

Ministry of Education

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2015: SB19

MEMORANDUM TO: Directors of Education
Senior Business Officials

FROM: Cheri Hayward
Director
School Business Support Branch

DATE: **July 16, 2015**

SUBJECT: **Audit Committees & Regional Internal Audit Updates**

This memorandum provides boards with some recent updates and clarifications on the audit committees and regional internal audit initiatives.

Audit Committees – Regulation Amendments

The Ministry has made technical amendments to three sections of Ontario Regulation 361/10, “Audit Committees”, as detailed below. These amendments came into force on July 10, 2015.

Audit Committee Chair

Subsection 6(1) of the regulation now allows any audit committee member to be chair. Previously, the chair could only be selected from the trustee members of the audit committee.

This amendment was made in response to feedback received from the sector and provides the audit committee with the flexibility to elect a chair that best meets its needs.

External Audit Plan

With the addition of paragraph 9(4) (2.1), the audit committee is now required 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. This allows for the external audit plan to be treated and reviewed with the same due diligence as the internal audit plan. Paragraph 9(3) (2) requires recommendations to the board on the content of and major changes to the internal audit plan.

Ministry Reporting

The amendments to s. 15 bring the annual Ministry reporting requirements in line with the Ministry's information needs and what is currently requested:

- A summary of the work actually performed by the internal auditor in the year, compared to the planned work. This provides the Ministry with information on the use of the internal audit funding allocation.
- Based on the multi-year internal audit plan, whether any enrolment audits are expected. This assists the Ministry in planning its own enrolment audits, with the objective to avoid enrolment audits by the Ministry and regional internal audit in the same year.

The Ministry does not require the full audit plan or audit results.

The amendments to this section also now require the annual report to the board to include a summary of any enrolment audits planned by the internal auditor. This ensures that the same information is presented to both the board and the Ministry in their respective reports.

In conjunction with these amendments, the Ministry has made changes to the Guideline on Audit Committee Reporting. Changes reflect the above amendments to the reporting requirements and remove references to year one of the initiative. Other minor updates were made to the guideline to provide further clarification on the reporting requirements and to bring the report templates closer in line with the regulation. The updated document is attached.

Regional Internal Audit – Administration Expenditures Clarification

In February 2014, the Ministry released memorandum 2014: SB03 (Regional Internal Audit Administration Expenditures) announcing that regional internal audit host boards could use up to 10% of the year's internal audit allocation on host board administration expenditures attributable to but not directly incurred by the regional internal audit team (RIAT). This allowed compensation for the host boards' additional efforts, while still providing the RIATs with sufficient funds to execute the audit plan.

It has come to my attention that most host boards are claiming administration expenditures, but are not providing the Regional Internal Audit Managers with details or supporting documentation for the amount taken.

In order to promote transparency and accountability, administration expenditures being taken from the internal audit budget must be supportable and demonstrate an actual service provided to the RIATs. Allowable administration expenditures are limited to those included in Note 2 of the Internal Audit Expenditure Envelope Guideline (attached). Please contact the Ministry at the email address or telephone number listed below for approval to incur any expenditure not specified in the guideline.

While the supporting documentation is not required to be submitted to the Ministry, it should be maintained for audit purposes, etc.

I would also like to clarify that your host board can only claim administration expenditures starting with the 2013-14 fiscal year (the year 2014: SB03 was released). Expenditures from earlier years are not eligible. If you have any questions on either the audit committee regulation or the regional internal audit initiative, please contact Paula Hatt at paula.hatt@ontario.ca or 416-326-1170.

Original signed by

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Director
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cc: Regional Internal Audit Managers
Dan Duszczyzyn, Regional Internal Audit Coordinator