

## **AUDIT COMMITTEE AND INTERNAL AUDIT UPDATE**

### **PURPOSE:**

To provide the Board of Trustees with an update on the establishment of an Audit Committee and the Internal Audit function.

### **BACKGROUND INFORMATION:**

1. Action Report 8.1 “Audit Committee - Notice of Motion” from the Regular Board Meeting of May 4, 2010.
2. Staff Report 9.2 “Audit Committee and Internal Audit Function Update” from the Regular Board Meeting of April 6, 2010.
3. Staff Report 9.2 “Update on the Establishment of an Audit Committee and an Internal Audit Function” from the Regular Board Meeting of February 2, 2010.

### **COMMENTS:**

1. New information received since the previous Board report from staff on April 6, 2010 is shown on the “**List of Appendices**” at the end of this report.
2. Previous reports introduced the concept of a “host board” for each of the eight designated regions in the province. Halton CDSB is in the “West of Central Region” with the Waterloo Region DSB being our host board. Host boards will oversee the administration of the regional internal audit team and the funding for this initiative will flow to them according to a prescribed formula from the Ministry.
3. Previous reports also mentioned a Working Committee (referred to as the Host Board Workgroup) that has been established with membership from the eight host boards, two non-host boards, and Ministry staff. The Working Committee’s responsibility is to assist the sector in building internal audit capacity in all school boards and in implementing audit committees. The Working Committee provides input and advice to the Ministry on the development of the following:
  - A risk assessment tool to be used by the sector
  - The internal audit function charter
  - The audit committee regulation/mandate
  - Salary ranges for the regional internal audit team
  - Sample job ads for the external members of audit committees and the regional internal audit team
  - Accountability measures for internal audit and audit committees
  - Training materials for audit committee members and the school board staff

In addition, the Working Committee is assisting in establishing a streamlined and consistent approach for staffing audit teams and the hiring of external members of the audit committee.

4. Ministry Memorandum 2010:SB45 (dated September 23, 2010) announcing the release of the audit committee regulation is attached as **Appendix A**. The Memo indicates that school boards must establish an audit committee by January 31, 2011 and that the first audit committee meeting must take place by March 31, 2011. Other matters referenced in the Memorandum are:
  - a) Training for audit committee members (trustees and external members), the Director of Education, the Senior Business Official and limited staff from boards will occur during January and February 2011.
  - b) External member recruitment by school boards should begin in the fall of 2010, so as to have the external members in place to partake in the training noted above.
  - c) A link has been created under the Ministry of Education's Financial Analysis and Accountability Branch website to access pertinent information on the audit committee and internal audit initiatives (<http://faab.edu.gov.on.ca/Audit.html>).
  - d) Regional Internal Audit Teams (RIAT) are currently being assembled in host school boards, which include a regional internal audit manager and their staff. The RIAT, once assembled, will then begin the risk assessment for each school board, using a risk assessment tool developed by the Ministry of Education, to determine the priority areas for internal audit activities in the respective boards.
5. The audit committee reference in the Education Act is included in **Appendix B** (Section 253.1). The Act refers to regulations established by the Minister of Education, which are approved by the Lieutenant Governor in Council (the Cabinet). For the audit committee regulation, this occurred on September 10, 2010 and was announced to the sector on September 23, 2010 as noted above.
6. The full audit committee regulation is attached as **Appendix C**. The salient sections are:
  - a) Section 2 – Composition of Audit Committee
    - i. Since the HCDSB has between eight and fourteen members on the Board of Trustees, the committee will have five members (three trustees and two external members).
  - b) Section 4 – Eligibility or Appointment of External Members
    - i. Must have accounting, financial management or other relevant business experience that would enable them to understand public sector accounting and auditing standards.
    - ii. Must not be an employee or officer of the HCDSB or any other school board.
    - iii. Does not have a conflict of interest, specifically does not have a parent, child or spouse who is employed by the HCDSB or any other school board.
  - c) Section 5 – Selection Committee for External Members
    - i. The three member panel consists of the Director of Education, the Senior Business Official and the Chair of the Board or designate.
  - d) Section 6 – Chair of the Audit Committee
    - i. Elected by the audit committee members and must be a trustee.
  - e) Section 7 – Term of Appointment for Internal and External Member
    - i. The proposed term of office for trustees on the committee is four years.
    - ii. The proposed term of office for external members is three years.

The terms of office need to be in accordance with the Board's By-Laws or an exception made. As members come on and off the committee, every effort should be made to ensure continuity of both trustee and external members. Consideration should be given to overlapping/staggered terms.

- f) Section 9 – Duties of an Audit Committee (also known as Mandate or Terms of Reference)
- i. See the detailed duties in this section related to the board's
    - Financial Reporting Process
    - Internal Controls
    - Internal Auditor
    - External Auditor
    - Compliance Matters
    - Risk Management
  - g) Section 11 – Meetings of the Audit Committee
    - i. Must meet at least three times per year, except for the 2010-2011 fiscal year which only requires two meetings.
    - ii. Each member of the audit committee has one vote.
    - iii. Quorum constitutes three members, one of whom must be an external member.
  - h) Section 15 – Reporting – See the detailed requirements listed in this section, including:
    - i. Submission of the annual report to the Board of Trustees, and
    - ii. Submission of the annual report by the Board of Trustees to the Minister.
7. Ministry Memorandum 2010:SB46 (dated October 19, 2010) outlining the audit committee training dates and locations, the agenda and the list of invited participants, is attached as **Appendix D**. The “West of Central Region” is referred to in Appendix A as the “South Western Region”. The training dates for the HCDSB are January 31<sup>st</sup> and February 1<sup>st</sup>, 2011.
8. The HCDSB Audit Committee External Volunteer Recruitment Advertisement and the Audit Committee Recruitment Brochure are attached as **Appendix E** and **Appendix F** respectively. The advertisement, which has adapted the Ministry template to the HCDSB, will be sent out by mid-November, with applications to be received by the end of November and selection for the two external members to be made hopefully by mid-December. The advertisement will be posted on our website, along with the brochure and the regulation. The advertisement will also be placed in the local newspapers in Halton Region and sent to the CPIC and all School Councils.
9. With respect to internal audit, the regional internal audit manager for the West of Central region (which includes the HCDSB) has been hired and began on July 12, 2010. His name is Evan Kwok and he has 10 years experience with a national accounting firm and as a senior audit manager with a Toronto based firm. Evan is a CPA and has a BBA from the Schulich School of Business at York University. Two senior internal auditors have also been hired under Evan with a start dates near the end of October 2010. It is anticipated that two Junior Internal Auditors will be hired to round out the team by mid to late November. A meeting with Evan, the Director, the Superintendent of Business Services and the Senior Administrator of Financial Services occurred on October 26, 2010, to discuss the risk assessment for the HCDSB as well as Evan’s roles and responsibilities. The two recently hired senior internal auditors accompanied him on the visit. **Appendix G** is the PowerPoint presentation used to guide the discussions at the meeting. **Appendix H** contains the questions contained in the Entity Level Risk Assessment document responded to at the meeting. The Process Level Risk Assessment includes the same risk categories but is much more detailed and will be repeated for the 53 processes established by the Ministry of Education for review, as outlined on slides 11 and 14 of the presentation (Appendix G). The Process Level Risk Assessment will involve significant staff time and will avoid duplication of effort with the Operational Review Process.
10. Formerly, the Ontario Association of School Business Officials (OASBO) had an Internal Audit Sub-Committee that reported to the Finance Committee. The sub-committee was small in size and was comprised of internal auditors from school boards where this function already existed. With the hiring of regional internal audit managers and other internal audit staff in the host boards, the membership of this committee has been expanded to include staff from the RIATs. As a result, the OASBO Board of Directors has granted the sub-committee full committee status as of June 7, 2010. The Superintendent of Business Services currently sits on the OASBO Board of Directors and serves as the Liaison/Advisory Director to both the OASBO Finance and Internal Audit Committees.

11. **Appendix I** contains the one page summaries of the last seven Host Board Workgroup meetings that have occurred since the previous Board report from staff on April 6, 2010. As can be seen, extensive work has been done by this group on behalf of all school boards in Ontario. The list of Internal Audit Regions, the boards contained in each region, indicating the host board for each region, is also included at the end of this appendix.
12. **Appendix J** shows the proposed timelines (updated as of October 31, 2010) through to the end of 2011, for both Audit Committees and Internal Audit, broken down by the various tasks under each initiative. This was presented and approved at the Host Board Workgroup meeting on October 28, 2010.

## **CONCLUSION:**

The next steps in the Audit Committee initiative are the recruitment of two external members and the appointment of three trustees to the committee, once the term of the new Board of Trustees begins on December 1<sup>st</sup>, 2010, following the October 25<sup>th</sup>, 2010 municipal election. By regulation, the audit committee needs to be formed by January 31<sup>st</sup>, 2011, and in time for the training for the HCDSB's audit committee, which is scheduled for January 31<sup>st</sup> and February 1<sup>st</sup>, 2011. The regulation also states that the first meeting of the audit committee must occur by March 31<sup>st</sup>, 2011. The next step in the Internal Audit initiative is to assist the regional internal audit manager in the completion of the risk assessment for our board. The completed risk assessment will be brought forward to the first meeting of the audit committee and will determine the priority areas for internal audit activities for the HCDSB.

**REPORT PREPARED BY:** P. McMAHON  
SUPERINTENDENT OF BUSINESS AND TREASURER OF THE BOARD

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SUPERINTENDENT OF BUSINESS AND TREASURER OF THE BOARD

**REPORT APPROVED BY:** M. W. PAUTLER  
DIRECTOR OF EDUCATION AND SECRETARY OF THE BOARD

## List of Appendices

- Appendix A** Ministry Memorandum 2010:SB45 (Audit Committee Regulation)
- Appendix B** Section 253.1 of the Education Act (Audit Committee)
- Appendix C** Ontario Regulation 361/10 (Audit Committees)
- Appendix D** Ministry Memorandum 2010:SB46 (Audit Committee Training)
- Appendix E** HCDSB Audit Committee External Volunteer Recruitment Advertisement
- Appendix F** Audit Committee Recruitment Brochure
- Appendix G** Regional Internal Audit Team Presentation (October 26<sup>th</sup>, 2010)
- Appendix H** Questions from the Entity Level Risk Assessment
- Appendix I** Audit Committee & Internal Audit Host Board Workgroup Meeting Summaries:
- April 1<sup>st</sup>, 2010
  - April 15<sup>th</sup>, 2010
  - May 13<sup>th</sup>, 2010
  - May 27<sup>th</sup>, 2010
  - June 10<sup>th</sup>, 2010
  - July 8<sup>th</sup>, 2010
  - September 9<sup>th</sup>, 2010
  - Internal Audit Regions (indicating host boards for each region)
- Appendix J** Proposed Timelines through to the end of 2011 (as of October 31, 2010)

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**2010: SB45**

**MEMORANDUM TO:** Directors of Education  
Secretary-Treasurers of School Authorities  
Association des conseils scolaires des écoles publiques de  
l'Ontario (ACEPO)  
Association Franco-Ontarienne des Conseils Scolaires Catholiques  
(AFOCSC)  
Ontario Catholic School Trustees' Association (OCSTA)  
Ontario Public School Boards' Association (OPSBA)

**FROM:** Andrew Davis  
Director  
Financial Analysis and Accountability Branch

**DATE:** September 23, 2010

**SUBJECT:** Audit Committee Regulation

I am writing to advise you of the release of the audit committee regulation. The regulation is the end result of a collaborative, consultative process that began in the fall of 2009. On behalf of the Ministry, I would like to thank each of the participating associations and organizations for their helpful feedback and advice. The regulation is effective immediately and requires the establishment of audit committees in school boards by **January 31, 2011**, following the fall trustee elections.

The regulation sets out the following major aspects:

- Appointment process for members
- Requirement of external member participation
- Term of appointment
- Duties and powers of the committee
- Reporting requirements
- Deadline for the first audit committee meeting (March 31, 2011)

### **Training**

As noted in the March 5, 2010 consultation letter, an external training program will be offered to the members of audit committee (which include trustees and external members), Directors of Education, Senior Business Officials, and limited staff from boards during the months of January and February 2011. The 2-day training program is intended to help audit committee members to understand their roles and responsibilities. More information related to the training sessions will

be communicated to the sector in early fall.

### **External Member Recruitment**

The Ministry encourages school boards to start their recruitment efforts to find qualified external members in the fall. This should allow for sufficient time for posting the positions, and provide sufficient notice for them to participate in the training noted above.

### **Website Link**

On the Ministry of Education's Financial Analysis and Accountability Branch website a new link has been created which allows school boards to find pertinent information relating to the audit committee and internal audit initiatives. It is available at:

<http://faab.edu.gov.on.ca/Audit.html>

Some of the key documents are as follows:

- Q&A document on the audit committee and internal audit initiatives
- Audit committee external member sample recruitment advertisement
- Q&A document on the audit committee regulation (available soon)
- Internal audit mandate
- Internal audit regions
- Internal audit guidelines on hiring, evaluation, and staffing allocation

### **Regional Internal Audit Teams (RIAT)**

Over the course of the summer of 2010, the majority of the host school boards have completed their recruitment for regional internal audit managers and some of their staff. After recruitment is complete, the next milestone for RIAT is risk assessment. Risk assessment is critical to internal audit functions as it establishes the priority areas for internal audit activities which in turn helps boards in meeting their business objectives.

The Ministry of Education has developed a risk assessment tool and the RIAT will be using this tool to perform risk assessments at each board. This process will begin in September 2010 and should be completed before the first audit committee meeting. Should RIAT feel that the risk assessments will not be completed by the first audit committee meeting, they should contact: Anthony Yeung, Manager – Transfer Payments and Financial Reporting at 416-314-0790 or email at [Anthony.Yeung@ontario.ca](mailto:Anthony.Yeung@ontario.ca) or Doreen Lamarche, Project Manager – Audit at 613-225-9210 x113 or email at [Doreen.Lamarche@ontario.ca](mailto:Doreen.Lamarche@ontario.ca).

School boards should anticipate that this initial risk assessment could take up to **three** weeks per board. The Regional Internal Audit Managers will be contacting boards' Superintendents of Business to schedule risk assessment meetings in the coming weeks.



Andrew Davis  
Director  
Financial Analysis and Accountability Branch

cc: Superintendents of Business

**PART IX  
FINANCE**

**DIVISION A  
GENERAL**

**FINANCIAL ADMINISTRATION OF BOARDS**

**Audit committee**

[253.1 \(1\)](#) Every district school board shall establish an audit committee. 2009, c. 25, s. 32.

**Regulations**

[\(2\)](#) The Minister may make regulations governing the composition, functions, powers and duties of audit committees established under subsection (1). 2009, c. 25, s. 32.

**Same**

[\(3\)](#) A regulation made under subsection (2) may provide for a district school board's audit committee to include individuals who are not members of the board. 2009, c. 25, s. 32.

**Same**

[\(4\)](#) A regulation made under subsection (2) may provide that a district school board's audit committee has all the powers of an auditor under section 253. 2009, c. 25, s. 32.

**Same**

[\(5\)](#) A regulation under this section may be general or particular. 2009, c. 25, s. 32.

Français

**Education Act****ONTARIO REGULATION 361/10  
AUDIT COMMITTEES****Consolidation Period:** From September 10, 2010 to the [e-Laws currency date](#).

No amendments.

*This is the English version of a bilingual regulation.***Interpretation**

**1.** (1) This Regulation applies in respect of audit committees established by district school boards under subsection 253.1 (1) of the Act. O. Reg. 361/10, s. 1 (1).

(2) In this Regulation,

“external auditor” means an auditor appointed by a board under subsection 253 (1) of the Act to perform the duties referred to in subsection 253 (4) of the Act; (“vérificateur externe”)

“internal auditor” means a contractor or employee of a board who examines and evaluates a board’s records and procedures related to the board’s risk management, internal controls and governance processes and makes recommendations on ways to improve the board’s risk management, internal controls and governance processes; (“vérificateur interne”)

“reporting entity” means, with respect to a board, an organization that is required to prepare reports for the purposes of the board regarding the organization’s financial affairs and resources; (“entité comptable”)

“senior business official” means a senior business official described in subsection 3 (2) of Regulation 309 of the Revised Regulations of Ontario, 1990 (Supervisory Officers) made under the Act. (“cadre supérieur de l’administration des affaires”) O. Reg. 361/10, s. 1 (2).

**Establishment of audit committee**

**2.** (1) Subject to subsection (3), every board shall establish an audit committee in accordance with this Regulation no later than January 31, 2011. O. Reg. 361/10, s. 2 (1).

(2) The first meeting of an audit committee established under subsection (1) shall be held no later than March 31, 2011. O. Reg. 361/10, s. 2 (2).

(3) A board established after the day this Regulation comes into force shall establish an audit committee in accordance with this Regulation no later than October 1 of the school year following the calendar year in which the board’s members are first elected. O. Reg. 361/10, s. 2 (3).

(4) The first meeting of an audit committee established under subsection (3) shall be held no later than December 1 of the school year following the calendar year in which the board’s members are first elected. O. Reg. 361/10, s. 2 (4).

**Composition of audit committee**

**3.** (1) An audit committee of a board shall consist of the following individuals appointed in accordance with the board’s by-laws:

1. If the board has fewer than eight board members, the audit committee shall consist of four members, including two board members and two persons who are not board members.
2. If the board has eight or more board members, but less than fifteen, the audit committee shall consist of five members, including three board members and two persons who are not board members.
3. If the board has fifteen or more board members, the audit committee shall consist of seven members, including four board members and three persons who are not board members. O. Reg. 361/10, s. 3 (1).

(2) In the absence of a by-law setting out an appointment process, the board shall appoint the members of the audit committee in accordance with paragraphs 1, 2 and 3 of subsection (1). O. Reg. 361/10, s. 3 (2).

(3) If the number of persons required by paragraphs 1, 2 and 3 of subsection (1) is not appointed to the audit committee, the Minister may appoint a person to each vacant position. O. Reg. 361/10, s. 3 (3).

(4) A person appointed under subsection (3) holds the position until the board appoints another person to the position. O. Reg. 361/10, s. 3 (4).

(5) An appointment made under subsection (3) must comply with paragraphs 1, 2 and 3 of subsection (1) and section 4. O. Reg. 361/10, s. 3 (5).

**Eligibility for appointment of persons who are not board members**

4. (1) A person who is not a board member is eligible to be appointed to the board's audit committee only if he or she,
- (a) has accounting, financial management or other relevant business experience that would enable him or her to understand the accounting and auditing standards applicable to the board;
  - (b) is not an employee or officer of the board or of any other board at the time of his or her appointment;
  - (c) does not have a conflict of interest, as described in subsection (2), at the time of his or her appointment; and
  - (d) was identified by the selection committee described in section 5 as a potential candidate for appointment to the audit committee. O. Reg. 361/10, s. 4 (1).

(2) For the purposes of clause (1) (c), a person has a conflict of interest if his or her parent, child or spouse is employed by the board. O. Reg. 361/10, s. 4 (2).

(3) Clause (1) (d) does not apply if the person is appointed by the Minister under subsection 3 (3). O. Reg. 361/10, s. 4 (3).

**Selection committee**

5. (1) Each board shall have a selection committee for the purpose of identifying persons who are not board members as potential candidates for appointment to the board's audit committee. O. Reg. 361/10, s. 5 (1).

- (2) The selection committee shall be composed of,
- (a) the board's director of education;
  - (b) a senior business official of the board; and
  - (c) the chair of the board or a board member designated by the chair. O. Reg. 361/10, s. 5 (2).

**Chair of the audit committee**

6. (1) At the first meeting of the audit committee in each fiscal year, the members of the committee shall elect the chair of the committee for the fiscal year of the board from among the board members appointed to the committee. O. Reg. 361/10, s. 6 (1).

(2) If at any meeting of the audit committee the chair is not present, the members present may elect a chair for that meeting. O. Reg. 361/10, s. 6 (2).

**Term of appointment**

7. (1) The term of office of a member of the audit committee who is a board member shall be determined by the board but shall not exceed four years. O. Reg. 361/10, s. 7 (1).

(2) The term of office of a member of the audit committee who is not a board member shall be determined by the board but shall not exceed three years. O. Reg. 361/10, s. 7 (2).

(3) Subject to subsection (4), a member of the audit committee may be reappointed. O. Reg. 361/10, s. 7 (3).

(4) An individual who is not a board member may not be appointed to the audit committee more than twice unless,

- (a) the board advertised the position for at least 30 days; and
- (b) after the 30 days, the selection committee did not identify any potential candidates. O. Reg. 361/10, s. 7 (4).

(5) When the term of a member of the audit committee expires, he or she continues to be a member until a successor is appointed or the member is reappointed. O. Reg. 361/10, s. 7 (5).

**Vacancies**

8. (1) A member who is a board member vacates his or her position on the audit committee if,

- (a) he or she is convicted of an indictable offence; or
- (b) he or she is absent from two consecutive regular meetings of the committee and the committee has not authorized those absences by a resolution at the first regular meeting of the committee that follows the second absence. O. Reg. 361/10, s. 8 (1).

(2) A member who is not a board member vacates his or her position on the audit committee if,

- (a) he or she is convicted of an indictable offence;

- (b) he or she is absent from two consecutive regular meetings of the committee and the committee has not authorized those absences by a resolution at the first regular meeting of the committee that follows the second absence;
  - (c) he or she becomes an employee or officer of the board or of any other board; or
  - (d) it is discovered that he or she had a conflict of interest as described in subsection 4 (2) at the time of his or her appointment and failed to disclose it. O. Reg. 361/10, s. 8 (2).
- (3) Despite any by-law of a board, if a position on the audit committee becomes vacant, the position shall be filled as soon as possible in accordance with this Regulation. O. Reg. 361/10, s. 8 (3).
- (4) A person who is appointed to fill a vacancy shall hold the position for the remainder of the term of the member whose position became vacant. O. Reg. 361/10, s. 8 (4).

**Duties of an audit committee**

**9.** (1) An audit committee of a board has the following duties related to the board's financial reporting process:

1. To review with the director of education, a senior business official and the external auditor the board's financial statements, with regard to the following:
  - i. Relevant accounting and reporting practices and issues.
  - ii. Complex or unusual financial and commercial transactions of the board.
  - iii. Material judgments and accounting estimates of the board.
  - iv. Any departures from the accounting principles published from time to time by the Canadian Institute of Chartered Accountants that are applicable to the board.
2. To review with the director of education, a senior business official and the external auditor, before the results of an annual external audit are submitted to the board,
  - i. the results of the annual external audit,
  - ii. any difficulties encountered in the course of the external auditor's work, including any restrictions or limitations on the scope of the external auditor's work or on the external auditor's access to required information,
  - iii. any significant changes the external auditor made to the audit plan in response to issues that were identified during the audit, and
  - iv. any significant disagreements between the external auditor and the director of education or a senior business official and how those disagreements were resolved.
3. To review the board's annual financial statements and consider whether they are complete, are consistent with any information known to the audit committee members and reflect accounting principles applicable to the board.
4. To recommend, if the audit committee considers it appropriate to do so, that the board approve the annual audited financial statements.
5. To review with the director of education, a senior business official and the external auditor all matters that the external auditor is required to communicate to the audit committee under generally accepted auditing standards.
6. To review with the external auditor material written communications between the external auditor and the director of education or a senior business official.
7. To ask the external auditor about whether the financial statements of the board's reporting entities, if any, have been consolidated with the board's financial statements.
8. To ask the external auditor about any other relevant issues. O. Reg. 361/10, s. 9 (1).

(2) An audit committee of a board has the following duties related to the board's internal controls:

1. To review the overall effectiveness of the board's internal controls.
2. To review the scope of the internal and external auditor's reviews of the board's internal controls, any significant findings and recommendations by the internal and external auditors and the responses of the board's staff to those findings and recommendations.
3. To discuss with the board's officials the board's significant financial risks and the measures the officials have taken to monitor and manage these risks. O. Reg. 361/10, s. 9 (2).

(3) An audit committee of a board has the following duties related to the board's internal auditor:

1. To review the internal auditor's mandate, activities, staffing and organizational structure with the director of education, a senior business official and the internal auditor.

2. To make recommendations to the board on the content of annual or multi-year internal audit plans and on all proposed major changes to plans.
  3. To ensure there are no unjustified restrictions or limitations on the scope of the annual internal audit.
  4. To review at least once in each fiscal year the performance of the internal auditor and provide the board with comments regarding his or her performance.
  5. To review the effectiveness of the internal auditor, including the internal auditor's compliance with the document *International Standards for the Professional Practice of Internal Auditing*, as amended from time to time, published by The Institute of Internal Auditors and available on its website.
  6. To meet on a regular basis with the internal auditor to discuss any matters that the audit committee or internal auditor believes should be discussed.
  7. To review with the director of education, a senior business official and the internal auditor,
    - i. significant findings and recommendations by the internal auditor during the fiscal year and the responses of the board's staff to those findings and recommendations,
    - ii. any difficulties encountered in the course of the internal auditor's work, including any restrictions or limitations on the scope of the internal auditor's work or on the internal auditor's access to required information, and
    - iii. any significant changes the internal auditor made to the audit plan in response to issues that were identified during the audit. O. Reg. 361/10, s. 9 (3).
- (4) An audit committee of a board has the following duties related to the board's external auditor:
1. To review at least once in each fiscal year the performance of the external auditor and make recommendations to the board on the appointment, replacement or dismissal of the external auditor and on the fee and fee adjustment for the external auditor.
  2. To review the external auditor's audit plan, including,
    - i. the external auditor's engagement letter,
    - ii. how work will be co-ordinated with the internal auditor to ensure complete coverage, the reduction of redundant efforts and the effective use of auditing resources, and
    - iii. the use of independent public accountants other than the external auditor of the board.
  3. To review and confirm the independence of the external auditor.
  4. To meet on a regular basis with the external auditor to discuss any matters that the audit committee or the external auditor believes should be discussed.
  5. To resolve any disagreements between the director of education, a senior business official and the external auditor about financial reporting.
  6. To recommend to the board a policy designating services that the external auditor may perform for the board and, if the board adopts the policy, to oversee its implementation. O. Reg. 361/10, s. 9 (4).
- (5) An audit committee of a board has the following duties related to the board's compliance matters:
1. To review the effectiveness of the board's system for monitoring compliance with legislative requirements and with the board's policies and procedures, and where there have been instances of non-compliance, to review any investigation or action taken by the board's director of education, supervisory officers or other persons employed in management positions to address the non-compliance.
  2. To review any significant findings of regulatory entities, and any observations of the internal or external auditor related to those findings.
  3. To review the board's process for communicating any codes of conduct that apply to board members or staff of the board to those individuals and the board's process for administering those codes of conduct.
  4. To obtain regular updates from the director of education, supervisory officers and legal counsel regarding compliance matters.
  5. To obtain confirmation by the board's director of education and supervisory officers that all statutory requirements have been met. O. Reg. 361/10, s. 9 (5).
- (6) An audit committee of a board has the following duties related to the board's risk management:
1. To ask the board's director of education, a senior business official, the internal auditor and the external auditor about significant risks, to review the board's policies for risk assessment and risk management and to assess the steps the

director of education and a senior business official have taken to manage such risks, including the adequacy of insurance for those risks.

2. To perform other activities related to the oversight of the board's risk management issues or financial matters, as requested by the board.
3. To initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealing. O. Reg. 361/10, s. 9 (6).

(7) An audit committee of a board shall report to the board annually, and at any other time that the board may require, on the committee's performance of its duties. O. Reg. 361/10, s. 9 (7).

(8) An audit committee shall make all reasonable efforts to ensure that a copy of this Regulation is posted on the board's website. O. Reg. 361/10, s. 9 (8).

#### **Powers of an audit committee**

**10.** In carrying out its functions and duties, an audit committee of a board has the power to,

- (a) with the prior approval of the board, retain counsel, accountants or other professionals to advise or assist the committee;
- (b) meet with or require the attendance of board members, the board's staff, internal or external auditor or legal counsel or representatives from a reporting entity of the board at meetings of the committee, and require such persons or entities to provide any information and explanation that may be requested;
- (c) where the committee determines it is appropriate, meet with the board's external or internal auditor, or with any staff of the board, without the presence of other board staff or board members, other than board members who are members of the committee;
- (d) require the board's internal or external auditor to provide reports to the committee; and
- (e) have access to all records of the board that were examined by the internal or external auditor. O. Reg. 361/10, s. 10.

#### **Meetings**

**11.** (1) An audit committee of a board shall meet at least three times in each fiscal year at the call of the chair of the committee, and at such other times as the chair considers advisable. O. Reg. 361/10, s. 11 (1).

(2) The first meeting of the audit committee in each fiscal year after the 2011 year shall take place no later than September 30. O. Reg. 361/10, s. 11 (2).

(3) Each member of the audit committee has one vote. O. Reg. 361/10, s. 11 (3).

(4) The audit committee shall make decisions by resolution. O. Reg. 361/10, s. 11 (4).

(5) In the event of a tie vote, the chair is entitled to cast a second vote. O. Reg. 361/10, s. 11 (5).

(6) A majority of the members of the audit committee that includes at least one member who is not a board member constitutes a quorum for meetings of the committee. O. Reg. 361/10, s. 11 (6).

(7) The chair of the audit committee shall ensure that minutes are taken at each meeting and provided to the members of the committee before the next meeting. O. Reg. 361/10, s. 11 (7).

(8) Despite subsection (1), an audit committee of a board is required to meet only twice during the 2010-2011 fiscal year. O. Reg. 361/10, s. 11 (8).

#### **Codes of Conduct**

**12.** Any code of conduct of the board that applies to board members also applies to members of the audit committee who are not board members in relation to their functions, powers and duties as members of the committee. O. Reg. 361/10, s. 12.

#### **Remuneration and compensation**

**13.** (1) A person shall not receive any remuneration for serving as a member of the audit committee. O. Reg. 361/10, s. 13 (1).

(2) Subsection (1) does not preclude payment of an honorarium under section 191 of the Act that takes into account the attendance of a board member at an audit committee meeting. O. Reg. 361/10, s. 13 (2).

(3) A board shall establish policies respecting the reimbursement of members of its audit committee for expenses incurred as members of the committee. O. Reg. 361/10, s. 13 (3).

(4) A board shall reimburse members of its audit committee for expenses incurred as members of the committee in accordance with the policies referred to in subsection (3). O. Reg. 361/10, s. 13 (4).

#### **Declaration of conflicts**

14. (1) Every member of an audit committee shall, when he or she is appointed to the committee for the first time and at the first meeting of the committee in each fiscal year, submit a written declaration to the chair of the committee declaring whether he or she has a conflict of interest as described in subsection 4 (2). O. Reg. 361/10, s. 14 (1).

(2) A member of an audit committee who becomes aware after his or her appointment that he or she has a conflict of interest, as described in subsection 4 (2), shall immediately disclose the conflict in writing to the chair. O. Reg. 361/10, s. 14 (2).

(3) If a member or his or her parent, child or spouse could derive any financial benefit relating to an item on the agenda for a meeting, the member shall declare the potential benefit at the start of the meeting and withdraw from the meeting during the discussion of the matter and shall not vote on the matter. O. Reg. 361/10, s. 14 (3).

(4) If no quorum exists for the purpose of voting on a matter only because a member is not permitted to be present at the meeting by reason of subsection (3), the remaining members shall be deemed to constitute a quorum for the purposes of the vote. O. Reg. 361/10, s. 14 (4).

(5) If a potential benefit is declared under subsection (3), a detailed description of the potential benefit declared shall be recorded in the minutes of the meeting. O. Reg. 361/10, s. 14 (5).

#### **Reporting**

15. (1) An audit committee of a board shall submit to the board on or before a date specified by the board an annual report that includes,

- (a) any annual or multi-year audit plan of the board's internal auditor;
- (b) a description of any changes made to a plan referred to in clause (a) since the last report of the committee;
- (c) a summary of the work performed by the internal auditor since the last annual report of the committee, together with a summary of the work the auditor expected to perform during the period, as indicated in the plan referred to in clause (a); and
- (d) a summary of risks identified and findings made by the internal auditor. O. Reg. 361/10, s. 15 (1).

(2) A board who receives a report under subsection (1) shall submit a copy of it to the Minister in each fiscal year on or before a date specified by the Minister. O. Reg. 361/10, s. 15 (2).

(3) An audit committee of a board shall submit a report to the board in each fiscal year on or before a date specified by the board, and at any other time as may be requested by the board, that includes,

- (a) a summary of the work performed by the committee since the last report;
- (b) an assessment by the committee of the board's progress in addressing any findings and recommendations that have been made by the internal or external auditor;
- (c) a summary of the matters addressed by the committee at its meetings;
- (d) the attendance record of members of the committee; and
- (e) any other matter that the committee considers relevant. O. Reg. 361/10, s. 15 (3).

16. OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION). O. Reg. 361/10, s. 16.

Français

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**Ministry of Education**  
Financial Analysis and  
Accountability Branch  
21<sup>st</sup> Floor, Mowat Block  
900 Bay Street  
Toronto, Ontario M7A 1L2  
Tel.: (416) 327-9356  
Fax: (416) 325-2007  
Email: [Andrew.Davis@Ontario.ca](mailto:Andrew.Davis@Ontario.ca)

**Ministère de l'Éducation**  
Direction de l'analyse et de la  
responsabilité financières  
21<sup>e</sup> étage, édifice Mowat  
900, rue Bay  
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Tél. : (416) 327-9356  
Télééc.: (416) 325-2007  
Courriel: [Andrew.Davis@Ontario.ca](mailto:Andrew.Davis@Ontario.ca)

**2010:SB46**

**MEMORANDUM TO:** Directors of Education

**FROM:** Andrew Davis  
Director  
Financial Analysis and Accountability Branch

**DATE:** October 19, 2010

**SUBJECT:** Audit Committee Training

---

I am writing to invite you to participate in the upcoming audit committee training sessions scheduled for January and February 2011.

### **Overview**

As per 2010 memorandum SB 45, the regulation mandating the creation of audit committees by all school boards has been enacted into law on September 9, 2010 in Ontario Regulation 361/10. In order to assist the school board sector in the successful implementation of audit committees, the Ministry, in conjunction with the eight host boards, have organized a series of two day training sessions. The training sessions will be delivered primarily by an external audit firm. Appendix A details the dates and locations of the eight different locations where the training will be held. The locations selected represent the eight geographical internal audit regions. We encourage you to attend the session offered in your region, if possible.

### **Invited Participants**

The following individuals are invited to attend the training sessions. The presence of these individuals is key to ensuring that all parties responsible for school board governance have a clear understanding of the audit committee's mandate:

- ❖ Trustees (who will be members of the audit committee)
- ❖ External members (who will be members of the audit committee)
- ❖ Director of Education
- ❖ Superintendent of Business
- ❖ Regional internal audit manager (applicable to the eight host boards only)
- ❖ 1 or 2 addition school board staff (at the discretion of senior management)

### **Agenda**

The training sessions will cover a wide variety of topics surrounding audit committees and internal audit and will include:

- The audit committee regulation;
- The roles and responsibilities of the audit committee and its members;

- The roles and responsibilities of external audit and internal audit;
- An understanding of the evaluation of the board's internal controls;
- An understanding of the key elements of Public Sector Accounting Board financial statements;
- Assessing risk and risk management; and
- An evaluation of the effectiveness of audit committees.

### **Training Format**

#### Day 1

10 AM – 12 PM: An overview of the education sector in Ontario (optional attendance, session is directed to new participants to the education sector but all participants may attend)

12 PM – 6 PM: Audit committee training

#### Day 2

9 AM – 4 PM: Audit committee training continued

### **Confirmation of Participation**

The Ministry requires a preliminary e-mail confirmation of the attendance figures for your board by December 7, 2010. We recognize that the board and non-board member participants may need to be estimated at this time and may be more a placeholder than a person's name and title. The Ministry then requires a final figure to be submitted by January 4, 2011.

Please email the number of participants, their names and titles to the Ministry representative listed below:

Greg Fiorido  
Financial Analysis and Accountability Branch  
Ministry of Education  
3300 Bloor Street West  
Toronto, Ontario  
Tel: (416) 325-3244  
Email: [greg.fiorido@ontario.ca](mailto:greg.fiorido@ontario.ca)

Should you or your staff have any questions at all please feel free to contact Greg Fiorido from the Governance and Audit Support Team at the telephone number or email address listed above.

Yours sincerely,



Andrew Davis  
Director  
Financial Analysis and Accountability Branch

## Appendix A - Training Schedule

Region	City	Dates	Hotel
<p><b><u>Central Region</u></b>            Dufferin-Peel Catholic DSB            Peel DSB*            Toronto Catholic DSB            Toronto DSB            York Catholic DSB            York Region DSB</p>	Toronto	February 24-25	<p><b><u>Airport Holiday Inn:</u></b>            Toronto International            Airport            970 Dixon Road            Toronto, Ontario            M9W 1J9            Tel. (416) 675-7611            Toll Free: 1-877-660- 8550            Fax: (416) 675-9162</p>
<p><b><u>Eastern Region</u></b>            Algonquin &amp; Lakeshore DSB            Catholic DSB of Eastern Ontario            Hastings &amp; Prince Edward DSB            Limestone DSB            Ottawa Carleton DSB            Ottawa Catholic DSB*            Renfrew County Catholic DSB            Renfrew County DSB            Upper Canada DSB</p>	Ottawa	February 17-18	<p><b><u>Courtyard Marriott:</u></b>            350 Dalhousie Street            Ottawa, Ontario            K1N 7E9            Tel. (613) 241-1000            Toll Free 1-800-341-2210            Fax: (613) 241-4804</p>
<p><b><u>French Language Region</u></b>            CSD catholique Centre-Sud            CSD catholique de l'Est ontarien            CSD catholique des Aurores-            Boréales            CSD catholique des Grandes            Rivières            CSD catholique du Centre-Est*            CSD catholique du Nouvel-            Ontario            CSD catholique Franco-Nord            CSD des écoles catholique Sud-            Ouest            CSD des écoles publiques            CSD du Centre Sud-Ouest            CSD du Grand Nord de l'Ontario            CSD du Nord Est de l'Ontario</p>	Toronto	February 7-8	<p><b><u>Airport Holiday Inn:</u></b>            Toronto International            Airport            970 Dixon Road            Toronto, Ontario            M9W 1J9            Tel. (416) 675-7611            Toll Free: 1-877-660-8550            Fax: (416) 675-9162</p>

<p><b><u>Greater Northern Region</u></b>  Keewatin-Patricia DSB  Kenora Catholic DSB  Lakehead DSB  Northwest Catholic DSB  Rainy River DSB  Superior North Catholic DSB  Superior-Greenstone DSB  Thunder Bay Catholic DSB*</p>	<p>Thunder Bay</p>	<p>February 15-16</p>	<p><b><u>Valhalla Inn:</u></b>  1 Valhalla Inn Road  Thunder Bay, Ontario,  P7E 6J1  Tel. (807) 577-1121  Toll Free: 1-800-964-1121  Fax: (807) 475-4723</p>
<p><b><u>North Eastern Region</u></b>  Bluewater DSB  Bruce-Grey Catholic DSB  Durham Catholic DSB  Durham DSB  Kawartha Pine Ridge DSB  Peterborough Victoria  Northumberland and Clarington  DSB  Simcoe County DSB*  Simcoe Muskoka Catholic DSB  Trillium Lakelands DSB</p>	<p>Barrie</p>	<p>January 17-18</p>	<p><b><u>Holiday Inn:</u></b>  20 Fairview Road  Barrie, Ontario  L4N 4P3  Tel. (705) 728-6191  Toll Free: 1-877-728-6191  Fax: (705) 728-1718</p>
<p><b><u>South Western Region</u></b>  DSB of Niagara  Halton Catholic DSB  Halton DSB  Hamilton-Wentworth Catholic  DSB  Hamilton-Wentworth DSB  Niagara Catholic DSB  Upper Grand DSB  Waterloo Catholic DSB  Waterloo Region DSB*  Wellington Catholic DSB</p>	<p>Hamilton</p>	<p>Jan 31-Feb 1</p>	<p><b><u>Courtyard Marriott:</u></b>  1224 Upper James Street  Hamilton, Ontario  L9C3B1  Tel. (905) 383-7772  Toll Free: 1-888-236-2427  Fax: (905) 383-7895</p>

<p><b><u>Southern Region</u></b>  Avon Maitland DSB  Brant Haldimand Norfolk Catholic DSB  Grand Erie DSB  Greater Essex County DSB  Huron-Perth Catholic DSB  Lambton Kent DSB  London Catholic DSB  St. Clair Catholic DSB  Thames Valley DSB*  Windsor-Essex Catholic DSB</p>	<p>London</p>	<p>February 3-4</p>	<p><b><u>Four Points by Sheraton:</u></b>  1150 Wellington Road  South  London, Ontario  N6E1M3  Tel. (519) 681-0600  Toll Free: 1-800-368-7764  Fax: (519) 681-8222</p>
<p><b><u>Northern Region</u></b>  Algoma DSB  DSB Ontario North East  Huron-Superior Catholic DSB  Near North DSB  Nipissing-Parry Sound Catholic DSB  Northeastern Catholic DSB  Rainbow DSB  Sudbury Catholic DSB*</p>	<p>Sudbury</p>	<p>February 22-23</p>	<p><b><u>Holiday Inn:</u></b>  1696 Regent Street  Sudbury, Ontario  P3E 3Z8  Tel. (705) 522-3000  Toll Free: 1-877-660-8550  Fax: (705) 522-8067</p>

\* Indicates the Host Board DSB for each region

Seeks

**TWO VOLUNTEER COMMUNITY MEMBERS**

to serve on its

**AUDIT COMMITTEE**

**Term of Office – THREE-YEAR TERM EFFECTIVE JANUARY 31, 2011**

The audit committee will be comprised of three Trustees and two independent members drawn from the community at large. The primary role of the audit committee is to assist the board of trustees in fulfilling its duties related to governance and oversight. The duties of the audit committee fall under the following key areas: the financial reporting process, internal control framework, risk management practices, performance and function of the board’s internal and external auditors and the board’s compliance with its obligations under legislation. The Committee meets at least 3 times a year, plus ad hoc meetings as required. A formal training course will be provided to all committee members to clarify roles and responsibilities of audit committees for the school board sector. The training is scheduled for January 31<sup>st</sup> and February 1<sup>st</sup>, 2011.

**Candidate Eligibility:**

- Applicants must have sufficient accounting, senior financial management or other relevant business experience to understand public sector accounting and auditing standards.
- The applicant must not be a current employee or officer of the board or of any other district school board or school authority.
- The applicant must not have a parent, child or spouse currently employed by the board.

**Submission of Applications**

Suitably qualified candidates interested in serving on the audit committee are invited to submit a letter of interest and resume by 4:00 p.m. on Tuesday, November 30, 2010 to:

Michael W. Pautler, Director of Education and Secretary of the Board  
 Halton Catholic District School Board  
 802 Drury Lane, P.O. Box 5308  
 Burlington, ON L7R 4L3  
 Email: [pautlerm@hcdsb.org](mailto:pautlerm@hcdsb.org)

Candidates who are short-listed may be requested to attend a private interview conducted by the audit committee’s selection committee. For information about the Halton Catholic District School Board, please visit [www.hcdsb.org](http://www.hcdsb.org).

For further information please contact:

Paul McMahon, Superintendent of Business Services and Treasurer of the Board  
 Direct: 905-632-6314 ext. 130  
 Email: [mcmahonp@hcdsb.org](mailto:mcmahonp@hcdsb.org)

Bob Van de Vrande  
 Chair of the Board

Michael W. Pautler  
 Secretary of the Board



*Achieving...Believing...Belonging!*

## BACKGROUND

### WHAT:

The primary role of audit committees is to provide assurance to the board of trustees that the school board has the appropriate culture, personnel, policies, systems, and controls in place to safeguard the school board's assets and to accurately report financial information to internal and external users.

### WHY:

To provide oversight for the education sector that manages budgets totaling more than \$20 billion

### WHEN:

Effective January 31, 2011, first meeting to take place by March 31, 2011

### COMPOSITION:

Typically 3 trustees and 2 representatives from the community

## QUESTIONS ON AUDIT COMMITTEES?

### PLEASE CONTACT:

Greg Fiorido – Audit Analyst  
Ministry of Education  
Financial Analysis &  
Accountability Branch

[Greg.Fiorido@ontario.ca](mailto:Greg.Fiorido@ontario.ca)  
(416) 325-3244

## AN OPPORTUNITY FOR COMMUNITY INVOLVEMENT



## AUDIT COMMITTEE RECRUITMENT

## ELIGIBILITY REQUIREMENTS:

- ✓ Has accounting, financial management or other relevant business experience that would enable you to understand public sector accounting standards,
- ✓ Is not an employee or officer of the board or of any other board at the time of the appointment, and
- ✓ Does NOT have a parent, child or spouse employed by the school board

## SELECTION COMMITTEE:

The selection committee is a three member panel made up of:

- ✓ the Senior business official
- ✓ the Director of Education
- ✓ the Chair of the board or a board member designated by the chair

## TERM OF APPOINTMENT:

- ✓ Up to 3 years for initial term with the possibility of reappointment afterwards
- ✓ Can resign at any time

## SMALL TIME COMMITMENT:

- ✓ Generally meet 3 times per year (June, September, November)
- ✓ 2-3 hours in duration
- ✓ Teleconferencing available

## TRAINING WILL BE PROVIDED:

2 day training session offered in Jan/Feb 2011 prior to starting your appointment to tell you everything you need to know about your role as an audit committee member

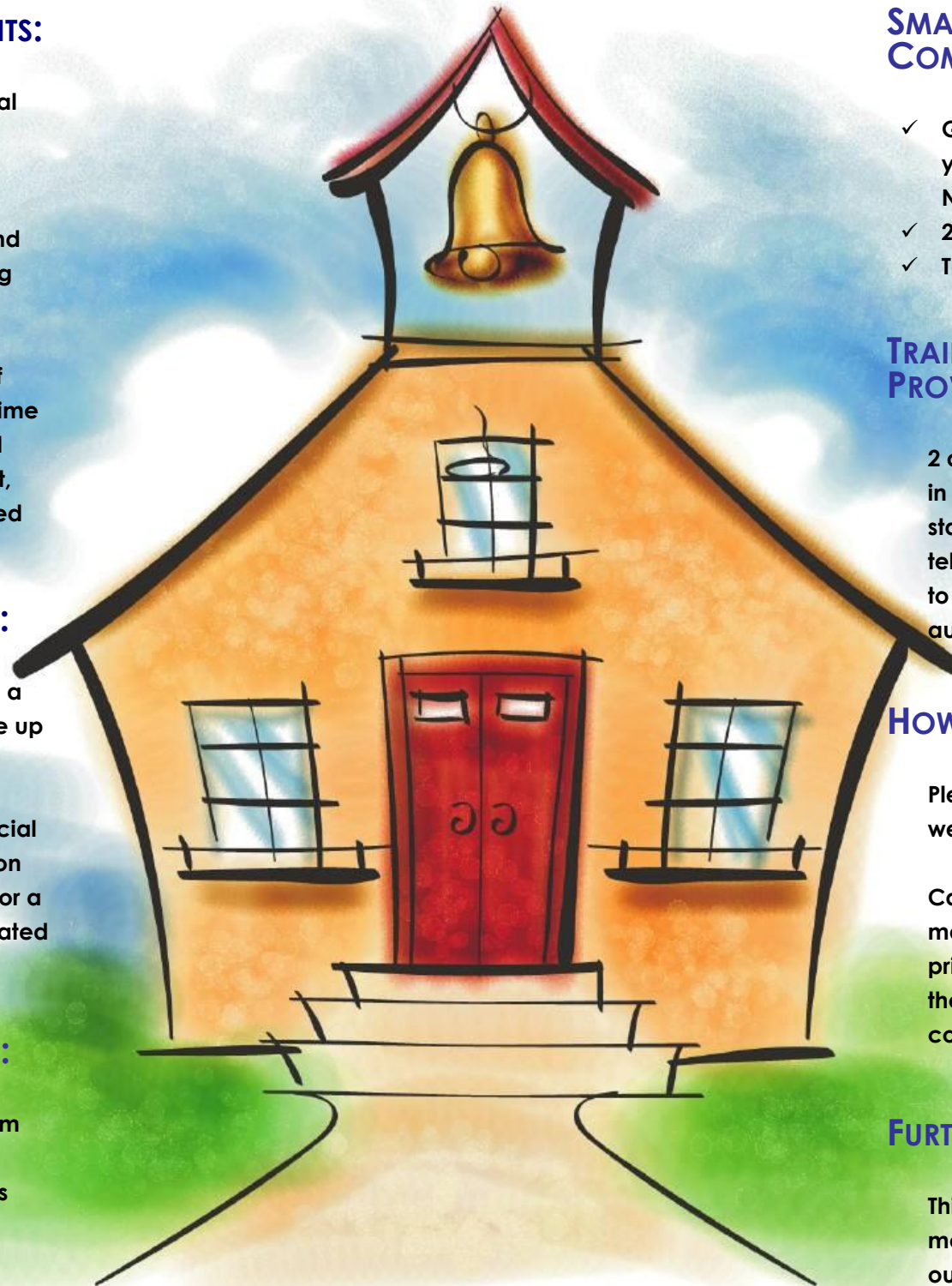
## HOW TO APPLY:

Please visit your school board website for details

Candidates who are short listed may be requested to attend a private interview conducted by the audit committee's selection committee.

## FURTHER INFORMATION:

This is a volunteer position but members may be reimbursed for out of pocket expenses.



# Regional Internal Audit Team

Evan Kwok

October 26<sup>th</sup>, 2010



HALTON CATHOLIC DISTRICT SCHOOL BOARD  
*Achieving...Believing...Belonging!*

reach across communities  
reach every student



# Who are we?

- **Evan Kwok, Regional Internal Audit Manager – West of Central Region**
- **10 years in Public Accounting, Internal Audit & Risk Assessment experience**
- **Directed numerous projects to created various methods to assess risk**
- **Developed comprehensive audit programs to test internal controls**
- **Communicated risk-based audit reports recommended findings to Senior Management and Audit Committees**
- **Internal audit projects includes design, develop, implement and consult effective enterprise risk management and internal audit methodologies**



# Initiative Overview

- Province transfers \$20B funding to the school board sector
- Transparency & Accountability – key to public confidence
- Internal audit experience in both the public and private sectors
- Ministry identified opportunities to modernize governance through:
  - Audit Committees
  - Internal Audit
- Bill 177
  - Amendment to the Education Act to require establishment of Audit Committee including external member representation
- Funding from the Ministry:
  - \$2MM for 2009-10
  - \$5MM/year from 2010/11 onwards

# Internal Audit & Risk Management



HALTON CATHOLIC DISTRICT SCHOOL BOARD  
*Achieving...Believing...Belonging!*

reach across communities  
reach every student



# First Twelve Months

- **Regional Internal Audit Team**
  - **Regional Internal Audit Manager**
  - **2 Senior Internal Auditors**
  - **2 Internal Auditors**
  
- **Get to know the Boards in the Region**
  - **Review Board websites, relevant news clippings, operational reviews**
  
  - **Meet and establish good working relationships with Senior Management**
    - Leads to benefits down the road
    - Maintain those relationships developed before/during risk assessments
  
- **Risk Assessments should take approximately 3 weeks per Board**
  
- **Contact Boards' Superintendent of Business to schedule Risk Assessments in Mid-October**

# First Twelve Months cont'd

- **Completed Risk Assessments presented in first Audit Committee Meeting**
  - The results of the risk assessments will be reviewed and agreed with the relevant School Board prior to presentation
  
- **Develop the Board specific Internal Audit Plan**
  - **Developed through combination of:**
    - A minimum level per Board
    - School Board size
    - Risk assessment results
    - Contingency for requests, investigations etc
  
  - **March 2011**
    - Post the audit mandate on Board's website
    - Present the five-year and current year Audit plans
    - Audit Committee approve Audit plans
  
  - **April 2011**
    - Commence Internal Audits



# Risk Terminology

## ■ Definition of Risk

Risk is defined as “anything of variable uncertainty that interferes with the achievement of business strategies and objectives

## ■ Enterprise Risk Management

ERM is a value-creating discipline.

ERM is a comprehensive review of risk and risk management, a movement away from the “Silo” approach of managing risks separately and distinctly.

ERM is a discipline by which an organization assesses, controls, finances, and monitors risks from all sources.



# Sources of Risk

## ■ What are the Sources of Risk?

There are both internal and external conditions that inherently expose a school board to risk.

Internal conditions include the complexity of operation, the degree of knowledge required, degree and recentness of any changes, legislative and regulatory requirements, workload and transaction volumes, degree of dependencies and geographical dispersion

External business conditions include new public management trends, political influences, shifting public values and demographics, the global environment, the volatility of internal markets, regulatory and legislative constraints and financial constraints

# Assessment of Risk

- All risk assessments must be completed by January 31, 2011
- Completed using a defined Risk Assessment Tool, designed by the Government and Audit Support Team (GAAS). This will ensure a more consistent delivery across all 72 School Boards
- Two tools will be used by the team to perform the risk assessment:
  - The Entity Level tool addresses the likelihood/probability of risk at the entity level. These are the risks to the School Board as a whole rather than an individual process.
  - The Process Risk Assessment tool is a more detailed instrument where a series of specific questions across the eight key risk categories.
  - Both tools are designed to give a rating of High (Red), Medium (Yellow) or Low (Green)



# 1. Entity Level Risk

- The Entity Level tool addresses the likelihood of risk at an School Board level. In risk management, likelihood is defined as the probability of occurrence of an event
- Likelihood is assessed by answering a series of questions that gauge the Boards capacity and performance in each key risk category

## Key Risk Categories

- Financial – resulting in a financial loss
- Governance – ineffective structures/accountabilities
- Human Resource – wrong staff, high turnover
- Information Management – completeness & timeliness
- Service Delivery/Operational – poor operations impact goals
- Legal & Compliance – policies, guidelines and legislation
- Stakeholder Satisfaction – public, Ministry, image
- Technology – availability, access, integrity, security

## Entity Type Questions

- Have there been significant recoveries
- Does the Board have more than one financial expert
- Policies/procedures – recruitment, H&S, exiting
- Policies/procedures/contracts for record retention
- Emergency operational plans environmental, labour etc
- Pending action that could result in a material loss
- Procedures to guard against negative media coverage
- IT protection, offsite storage of backups

# Entity Level Tool

## Regional Internal Audit Risk Assessment Tool

### Entity Level Risk Assessment

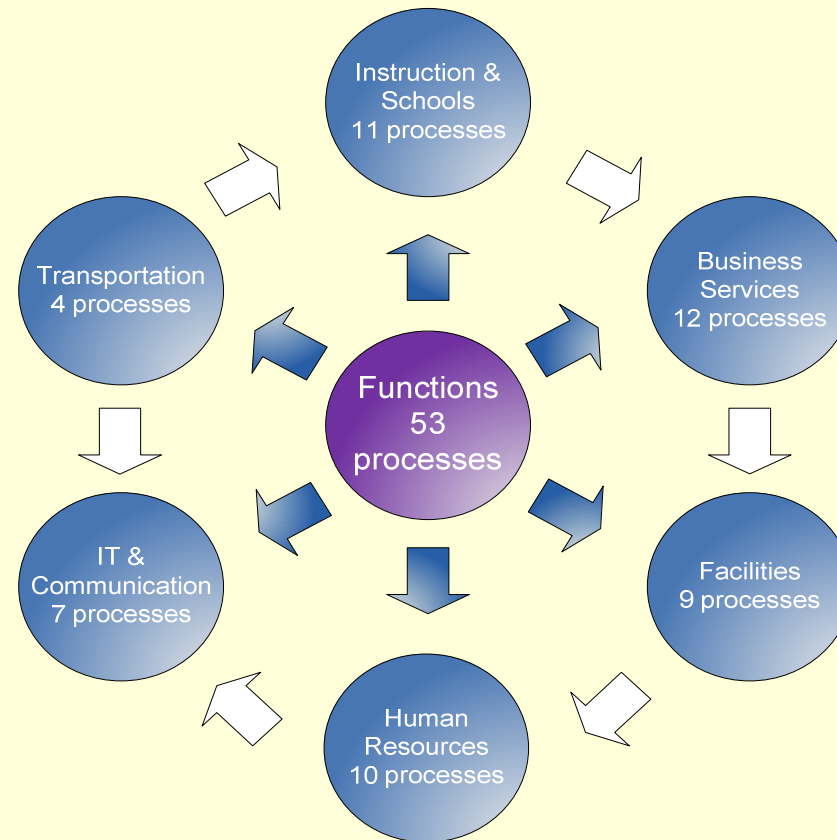
FOLLOW-UP REQUIRED

ERROR

School Board Name	Avon Maitland DSB		Date:	For the period:	Signature:		
<b>Entity Risk Ranking</b>		<b>89.58%</b>	<b>28.13%</b>	<b>61.46%</b>	<b>Medium</b>		
Risk Category	Questions	Likelihood	Mitigating Factors	Residual Risk	Reason For Likelihood Assessment	Reason For Mitigating Assessment	Resources Reviewed and Staff Interviewed
<i>Financial Risk</i>	Have there been significant year end recoveries or payments to the school board over the past two years? (More than .50% of the operating budget)	I	L	1.04%			
	Does the school board have a fraud management policy?	I	M	1.04%			
<i>Governance Risk</i>	Are board meetings held in accordance with board policies and procedures?	I	I	1.04%			

## 2. Process Level Risk

- 53 key processes over 6 functional areas



# Process Level Risk Tool

Regional Internal Audit Risk Assessment Tool

**This is showing Low Risk**

<b>Index Number</b>				
<b>Board Name:</b>				
<b>Board Number:</b>	#N/A			
<b>Process:</b>				
<b>Region:</b>	#N/A			
<b>Lead Auditor:</b>				
<b>Date Completed:</b>				

Risk Category	Residual Risk	Financial Impact	Reputational Impact	Risk Assessment
Financial Risk	0.00%			0.00%
Governance Risk	0.00%			0.00%
Human Resource Risk	0.00%			0.00%
Information Management Risk	0.00%			0.00%
Legal and Compliance Risk	0.00%			0.00%
Service Delivery/Operational Risk	0.00%			0.00%
Stakeholder and Public Risk	0.00%			0.00%
Technology Risk	0.00%			0.00%
Financial /Reputational Impact				
<b>Risk Ratings</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
		ERROR	ERROR	

<b>Risk Range</b>	
Low Risk	0 - 40%
Medium Risk	40.01% - 70%
High Risk	70.01%++

**Sign Off**

Regional Internal Audit Manager \_\_\_\_\_ Date: \_\_\_\_\_

- Each of the 8 key risk categories will have a worksheet. For each of the 53 identified processes, there will be a separate worksheet which will feed into the above summary and sign off sheet.

# Process Level Risk Tool cont'd

Process Risk Ranking			
<b>High Risk</b>		Review of this process identified a high level of risk	70.01% <sup>+++</sup>
<b>Medium Risk</b>		Review of this process identified a moderate level of risk	40.01% -70%
<b>Low Risk</b>		Review of this process identified a low level of risk	0 - 40%

- In order to determine a risk ranking of High (Red), Medium (Yellow) or Low (Green) for each process the above risk ranking range is used
- Once the residual risk has been assessed for each risk category, should the risk do occur, it must be assessed by the potential Reputational and Financial impact to the School Board. Impact can be expressed either qualitatively or quantitatively and to facilitate a consistent approach the tool adopts the following definitions and scoring

Risk Categories and Scoring	0 points	1 point	2 points	3 points
<b>Financial Impact</b>	The realization of risk within this process would have <u>no</u> financial impact on the school board.	The realization of risk within this category would have a <u>limited</u> financial impact on the school board. Less than 1.5% of total revenues.	The realization of risk within this category would have a <u>moderate</u> financial impact on the school board. Between 1.5% and 3% of total revenues.	The realization of risk within this category would have a <u>significant</u> financial impact on the school board. Greater than 3% of total revenues.
<b>Reputational Impact</b>	The realization of risk within this process would have <u>no</u> reputational impact on the school board.	The realization of risk within this category would have <u>limited</u> reputational impact on the school board. Within the school board community.	The realization of risk within this category would have <u>moderate</u> reputational impact on the school board. Such as media scrutiny.	The realization of risk within this category would have <u>significant</u> reputational impact on the school board. Such as political ramifications. Ministry involvement.

# Audit Universe/Heat Map

## School Board Audit Universe: Algoma DSB

Entity Level Risk Ranking

Low	0.00%
-----	-------

Overall School Board Process Risk Ranking

Low	0.00%
-----	-------

Instruction and Schools 0.00%	Plan and develop programs	0.00%	Plan and provide support services	0.00%	Enrolment	0.00%	Attendance	0.00%	Managing instructional day	0.00%	Monitoring & Reporting outcomes	0.00%
	Special Education	0.00%	Special Education - High Needs	0.00%	Coordinate Student organizations & athletics	0.00%	Professional Development	0.00%	Management of Suspensions & Expulsions	0.00%		

Business Services 0.00%	Budget planning, development & control	0.00%	Management reporting and analysis	0.00%	Ministry reporting	0.00%	Grant and non grant revenue management	0.00%	Fundraising	0.00%	Treasury	0.00%
	Facility Procurement	0.00%	Procurement & A/P	0.00%	Purchasing Cards	0.00%	Expense Reporting	0.00%	Risk Management	0.00%	Payroll	0.00%

Facilities 0.00%	Facility requirement forecasting/capital planning	0.00%	EDC by law process	0.00%	Manage facility operations	0.00%	Repairs & Maintenance	0.00%	Custodial services	0.00%	Construction monitoring & management	0.00%
	ODA Compliance	0.00%										

Human Resources 0.00%	Recruiting and retention	0.00%	Hiring	0.00%	Teacher staffing	0.00%	Non teacher staffing allocation	0.00%	Attendance support	0.00%	Compensation & benefits	0.00%
	Termination & retirement	0.00%	Manage labour relations	0.00%	Health & Safety	0.00%	Supply Teachers	0.00%				

Information Tech & Comm. 0.00%	Develop IT strategy	0.00%	Develop & deploy applications	0.00%	Network and application access management	0.00%	Manage IT security	0.00%	Data management	0.00%	Records Management	0.00%
	Back up	0.00%	Manage communication system	0.00%	Deploy non-IT resources	0.00%						

Transportation 0.00%	Define parameters for transportation service	0.00%	Monitor consortium relationship	0.00%	Manage service delivery	0.00%	Transportation to Provincial school	0.00%				

Colour Key:	Review of this process identified a <b>high</b> level of risk	70.01%++
	Review of this process identified a <b>moderate</b> level of risk	40.01-70%
	Review of this process identified a <b>low</b> level of risk	0 - 40%

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# Internal Audit Funding



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# Funding

- In 2009/10 Grants for Student Needs, there was new funding announced in the following amounts, to support the establishment of Audit Committee and an internal audit function:

- \$2MM for 2009/10
- \$5MM/year from 2010/11 and onwards

2010/11		
	Staffing	Other
Toronto & Area (6E)	\$1,055,143	\$7,979
French Boards (12F)	\$387,204	\$375,715
South (10E)	\$522,643	\$44,142
<b>West of Central (10E)</b>	<b>\$609,975</b>	<b>\$15,935</b>
Ottawa (9E)	\$504,454	\$68,682
Barrie (9E)	\$535,232	\$58,869
North Bay / Sudbury (8E)	\$337,219	\$107,549
Thunder Bay (8E)	\$298,130	\$71,129
<b>TOTAL (72 boards)</b>	<b>\$4,250,000</b>	<b>\$750,000</b>

- For 2010/11 we have a total funding of \$625,910. The Ministry have been fairly prescriptive in the allocation of this funding and what it can be spent on.

- Component 1 = 85% should be spent on staffing. This can include staff and consultants
- Component 2 = 15% for Internal audit other. This relates to travel, supplies, training etc

# Resource Allocation

- **Ensure that there is a fair and equitable distribution of resources within the region based on a combination of School Board size and The School Board Risk Assessment.**
- **Ensure that every School Board receives a minimum resource allocation for internal audit services every year.**
- **Share best practice in internal audit and risk management using a team approach.**
- **Promote the efficient use of resources through collaboration among Boards.**
- **Provide Audit Committees with a reference document which will allow them to evaluate and approve multi-annual internal audit plan that will be presented by RIAT**



# Resource Allocation

- To ensure that there is a fair and equitable distribution of resources within the region based on a combination of School Board size and The School Board Risk Assessment.

	School ADE	% Region's ADE
DSB of Niagara	105,930,164	11.08%
Halton Catholic DSB	72,716,858	8.25%
Halton DSB	181,203,916	15.24%
Hamilton-Wentworth Catholic DSB	50,427,382	8.38%
Hamilton-Wentworth DSB	113,008,698	14.71%
Niagara Catholic DSB	43,904,141	6.81%
Upper Grand DSB	83,399,418	9.53%
Waterloo Catholic DSB	55,242,249	6.46%
Waterloo Region DSB	163,302,176	17.13%
Wellington Catholic DSB	17,260,049	2.41%
<b>Total</b>	<b>886,395,051</b>	<b>100.00%</b>

**Minimum \$10,000 per Board**  
 +  
**[(Board ADE as a proportion of the Region ADE) \* 50%**  
 +  
**(RAS2 of Board as a proportion of the Regions RAS) \* 50%] \* [Core Staffing Allocation – (10 Boards \* \$10,000)]**

# Audit Committee

- SB 45 Audit Committee Regulation memo released on September 23, 2010
- Establishment of Audit Committees in school boards by January 31, 2011
- External Audit Committee Member recruitment to be commenced in Fall, 2010
  - 2 or 3 Trustees; and
  - 2 community representatives
  - Selection Committee:
    - Senior Business Official;
    - Direction of Education; and
    - Chair of the Board or a Board Member designated by Chair
- 2 day external training program will be offered to the members of audit committee in January and February 2011
  - Toronto: January 24 & 25
  - Hamilton: January 31 & February 1
- First Audit Committee Meeting to be held by March 30,2011



# FAAB WEBSITE/RESOURCES



HALTON CATHOLIC DISTRICT SCHOOL BOARD  
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# Resource & Guidance

- For further guidance and future updates, visit <http://faab.edu.gov.on.ca/Audit.html>
  - Q&A document on the audit committee and internal audit initiatives
  - Audit committee external member sample recruitment advertisement
  - Q&A document on the audit committee regulation
  - Internal audit mandate
  - Internal audit regions
  - Internal audit guidelines on hiring, evaluation, and staffing allocation



# In Conclusion

- Great deal of experience in risk management implementation
- Our role as a facilitator
- My team will adopt a coach to comply approach – working with you
- Ensure the team develops a robust and fair internal audit plans
- Work with the Boards to accommodate requests for audit work
- Customer feedback form



**Questions?**

**Any Questions**



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## **Risk Assessment Tool - Entity Level Questions**

### ***Financial Risk***

Have there been significant year end recoveries or payments to the school board over the past two years? (More than .50% of the operating budget)

Does the school board have a fraud management policy?

### ***Governance Risk***

Are Board meetings held in accordance with board policies and procedures?

Is there a clear distinction between the role and responsibilities of the Board and the Director of Education?

Does the Board have a way to regularly assess the performance of the Director of Education?

Does the Board have one or more members with financial expertise?

Does the school board have policies and processes to identify, communicate and respond to actual or potential conflict of interest situations for employees?

Are organizational charts prepared?

Are organizational charts public?

Are job descriptions prepared and regularly updated?

Is there a mechanism for reporting improprieties of those higher in the chain of command, without fear of reprisal? (E.g. whistleblower hotline or other)  
If so, is there proper oversight of the process (including Board and/or audit committee involvement) and action taken on any matters reported?

Has a comprehensive code of ethics or conduct been established, implemented and communicated to guide employee behaviour?

### ***Human Resource Risk***

Are there appropriate policies and procedures to ensure compliance with the following 7 areas:

1. Recruitment
2. Health and Safety - personal
3. Health and Safety - environmental

4. Conflict resolution
5. Learning and Development
6. Pay, Pension and Benefits
7. Exiting employees.

Are human resource policies updated regularly and available to all employees?

Are managers able to depart from policy or override any controls?

If so, are the instances clearly explained and documented?

### ***Information Management Risk***

Are there strategies in place to ensure corporate knowledge is retained when key-personnel leave or are terminated from their position?

Are there policies, procedures, processes and /or contracts to manage record retention and disposal at the school board?

### ***Legal and Compliance Risk***

Are there any pending legal actions that could result in material financial settlements?

### ***Operations Risk***

Are there plans to ensure operational continuity in the event of an emergency? (Environmental, labour etc.)

Are there policies, procedures and processes to ensure there is adequate safeguarding of school board assets? (Excluding IT assets)

### ***Stakeholder and Public Risk***

Are there formal procedures to respond to information requests from the public?

Are there formal procedures to respond to negative media coverage?

### ***Technology Risk***

Are there policies, procedures and processes to ensure there is adequate protection, back-up and storage of electronic records/files? (Data)

Are backups stored offsite?

Are there policies, procedures and processes to ensure there is adequate safeguarding of school board IT assets?

## AUDIT COMMITTEES

### Sector Consultation Letter

- ✓ The sector consultation letter was released by the Ministry and there was an excellent response in terms of feedback from the entire sector (approx. 100 questions/comments from 14 school different school boards, and 2 trustee associations). These comments/questions are currently being reviewed by the Ministry.

### Update on the Request for Proposal (RFP)

- ✓ The RFP for audit committee training closed on March 25<sup>th</sup>. The evaluation process has now begun and will run until April 30<sup>th</sup>. During the month of May the pricing, contract review, approvals and the contract award will take place.

## INTERNAL AUDIT

### Regional Internal Audit Manager Job Posting

- ✓ The Regional Internal Audit Manager job posting closed and the hostboard workgroup briefly discussed the number of candidates they received for the RIAM position.
- ✓ The host boards have, and will be, contacting boards in their region to coordinate for interview times over the next few weeks, some of the regions with a sufficient number of candidates have already begun scheduling interviews.
- ✓ There were an insufficient number of candidates for the French region; as a result they will repost the position in order to attract additional qualified Francophone candidates.
- ✓ The Ministry briefly went over a list of sample interview question for the RIAM with the host boards.

### Regional Internal Audit Team Workgroup

- ✓ The workgroup will request that the OASBO Finance committee consider the proposal that the Regional Internal Audit Team join the existing Internal Audit subcommittee and also consider setting up this new merged team as a stand alone committee.
- ✓ This item will be on the agenda at the next OASBO Finance Committee meeting on April 9th

### Documents/Guidelines:

- ✓ The following guidelines/documents were discussed in detail:
  - 1) Internal Audit Mandate
  - 2) Guideline on How to Develop and Audit Plan
  - 3) Audit Committee Self Assessment Document
  - 4) Evaluation of the Regional Internal Audit Manager
  - 5) Evaluation of the Regional Internal Auditor

## OTHER

None

Audit Committee & Internal Audit Host Board Workgroup  
Summary of Meeting Held April 15<sup>th</sup>, 2010

AUDIT COMMITTEES

Sector Consultation Letter

- ✓ Comments on the sector consultation letter have been received, summarized and presented to the workgroup
- ✓ Some changes will be made to the regulation based on the comments received and input from the Ministry's legal department

Audit Committees meeting schedule

- ✓ A proposed audit committee meeting schedule (including proposed agenda items) has been presented and discussed with the workgroup
- ✓ Some changes will be made based on the comments received and the revised document will be presented at the next meeting

Update on the Request for Proposal (RFP)

- ✓ The RFP for audit committee training closed on March 25<sup>th</sup>. The evaluation process has now begun and will run until April 30<sup>th</sup>. During the month of May the pricing, contract review, approvals and the contract award will take place.

INTERNAL AUDIT

Regional Internal Audit Team Job Posting

- ✓ The Regional Internal Audit Manager job posting closed and the host board workgroup briefly discussed the number of candidates they received and short-listed for the RIAM position, as well as the dates of the interviews

Regional Internal Audit Team Workgroup

- ✓ Through collaboration with OASBO finance, we will be looking into forming an OASBO internal audit committee which hopefully will be effective for the fall 2010

Guidelines:

- ✓ Two previously presented guidelines were revised and reviewed in detail. They will be discussed again at the next workgroup meeting:
  - 1) Staffing Guideline
  - 2) Resource Allocation

Final documents:

- ✓ The following documents were presented as final and will be posted on the FAAB website shortly
  - 1) Internal Audit Expenditure Envelope
  - 2) The Internal Audit Process at a Glance
  - 3) Client Satisfaction Survey

OTHER

- ✓ None

Audit Committee & Internal Audit Host Board Workgroup  
Summary of Meeting Held May 13<sup>th</sup>, 2010

**AUDIT COMMITTEES**

**Audit Committee Regulation**

- ✓ The regulation is approaching finalization. A summary of the changes was presented to the workgroup based on comments and/or questions received following the sector consultation.

**Update on the Request for Proposal**

- ✓ The evaluation process is now complete and the vendor has been selected. By the end of the first week in June, the vendor will be notified, the contract will be awarded and signed with the host boards.

**Final documents:**

- ✓ The following document was presented as final:
  - 1) Proposed Audit Committee Meeting Schedule

**INTERNAL AUDIT**

**Regional Internal Audit Manager (RIAM)**

**ORIENTATION TOOLKIT**

- ✓ The RIAM toolkit outline was presented to the workgroup. The final toolkit will be completed and circulated to the workgroup by May 21, 2010.

**STAFFING**

- ✓ Three of the eight regions have made offers for the position of RIAM.

**Regional Internal Audit Team Postings**

- ✓ The workgroup decided that the senior and junior internal auditor positions will be posted individually instead of on a provincial basis to account for the staggered start dates for the various RIAMs.

**Internal Audit Core Staffing Allocation**

- ✓ The Ministry has amended the staffing allocation model from 75% core staffing minimum to 50% in the first year of implementation (2010-11). Boards are expected to move towards the 75% core staffing in year two (2011-12) and subsequent years. This change will grant school boards greater flexibility in the initial staffing year.

**Risk Assessment Tool**

- ✓ The Ministry tested the Risk Assessment tool with great success at the Simcoe District School Board. The tool will be completed in June with training for the Regional Internal Audit Managers taking place in June and July.

**Guidelines:**

- ✓ Two previously presented guidelines were discussed and will be revised
  - 1) Audit Committee Review of Internal Auditor Performance
  - 2) Audit Committee Review of RIAM

**Final Documents:**

- ✓ No documents were presented as final

Audit Committee & Internal Audit Host Board Workgroup  
Summary of Meeting Held May 27, 2010

AUDIT COMMITTEES

Audit Committee Regulation

- ✓ There is only one outstanding issue to be looked into prior to finalization of the regulation
- ✓ A FAQ document based on the questions / comments from the sector consultation letter will be presented during the next meeting

Update on the Request for Proposal

- ✓ Some information is still required from the host boards before the contracts can be finalized with the vendor

Final documents:

- ✓ The following document was presented as final:
  - Audit Committee Member Self-Assessment

INTERNAL AUDIT

Regional Internal Audit Manager

- ✓ The manager for one of the eight regions is now in place
- ✓ The orientation toolkit has been circulated to the host boards
- ✓ There will be a first 2-day training session for the managers (July 6<sup>th</sup> and 7<sup>th</sup>). The training session will be mostly for the risk assessment tool
- ✓ A second round of training will be offered later in July or early August

Regional Internal Audit Team hiring

- ✓ The Ministry will prepare and share with the workgroup possible interview questions for the junior and senior audit staff

Documents in process of finalization:

- ✓ Three documents are in process of finalization and will be presented as final shortly:
  - 1) Evaluation of RIAM
  - 2) Evaluation of Internal Auditor Performance
  - 3) FAQ document on internal audit and audit committee

Final documents:

- ✓ Two previously presented documents were presented as final during this meeting:
  - 1) Internal Audit Mandate
  - 2) Internal Audit Core Staffing Guideline

OTHER

- ✓ none

Audit Committee & Internal Audit Host Board Workgroup  
Summary of Meeting Held June 10, 2010

AUDIT COMMITTEES

Audit Committee Regulation:

- ✓ There was one outstanding point in regards to the regulation that was resolved at the meeting and the audit committee regulation will now read as follows "That the Board **approves** the annual audited financial statements" instead of the term adopts.

Document presented:

- ✓ A general FAQ document relating to audit committees and internal audit was presented to the workgroup. Amendments will be made as per the suggestions received from the workgroup and will be brought back as final at a future date.

Update on the Request for Proposal:

- ✓ The OECM is in the process of finalizing the client service agreements with the host boards for the audit committee training and have indicated that they can make the contract available for review should the board's want their legal departments to go over it.

Final documents:

- ✓ None

INTERNAL AUDIT

Regional Internal Audit Manager Status:

- ✓ Four of the eight regions have hired a Regional Internal Audit Manager
- ✓ Three regions are in the later part of the interview/selection process
- ✓ One region recently reposted the position looking for additional candidates
- ✓ The first training session for the RIAM's will take place on July 6<sup>th</sup> and 7<sup>th</sup> with a second round in August depending on the start dates for the remaining managers

Internal Audit Software:

The Ministry is currently in the process of actively researching potential vendors to provide the internal audit software for the regional internal audit teams

Regional Internal Audit Team Hiring:

- ✓ The Ministry shared with the workgroup the interview questions that they prepared for the junior and senior internal auditor positions.

Documents presented:

- ✓ Two documents were presented and discussed with the workgroup and will soon be finalized based on the comments and suggestions received by the workgroup:
  - 1) Establishing an Internal Audit Plan
  - 2) FAQ document on internal audit and audit committee

Final documents:

- ✓ Two previously presented documents were presented as final during this meeting:
  - 1) The performance evaluation of Internal Audit
  - 2) The performance evaluation of the RIAM
- ✓ These documents will be translated and posted on the FAAB website.

Other: None

Audit Committee & Internal Audit Host Board Workgroup  
Summary of Meeting Held July 8, 2010

**AUDIT COMMITTEES**

**Audit Committee Regulation:**

- ✓ The latest version of the regulation was presented. A number of changes were made, but most were either rewording or to provide further clarification. The regulation is close to being finalized, with a few changes still pending with legal. The regulation should be finalized by the end of July.

**Document presented:**

- ✓ A FAQ document based on questions / comments from the sector consultation letter on the audit committee regulation was presented to the workgroup. Workgroup members are to provide feedback on this document by the end of July.

**Final documents:**

- ✓ Two previously presented documents were presented as final during this meeting:
  - 1) General FAQ for Audit Committees and Internal Audit
  - 2) Guideline on Audit Committee Reporting
- ✓ These documents will be translated and posted on the FAAB website.

**INTERNAL AUDIT**

**Regional Internal Audit Manager Status:**

- ✓ Five of the eight regions have hired a Regional Internal Audit Manager
- ✓ Two regions were unable to attend the meeting and did not provide a status update
- ✓ One region reposted the position and additional candidates have applied
- ✓ The first training session for the managers took place on July 6<sup>th</sup> and 7<sup>th</sup> and was attended by all five managers hired to date
- ✓ A second round of training in August is anticipated depending on the start dates for the remaining managers

**Regional Internal Audit Team Hiring:**

- ✓ One RIAM held a competition for the recruitment of junior and senior positions and will be conducting interviews shortly

**Documents presented:**

- ✓ Two documents were presented and discussed with the workgroup. Further updates are required on these topics and will be brought back to the workgroup at a later date:
  - 1) Relationship with existing internal audit staff at school boards
  - 2) Resource Allocation Guideline

**Final documents:**

- ✓ One previously presented document was presented as final during this meeting:
  - 1) Guideline on Establishing the Internal Audit Plan
- ✓ This document will be translated and posted on the FAAB website.

**OTHER**

- ✓ none

Audit Committee & Internal Audit Host Board Workgroup  
Summary of Meeting Held September 9, 2010

**AUDIT COMMITTEES**

**Audit Committee Regulation:**

- ✓ The audit committee regulation has been finalized and will be presented for approval to the Minister in September.

**Documents Presented:**

- ✓ An audit committee recruitment pamphlet has been prepared in order to help school boards with the recruitment of external audit committee members. The pamphlet will be posted on the Ministry of Education website for download once it is finalized.
- ✓ The Ministry has made changes to the conflict resolution guidelines to reflect the inclusion of a time limit (6 weeks) for resolutions to any conflicts.

**Audit Committee Training:**

- ✓ Training dates and location have been selected for the eight regions and the training will occur in January and February of 2011.
- ✓ The host boards have not received copies of their individual client service agreements with the OECM as of yet, but they are expected soon.
- ✓ The Ministry has prepared some of the material that they will be presenting during the audit committee training sessions next year.

**Final Documents:**

None

**Revised Documentation:**

- ✓ Conflict resolution guideline

**INTERNAL AUDIT**

**Regional Internal Audit Manager/Staffing Status:**

- ✓ Five of the eight regions have hired a Regional Internal Audit Manager (RIAM).
- ✓ One of the five regions is now fully staffed, while the other 4 regions are in the process of hiring their staff.
- ✓ The remaining 3 regions are working with recruitment firms to hire a RIAM.

**Release of Risk Assessment Tool:**

- ✓ Risk Assessment tool was released to RIAMs in July with a few updates in August.

**Internal Audit Software:**

- ✓ The Ministry met with a few vendors for information gathering purposes only. These meetings will assist in prepping for an RFP solution that will take place in the fall.

**OASBO Internal Audit Committee:**

- ✓ The internal audit committee at OASBO has become a full standing committee and will conduct its first meeting on September 17<sup>th</sup>

**Quality Assurance & Improvement Guideline:**

- ✓ The developed guideline follows International Auditing Standards. It includes the RIAMs doing peer reviews of each others work. It will be implemented in a few years once the internal audit function is fully implemented

## INTERNAL AUDIT CONTINUED

### Sample Confidentiality Form

- ✓ The Ministry was asked to prepare a sample confidentiality form for the members of the Regional Internal Audit Team (RIAT) to staff with their direct report the RIAM.

### Final Documents:

- ✓ Sample Confidentiality Agreement between RIAT and School Boards in the Region

### Revised Documentation:

- ✓ Internal audit expenditure envelope guideline
- ✓ Internal audit staffing guideline

Internal Audit Regions

Toronto & Area Region

Dufferin-Peel Catholic DSB  
Peel DSB\*  
Toronto Catholic DSB  
Toronto DSB  
York Catholic DSB  
York Region DSB

Ottawa Region

Algonquin & Lakeshore DSB  
Catholic DSB of Eastern Ontario  
Hastings & Prince Edward DSB  
Limestone DSB  
Ottawa Carleton DSB  
Ottawa Catholic DSB\*  
Renfrew County Catholic DSB  
Renfrew County DSB  
Upper Canada DSB

French Language Region

CSD catholique Centre-Sud  
CSD catholique de l'Est ontarien  
CSD catholique des Aurores-Boréales  
CSD catholique des Grandes Rivières  
CSD catholique du Centre-Est\*  
CSD catholique du Nouvel-Ontario  
CSD catholique Franco-Nord  
CSD des écoles catholique Sud-Ouest  
CSD des écoles publiques  
CSD du Centre Sud-Ouest  
CSD du Grand Nord de l'Ontario  
CSD du Nord Est de l'Ontario

Thunder Bay Region

Keewatin-Patricia DSB  
Kenora Catholic DSB  
Lakehead DSB  
Northwest Catholic DSB  
Rainy River DSB  
Superior North Catholic DSB  
Superior-Greenstone DSB  
Thunder Bay Catholic DSB\*

Barrie Region

Bluewater DSB  
Bruce-Grey Catholic DSB  
Durham Catholic DSB  
Durham DSB  
Kawartha Pine Ridge DSB  
Peterborough Victoria Northumberland  
Clarington DSB  
Simcoe County DSB\*  
Simcoe Muskoka Catholic DSB  
Trillium Lakelands DSB

North Bay/Sudbury Region

Algoma DSB  
DSB Ontario North East  
Huron-Superior Catholic DSB  
Near North DSB  
Nipissing-Parry Sound Catholic DSB  
Northeastern Catholic DSB  
Rainbow DSB  
Sudbury Catholic DSB\*

West of Central Region

DSB of Niagara  
Halton Catholic DSB  
Halton DSB  
Hamilton-Wentworth Catholic DSB  
Hamilton-Wentworth DSB  
Niagara Catholic DSB  
Upper Grand DSB  
Waterloo Catholic DSB  
Waterloo Region DSB\*  
Wellington Catholic DSB

South Region

Avon Maitland DSB  
Brant Haldimand Norfolk Catholic DSB  
Grand Erie DSB  
Greater Essex County DSB  
Huron-Perth Catholic DSB  
Lambton Kent DSB  
London Catholic DSB  
St.Clair Catholic DSB  
Thames Valley DSB\*  
Windsor-Essex Catholic DSB

\* Indicates host board for region

**Timelines to October 31, 2010**

This timelines document is presented to inform school board staff and other interested parties of the key outstanding deliverables with respect to the audit committee and internal audit initiatives. It will be updated at the end of every month as the initiative moves forward.

**AUDIT COMMITTEES**

<b>A) REGULATION</b>	
Explain regulation to board of trustees	Dec 2010 – Jan 2011
Post audit committee regulation on board websites	Jan 2011
<b>B) REQUEST FOR PROPOSAL (RFP) FOR TRAINING</b>	
Contract signing with host boards	Oct 2010
Review draft materials (EDU and workgroup)	Monthly 'till Nov 2010
<b>C) EXTERNAL MEMBER RECRUITMENT</b>	
Recruitment pamphlet circulation	Oct - Nov 2010
Advertisement	Oct - Nov 2010
Interview process	Nov - Dec 2010
Recommendation for appointment to board of trustees	Jan 2011
<b>D) TRUSTEE MEMBER APPOINTMENT</b>	
Appoint trustees to committee (post-election)	Dec 2010
<b>E) AUDIT COMMITTEE MEMBERS (Includes parties in both C &amp; D above)</b>	
Members to sign acceptance letter	Dec 2010 – Jan 2011
Members to indicate intention to participate in training	Dec 2010
<b>F) REPORTS</b>	
Submit annual report to board of trustees	Nov 2011
Board of trustees to forward report to EDU	Dec 2011
<b>G) TRAINING</b>	
Audit committee members to confirm interest in training	Dec 2010
Delivery of training sessions	Jan - Feb 2011
<b>H) AUDIT COMMITTEE MEETINGS: 2010-11</b>	
First	March 2011
Second	Jun 2011
<b>I) ACCOUNTABILITY MEASURES FOR AUDIT COMMITTEE</b>	
Development of best practices guide	Nov 2011

## INTERNAL AUDIT

- |  |  |
|--|--|
| A) REGIONAL INTERNAL AUDIT MANAGER<br>Hiring completed<br>Induction training – round 2     | Oct - 2010<br>Nov - 2010                           |
| C) SENIOR AUDITORS AND AUDITORS<br>Posting for positions<br>Interviews<br>Hiring completed | May - Nov 2010<br>May - Nov 2010<br>May - Nov 2010 |
| D) OASBO Internal Audit Committee  | Monthly  |
| E) INTERNAL AUDIT SOFTWARE<br>RFP for software<br>Awarding contract                        | Nov 2010<br>Winter 2010                            |
| F) RISK ASSESSMENTS<br>Completed for all 72 district school boards                         | Feb - 2011   |
| G) INTERNAL AUDIT MANDATE<br>Posting of mandate on board websites                          | Mar 2011   |
| H) INTERNAL AUDITS   | Starting Apr 2011                                  |