

AUDIT COMMITTEE MEETING MINUTES – NOVEMBER 7, 2022

PRIVATE SESSION 5:30 PM

Roll Call:

Administrative Staff Present:

Committee Members:	Staff:
G. Elliott, Trustee L. French, Trustee (Chair) S. Ruttan, Trustee R. Richard, External Member C. Innocente, External Member	K. Burra, Director of Education C. Young, Superintendent of Business Services P. Carson, Manager of Financial Services L. Benjamin, Assistant Manager of Financial Services
Invitees:	Recorder & Producer:
L. Huber, KPMG External Auditor P. L'Orfano, Internal Auditor - Regrets G. Segu, Internal Auditor	A. Galt, Administrative Assistant J. Dooley, Administrative Assistant J. Douglas, Communications Officer

1. CALL TO ORDER

2. MOTION TO MOVE INTO PRIVATE SESSION

MOTION: To move into Private Session.

MOVED BY: Trustee Richard, Carried.

The meeting moved into Private Session at 5:36 pm.

3. DECLARATION OF CONFLICT OF INTEREST

4. REPORTS FOR INFORMATION

4.1 Admin Report on Draft 2021-2022 Consolidated Financial Statements

Manager Carson presented the Admin Report on Draft 2021-2022 Consolidated Financial Statements.

4.2 Audit Findings Report

L. Huber, External Auditor, presented the Audit Findings Report for fiscal 2022.

5. MOTION TO MOVE TO PUBLIC SESSION

MOTION: *To move into Public Session.*

MOVED BY: *Trustee Elliott, Carried.*

The meeting moved into Public Session at 6:00 pm

PUBLIC SESSION

Roll Call:

Administrative Staff Present:

Committee Members:	Staff:
G. Elliott, Trustee L. French, Trustee (Chair) S. Ruttan, Trustee R. Richard, External Member C. Innocente, External Member	K. Burra, Director of Education C. Young, Superintendent of Business Services P. Carson, Manager of Financial Services L. Benjamin, Assistant Manager of Financial Services
Invitees:	Recorder & Producer:
L. Huber, KPMG External Auditor P. L'Orfano, Internal Auditor - Regrets G. Segu, Internal Auditor	A. Galt, Administrative Assistant J. Dooley, Administrative Assistant J. Douglas, Communications Officer

Limestone District School Board

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

Trustee French began the meeting with opening remarks. Due to the strike and the absence of support staff, this meeting is only taking place virtually. Committee members are all joining us virtually and include 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 Carson, and Assistant Manager of Financial Services Benjamin.

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. 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 Richard, Carried.*

1. PRIVATE SESSION REPORT

Chair French stated that The Audit Committee reviewed an Administrative Report on Draft 2021-2022 Consolidated Financial Statements and the Audit Findings Report. This report was for information and no decisions were made.

2. REPORTS FOR INFORMATION

2.1 Superintendent Young presented the Audit Committee Annual Report for the fiscal year ended August 31, 2022. This is a standardized report that goes to the board every year. It shows the committee member distribution, the three Trustees, as well as two external members. It details meeting attendance and dates. This provides a summary of the work the committee has performed over the course of the year. An abbreviated version is signed by the Chair of the audit committee and submitted to the Ministry of Education.

Superintendent Young presented the Administrative Report, Consolidation of OSBIE Financials into Financial Reports. This report is to provide Trustees and committee members with the information related to the direction that was provided to school boards by the Ministry of Education.

On July 6, 2022, through memo SB21, consolidation of the Ontario School Boards insurance exchange into school board financial statements, the Ministry directed school boards to incorporate a proportionate share of OSBIE's financial results into each of the school board's financial reports. The Ministry also provided the direction that if school boards did not complete this for year end, their cash flows would be cut by 50% until completed. On September 20, 2022, another memo, SB24, was issued by the Ministry reiterating the requirement from the July 6th memo, about incorporating OSBIE's financial performance, the proportionate share, into each of the school boards' financials. On October 26th, memo SB28, rescinded the SB21 and incorporating OSBIE's results into school boards' financial year end was lifted.

Superintendent Young explained why SB21 was rescinded. OSBIE doesn't insure all school boards within the province. There are at least two school boards who insure through other insurance agents. An arbitration was argued by those two school boards that they owned a proportionate share. It was completed in March 2022. The two school boards lost the arbitration and were ordered to pay all legal costs for OSBIE. The argument that school boards owned a part of OSBIE was weakened.

Superintendent Young discussed the issues with incorporating financial statements. OSBIE's statements are prepared under IFRS. The school board's statements are prepared under a PSAB basis. It may require a refile of previous years to get any kind of reliability in the numbers. The calculation of a school board's proportionate share of OSBIE is relevant only if OSBIE is dissolved. There's an issue with the going concern principle upon which the statements are based. OSBIE has not provided a proportionate share breakdown of their financials for school boards and currently has a legal opinion that they are not required to do so.

Superintendent Young stated that OSBIE had a legal ruling based partly upon that arbitrated hearing that they were not majority controlled by school boards and therefore, not required to provide a proportionate share breakdown to each of the school boards. This is making it very difficult for school boards to comply with the Ministry directive. Currently, the Auditor General's Office is working with large audit firms and OSBIE for a solution. It may include incorporating OSBIE's financial statements into the Ministry financial reports. School boards are awaiting more direction.

Superintendent Young offered to answer any questions.

2.2 Internal auditor G. Segu presented the Regional Internal Audit update for 2022-23. The Audit Committee approved the 2022-23 Audit Plan at the September 19, 2022 meeting. The following presents an update on the engagements:

Status	Audit & Scope	Schedule
In Progress	<p>Critical Positions This engagement aligns with the preliminary region-wide Strategic Risk Assessment which identified Succession Planning as one of the top risks in the portfolio.</p> <p>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.</p>	<p>November 2021: Meet with HR to discuss timing, objective and scope of work.</p> <p>July 2022: Completed analysis and classification of current positions.</p> <p>November 2022: Interviewed Senior Staff to evaluate classifications, gather comments and feedback.</p> <p>Next steps: Complete draft report and provide to Management. To be reported at next Audit Committee meeting.</p>
In Progress	<p>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.</p> <p>This engagement has been performed and well received by other RIATs in the province.</p>	<p>August 2022: Attended Information Session provided to Staff</p> <p>October 2022: Attended Violence Treat Risk Assessment Training</p> <p>Next Steps: Conduct risk based audit of Board process.</p>

Not Initiated	School Generated Funds Fraud Flags Identification This engagement focuses on fraud indicators and red flags applied to a selection of schools across the school board, using Data Analytics as well as interviews and documentation review.	TBD
Cyclical	Follow-up Procedures This is a recurring item on RIAT's annual plan. RIAT continues to follow-up on the remaining recommendation, 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

Internal auditor G. Segu asked for any questions.

3. ACTION ITEMS

3.1 Manager Carson presented the Draft 2021-2022 Consolidated Financial Statements. Manager Carson stated that the Consolidated Statement of Financial Position report includes the details of Financial Assets, Financial Liabilities, Non-Financial Assets and Accumulated Surplus. Manager Carson detailed the significant variances from August 31, 2021 to August 31, 2022:

- a) Under Financial Assets, our Cash increased by \$10.3 million. This reflects the changes in the other categories on this report which I will explain to you. This change is also reflected in the Consolidated Statement of Cash Flows on page 21 of the package.

- b) Accounts Receivable: Government of Ontario-approved capital decreased by \$10.8 million. \$4.7 million of this decrease is due to spending on capital expenditures funded from School Condition Improvement; there is also a decrease of \$2.2 million in the COVID-19 Resilience Infrastructure Stream receivable (funding for ITS security and ventilation), and \$3.4 million principal payments received. (This is reflected in note 2 on page 28 of package)
- c) Accounts Receivable: Government of Ontario-non-capital reflects an increase of \$2.7 million, and this is due to the Ministry's cash management strategy that delays grant payments due to the increase in accumulated surplus and deferred revenue. (This is reflected in note 2 on page 28 of package)
- d) Accounts Receivable: Other reflects a decrease of \$2.7 million which is due to the timing of HST payments, increased GSN enrolment funding receivable and decreased Tri-Board receivable.
- e) Under Financial Liabilities, Temporary Borrowing there is a decrease of \$2.3 million due to a decrease in School Condition Improvement projects (This is reflected in note 3 on page 28 of package).
- f) Accounts Payable and Accrued Liabilities reflects a decrease of \$3.1 million. Accounts payable increased by \$3.8 million due to on going construction contracts and computer purchases, which was offset by the \$6.7 million decrease in the Ministry's cash management strategy receivable because of the increase in accumulated surplus and deferred revenue.
- g) Net Long-term Liabilities reflects a decrease of \$3.4 million due to principal payments (This is reflected in note 8 on pages 35 to 37 of package).
- h) Deferred Revenue has an increase of \$1.1 million due to a decrease in school renewal capital deferred of \$5.3 million; an increase in proceeds of disposition of capital assets of \$4.9 million, an increase in enveloped GSN and PPF deferred of \$1.6 million, (This is reflected in note 5 on pages 33 and 34 of package).

- i) Deferred Capital Contributions reflects an increase of \$15.3 million due to \$27.4 million in capital additions which is offset by amortization of \$15 million, and land proceeds of \$3.4 million (This is reflected in note 6 on page 34 of package).
- j) Under Non-financial assets, Tangible Capital Assets reflects an increase of \$12.4 million due to capital additions of \$27.4 million, net of amortization of \$15 million. (This is reflected in note 14, page 40 of package and also on consolidated statement of change in net debt, page 20 of package).

Manager Carson discussed the Consolidated Statement of Operations and Accumulated Surplus:

- This has the details of our revenues and expenditures for the year ended August 31, 2022, with comparisons to August 31, 2021, results and our 21-22 budget.
- There is an in-year surplus of \$5.3 million as compared to the budgeted deficit of \$2.0 million.
- The favorable \$7.3 million variance is primarily a result of: Ministry funding of \$3.4 million for the cost of land at Kingston Secondary School, \$700,000 Manulife refund, additional transportation funding, decreased grants stemming from lower enrolment than anticipated at March 31; lower salary costs due to unpaid leaves, retirements, and vacancies/late starts; and budget savings from lower than projected computer and staff development expenditures.

Manager Carson reported the Notes to the Financial statements reflect the following changes:

1. On page 27 of the package, Significant accounting principles, note 1 (L) Property Tax Revenue note has been changed to Education Property Tax Revenue and the last sentence has been changed to:

As a result, education property tax revenue received from the municipalities is recorded as part of Grants for Student Needs, under Education Property Tax

2. On page 38 of the package, Note 10 – Grants for student needs is a new note. This new note is in relation to the change to the Education property tax revenue note mentioned previously. The new note reflects the Education Property Tax amount of \$56.5 million included in the grants for student needs.
3. On page 42 of the package, note 18: Accumulated surplus reflects the following balances:

\$36.6 million of available for compliance surplus is comprised of:

- a) \$24.1 million unappropriated
- b) \$5.4 million committed capital projects
- c) \$2.5 million school budget balances
- d) \$2.4 million retirement benefits
- e) \$2.2 million WSIB

\$6.7 million of unavailable for compliance surplus is comprised of:

- a) \$(3.9) million deficit for employee future benefits
- b) \$(.8) million deficit for accrued interest
- c) \$3.4 million surplus for school generated funds
- d) \$8 million surplus for revenue recognized for land

The \$5.4 million in committed capital projects includes a \$6.2 million reduction due to the completion of Kingston Secondary School.

The \$8 million revenue recognized for land includes the \$3.4 million in land proceeds for Kingston Secondary School mentioned previously

4. On page 43 of the package, Note 20: Impact of COVID-19 has been changed to reflect the current COVID 19 situation.
5. On pages 44 and 45 of the package, note 21: Future Accounting Standard Adoption is a new note. This new note speaks about upcoming new standards. The board is currently working on implementing the PS 3280 Asset Retirement Obligations (ARO) standard in the 2022-23 financial results. This note is found on the bottom of page 44.

PS 3280 Asset Retirement Obligations (ARO) establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a

retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use.

Chair French asked for questions.

MOTION: *That the Audit Committee recommend to the Board the approval of the audited consolidated financial statements for the year ended August 31, 2022.*

MOVED BY: *Trustee Richard, Carried.*

MOTION: *That the 2021-2022 consolidated financial statements be filed with the Ministry of Education and posted on the Board website subject to the approval at the November 16, 2022, Board meeting.*

MOVED BY: *Trustee Richard, Carried.*

4. OTHER BUSINESS

5. FUTURE MEETING DATE

Monday, May 1, 2023

6. ADJOURNMENT

MOTION: *To adjourn.*

MOVED BY: *Trustee Ruttan, Carried*

The meeting adjourned at 6:25 pm.

7. PRIVATE DISCUSSION BETWEEN AUDITORS AND AUDIT COMMITTEE