

## EDMONTON PUBLIC SCHOOLS

June 9, 2009

TO: Board of Trustees

FROM: E. Schmidt, Superintendent of Schools

SUBJECT: External Member on Audit Committee

ORIGINATOR: D. R. Power, Assistant Superintendent - Treasurer

### INFORMATION

On April 14<sup>th</sup>, the Board approved the following motion:

*That the Administration provides information for Board consideration on the pros and cons of having an external member with financial expertise sit on the Audit Committee.*

Most literature regarding the structure and operations of an Audit Committee is applicable to public and private corporations. Very little information is available for not-for-profit organizations.

In the review of the pros and cons of having an external person on the Audit Committee, the administration contacted the Alberta School Boards Association (ASBA) and a few school jurisdictions in Alberta.

Audit Committees are very common in Alberta school jurisdictions; however the structure varies from a Committee of the Whole to a committee composed of two or three trustees and two or three independent financial experts. For example, the Calgary Board of Education has two trustees and three individuals external to the District on their Audit Committee. The Grande Prairie Public School District has two trustees and two members external to the District. When outside financial expert(s) are added to the Audit Committee, on many occasions, the committee normally has fewer trustees on it.

Some pros and cons of having an independent financial expert on the Audit Committee are:

#### Pros

- Trustees have available to them a financial expert who may be able to provide insight on the audited financial statements, questions for the external auditor and administration and provide observations to the committee on items they should consider
- A financial expert(s) may add credibility to the public's perception of the Board's financial oversight
- Assist the Board of Trustees in monitoring the external auditor's performance
- Provide assistance to the Audit Committee and Board of Trustees in their review of internal controls and risk management

#### Cons

- additional cost to the District for the external financial expert(s)
- not all trustees may be on the Audit Committee

Alberta Education has established an Advisory Task Force on Finances for Trustees and Superintendents. One topic the task force is reviewing is the benefits and structure of an Audit Committee and use of external financial expert(s). The Task Force is composed of three members each from the Alberta School Boards Association, the College of Alberta School Superintendents, the Association of School Business Officials of Alberta and the Ministry of Education. The report should be available this fall.

The Board of Trustees has several options that they may want to consider regarding this matter:

- continue the current Audit Committee structure until the Task Force on Finances for Trustees and Superintendents is finished. Review any recommendations the task force may have regarding Audit Committees.
- the administration be requested to review in more detail the structure and composition of Audit Committees in Alberta school jurisdictions and provide a further report on the issue
- hire an outside independent consultant to provide information on Audit Committees and provide a recommendation to the Board of Trustees on the best approach to follow

DRP/ej