

Agenda – Audit Committee

Monday, September, 9, 2024- 5:30 p.m.

Limestone Education Centre

220 Portsmouth Avenue, Kingston, Ontario

Public Viewing: <https://bit.ly/LDSBAuditSept92024>

Public Meeting

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 THE AGENDA

3. DECLARATION OF CONFLICT OF INTEREST

4. ACTION ITEMS

4.1. Election of Committee Chair – Superintendent Young

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.

5. REPORTS

5.1. REPORTS FOR ACTION

5.1.1. **2024-2025 Internal Audit Plan and Appendix**– P. L’orfano (Pages 3-5)

5.1.2. **2024-2025 Annual Report and Appendix**– P. L’orfano (Pages 6-17)

5.2. REPORTS FOR INFORMATION

5.2.1. **Strategic Risk Assessment Final Report** – P. L’orfano (Pages 18-28)

5.2.2. **KPMG Interim/Year End Audit** – L. Huber (verbal update only)

Limestone District School Board

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

6. NEW BUSINESS

7. OTHER BUSINESS

7.1. Fraud Reporting, Admin Procedure 553, Section 5: Protection Against Reprisals –
Superintendent Young (Pages 29-32)

8. NEXT MEETING DATE – November 11, 2024

9. ADJOURNMENT

10. PRIVATE DISCUSSION BETWEEN AUDITORS AND THE AUDIT COMMITTEE

Limestone District School Board

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

[See Yourself in Limestone](#)



TO: LDSB Audit Committee
TOPIC: 2024-25 Internal Audit Plan
DATE: September 9th, 2024
FROM: Pasquale L'orfano, Internal Auditor

Typically, the Regional Internal Audit Team would propose a 2024-2027 risk-based multi-year internal audit plan (plan) to guide the audit activities for LDSB, for a three-year period at the September Audit Committee meeting. This is required by the Internal Audit Mandate and Internal Audit Standards that drive plan development and audit selection.

The development of the multiyear audit plan process consists of the following:

- A facilitated risk assessment with Management to identify high risk areas using a workshop format and voting technology;
- A presentation of the ranked risks to the Audit Committee members;
- Feedback from the Audit Committee Chair on the Committee's priorities;
- A conversation with the Superintendent of Business on the School Board's controls, risks and priorities;
- Based on all information acquired, the Regional Internal Audit team (RIAT) then develops a draft audit plan and presents it to the Audit Committee for approval at the September meeting.

Due to the current RIAT capacity issues, and in consultation with Management, RIAT will continue with outstanding audit presented to Audit Committee on September 11th, 2023 (Figure 1) for the current year (2024-25). This will allow for relevant engagements through proper approval process from the Audit Committee.

The top risks as per the 2023-24 Strategic Risk Assessment (SRA) conducted on June 18th, 2024, are presented in Figure 2. The three-year internal audit plan will be developed by the new RIAM, based on the SRA results and discussions with Management and the Audit Committee. This multi-year internal audit plan will be presented to Audit Committee at a future date.

Figure 1 – Current Year Internal Audit Plan from 2021-22/24 multiyear plan

#	Audit Area	Category	Schedule
1.	Special Education Benchmarking	Instructions & Schools	In Progress

Figure 2 - Board Priorities based on 2023-24 Strategic Risk Assessment

#	Audit Area	Category	Audits Completed	Year
1.	Attendance Management	Human Resources	1. Data Visualization 2. Hiring and Occasional Teachers	2019-20 2018-19
2.	Classroom Practices	Instruction and Schools	None to date.	2022-23 2023-24
3.	Safe Schools	Instruction and Schools	1. Safe Schools	2022-23
4.	IT Security	Information Technology	1. IT Security 2. Cybersecurity	2016-17 2020-21

Note that RIAT has either completed work or will be completing work in the high priority areas as indicated in figure 2.

Recommendation: That the Audit Committee recommends for approval the current year (2024-25) Audit Plan as presented in this document.

Appendix: RIAM letter to AC.



TO: Audit Committee Members
SUBJECT: RIAM Resignation
DATE: August 9th, 2024
FROM: Genevieve Segu, Regional Internal Audit Manager (former)

It is with mixed feelings that I write this letter to inform you that I have accepted a new position as the Director of Internal Audit at the University of Ottawa, beginning August 26th, 2024.

The past five years have been a period of significant professional and personal growth for me. Working in this sector has been a fantastic experience, and I am grateful for the opportunities and support I have received.

Additionally, it has been my privilege and pleasure to collaborate with each of you. The experiences and relationships I have built here will always be cherished.

Thank you once again for the incredible experience.

Warm regards,

Genevieve Segu

Subject:	2024-25 Annual Report on Internal Audit Activities
Presented by:	Pasquale L'orfano, Internal Auditor
Meeting Date:	September 9 th , 2024

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 2023-24 activities.

Charter & Purpose

Audit Committee members reviewed and approved the Ontario East Regional Internal Audit Team (RIAT)'s charter in 2023-24

With the RIAM leaving, the charter needs to be signed again with the Acting Manager, to represent the functional relationship between the Audit Committee and the RIAT.

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

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

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.

There are no changes to the charter this year. The Internal Audit Charter is appended to this memorandum for your review and approval (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 and 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);

² The nine school boards in the Ontario East region are: Algonquin Lakeshore Catholic DSB, Catholic DSB of Eastern Ontario, Hastings and Prince Edward DSB, Limestone DSB, Ottawa Catholic SB, Ottawa-Carleton DSB, Renfrew County Catholic DSB, Renfrew County DSB, Upper Canada DSB.

- Certified Internal Auditor (CIA);
- Certified Information System Auditor (CISA); and
- 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 5 days of training, leveraging associations within the K-12 sector, the Public Sector as well as professional organizations.

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 2023-24, RIAT engaged MNP assist with the periodic Strategic Risk Assessment (SRA).

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.
- *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 noncompliance, they issued recommendations which have now mostly been implemented⁶. The outstanding item is outside of RIAT's control, where the chairs of the

³ AuditBoard

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 See 2022-23 Annual Report on Internal Audit Activities presented to AC in September 2022.

Audit Committee at three of the nine school boards in the portfolio have not requested that a regular, private, in-camera session be included in the agenda.

2023-24 RIAT Annual Plan Activities

As per the Ministry of Education's 2016: B10 memo⁷, 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 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.

2023-24 Region-Wide Plan

Of 26 planned engagements:

- 17⁸(65%) were presented to AC;
- 9 (35%) were in the reporting, planning or fieldwork phase.

By August 31st, 2024, 20 (77%) projects were either presented to AC or in the report process, to be presented to AC at the beginning of the 2024-25 year.

Not included, because only done every three years, are the Strategic Risk Assessments for 8 school boards (the 9th board have a different process).

In addition, RIAT staff participated in 32 Audit Committee meetings, including three for this school board.

⁷ The complete list of B and SB memos can be found at this link: <https://efis.fma.csc.gov.on.ca/faab/Memos.htm>

⁸ Excludes follow-up reports

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

	Completed ⁹		Work In Progress ¹⁰		Postponed		TOTAL	
	22-23	23-24	22-23	23-24	22-23	23-24	22-23	23-24
Assurance and Consulting	17	17	15	9	6	0	38	26
Follow-up	9	4	-	-	-	-	9	4
Strategic Risk Assessment				8				8
TOTAL	26	21	15	17	6	0	47	38

2023-24 School Board Plan

At the September 2023 Audit Committee meeting, Audit Committee members approved the following audit plan for the School Board:

Year	Audit	Status
2023-24	Special Education Benchmarking	In Progress
2023-24	Strategic Risk Assessment	Complete
2023-24	Follow-up Procedures	Not Required

For this school board, RIAT completed 50% of its 2023-24 plan.

⁹ Presented to AC during the 2023-24 School Year

¹⁰ Includes engagements in the planning, fieldwork or report phase

2023-24 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 9 as of June 20th, 2024. This trend clearly demonstrates that the follow-up procedures of the past years is achieving its goal of ensuring that Management improves their internal control, where recommended.

Were the recommendations are aging or there are a high number of recommendations, AC sometimes requests 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 2022-23. There are currently no outstanding recommendations.

Recommendations

That the Limestone District School Board Audit Committee:

1. Receives for information the 2024-25 Annual Report on Internal Audit Activities; and
2. Approves the 2024-25 Regional Internal Audit Team Charter.

Appendix

1. 2024-25 Regional Internal Audit Team Charter (UNSIGNED)



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.

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 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: ☐ Integrity and ethical values. ☐ Management's philosophy and operating style. ☐ Organizational structure. ☐ Assignment of authority and responsibility. ☐ Human resource policies and practices. ☐ 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

Strategic Risk Assessment Final Report

Limestone District School Board

Pasquale L'orfono, Internal Auditor

September 9, 2024

Distribution List:

Audit Committee Members

Krishna Burra, Director of Education

Craig Young, Superintendent of Corporate and Staff Services



Background

Introduction

The Regional Internal Audit Team (RIAT)'s mandate is to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This engagement also aligns with Ontario Regulation 361/10 (9)(6) describing Audit Committee's duties relating to the board's risk management.

As described in the 2023-24 RIAT¹ plan and in accordance with guidance from the Institute of Internal Auditors², RIAT organized and facilitated a risk assessment workshop for eight of their Ontario-East Region English-speaking district school boards.

Risk is a reality in day-to-day operations and risk activities are becoming commonplace for leadership teams in order to achieve their organizations' goals, in alignment with the strategy. Risk is defined as the effect of uncertainty on objectives, and deviation from the expected, which can be either a threat or an opportunity. Risk is measured in terms of likelihood and consequence (or impact).

Staff are most familiar with financial risks, relating to insurance and liability, and this process also asked the attendees to think about reputational, legal and operational aspects of risk³. Put plainly, risk is anything that prevents (or helps) an organization from (to) achieving (achieve) its objectives.

By identifying risks that could impact the Board's strategic plan and, with intent, deciding on the treatment thereof, effective risk management helps improve strategic outcomes. Put simply, understanding what can derail the organization's strategy, is helpful in managing risks that cause that divergence to a more positive result.

In recent years, the Ontario K-12 sector has developed a Strategic Enterprise Risk Management methodology (SERM). This is a variant of Enterprise Risk Management (ERM), a methodology used by many organizations across the world that is defined as: a continuous, proactive and dynamic process with the goal to identify, assess and mitigate potential risks and, therefore, better ensure the achievement of objectives. Instead of a siloed risk management approach, using ERM, organizations undertake a variety of risk management activities in an integrated and disciplined process.

The Strategic Risk Assessment (SRA) represents the foundation of an effective SERM process. As such, this project will effectively position the Limestone District School Board ("LDSB" or "the Board")

¹ Approved by Audit Committee in September 2023

² International association regulating the practice of internal auditing

³ See Appendix A for the risk criteria used in the risk assessment workshop

for SERM when the approach is fully adopted in the K-12 sector. Past projects, such as the Cybersecurity Framework and also align with SERM and use a methodology like the SRA.

Cue RIAT's need to do a periodic risk assessment to align our engagements with the top risks within the Board. In 2023-24, the approach is identical to the 2020-21 Strategic Risk Assessment: first a risk identification session with all school boards, then a board-specific risk assessment to rank each risk. The approach brings the following benefits:

- It maximizes everybody's time as it is rolled out in the form of a workshop;
- Since it is a workshop format, there is more conversation and sharing among the team, hence promoting an integrated approach; and
- Management owns the risks since they vote on its likelihood and impact during the workshop.

The objective of this report is to present Audit Committee members with the top strategic risks formally identified and assessed by Management. The added benefit will be that RIAT can then focus their effort and resources on processes that are central to the LDSB's strategic risks.

Management identified several key areas that, if not managed, could impact the strategic plan. Conversely, effective management of the identified areas and any initiatives or projects, which affect them, will go a long way to ensuring the organization delivers on their plans.

Management felt that several of the identified areas are being effectively managed, through controls, to either a Medium Low or Low level. Management categorized the four following areas as High risk, which indicates they have a potentially greater risk of affecting the strategy:

- Attendance Management;
- Classroom Practices;
- Safe Schools; and
- IT Security.

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

For the rest of the report, the colors in the report represent the following level of risk:

High	Medium High	Medium Low	Low
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The LDSB Heat Map Results

The heat map in Figure 1 presents the strategic risks identified at LDSB in an overall, visual fashion.

The level of each risk was established by Management alongside two axes: likelihood and impact. This methodology translates these numbers into the expectation of the risk behaviour as analyzed by Management. The “translation” follows the rules as presented in Appendix A.

The top risks below in red is high since:

- The likelihood is probable, with an over 80% chance of occurring which translates into a 4 on the y axis; and
- The consequence from a financial, reputational, operational, and/or health & wellbeing viewpoint is high, which means it would have: high impact on curriculum delivery, resulting in significant negative media coverage, impact the operational budget between 1% and 5%, and/or significant impact on health & safety. This translates into a 3 on the x axis.

The risks below in orange are medium-high since:

- The likelihood is possible, with a 50-80% chance of occurring which translates into a 3 on the y axis; and
- The consequence from a financial, reputational, operational, and/or health & wellbeing viewpoint is high, which means it would have: high impact on curriculum delivery, resulting in significant negative media coverage, impact the operational budget between 1% and 5%, and/or significant impact on health & wellbeing. This translates into a 3 on the x axis.

The risks below in yellow are medium-low since:

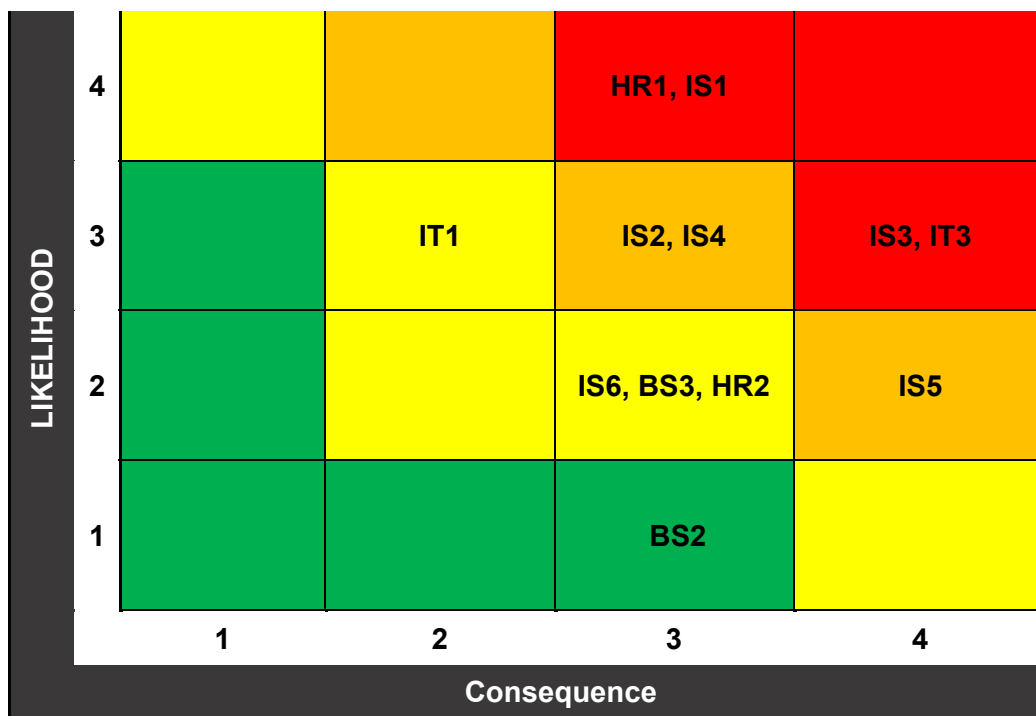
- The likelihood is occasional, with a 20-50% chance of occurring which translates into a 2 on the y axis; and
- The consequence from a financial, reputational, operational, and/or health & wellbeing viewpoint is moderate to high, which means it would have: high or moderate impact on curriculum delivery, resulting in limited to significant negative media coverage, impact the operational

budget between 0.25% and 5%, and/or limited to significant impact on health & wellbeing. This translates into a 2 or 3 on the x axis.

The risk below in green is low since:

- The likelihood is remote, with a 0% to 20% chance of occurring which translates into a 1 on the y axis; and
- The consequence from a financial, reputational, operational, and/or health & wellbeing viewpoint is high, which means it would have: high impact on curriculum delivery, resulting in significant negative media coverage, impact the operational budget between 1% and 5%, and/or significant impact on health & wellbeing. This translates into a 3 on the x axis.

Figure 1: Heat map of strategic risks at LDSB 2023-24



The LDSB Detailed results

The table in Figure 2 presents further details for each of the risks identified in the heat map. It shows, for each risk:

- The ID, which is ranked, based on the combined likelihood and consequence score for each;

- Their risk level: low, medium-low, medium-high or high (reflecting the placement on the heat map and depicted by the color);
- The category in which the risk falls: human resources, information technology, business services, or instruction and schools;
- Their risk name; and
- A brief description or comments from workshop.

In accordance with risk assessment methodology, part of building the risk register is to look at the current risk treatment to establish a pattern that will lead to the risk appetite. There are four options for risk treatment:

- Avoid the risk: An example would be stopping the community use of schools during the pandemic, hence the risk of contagion is avoided all together.
- Reduce (or mitigate) the risk: An example would be the hiring of a Project Lead of Security which will help reduce, or mitigate the risk relating to cybersecurity.
- Transfer the risk: An example would be cybersecurity insurance where the organization has transferred the financial risk on to a third party.
- Accept the risk: As organizations can not control all risk, some aspects of the risk, would be outside of their control. An example would be the lack of French teachers nation-wide that are available to teach French classes.

We discussed current risk treatments with Management for the top risks and captured the conversations in the risk register. A medium risk could indicate that the risk is still medium despite Management's mitigation strategies.

Figure 2: High level details for each strategic risk at LDSB 2023-24

Rank	Category	Risk Name	Description
HR1	Human Resources	Attendance Management	Manage staff absenteeism.
IS1	Instruction and Schools	Classroom Practices	Hugely reputational element; focused on "Raising the Floor". Regular monitoring, professional development.
IS3	Instructions and Schools	Safe Schools	Trending higher (from a reporting perspective). Controls and capabilities to best ensure student health, well-being and safety.

IT3	Information Technology	IT Security	Keeping up with threat environment. Safeguard IT systems to protect information and avoid service disruptions.
IS2	Instruction and Schools	Pedagogy and Curriculum	Board able to run programming within the resources available. Create and maintain academic programs which will meet the needs of students and achieve strong outcomes.
IS4	Instruction and Schools	Special Education	Create and maintain programs which will meet the needs of students and achieve strong outcomes.
IS5	Instruction and Schools	Student Health & Safety	Controls and capabilities to best ensure student health, well-being and safety.
BS3	Business Services	Transportation	Part of the Tri-Board Consortium. Controls and capabilities to manage and provide oversight to third parties providing transportation services.
HR2	Human Resources	Recruitment and Retention	Ensure effective short, medium and long-term recruiting and retention of teachers and back office. Attract or retain the talent necessary to achieve strategies and objectives.
IS6	Instruction and Schools	Student Equity and Inclusiveness	The Board has implemented several controls as mitigation; even to the point of allocating additional funds. Make sure that the environments are reflective of the students needs.
IT1	Information Technology	IT Governance and Information Management	Controls and capabilities to manage data (including availability, retention, classification, etc.).
BS2	Business Service	Financial Management	External factors (i.e. transportation and/or media) and political drivers.

The Strategic Risks in the Region

As previously mentioned, RIAT conducted the SRA for eight school boards in the Ontario-East Region. Although the sample is small, the analysis of the SRA results to-date shows Attendance Management overwhelmingly as the number one risk in the region.

Once RIAT finalizes the results for all eight school boards, they will present a high-level, region-wide report to Audit Committee.

RIAT will leverage the information from the Strategic Risk Assessment at LDSB presented therein and develop a plan that addresses both local and region-wide priorities.

With the uncertainty of RIAT's capacity until the end of the school year, RIAT, in collaboration with Management, and the Audit Committee chair, will bring forward a more fulsome multi-year plan at a later date.

Next Steps

Developing a risk statement would be the next step in the ERM methodology. The risk tolerance or risk appetite is the amount of risk that an organization is willing and able to bear in executing its strategy and activities. It reflects the organization's capacity to bear the risk, after treatment, to achieve the desired outcome. As such, it becomes a driver of strategic decisions and effective monitoring of key risks. It also clearly communicates to staff, distinct and relevant risk language they can apply in their daily functions at all levels of the organization.

The risk appetite expresses itself as a statement of intention on how to deal with risks, a blueprint to follow when making strategic decisions and inform future risk treatment, framed between a lower and an upper limit. It starts with an over-arching enterprise-wide statement that cascades down to more specific measures and limits.

The following illustrates some potential content and examples of a risk statement:

- Assuming risk: What are you willing to accept, provided a knowing acceptance of the inherent risks? An example of a risk statement: "We accept that the only way to ensure adult supervision in the classroom during the pandemic is to hire occasional teachers in the process of being certified."
- Taking some risk: What risk will you take to achieve your objectives? An example of a risk statement: "We are willing to allocate more resources to special education to ensure more students are able to learn in a safe environment".
- Managing risks: How do we mitigate this risk? An example of risk statement: "We spend significant time and resources to minimize events that could put our staff and/or students at risk" and "We transfer any non-core processes to reduce our risk in those areas".

- Achieving results: “We pay all employees on time according to their agreements” and “We have adult supervision in each classroom at all times”.

Appendix A: Strategic Risk Assessment Criteria

Likelihood

Assessment	Rating	Description	Frequency
Remote	1	- Not likely to occur within the next 10 years - It would be surprising if it occurred and would require a combination of events	0 to 20% chance of occurring
Occasional	2	- Not likely to occur within the next 6-10 years - Not surprising when it occurs, but rare	20 to 50% chance of occurring
Possible	3	- May occur within the next 2-5 years - Just as likely to occur as not	50 to 80% chance of occurring
Probable	4	- Certain to occur at least once or possibly multiple times in the next year - It is expected to occur once/multiple re-occurrences	80 to 100% chance of occurring

Consequence

Assessment	Rating	Operational	Reputational	Financial	Health & Wellbeing
Limited	1	- Limited impact on curriculum delivery/the achievement of provincial benchmarks - Slow progress on some strategic or operational goals	- Little to no unfavourable media attention - Stakeholder trust and public confidence not affected	- Limited financial impact - Fluctuation of less than 0.25% of operational budget - Limited fines/sanctions	- No impact on health, safety, and wellbeing metrics - No health and/or safety concerns - No legal liability
Moderate	2	- Moderate impact on curriculum delivery/the achievement of provincial benchmarks - Difficulty to progress some strategic or operational goals	- Limited negative media attention - Minor criticism/feedback from stakeholders and the public	- Moderate financial impact - Fluctuation of between 0.25% and 1.0% of operational budget - Minor fines/sanctions	- Limited impact on health, safety, and wellbeing metrics - Minor health and/or safety concerns - Minor legal liability

High	3	• High impact on curriculum delivery/the achievement of provincial benchmarks • Inability to progress some strategic or operational goals	• Significant negative media attention • Notable criticism from stakeholders and the public	• Substantial financial impact • Fluctuation of between 1.0% and 5.0% of operational budget • Significant fines/sanctions	• Significant impact on health, safety, and wellbeing metrics • Stakeholders raise concerns about health and safety concerns • Severe legal liability
Critical	4	• Critical impact on curriculum delivery/the achievement of provincial benchmarks • Reverse progress on one or more strategic or operational goals	• Sustained negative media attention • Significant loss of stakeholder trust and public confidence	• Significant financial impact • Fluctuation of more than 5.0% of operational budget • Financial recovery plan closely monitored by the Ministry • Severe fines/sanctions	• Sustained impact on health, safety, and wellbeing metrics • Catastrophic injuries and/or violent incidents • Costly action and widespread impact on the school board and/or senior staff • Severe legal liability



The administrative procedure outlined below is developed to protect the Limestone District School Board (LDSB) against fraudulent activities, safeguarding its revenue, assets, proprietary information, and other resources. It delineates specific guidelines, assigns responsibilities, and charts the processes for the detection and investigation of fraud within the organization. LDSB's fraud prevention and investigation procedures underscores our unwavering commitment to transparency, accountability, and integrity in all organizational operations.

1. Definition and Classification of Fraud

1.1. Fraud encompasses any deceptive or unauthorized action undertaken by an individual or group with the intent of personal gain.

1.2. Types of Fraud include, but are not limited to:

- Fabrication, alteration, or destruction of any financial document or record, including but not limited to cheques, timesheets, contracts, and accounting records.
- Submission or authorization of false financial claims.
- Authorization of payment for undelivered goods or unrendered services.
- Acceptance of material value from entities conducting business with the LDSB, contravening Administrative Procedure 403 - Conflict of Interest.
- Fraudulent activities involving computer systems, including data manipulation and unauthorized software use.
- Violation of LDSB policies, legal statutes, or misuse of organization resources.
- Discrepancies in financial transaction management or reporting.
- Unauthorized disclosure of sensitive information.



2. Roles and Responsibilities

- 2.1. Supervisory and management staff are tasked with establishing and maintaining robust internal controls to mitigate and detect fraud, ensuring operational integrity, asset protection, and accurate financial reporting.
- 2.2. All employees are obliged to report any suspected fraudulent activity immediately upon discovery.
- 2.3. Reports of fraud must be made impartially and in good faith.
- 2.4. Investigators must disclose any potential conflicts of interest, ensuring transparency and integrity in the investigative process.
- 2.5. Prompt measures must be taken to halt ongoing fraudulent activities and secure pertinent records upon fraud detection.

3. Fraud Investigation Protocol

- 3.1. Immediate investigation is imperative following a fraud report, with a commitment to confidentiality and integrity.
- 3.2. The identity of all parties involved in a fraud investigation shall be protected to the fullest extent permissible by law.
- 3.3. Disclosure of investigation outcomes shall be limited to individuals with a legitimate need for such information.
- 3.4. Information obtained during investigations may be disclosed to external agencies as required by law.
- 3.5. Employees found guilty of fraud will face disciplinary actions, potentially including termination, in accordance with Administrative Procedure 415 – Progressive Discipline.

4. Reporting Procedures

- 4.1. Employees detecting fraud must report to their immediate supervisor or, if the



supervisor is implicated, to their Superintendent.

- 4.2. Subsequent notifications should be directed to the Superintendent of Corporate Services and/or the Superintendent of Human Resources.
- 4.3. Non-employee suspicions of fraud should follow a similar reporting path.
- 4.4. Special reporting protocols are established for instances involving high-level positions, ensuring direct communication with the Director of Education or the Regional Internal Audit Committee.

5. Protection Against Reprisals

- 5.1. The LDSB strictly prohibits retaliation against individuals for engaging in the reporting or investigation process.
- 5.2. Disciplinary measures against reprisal actions underscore the organization's commitment to a fair and just investigative process.

6. Post-Investigation Risk Assessment

- 6.1. Following an investigation, a comprehensive risk assessment will be conducted to prevent future incidents, enhancing organizational resilience against fraud.

7. Education and Training

- 7.1. LDSB is committed to ongoing education and training on fraud awareness and prevention, ensuring all employees are equipped to recognize and respond to fraudulent activities effectively.

8. Procedure Review

- 8.1. This procedure is subject to regular review and updates to maintain its efficacy and alignment with best practices and regulatory requirements.



Appendix A -Fraud Notification Process

