



ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION

Leading Education's Advocates

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Friday, May 22, 2015

To: Cheri Hayward, Director
School Business Support Branch, Ministry of Education

Re: OPSBA Feedback on the Regional Internal Audit Initiative, May 2015

Please find below comments received from trustees within OPSBA. Although the SB12 Memo asked or feedback from Senior Business Officials, our members felt they also had comments to share regarding the Regional Internal Audit Initiative. Since the establishment of audit committees with trustees as members is mandated by legislation for school boards, we felt it was important that you receive feedback from the trustee perspective as well.

Across the province, regional audit teams are grouped together into eight regions based on geographic location. A host board is assigned within each of the regions to oversee the administrative requirements of the regional audit team on behalf of other boards in the region. The purpose of the regional audit initiative was to promote sharing of best practices in internal audit and risk management activities and ensure efficient and equitable distribution of resources within the sector.

The Memo asked three questions - What is going well with the initiative? What is not working? and What suggestions do you have for improvement? Below are the comments we have received from trustees and well as those captured during the School Board Efficiencies and Modernization Consultation last year.

What is working well?

- The regional audit structure may allow smaller school boards to access additional internal audit services, but only if the staff have the appropriate skills and experience (not just in internal audit, but in school boards, and Public Sector Accounting Board standards (PSAB), Public Sector Procurement, etc.) Continuous turnover does not provide capacity building.
- The regional audit structure may maximize learning opportunities and sharing of best practices if there is a way to address the confidentiality concerns. There is hesitation to share high level results and practices.
- The regional audit structure may work well if we can overcome the perception that the Ministry is running the show and checking up on boards.

- The Regional Internal Audit Team (RIAT) is actually a good thing - seeing more than one board's operations is always good (like the advantage of having external auditors who audit more than one School Board.)
- Like that we don't pay (directly) for the service.
- Eventually some collective knowledge will emerge - just haven't seen it yet.
- RIAT understands better now that they work for the individual Boards (albeit multiples of them) rather than as instruments of the Ministry - not sure the Trustees and/or management fully believe that yet - trust is earned.
- The lead board RIAT staff person did come and do a presentation to trustees on the role and responsibility of an audit committee which was quite helpful.

What is not working?

- The added value of regional internal audit is still not evident to a number of school boards
- I do see them as an expensive unnecessary layer. Our staff are already bombarded with reporting with the external auditor and Ministry requirements and another couple of internal audits really add to their work load. We have a good relationship with our internal auditor and we have been able to work with her.
- The governance model. Host board SBOs are placed in a supervisor capacity for employment reasons, but also are being audited by the Regional Internal Audit Model (RIAM) and team. This is not an effective model, and places both the RIAM and SBO in potential conflict. Would it not be better, or possible to have someone outside the finance area as the supervisor? For example, in the corporate world the internal auditor does not report to and is not supervised by finance.
- Problem of receiving input from other board's audit committees and SBO's. It is also very difficult to access performance when each board has no idea what is being done at the other boards. One solution may be to require RIAMs to provide an annual working plan for the entire region to each board. The specific audit areas being addressed for the other boards do not need to be fully disclosed, but it would be helpful to know how many audits in total are planned, timing, expected timelines, etc. This would also help address any concerns that one board is getting more or less services than another.
- Level of service being provided – Reports are taking far too long to complete and contain very few actionable or helpful recommendations. I cannot speak to other regions experiences, but the number of reports actually being completed is unacceptable in my point of view, based on my experience in the auditing industry.
- Having one group do many different Boards means that sometimes timing can be a big issue - there are just times that one can't interrupt certain departments' workflow - since the RIAT teams only work with School Boards who would all have the same time pressures, that can be an issue. The time allotted in weeks may not always be quite right. We've had instances of just delaying an entire "block" (i.e. giving it back to some other Board) as we weren't able to use our allocation just then. We originally had very

bad reports, unreadable really, but with a change in staff that has improved. Reports need to be informative but due to the make-up of the Audit Committee, there are often Trustees who have limited background in audit language or even what internal audit does.

- Regional IA teams need to be able to work collaboratively with Board's own Internal Audit teams. We found that our staff used up a lot of time going with the RIAT to talk to our staff - both from a comfort level as well as concern about the direction RIAT might go in. Once our staff are more comfortable with individual RIAT members and/or managers that may change. However, we've seen a lot of turnover in our RIAT staff for various reasons including leaving for better opportunities. Constraint in salaries may mean that we may not get the same calibre of staff that external audit firms might get - the spread is widening.
- The Ministry has to acknowledge that some boards do have their own Internal Audit groups and MUST continue to allocate funding for those also. We can't wait for our allocated week if an issue comes up, or we might also have ongoing projects. Only alternative is to hire yet another external accounting firm (as our auditor would be prohibited from doing some of this work.)
- No one has heard from the Regional Internal Audit Team (RIAT) in several months and it appears that no audits are ongoing by the RIAT at this time, other than a record management audit, that is being done by an external organization on behalf of the RIAT.

Suggestions for Improvement

- A review of the initiative with broad consultation, including trustees to determine if any changes are required. It has been a number of years since this came into being, and there are tweaks needed to address some issues. Perhaps a working committee with broad representation.
- An opportunity for regional audit committees to get together and share - not just PD but discussion.
- Annual meeting of regional audit committees and/or chairs – for example the annual work plan for the region could be shared, discussion opportunities provided, and then district level detail could be done at local audit committee meetings.
- Better Audit Committee training. Having been on the Audit Committee both when the new process was implemented (in a Board that had had its own AC before requiring it) and continuing into this second term, I find that this term's audit committee training was insufficient for Trustees without a business background to understand the terminology and realities of internal control - especially the non-financial pieces. A true understanding of "risk" is critical. The Deloitte training (2 days) in Jan 2011 seemed too much at the time, and a repeat for those of us with a CA background, but compared to the 2 hour overview sessions (which I ended up sitting through twice, one regional and one local), they were much better training.

- There should be some kind of sharing of generic information as to what kinds of things RIAT is finding in the province.
- There should be a way for Audit Committees to communicate with each other - PES session or AGM session? Why not create some information about the various areas, e.g. Attendance, EDC, Payroll, and Program as far as standard risks. There is a steep learning curve and yet decisions need to be made quickly, especially into new terms if the entire Audit Committee's Trustee compliment has changed.
- More training of RIAT staff in school business.
- Reporting of RIAT staff to the audit committee - reporting to the Director maybe more appropriate.
- Risk management models for most boards reveal low to medium risks. RIAT Audits in these areas are confirming risk levels. So how can RIAT be more effective?
- A next step would be a method of producing and sharing best practices with boards as the regional auditors are observing and comparing boards in their work.

Thank you for consideration of the above comments. We look forward to hearing about any possible changes to the Regional Internal Audit Initiative. Please feel to contact Wayne McNally, Director of Finance at OPSBA if you have any questions.

Sincerely,



Gail Anderson,
Executive Director,
Ontario Public School Boards' Association (OPSBA)