

To: ONE Joint Investment Board
From: Donna Herridge, Co-President/Co-CEO, ONE Investment
Date: June 1, 2023
Re: Audit Committee Update - June 1, 2023
Report: ONE JIB 2023-024

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

The Audit Committee met on April 3, 2023, and this report provides updates on the following topics:

- 2022 Compliance Reporting
- Compliance Management Program
- Risk Framework Review
- Expense Reimbursement Policies
- Appointment of a new member of ONE Audit Committee.

The Audited Financial Statements of the ONE Investment Pooled Funds will be dealt with in a separate report.

3. BACKGROUND

The primary purpose of ONE Investment's Audit Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls, and compliance with applicable legislation such as the *Municipal Act* and the Ontario Securities Commission exemption.

The Audit Committee is currently comprised of five representatives as follows:

- Gary Kent (Chair) and Sandra Zwiers (Vice Chair) from the ONE Investment Board
- Heidi Franken and James (Jim) Giles from ONE JIB
- Duane Ramkissoon who is the Manager, Investment Portfolio with the Regional Municipality of Durham.

ONE JIB representatives on the Audit Committee, Heidi Franken and James Giles, bring perspective related to the Prudent Investment Program and ONE JIB, which are a critical part of

ONE Investment.

4. ANALYSIS

The Audit Committee received a detailed Compliance report

Highlights of the report include:

- No breaches or non-compliance issues in 2022. Likewise, no litigation/regulator reviews or complaints occurred.
- All Ontario Security Commission (OSC) and tax regulatory requirements were fulfilled.
- A Compliance Manual was finalized, and staff training on Anti-Money Laundering and Compliance took place.

The Compliance Task List will be updated by ONE staff and included as a standing item on the Audit Committee's Agendas

The Co-Presidents/CEOs have worked with Ara Compliance to complete the Compliance Manual and Compliance Task List, which provides a summary of annual, monthly, ad hoc and as required compliance activities. Staff recommended that Audit Committee members review and provide feedback on the Compliance Management Program - Compliance Task List, and the Committee accepted the recommendation.

The Compliance task list outlines:

- Key tasks cross referenced to the Compliance Manual
- Ultimate Responsibility
- Frequency
- Recordkeeping.

ONE Staff, the Chief Compliance Officer and Ara Compliance will work together to keep the Compliance Manual and Task List updated and in alignment as changes are identified.

The Audit Committee reviewed a report on enterprise risk

Staff have undertaken a review of ONE Investment's enterprise risk, which was reviewed by the Audit Committee with highlights presented to the ONE Investment Board on April 14, 2023.

Staff provided an update on the various risks, trends and progress on the initiatives to implement the Risk Mitigation Plan. Staff have increased some scores and risk trends to "elevate" for risks related to large municipalities moving to prudent investor via a self-managed investment board rather than through ONE's Joint Investment Board. Staff have made progress on many initiatives and many Mitigation Action Plans have moved to "ongoing." Steps associated with the ONE Environmental Social and Governance (ESG) statements, legislative changes to municipal investments (delayed as the provincial Debt & Investment working group has not been reconvened), and the implementation of the Outsourced Chief Investment Officer for large municipalities (OCIO) model are mitigation action plans that are still outstanding.

The Audit Committee reviewed the Board Reimbursement and Staff Travel and Accommodation Policies to update the meal allowances to reflect inflationary increases

With the return of in-person conferences and events, it was timely to review the Board/Volunteer Expense Reimbursement and Staff Travel and Accommodation Policies to reflect inflationary increases. The Audit Committee recommended changes to the meal allowances under both policies, as well as clarifying that ONE JIB is also covered under the Board Reimbursement Policy. The ONE Investment Board adopted the recommended changes at its April 14, 2023 meeting. The revised Board/Volunteer Expense Reimbursement Policy is attached to this report for ONE JIB members' information.

The ONE Investment Board appointed Anna Lisa Barbon, Deputy City Manager, Finance Supports, City of London, to the ONE Investment Audit Committee

ONE Investment extends its congratulations for Gary Kent's promotion to Chief Administrative Officer at the Region of Peel. With his promotion to Chief Administrative Officer at the Region of Peel, he has decided to resign from the ONE Investment Board and as Chair of the Audit Committee. Staff extend our sincere thanks to Mr. Kent who chaired the Audit Committee in its critical launch stage.

When ONE fills vacancies for committees, it conducts an informal gap analysis with emphasis placed on trying to reflect the broad make-up of the sector in terms of size, geographic region, and organization (lower, upper, single tier). Additionally, ONE looks at its existing client base to determine if there are municipalities that meet the criteria that will benefit from a better understanding of ONE's operations and governance structures.

Staff approached Anna Lisa Barbon of the City of London about joining the Audit Committee, and she agreed to the appointment. Anna Lisa is the Deputy City Manager, Finance Supports, City of London. She is a CPA with many years of municipal experience. The City of London started investing with ONE's Canadian Equity Fund in 2019 and has steadily increased its holdings. Ms. Barbon will provide an investment perspective from a large single tier municipality, which is currently not represented on the Audit Committee.

5. CONCLUSION

The Audit Committee provides oversight and guidance to ONE Investment. Compliance matters are well in hand and ONE Investment is monitoring and managing enterprise risk.

Drafted by: Donna Herridge, Co-President/CEO
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