

**HALTON DISTRICT SCHOOL BOARD  
GOVERNANCE PROCEDURE  
AUDIT COMMITTEE PROCEDURE**

**POLICY**

This Procedure is made pursuant to the Board's Audit Committee Policy.

**PURPOSE**

This Governance Procedure provides direction to the Board of Trustees (the "**Board**") and the HDSB's Audit Committee.

**LEGAL FRAMEWORK**

The Audit Committee is established in accordance with Section 253.1(1) of the *Education Act RSO 1990 c E.2* and Regulation 361/10 made under the *Education Act*.

Terms used in this Procedure shall have the same meaning as in Regulation 361/10.

**AUDIT COMMITTEE MEMBERSHIP**

Regulation 361/10 provides that the Audit Committee's membership shall be comprised of five (5) members, as follow:

- a) three Trustees, who are appointed in accordance with the Board's By-law; and
- b) two persons who are not Trustees, who are eligible and are appointed in accordance with this Procedure.<sup>1</sup>

**ELIGIBILITY OF NON-TRUSTEE MEMBERS**

A person who is not a Trustee is eligible to be appointed to the Audit Committee only if they,

- a) have accounting, financial management or other relevant business experience that would enable them her to understand the accounting and auditing standards applicable to the board;
- b) are not an employee or officer of the HDSB or of any other school board at the time of their appointment;
- c) do not have a conflict of interest at the time of their appointment; and
- d) are identified by the selection committee described in herein as a potential candidate for appointment to the Audit Committee.<sup>2</sup>

**SELECTION COMMITTEE**

The Halton District School Board (the "**HDSB**") shall form a selection committee for the purpose of identifying potential non-Trustee candidates for appointment to the Audit Committee, to be comprised of:

- a) the Director of Education;
- b) a senior business official of the HDSB; and
- c) the Chair of the Board or a Trustee designated by the Chair.<sup>3</sup>

**TERM**

A Trustee member of the Audit Committee shall be appointed for a term of four (4) years.<sup>4</sup> A Trustee may be appointed for an unlimited number of terms.<sup>5</sup>

A non-Trustee member of the Audit Committee shall be appointed for a term of three (3) years,<sup>6</sup> and may serve a maximum of two terms,<sup>7</sup> unless:

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<sup>1</sup> Section 3(1)2

<sup>2</sup> Section 4(1)

<sup>3</sup> Section 5(1) and (2)

<sup>4</sup> Section 7(1)

<sup>5</sup> Section 7(3)

<sup>6</sup> Section 7(2)

<sup>7</sup> Section 7(4)

- a) HDSB has advertised the position for at least thirty (30) days; and
- b) after thirty (30) days the selection committee has not identified any potential candidates.<sup>8</sup>

in which case a non-Trustee member may serve an additional term or terms.

When the term of a member of the Audit Committee expires, the person shall continue to be a member until such time as a successor is appointed or the member is reappointed.<sup>9</sup>

### **VACANCIES**

An Audit Committee member who is a Trustee vacates their position if:

- a) they are convicted of an indictable offence; or
- b) they are absent from two consecutive regular meetings of the committee and the committee has not authorized those absences by a resolution at the first regular meeting of the committee that follows the second absence.<sup>10</sup>

An Audit Committee member who is non-Trustee vacates their position if,

- a) they are convicted of an indictable offence;
- b) they are absent from two consecutive regular meetings of the committee and the committee has not authorized those absences by a resolution at the first regular meeting of the committee that follows the second absence;
- c) they become an employee or officer of the HDSB or of any other school board; or
- d) it is discovered that they had a conflict of interest at the time of their appointment and failed to disclose it.<sup>11</sup>

If a position on the Audit Committee becomes vacant, the position shall be filled as soon as possible in accordance with the appointment process described herein.<sup>12</sup>

A person who is appointed to fill a vacancy shall hold the position for the remainder of the term of the member whose position became vacant.<sup>13</sup> A partial term shall nonetheless constitute a full term for the purposes of calculating the maximum number of terms.

### **DECLARATION OF CONFLICT OF INTEREST**

A conflict of interest for the purposes of this Procedure is defined as having a parent, child, or spouse who is employed by HDSB.<sup>14</sup>

Each member of the Audit Committee shall, upon appointment and at the first meeting of the fiscal year every year of their term thereafter, submit a written declaration to the Chair stating whether they have a conflict of interest.<sup>15</sup>

A committee member who becomes aware of a conflict subsequent to having made such a written declaration shall immediately disclose the interest in a written statement to the Chair.<sup>16</sup>

In addition to the foregoing, where a committee member's parent, child or spouse could derive any financial benefit relating to an item on the committee's agenda, the committee member shall declare the potential benefit at the start of the committee meeting and withdraw from the meeting during the

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<sup>8</sup> Section 7(4)

<sup>9</sup> Section 7(5)

<sup>10</sup> Section 8(1)

<sup>11</sup> Section 8(2)

<sup>12</sup> Section 8(3)

<sup>13</sup> Section 8(4)

<sup>14</sup> Section 4(2)

<sup>15</sup> Section 14(1)

<sup>16</sup> Section 14(2)

discussion of the matter, and shall not vote on the matter.<sup>17</sup> The minutes of the meeting shall include a detailed description of the potential benefit so declared.<sup>18</sup>

Quorum shall not be affected by reason of the absence of a committee member who has declared a conflict of interest or potential benefit.<sup>19</sup>

### **COMMITTEE CHAIR AND VICE-CHAIR**

The Chair of the Audit Committee shall be elected by and from amongst the members of the committee at the first meeting in each fiscal year,<sup>20</sup> for a one year term.<sup>21</sup>

The duties of the Chair shall include:

- a) presiding over Audit Committee meetings;
- b) ensuring the development of meeting agenda which reflect the priorities and responsibilities of the Audit Committee;
- c) communicating with the Board, as authorized by resolution of the committee; and
- d) such other duties as may be assigned by the committee from time to time.

The Vice-Chair of the Audit Committee shall be elected by and from amongst the members of the committee at the first meeting in each fiscal year, for a one year term.

The Vice-Chair will preside over the meeting as Chair if the Chair is not physically present at the meeting. The Vice-Chair shall preside over the discussion, debate and vote of a particular agenda item or resolution if the Chair declares a conflict of interest relating to the that agenda item or resolution.

If neither the Chair nor the Vice-Chair are able to preside, the members who are present in person or by electronic means may elect a member to act as Chair.<sup>22</sup>

The Chair of the Audit Committee shall ensure that minutes are taken at each meeting, and provided to committee members within the month following the meeting.<sup>23</sup>

### **MEETINGS**

The Audit Committee shall meet at least three (3) times in each fiscal year, at the call of the Chair, and at such other times as the Chair considers advisable.<sup>24</sup>

The first meeting of each fiscal year shall be held no later than September 30.<sup>25</sup>

Committee members other than the Chair may attend a meeting by electronic means, and any members so attending shall be deemed to be present.<sup>26</sup>

Meetings of the Audit Committee shall be open to the public, except that the committee may meet *in camera* as allowable under Section 207(2) of the *Education Act*, reproduced at Appendix G of this Procedure.

The Audit Committee will provide members of the public with two-way, participatory access through delegation and/or the gathering of electronically submitted questions.

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<sup>17</sup> Section 14(3)

<sup>18</sup> Section 14(5)

<sup>19</sup> Section 14(4)

<sup>20</sup> September 1 to August 31

<sup>21</sup> Section 6(2)

<sup>22</sup> Section 6(2)

<sup>23</sup> Section 11(7)

<sup>24</sup> Section 11(1)

<sup>25</sup> Section 11(2)

<sup>26</sup> Regulation 463/97

## **SUPPORT**

The Audit Committee may request that any of the following staff attend a meeting:

- a) Director of Education or designate;
- b) Superintendent of Business Services and Treasurer;
- c) Controller of Financial Services;
- d) External Auditor(s);
- e) Regional Internal Audit Team;
- f) Manager of Accounting; and/or
- g) Staff assigned to take minutes.

## **VOTING**

The Audit Committee shall make decisions by resolution.<sup>27</sup>

Each member of the Audit Committee shall have one vote.<sup>28</sup> In the event of a tie vote, the Chair is entitled to cast a second and deciding vote.<sup>29</sup>

## **QUORUM**

The Audit Committee shall have quorum if:

- a) a majority of the committee members are present; and
- b) there is at least one member present who is not a Trustee.<sup>30</sup>

## **DUTIES OF THE AUDIT COMMITTEE**

The Audit committee has the following duties as outlined in Regulation 361/10 and reproduced in the Appendices to this Procedure, as follows:

- a) related to the HDSB's financial reporting process, Appendix A;
- b) related to the HDSB's internal controls, Appendix B;
- c) related to the HDSB's internal auditor, Appendix C;
- d) related to the HDSB's external auditor, Appendix D;
- e) related to the HDSB's compliance matters, Appendix E;
- f) related to the HDSB's risk management, Appendix F.

## **REPORT TO THE BOARD**

The Audit Committee shall report to the Board annually, and at any other time required by the Board, on the committee's performance of its duties.<sup>31</sup>

The Audit Committee shall submit a written annual report to the Board, by a date specified by the Board, to include:

- (a) any annual or multi-year audit plan of the HDSB's internal auditor;
- (b) a description of any changes made to a plan referred to in clause (a) since the last report of the committee;
- (c) a summary of the work performed by the internal auditor since the last annual report of the committee, together with a summary of the work the auditor expected to perform during the period, as indicated in the plan referred to in clause (a);
- (d) a summary of risks identified and findings made by the internal auditor; and
- (e) a summary of any enrolment audits planned by the internal auditor.<sup>32</sup>

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<sup>27</sup> Section 11(4)

<sup>28</sup> Section 11(3)

<sup>29</sup> Section 11(5)

<sup>30</sup> Section 11(6)

<sup>31</sup> Section 9(7)

<sup>32</sup> Section 15(1)

The Board shall submit the information in clauses (c) and (e) above to the Minister in each fiscal year on or before a date specified by the Minister.<sup>33</sup>

The Audit Committee shall submit a report to the Board in each fiscal year on or before a date specified by the Board, and at any other time as may be requested by the Board, that includes,

- (a) a summary of the work performed by the committee since the last report;
- (b) an assessment by the committee of the HDSB's progress in addressing any findings and recommendations that have been made by the internal or external auditor;
- (c) a summary of the matters addressed by the committee at its meetings;
- (d) the attendance record of members of the committee; and
- (e) any other matter that the committee considers relevant.<sup>34</sup>

### **POWERS OF THE AUDIT COMMITTEE**

In carrying out its functions and duties, the Audit Committee has the power to,

- (a) retain counsel, accountants or other professionals to advise or assist the committee, providing the committee obtains the prior approval of the Board;
- (b) meet with, or require the attendance at a committee meeting of:
  - i. member(s) of the Board of Trustees;
  - ii. HDSB's staff;
  - iii. HDSB internal or external auditor; or
  - iv. legal counsel or representatives from a reporting entity of the HDSB, and require such persons or entities to provide any information and explanation that may be requested;
- (c) where the committee determines it is appropriate, meet with HDSB' external or internal auditor, or with any HDSB staff, without the presence of other HDSB staff or Trustees, other than Trustees who are members of the Audit Committee;
- (d) require HDSB's internal or external auditor to provide reports to the committee; and
- (e) have access to all HDSB records that were examined by the internal or external auditor.

### **DECORUM**

All Audit Committee members shall participate in committee meetings in a manner which adheres to the Board's Code of Conduct.<sup>35</sup>

The presiding officer may expel or exclude from the meeting any person who has been guilty of improper conduct at a meeting.<sup>36</sup>

### **REMUNERATION AND EXPENSES**

Audit Committee members shall not receive remuneration for serving as a member of the committee, except that:

- a) Trustee members may receive an attendance honorarium in accordance with the Board's Trustee Honorarium Policy;
- b) a committee member may be reimbursed for expenses incurred as a member of the Audit Committee, in accordance with the HDSB Expense policy.<sup>37</sup>

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<sup>33</sup> Section 15(2)

<sup>34</sup> Section 15(3)

<sup>35</sup> Section 12

<sup>36</sup> *Education Act*, Section 207(3), reproduced at Appendix G

<sup>37</sup> Section 13

**Related Statutes**

*Education Act*, RSO 1990 c E.2, S.207(2) (*in camera*); S.208.1 (*electronic meetings*); S.191 (*Honoraria*); S.253.1(1)(*Audit Committee*)

**Related Education Act Regulations**

Regulation 361/10 "*Audit Committee*"

Regulation 463/97 "*Electronic Meetings*"

Regulation 357/06 "*Honoraria for Board Members*"

**Related Board Policies and Procedures**

Electronic Meetings

Operational Leadership

Policy Development and Review

Governance By-Law

Trustee Honoraria

**Related Ministry Documents**

Ministry B and SB Memoranda

## APPENDIX A

### AUDIT COMMITTEE Duties Related to the Board's Financial Reporting Process

Subsection 9(1) of Regulation 361/10 states as follows:

*9(1) An audit committee of a board has the following duties related to the board's financial reporting process:*

- 1. To review with the director of education, a senior business official and the external auditor the board's financial statements, with regard to the following:
  - i. Relevant accounting and reporting practices and issues.*
  - ii. Complex or unusual financial and commercial transactions of the board.*
  - iii. Material judgments and accounting estimates of the board.*
  - iv. Any departures from the accounting principles published from time to time by the Canadian Institute of Chartered Accountants that are applicable to the board.**
- 2. To review with the director of education, a senior business official and the external auditor, before the results of an annual external audit are submitted to the board,
  - i. the results of the annual external audit,*
  - ii. any difficulties encountered in the course of the external auditor's work, including any restrictions or limitations on the scope of the external auditor's work or on the external auditor's access to required information,*
  - iii. any significant changes the external auditor made to the audit plan in response to issues that were identified during the audit, and*
  - iv. any significant disagreements between the external auditor and the director of education or a senior business official and how those disagreements were resolved.**
- 3. To review the board's annual financial statements and consider whether they are complete, are consistent with any information known to the audit committee members and reflect accounting principles applicable to the board.*
- 4. To recommend, if the audit committee considers it appropriate to do so, that the board approve the annual audited financial statements.*
- 5. To review with the director of education, a senior business official and the external auditor all matters that the external auditor is required to communicate to the audit committee under generally accepted auditing standards.*
- 6. To review with the external auditor material written communications between the external auditor and the director of education or a senior business official.*
- 7. To ask the external auditor about whether the financial statements of the board's reporting entities, if any, have been consolidated with the board's financial statements.*
- 8. To ask the external auditor about any other relevant issues.*

**APPENDIX B**  
**AUDIT COMMITTEE**

**Duties Related to the Board's Internal Controls**

Subsection 9(2) of Regulation 361/10 states as follows:

*9(2) An audit committee of a board has the following duties related to the board's internal controls:*

- 1. To review the overall effectiveness of the board's internal controls.*
- 2. To review the scope of the internal and external auditor's reviews of the board's internal controls, any significant findings and recommendations by the internal and external auditors and the responses of the board's staff to those findings and recommendations.*
- 3. To discuss with the board's officials the board's significant financial risks and the measures the officials have taken to monitor and manage these risks.*



**APPENDIX C**  
**AUDIT COMMITTEE**

**Duties Related to the Board’s Internal Auditor**

Subsection 9(3) of Regulation 361/10 states as follows:

*9(3) An audit committee of a board has the following duties related to the board’s internal auditor:*

- 1. To review the internal auditor’s mandate, activities, staffing and organizational structure with the director of education, a senior business official and the internal auditor.*
- 2. To make recommendations to the board on the content of annual or multi-year internal audit plans and on all proposed major changes to plans.*
- 3. To ensure there are no unjustified restrictions or limitations on the scope of the annual internal audit.*
- 4. To review at least once in each fiscal year the performance of the internal auditor and provide the board with comments regarding his or her performance.*
- 5. To review the effectiveness of the internal auditor, including the internal auditor’s compliance with the document International Standards for the Professional Practice of Internal Auditing, as amended from time to time, published by The Institute of Internal Auditors and available on its website.*
- 6. To meet on a regular basis with the internal auditor to discuss any matters that the audit committee or internal auditor believes should be discussed.*
- 7. To review with the director of education, a senior business official and the internal auditor,*
  - i. significant findings and recommendations by the internal auditor during the fiscal year and the responses of the board’s staff to those findings and recommendations,*
  - ii. any difficulties encountered in the course of the internal auditor’s work, including any restrictions or limitations on the scope of the internal auditor’s work or on the internal auditor’s access to required information, and*
  - iii. any significant changes the internal auditor made to the audit plan in response to issues that were identified during the audit.*

**APPENDIX D**  
**AUDIT COMMITTEE**

**Duties Related to the Board’s External Auditor**

Subsection 9(4) of Regulation 361/10 states as follows:

*9(4) An audit committee of a board has the following duties related to the board’s external auditor:*

- 1. To review at least once in each fiscal year the performance of the external auditor and make recommendations to the board on the appointment, replacement or dismissal of the external auditor and on the fee and fee adjustment for the external auditor.*
- 2. To review the external auditor’s audit plan, including,*
  - i. the external auditor’s engagement letter,*
  - ii. how work will be co-ordinated with the internal auditor to ensure complete coverage, the reduction of redundant efforts and the effective use of auditing resources, and*
  - iii. the use of independent public accountants other than the external auditor of the board.*
- 2.1 To make recommendations to the board on the content of the external auditor’s audit plan and on all proposed major changes to the plan.*
- 3. To review and confirm the independence of the external auditor.*
- 4. To meet on a regular basis with the external auditor to discuss any matters that the audit committee or the external auditor believes should be discussed.*
- 5. To resolve any disagreements between the director of education, a senior business official and the external auditor about financial reporting.*
- 6. To recommend to the board a policy designating services that the external auditor may perform for the board and, if the board adopts the policy, to oversee its implementation.*

**APPENDIX E**  
**AUDIT COMMITTEE**

**Duties Related to the Board's Compliance Matters**

Subsection 9(5) of Regulation 361/10 states as follows:

*9(5) An audit committee of a board has the following duties related to the board's compliance matters:*

- 1. To review the effectiveness of the board's system for monitoring compliance with legislative requirements and with the board's policies and procedures, and where there have been instances of non-compliance, to review any investigation or action taken by the board's director of education, supervisory officers or other persons employed in management positions to address the non-compliance.*
- 2. To review any significant findings of regulatory entities, and any observations of the internal or external auditor related to those findings.*
- 3. To review the board's process for communicating any codes of conduct that apply to board members or staff of the board to those individuals and the board's process for administering those codes of conduct.*
- 4. To obtain regular updates from the director of education, supervisory officers and legal counsel regarding compliance matters.*
- 5. To obtain confirmation by the board's director of education and supervisory officers that all statutory requirements have been met.*

**APPENDIX F**  
**AUDIT COMMITTEE**

**Duties Related to the Board’s Risk Management**

Subsection 9(6) of Regulation 361/10 states as follows:

*9(6) An audit committee of a board has the following duties related to the board’s risk management:*

- 1. To ask the board’s director of education, a senior business official, the internal auditor and the external auditor about significant risks, to review the board’s policies for risk assessment and risk management and to assess the steps the director of education and a senior business official have taken to manage such risks, including the adequacy of insurance for those risks.*
- 2. To perform other activities related to the oversight of the board’s risk management issues or financial matters, as requested by the board.*
- 3. To initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealing.*

**APPENDIX G**  
**AUDIT COMMITTEE**  
**IN CAMERA MEETINGS**

**Education Act**

**Open meetings of the board**

*S.207 (1) Subject to subsections (2) and (2.1), the meetings of a board and the meetings of a committee of the board, including a committee of the whole board, shall be open to the public, and no person shall be excluded from a meeting that is open to the public except for improper conduct.*

**Closing of certain committee meetings**

*(2) A meeting of a committee of a board, including a committee of the whole board, may be closed to the public when the subject-matter under consideration involves,*

- (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;*
- (c) the acquisition or disposal of a school site;*
- (d) decisions in respect of negotiations with employees of the board; or*
- (e) litigation affecting the board.*

**Closing of meetings re certain investigations**

*(2.1) A meeting of a board or of a committee of a board, including a committee of the whole board, shall be closed to the public when the subject-matter under consideration involves an ongoing investigation under the Ombudsman Act respecting the board. 2014, c. 13, Sched. 9, s. 19 (2).*

**Exclusion of persons**

*(3) The presiding officer may expel or exclude from any meeting any person who has been guilty of improper conduct at the meeting.*