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the IA activity and its conformity to The Institute of Internal Auditors' (The IIA's) *International Standards for the Professional Practice of Internal Auditing (Standards)*. Other matters that might have been covered in a full independent assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the chief audit executive (CAE).

In acting as Validator, I am fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. The validation, conducted from virtually from Ottawa, consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with a Director of Education, Chairs of Audit Committees, Superintendents of Business Services and Manager who were the subject of an audit.

We concur with the IA activity's conclusions in the self-assessment report attached. Implementation of all the recommendations contained in the self-assessment report will improve the effectiveness and enhance the value of the IA activity and ensure its full conformity to the *Standards*.



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