

KAWARTHA PINE RIDGE DISTRICT SCHOOL BOARD

AUDIT COMMITTEE MEETING

Monday, February 8, 2021 at 3:00 p.m.
Roy H. Wilfong Boardroom
Education Centre
1994 Fisher Drive, Peterborough

Due to the current health advisory the meeting will be livestreamed for the public through KPR YouTube. [To view the meeting, click here.](#)

A G E N D A

- ITEM 1. CALL TO ORDER AND LAND ACKNOWLEDGEMENT
- ITEM 2. ADOPTION OF AGENDA
- ITEM 3. DECLARATIONS OF CONFLICTS OF INTEREST
- ITEM 4. INTRODUCTORY REMARKS FROM RITA RUSSO, DIRECTOR OF EDUCATION
- ITEM 5. ELECTION OF COMMITTEE CHAIRPERSON
- ITEM 6. ADOPTION OF MINUTES OF COMMITTEE MEETING OF NOVEMBER 9, 2020
- ITEM 7. PRESENTATIONS / DELEGATIONS
- ITEM 8. BUSINESS ARISING FROM THE MINUTES
- ITEM 9. AUDITOR REPORTS
 - 9.1 Report of the Internal Auditors – Mark Connors and Tracey Rodgers
 - 9.1.1 Internal Audit Update
- ITEM 10. DECISION ITEMS
 - 10.1 Audit Services
- ITEM 11. INFORMATION ITEMS
- ITEM 12. CORRESPONDENCE
- ITEM 13. BOARD MEMBER ADDITIONS

ITEM 14. FUTURE COMMITTEE MEETING DATES

Meetings are Mondays at 3:00 p.m. in the Roy H. Wilfong Boardroom, unless noted otherwise.

June 7, 2021

ITEM 15. ADJOURNMENT

Note: If unable to attend, please advise Stacey Foss at stacey_foss@kprdsb.ca

SUBJECT TO COMMITTEE APPROVAL

KAWARTHA PINE RIDGE DISTRICT SCHOOL BOARD

DRAFT AUDIT COMMITTEE MEETING MINUTES

Held Monday, November 9, 2020 at 3:00 p.m.
Roy H. Wilfong Boardroom, 1994 Fisher Drive, Peterborough, Ontario

Present: Milena Ceglie (Committee Chairperson) (virtual), Diane Lloyd (Chairperson of the Board) (virtual), Sarah Bobka (Vice-chairperson of the Board) (virtual), Terry Brown; and Alison McLaren (virtual).

Also Present: C. Arnew, A. Foster, C. McKeen; V. Mason (virtual), T. Rodgers (virtual), R. Steinginga (virtual), and S. Foss.

Due to the current health advisory and public health measures in place provincially, the meeting was available for committee members to attend in person or virtually using WebEx.

CALL TO ORDER AND LAND ACKNOWLEDGEMENT

Committee Chairperson M. Ceglie called the meeting to order (3:02 p.m.) and recognized and acknowledged that the committee is meeting on the traditional territory of the Mississauga First Nations.

ADOPTION OF AGENDA

It was,

Moved by: Trustee Bobka
Seconded by: Trustee Brown

That the Agenda be adopted as printed.

CARRIED

ADOPTION OF MINUTES

It was,

Moved by: Trustee D. Lloyd
Seconded by: A. McLaren

That the minutes of the Audit Committee meeting of September 21, 2020 be adopted as recorded.

CARRIED

AUDITOR REPORTS

Draft Financial Statements for Year Ended August 31, 2019

Superintendent Arnew noted that 2019-2020 finished with a sizeable surplus that is beyond budget expectations, consistent with other boards across the province as a result of the pandemic closures and not spending as anticipated. Superintendent Arnew cautioned that the surplus is fully expected to be offset this current year as pandemic expenditures increase, and potential revenue decreases are realized.

R. Steiginga, representing Baker Tilly KDN LLP, presented the draft Consolidated Financial Statements as of August 31, 2020 and explained the purpose of the Independent Auditor's Report, including Statements of Financial Position, Operations and Accumulated Surplus, Cash Flows and Changes in Net Debt. In accordance with Ministry direction, the Financial Statements were prepared under Regulation 395/11 of the Financial Administration Act.

The Notes to the Financial Statements include a description of the basis of accounting used in the preparation of the Consolidated Financial Statements, and provide information related to trust funds, deferred revenue, employee future benefits, tangible capital assets, long-term debt, accumulated surplus/deficit, deferred capital contributions, and other matters.

The 2019-2020 Draft Audited Consolidated Financial Statements reflect an annual surplus of \$14.5 million as compared to a budgeted surplus of \$0.842 million. This favourable variance of \$13.658 million is the result of a \$0.254 million surplus in School Generated Funds, as well as a \$14.26 million favourable variance in School Board Operations, offset by \$0.019 million of revenue recognized for Land.

Questions of clarification were addressed, and discussion continued.

V. Mason, representing Baker Tilly KDN LLP, reviewed the highlights of the External Auditors Management Letter, noting that no misstatements, fraud, illegal acts, or significant weaknesses in internal controls were identified. Seven schools were also tested in late September and early October and no significant deficiencies were identified; however it was recommended that management continue to work with the schools to improve retention of supporting documents and the recording of harmonized sales tax rebates.

V. Mason also reviewed highlights of the Audit Reporting Letter describing the audit of the Consolidated Financial Statements of the Board. The standard letter summarizes aspects of the audit that may be of interest, including auditor independence, evaluation of internal controls and accounting principles and policies.

V. Mason expressed appreciation for the cooperation of management during the year.

Chairperson Ceglie extended thanks to the external auditors and administrative staff for the completion of the Financial Statements.

It was,

Moved by: Trustee D. Lloyd
Seconded by: Trustee Bobka

That the Kawartha Pine Ridge District School Board Consolidated Financial Statements for the Year Ended August 31, 2020, be approved.

CARRIED

Internal Audit Update

T. Rodgers, Senior Regional Internal Auditor, informed the committee that the Regional Internal Audit Team will be completing the two pieces of work on the Internal Audit Plan for 2020-2021 and Terms of Reference for the Legislative Compliance and Strategic Risk Assessment audits were provided to the committee. The work is expected to start in the new year once the new director and other key staff are in place.

DECISION ITEMS

Draft Annual Reports of the Audit Committee for the Year Ended August 31, 2020

Superintendent Arnew explained that annually, the Audit Committee provides the Board with a detailed report of the work they have done throughout the previous fiscal year. The report follows a template provided by the Ministry of Education and is to be completed no later than November 30 of each year.

A summary of internal audit work performed compared to planned work provides the Ministry with information regarding use of the internal audit funding allocation and is submitted to the Ministry by January 15 each year.

It was,

Moved by: Trustee Brown
Seconded by: Trustee Bobka

That the Detailed Annual Report of the Audit Committee for the Year Ended August 31, 2020 be approved.

CARRIED

It was,

Moved by: Trustee Brown
Seconded by: D. Lloyd

That the Summarized Annual Report of the Audit Committee for the Year Ended August 31, 2020 be approved and forwarded to the Ministry of Education by January 15, 2021.

CARRIED

It was,

Moved by: Trustee D. Lloyd
Seconded by: Trustee Brown

That the Committee move to In-camera Session (4:01 p.m.).

CARRIED

The Open Session of the meeting resumed (4:10 p.m.).

Committee Chairperson Ceglie noted that the next meeting of the Audit Committee will take place on February 8, 2021.

ADJOURNMENT

It was,

Moved by: Trustee D. Lloyd
Seconded by: Trustee Brown

That the Audit Committee meeting be adjourned at 4:12 p.m.

CARRIED

Milena Ceglie
Committee Chairperson
November 9, 2020

Kawartha Pine Ridge District School Board

TO: The Chairperson and Members of the KPRDSB Audit Committee
 FROM: Regional Internal Audit Manager
 DATE: February 8, 2021
 SUBJECT: Internal Audit Update

1. Purpose

This report provides information on work that the Regional Internal Audit Team (RIAT) has undertaken since the last update on November 9, 2020.

2. Content

2.1 Regional Internal Audit Plan Status 2020-21

Ref	Audit	Year	Comments
KPRDSB 21-1	Legislative Compliance	2020-21	Winter/Spring 2021 Commenced
KPRDSB 21-2	Strategic Risk Assessment	2020-21	Timing TBD
KPRDSB 21-3	Cybersecurity Risk Assessment	2020-21	Timing TBD

- **Legislative Compliance (KPRDSB 21-1)**

This review will provide an assessment of the processes used by the Board for ensuring compliance with the appropriate legislations and regulations. Internal Audit has engaged with a 3rd party (KPMG LLP) to develop a compliance universe of the key legislations and regulations relevant to school boards as well as developing criteria to prioritize these legislations, which RIAT have developed into a comprehensive framework. This piece of work is being completed at a pilot board in the Barrie Region with the intent of Internal Audit to roll it out with the other boards but modifying it based on the individual boards risk ranking. Internal Audit has met with management to discuss the scope of this project and the fieldwork has commenced.



- **Strategic Risk Assessment (KPRDSB 21-2)**

Strategic risks are those that threaten to disrupt the assumptions at the core of an organization's strategy. They're often hard to spot and hard to manage. What makes them especially difficult for executive teams is that traditional approaches view risk as mainly negative—things to hedge or mitigate. The project will provide the board with a rankable functionally focused risk register that will, where appropriate, be linked to Board strategy and will help management and RIAT focus on key issues. We have contracted with MNP consulting in order to deliver this project. MNP's Enterprise Risk Services Practice, specialize in Enterprise Risk Management (ERM), Strategic Planning and Business Resilience. The timing for this piece of work is to be determined as the new Director of Education recently commenced their employment.

- **Cybersecurity Risk Assessment (KPRDSB 21-3)**

Cybersecurity is one of the top risk impacting organizations globally. The Ontario Government has recognized the need for increased cybersecurity in the K-12 sector during the broadband modernization program. In addition, the COVID- 19 pandemic has raised the criticality of digital services in providing virtual learning as well as virtual collaboration.

KPRDSB was involved in a cybersecurity risk assessment and workshop hosted through the Ottawa East RIAT and KPMG. Internal Audit has received the results of the risk assessment and cybersecurity workshop and will work with management to implement the recommendations. The recommendations provide a structured approach for implementing a cybersecurity governance framework at the school board level that align with the National Institute of Standards and Technology (NIST).

2.2 Regional Internal Audit Mandate

An Audit Mandate outlines the key responsibilities and expectations of Regional Internal Audit, as well as the functions authority within the organization, particularly as it pertains to access to sensitive School Board information. It is good practice for the Audit Committee to periodically review and approve the Internal Audit Mandate to ensure it meets the needs of the Board. The mandate was last reviewed at the September 16, 2016 Audit Committee meeting. The Internal Audit Mandate has been provided as Appendix A.

3. Recommendations

1. That the Regional Internal Audit Mandate be received for information and sign off.
2. That the Internal Audit Update Report, dated February 8, 2021 be received for information.

Respectfully Submitted by: Mark Connors, Regional Internal Audit Manager

Regional Internal Audit Mandate Kawartha Pine Ridge District School Board

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 Barrie 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 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.

Each Audit Committee of the Board of Trustees will for their Board:

- Approve the regional internal audit mandate;
- 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 and the Senior Business Official 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 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.

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

Audit Committee Chairperson

Director of Education

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	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.
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 Mandate, 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: <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 <i>(insert title here)</i> 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.

KAWARTHA PINE RIDGE DISTRICT SCHOOL BOARD

TO: Audit Committee

TOPIC: **Audit Services**

INITIATOR: Chris Arnew, Superintendent, Business and Corporate Services

BACKGROUND

1. The Education Act, Section 253. (1) Appointment of Auditor, states that every board shall appoint one or more auditors for a term not exceeding five years, who shall be a person licensed under the Public Accounting Act.
2. A competitive Request for Proposals was issued in October 2018 for Audit Services for a period not to exceed five years, beginning with the fiscal period ending August 31, 2019.

STATUS

3. The firm of Baker Tilly KDN LLP was appointed auditor for the Kawartha Pine Ridge District School Board, for a term of five years, through to the fiscal year September 1, 2022 to August 31, 2023.
4. Baker Tilly KDN LLP has fulfilled their contractual obligations in a timely and efficient manner and administration supports the recommendation for reappointment.

RECOMMENDATION

1. That Baker Tilly KDN LLP be appointed auditor for Kawartha Pine Ridge District School Board for the fiscal year September 1, 2020 to August 31, 2021.

Chris Arnew
Superintendent, Business and Corporate Services