



AUDIT COMMITTEE MEETING

OPEN SESSION

Monday, November 21, 2016
5:45 p.m.

Education Centre
Grimsby- Lincoln Room

A G E N D A

1. **Call to Order and Welcome**
2. **Approval of Agenda**
3. **Declaration of Conflicts of Interest**
4. **Approval of Meeting Minutes of September 12, 2016**
5. **Move to Closed Session**
6. **Move Back to Open Session**
7. **Regional Internal Audit Team Update** - Jenny Baker, RIAM
 - **Audits in Progress**
8. **Regional Internal Audit Consistency Measures** - Stacy Veld
9. **Annual Report to the Ministry of Education** - Stacy Veld
10. **Other Business**
11. **Next Meeting Date: Monday, June 12, 2017**
5:30 p.m., Education Centre
12. **Adjournment**

MEMO

TO: District School Board of Niagara Audit Committee
FROM: Jenny Baker, Regional Internal Audit Manager
DATE: 4 November 2016
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 September 12, 2016.

A. Audits in Progress

- i. BAS 2000 Data Analytics and Review:
Fieldwork is in progress.
- ii. Back- Up, Disaster and Recovery
A planning meeting to begin this assessment is scheduled for November 22nd.

B. Audits Completed

There were no projects scheduled for completion during this period.

DISTRICT SCHOOL BOARD OF NIAGARA

REPORT TO THE AUDIT COMMITTEE

REGIONAL INTERNAL AUDIT CONSISTENCY MEASURES

Background

On September 26, 2016 the Ministry released an update on measures to promote more consistency amongst Regional Internal Audit Teams (RIAT) across the Province.

The following actions have now been undertaken.

1. Regional Internal Audit Performance Review now consists of evaluation forms completed by each audit committee in the region, each senior business official in the region and a self-assessment by the Regional Internal Audit Manager.
2. Regional Internal Audit Mandate was updated since it had not been reviewed since it was released in 2010. This mandate formally defines the purpose, authority and responsibility of the regional internal audit function. It is recommended that boards adopt the updated mandate and that it be presented to the audit committee annually. Attached for your review and adoption is the updated mandate.
3. An extension was granted to June 30, 2017 of the Regional Internal Audit Coordinator. The coordinator's key responsibilities under this extension are to organize meetings to bring the audit managers together to continue standardization efforts; to facilitate knowledge between the auditors; coordinate the development of a regional internal audit quality assurance and improvement program; organize the annual professional development conference; provide support and advise to the audit teams; and mediate disputes related to internal audit.

Appended Data

- Ministry of Education Memo 2016:B10 *Increasing Consistency Amongst Regional Internal Audit Teams*
- Definition of Selected Terms
- Regional Internal Audit Mandate

Recommended Motion

“That the revised Regional Internal Audit Mandate be adopted.”

Respectfully submitted,

Stacy Veld, Superintendent of Business Services

November 21, 2016

Ministry of Education

Office of the ADM
Financial Policy and Business Division
900 Bay Street
20th Floor, Mowat Block
Toronto ON M7A 1L2

Ministère de l'Éducation

Bureau du sous-ministre adjoint
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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 Duszczyzyn, 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 Duszczyzyn, Regional Internal Audit Coordinator

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

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 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.

AUDIT COMMITTEE

Annual Report to the Board of Trustees and Forwarded to the Ministry of Education for the year ended August 31, 2016

District School Board Name: DISTRICT SCHOOL BOARD OF NIAGARA

Fiscal Year: 2015-16

Re: ANNUAL AUDIT COMMITTEE REPORT TO THE
MINISTRY OF EDUCATION AS PER ONTARIO
REGULATION 361/10

The following audits were completed in the 2015-16 fiscal year:

1. Health & Safety
2. Special Education Follow-up Review
3. Procure to Pay Follow-up Review

An internal enrolment audit was conducted in the 2011-12 fiscal year. Based on the multi-year internal audit plan, there are no internal enrolment audits scheduled.

_____	_____	_____
Date	Signature, Jonathan Fast	Audit Committee Chair Title