



NANAIMO LADYSMITH PUBLIC SCHOOLS

BUSINESS COMMITTEE PUBLIC MEETING

ACTION SHEET

DATE: April 12, 2023
 TO: Business Committee
 FROM: Mark Walsh, Secretary-Treasurer
 SUBJECT: By-law 4.2 – Audit Committee Amended Bylaw No. 3-2202A
 Policy 2.5 – Board Committees Representation and Annual Workplan

Recommendation:

The Business Committee recommends that the Board of Education of School District No. 68 (Nanaimo-Ladysmith) receive the Draft Revised Policy 2.5 – Board Committees Representation and Annual Workplan and provide notice that Bylaw 4.2 – Audit Committee Amended Bylaw No. 3-2202A be deleted and circulate as a notice of motion for 30 days, utilizing the consultation process as per Board Governance, Section 1, 2.7 – Policy Development.

Background:

This Action Sheet is intended to outline a recommendation to the Policy Committee with respect to our finance related Policies and By-Law. Specifically, staff are recommending the deletion of a by-law and minor amendment to a Policy to incorporate aspects of the by-law being recommended for deletion.

Discussion:

Staff are recommending the deletion of By-law 4.3 -Audit Committee Amended Bylaw No. 3-2202A. This bylaw states in part in preamble:

Whereas under Section C of Procedure No. 1001 it is established that the Board of School Trustees operates on a three-committee system; and,

Whereas the external auditors of the School District have recommended, in their management letter associated with their audit of the accounts of the District for the year ended June 30, 2002, the establishment of an audit committee; and,

Whereas the Board of School Trustees passed a motion at the regular Board meeting of December 18, 2002 that called for the establishment of an Audit Committee of the Board to be comprised of four voting members of the Board;

Procedure No. 1001 is not in effect. Further, the Board does not operate a “three-committee system”. Specifically, Policy 2.5 – states as follow:

Standing Committees

1.1. The Board shall have two (2) standing committees as follows:

- a. Education Committee
- b. Business Committee

1.2. The purpose of the Education Committee shall be to address items related to educational programs and services.

1.3. The purpose of the Business Committee shall be to address items related to facilities, finance, legislative and compliance issues and human resources.

The By-Law also provides the following:

An Audit Committee of the Board of School Trustees of School District 68 is hereby established as one of the standing committees of the Board and is charged with the following mandate:

- To meet to discuss matters of financial statement policies and presentation with staff and the District's external auditors;
- To meet to discuss matters of internal control that will safeguard the assets of the District;
- To recommend, after discussion with staff and the District's external auditors, to the Board of School Trustees changes to existing financial policies or the establishment of new financial policies;
- To ensure the District is reporting the results of its financial activities in strict accordance with the Generally Accepted Accounting Principles mandated by the Minister of Education for the Province of British Columbia.

The mandate of the Audit Committee is completely served by the Business Committee, and the Board and its work plan. However, despite the fact that the audit function is being served, the letter of the By-Law is not being followed as there is not a "third" committee in place.

We note that a review of the workplan illustrates that the audit function is regularly being brought to the Business Committee and/or the Board. This includes the yearly presentation from external auditors, quarterly reporting, regular financial policy review and creation. It should also be noted that internally the District is required to report to the Ministry on a quarterly basis as a Government Reporting Entity. While the report does not go to the Board any irregularities would be presented as part of the quarterly report.

Board minutes have been reviewed to determine when the Audit Committee ceased to function and whether the Board made a motion to remove it. Staff have located a reference from 2011 that staff would bring to the Board to delete for similar reasons to the current recommendation. However, it does not appear that such an action was taken.

Further, rather than reinvigorate the committee, staff are recommending three actions:

1. Deletion of the By-law;
2. A minor addition to Policy 2.5 to reflect the audit function of the committee; and
3. An addition to work place to add an annual report on internal audit procedures conducted by the District.

The rationale are as follows:

1. Deletion of the By-Law

A Board should avoid policies and/or by-laws that conflict. Whether or not the function is being carried out compliance to our rules should be a basic expectation. By reinvigorating the Audit Committee the Board would then be removing a variety of items that come directly to the full Board or full Committee and ironically lessen possible scrutiny on District financials. For instance, quarterly reporting, the annual visit from the external auditors and other functions would likely be sent to the Audit Committee and limit the audience.

2. A minor addition to Policy 2.5

Staff are recommending that Policy 2.5 be amended as follows:

The purpose of the Business Committee shall be to address items related to facilities, finance **and audit**, legislative and compliance issues and human resources.

This addition would reflect what the Business Committee already does and replace the mandate of the Audit Committee as stated in the by-law.

3. An addition to the work plan for an annual report on internal audit activities of the District.

This item is intended to highlight to the Board on regular basis the internal audit function we do. For instance, annually we pick schools, programs or departments to ensure compliance with procedures. This is similar to our external auditors but much more in depth. The intention is that the sample can help inform practice, illustrate where professional development opportunities may arise or in a very unlikely scenario catch malfeasance (e.g. inappropriate use of funds) that would be too small for our external auditors to catch.

Appendices:

Appendix A: Bylaw 4.2 – Audit Committee Amended Bylaw No. 3-2202A

Appendix B: Policy 2.5. - Board Committees Representation and Annual Workplan

