

To: ONE Joint Investment Board
From: Donna Herridge, Co-President/Co-CEO, ONE Investment
Date: November 27, 2024
Re: ONE Investment Audit Committee Update – November 27 2024
Report: ONE JIB 2024-068

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

This report provides a summary of the Audit Committee meeting of September 22, 2024 which provides updates on the following topics:

- Approval of Unaudited Interim Financial Statements for ONE Investment Pooled Funds at June 30, 2024
- Annual Review of ONE JIB Policies
- Discussion on Public Sector Accounting Board (PSAB) 3450 Financial Instruments municipal audit challenges
- Comprehensive enterprise risk assessment update
- Compliance and Cybersecurity update

3. BACKGROUND

The Audit Committee is comprised of five representatives as follows:

- James (Jim) Giles (Chair) from ONE JIB
- Vacant position from the ONE Investment Board with Trevor Pinn, Deputy CAO, Finance and Technology/ Treasurer Finance and Technology Department, Municipality of Clarington, joining as an observer pending his formal appointment by the ONE Investment Board
- Heidi Franken from ONE JIB
- Duane Ramkissoon who is the Manager, Investment Portfolio with Durham Region, and
- Anna Lisa Barbon, Deputy City Manager, Finance Supports, City of London

ONE Investment's Audit Committee meeting was held on September 11, 2024.

4. ANALYSIS

ONE's Unaudited Interim Financial Statements for the ONE Investment Pooled Funds was approved by the Audit Committee and Participating Municipalities were notified of its availability

The Audit Committee reviewed and approved ONE Investment's Unaudited Interim Financial Statements for the Pooled Funds. Participating Municipalities have received the Statement through email and were notified that it is available on the ONE Investment [website](#).

A Compliance Task List update report focused on recent updates primarily related to the impact of OCIO

The Compliance Task List includes monthly, annual and ad hoc functions which are operating as planned. With the change in the OCIO, staff will work with WeirFoulds LLP to issue a new letter attesting to ONE's compliance with applicable legislation.

CIBC Mellon's Key Performance Indicators were presented with no exceptions beyond industry standards

CCO Evelyn Foo meets with CIBC Mellon monthly. Quarterly key indicators demonstrated that CIBC Mellon has met all expectations, and all metrics are tracking appropriately.

Feedback on the draft OCIO Compliance Monitoring Policy and the Policy for Reviewing External Sub Investment Managers was provided

ONE JIB policies will change under the OCIO model. Staff presented two new policies, namely the OCIO Compliance Monitoring Policy and the Policy for Reviewing External Sub Investment Managers, for feedback from the Audit Committee which will be dealt with in a separate ONE JIB report.

Audit Committee reviewed self-evaluation questions, which will be distributed and reported on at a future meeting

Not-for-profit best practice contemplates an annual evaluation of the Committee. 2021 was the inaugural self-evaluation completed by the Audit Committee which was an online survey available during the month of October.

Updates on Compliance Activities and Cyber Security was presented

CCO Evelyn Foo provided an update on quarterly compliance activities including the onboarding of ONE's first large investor under the OCIO model, the Regional Municipality of Durham, review of RBC GAM and PH&N Institutional compliance regime and preparation of semi-annual unaudited Financial Statements.

Work on the Cyber security assessment, conducted under the National Institute of Security and Technology (NIST) Cybersecurity (CSF) 800-30 mapped to 800-53, incorporated three

areas as follows:

- Penetration testing
- Maturity assessment
- Strategy and roadmap assessment

Results will be presented at the November Audit Committee meeting.

A comprehensive enterprise risk assessment was completed, with increased scores/risk related to the new Public Sector Accounting Board 3450 Finance instruments, as well as decreased scores in Ontario Security Commission Exemption and Fraud risks with the implementation of OCIO under PH&N Institutional

Updates on key risks, trends, and the status of the actions to put the Risk Mitigation Plan into practice was provided. The score related to the PSAB and Provincial Reporting Standards Risk has been increased from 3.4 to 5.0 to reflect the various auditor's inconsistency with implementing PS 3450 Financial Instruments. Trends related to Compliance with Ontario Security Commission (OSC) Exemption and Fraud risks have dropped from stable to low to reflect ONE's maturity and transfer of hands-on work to PH&N Institutional, respectively.

Audit Committee discussed options related to municipal auditors' inconsistent approach to PSAB 3450 Financial Instruments

PS 3450 was a new financial reporting requirement for the December 31, 2023 year end and municipal auditors required a variety of audit evidence. Staff presented three options for Audit Committee's review. Unanimously, they recommended that ONE start completing an audit of the Legal List portfolios.

Updates on the ONE JIB and ONE Investment Board meetings were provided

Audit Committee received a summary of developments from the recent ONE JIB Board meetings held on May 29, 2024, and September 4, 2024, as well as the developments of the ONE Investment Board at its meeting held on June 6, 2024.

5. CONCLUSION

The Audit Committee provides oversight for ONE Investment which includes the approval of Financial Statements and regular review of compliance and enterprise risks.

Drafted by: Donna Herridge, Co-President/Co-CEO, ONE Investment

Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEO