

DATE: October 11, 2011

TO: Board of Trustees

FROM: Trustee Leslie Cleary

SUBJECT: Motion re Audit Committee

REFERENCE: September 27, 2011 Board Report – Audit Committee (Response to Trustee Request #101)

ISSUE

N/A

RECOMMENDATION

1. That the external Audit Committee members receive compensation equal to Trustee per diem to a maximum of six meetings per year.
2. That the Audit Committee be comprised of three Trustee members; one of which is the Board Chair.
3. That the term of the Audit Committee be three years for external members with the first term set to expire October 2013 and that Trustee terms be set for one year like all other Trustee standing committees.
4. That the Terms of Reference for the Audit Committee be reviewed and revised accordingly by the Administration with consideration given to ASBA recommendations in order to implement in the current year.

BACKGROUND

Notice of motion was served at the September 27, 2011 board meeting.

RELATED FACTS

N/A

OPTIONS CONSIDERED

N/A

CONSIDERATIONS & ANALYSIS

N/A

NEXT STEPS

N/A

ATTACHMENTS & APPENDICES

ATTACHMENT I - September 27, 2011 Board Report – Audit Committee
(Response to Trustee Request #101)

LC:mmf

DATE: September 27, 2011

TO: Board of Trustees

FROM: Edgar Schmidt, Superintendent of Schools

SUBJECT: Audit Committee

ORIGINATOR: Brian Smith, Executive Director

REFERENCE: Trustee Tracking #101. Bring a recommendation to the Board based on best practices in the province with respect to the addition of a qualified external member or members to the Audit Committee.

ISSUE

The need to bring forward a recommendation regarding the best practices in the province with respect to adding an external member(s) to the Audit Committee.

RECOMMENDATION

That the Board of Trustees add two (2) external members with professional accounting designations to the jurisdiction's Audit Committee.

BACKGROUND

A report was prepared based on a trustee request for information related to practices in the other metro boards (Calgary Public, Calgary Catholic and Edmonton Catholic) regarding the composition of the Audit Committee.

RELATED FACTS

The addition of external member(s) to the Audit Committee has also been supported by the Alberta School Boards Association (ASBA).

OPTIONS CONSIDERED

The following options have been considered as they are deemed the most admissible:

1. The first consideration is the number of external members. The range is one to three. It is felt a minimum of two is preferred to ensure that at least one external member is available at each meeting.
2. That all external members be designated accountants, either a Chartered Accountant (CA), Certified Management Accountant (CMA) or Certified General Accountant (CGA). This is common for all.
3. That the Audit Committee be comprised of:
 - (a) Committee of the Whole, or
 - (b) A fixed number of trustees (usually three). This is a decision of the board.
4. That compensation may or may not be provided. The majority of jurisdictions provide no compensation.
5. That the term of the Audit Committee members be three years, with the option of one additional term. The term of the trustees can be one to three years.

CONSIDERATIONS & ANALYSIS

A fact gathering process was used to determine how the three other metro boards formed their Audit Committees. There were some consistencies, as well as some differences in the

composition of the committees. All three boards used an external member but the number of members ranged from one to three. All three boards insisted that the external member(s) were designated accountants. The number of meetings varied between three to six per year and two of the three boards did not compensate the member. One board used the trustee per diem rate as compensation. The member(s) chosen also varied with one board advertising and the others using contacts within schools, professional accounting associations including the Canadian Institute of Chartered Accountants (CICA), as well as CMA and CGA or word of mouth.

The makeup of the Audit Committee also varied with two boards having a Committee of the Whole, although one board is studying this more and the third board has two trustees and the board chair, along with three external members as the Audit Committee.

All three boards recognized the advantage of having external, designated accountants as members of the committee.

The consensus appears to be a minimum of two external, designated accountant members who do not receive any compensation. There appears to be a move away from a Committee of the Whole to a trustee committee which includes the Board Chair and up to four trustees. Since the quorum for the Edmonton Public School Board is five (5), the Board may wish to have an Audit Committee of three or four trustees.

NEXT STEPS

This report is brought to the Board of Trustees for a decision regarding the composition of the Audit Committee. Once a decision is made regarding the composition and details surrounding the Audit Committee, Terms of Reference should be prepared.

BJS/ej