

## Appendix 1

### Resources - Audit Committee Effectiveness

- CPA Canada– Guidance and Tools for Audit Committees  
<https://www.cpacanada.ca/en/business-and-accounting-resources/audit-and-assurance/enhancing-audit-quality/publications/guidance-and-tools-for-audit-committees>
- Audit Committee Self-Assessment and Audit Committee Questions– KPMG  
<https://home.kpmg/content/dam/kpmg/pdf/2016/07/4-aci-self-assessment-fs-uk-v4-lr.pdf>
- Assessing Audit Committee Effectiveness – Deloitte  
<https://www2.deloitte.com/content/dam/Deloitte/in/Documents/risk/Corporate%20Governance/Audit%20Committee/in-gc-assessing-audit-committee-effectiveness-noexp.pdf>
- Audit Committee Effectiveness - What Works Best, Bromilow & Keller  
<https://www.pwc.com/jg/en/publications/audit-comm-effectiveness-what-works-best-2011.pdf>
- Education Act  
[http://www.qp.alberta.ca/1266.cfm?page=e00p3.cfm&leg\\_type=Acts&isbn\\_cln=9780779797073&display=html](http://www.qp.alberta.ca/1266.cfm?page=e00p3.cfm&leg_type=Acts&isbn_cln=9780779797073&display=html)

Thank you for taking the Audit Committee self-learning module.



## Appendix 2

### List of Questions for Auditors by Committee

#### Year-End Financial Statements - Statement of Financial Position

- Why is there a significant decrease in the school jurisdiction's cash position from the prior year?
- Is restricted surplus fully supported by financial assets?
- Are there adequate operating and capital funds for future projects and services, or will borrowing be required (either short term or long term)?
- Are there sufficient resources to replace tangible capital assets nearing the end of their useful life?
- Why is Deferred Revenue such a large dollar value? What is in Deferred Revenue?
- What is in Accumulated Surplus?
- Why does the Statement of Financial Position not balance?
- Are there any investments that may be at risk of losing their value? Are our investments invested in accordance with our investment policy?
- What is included in Accounts Receivable? Are there any significant amounts owed to the school jurisdiction that may be at risk?
- Is the school jurisdiction involved in any litigation or potential litigation that may have an impact on future operations?
- What is Public Sector Accounting Standards (PSAS) ?

#### Year-End Financial Statements - Statement of Operations



- Why is there a significant variance to budget in revenues and/or expenditures for the year?
- What is fee revenue and fundraising revenue comprised of?
- Is spending on Administration within the established guidelines?
- Are there any contractual obligations that may impact future operations?
- Are there any contingent liabilities that may impact future operations?
- What is School Generated Funds (SGF)?

### **Auditor Communications**

- What is a “clean” audit opinion and is the Audit Report a clean opinion? If not and is a qualified opinion, what steps is management taking to avoid the qualification in future years?
- Are there any issues or concerns in the Auditor’s Management letter that need to be mitigated or addressed? How is management planning to address these issues or concerns?

What is your assessment of the internal control systems in place?

- Have all audit recommendations been addressed by administration and if not, why not?



## Sample Terms of Reference

### Audit Committee Terms of Reference

#### **Role:**

The role of the audit committee is to assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, and the audit process (including Public Sector Accounting Standards (PSAS) compliance).

#### **Authority:**

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- a. With the consent of the Board of Trustees, retain outside counsel, accountants or others to advise the committee or assist in the conduct of an investigation;
- b. Seek any information it requires from employees – all of whom are directed to cooperate with the committee’s requests – or external parties; and
- c. Meet with Division officers, external auditors or outside counsel, as necessary.

#### **Composition:**

The audit committee will consist of the following members:

- a. Three member Trustees, one of whom would be the chair or vice-chair of the Board of Trustees. One of the Trustees shall act as chair of the audit committee; and,
- b. Two members of the general public, who are independent to the Division, have no relationship to the audit firm and who are financially literate. This appointment would be for a four year term and may be reappointed once by the Board of Trustees (total eight years) without advertisement; one member will represent the business community and one member will represent the adult learning community.

#### **Meetings:**

The audit committee will meet at least three times per year, with authority to convene additional meetings, as circumstances require. All audit committee members are expected to attend each meeting. The audit committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It shall hold private meetings with auditors and management.



Minutes of meetings will be prepared. Audit committee reports shall be provided at a meeting of the Board of Trustees.

### **Compensation:**

The audit committee members shall be compensated as follows:

- a. Elected School Trustees                      as per Board Policy
- b. Public member                                      amount equal to Trustee per diem

### **Responsibility:**

The audit committee will carry out the following responsibilities:

### **Financial Statements:**

- a. Review significant accounting and reporting issues, including complex or unusual transactions;
- b. Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles; and,
- c. Review with management and the auditors all matters required to be communicated to the Board of Trustees.

### **Internal Control:**

- a. Consider the effectiveness of the Division's internal controls over annual reporting, including information technology security and control; and,
- b. Understand the scope of auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### **Audit:**

- a. Review the auditor's proposed audit scope and approach
- b. Review with management and the auditors the results of the audit, including any difficulties encountered, including internal and external school audits;
- c. Review the performance of the auditors, and provide a recommendation to the Board of Trustees the final approval on the appointment or discharge of the auditors;
- d. Review and confirm the independence of the auditors by obtaining statements from the auditors on relationships between the auditors and the School Division, including non-audit services, and discussing the relationship with the auditors; and,
- e. Meet separately from management, with the auditors to discuss any matters that the audit committee or auditors believe should be discussed privately.



**Compliance:**

- a. Review the findings of any examinations by regulatory agencies, and any audit observations; and,
- b. Obtain regular updates from management and the jurisdiction's legal counsel regarding compliance matters.



## Sample Terms of Reference

### Audit Committee Terms of Reference

#### Audit Committee

##### 1.1 Membership

###### 1.1.1 The committee shall consist of:

- Two (2) Trustees;
- Two (2) Public Members
  - i. A member of the business community who is not a trustee; and
  - ii. A member of the adult learning community who is not a trustee
- Assistant Superintendent – Business Services

###### 1.1.2 The Superintendent shall be an ex-officio member of the committee.

###### 1.1.3 Trustee appointments are determined by the Board, and after September 1, 2016;

- may not exceed 2 years
- Staggered so that only one (1) trustee continues to the following year

###### 1.1.4 Public Member appointments are determined by the Board, and are for four (4) years.

##### 1.2 Powers/Terms of Reference

- To recommend external auditors to the board, and
- Review the annual financial statements and report to the board

##### 1.3 Decision Making Processes

All recommendations formed by a majority of the committee, for decisions are brought forward to a Public Board Meeting.

##### 1.4 Quorum

- One (1) Trustee



- One (1) Public Member
- Assistant Superintendent – Business Services or Superintendent

#### 1.5 Minutes

- Records kept by Superintendent or designate

#### 1.6 Reporting

- To the Board in writing as recommendations





## **Audit Committees in Small Jurisdictions**

Three options:

1. **Local Audit Committee**  
Each school jurisdiction establishes a committee to monitor the risk, control, and governance processes.
2. **Joint Audit Committees (Cross-Ministry)**  
Collaborative agreements among cross-ministry authorities to establish joint audit committees.
3. **Joint Audit Committees (Neighbouring Jurisdictions)**  
Collaborative agreements among neighbouring jurisdictions to establish joint audit committees.

### **Sample Documents**

- Audited Financial Statement
- Engagement Letter
- Auditors Report
- Management Letter

