

Good Governance for School Boards: Trustee Professional Development Program
Module 19 – Internal Audit and the Role of Audit Committees
Part A – Introduction

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[Film Clip]

[Michael Barrett, President, OPSBA, and Chair, Durham DSB] – Welcome and thank you for taking the time to view this video on Internal Audit and the Role of Audit Committees. I am Michael Barrett from the Durham District School Board.

As chair of my board, I have seen firsthand the vital role that Internal Audit and Audit Committees contribute to a board's accountability and transparency. As a community member and as a business person, I recognize the importance of ensuring that we have accountability and transparency. As someone who appreciates a governance model, I appreciate the opportunity to be able to ensure that we have transparency and independence within our Audit Committee, to ensure that we are indeed an effective steward of our communities' resources.

While the subject at hand that you are going to watch may be somewhat technical in nature, it is vitally important to the work we do as trustees. We all have a common purpose – providing Ontario students with the best possible education. To do this, we share the tremendous responsibility of ensuring the effective governance of our school boards and demonstrating transparency and accountability to parents and the public. It is vital to our governance role that we are effective stewards of the board's resources and it is essential, therefore, that we have a clear understanding of how Internal Audit and Audit Committees function.

I invite you to join me in viewing this presentation to become better acquainted with the subject of audits.

[Overview]

- What are Internal Audit and Audit Committees
- Why do we need them?
- Why they matter for you as a trustee
- How you can support your board in implementing these practices and ensuring effective governance

This module is structured in three parts to provide:

- Part A – Introduction
- Part B – Internal Audit
- Part C – Audit Committees

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[Internal and External Audit]

School boards have both internal and external auditors. Internal auditors look at the financial and non-financial processes at your board. By contrast, your external auditors are appointed primarily to conduct an audit of your board's financial statements.

The internal auditor will consult with the board, sharing how well the board's systems and processes are working, and, relying on leading practices, will recommend how to improve them when necessary.

[The Regional Internal Audit Structure]

Across Ontario, there are eight Regional Internal Audit Teams. Each of these teams reports to the various audit committees established at school boards within their region.

Within each of Ontario's eight regions, there is also a host school board which auditors report to for administrative purposes. For example, an internal auditor in the Barrie region would be on the payroll of Simcoe County DSB (their host board), but report to all of the audit committees across the Barrie region. This enhances the internal auditor's independence, as it would be hard to objectively audit a board's management processes when reporting directly to management.

The Internal Audit function and Audit Committees are supported by the Ministry of Education's School Business Support Branch, but internal auditors are not hired or managed by the Ministry, nor does the Ministry have input into a board's audit plan or receive audit reports.

In a nutshell, the job of Internal Audit is to:

- Provide boards with objective assessments about the design and operation of their management practices, control systems, and information;
- Evaluate and provide assurance that risk management and governance systems are functioning as intended and will enable the organization's objectives and goals to be met.

The Internal Audit function also has the goal of helping boards perform better through focusing on optimum use of resources and efficiency improvements.

[What is an Audit Committee?]

Audit Committees are standing committees of the Board of Trustees, and every district school board in Ontario is required to establish an Audit Committee. This requirement is a result of Regulation 361/10 of the *Education Act*.

Audit Committees have duties related to the review of financial reporting, internal controls, internal audit, external audit, compliance matters and risk management.

By carrying out their responsibilities, Audit Committees help ensure a high level of accountability and transparency in the school board.

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[Why do we require Internal Audit and Audit Committees?]

School boards need Internal Audit and Audit Committees to ensure effective, transparent financial governance and to help maintain focus on their core business.

Internal Audit and Audit Committees provide the opportunity to modernize governance, to determine whether risks are appropriately identified and managed and to prevent or mitigate damage and losses. The audit function plays an important role in ensuring that boards are well-positioned to meet Ontario’s goals for education: achieving excellence, ensuring equity, promoting well-being, and enhancing public confidence.

[Wrap-up]

[Michael Barrett] – As school board trustees, not only are we responsible for the success and well-being of our students, but we have the important job of being accountable to Ontario taxpayers and stakeholders – who expect and deserve heightened transparency and the best possible value in managing the billions of dollars invested in Ontario’s education system. We are responsible for the effective management of our boards and for building public confidence in publicly funded education. The audit function helps us operate our boards using sound business practices – providing a system of checks and balances. This promotes effective governance and helps us deliver education services more efficiently.