

Erika Lougheed, Chair

Craig Myles, Director of Education

Audit Committee

Wednesday, November 30, 2022
Head Office of the Near North District School Board
963 Airport Road, North Bay, ON

Committee Members Present

Chantal Phillips, Trustee
Howard Wesley, Trustee
Judy Kleinhuis, External Member *
Marc Morin, External Member
Shane Hall, Trustee

Staff Present

Craig Myles, Director of Education
Seija Van Haesendonck, Superintendent of Business
Wende Proulx, Manager of Finance
Krista Messenger, Executive Assistant

Guests:

Melissa Dodge, Regional Internal Audit Team Manager
Tiffany Cecchetto, KPMG, Audit Partner

* joined following the roll call. Attendance noted within the minutes.

1.0 Call to Order

The meeting was called to order at 3:05 PM. Attendance was called to note the meeting has quorum, with the presence of three trustees and two external committee members.

It is noted that SBO Van Haesendonck will be chairing the meeting until the election of the Chair. Introductory comments were offered regarding the purpose, composition and scope of the Audit Committee. Highlights noted as:

- It is noted that the Audit Committee is a legislated committee, governed by O. Reg. 361/10 instead of terms of reference as is common with other committees of the Board.
- As outlined in the O. Reg, membership for a board the size of NNDSB is five members, with two external members. Quorum for an audit committee meeting is three of five members present, which must include one external member. The Director of Education and Superintendent of Business are considered resources to the committee.
- The Chair of the committee must be elected in September of each year. It is noted that the Audit Committee will be moving through this process today given that the elected chair is no longer a member of the committee. The chair may be any one of the members. If at any meeting, the chair is not present, the members present may elect a chair for that meeting.
- The purpose of the Audit Committee is to provide oversight of the school board's financial reporting, controls, and risk management. This committee does not provide oversight of the budget, that work is completed through the finance committee.
- There is a responsibility to report annually to the Board of Trustees regarding the committee's work and provide a summary report to be approved by the Board and submitted to the Ministry.

2.0 Election of Chair

2.1 Call for Nominations

It is noted that the committee will cast ballots through the private zoom chat feature if an election is required. SBO Van Haesendonck opened the floor for nominations for the position of Committee Chair.

Trustee Wesley nominated Trustee Hall. Trustee Phillips seconded the nomination of Trustee Hall.

After a pause, SBO Van Haesendonck issued a final call for nominations. With no further nominations raised, SBO Van Haesendonck noted that nominations were now closed.

Moved by M. Morin and seconded by Trustee Wesley, that nominations for the position of Audit Committee Chair be closed. – CARRIED.

Trustee Hall confirmed his acceptance of the nomination and thanked the nominators for their confidence regarding his service in the role of Chair.

2.2. Approval of Committee Chair

Moved by M. Morin and seconded by Trustee Wesley, that Shane Hall be acclaimed chair of the NNDSB Audit Committee effective November 2022 to August 2023. – CARRIED.

At this point, Committee Chair Hall assumed the chairship of the meeting.

3.0 Conflict of Interest

Committee Chair Hall opened the floor for declarations of conflict of interest, with none rose.

4.0 Adoption of the Agenda

Moved by Trustee Wesley, and seconded by M. Morin, that the agenda for the November 30, 2022, Audit Committee meeting be approved as presented. – CARRIED

5.0 Adoption of the Previous Minutes

It is noted that the minutes included in the agenda package were reviewed and approved by the previous Audit Committee Chair and presented to the Board unofficially as part of the October Board of Trustees meeting package.

Moved by M. Morin and seconded by Trustee Wesley that the Committee approves the Audit Committee minutes as presented for the meeting held on September 21, 2022.-
CARRIED

6.0 New Business

6.1. External Auditor's Report and Draft Audited Consolidated Financial Statements presentation for the year ended August 31, 2022

Committee members were referred to the attachment contained in the agenda package.

Committee Chair Hall invited T. Cecchetto, KPMG, to speak to this item. highlights noted as:

- The purpose of this Audit Findings Report is to assist the Audit Committee to review the results of KPMG's audit of the consolidated financial statements as at and for the year ended August 31, 2022 for the Near North District School Board.
- This Audit Findings Report builds on the Audit Plan presented to the Audit Committee on September 21, 2022, though it is noted that the current committee trustees did not attend this meeting.
- As of November 14, 2022, KPMG has completed the audit of the consolidated financial statements, with the exception of
 - Completion of subsequent event procedures up to the date of our auditors' report
 - Obtaining signed management representation letters
 - Receipt of confirmations from the Board's legal counsel
 - Completing our discussions with Audit Committee
 - Obtaining evidence of the Audit Committee's approval of the consolidated financial statements
- KPMG will update the Audit Committee on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. The report will be dated upon the completion of any remaining procedures.
- Audit quality indicators- note that KPMG has reviewed the audit quality indicators, with no identified areas of concern.
- Review of uncorrected differences to note there are none to note.
- Significant accounting policies and practices- Note that there have been no initial selections of, or changes to, significant accounting policies and practices to bring to the committee's attention.
- Control deficiencies- note that KPMG did not identify any control deficiencies that were determined to be significant in internal control over financial reporting.
- Independence- Note that KPMG is independent with respect to the Board, in accordance with the ethical requirements that are relevant to the audit of the consolidated financial statements in Canada.

Committee Chair Hall thanked T. Cecchetto for the report presented and opened the floor for questions, with none rose.

6.2. Review Draft Audited Consolidated Financial Statements

Committee members were referred to the attachment contained in the agenda package.

Committee Chair Hall invited SBO Van Haesendonck to speak to this item. Highlights noted as:

- Recognition provided for the work of Finance Manager Proulx and the finance department to prepare the draft financial statements.

- Review of the approval and submission process- noting that the Board's approval is required in order for the draft watermark to be lifted. NNDSB submitted the financial statements through the Education Financial Information System (EFIS) in order to meet Ministry deadlines, and will forward the statements once they have been approved by the Board and signed off by the SBO, the Director, and the Board Chair.
- Note that cash and cash equivalents experienced a decrease as at August 31, 2022 over August 2021.
 - NNDSB continues to have a significant amount of cash on hand at year end though still considerably lower than the previous year.
 - \$1,694,577 of the reported cash is due to consolidation. The cash holdback for the delayed grant increased by another \$6,376,164.
 - Cash receivable on capital projects increased over last year.
- The amount showing in investments is due to consolidation of related Board Entities as per Public Sector Accounting Standards. All of the investments shown belong to the Board's charity (NNDSB Charity Works).
- Accounts receivable – province – Note that some fluctuation in receivables from the province is typical for Priorities and Partnerships Funding (PPFs). This year, there was a notable increase in PPF receivables at year end, as well as the grant receivable. Most commonly, the larger fluctuations in this area are due to the capital receivable offsetting the Board's outstanding debt, capital receivable for ongoing capital projects and the delayed grant payment.
- The Board does have outstanding long-term debt through the Ontario Financing Authority; as the loan principal payments are flowed to the Board from the Ministry, there is an offsetting receivable from the province. Therefore, year over year, this receivable will drop as principal payments are made.
- There was an increase in the amount of School Condition Improvement and major capital projects funds outstanding as a receivable at year end increased. The Ministry flows funds for capital programs twice a year, once after the filing of the annual financial statements and once after the filing of the 7-Month March Report (required for Provincial Consolidation).
- The other large fluctuation in the provincial receivables is due to the Delayed Grant Payment the Board was reporting increased overall compared to last year (net cash hold backs and adjustments).
- Assets held for sale – one property has been noted (the Lavase Road property). This sale is completed on November 30.
 - Inquiry from Trustee Wesley to understand where the Widdifield property is outlined on the financial statements. SBO Van Haesendonck noted that this property is still owned by the Board and has not been formally declared surplus to the Board's needs through O. Reg. 444/98. A property cannot be declared as held for sale until trustees have passed a motion to initiate this process, and it meets specific accounting principles.
 - Follow-up inquiry to confirm if this was a requirement of the ministry following the "3:2" (consolidation of three North Bay secondary schools into two secondary schools). SBO Van Haesendonck noted that the Ministry requires boards to dispense of properties made surplus through new builds (example sites regarding the W.J. Fricker build). This was not the same process the 3:2 process took, and so therefore NNDSB has retained the Widdifield property as an asset (as noted within the listed assets section).

- Deferred Revenue - Decrease in deferred revenue as the province had sent funding in 2020-21 for the broadband pilot project and the galaxy broadband projects, with the majority spent in the 2021-22 year.
- Deferred Capital Contributions experienced an increase because of supported capital projects/additions occurring during the year being more than the annual amortization for the year. Recall that when funds are received for capital projects/builds these are placed into Deferred Capital Contributions, as the buildings are amortized over their remaining useful life the corresponding revenue to match the amortization expense is pulled in from Deferred Capital Contributions except capital projects that were approved to be funded from Accumulated Surplus
- Employee future benefits – valued each year by an actuary; expect it to reduce every year by retirement gratuity payments; also have sick leave carryover liability and WSIB future benefits.
- Tangible capital assets – increased for the same reason as capital contributions.
- Prepaids increased – trust benefit payments for September were paid in advance
- Inventory – in kind shipments received from the Ministry of Government and Consumer Services (MGCS) for personal protective equipment/
- Accumulated surplus – operating surplus balance is 18.8 million, as the amount that school boards can access.

Review of the Consolidated statement of operations:

- Overview of provincial legislative grants budget vs. actual. Note that the grant calculation has many factors that are impacted by many changes in data between budget and year end and student enrolment.
- Note the Ministry requirements with regards to placing unused funds in deferred revenue that were not spent on the intended purpose or program, COVID impacted a slight increase in deferred revenue in areas such as Experiential Learning. and RNEF.
- Provincial grants other – Other provincial grants are only budgeted for if funding confirmation is known at budget time. As a result, additional funding and grants are confirmed and received throughout the year thereby increasing the funding in this area, which is usually the case year after year. The revenue received in this section is to be all spent within the time specifications in the Ministry documents.
- Federal revenues - These are fees collected from First Nations for tuition fees and Continuing Education Services, however for the 2021-2022 year the balance also includes federal funding for "Federal Safe Return to Class - Safe Indoor Air Top-up.
- Other fees and revenues – This category of revenues is conservatively budgeted based on known facts at budget time and reasonable estimates.
- Other Revenues – school boards - The recovery of pupil accommodation expenses for shared facilities at Northern Secondary as well as funds received for the Northern Supports Initiative for Special Education - BRISC and ISNC, flow through this account.
- Investment income - Reduced slightly due to a lower cash balance and the bank reduced the interest rate mid-year.
- School generated funds – this does not contribute to the operating surplus/deficit of the board, as it is considered restricted funds; the increase from 2021 would be due to increased activity in the board following the lessening of COVID-19 pandemic restrictions;
- Instructional – Spending in this area covers classroom teachers, educational assistants, library and guidance to school office and co-ordinators. The most notable

increase is increases in supply staff (teachers, EAs and ECEs), Educational Assistants, ECEs, classroom texts/supplies/computers, and the para-professional envelope.

- Administration – Administration includes governance, director and superintendents and the Board Office departments;
- Transportation – increase from budgeted amount. The consortium is transporting more students over greater distances, with fewer routes, using mid-day runs to mitigate the added loads and associated costs. Much of this is going to be felt by the NNDSB due to its higher rate of increase in both enrollment and ridership percentage;
- Pupil accommodation – increase from budget attributable to amortization of school facilities and facilities equipment. Other larger increases included supplies and services due to full time school resuming which would bring an increased need for supplies as well as the increased cost of supplies.
- School funded activities – this does not contribute to the operating surplus/deficit of the board, as it is considered restricted funds; the increase from 2021 would be due to increased activity in the board following the lessening of COVID-19 pandemic restrictions;
- Final result increase in surplus for the year ending August 31, 2022 of \$4,287,697

Committee Chair Hall thanked SBO Van Haesendonck for the report presented and opened the floor for further questions:

- Clarity requested on note three regarding accounts receivable from the province and the disparity with note nine. SBO Van Haesendonck confirmed Note 3 is comprised of off-set long term liabilities (approximately \$47M) and capital receipts owing to the board (such as the Fricker build, and ongoing CVHRIS projects). The remaining amount in the balance is the cash management strategy.

With no further questions to note, a motion was tabled to recommend the drafted audited statements be brought forward to the Board of Trustees for approval.

Moved by Trustee Wesley and seconded by J. Kleinhuis that the draft audited consolidated financial statements for the year ended August 31, 2022 be recommended to the Board of Trustees for approval.- CARRIED.

6.3. Review draft Annual Report to the Board of Trustees for the year ended August 31, 2022

Committee members were referred to the attachment contained in the agenda package. Committee Chair Hall invited SBO Van Haesendonck to speak to this item. It is noted that this report is an annual requirement as per O. Reg 361/10 with specific criteria for inclusion that must be brought forward to the Board for review and approval. The report includes a summary of the approved committee minutes throughout the year. The floor was opened for questions with none rose.

Moved by Trustee Wesley and seconded by J. Kleinhuis that the Annual Report to the Board of Trustees for the year ended August 31, 2022 be approved. – CARRIED.

6.4. Review draft Annual Report (Summary) to the Board of Trustees for the year ended August 31, 2022

Committee members were referred to the attachment contained in the agenda package. Introductory comments provided to note in alignment with the previous item, this is a subset of the information provided in the annual report, as specified by the Ministry, and is recommended for approval to the Board of Trustees and subsequent submission to the Ministry of Education. Following receipt and approval by the Board, the Committee Chair will sign off on the report and it will be submitted to the Ministry through a new Microsoft Form Survey.

The floor was opened for questions with none rose.

Moved by Trustee Wesley and seconded by Trustee Phillips that the Annual Report to the Board of Trustees for the year ended August 31, 2022 be recommended to the Board of Trustees for approval and submission to the Ministry of Education. – CARRIED.

6.5. Regional Internal Audit Team (RIAT) introduction

Committee Chair Hall welcomed M. Dodge, Regional Internal Audit Team (RIAT) Manager, to the meeting. M. Dodge noted she will be providing an introductory presentation regarding the work of the Regional Internal Audit Team. Highlights noted as:

- Review of the role of the Regional Internal Audit Team (RIAT)- including the composition of the staff, reporting relationships, and professional development requirements.
- Review of the RIAT purpose and focus. It is noted it is considered a “third line of defence” behind management internal controls, and financial controls compliance systems. It is noted that the RIAT is independent and reports directly to the Audit Committee.
- The scope of work of the regional internal audit team is to determine whether the network of risk management, control, and governance processes, as designed and implemented by the individual district school boards, is adequate and functioning appropriately.
- Review of the RIAT audit planning process and responsibilities. Note that the RIAT is responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until corrective action is implemented, implementation is verified by the internal audit staff and the finding is approved for closure by the regional internal audit manager or the audit committee.
- Review of the planned training dates for Audit Committee members led by the RIAT:
 - January 17, 2023
 - January 24, 2023
 - January 31, 2023
 - February 7, 2023

The floor was opened for questions. Inquiry raised regarding how the trainings can be accessed. M. Dodge noted that committee members will receive a flyer in the week to come on how to access the meetings. It is noted that the dates are coordinated provincially and will be recorded should committee members not be able to attend the sessions.

6.6. Audit Committee Training – Melissa Dodge, RIAT Manager Discussed as part of the discussion above.

6.7. Update on Annual Assessment Plan

Committee members were referred to the attachment contained in the agenda package. Committee Chair Hall invited SBO Van Haesendonck to speak to this item. As part of the work of the committee, a work plan was prepared and approved in March 2022 for the annual cycle of assessments and self-assessments. It is noted that this is included as an information item. The next assessment will be the external auditor assessment, and the results will be shared in the February/March meeting.

6.8. External Auditor Assessment

Discussed as part of the previous agenda item.

Director Myles expressed thanks to SBO Van Haesendonck for her leadership with the finance team, as well as to the external partners for their time and attention to detail regarding their work with NNDSB. A final word of thanks was expressed to the trustees and external committee members for their willingness to participate on the Audit Committee.

7.0 Next Meeting Date

Suggestion tabled to determine the meeting dates for the coming year out of respect for the committee members' time. Consensus to note the committee will meet quarterly on the third Tuesday of the month in September, November, March and June. Meeting time is to be set at 3:00 PM.

8.0 Adjournment

Moved by Trustee Phillips and seconded by M. Morin that there being no further business to discuss, on November 30, 2022, the Audit Committee stands adjourned at 4:56 PM. - CARRIED.

Minutes: SH/SVH/km.