

AGENDA: 5:30

1. Call to Order S. Zucker
2. Approval of the Agenda S. Zucker
3. Review of November 15, 2018 Audit Committee Report to Board S. Zucker
4. Declaration of Conflicts of Interest – Signoff on form S. Zucker
5. Action Items
a) Motion: Election of Chair S. Zucker
6. Monitoring Items Chair
a) Annual Review of Audit Committee Terms of Reference
b) Review of Audit Committee Work Plan Chair
7. Update on School Board Sector Issues S. Zucker
8. Update from Regional Internal Audit Team J. Baker
▪ Annual Review of the Regional Internal Audit Mandate
9. Resolution into Private Session as per the Education Act, Section 207.2 Chair
a) the security of the property of the board.
b) the disclosure of intimate, personal or financial information in respect of a member of the board or committee, an employee or prospective employee of the board or a pupil or his or her parent or guardian.
10. Meeting resumes in Public Session
11. Any Other Business Chair
12. Adjournment Chair

COMMITTEE REPORT

Presented to: Board

Date of Meeting: November 26, 2018

From: Audit Committee

Date of Meeting: November 15, 2018

The committee held a meeting from 3:13 p.m. to 5:36 p.m. on November 15, 2018 at 20 Education Court, Hamilton, ON, in Meeting Room 340D with Trustee Beattie presiding.

Members present were: Trustees Jeff Beattie and Todd White (electronically). External members present were: Carol Calvazara and John Laratta. Regrets were received from Trustee Greg Van Geffen

ACTION ITEMS:

A. Presentation of the Consolidated Financial Statements of the Hamilton-Wentworth District School Board for the Year Ended August 31, 2018

David Marks, KPMG, presented the Consolidated Financial Statements of the Hamilton-Wentworth District School Board for the year ended August 31, 2018. He reported, that in KPMG's opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Hamilton-Wentworth District School Board as of August 31, 2018 and the results of its operations are in accordance with PSAB GAAP. The Audit Findings Report was also presented.

On the motion of Carol Calvazara the Finance and Facilities Committee **RECOMMENDS:**
That the 2017-18 Consolidated Financial Statements of the Hamilton-Wentworth District School Board for the Year Ended August 31, 2018 be forwarded to the Board of Trustees for approval.

CARRIED

B. Rise and Report from Private session

That the following be recommended for approval:

- **That the Policy Committee consider a Whistle Blower Policy.**

MONITORING ITEMS:

C. School Board Compliance Report for the 2017/18 Fiscal Year

Staff presented the report and noted that HWDSB was compliant with all statutory regulations.

D. Correspondence Response to September 27, 2018 Motion

Staff will update and distribute to committee members.

Respectfully submitted,
Jeff Beattie, Chair of the Committee

**Declaration to the Chair of the Audit Committee of
the Hamilton-Wentworth District School Board
by a Member of the Audit Committee
as to Whether or Not the Member has a Conflict of Interest**

1.) **This Declaration applies to:**
(check one)

- a) **the Committee meetings of the Audit Committee for the fiscal year 2018-19;**
- b) **any changes subsequent to the fiscal year declaration.**

2.) I _____, declare that I do not have a conflict of interest as
(name of member)
defined by Subsection 4(2) of O. Reg 361/10, *Education Act*, RSO 1990
C.E-2.
(strike out if inapplicable)

3.) I _____, declare that I have a conflict of interest as defined
(name of member)
by Subsection 4(2) of O. Reg 361/10, *Education Act*, RSO 1990 C.E-2
because one or more of my: parent(s), child(ren) or spouse is/are employed
by the Board at this time.
(strike out if inapplicable)

Dated at City, Ontario this _____ day of _____, 2018.

Audit Committee Member

Note: Subsection 4(2) O. Reg 361/10, *Education Act*, RSO 1990 C.E-2 states:

“4(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”.

Written declarations must be submitted to the Chair of the committee at the first meeting of the committee in each fiscal year as per Subsection 14(1) O. Reg 361/10.

TERMS OF REFERENCE – AUDIT COMMITTEE

NAME: The name of the committee shall be The Hamilton-Wentworth District School Board Audit Committee

MANDATE: The Audit Committee will report directly to the Board of Trustees. The mandate of the Audit Committee of the Board is to provide oversight to the Board in the areas of:

- Financial Reporting
- Internal Controls
- Internal Auditing
- External Auditing
- Compliance
- Risk Management

The formation of the Audit Committee is a requirement under the Education Act subsection 253.1 (1) which states: *Every district school board shall establish an Audit Committee. 2009, c. 25, s. 32.*

COMPOSITION:

The Audit Committee shall consist of:

- Three HWDSB trustees who are members of the Board
- Two persons who are not trustees
- The non-trustee members shall not receive remuneration for their participation on the Audit Committee

Qualifications:

A non-trustee member of the Audit Committee must have accounting, financial management or legal experience and is not in a conflict of interest, nor is an employee or officer of the Hamilton-Wentworth District School Board or any other school board. Non-trustee members shall be approved by a Selection Committee which includes the Director of Education, the Senior Business Official and the Chair (or trustee designate).

One trustee member of the Audit Committee shall participate in the Regional Conflict Resolution Committee. This committee is responsible for facilitating disputes between the Regional Internal Auditor's office and one or more school board's within the region.

TERMS OF OFFICE:

- The term of office shall not exceed 4 years for a trustee member and 3 years for members who are not trustees.
- The position on the Audit Committee is considered vacant if the member has unauthorized absences for 2 regular consecutive meetings, is convicted of an indictable offence or ceases to hold the qualifications to be an Audit Committee member.

TERMS OF REFERENCE – AUDIT COMMITTEE

RESPONSIBILITIES OF THE AUDIT COMMITTEE:

Responsibilities of the Audit Committee include the following oversight duties:

- Ensure that the financial statements are complete and in accordance with the Education Act subsection 230.21(1)(a)
- Review the year end external audit process, including having appropriate discussions with the external auditor and management
- Recommend to the board of trustees approval of the financial statements
- Review the effectiveness of the board's internal controls
- Review the scope of the internal and external auditor's review of the board's internal controls, their findings and responses from the board to those recommendations.
- Meet with the regional internal auditor and/or external auditor privately on matters that may need to be discussed
- Review any changes in the planned scope of the regional internal auditor's plan, significant internal audit findings, recommendations and staff follow-up.
- Review and make recommendations to the board on the external auditor's audit plan and all proposed major changes to the plan
- Review the performance of the external auditor and make recommendations to the board on the appointment, discharge and compensation of the external auditor
- Resolve disagreements between management and the external auditor on financial reporting matters
- Review the findings of any examinations by regulatory agencies
- Review the process for communicating the codes of conduct and the process for monitoring compliance with the codes
- Inquire about significant risks, review the board's policies for risk assessment and risk management, and assess the steps taken to control such risks
- Oversee special investigations where necessary
- Annually report to the board on the committee's discharge of its duties
- Annually report to the Ministry on internal audits and proposed enrolment audits
- Obtain confirmation that the board has met all statutory filings and requirements
- Other activities as requested by the Board

Conflict of Interest:

- Upon appointment and at the first meeting of each year, every member shall submit a written declaration to the Chair of the Audit Committee whether or not he/she has any conflicts of interest.
- If a member of the Audit Committee declares a conflict of interest on any matter discussed during the meeting, details of the conflict declaration shall be recorded in the minutes of the meeting.

TERMS OF REFERENCE – AUDIT COMMITTEE

COMMITTEE MEETINGS:

Meeting Dates/Times

- Meetings will be held at least three times per year.
- For openness and transparency, portions of the meeting may be open to the public. However, when issues that include risk, security or control weaknesses are discussed, s. 207(2) of the Education Act allows the committee to close the meeting to the public.
- During the portions of the meeting which are closed, the Audit Committee may invite others to attend the meeting such as senior administration, the internal auditor, the external auditor and other members of the board of trustees.

Quorum

- The majority of members of the Audit Committee, including at least 1 non-trustee member, will constitute a quorum for the meeting.

Rules of Order

- The appropriate rules of the Board shall govern the order and conduct of the meeting of the Audit Committee, with the exception of those rules prescribed in Ontario Regulation 361/10.

Election of the Chair

- The Chair of the Audit Committee shall be chosen from its members at the first meeting of the year from the members appointed to the committee

Voting

- Every member present at the meeting, including the Chair, shall have one vote
- In the case of a tie vote, the Chair will be entitled to cast a second vote

POWERS OF THE AUDIT COMMITTEE:

- The Audit Committee may meet with the Board's internal or external auditors without the presence of the Board's officers or trustees, other than those who are committee members
- The Audit Committee may require the internal or external auditor to provide reports to the committee
- The Audit Committee may retain counsel, accountants or other professionals to assist in the conduct of an investigation needed to carry out its duties
- Other powers which may be prescribed as per the Audit Committee Mandate from the Ministry of Education.

REFERENCE MATERIALS:

- Ontario Regulation 361/10
- Audit Committee Mandate, Ministry of Education
- Education Act Section 253.1

	Open
September 27, 2018	Declaration of Conflicts of Interest – Signoff on form Election of Chair Annual Report to the Board of Trustees and Ministry on 2017-18 Annual Review of Audit Committee Terms of Reference Review Audit Committee Annual Work Plan Review Regional Internal Audit Mandate as required Regional Internal Audit Team Update and annual CPE certification
November 15, 2018	Review of compliance report (prior fiscal year) Approval of 2017-18 Consolidated Financial Statements Regional Internal Audit Team Update
March 21, 2019	Regional Internal Audit Team Update
May 16, 2019	Approval of the Annual Audit Plan Regional Internal Audit Team Update and Annual independence certification

The following items are extracted from the Audit Committee Regulation regarding timelines:

Ontario Regulation 361/10

11. (1) An Audit Committee of a board shall meet at least three times in a fiscal year at the call of the chair of the committee, and at such times as the chair considers advisable.

11. (2) The first meeting of the Audit Committee in each fiscal year after the 2011 year shall take place no later than September 30.

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.

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.

Applicable Only Following Trustee Election

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.

2. (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.

MEMO

TO: Hamilton-Wentworth District School Board Audit Committee
FROM: Jenny Baker, Regional Internal Audit Manager
DATE: 21 March 2019
SUBJECT: Regional Internal Audit Status Report – Open Committee Session

This memorandum will serve to update the Audit Committee of the Regional Internal Audit Team's (RIAT) work since November 15, 2018.

A. Other

In 2016: SB31 '**Update on Regional Internal Audit Consistency Measures**' was issued. This memo introduced a revised Regional Internal Audit Mandate and explains

"All school boards in the province should adopt the updated version of the mandate in 2016-17. Further, the mandate should be presented to the audit committee annually and re-signed in any year there is a change in the signatories so that all parties are aware of and approve the mandate."

The regional internal audit mandate is attached for your review and adoption.

Motion:

Be it resolved that the Audit Committee adopt the Regional Internal Audit Mandate.

Regional Internal Audit Mandate

PURPOSE AND DEFINITION

The purpose of the regional internal audit team is to provide independent, objective assurance and consulting services designed to add value and improve the district school boards' operations in the West of Central region. It helps the district school boards accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

ROLE

The regional internal audit activity is established by the Ministry of Education through the annual Grants for Student Needs funding. The oversight role of the Audit Committee of the Board of Trustees over the regional internal audit activity is established by Regulation 361/10.

PROFESSIONALISM

The regional internal audit activity will adhere to the Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the regional internal audit activity's performance.

AUTHORITY

The regional internal audit activity, with strict accountability for confidentiality and the safeguarding of records and information is authorized full, free and unrestricted access to any and all of the district school boards' records, physical properties, and personnel pertinent to carrying out any engagement. All school board employees are requested to assist the regional internal audit team in fulfilling its responsibilities. The regional internal audit team will also have free and unrestricted access to school board leaders and to the Audit Committee of the Board of Trustees.

ORGANIZATION

The internal audit function follows a regional model. The function consists of a Regional Internal Audit Manager responsible to district school boards in one of the eight regions in the province of Ontario as identified by the Ministry of Education. The Regional Internal Audit Manager will report functionally to their regional audit committees of the Boards of Trustees and administratively are supported by a host school board Senior Business Official. Every effort is made to adequately staff the internal audit function, within available financial resources, in order to perform its audit activities.

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

- Approve the regional internal audit mandate;
- Recommend for approval the risk based internal audit plan;

- Receive information from the Regional Internal Audit Manager about the internal audit activity performance to plan and other relevant matters;
- Inquire of the Regional Internal Audit Manager and the Senior Business Official whether there are resource or scoping limitations; and
- Review annually the performance of the regional internal audit activity and provide the Board of Trustees with their comments regarding the performance of Regional Internal Audit Manager.

The Regional Internal Audit Manager will interact directly with the Audit Committee of the Board of Trustees, including in-camera sessions and between audit committee meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY

The regional internal audit activity will remain free from interference by any element in the district school board including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

Regional internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair judgment.

Regional internal auditors will exhibit the highest standards of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Regional Internal Audit Manager will confirm to the Audit Committee of the Board of Trustees, at least annually, the organizational independence of the internal audit activity.

RESPONSIBILITY

The scope of work of the regional internal audit team encompasses but is not limited to:

- Evaluating risk exposure relating to the achievement of the district school board's strategic objectives;
- Evaluating the reliability and integrity of information and the means used to identify measure, classify and report information;
- Evaluating the systems which ensure compliance with policies, procedures, applicable laws and regulations which impact the district school board;
- Evaluating whether resources are acquired economically, used efficiently, and are adequately protected;
- Evaluating operations and processes to ascertain whether results are consistent with established objectives and whether processes are functioning as planned;
- Performing consulting and advisory services or assessments of specific operations as requested by the Audit Committee of the Board of Trustees or district school board management as appropriate;

- Evaluating the effectiveness of the district school board's risk management and governance processes;
- Reporting periodically on the regional internal audit performance against plans; and
- Reporting significant risk exposures and control issues, including fraud risks, governance issues and other matters requested by the Audit Committee of the Board of Trustees.

INTERNAL AUDIT PLAN

Annually, the Regional Internal Audit Manager will submit to district school board management and to the Audit Committee of the Board of Trustees an internal audit plan for recommendation to their Board of Trustees for approval. If there are any resource limitations or interim changes, these will be communicated.

The internal audit plan will be developed based on a prioritization of the internal audit universe using a risk based methodology which includes input of district school board management. The Regional Internal Audit Manager will review and adjust the plan as required in response to changes in the risk profile. Any significant deviation from the approved internal audit plan will be communicated through periodic status reports. The Regional Internal Audit Manager or any of his or her team may initiate and conduct any other audit or review deemed necessary for potential illegal acts, fraud, abuse, or misuse of funds. Reasonable notice shall be given to appropriate personnel of intent to audit in their areas except when conditions warrant an unannounced audit.

REPORTING AND MONITORING

Opportunities for improving internal control may be identified during audits. A written report will be issued by the Regional Internal Audit Manager at the conclusion of each audit and will be distributed according to the school board's requirements. (This could include the head of the audited activity or department, the director of education, the audit committee and the external auditor of the district school board.)

Each report will describe opportunities to strengthen district school board risk, internal control and governance processes and conclude on the adequacy and effectiveness of the processes. The district school board management will provide action plans and timelines to address each opportunity (observation). The regional internal audit team is responsible to perform appropriate follow-up procedures to attest to the completion of action plans. Significant observations will remain in an open issue status until cleared.

QUALITY ASSURANCE

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

The Regional Internal Audit Manager will communicate to district school board management and the Audit Committee of the Board of Trustees on the internal audit activity's quality assurance and improvement program, including the results of ongoing internal assessments and external assessments conducted as appropriate, usually on a five year cycle.

Regional Internal Audit Manager

Audit Committee Chair

Director of Education or designate

March 21, 2019

Dated

DEFINITION OF SELECTED TERMS

Add Value	Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.
Advisory/Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed to with the client and which are intended to add value and improve a school board's governance, risk management and control processes without the regional internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
Assurance	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Results can be relied upon for supporting informed decision making.
Board of Trustees	A legislative body that has overall responsibility and accountability for the district school board. For purposes of this Mandate, this also includes committees that support the Board of Trustees including the audit committee.
Compliance	Conformity and adherence to policies, plans, procedures, laws, regulations, contracts or other requirements.
Control Environment	<p>The attitude and actions of the Board of Trustees and district board management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Integrity and ethical values. <input type="checkbox"/> Management's philosophy and operating style. <input type="checkbox"/> Organizational structure. <input type="checkbox"/> Assignment of authority and responsibility. <input type="checkbox"/> Human resource policies and practices. <input type="checkbox"/> Competence of personnel.
Control/Internal Controls	<p>Any action taken by district board management and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.</p> <p>The system of management controls (business plans, capturing and analyzing data, performance reporting, code of conduct, etc.) that are implemented within a school board to ensure that assets (human, physical and information) are protected and to provide reasonable assurance that its objectives can be achieved.</p>

Control Processes	The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.
Fraud	Any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.
Governance	The combination of processes and structures implemented by the Board of Trustees in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.
In-camera	A separate discussion between members of the Audit Committee and the <i>Regional Internal Audit Manager</i> promoting open communication and discussion of any sensitive issues or problems.
Independence	The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.
Objectivity	An unbiased mental attitude that allows regional internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires regional internal auditors to not subordinate their judgment on audit matters to that of others.
Risk	Effect of uncertainty on objectives or outcomes.
Risk Management	A structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks an organization faces. Overall, it is about choices made under conditions of uncertainty, balanced by acceptable levels of risk.