



# REPORT

To: ONE Joint Investment Board  
From: Donna Herridge, Co-President/Co-CEO, ONE Investment  
Date: May 29, 2024  
Re: Audit Committee Update – Q2 2024  
Report: ONE JIB 2024-027

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## 1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

## 2. SUMMARY

This report provides a summary of the ONE Investment Audit Committee meeting held on April 4, 2024; updates on the following topics were provided:

- The Outsourced Chief Investment Officer (OICO) Offering.
- Review of staff policies, including an update to the ONE Sponsorship Policy, which increased the limit for staff to commit to a sponsorship from \$10,000 to \$25,000. ONE JIB policies will be reviewed later in the year in conjunction with the implementation of the OCIO Offering.
- Report recommending the appointment of RBC Investor Services for custodial services under the OCIO Offering, allowing ONE to achieve operational efficiencies and increase staff capacity.
- Comprehensive Risk Assessment and Mitigation Action Plan, semi-annual review, with only minor changes noted. There were no changes to the highest scored risks.
- Summaries of the ONE JIB and ONE Investment Board meetings to ensure all Audit Committee members have an overview of ONE's business.
- Cyber security update.
- Compliance Update and Review, which was conducted by ARA Compliance Support, with several recommendations for future improvements.
- Quarterly report on CIBC Mellon that noted all variances were within industry standards.

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

## 3. BACKGROUND

The Audit Committee is a Committee of the ONE Investment Board and is comprised of

five representatives as follows:

- James (Jim) Giles (Chair), ONE JIB,
- Heidi Franken, ONE JIB,
- Sandra Zwiers (Vice Chair), ONE Investment Board,
- Duane Ramkisson, Manager, Investment Portfolio with the Region of Durham and,
- Anna Lisa Barbon, Deputy City Manager, Finance Supports with the City of London

ONE Investment's Audit Committee's next meeting is scheduled on May 22, 2024.

#### 4. ANALYSIS

##### **Staff provided an Outsourced Chief Investment Officer (OCIO) update**

With the possibility of welcoming the first investor by Q3 2024, the launch of the OCIO Offering is rapidly approaching completion. The Audit Committee heard how the New Products Committee is collaborating with ONE Investment, based on ONE JIB instruction, to construct model portfolios to be as a framework within the OCIO Offering. Following the launch of the OCIO Offering, ONE Investment staff will focus on creating a plan to transition the 11 Participating Municipalities to the OCIO Offering. This will entail a thorough examination of all procedures and policies.

##### **The Audit Committee recommends raising the staff sponsorship cap from \$10,000 to \$25,000 and doing a comprehensive review of ONE JIB policies impacted by the OCIO Offering implementation**

Regular review of policies is a best practice. The report recommended that the Sponsorship Policy limits for staff be increased from \$10,000 to \$25,000. With the introduction of the OCIO Offering there will need to be a full review of ONE JIB's policies including the Review of External Managers, ONE JIB Distribution Policy, ONE JIB Rebalancing Policy and ONE JIB Withdrawals of MNRI so there are no recommended changes at this time.

##### **RBC Investor Services was selected as custodian under the OCIO Offering**

Under the Prudent Investment Program there is a requirement to appoint a custodian to hold the assets of each Participating Municipality. ONE Investment, as the agent of ONE JIB, appoints the custodian. Its current custodian, CIBC Mellon, requires that separate custody agreements be set up with each municipality rather than under ONE Investment. This does not reflect the structure where ONE Investment performs the back-office administration on behalf of the municipalities. ONE Investment has chosen RBC Investor Services to serve as custodian under the OCIO Offering with PH&N. Using RBC Investor Services existing relationship with PH&N will result in more streamlined and straight-through processing. Negotiations are ongoing, including conducting due diligence on the quote to ensure competitive fees.

## **A comprehensive risk assessment was completed with no changes noted to the highest rated risks**

8 of 36 risks have high scores, which remain unchanged, despite some small variations in ONE's other risk trends and scores.

Staff have introduced a new risk with a low score of 5.0 related to the implementation of the new OCIO Offering which recognizes the adoption of a new approach by ONE Investment.

ONE has successfully implemented its risk mitigation plan; numerous initiatives such as the development of policies and a Compliance Manual have been included in ONE's present business processes. Staff have suggested further initiatives that will be implemented over the next two years.

All of the scheduled initiatives—aside from the ones related to expanding municipal investment opportunities such as those related to the Legal List—will be carried out, as the Province has indicated no interest in reconstituting their Debt and Investment Advisory Committee.

## **ARA Compliance Support made four recommendations after reviewing ONE's compliance system.**

ARA Compliance reviewed ONE's Compliance system and detailed the following four suggestions for improvement in the report (dated March 2024); these suggestions are supported by management:

- To review the Outcome Framework, which was adopted by ONE JIB in 2020 and has not been amended but will be reviewed as part of the implementation of the OCIO Offering
- To review the ONE JIB policy on the evaluation of External Managers, which reviews portfolio managers annually with a more thorough evaluation every other year. This work has been postponed due to the OCIO Offering.
- To log staff personal trading account numbers, which will be included in the future.
- To add dates to the Monthly service electronic logs with CIBC Mellon; the dates will be included in the future.

With the introduction of the OCIO Offering, ONE's Compliance Manual and Task list will be updated and presented to the Audit Committee at future meetings.

## **With AMO's office move complete, ONE's second Cyber security program is underway**

Cyber security is a key part of ONE's compliance regime. A comprehensive review will be done with a report back to Audit Committee in Fall 2024.

**Staff gave an update on ONE JIB meetings on November 29, 2023, and February 28, 2024, as well as the ONE Investment Board meeting on December 15, 2023, to make sure all members of the Audit Committee had the same information**

The reports from the most recent ONE JIB Board meetings, which were held on November 29, 2023, and February 28, 2024, as well as the decisions made by the ONE Investment Board at its meeting on December 15, 2023, are summarized in this report.

### **ONE's compliance system noted two errors which were resolved**

Variations in in-kind investments of one Participating Municipality and their initial MNRI were noted. ONE Investment has discussed the issue with the Participating Municipality and clarified process for disposing of in-kind securities. This has prompted ONE Investment staff to note the need for an in-kind policy. Staff are currently working with legal counsel to develop a comprehensive In-Kind Policy.

An overnight delay was encountered with the timely investment of a \$335,000 T-bill in which a loss of \$42 was incurred and subsequently reimbursed by the portfolio manager.

### **CIBCM KPI's report was reviewed with all variances within industry standards**

The KPI report is issued on a quarterly basis summarizing key service delivery metrics by CIBCM for their custody and fund administration servicing. All variances were within industry standards. ONE's CCO will continue to meet with CIBC Mellon monthly.

## **5. CONCLUSION**

The Audit Committee provides oversight and recommendations to ONE Investment Board and staff. ONE JIB is provided updates on the Audit Committee as a mechanism of transparency for ONE JIB on the work its agent is doing.

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