DISTRICT SCHOOL BOARD OF NIAGARA

AUDIT COMMITTEE MEETING

Monday, June 13, 2016
5:30 p.m.

Education Centre
Grimsby- Lincoln Room

AGENDA

1.	**Call to Order**	- Chair
2.	**Approval of Agenda**	- Chair
3.	**Declaration of Conflict of Interest**	- Chair
4.	**Approval of Minutes of the November 23, 2015 Meeting**	- Chair
5.	**Regional Internal Auditor Team Report** **i) Internal Audit Status Report**	- John Forte
6.	**Move to Closed Session**	
7.	**Move Back to Open Session**	
8.	**Appointment of External Auditor**	- Stacy Veld & Rick Werezak
9.	**Correspondence** **i) Ministry Memo B-10 "Increasing Consistency Amongst Regional Internal Audit Teams"**	
10.	**Other Business**	
11.	**Next Meeting** **Monday, September 12, 2016** **5:30 p.m.** **Education Centre**	
12.	**Adjournment**	

INTERNAL
AUDIT TEAM
West of Central Region

MEMO

TO:	District School Board of Niagara Audit Committee
FROM:	Jenny Baker, Regional Internal Audit Manager
DATE:	5 June 2016
SUBJECT:	Regional Internal Audit Status Report - Open Committee Session

This memorandum will serve to update the Audit Committee on the Regional Internal Audit Team's (RIAT) work at the District School Board of Niagara since November 23, 2016.

A. **Audits Completed**

1. Health and Safety
2. Procure to Pay Follow up

Please refer to the Regional Internal Audit report – Closed Committee Session.

B. **Audits in Progress**

1. School Generated Funds Audit Follow up - Fieldwork was completed June 1st.

C. **Other**

1. Annual Risk Assessment Refresh – A risk assessment workshop was facilitated June 1st. Topics for inclusion in the draft 2016-17 internal audit plan were identified. This plan is presented for your review and recommendation for approval.
2. Annual Independence Assertion – In compliance with S1110 of the International Standards for the Professional Practice of Internal Auditing, I am confirming that the regional internal audit team is organizationally independent and has been allowed to carry out its' responsibilities in an unbiased manner, free from interference in determining the scope of internal audit projects, performing work, and communicating results.

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DISTRICT SCHOOL BOARD OF NIAGARA

REPORT TO AUDIT COMMITTEE

APPOINTMENT OF EXTERNAL AUDITOR

Background:

Ontario Ministry of Education regulation 361/10 requires a Board's Audit Committee to make an annual recommendation to the Board on the appointment, replacement or dismissal of the external auditor.

As a result of a Request for Proposal (RFP) for External Audit Services issued in January, 1998, KPMG has been providing audit services to the District School Board of Niagara since amalgamation. Within the RFP, the Terms of Engagement were for a minimum period of five (5) years, with the appointment thereafter to be on an annual basis for terms of one year. The Board reserved the right to not appoint if dissatisfied in any way with performance, the fee charged or any other elements of the service provided.

Janet Allan from KPMG LLP is the lead partner on the audit of the District School Board of Niagara. Based on past experience, Janet Allan and the audit team have provided excellent direction of the audit process, and have met all quality and timeline expectations. Furthermore, Janet is a recognized expert in not-for-profit and government accounting, with extensive experience in serving school boards. Her expertise and advice have been greatly appreciated by the DSBN as we worked through the complexities of compliance with recent changes to Ontario accounting regulations.

Recommendation:

"That KPMG be appointed external auditors for the District School Board of Niagara for a one-year term commencing September 1, 2016."

Respectfully submitted,

Stacy Veld, Superintendent of Business Services
Rick Werezak, Comptroller of Finance

June 13, 2016

For further information, please contact Stacy Veld, Superintendent of Business Services

Ministry of Education

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Ontario

2016: B10

MEMORANDUM TO: Directors of Education
Senior Business Officials

FROM: Gabriel F. Sékaly
Assistant Deputy Minister
Financial Policy and Business Division

DATE: **May 26, 2016**

SUBJECT: **Increasing Consistency Amongst Regional Internal Audit Teams**

The purpose of this memorandum is to provide an overview of some new requirements for the regional internal audit initiative being implemented over the next several months, as well as the related expectations of school board management and Regional Internal Audit Managers (RIAM).

Regional Internal Audit Teams (RIAT) provide the sector with assurance and other value-added services. Due to the structure of the regional internal audit initiative, teams operate autonomously, which has led to the use of different approaches, tools and templates in each region. However, as regional internal audit is a province-wide initiative, we have heard that there is an appetite toward more standardization.

RIATs are currently identifying leading practices from each team that can be leveraged to increase consistency. New practices, such as the performance review process, will also be implemented through a standard approach. These practices will allow boards to see a similar level of service across RIATs, while still accommodating regional needs. The changes will also contribute to continuous improvement across all RIATs.

This memorandum outlines requirements that will be implemented in the next school year to increase consistency. Additional changes will be communicated as they arise.

Engagements per Year

Based on the Audit Committee Annual Report to the Ministry, the number of audit and other engagements undertaken at each school board varies greatly across the province.

Some boards have had one or more years with no work undertaken by the RIAT. Given the focus on transparency and accountability, it is critical that each board benefits from the annual funding provided by the Ministry to support the regional internal audit function. To increase consistency throughout the sector, each school board should receive a minimum of two engagements a year from the RIAT starting in 2016-17.

Engagements include both internal audits and consulting engagements and can be executed by team members or specialists, depending on the capacity of the RIAT.

RIAMs should ensure the 2016-17 internal audit plans reflect this new requirement. The cooperation of school boards, particularly the staff of the processes audited, is essential to the completion of the audit plan and timely reporting to the audit committee.

The Ministry will confirm compliance with this requirement through review of the annual report to the Ministry, which lists the work performed by the RIAT during the year.

Engagement Follow-up Activities

As required by internal audit standards, auditors should periodically undertake follow-up work to validate whether school board management has effectively implemented action plans developed to address audit findings (and findings of consulting engagements to the extent agreed upon with management). Follow-up activities also include monitoring of overdue findings.

While most RIATs engage in follow-up activities, this is not always the case due to competing priorities. Going forward, all RIATs are expected to undertake follow-up activities on findings from all completed engagements, as appropriate. A standard report will be developed to allow RIAMs to track findings.

Follow-up activities are in addition to the two engagements per board.

Internal Audit Report

Each RIAT is currently using a different internal audit report template and style, often customizing the report to the preferences of individual audit committees. This is a time-consuming process resulting in audit reports that look different and contain varying levels of detail. As regional internal audit is a province-wide initiative, a report that is issued in one board should have the same overall look and feel of a report that is issued in another board. This is consistent with professional service firms who use a standard internal audit report template, regardless of the client.

This year's School Board Internal Audit Conference, to be held in June, will include a session covering internal audit report writing best practices. A standard regional internal audit report template will be developed after the conference that incorporates these best practices.

The new report template will be implemented for all regional internal audit engagements starting in 2016-17. I encourage senior management and the audit committee of each school board to support the standardized report template.

RIAT Performance Review

Part of the mandate of the Regional Internal Audit Coordinator, Dan Duszczyszyn, is to assist internal audit host boards with the RIAM performance review process.

The unique structure of regional internal audit makes a formal performance review particularly important. RIAMs are employees of the host board, but have a functional reporting relationship to the audit committees of all boards in the region. In addition, internal auditors work with multiple departments in each school board. This creates a challenge in obtaining feedback on performance from those dealing directly with the auditors.

Dan is currently developing a formal performance evaluation framework for all RIAMs, to obtain feedback annually from each audit committee and senior business official in the region. This framework should be implemented by the end of the fiscal year. School boards are expected to complete feedback forms when provided.

Another key aspect of the performance review process is the RIAT post audit feedback survey, which has been standardized and will be implemented effective immediately. The purpose of this survey is to obtain timely feedback on auditor performance. At the completion of each audit, the RIAM will invite the head of the process audited and other key staff to take an online survey. Please consider completing the survey in order to receive the best possible service from your RIAT.

I encourage you to share this memo with your audit committee members.

If you have any questions or require additional information, please contact Paula Hatt, Senior Analyst, Audit at paula.hatt@ontario.ca or 416-326-1170.

Original signed by:

Gabriel F. Sékaly
Assistant Deputy Minister
Financial Policy and Business Division

cc: Regional Internal Audit Managers
Dan Duszczyszyn, Regional Internal Audit Coordinator