

AUDIT COMMITTEE MEETING MINUTES – NOVEMBER 8, 2021

PRIVATE SESSION

Roll Call:

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|---|---|
| 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 A. Andretta, Administrative Assistant |

Chair French began the meeting by asking for any additions to the agenda.

1. Adoption of Agenda

MOTION: To accept the agenda as presented.

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

2. Declaration of Conflict of Interest

Trustee Elliott declared a conflict as his wife is an employee of the Limestone District School Board and a member of ETFO.

3. Motion to move into Private Session

MOTION: To move into Private Session.

MOVED BY: Trustee Elliott. Carried.

The meeting moved into Private Session at 5:30 pm.

4. Private Session Reports for Information

4.1 Admin Report on Draft 2020-2021 Consolidated Financial Statements

Manager Baumann presented the Administrative Report on the Draft 2020-2021 Consolidated Financial Statements.

4.2 KPMG – Audit Findings Report

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

5. Private Discussion between auditors and committee

Chair French excused the LDSB staff members in order to provide for a private conversation with both the external and internal auditors.

6. Committee to Rise and Report

PUBLIC SESSION

Roll Call:

| | |
|---|---|
| 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 | D. Burns, Administrative Assistant |

P. L'Orfano, Internal Auditor
G. Segu, Internal Auditor

A. Andretta, Administrative Assistant

MOTION: *To move into Public Session.*

MOVED BY: *Trustee Ruttan and R. Richard. Carried.*

The Public Session commenced at 6:15 pm.

Trustee French began the meeting with opening remarks. Due to COVID-19 protocols this meeting is only taking place virtually. Committee members are all joining us virtually and include myself Trustee French, Trustees Suzanne Ruttan and Garrett Elliott, external audit committee members Christine Innocente and Roger Richard, Limestone's external auditor Lori Huber from KPMG, Genevieve Segu, Regional Internal Audit Team, as well as Director of Education Burra, Superintendent of Business Young and Manager of Financial Services Baumann.

We will begin with the Indigenous 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. And I would ask that we please reflect on the consequences of our past action and consider how each of us in the full spirit of reconciliation and collaboration can learn about our neighbours and the treaties of these territories."

MOTION: *That the Agenda as presented be accepted.*

MOVED BY: *Trustee Elliott and R. Richard. Carried.*

1. Reports for Information

1.1 Audit Committee Annual Report to the Board

Superintendent Young presented the Audit Committee Annual Report. The document is a standard template that outlines the Audit Committee requirements for the Ministry of Education. The report summarizes the actions of the Limestone District School Board Audit Committee for the year ended August 31, 2021. Board Policy #10 and Ontario Regulation

Limestone District School Board

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

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361/10 stipulate that Audit Committee meetings will be held at least three times a year. All meetings have been held as planned in 2020-2021.

1.2 PCB Inquiries Chair 2021 Updates

Chair French presented the PCB inquiries 2021 updates. It is the annual task of the Audit Committee Chair to speak with Auditors. Chair French asked for any questions.

1.3 2021-2022 Regional Internal Audit Plan Update

G. Segu provided the Audit Committee with an update on the progress of the 2021-22 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 2021-22 Audit Plan at the September 13, 2021 meeting. The following presents an update on the engagements:

| Status | Audit & Scope | Schedule |
|---------------|--|---|
| In progress | 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. | November 2021: Meet with HR to discuss timing, objective and scope of work. |
| Not initiated | Safe Schools This engagement focuses on capacity, processes and systems in place to communicate, identify, protect and respond to issues relating to student's health, with a focus on well-being, mental health and bullying. This engagement has been performed and well received by other RIATs in the province. | TBD |
| In progress | Follow-up Procedures RIAT continues to follow-up on the remaining recommendations, as they come due. | Ongoing |
| As needed | Management Request Engagement To cover any important items that may be required to during the school year. | If requested |

Chair French asked for any questions.

2. Reports requiring a decision

2.1 Presentation of Draft 2020-2021 Consolidated Financial Statements

Manager Baumann provided an overview of the Draft Consolidated Financial Statements for the year ended August 31, 2021.

1. Consolidated Statement of Financial Position

- Details of Financial Assets, Financial Liabilities, Non-Financial Assets and Accumulated Surplus.
- Significant variances year over year are:
 - a) Cash – decrease \$10.3 million from prior year.
 - b) Accounts Receivable: Municipalities – decrease of \$14.9 million due to the Municipalities payment of the 2020 deferred Education Property Tax amounts to the Board. The Province of Ontario initial response to COVID-19 was to extend the deadline for municipalities to pay Education Property Tax amounts to the Board.
 - c) Accounts Receivable: Government of Ontario-approved capital – increase of \$6.0 million due to the change in year over year spending April to August on capital expenditures under School Condition Improvement (up \$5.1 million); new funding (COVID-19 Resilience Infrastructure Stream \$3.7 million and Climate Action Incentive Fund \$.4 million); and \$3.2 million principal payments received.
 - d) Accounts Receivable: Government of Ontario-non-capital – increase of \$10.0 million due to the Ministry’s cash management strategy that delays grant payments due to the increase in accumulated surplus and deferred revenue.
 - e) Accounts Receivable: Other – increase of \$4.3 million due to timing of HST payments, increased GSN enrolment funding receivable and increased Tri-Board receivable.
 - f) Temporary Borrowing – increase of \$1.7 million due to an increase in School Condition Improvement projects.
 - g) Accounts Payable and Accrued Liabilities – decrease of \$16.1 million. The Province of Ontario response to COVID-19 was to extend the deadline for municipalities to pay Education Property Tax amounts to the Board. To mitigate the financial impact of this deferral the Province increased its cash flow to the Board in July 2020 by \$15.5 million. The Province reduced its cashflow to the Board in Jan 2021 by \$15.5 million in

response to the Board receiving the deferred Education Property Tax amounts from the Municipalities by the end of 2020. Additional \$.6 million decrease due to the \$4.4 million decrease in construction holdback due to the completion of the Kingston Secondary School; \$2.0 million decrease in compensation accruals due to the payment of prior year salary increases offset by the \$5.8 million increase due to the Ministry's cash management strategy receivable as a result the increase in accumulated surplus and deferred revenue.

- h) Net Long-term Liabilities – decrease of \$3.2 million due to principal payments.
- i) Deferred Revenue – increase of \$5.7 million due to an increase in school renewal capital deferred (\$3.0 million); an increase in enveloped GSN and PPF deferred (\$1.6 million); and an increase in International Student deferred fees (\$1.1 million).
- j) Deferred Capital Contributions – increase of \$11.0 million due to \$23.2 million in additions offset by amortization of \$12.3 million.
- k) Tangible Capital Assets – increase of \$13.6 million due to acquisitions of \$26.1 million net of amortization of \$12.5 million.

2. Consolidated Statement of Operations and Accumulated Surplus

- Details revenues and expenditures for the year in comparison to budget and prior year results.
- There is an in-year surplus of \$9.7 million as compared to the budgeted deficit of \$1.1 million.
- The favorable \$10.8 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 requests and transportation.

3. Note 1(e): Significant Accounting Policies-Tangible Capital Asset

- Useful life for computer hardware was revised from five years to three years based on new information related to the actual life of the assets.
- Additional amortization of \$251,151 has occurred to bring the net book value in line with this policy

4. Note 2: Accounts Receivable-Municipalities

- New note in prior year 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. \$14.1 million was recovered fully by the Board in the school year. Note was removed in current year and renumbered accordingly.
5. Note 5: Accounts Payable-Government of Ontario
- New note in prior year 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 was recovered by the Province in Jan 2021. Note was removed in current year and renumbered accordingly.
6. Note 11(a): Commitments
- No longer a reference to part (a) and part (b). Part (a) pertaining to the Kingston Secondary School was removed since it was no longer applicable with the school occupancy in December 2020. Asset is now reported as a building and no longer included in construction in progress.
7. Note 17: Accumulated surplus
- At the accumulated level:
 - \$36.2 million of available for compliance surplus is comprised of:
 - a) \$16.1 million unappropriated
 - b) \$11.7 million committed capital projects
 - c) \$2.6 million school budget balances
 - d) \$3.6 million retirement benefits
 - e) \$2.2 million WSIB
 - \$1.9 million of unavailable for compliance surplus is comprised of:
 - a) \$(5.0) million employee future benefits
 - b) \$(.8) million accrued interest
 - c) \$3.1 million school generated funds
 - d) \$4.6 million revenue recognized for land
8. Note 18: In-kind Transfer from the Ministry of Government and Consumer Services

- New note speaking to the Boards recording of both revenue and expense entries of \$2,087,985 for centrally procured in-kind transfers of personal protective equipment and critical supplies and equipment received from the Ministry of Government and Consumer Services.

9. Note 19: Impact of COVID-19

- 2nd, 3rd and 4th paragraph removed.
- Later half of 1st paragraph moved to new 2nd paragraph and updated to note schools and administrative building closures again in 2020-2021 from April 2021 to the remainder of the school year based on Public Health recommendations and that effective September 2021, schools have reopened to students for the 2021-2022 school year.

Chair French thanked Manager Baumann and asked for any questions.

MOTIONS:

1) That the Audit Committee recommend to the Board the approval of the audited consolidated financial statements for the year ended August 31, 2021.

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

2) That the 2020-2021 consolidated financial statements be filed with the Ministry of Education and posted on the Board website subject to the approval at the November 24, 2021 Board meeting.

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

2.2 Request for Audit Quotations

Superintendent Young presented a report on the Request for Audit Quotations. In Regulation 361/10: Audit Committees, the audit committee of a board has the following duties related to the board's external auditor: to review at least once in each fiscal year the performance of the external auditor and make recommendations to the board on the appointment, replacement or dismissal of the external auditor and on the fee and fee adjustment for the external auditor.

KPMG has just completed their three-year contract providing external audit services to Limestone District School Board for the school year ending August 31, 2021, the Audit committee will need to provide a recommendation to the Board for external audit services.

The Limestone District School Board is able to utilize the Ontario Education Collaborative Marketplace (OECM)'s vendor of record for procuring audit services. Four companies are approved through OECM to provide audit services. The approved companies are as follows: BDO Canada LLP, Deloitte Canada, Ernst and Young LLP, and KPMG. A request for quotation for external audit services for the next three years with an option for an additional two years was sent to each of the approved companies. Three companies responded and only two submissions were received. KPMG's three-year cost for audit services is \$166,350, while BDO's three-year cost for audit services is \$169,500.

MOTION:

That the Audit Committee recommends to the Board of Trustees the engagement of KPMG for external audit services for the period ending August 31, 2026.

MOVED BY: *Trustee Ruttan and Trustee Elliott, that the motion, as presented, be approved. Carried*

Chair French thanked staff and auditors for all their work.

3. Other Business

None at this time.

4. Future Meeting Date(s)

Monday May 2, 2022

5. Adjournment

MOVED BY: *Trustee Ruttan moved to adjourn the meeting.*

The meeting adjourned at 6:42 PM