

## Board Audit Committees

### INTRODUCTION:

The **audit committee** is a committee of the board of trustees and is responsible for oversight of the financial reporting process, selection of the **independent auditor**, and receipt of **audit results** both internal and external. The committee assists the board of trustees to fulfill its governance and oversight responsibilities in relation to the school jurisdictions' financial reporting, **internal control system**, **risk management system** and internal and external audit functions. Its role is to provide advice and recommendations to the board of trustees within the scope of its terms of reference. The audit committee answers to the board of trustees.

The audit committee's role in ensuring accurate and transparent disclosure is more important today than it has ever been.

Some responsibilities of the audit committee may include:

- Overseeing the financial reporting and disclosure process.
- Monitoring choice of accounting policies and principles.
- Overseeing appointment, performance and independence of the external auditors.
- Overseeing of **regulatory compliance**, ethics, and **whistleblower** hotlines.
- Monitoring the internal control process.
- Overseeing the performance of the internal audit function (if any).
- Discussing risk management policies and practices with management.
- Maintaining relationship with external and **internal (if any) auditors**.

### Benefits of an Audit Committee to a Jurisdictions

- Improves financial reporting by overseeing the external audit functions.
- Creates a communication bridge among management, board and auditors.
- Oversees the risk and control processes and thereby promotes effective control environment.
- Enhances overall operational efficiency and public confidence.

## Legislative Context

Education Act (current to June 10, 2020)

(Queen's Printer - [Education Act and list of regulations under the Act](#))

### **Auditor (S. 138)**

138 Each board shall appoint an auditor.

### **Financial reporting to the Minister (S.139)**

S. 139(1) The fiscal year of a board is September 1 to the following August 31, unless otherwise specified by the Minister.

(2) The board shall, in each year, do the following:

(a) on or before May 31, or another date specified by the Minister, prepare and submit to the Minister a budget for the fiscal year beginning on the following September 1;

(b) on or before November 30, or another date specified by the Minister, submit to the Minister, in the form prescribed by the Minister, copies of

(i) the board's financial statements,

(ii) the auditor's report on the board's financial statements, and

(iii) any written communications between the auditor and the board respecting the systems of internal control and accounting procedures of the board.

(3) The Minister in the Minister's discretion may publish or otherwise disseminate all or any of the items submitted to the Minister pursuant to subsection (2)(b).

### **Contents of financial statements and authority to disclose personal information (S. 140)**

140(1) The financial statements referred to in section 139(2)(b) must include the following information in respect of the board:

- (a) the remuneration, the benefits, the allowances and the expenses paid to or on behalf of the members of the board, each shown as a separate figure and shown separately for each member;

(b) the remuneration, the benefits, the allowances, the expenses and the performance bonuses and other monetary incentives paid to or on behalf of the superintendent, each shown as a separate figure;

(c) the remuneration, the benefits, the allowances, the expenses and the performance bonuses and other monetary incentives paid to or on behalf of the secretary-treasurer or the secretary and the treasurer appointed by the board, as the case may be, each shown as a separate figure;

(d) the total of the remuneration, the total of the benefits and the total of the allowances paid to or on behalf of the persons in each of the following groups:

(i) teachers employed by the board;

(ii) non-teaching employees of the board.

(2) The board has the authority to disclose the information listed in subsection (1) notwithstanding any other Act or any provision of any agreement that purports to prohibit the disclosure of that information.

### **Audit Committees (S. 142)**

S.142 of the Education Act outlines the following requirements of the Audit Committee:

142(1) Each board shall establish an audit committee to

(a) recommend external auditors to the board,

(b) review the annual financial statements and report to the board, and

(c) attend to other matters as the board may determine in the establishment of the audit committee.

(2) The audit committee shall comprise at least 5 individuals and shall include at least one of each of the following individuals:

(a) a member of the business community who is not a trustee;

(b) a member of the adult learning community who is not a trustee;

(c) a trustee.

## Definitions:

Financial reporting has its own language, as with any business. It is important to build your vocabulary, to understand what your auditors and other accounting professionals are saying.

**Audit Committee** - a committee of the board of trustees or board directors responsible for the oversight of the financial reporting process, selection of the independent auditor and receipt of audit results both internal and external.

**Audit results** - Facts gathered during the audit procedure that provide a reasonable basis for forming an opinion regarding the financial statements.

**External Independent Auditor** - A certified accountant who examines the financial records and has no special or close relationship with the employees of or trustees of the board.

**Internal Auditor** - An independent evidence based examinations of the managements systems, processes and practices.

**Internal Control** - The operating standards the jurisdiction uses to prevent or uncover mistakes.

**Regulatory Compliance** - Conforming to rules, regulations, policies and relevant laws.

**Risk Management System** - the process used to identify, quantifying, and managing the risk of the jurisdiction.

**Whistleblower** - A person who exposes a person or organization engaged in illegal, unethical, or not correct activity within an organization that is either private or public.



### Assignment:

- 1) Who does the audit committee report to?
- 2) Name three responsibilities of the audit committee.
- 3) What is one benefit of having an audit committee?

