

AGENDA – AUDIT COMMITTEE

Monday, September 19, 2022 – 5:30 PM

Limestone Education Centre

220 Portsmouth Avenue, Kingston, ON

Public Meeting Link: <https://bit.ly/AuditCommitteeSept19>

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. CALL TO ORDER

2. ADOPTION OF AGENDA

3. DECLARATION OF CONFLICT OF INTEREST

4. FOR INFORMATION

4.1 2021-22 ANNUAL REPORT ON INTERNAL AUDIT ACTIVITIES, G. SEGU & P. L'ORFANO (PAGES 3-8)

4.2 REGIONAL INTERNAL AUDIT CHARTER, G. SEGU & P. L'ORFANO (PAGES 9-14)

4.3 QUALITY ASSURANCE RECOMMENDATIONS, G. SEGU & P. L'ORFANO (PAGES 15-16)

5. OTHER BUSINESS

6. FUTURE MEETING DATES

MONDAY NOVEMBER 7, 2022

MONDAY MAY 1, 2023

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.

7. MOTION TO MOVE INTO PRIVATE SESSION

8. ACTION ITEMS

8.1 REGIONAL INTERNAL AUDIT PLAN, G. SEGU (PAGES 17-19)

***MOTION:** That the Limestone District School Board Audit Committee approve the 2022-2023 Internal Audit Plan.*

9. FOR INFORMATION

9.1 FOLLOW-UP PROCEDURES REPORT, G. SEGU & P. L'ORFANO (PAGES 20-22)

9.2 OUTSTANDING RECOMMENDATIONS, G. SEGU & P. L'ORFANO (PAGE 23)

9.3 KPMG – INTERIM/YEAR END AUDIT, L. HUBER (VERBAL UPDATE)

10. ADJOURNMENT

11. PRIVATE DISCUSSION BETWEEN AUDITORS AND AUDIT COMMITTEE

(The committee will excuse staff in order to provide for a private conversation with both the external and internal auditors)

Subject:	2021-22 Annual Report on Internal Audit Activities
Presented by:	Geneviève Segu, Regional Internal Audit Manager Pasquale L'orfanò, Internal Auditor
Meeting Date:	September 19th, 2022

Introduction

The Ontario East Regional Internal Audit Team (RIAT)'s work is regulated and guided by the following three main documents:

- 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).

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:

- 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 2021-22 activities.

Charter & Purpose

Audit Committee members reviewed and approved the Ontario East Regional Internal Audit Team (RIAT)'s charter at the September 2021 meeting.

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.

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

There are no changes to the charter this year. The signed Internal Audit Charter is appended to this memorandum (see Appendix 1).

Independence

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:

- 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.

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.

Organizational Structure, Staffing and Professional Development

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.

Each Auditor is responsible for audits at three of the nine school boards, as follows:

- 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.

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:

- Chartered Professional Accountant (CMA and CGA);
- Certified Internal Auditor (CIA);
- Certified Information System Auditor (CISA); and

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.

- Certification in Risk Management Assurance (CRMA).

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 6 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 2021-22 school year:

- Ethics;
- Risk management;
- Environmental, Social and Governance;
- Cybersecurity;
- Diversity and Inclusion.

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 2021-22, RIAT engaged the following firms to continue work undertaken in the previous year across the portfolio:

- MNP with the Covid 19 Lessons learned at one Board; and
- Honest with the enrolment project for the Ottawa Boards.

Quality Assurance

The charter requires that RIAT performs its function and operations in accordance with the Framework. 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:

- *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 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.

³ Pentana

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

- *Externally*, the RIAM engaged the Institute of Internal Auditors⁵ to evaluate and review the RIAT’s Quality Self Assessment in the spring of 2021. The conclusion was that “It is the overall opinion of the IIA that RIAT generally conforms with the Standards and the Code of Ethics”. For the administrative and governance areas where the IIA found the RIAT in partial or non compliance, they issued recommendations. The implementation of said recommendations is included as Appendix 2 to this report.

2021-22 RIAT Annual Plan Activities

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).

The RIAM prepares an annual or multiyear plan each year based on the risk assessments and input from Audit Committee Members and Management. The RIAM then provides the plan to the audit committee, for their approval and to make recommendations to the board of trustees.

2021-22 Region-Wide Plan

Of 39 planned engagements:

- 25⁷(64%) were presented to AC or in the reporting phase by August 31st 2022;
- 5 (13%) were postponed per Management’s request; and
- 10(26%) 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:

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>

⁷ 25=18 complete plus 7 in reporting phase.

	Completed ⁸		Work In Progress ⁹		Postponed		TOTAL	
	20-21	21-22	20-21	21-22	20-21	21-22	20-21	21-22
Assurance and Consulting	7	15	10	10	8	5	25	30
Strategic Risk Assessment	8	-	-	-	-	-	8	-
Follow-up	9	3	-	6	-	-	9	9
TOTAL	24	18	10	16	8	5	42	39

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 led the monthly RIAM meetings, participated in provincial meetings relating to Internal Audit, Information Technology, Cybersecurity and Attendance/Disability Management.

2021-22 School Board Plan

At the September 2021 Audit Committee meeting, Audit Committee members approved the following audit plan for the School Board:

Year	Audit	Status
2021-22	Critical Positions	In Progress
2021-22	Safe Schools	In Progress
2021-22	Follow-up Procedures	Completed

⁸ Presented to AC during the 2021-22 School Year

⁹ Includes engagements in the planning, fieldwork or report phase

RIAT completed 33% of its 2020-21 plan and, with the reporting of both Critical Positions and Safe School engagements during the 2022-23 school year.

2021-22 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 versus 50 as of August 29th 2022. 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 2/9 DSBs in the region. At one of them, AC requested an implementation plan from Management. This indicates that AC training on Regulation 361/10, along with the periodic reporting from RIAT to AC on the number of outstanding recommendations is helping AC identify and act on internal controls deficiencies, hence fulfilling their responsibilities under Regulation 361/10.

At this school board, RIAT conducted and presented follow-up procedures to the Audit Committee members in the spring 2020-21. There is currently one recommendation outstanding compared to three a year prior. This indicates that Management is actively implementing previous audit recommendations.

Recommendations

That the Limestone District School Board Audit Committee receives for information:

1. The 2021-22 Annual Report on Internal Audit Activities; and
2. The signed 2021-22 Regional Internal Audit Team Charter.

Appendices

1. Appendix 1: 2021-22 Regional Internal Audit Team Charter.
2. Appendix 2: 2020-21 RIAT Quality Assurance Review Recommendations



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

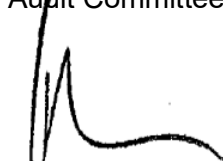
The regional internal audit team will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and conformance with the International Standards for the Professional Practice of Internal Auditing.

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.

 September 1st, 2021

Regional Internal Audit Manager Signature & Date

 September 13, 2021
Audit Committee Chair Signature & Date

 September 13, 2021
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.



Appendix 2: 2020-21 RIAT Quality Assurance Review Recommendations

<i>Action Plan – September 2022 update</i>	
<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>Status:</p> <p>Implemented</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.</p> <p>c) Reach out to each AC chair to seek input into the annual and multi-year plan.</p>	<p>Status:</p> <p>a & c implemented</p> <p>b is in progress at some school boards where the option to have a meeting with the RIAT without Management present has not been exercised and/or put on the agenda.</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>Status: Implemented</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>Status: Implemented</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>Status: Implemented</p>