



AUDIT COMMITTEE MEETING

OPEN SESSION

Monday, June 10, 2019
5:30 p.m.

Education Centre
Grimsby-Lincoln Room

A G E N D A

1. **Call to Order**
2. **Introductions** - Stacy Veld
3. **Approval of Agenda**
4. **Declaration of Conflict of Interest**
5. **Regional Internal Audit Status Report** - John Forte, RIAT
 - a) **Internal Audits**
 - i. **2019-2020 Risk Assessment Update and Audit Plan Proposal**
 - b) **Annual Independence Assertion**
6. **Move to Closed Session**
7. **Move Back to Open Session**
8. **7-Month Specified Procedures Report** - Nicky Westlake
9. **Appointment of External Auditors** - Nicky Westlake
10. **Next Meeting Date: Monday, September 9, 2019**
5:30 p.m., Education Centre
11. **Adjournment**



MEMO

TO: District School Board of Niagara Audit Committee
FROM: Jenny Baker, Regional Internal Audit Manager
DATE: 10 June 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 19, 2018.

A. 2019-2020 Risk Assessment Update and Audit Plan Proposal

Attached for your information is a summary describing the annual risk assessment update and the presentation of the 2019-20 regional internal audit plan for your approval.

**B. Other
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.



MEMO

TO: District School Board of Niagara Audit Committee
FROM: Jenny Baker, Regional Internal Audit Manager
DATE: 10 June 2019
SUBJECT: 2019-20 Internal Audit Plan

On April 17th, the Regional Internal Audit Manager met with the Superintendent of Business (SBO) and the Controller of Finance to discuss ongoing and emerging risks in the sector. Their observations have resulted in the development of this audit plan.

Audit Projects Proposed For 2019-2020

1. Privacy

The Board collects, uses, retains and discloses personal information in the course of meeting its' statutory duties and responsibilities. Personal information is information about, or can be related to, an identifiable individual such as name, date of birth, home address, home telephone number or social insurance number. New technologies and tools are being used which capture information about students and staff. The Board is committed to the protection of privacy and stakeholders expect compliance with all applicable provisions in the Education Act, the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA), the Personal Health Information Protection Act (PHIPA), and any other applicable legislation.

The objective of this audit is to assess the effectiveness of procedures that DSBN has adopted to comply with applicable legislation. This audit addresses compliance, reputation and information security risk.

The scope of this audit is deemed to equate to two audit projects.

2. Audit Follow up Reviews

Management recognizes that implementing the action plans they devised as part of the 2016-17 Network Penetration audit and the Back-up, Disaster and Recovery audit will contribute to mitigating the risk that personally identifiable information about students and staff could be breached. Because significant re-testing is required to determine if the risks identified in these audits have been addressed, regional internal audit resources will focus on performing audit follow-up reviews of these topics.



- i. IT Penetration Testing
- ii. Back-up, Disaster and Recovery
- iii. Repairs and Maintenance
- iv. BAS 2000 Data Analytics

Audit Projects Proposed For 2020-2021

A facilitated risk assessment will be completed during the spring of 2020 to identify audit topics for consideration for the 2020-2021 school year.

DISTRICT SCHOOL BOARD OF NIAGARA
REPORT TO THE AUDIT COMMITTEE
7-MONTH SPECIFIED PROCEDURES REPORT

Background:

The District School Board of Niagara (DSBN) is required each year to hire external auditors to complete specified auditing procedures on our financial records for the 7-month period ending March 31, 2019. Our external auditors, KPMG LLP were appointed by the DSBN to complete the specified auditing procedures. Attached is the 7-month specified procedures report issued by our external auditors.

Recommendation:

“That the 7-month specified procedures report for the period ending March 31, 2019 be received.”

Respectfully submitted,

Stacy Veld, Superintendent of Business Services and Treasurer
Nicky Westlake, Controller of Finance

June 10, 2019

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



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REPORT ON SPECIFIED AUDITING PROCEDURES

To the Trustees of the District School Board of Niagara

As specifically agreed, we have performed the specified auditing procedures enumerated below in connection with the District School Board of Niagara's reporting to the Ministry of Education as to the amounts on Schedules 19, 20 and 22 of EFIS of the District School Board of Niagara for the period from September 1, 2018 to March 31, 2019. The specified auditing procedures are summarized, along with the findings, as follows:

I. Schedules 19 and 20 of EFIS of the Board

We have obtained Schedules 19 and 20 of EFIS from the Board and performed the following:

1. With respect to Column A.1 we performed the following at March 31, 2019:
 - a. We obtained a summary of the trial balance (or general ledger) at March 31, 2019 of the Board and agreed the subtotals to Column A.1 of Schedules 19 and 20 and found them to be in agreement.
 - b. We agreed the following 5 items (assets/ liabilities/ accumulated surplus/ (deficit)/ revenues/ expenses) over \$700,000 from the summary referred to in (1) a) above, to the general ledger and found them to be in agreement.

<i>Account</i>	<i>Balance at 3/31/2019</i>
<i>82000</i> <i>Short Term Investments</i>	<i>37,044,570.02</i>
<i>91801</i> <i>Accrued Liabilities</i>	<i>(5,789,218.03)</i>
<i>000000-06-091-6-000-0000-08800</i> <i>AMORTIZATION OF DCC</i>	<i>(15,877,205.00)</i>
<i>473473-10-194-1-000-0000-11000</i> <i>EARLY CHILDHOOD</i> <i>EDUCATORS</i>	<i>4,606,659.94</i>
<i>300300-99-200-6-000-9401-31010</i> <i>BENEFITS - OSSTF ELHT</i>	<i>2,708,569.75</i>



2. If applicable, we obtained the entry to reverse any amounts recorded during the seven month period for school generated funds. We agreed the entry to supporting documentation and agreed to Column A.2 on Schedule 19 and 20.

Not applicable – no Column A.2 adjustments

3. If applicable, we obtained the entry to reverse any amounts recorded during the seven month period for subsidiaries. We agreed the entry to supporting documentation and Schedule 19 and 20. (Column A.3).

Not applicable – no Column A.3 adjustments

4. We obtained a summary of the Column B.1 adjustments on Schedules 19 and 20, if any, to reverse entries over \$700,000 which recorded receivables and payables at August 31, 2018 and were not reversed in the Board's general ledger during the subsequent period. We randomly selected 20% of the entries (a minimum of 5), agreed them to the supporting documentation and verified the amount was included in the summary of the entries. We agreed the summary of the entries to Column B.1 of Schedule 19 "Consolidated Statement of Financial Position", and Schedule 20 "Revenues and Expenses", as applicable.

Not applicable – no Column B.1 adjustments

5. We obtained a summary of Column B.2 accrual adjustments on Schedules 19 and 20, if any, for adjustments over \$700,000 related to the period prior to March 31, 2019. We randomly selected 20% of the entries (a minimum of 5), agreed them to the supporting documentation and verified the amount included in the summary of the entries related to the period prior to March 31, 2019. We agreed the summary of the entries to Column B.2 of Schedule 19 "Consolidated Statement of Financial Position", and Schedule 20 "Revenues and Expenses", as applicable.

Not applicable no Column B.2 adjustments

6. With respect to Column B.3 adjustments made to accrue the Ontario Financing Authority (OFA) loan interest, we recalculated the accrued amount and agreed to the adjustment on column B.3 of Schedule 19 and 20.
7. We obtained supporting documentation for any Column C.1 adjustments made to reclassify Ministry Revenue between the various categories on Schedule 20 "Revenue". We agreed 2 entries to the supporting documentation.

Not applicable – no Column C.1 adjustments



8. With respect to the revenue recorded for municipal taxes over \$700,000, we performed the following:

- a. With respect to the tax revenue for the period from September 1, 2018 to December 31, 2018:

We agreed the 2018 municipal tax revenue to the most current supporting documentation (for a maximum of two municipalities) and recalculated the revenue for the period by subtracting the amount included in revenue in the August 31, 2018 audited financial statements (being 62% of the 2018 tax revenue as included in Schedule 11B of EFIS for the year ended August 31, 2018) from the total 2018 tax revenues (based on most current information).

<u>Municipality</u>	<u>2018 Calendar Revenue</u>
Grimsby	\$7,547,286.15
Thorold	\$4,127,051.38

- b. With respect to the tax revenue for the period from January 1, 2019 to March 31, 2019:

We recalculated the estimated 2019 municipal tax revenue for the period using 25% of the estimated 2019 tax revenue based on most current information. We agreed estimated 2019 tax revenue to supporting documentation. If current information regarding estimated 2019 tax revenue is unavailable, then the 2019 tax revenue for the period was estimated using 2019 tax revenue as included in Schedule 11A of the Revised Estimates for the year ending August 31, 2019.

As the current information regarding estimated 2019 tax revenue was unavailable, we recalculated the tax revenue for the period by using the 2018 tax revenue as included in schedule 11A of the Revised Estimates for the year ending August 31, 2019.



- c. We agreed the 2018 supplementary taxes and write offs (for a maximum of two municipalities) to supporting documentation and recalculated the revenue for the period by subtracting the amount included in line 3.4 in Schedule 9 of the 2017-2018 financial statements.

<u>Municipality</u>	<u>Supplementary Taxes</u>	<u>Tax Write-offs</u>
Grimsby	\$283,615.00	\$(64,506.54)
Thorold	\$114,630.13	\$(118,142.38)

- d. If an amount greater than \$700,000 was reported on line 3.4, Column C.2 of Schedule 20 "Revenue", we asked management for the supporting listing that totaled the amount on line 3.4. We calculated the difference between the 2019 supplementary taxes and write-offs based on most current information and 2018 supplementary taxes and write-offs and agreed to the amounts on the listing (for a maximum of two municipalities).

Not applicable – no Column C.2 line 3.4 adjustment

- e. We agreed the total of 8a), 8b), 8c) and 8d), above to Local Taxation (line 3.5) in Column E on Schedule 20 "Revenue" after the adjustment, if any, in Column C.2. We agreed the adjustment amount to Schedule 19, "Consolidated Statement of Financial Position" Column C.2, line 1.4 or line 2.3.
9. We verified the calculation of the allocation of tuition revenues to the period using the prescribed methodology prorated on the related number of school days. We agreed the adjustment, if over \$700,000, made to reflect this calculation in Schedule 20 "Revenue", and Schedule 19 "Consolidated Statement of Financial Position" in Column C.3.

Calculation verified – adjustment agreed to supporting documentation



10. With respect to salaries and benefits earned for the period we obtained the payroll paid and payroll earned during the period from the Board, and performed the following:

- a. We obtained a listing of the general ledger entries and agreed the following amounts paid to the payroll journal, selecting from different employee groups, a maximum of 5 entries.

<u>Employee Group</u>	<u>Account Number</u>	<u>Amount</u>
ELETEACH	430430-10-170-1-000-9691-13000	\$ 22,644.60
ELETEACH	470470-10-182-6-000-0000-11000	\$115,083.12
ELEOCC	078078-10-185-1-000-1002-13000	\$ 2,703.11
SECOCC	568568-10-185-4-000-0000-13000	\$ 58,859.49
OPSEUPP/SUPPTERM	473362-10-191-1-301-3010-11000	\$ 69,354.40

11. We obtained the calculation of the vacation pay accruals for any amounts over \$700,000 and performed the following:

- a. We obtained the supporting documentation for the 2 employee groups with the largest vacation pay accruals.
- b. We agreed a sample of the following 5 employees (allocated between the employee groups) to the records of vacation days outstanding, and the payroll rate. We recalculated the accrued vacation pay for those 5 employees.

<u>Employee #</u>	<u>Accrual Amount</u>
01507	\$4,402.80
201423	\$4,107.60
02867	\$4,237.20
106750	\$390.60
201688	\$1,626.59



- c. We agreed the adjustment to Column C.5 on Schedule 19, "Consolidated Statement of Financial Position" and Schedule 20 "Expenses".

Procedure is not applicable as there are no Column C.5 adjustments as the payable is recorded in the Boards records.

- 12. We verified the mathematical accuracy of the prorated calculation of the employee future benefits liability and related expense adjustment, using the 2018-2019 estimates provided in the actuarial assessment at August 31, 2018 and found no differences. If 2018-2019 estimates are not provided in the August 31, 2018 assessment, verify if the board has used 2017-2018 expenses as the basis for prorating. We agreed the total employee future benefits liability to the total in Column E, after the required adjustment to Column C.6, on Schedule 19, "Consolidated Statement of Financial Position", line 2.20. We agreed the adjustment to expenses to the total in Column C.6 on Schedule 20, "Expenses".

We verified the prorated calculation of the employee future benefits liability and related expense adjustment using the 2018-2019 estimates provided in the actuarial assessment at August 31, 2018.

- 13. We performed the following with respect to any other adjustments over \$700,000 provided by the Board:

- a. We obtained a summary of the other adjustment entries included in Column C.7 which related to the period prior to March 31, 2019 and required adjustment in Schedule 19 and 20.

Not applicable – no Column C.7 adjustments

- b. We randomly selected 20% of the entries provided in a) above (a minimum of 5) over \$700,000 as detailed below and compared to the supporting documentation. We verified the amount related to the period prior to March 31, 2019 was included in the summary of entries.

Not applicable, see (a)

- c. We recalculated the summary of entries which required adjustment and agreed the adjustment to Column C.7 on Schedule 19 and 20. We ensured that the entries balanced between Schedule 20, "Revenues and Expenses" and Schedule 19, "Consolidated Statement of Financial Position".

Not applicable, see (a)



- d. We enquired whether any statement of financial position items, which are historically adjusted in the General Ledger at August 31 each year, were considered and included in the adjustments provided in a). (Note that items to be considered include accrued liabilities, receivables, interest on sinking fund assets, etc.)

Not applicable, see (a)

- e. We enquired whether any items, historically included in the General Ledger as a net amount during the year and restated to report as gross revenue and expenses at August 31 each year, were considered and included in the adjustments provided in a). (Note that items to be considered include special projects, federal government grants, capital projects, etc.)

Not applicable, see (a)

- 14. With respect to the School Generated Funds, we obtained the amounts included in the Consolidated Statement of Financial Position in the audited financial statements for the year ended August 31, 2018, agreed to supporting documentation and Schedule 19, "Consolidated Statement of Financial Position" in Column G.
- 15. With respect to the Subsidiaries, we obtained the amounts included in the Consolidated Statement of Financial Position in the audited financial statements for the year ended August 31, 2018, agreed to supporting documentation and agreed to the Schedule 19, "Consolidated Statement of Financial Position" Column H.

Not applicable – No Subsidiaries



II. Schedule 22

1. We obtained a detailed listing of tangible capital assets by asset class and agreed totals to corresponding columns by asset class in Schedule 22 of EFIS – “Tangible Capital Asset Continuity”.
2. We conducted the following procedures with respect to additions to buildings (40 years) and land for the period September 1, 2018 to March 31, 2019:
 - a. From the detailed listing of tangible capital assets for the 7-month period supporting the data in Schedule 22, we selected a sample of 7 additions (5 buildings and 2 land) as follows:

Building:

<u>Asset ID#</u>	<u>Assets Name</u>	<u>Total Additions Value</u>
056	Fitch Street PS	\$15,337.69
093	Kate S Durdan Public School	\$46,989.27
146	Prince of Wales Public School	\$89,970.75
204	Welland Centennial SS	\$241,598.83
128	Forestview PS	\$60,172.76

Land (Improvements):

<u>Asset ID#</u>	<u>Asset Name</u>	<u>Total Additions Value</u>
217	Greater Fort Erie SS	\$306,557.31
299	West Niagara SS	\$5,377,920.60



- b. We selected one cost component included in each addition selected in a) and agreed the cost to specific documentation as follows:

Building:

<u>Asset Name</u>	<u>Selected Amount</u>	<u>Supporting Documentation</u>
<i>Fitch Street PS</i>	<i>\$63.85</i>	<i>Invoice net of HST rebate</i>
<i>Kate S Durdan Public School</i>	<i>\$21,213.52</i>	<i>Invoice net of HST rebate</i>
<i>Prince of Wales Public School</i>	<i>\$46,144.39</i>	<i>Invoice net of HST rebate</i>
<i>Welland Centennial SS</i>	<i>\$162,403.18</i>	<i>Invoice net of HST rebate</i>
<i>Forestview PS</i>	<i>\$17,563.13</i>	<i>Invoice net of HST rebate</i>

Land:

<u>Asset Name</u>	<u>Selected Amount</u>	<u>Supporting Documentation</u>
<i>Greater Fort Erie SS</i>	<i>\$62,123.50</i>	<i>Invoice net of HST rebate</i>
<i>West Niagara SS</i>	<i>\$5,000,000.00</i>	<i>Purchase Price Statement</i>

- c. For the sample selected in b) we determined that the items were recorded in accordance with the "District School Board & School Authority Tangible Capital Assets Provincial Accounting Policies & Implementation Guide" dated April 2015.



3. We conducted the following procedures with respect to Construction in Progress (CIP) assets:

- a. From the detailed listing of tangible capital assets for the 7-month period we selected 2 additions to CIP as follows:

<u>Asset ID#</u>	<u>Asset Name</u>	<u>Total Additions Value</u>
031	Connaught Public School	\$115,125.25
058	Forestview Public School	\$49,151.78

- b. We selected one cost component included in each addition selected in a) and agreed the costs to specific documentation as follows:

<u>Asset Name</u>	<u>Selected Amount</u>	<u>Supporting Documentation</u>
Connaught Public School	\$52,288.29	Invoice net of HST rebate
Forestview Public School	\$17,203.74	Invoice net of HST rebate

- c. For the sample selected in b) we determined that the items were recorded in accordance with the "District School Board & School Authority Tangible Capital Assets Provincial Accounting Policies & Implementation Guide" dated April 2015.
- d. We selected one item from CIP that was transferred into an in-service asset class and performed the following:

<u>Asset Name</u>	<u>ID#</u>	<u>Amount</u>	<u>Supporting Documentation</u>
Cherrywood Acres PS and A000000000273	B66150- final release of holdback	\$100,729.76	Architect signoff

- e. We traced the related project to an authorized completion certificate or equivalent.

No exceptions noted



4. We conducted the following procedure with respect to amortization of buildings:

- a. From the detailed listing of tangible capital assets for the 7-month period we selected a sample of 5 amortization expenses as follows:

<u>Asset Name</u>	<u>ID#</u>	<u>Amortization Amount</u>
DeWitt Carter PS	040	\$38,329
Central PS	022	\$83,519
Plymouth PS	140	\$71,132
Stevensville PS	176	\$152,611
Sir Winston Churchill SS	238	\$404,924

- b. We recalculated the amortization in accordance with the "District School Board & School Authority Tangible Capital Assets Provincial Accounting Policies & Implementation Guide" dated April 2015 and agreed to the amortization reported in the detailed listing of tangible capital assets for the 7-month period for the assets selected.

5. We conducted the following with respect to disposals of buildings and land:

- a. From the detailed listing of tangible capital assets for the 7-month period we selected a sample of 3 disposals as follows:

Not applicable - no disposals of buildings and land during the period.

- b. We agreed the proceeds of disposition for the items selected in a) above to supporting documentation (indicate the supporting documentation - i.e. Agreement of Purchase and Sale).

Not applicable

- c. We recalculated the gain/loss on disposal for the items selected in a) above and agreed to the gain/(loss) on disposal for that asset to the board's data.

Not applicable



III. Schedule 22A

1. We obtained a detailed listing of assets held for sale by asset class and agreed totals to corresponding columns by asset class in Schedule 22A of EFIS – “Assets Held for Sale Continuity”.
2. We conducted the following procedures for assets held for sale with respect to additions to land and land improvements with infinite lives, and building and land improvements with finite lives, for the period September 1, 2018 to March 31, 2019:

- a. From the detailed listing of assets held for sale for the 7-month period supporting the data in Schedule 22A, we selected a sample of 3 additions (1 land and land improvement with infinite life and 1 building and 1 land improvement with finite life (if applicable) and ensured that the criteria (PSAB handbook section 1201.55) to transfer into assets held for sale was met in the September 1, 2018 to March 31, 2019 period as follows:

<u>Asset ID#</u>	<u>Asset Name</u>	<u>Amount</u>
029	College Street PS	\$489,004
606	Fort Erie PS	\$1,587,100

- b. We selected 1 additional expenditure on assets held for sale and agreed the cost to specific documentation as follows:

Not applicable - no expenditures on assets held for sale

3. We conducted the following with respect to disposals of assets held for sale:

- a. From the detailed listing of assets held for sale for the 7-month period we selected a sample of 2 disposals as follows:

Not applicable - no disposals of asset held for sale

- b. We agreed the proceeds of disposition for the items selected in a) above to supporting documentation (indicate the supporting documentation - i.e. Agreement of Purchase and Sale).

Not applicable

- c. We recalculated the gain/loss on disposal for the items selected in a) above and agreed to the gain / (loss) on disposal for that asset to the board's data.

Not applicable



Our report is intended solely for the Trustees of the District School Board of Niagara and the Ministry of Education and should not be distributed or used by parties other than Trustees of the District School Board of Niagara or the Ministry of Education.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
St. Catharine's, Canada
May 9, 2019

DISTRICT SCHOOL BOARD OF NIAGARA
REPORT TO THE AUDIT COMMITTEE
APPOINTMENT OF EXTERNAL AUDITORS

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.

In January 2017, KPMG LLP (local office) presented a proposal to decrease their audit fees for external audit services provided to the Board. The proposal would lower the audit fees for each of the next five years below the current audit fee.

Based on past experience, the audit partner and audit team have provided excellent audit services and have met all quality and timeline expectations.

Recommendation:

“That KPMG LLP be appointed as DSNB external auditors for a one-year term commencing September 1, 2019.”

Respectfully submitted,

Stacy Veld, Superintendent of Business Services and Treasurer
Nicky Westlake, Controller of Finance

June 10, 2019

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