



**Building Brighter Futures Together at the
Ottawa-Carleton District School Board**



NOTICE OF MEETING

AUDIT COMMITTEE

**Monday, 25 November 2019
Trustees' Committee Room
7:00 p.m. Public
In Camera to Follow**

COMMITTEE MEMBERS:

Mark Fisher
Trustee, Zone 11

Sandra Schwartz
Trustee, Zone 12

Keith Penny
Trustee, Zone 8

EXTERNAL MEMBERS:

Erik Husband

Annik Blanchard

DISTRIBUTION:

All Board Members
Senior Administration
Auditor

If you would like further information on this agenda please contact:
Nicole Guthrie, Senior Board Coordinator, Board Services, at 596-8211, ext. 8643, or
nicole.guthrie@ocdsb.ca

ABOUT AUDIT COMMITTEE:

- The Audit Committee recommends annual internal and external audit plans to the Board; receives and reviews the resulting internal audit reports; receives the reports of the audits of individual schools/operations and use of Board-allocated and school-generated funds; receives the report from the External Auditor on any finding commented on during the annual audit, and the management responses thereto; and oversees the selection of the external auditor and recommends the appointment of the external auditor to the Board.
- The Audit Committee shall meet before the end of January each year and at the call of the Chair of the Committee. You may confirm dates and start times on the Board's web site.
- The Audit Committee shall meet in private when internal control issues are discussed to ensure the Board's assets are not inadvertently put at risk.

ABOUT THE AUDIT COMMITTEE AGENDA:

- The Ottawa-Carleton District School Board posts complete standing committee and Special Education Advisory Committee agendas and reports on the website on the Friday, at least ten days prior to the scheduling of the meeting.
- In most instances, staff names have been included on the agenda for contact purposes should you have any questions prior to the meeting.
- If you would like further information on this Agenda or how the Committee meeting works, please contact Nicole Guthrie, Committee Coordinator, at 613-596-8211, extension 8643 or (613) 596-8211 ext. 8643

PURPOSE OF IN CAMERA MEETINGS:

- Under provincial law, *"A meeting of a committee of a board, including a committee of the whole board, may be closed to the public when the subject-matter under consideration involves*
 - (a) *the security of the property of the board;*
 - (b) *the disclosure of intimate, personal or financial information in respect of a member of the board or committee, an employee or prospective employee of the board or a pupil or his or her parent or guardian;*
 - (c) *the acquisition or disposal of a school site;*
 - (d) *decisions in respect of negotiations with employees of the board; or*
 - (e) *litigation affecting the board."*



**AUDIT COMMITTEE
PUBLIC AGENDA**

**Monday, November 25, 2019, 7:00 pm
Trustees' Committee Room
133 Greenbank Road
Ottawa, Ontario**

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2. Approval of Agenda	
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AUDIT COMMITTEE REPORT (PUBLIC)

Wednesday, September 25, 2019

7:00 pm

Trustees' Committee Room

133 Greenbank Road

Ottawa, Ontario

- Members: Sandra Schwartz, Mark Fisher (Trustee), Keith Penny (Trustee), Erik Husband (External Member), Annik Blanchard (External Member)
- Staff: Camille Williams-Taylor (Director of Education), Mike Carson (Chief Financial Officer), Kevin Gardner (Manager of Financial Services), Sandra Lloyd (Manager of Risk and Supply Chain Management), Susan Baker (Acting Manager of Board Services)
- Guests: Genevieve Segu (Regional Internal Audit Manager) (electronic communication), Gord Champagne (Senior Regional Internal Auditor), Rebecca Prophet (Senior Manager Audit, KPMG LLP), and Jan Mattingly (Risk Management Consultant).

1. Call to Order

Trustee Schwartz called the public session to order at 7:04 p.m and acknowledged that the meeting is taking place on unceded Algonquin Territories and thanked the Algonquin Nations for hosting the meeting on their land.

2. Approval of Agenda

Moved by Trustee Fisher,

THAT the agenda be approved.

Carried

3. Delegations

There were no delegations.

4. Superintendent's Report

Chief Financial Officer (CFO) Carson advised that the Province is developing a Centralized Procurement Initiative (CPI) for the Ontario Public Service and Broader Public Sector (BPS) organizations, which includes school boards. Among the interim measures is the need for Ministry approval for contracts valued over

\$100,000 (previous limit was \$25,000) that are not covered under established Vendor of Record (VOR) arrangements, and limiting the contract duration to no more than two years.

CFO Carson noted that the District will have spent close to \$60 million by the end of October 2019 on facilities improvement projects undertaken over the past summer, including the addition of gymnasiums at three schools. He added that a few projects were delayed, due to high pricing and labour shortages.

In response to a request from Trustee Penny, CFO Carson agreed to provide additional information on projects that were not completed due to high pricing.

5. Matters for Action

5.1 Review of Audit Committee Report

a. 22 May 2019

Moved by Trustee Fisher,

THAT the Audit Committee report dated 22 May 2019 be received.

Carried

b. Business Arising

There was no business arising from the report.

5.2 Report 19-075, External Auditor's Audit Plan for the 2018-2019 Year-End Audit (M.Carson, ext. 8881)

Your Committee had before it Report 19-075 seeking approval of KPMG LLP's plan for the external audit of the 2018-2019 Consolidated Financial Statements.

Moved by Annik Blanchard,

THAT KPMG LLP's plan for the audit of the 2018-2019 Consolidated Financial Statements be approved.

During the presentation of the audit plan by KPMG LLP Senior Manager, Audit, Rebecca Prophet, and in the ensuing discussion, the following points were noted:

- There have been no significant changes with regard to the District's operations and therefore no change is required in how the external audit is conducted;
- The materiality is \$12 million, up from \$11.5 million last year, based on increased expenses in 2018-2019;
- The fee for the audit of the consolidated financial statements is \$79,000;

- The fees for the audit of School Generated Funds and School Council Funds is an additional \$17,000;
- Two additional small, provincially-mandated audits will also be conducted and are not included in the quoted fees;
- As a result of changes made to the Public Sector Accounting Board (PSAB) standard on asset retirement that will be effective in a couple of years, KPMG LLB will work with management to ensure they are up to date on the impact of the new standard;
- KPMG LLB is hosting a breakfast seminar on 8 October 2019 on Cyber Security Insights. Audit Committee members are welcome to attend;
- In addition to the focus on financial risks, KPMG will also review information technology systems and controls; and
- Mr. Husband requested that the items listed in the Audit Committee work plan on page 95 of the agenda package be included in the scope of work for the external audit.

Moved by Annik Blanchard

THAT KPMG LLP's plan for the audit of the 2018-2019 Consolidated Financial Statements be approved. (Attached as Appendix A)

Carried

5.3 Report 19-073, 2018-2019 Annual Report on Internal Audit Activity

Your Committee had before it Report 19-073 seeking approval of the Audit Committee's annual report to the Board summarizing the work performed by the regional internal audit team (RIAT) during 2018-2019 in accordance with *Ontario Regulation 361/10, Audit Committee*.

CFO Carson advised that, during 2018-2019, the RIAT conducted audits on the District's Records and Information Management (RIM) program, and the Extended Day Program (EDP). In addition, follow-up reviews on past audits, including RIM, EDP, continuing education, health and safety, and patch and release management were conducted. The findings will be presented in 2019-2020.

Moved by Annik Blanchard

THAT Appendix A to Report 19-073 be approved as the 2018-2019 Annual Report on Internal Audit Activity. (Attached as Appendix B)

Carried

5.4 Report 19-074, Audit Committee Annual Report for 2018-2019

Your Committee had before it Report 19-074 seeking approval of the 2018-2019 annual report of activities for submission to the Board in accordance with Ontario Regulation 362/10, Audit Committee.

CFO Carson advised that the report covers the activities of the Audit Committee. A major part of the work is related to strategic risk management. Trustee Fisher requested that Board members have an opportunity to discuss the work related to strategic risk management when the report is presented to the Board.

Moved by Annik Blanchard

THAT Report 19-074 be approved as the Audit Committee Annual Report to the Board for 2018-2019. (Attached as Appendix C)

Carried

6. Matters for Discussion

6.1 Report 19-084, Strategic Enterprise Risk Management Update

Your Committee had before it Report 19-084 providing an update on the implementation of the Strategic Enterprise Risk Management (SERM) framework, with the assistance of the Ontario School Board Insurance Exchange (OSBIE).

During presentation and discussion of the report, the following points were noted;

- CFO Carson, Jan Mattingly, Consultant in Risk Management, and Manager Lloyd, reported that there is evidence of good risk management activity across the District. There are also some gaps as noted on page 75 in the Phase 1, Readiness Assessment Results, dated May 2019;
- The implementation plan includes the development of a risk management policy statement to clarify the purpose and responsibilities for risk management, develop an understanding of the principle risks for use in strategic planning, budgeting, and decision-making, and adapt existing or develop new training and tools;
- There is a wide range in appetite for risk;
- Staff are considering a variety of ways to actively engage with the Board and Audit Committee;
- Risk management assessment and training is based on ISO 31000 standards;

- Senior staff is committed to learning more about the principle risks, and formalizing the application of risk management strategies;
- The draft policy will reflect the roles of Board and Audit Committee in risk management; and
- The Audit Committee will have an opportunity to provide input on the draft policy before it is submitted to the Board for approval.

6.2 Memo 19-094 Regional Internal Audit Team Evaluation Process for 2018-2019

Your Committee had before it Memo 19-094 providing information on the process for the performance evaluation process for the Regional Internal Audit Team (RIAT) for 2018-2019.

CFO Carson asked Committee members to complete the evaluation form on pages 83-86 of the agenda package and submit it to Manager Gardner not later than 18 October 2019. The results will be compiled and presented to the Audit Committee at its meeting in November 2019.

6.3 Memo 19-097 Cyber Insurance Coverage

Your Committee had before it Memo 19-097 providing information with respect to the District's cyber insurance coverage purchased through the Ontario School Board Insurance Exchange (OSBIE), and examples of cyber incidents and how insurance coverage applies.

During discussion of the memo, the following points were noted:

- The District has access to the insurer's "breach coaches" to assist in closing a network breach, if required;
- Business & Learning Technologies (B<) staff attend Audit Committee meetings once or twice per year to provide an update on network security. CFO Carson advised that he would ask B< to include an update on staff awareness and training on risks at its next update to the Audit Committee;
- Insurance coverage of equipment failures is assessed on an individual basis; and
- B< staff track network breaches.

7. Information Items

7.1 Long Range Agenda

The Audit Committee reviewed the long range agenda. Mr. Husband noted that a number of items have not yet been scheduled. CFO Carson advised that he would consult with the Chair on when these items should be

scheduled. Mr. Husband also suggested that meeting references be added for each item when they have been dealt with.

In response to a query from Trustee Schwartz, CFO Carson confirmed that the review of the performance of the regional internal auditor would be dealt with at the November meeting of the Committee.

8. New Business

8.1 Regional Internal Audit Team Action Plan for 2019-2020

Gord Champagne and Genevieve Segu reviewed the plan, and during the ensuing discussion, the following points were noted:

- The Audit Committee is required to approve the action plan and the mandate of RIAT annually. There have been no changes to the RIAT mandate since last year;
- The RIAT reports functionally to the nine audit committees in the Eastern Ontario region;
- The RIAT reports administratively to the senior business official at the Ottawa Catholic School Board who hosts the RIAT;
- The RIAT manager and members take professional development courses on internal audit, ethics, etc. on an ongoing basis to fulfill their accounting certification requirements and to ensure they have the capacity to conduct the audits they propose;
- As the OCDSB is currently in phase 2 of its strategic enterprise risk management initiative, the RIAT will wait until it is completed before conducting any internal audits in that area;
- The RIAT is currently undertaking an attendance support review and the report will be presented in the near future;
- Deloitte is using analytics to prepare a data visualization report on attendance management based on attendance data received from the OCDSB Human Resources department;
- Approximately 25 school boards have received data visualization reports from Deloitte to date, and many of them are experiencing similar levels of rising absenteeism;
- Data visualization reports from the Tableau system will allow the user to select the information they wish to display in graphic form. The system cannot provide predictive information. The Tableau system is already in use at the OCDSB and some staff are proficient in its use;

- Deloitte is familiar with some of the systems used by school boards to track attendance; and
- Follow-up procedures will be undertaken to determine if high and medium priority RIAT recommendations from previous audits have been addressed.

Moved by Trustee Fisher

- A. **THAT the Regional Internal Audit Activity Update be received;**
- B. **THAT the 2019-20 Regional Internal Audit Mandate be approved (Attached as Appendix D);**
- C. **THAT the Regional Internal Audit Plan for 2019-2020 be approved (Attached as Appendix E).**

Carried

9. Adjournment

The public meeting adjourned at 8:31 p.m.

Sandra Schwartz, Chair, Audit Committee



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Mr. Michael Carson
Chief Financial Officer
Ottawa-Carleton District School Board
133 Greenbank Road
Nepean, Ontario
K2H 6L3

September 25, 2019

Dear Mr. Carson:

The purpose of this letter is to outline the terms of our engagement to audit the consolidated annual financial statements ("financial statements") of the Ottawa-Carleton District School Board ("the Entity"), commencing for the period ending August 31, 2019.

This letter supersedes our previous letter to the Entity dated September 4, 2018. The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

Financial Reporting Framework for the Financial Statements

The annual financial statements will be prepared and presented in accordance with a basis of accounting described in the notes to the financial statements (hereinafter referred to as the "financial reporting framework").

The annual financial statements will include an adequate description of the financial reporting framework.

Management's Responsibilities

Management responsibilities are described in Appendix A – Management's Responsibilities.

An audit does not relieve management or those charged with governance of their responsibilities.

Auditor's Responsibilities

Our responsibilities are described in Appendix B – Auditor's Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.



Auditor's Deliverables

The expected form and content of our report(s) is provided in Appendix C – Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the financial statements after we have issued our audit report, but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity, to prevent further reliance on our audit report. Such steps include, but may not be limited to, appropriate disclosures by the Entity to the users of the financial statements and audit report thereon of the newly discovered facts and the impact to the financial statements.

Our deliverables regarding income tax compliance and advisory services are described in Appendix – Income Tax Compliance and Advisory Services.

Additional Responsibilities regarding "Other Information"

"Other information" is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditors' report thereon) included in the "annual report". An "annual report" is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditors' report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on the Entity's:
 - operations; and/or
 - financial results and financial position as set out in the financial statements.
 - Based on discussions with management, there are no reports expected to meet the definition of an "annual report" under professional standards.

Fees

Appendix D – Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.



We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature.

Rob J. Clayton, CPA, CA

Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

613-212-3601

Enclosure

cc: Audit Committee

The terms of the engagement for Ottawa-Carleton District School Board are set out as agreed:

Michael Carson, Chief Financial Officer

Date (dd/mm/yy)



Appendix A – Management’s Responsibilities

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.
- (b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the financial statements. All significant actions are to be included in such summaries.
- (c) providing us with unrestricted access to such relevant information.
- (d) providing us with complete responses to all enquiries made by us during our engagement.
- (e) providing us with additional information that we may request from management for the purpose of the engagement.
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.
- (g) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (h) ensuring that all transactions have been recorded and are reflected in the financial statements.
- (i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.
- (j) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.



Appendix B – Auditor’s Responsibilities

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable “professional standards”).

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.



Appendix C – Expected Form of Report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Ottawa-Carleton District School Board

Opinion

We have audited the consolidated financial statements of the Ottawa-Carleton District School Board (the "Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2019, and its consolidated results of operations, its change in net debt and its cash flows for the year then ended in accordance with the basis of accounting described in note 1(a) to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1(a) to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.



Appendix C – Expected Form of Report (continued)

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in note 1(a) of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



Appendix C – Expected Form of Report (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

(date)

Ottawa, Canada



Appendix D – Fees for Professional Services

Our fees for this engagement will be based on the complexity of the issues and the time required of the individuals who will be performing the services, and will be billed, as the work progresses. The Entity and KPMG agree to fees, before HST, based on our proposal dated April 24, 2012 quoting:

Service	Fees for the year-ended August 31, 2019
Audit of the consolidated financial statements of the Ottawa-Carleton District School Board	\$79,000
Audit of the Ottawa-Carleton District School Board School Generated Funds and the additional audit work over the School Council Funds (subsequent to proposal)	\$17,000
Total fees	\$96,000

Interest on overdue invoices as described in the terms and conditions ("Fee Arrangements") shall be 1% per month, calculated and compounded monthly (effective annual rate of 12.683%).

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm's HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG within 30 days of receipt.

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of Entity.

1. DOCUMENTS AND LICENSES.

- a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.
- b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that KPMG may list Entity as a customer in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "Client is an Audit, Advisory, and/or Tax client of KPMG LLP").

2. ENTITY'S RESPONSIBILITIES.

- a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.
- b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity's failure to deliver documents and information as required.
- c. To the extent that KPMG personnel are on Entity's premises, Entity will take all reasonable precautions for their safety.
- d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.
- e. Except as required by applicable law or regulation, Entity shall keep confidential the terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission.
- f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings.

3. FEE AND OTHER ARRANGEMENTS.

- a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues.
- b. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee. Our professional fees are also subject to an additional charge to cover information technology infrastructure costs and administrative support of our client service personnel. Disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.
- c. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.

d. Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in the Engagement Letter.

e. Canadian Public Accountability Board ("CPAB") participation fees, when applicable, are charged to Entity based on the annual fees levied by CPAB.

4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

a. KPMG is a member firm of the KPMG International Cooperative ("KPMG International"). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity's confidential information and personal information ("information"). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity's confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above.

b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information with its legal advisers and insurers for the purposes of obtaining advice.

c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity's information to offer services that may be of interest to Entity.

5. PERSONAL INFORMATION CONSENTS AND NOTICES.

KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG's Privacy Officer noted in KPMG's privacy policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.


TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS
6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.

a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG or a foreign component auditor which has been engaged in connection with an assurance engagement ("component auditor") may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's or the component auditor's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG or its component auditor, as applicable, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG or its component auditor, as applicable, will produce documents and provide information in response to the third party demand, without further authority from Entity, its subsidiaries or affiliates.

b. KPMG will use reasonable efforts to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of Entity is required for such disclosure, then Entity hereby provides its consent.

c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands.

d. Entity waives and releases KPMG from any and all claims that it may have against KPMG as a result of any disclosure or production by KPMG of documents or information as contemplated herein.

e. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.

a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.

b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Entity assumes all responsibility or liability in respect of the risk associated with the use of the foregoing, and agrees that KPMG is not responsible for any issues that might arise (including loss of data) as a result of Entity using the foregoing to transmit information to or otherwise share information with KPMG and, in the case of online tools other than email, KPMG's access to and use of the same in connection with obtaining Entity information and documents.

8. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 14, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION ON LIABILITY AND INDEMNIFICATION.

a. Subject to Section 14: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints,

demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the lesser of one million dollars (\$1,000,000) or two times the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. Subject to Section 14, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 14: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 9, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 9 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

10. CONSENT TO THE USE OF THE KPMG NAME OR KPMG REPORT.

Except as otherwise specifically agreed in this Engagement Letter, KPMG does not consent to:

i. the use of our name or our report in connection with information, other than what we have reported on as part of this Engagement Letter or our report thereon, that contains, incorporates by reference, or otherwise accompanies our report or our name;

ii. the use of our report in another language, or the use of our report in connection with information that we reported on that has been translated into another language;

iii. the use of our report in connection with an offering document or other securities filing, including continuous disclosure filings; or

iv. the use of our name or our report in connection with the interim financial statements (or other interim financial information) or any statement by the Entity regarding the services that we provided on the interim financial statements or other interim financial information.

Any communication, report, statement or conclusion on the interim financial statements may not be included in, or otherwise referred to in any public document or public oral statements except when the interim review conclusion contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.

If the Entity wishes to obtain KPMG's consent regarding the matters above or other matters not otherwise specifically covered by this Engagement Letter, we will be required to perform procedures as required by applicable professional standards, and such procedures would be a separate engagement and subject to separate engagement terms.

11. ALTERNATIVE DISPUTE RESOLUTION.

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation. If mediation is not successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing this engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

12. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity; and (ii) provide advice or services to any other person or entity


TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.

c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.

d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. In the event that circumstances arise that place KPMG into a conflict of interest as between Entity and a pre-existing client, which in KPMG's sole opinion cannot be adequately addressed through the use of confidentiality and other safeguards, KPMG shall be entitled to immediately terminate the engagement with Entity, without liability.

f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

13. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.

14. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

15. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

16. LLP STATUS.

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

17. INDEPENDENT LEGAL ADVICE.

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent

legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

18. SURVIVAL.

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.

OTTAWA-CARLETON
DISTRICT SCHOOL BOARD

Report 19-073, 2018-2019 Annual Report on Internal Audit Activity was approved by Audit Committee as its annual report to the Board summarizing the work performed by the regional internal audit team (RIAT) during 2018-2019 in accordance with Ontario Regulation 361/10, Audit Committees. The following information has been prepared based on the report.

District School Board Name: Ottawa-Carleton District School Board

Fiscal Year: 2019

Re: Annual Audit Committee report to the Ministry of Education as per Ontario Regulation 361/10

During the 2019 fiscal year, the following internal audits were started and/or completed by August 31, 2019:

- 1. Report 18-091 – Final Report: Records and Information Management Audit**
As part of the 2017-2018 Internal Audit Plan, an audit of key processes relating to records and information management was completed. The final report was presented to Audit Committee on 26 September 2018.
- 2. Report 18-116 – Final Report: Extended Day Program Audit**
As part of the 2017-2018 Internal Audit Plan, an audit of key processes relating to the management of the District's Extended Day Program (EDP) was completed. The final report was presented to Audit Committee on 19 November 2018.
- 3. Follow-up Procedures on the Audit of Patch and Release Management**
The follow-up review was completed in June 2018 and the findings were presented to Audit Committee on 19 November 2018.
- 4. Follow-up Procedures on Past Audits**
In May 2019, the RIAT commenced follow-up reviews on the audits of records and information management, the EDP, continuing education, health and safety, and patch and release management. The reviews are only focused on outstanding recommendations relating to the audits. The findings will be presented during 2019-2020.

Based on the internal audit plan, the District is not expecting an enrolment audit to be performed in the 2020 fiscal year.

Approved by Audit Committee on 25 September 2019

Sandra Schwartz
Audit Committee Chair



AUDIT COMMITTEE
Report No. 19-074

25 September 2019

Audit Committee Annual Report for 2018-2019

Key Contact: Michael Carson, Chief Financial Officer, (613) 596-8211 ext. 8881

PURPOSE:

1. To seek approval of Report 19-074 as the 2018-2019 annual report of activities for submission to the Board in accordance with *Ontario Regulation 361/10, Audit Committees*.

CONTEXT:

2. *Ontario Regulation 361/10, Audit Committees* requires that a summary of work performed by the Audit Committee be provided to the Board. This report is in compliance with the requirement set out in the regulation and covers the period 01 September 2018 to 31 August 2019.

KEY CONSIDERATIONS:

3. The Audit Committee is integral to the District's corporate governance framework. Reporting to the Board, the Audit Committee works with District management to ensure that matters affecting financial, compliance and risk management activities are conducted appropriately. The Audit Committee meets this mandate by providing oversight in ensuring that management has implemented an appropriate system of internal control, by liaising with internal and external auditors, by discussing risks that may have a significant effect on the District's operational and financial resources, and by reviewing specific financial reports.
4. **Audit Committee Governance**
 Audit Committee is a statutory committee of the Board. It is established pursuant to *Ontario Regulation 361/10* and is supported by Board policy P.016.GOV. The regulations and policy stipulate various governance requirements including committee composition, maximum term of office for external members, the minimum number of meetings that must be held during the year and the role and responsibilities of the Committee.

Five individuals serve on the Audit Committee. Prior to 01 December 2014, trustee members were appointed for terms commencing 01 December in each year as part of the Board's annual organizational meeting. The Board policy was updated and now allows for one trustee to be appointed for a two-year term while the others continue to serve one-year terms. In addition to trustee members, two external members are appointed for terms of up to three years.

The following table shows the names of committee members and meeting dates. As required by regulation, attendance at each meeting is also noted.

<u>Committee Members for the Period 01 September 2018 to 30 November 2018</u>	
Trustees: Sandra Schwartz, Lynn Scott and Keith Penny	
External Members: Annik Blanchard and Erik Husband	
<u>Meeting Date</u>	<u>Attendance</u>
26 September 2018	Sandra Schwartz and Annik Blanchard, regrets
19 November 2018	All members present
<u>Committee Members for the Period 01 December 2018 to 31 August 2019</u>	
Trustees: Sandra Schwartz, Mark Fisher and Keith Penny	
External Members: Annik Blanchard and Erik Husband	
<u>Meeting Date</u>	<u>Attendance</u>
21 January 2019	Annik Blanchard, regrets
27 March 2019	Erik Husband, regrets
22 May 2019	Annik Blanchard, regrets

Audit Committee met five times during the year. The work performed during the year is summarized below. The work has previously been communicated to the Board through the provision of meeting minutes which are included in Committee of the Whole agenda packages.

5. **Review of Draft Financial Statements**

The *Education Act* requires that school boards prepare audited financial statements annually and make the statements available to the public. A primary responsibility of the Audit Committee is to review the draft consolidated financial statements and recommend them for Board approval.

Audit Committee reviewed the draft 2017-2018 Consolidated Financial Statements at its 19 November 2018 meeting and recommended that the financial statements be approved. The statements were presented to, and subsequently, approved by the Board.

6. **Liaising with the External Auditor**

The external auditor met with the Audit Committee and provided an engagement letter and audit plan to ensure that members of the Audit Committee were aware of the purpose, extent and limitations relating to the audit of the 2017-2018 Consolidated Financial Statements. Audit Committee also discussed the draft 2017-2018 Consolidated Financial Statements both publicly and in-camera with the external auditor and reviewed observations and recommendations identified in the auditor's Audit Findings Report. The in-camera meeting included a session restricted to the external auditor and Audit Committee members.

7. **Liaising with the Internal Auditor**

The regional internal audit team (RIAT) supports the Audit Committee by providing analyses, assessments, recommendations, and advice that contribute to the effectiveness of risk management, internal control, and governance processes. The RIAT is led by the RIAT manager who reports administratively to the senior business official of the host board (Ottawa Catholic School Board) and functionally to the audit committees in the region.

In June 2015, Audit Committee approved the risk-based 2015-2020 Internal Audit Plan which has guided the work of the internal audit team. Audits identified in the plan focus on various policies and processes including those relating to school generated funds, health and safety, staffing and information technology.

The timing and scope of the anticipated work shown in the multi-year plan is, in consultation with Audit Committee, confirmed with the approval of the annual internal audit plan which is developed with consideration of emerging priorities.

The RIAT experienced a change in leadership in 2018-2019. The incumbent manager resigned in September 2018 and the vacancy was filled in January 2019. Although the change did have an effect on the planned work, the following initiatives were either completed or commenced during the reporting year:

- In September 2018, the RIAT presented its final report on the audit of the records and information management (RIM) program. The objectives of the audit were to verify compliance with Board policies, procedures, laws and regulations; assess the internal controls in place; and to examine the effectiveness and efficiency of the RIM process.
- In November 2018, the RIAT presented its final report on the audit of the Extended Day Program (EDP). The audit focused on processes and documentation relating to the 2016-2017 and 2017-2018 school years. The objectives were to obtain an understanding of the key administrative, operational and financial processes relating to the EDP; to ensure the Board is in compliance with legislative requirements relating to the program; to assess the adequacy and effectiveness of associated internal controls; and to identify opportunities for control or process improvements.

- The RIAT manager customarily conducts follow-up reviews to ascertain progress towards implementing changes in response to audit recommendations. In June 2018, the RIAT completed follow-up procedures on the audit of key processes relating to the audit of patch and release management that had been performed in 2015-2016. The findings of the follow-up review were presented to Audit Committee in November 2018. Follow-up reviews on the audits of RIM and EDP, along with continuing education, health and safety and patch and release management commenced in May 2019. Updates will be presented during 2019-2020.

In addition to discussing the audit findings and the need to ensure that future audit plans are aligned with the District's strategic enterprise risk management (SERM) framework, Audit Committee provided the host board with an assessment of the work performed by the audit team in 2017-2018. Providing formal feedback to the internal audit team through a high-level performance evaluation contributes to continued improvement in the team's effectiveness. Additional feedback is provided to the audit team during Audit Committee meetings.

Additional information on the work of the RIAT is provided in Report 19-073, 2018-2019 Annual Report on Internal Audit Activity. Staff continues to work with the RIAT to finalize the internal audit plan for 2019-2020.

8. Review of Financial Projections

Monitoring actual performance against the Board's approved budget allows management to identify opportunities to reallocate resources to address emerging needs and to respond to changes in revenue streams and expense patterns.

Finance staff presented two forecasts to Audit Committee in 2018-2019. The forecasts identified opportunities to enhance budget development practices. As a result, actual costs are expected to be more consistent with the spending plans shown in the approved budget.

Audit Committee's work has encouraged staff to continue its efforts to enhance budgeting and financial monitoring practices. Three forecasts are planned for the coming year.

9. **Risk Management**

The duties of the Audit Committee related to the District's risk management activities include inquiring about significant risks, to review the District's policies for risk assessment and risk management and to ensure there is adequate insurance to cover risks. Significant risks are brought to the attention of the Audit Committee through the Director of Education and Chief Financial Officer as well as in external and internal auditor reports. Audit Committee also receives a staff report annually on the District's insurance coverage and associated costs.

In March 2019, the Audit Committee received a presentation regarding the District's efforts to establish a SERM framework. The framework being adopted aligns with the International Organization for Standardization (ISO) 31000 risk management guidelines and was customized for school boards under the leadership of the Council of Senior Business Officials (COSBO) and the Ontario School Boards' Insurance Exchange (OSBIE). The framework will enhance the District's strategic planning and operational processes by developing an organizational culture that considers both risk exposure and risk tolerance as a fundamental aspect in decision making.

A SERM readiness assessment of the District was conducted during the spring of 2019. The assessment findings resulted in the development of phase II, a SERM implementation plan, which will be implemented in 2019-2020. SERM project updates will be provided to Audit Committee on a regular basis.

10. **Regulatory Compliance**

The Audit Committee is responsible to ensure that appropriate processes and controls are in place so that the District is in compliance with regulations and to monitor and correct instances of non-compliance. A report is provided annually to the Audit Committee on the key statutes and regulations governing the District, the associated substantial compliance or areas of partial or non-compliance, and the plan for becoming fully compliant.

11. **Oversight of Internal Controls and Regulatory Compliance Reporting**

Audit Committee recognizes that a system of internal control is essential to managing risk and to ensuring the provision of quality financial information. Audit Committee's oversight of internal controls included receiving formal presentations and having discussions on key areas including:

- responsibilities of Audit Committee and the role of the internal auditor;
- information technology and information security;
- adherence to purchasing policies and procedures including the effect of new trade treaties and the impact of the Government of Ontario's centralized procurement initiative;
- insurance coverage and business continuity considerations;
- succession planning; and
- incidents that may result in significant financial and reputational risk.

12. Mandatory Audit Committee Reports

Ontario Regulation 361/10 requires that Audit Committee provide the Board with a summary of its activities for the previous fiscal year. A separate report summarizing the work of the RIAT during the previous fiscal year must also be provided to the Board and shared with the Ministry of Education.

In September 2018, Audit Committee approved the mandatory reports for 2017-2018 and the report summarizing the work of the RIAT was submitted to the Ministry.

13. Summary

Audit Committee performs work that contributes to the District's successful corporate governance framework. The work performed by the Audit Committee during 2018-2019 continues to enhance the District's internal control, risk management, and financial reporting processes.

RESOURCE IMPLICATIONS:

14. Approval of the report has no financial impact.

COMMUNICATION/CONSULTATION ISSUES:

15. The report was prepared by Finance staff. No consultation was required.

STRATEGIC LINKS:

16. An effectively functioning Audit Committee and approach to risk management is a key component in the Board's efforts to allocate resources in a sustainable manner. Audit Committee works with District management to ensure that matters affecting financial, compliance and risk management activities are conducted efficiently and that an appropriate system of internal control exists.

RECOMMENDATION:

THAT Report 19-074 be approved as the Audit Committee Annual Report to the Board for 2018-2019.

Michael Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and
Secretary of the Board



Regional Internal Audit Mandate

PURPOSE AND DEFINITION

The purpose of the regional internal audit team is to provide independent, objective assurance and consulting services designed to add value and improve the district school boards' operations in the Ontario East region. It helps the district school boards accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

ROLE

The regional internal audit activity is established by the Ministry of Education through the annual Grants for Student Needs funding. The oversight role of the Audit Committee of the Board of Trustees over the regional internal audit activity is established by Regulation 361/10.

PROFESSIONALISM

The regional internal audit activity will adhere to the Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the regional internal audit activity's performance.

AUTHORITY

The regional internal audit activity, with strict accountability for confidentiality and the safeguarding of records and information is authorized full, free and unrestricted access to any and all of the district school boards' records, physical properties, and personnel pertinent to carrying out any engagement. All school board employees are requested to assist the regional internal audit team in fulfilling its responsibilities. The regional internal audit team will also have free and unrestricted access to school board leaders and to the Audit Committee of the Board of Trustees.



ORGANIZATION

The internal audit function follows a regional model. The function consists of a Regional Internal Audit Manager responsible to district school boards in one of the eight regions in the province of Ontario as identified by the Ministry of Education. The Regional Internal Audit Manager will report functionally to their regional audit committees of the Boards of Trustees and administratively are supported by a host school board Senior Business Official. Every effort is made to adequately staff the internal audit function, within available financial resources, in order to perform its audit activities.

Each Audit Committee of the Board of Trustees will for their Board:

- Approve the regional internal audit mandate;
- Recommend for approval the risk based internal audit plan;
- Receive information from the Regional Internal Audit Manager about the internal audit activity performance to plan and other relevant matters;
- Inquire of the Regional Internal Audit Manager and the Senior Business Official whether there are resource or scoping limitations; and
- Review annually the performance of the regional internal audit activity and provide the Board of Trustees with their comments regarding the performance of the Regional Internal Audit Manager.

The Regional Internal Audit Manager will interact directly with the Audit Committee of the Board of Trustees, including in-camera sessions and between audit committee meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY

The regional internal audit activity will remain free from interference by any element in the district school board including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

Regional internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair judgment.

Regional internal auditors will exhibit the highest standards of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Regional Internal Audit Manager will confirm to the Audit Committee of the Board of Trustees, at least annually, the organizational independence of the internal audit activity.



RESPONSIBILITY

The scope of work of the regional internal audit team encompasses but is not limited to:

- Evaluating risk exposure relating to the achievement of the district school board's strategic objectives;
- Evaluating the reliability and integrity of information and the means used to identify measure, classify and report information;
- Evaluating the systems which ensure compliance with policies, procedures, applicable laws and regulations which impact the district school board;
- Evaluating whether resources are acquired economically, used efficiently, and are adequately protected;
- Evaluating operations and processes to ascertain whether results are consistent with established objectives and whether processes are functioning as planned;
- Performing consulting and advisory services or assessments of specific operations as requested by the Audit Committee of the Board of Trustees or district school board management as appropriate;
- Evaluating the effectiveness of the district school board's risk management and governance processes;
- Reporting periodically on the regional internal audit performance against plans; and
- Reporting significant risk exposures and control issues, including fraud risks, governance issues and other matters requested by the Audit Committee of the Board of Trustees.

INTERNAL AUDIT PLAN

Annually, the Regional Internal Audit Manager will submit to district school board management and to the Audit Committee of the Board of Trustees an internal audit plan for recommendation to their Board of Trustees for approval. If there are any resource limitations or interim changes, these will be communicated.

The internal audit plan will be developed based on a prioritization of the internal audit universe using a risk based methodology which includes input of district school board management. The Regional Internal Audit Manager will review and adjust the plan as required in response to changes in the risk profile. Any significant deviation from the approved internal audit plan will be communicated through periodic status reports. The Regional Internal Audit Manager or any of his or her team may initiate and conduct any other audit or review deemed necessary for potential illegal acts, fraud, abuse, or misuse of funds. Reasonable notice shall be given to appropriate personnel of intent to audit in their areas except when conditions warrant an unannounced audit.



REPORTING AND MONITORING

Opportunities for improving internal control may be identified during audits. A written report will be issued by the Regional Internal Audit Manager at the conclusion of each audit and will be distributed according to the school board's requirements. (This could include the head of the audited activity or department, the director of education, the audit committee and the external auditor of the district school board.)

Each report will describe opportunities to strengthen district school board risk, internal control and governance processes and conclude on the adequacy and effectiveness of the processes. The district school board management will provide action plans and timelines to address each opportunity (observation). The regional internal audit team is responsible to perform appropriate follow-up procedures to attest to the completion of action plans. Significant observations will remain in an open issue status until cleared.

QUALITY ASSURANCE

The regional internal audit team will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and conformance with the International Standards for the Professional Practice of Internal Auditing.

The Regional Internal Audit Manager will communicate to district school board management and the Audit Committee of the Board of Trustees on the internal audit activity's quality assurance and improvement program, including the results of ongoing internal assessments and external assessments conducted as appropriate, usually on a five year cycle.

Regional Internal Audit Manager

Audit Committee Chair

Director of Education

Dated



DEFINITION OF SELECTED TERMS

Add Value	Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.
Advisory/Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed to with the client and which are intended to add value and improve a school board's governance, risk management and control processes without the regional internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
Assurance	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Results can be relied upon for supporting informed decision making.
Board of Trustees	A legislative body that has overall responsibility and accountability for the district school board. For purposes of this Mandate, this also includes committees that support the Board of Trustees including the audit committee.
Compliance	Conformity and adherence to policies, plans, procedures, laws, regulations, contracts or other requirements.
Control Environment	<p>The attitude and actions of the Board of Trustees and district board management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Integrity and ethical values. <input type="checkbox"/> Management's philosophy and operating style. <input type="checkbox"/> Organizational structure. <input type="checkbox"/> Assignment of authority and responsibility. <input type="checkbox"/> Human resource policies and practices. <input type="checkbox"/> Competence of personnel.
Control/Internal Controls	<p>Any action taken by district board management and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.</p> <p>The system of management controls (business plans, capturing and analyzing data, performance reporting, code of conduct, etc.) that are implemented within a school board to ensure that assets (human, physical and information) are protected and to provide reasonable assurance that its objectives can be achieved.</p>



Control Processes	The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.
Fraud	Any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.
Governance	The combination of processes and structures implemented by the Board of Trustees in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.
In-camera	A separate discussion between members of the Audit Committee and the (<i>insert title here</i>) promoting open communication and discussion of any sensitive issues or problems.
Independence	The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.
Objectivity	An unbiased mental attitude that allows regional internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires regional internal auditors to not subordinate their judgment on audit matters to that of others.
Risk	Effect of uncertainty on objectives or outcomes.
Risk Management	A structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks an organization faces. Overall, it is about choices made under conditions of uncertainty, balanced by acceptable levels of risk.



Subject: Presented by: Meeting Date:	2019-20 Regional Internal Audit Plan Geneviève Segu, Regional Internal Audit Manager Gord Champagne, Senior Internal Auditor September 25, 2019														
Purpose	To provide the Audit Committee with the 2019-20 Regional Internal Audit Plan														
Content	<table border="1"> <thead> <tr> <th data-bbox="423 653 574 730">Year</th> <th data-bbox="574 653 1247 730">Audit & Scope</th> <th data-bbox="1247 653 1500 730">Dates</th> </tr> </thead> <tbody> <tr> <td data-bbox="423 730 574 800">2019-20</td> <td data-bbox="574 730 1247 800">Attendance Support Review</td> <td data-bbox="1247 730 1500 800">September 2019</td> </tr> <tr> <td data-bbox="423 800 574 869">2019-20</td> <td data-bbox="574 800 1247 869">Attendance Data Visualization</td> <td data-bbox="1247 800 1500 869">September 2019</td> </tr> <tr> <td data-bbox="423 869 574 932">2019-20</td> <td data-bbox="574 869 1247 932">Follow-up Procedures</td> <td data-bbox="1247 869 1500 932">On-going</td> </tr> </tbody> </table>	Year	Audit & Scope	Dates	2019-20	Attendance Support Review	September 2019	2019-20	Attendance Data Visualization	September 2019	2019-20	Follow-up Procedures	On-going		
Year	Audit & Scope	Dates													
2019-20	Attendance Support Review	September 2019													
2019-20	Attendance Data Visualization	September 2019													
2019-20	Follow-up Procedures	On-going													
Recommendations	That the Ottawa-Carleton District School Board Audit Committee: Recommends for approval the 2019-20 Internal Audit Plan.														



**AUDIT COMMITTEE
Report No. 19-101**

25 November 2019

Draft 2018-2019 Consolidated Financial Statements

Key Contact: Mike Carson, Chief Financial Officer, 613-596-8211 ext. 8881

PURPOSE:

1. To seek approval of the draft 2018-2019 Consolidated Financial Statements.

CONTEXT:

2. The *Education Act* requires that school boards prepare audited financial statements annually and to make the statements available to the public.

KEY CONSIDERATIONS:

3. The draft 2018-2019 Consolidated Financial Statements are attached as Appendix A. They have been prepared in accordance with requirements and standards established for school boards which include standards established by the Public Sector Accounting Board. The statements are referred to as draft until they are approved by the Board.

In compliance with the standards, the financial activity and balances of the Ottawa-Carleton Education Network (OCENET), school generated funds (SGF) held by individual schools and school councils, and the Ottawa Student Transportation Authority (OSTA) have been consolidated with the District's financial information. With regard to OSTA, the amounts have been proportionally consolidated representing the District's pro rata interest in the Authority. The District's share of OSTA costs is 65%.

On a consolidated basis, the 2018-2019 actual results showed expenses of close to \$982.2 million, revenues totaling more than \$1,012.1 million and a surplus approaching \$29.9 million. Table 1 compares the consolidated results and the consolidated budget.

Table 1 – Comparison of Consolidated Results and Consolidated Budget

	Actual	Consolidated Budget	Change	Change increase (decrease)
		\$	\$	%
Revenues	1,012,081,100	1,005,069,600	7,011,500	0.7
Expenses	982,205,500	989,347,200	(7,141,700)	0.7
Surplus	29,875,600	15,722,400	14,153,200	

4. Accumulated Surplus

Note 8 to the draft consolidated financial statements provides additional detail regarding the accumulated surplus and segregates amounts that are available for compliance from amounts that are restricted and not available for compliance. Amounts available for compliance can be used by the Board to balance future budgets within limits established by the Ministry of Education; however, the Board cannot direct the use of restricted amounts. Table 2 summarizes the information presented in Note 8 and shows the total accumulated surplus of \$107.6 million.

Table 2 – Summary of Note 8 – Consolidated Accumulated Surplus

	Actual as at 31 Aug 2019	Actual as at 31 Aug 2018	Change increase (decrease)
	\$	\$	\$
<u>Available for compliance</u>			
Restricted-committed capital	2,742,400	471,600	2,270,800
Internally appropriated			
Extended Day Program	2,073,400	886,300	1,187,100
Budgets carried forward	1,656,100	2,148,900	(492,800)
Business systems	2,000,000	2,000,000	-
Contingencies	17,200,000	15,000,000	2,200,000
Unappropriated	16,709,900	14,362,300	2,347,600
	42,381,800	34,869,100	7,512,700
<u>Unavailable for compliance</u>			
OCENET	4,255,000	3,861,300	393,700
School generated funds	9,555,600	8,894,300	661,300
Employee future benefits	(39,804,300)	(47,798,600)	7,994,300
Revenue recognized for land	91,191,200	77,877,600	13,313,600
	65,197,500	42,834,600	22,362,900
Total accumulated surplus	107,579,300	77,703,700	29,875,600

As shown in the summary, the accumulated surplus available for compliance at the end of 2019 was \$42.4 million. Of this amount, \$2.7 million is restricted by Ministry directive and is used to offset the amortization expense relating to capital assets acquired using the accumulated surplus.

Amounts have also been internally appropriated as follows:

- \$2.1 million is the accumulated surplus established through the activities of the Extended Day and the Infant, Toddler and Preschool Child Care programs. A portion of this amount has been identified to support the acquisition of computer software to manage participant registration and billing. The remainder will be used to offset future budget variances;
- \$1.7 million has been identified as a budget carryforward and will be used to support school, department and trustee costs to be incurred in 2018-2019. These are itemized in Section 5;
- \$2.0 million has been set aside for the renewal of the District's business management systems which includes the student management, finance and human resources/payroll systems; and
- \$17.2 million has been identified for contingencies relating to revenue shortfalls or increased expenses relative to the budget. The amount is aligned with the Ministry recommendation that a provision equal to 2% of the annual operating allocation be established to respond to unanticipated budget variances.

The remaining \$16.7 million of the District's accumulated surplus available for compliance has not been appropriated.

Amounts reported in the summary as unavailable for compliance relate to the accumulated surplus of OCENET, SGF fund balances and revenue recognized for the purchase of land. These amounts total \$105.0 million. The District's unfunded liability relating to employee future benefits (EFB) was \$39.8 million. When combined, these amounts result in an externally appropriated (or restricted) net deficit of \$65.2 million. Additional detail on each component is provided in the sections that follow.

5. **Ottawa-Carleton District Results**

The District's 2018-2019 actual results on a non-consolidated (compliance) basis showed expenses of \$966.9 million, revenues of \$974.4 million and a surplus of \$7.5 million.

The approval of the draft 2018-2019 Consolidated Financial Statements includes the provision that certain unspent budgets be carried forward for use in 2018-2019. The amounts carried forward act as a draw on the accumulated surplus and are used to acquire supplies and services in the subsequent year. Table 3 summarizes the amounts carried forward from each of years 2018-2019 and 2017-2018.

Table 3 – Budgets Carried Forward

	2018-2019	2017-2018	Increase (Decrease)
	\$	\$	\$
French immersion arts programs	165,300	143,200	22,100
Music repairs and consumables	167,900	125,100	42,800
Net school operating budgets	1,293,700	1,602,400	(308,700)
Department operating budgets	17,000	238,400	(221,400)
Trustees and Committees	12,200	39,800	(27,600)
	1,656,100	2,148,900	(492,800)

Changes in revenues and expenses since the approval of the District's 2018-2019 Budget are expanded upon in Report 19-102, Analysis of the District's 2018-2019 Financial Results.

6. **OCENET**

OCENET is a not-for-profit organization whose principal activity is to market products, programs, services and expertise to international students and to generate tuition revenue for the District. OCENET's activities are overseen by a Board of Directors (BOD). The BOD makes decisions regarding the use of OCENET's accumulated surplus.

OCENET's activities in 2018-2019 resulted in an operating surplus of \$393,700. The accumulated surplus at the end of the year is close to 4.3 million.

7. **School Generated Funds**

SGF are monies collected by school communities and are used for the benefit of students and the school. Uses vary by school and may include activities such as yearbook publications, student excursions that are not part of the curriculum, graduation events and charitable fundraising. Individual school principals are responsible for overseeing the management of SGF for their respective school. School councils, in collaboration with school principals, are responsible for the management of school council funds.

The balances shown in the draft consolidated financial statements reflect the activities and fund balances of all schools in the District and include funds raised and administered by school councils.

In 2018-2019, SGF activities resulted in an operating surplus of \$661,300. The surplus increased the related accumulated surplus to close to \$9.6 million.

8. **Employee Future Benefits**

The District provides retirement and other EFB to certain groups of employees hired prior to specified dates.

As a result of a plan change imposed by the provincial government, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days and years of service as at 31 August 2012. The Board provides these benefits through an unfunded defined benefit plan and the liability as of the plan change date is being amortized over 12 years. The amortization period is based on the estimated average remaining service life

(EARSL) of eligible employees. The annual amortization of the unfunded liability is \$7.9 million and the unamortized balance of the unfunded liability as at 31 August 2019 is close to \$39.6 million. The remaining amortization period is five years.

In addition to retirement gratuities, the District provides life insurance, dental and health care benefits to certain employee groups after retirement until the age of 65. The plan change imposed by the provincial government as at 31 August 2012 also established an unfunded liability for these payments. The liability is being funded over 10 years and is also based on the EARSL of eligible employees. The annual amortization is \$83,700 and the unamortized balance as at 31 August 2019 is \$251,100. The remaining amortization period is three years.

Although the EFB liability is reported as unfunded, the Board provides for the annual costs as part of the District's annual operating budget and the amortized amounts discussed above are reported as an expense in the District's non-consolidated (compliance) financial results; however, they are adjusted upon consolidation and are shown as a reduction in the unfunded liability.

The total unfunded liability for EFB is \$39.8 million.

9. **Revenue Recognized for Land**

The District collects Education Development Charges (EDC) at rates approved by the Board. The use of EDC revenue is restricted to the acquisition of land and amounts collected are reported as deferred revenue until used.

In 2018-2019, EDC revenue of \$6.4 million was collected bringing total EDC deferred revenue available during the year to \$16.3 million. Of the deferred revenue, \$13.3 million was used to acquire land during the year and \$196,600 was used to offset EDC related operating costs. The balance in the deferred revenue account is \$2.8 million.

As at 31 August 2019, EDC revenue of \$91.2 million has been used to acquire land.

10. **Summary**

KPMG LLP, the District's external auditors, has conducted the audit in accordance with Canadian generally accepted auditing standards and has provided an opinion which is shown in the draft 2018-2019 Consolidated Financial Statements.

The opinion expressed in the Independent Auditors Report is without qualification and states "the consolidated financial statements of the Ottawa-Carleton District School Board as at and for the year ended August 31, 2019, are prepared, in all material respects, in accordance with the basis of accounting described in note 1(a) to the consolidated financial statements."

Changes to the draft consolidated financial statements resulting from Audit Committee or Board discussions are subject to further audit.

RESOURCE IMPLICATIONS:

11. The cost of the year-end audit has been provided for in the annual budget.

COMMUNICATION/CONSULTATION ISSUES:

12. The draft consolidated financial statements were prepared by Finance staff in consultation with other departments.

The external auditor met with members of the senior management team including the Director of Education, Superintendent of Human Resources, Chief Financial Officer and various staff from the Finance and Business and Learning Technologies departments when conducting the audit. The external auditor's attendance at this meeting provides the opportunity for members of the Audit Committee to discuss any issues or areas of concern that may have been identified during the audit.

STRATEGIC LINKS:

13. Aligned with the 2019-2023 Strategic Plan's pillar of developing a culture of social responsibility, an effectively functioning Audit Committee and approach to risk management is a key component of the focus on sustainably allocating resources, in particular by enhancing operational practices to effectively and responsibly manage human and financial resources in support of students. The external audit contributes to ensuring effective financial management practices have been established by the District and supports the information presented in the draft consolidated financial statements.

RECOMMENDATION:

THAT the Draft 2018-2019 Consolidated Financial Statements attached as Appendix A to Report 19-101 be approved.

Mike Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and Secretary of
the Board

Appendices:

Appendix A - Consolidated Financial Statements of the Ottawa-Carleton District School Board for the Year Ended August 31, 2019 (Draft)

Consolidated Financial Statements of

**OTTAWA-CARLETON
DISTRICT SCHOOL BOARD**

and Independent Auditors' Report thereon

Year ended August 31, 2019

DRAFT

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2019

Management Report

Independent Auditors' Report

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Consolidated Statement of Change in Net Debt.....	3
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Notes to Consolidated Financial Statements.....	5

2018-2019 MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Ottawa-Carleton District School Board are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act as described in note 1(a) to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees and the Audit Committee meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board of Trustees. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Ottawa-Carleton District School Board's consolidated financial statements.

Concerns Regarding Provincial Funding of Education

The Board of Trustees continue to express their concerns on the level of funding provided by the provincial government to Ontario's school boards. Under the existing requirements of the Education Act, school boards are almost completely dependent on provincial government funding and must approve balanced budgets. The government's multi-year plan to deal with the provincial deficit indicates overall restraints in funding growth to less than the rate of inflation. If the application of the plan to the education sector results in a loss of existing purchasing power, the only significant action a school board will be able to implement to balance its budget is to reduce spending, thereby impacting the level of service provided to its students.

Camille Williams-Taylor

Michael Carson, CPA, CA

Director of Education/Secretary of the Board

Chief Financial Officer

(date)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Ottawa-Carleton District School Board

Opinion

We have audited the consolidated financial statements of the Ottawa-Carleton District School Board (the "Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2019, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Presentation

Without modifying our opinion, we draw attention to note 1(a) to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting as described in note 1(a), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

(date)

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$ 79,498,431	\$ 60,981,213
Accounts receivable:		
Government of Ontario - approved capital funding (note 2)	133,582,854	175,874,384
Municipality	37,506,852	37,662,536
Other	23,487,145	29,136,427
Total financial assets	274,075,282	303,654,560
Financial liabilities:		
Accounts payable and accrued liabilities	87,192,830	79,752,323
Other accounts payable	5,394,738	7,239,022
Net long-term liabilities (note 3)	95,211,608	132,078,175
Deferred revenue (note 4)	30,838,177	37,910,254
Employee future benefits liability (note 5)	49,452,692	55,067,640
Deferred capital contributions (note 6)	756,079,749	715,691,875
Total financial liabilities	1,024,169,794	1,027,739,289
Net debt	(750,094,512)	(724,084,729)
Non-financial assets:		
Prepaid expenses	6,408,984	6,572,934
Inventories of supplies	1,251,545	1,174,416
Tangible capital assets (note 7)	850,013,323	794,041,079
Total non-financial assets	857,673,852	801,788,429
Commitments and contingent liabilities (note 9)		
Accumulated surplus (note 8)	\$ 107,579,340	\$ 77,703,700

See accompanying notes to consolidated financial statements.

Camille Williams-Taylor
Director of Education/Secretary of the Board

Lynn Scott
Chair of the Board

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2019, with comparative information for 2018

	2019 Budget	2019 Total	2018 Total
Revenue:			
Provincial grants:			
Grants for student needs (note 10)	\$ 862,102,526	\$ 863,714,172	\$ 840,230,118
Program specific	8,723,317	8,799,848	15,120,429
Ontario Youth Apprenticeship Program	264,789	319,789	180,248
Amortization of deferred capital contributions	53,358,047	49,672,200	48,620,997
Federal grants and fees	2,221,085	2,378,950	2,569,858
Other school boards	598,612	670,733	615,834
Other fees and revenue	54,410,207	60,591,597	45,090,671
Interest income	350,000	1,624,472	752,271
School-funded activities	23,041,000	24,309,360	25,240,470
	1,005,069,583	1,012,081,121	978,420,896
Expenses (note 11):			
Instruction	727,531,012	714,681,578	688,012,250
School operations and maintenance	148,549,131	150,856,563	146,501,925
Transportation (note 14)	41,461,358	41,868,519	39,809,918
Administration	19,929,464	20,237,048	20,210,859
Other	28,835,251	31,307,425	34,642,563
School-funded activities	23,041,000	23,254,348	23,084,653
	989,347,216	982,205,481	952,262,168
Annual surplus	15,722,367	29,875,640	26,158,728
Accumulated surplus, beginning of year	67,331,192	77,703,700	51,544,972
Accumulated surplus, end of year (note 8)	\$ 83,053,559	\$ 107,579,340	\$ 77,703,700

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 29,875,640	\$ 26,158,728
Tangible capital assets (note 7):		
Acquisition of tangible capital assets	(105,754,042)	(82,161,688)
Amortization of tangible capital assets	49,781,798	48,611,506
Loss on disposal of tangible capital assets	–	51,104
	(55,972,244)	(33,499,078)
Non-financial assets:		
Acquisition of inventories of supplies	(719,487)	(637,336)
Acquisition of prepaid expenses	(10,531,065)	(8,639,720)
Consumption of inventories of supplies	642,358	843,491
Use of prepaid expenses	10,695,015	7,996,224
	86,821	(437,341)
Increase in net debt	(26,009,783)	(7,777,691)
Net debt, beginning of year	(724,084,729)	(716,307,038)
Net debt, end of year	\$ (750,094,512)	\$ (724,084,729)

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Operating transactions:		
Annual surplus	\$ 29,875,640	\$ 26,158,728
Items not involving cash:		
Amortization of tangible capital assets	49,781,798	48,611,506
Loss on disposal of tangible capital assets	–	51,104
Amortization of deferred capital contributions	(49,672,200)	(48,620,997)
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable	5,804,966	(2,573,026)
Increase in accounts payable and accrued liabilities	7,440,507	12,095,509
Decrease in other accounts payable	(1,844,284)	(394,173)
Increase (decrease) in deferred revenue	(7,072,077)	11,189,069
Decrease in employee future benefits liability	(5,614,948)	(5,673,654)
Decrease (increase) in prepaid expenses	163,950	(643,496)
Decrease (increase) in inventories of supplies	(77,129)	206,155
Cash applied to operating transactions	28,786,223	40,406,725
Capital transactions:		
Acquisition of tangible capital assets	(105,754,042)	(82,161,688)
Financing transactions:		
Principal repayments of net long-term liabilities	(36,866,567)	(6,950,303)
Decrease in accounts receivable -		
Government of Ontario approved capital funding	42,291,530	12,365,440
Additions to deferred capital contributions	90,060,074	81,290,259
Cash applied to financing transactions	95,485,037	86,705,396
Increase in cash	18,517,218	44,950,433
Cash, beginning of year	60,981,213	16,030,780
Cash, end of year	\$ 79,498,431	\$ 60,981,213

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

1. Significant accounting policies:

The consolidated financial statements of the Ottawa-Carleton District School Board (the "Board") are prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the consolidated statement of operations and accumulated surplus over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than amortization, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions included government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

The consolidated financial statements include the following organizations:

- (i) The Ottawa-Carleton Education Network (“OCENET”): OCENET is consolidated in the financial statements. OCENET is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. OCENET’s principal activity is to market products, programs, services and expertise to international students, and generate tuition revenue for the Board.
- (ii) The Ottawa Student Transportation Authority (“OSTA”): OSTA is included in the consolidated financial statements using the proportionate consolidation method of accounting and reporting, whereby the Board’s pro-rata share of each of the assets, liabilities, revenues and expenses is combined on a line-by-line basis in the consolidated financial statements. The Board is a member of OSTA with the Ottawa Catholic School Board. OSTA is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. OSTA’s principal activity is to facilitate, organize and deliver safe, effective and efficient school transportation services to students in the Ottawa area on behalf of the member school boards.
- (iii) School generated funds: the assets, liabilities, revenues, expenses, and fund balances of various organizations that exist at the school level and which are deemed to be controlled by the Board, have been reflected in the consolidated financial statements.

Inter-departmental and inter-organizational transactions and balances are eliminated in these consolidated financial statements.

(c) Trust funds:

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements as they are not controlled by the Board.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

1. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Rate	Estimated Useful Lives
Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 to 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 to 10 years
Leasehold improvements	Over term of lease

Assets under construction and assets that relate to pre-acquisition and pre-construction are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and the carrying value is written down to its residual value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

Works of art and cultural and historic assets are not recorded in these consolidated financial statements.

(f) Deferred revenue:

The Board receives certain amounts pursuant to legislation, regulation or agreement that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

1. Significant accounting policies (continued):

(g) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets

(h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, retirement gratuity, service awards, and worker's compensation. The Board accrues its obligation for these employee benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) were established between 2016 and 2018 for all employee groups. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. School boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional Ministry funding in the form of a Crown contribution and Stabilization Adjustment. The Board continues to be responsible for its share of the cost of benefits based on the cost sharing arrangement prior to the transition to the ELHT.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

1. Significant accounting policies (continued):

(h) Retirement and other employee future benefits (continued):

The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities is actuarially determined using the employee's salary, banked sick days (if applicable) and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the event occurs. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(i) Accumulated surplus - available for compliance, internally appropriated:

Certain amounts, as approved by the Board of Trustees, are set aside as internally appropriated funds for future operating and capital purposes. Transfers to and/or from internally appropriated funds are an adjustment to the respective fund when approved.

(j) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met. Government transfers for the purchase or development of tangible capital assets are recorded as deferred capital contributions as described in note 1(g).

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

1. Significant accounting policies (continued):

(k) Interest income:

Interest income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation and education development charges forms part of the respective deferred revenue balances.

(l) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the trustees.

The budget approved by the trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

The Board approves its budget annually. The operating budget for 2018-2019 was approved on June 11, 2018, and is reflected on the consolidated statement of operations and accumulated surplus.

(m) Property tax revenue:

Under Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

(n) Use of estimates:

The preparation of the consolidated financial statements in conformity with the basis of accounting described in note 1(a) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these current estimates.

Significant estimates include assumptions used in performing actuarial valuations of employee future benefits liabilities. These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

2. Accounts receivable - Government of Ontario approved capital funding:

The Province of Ontario (the "Province") replaced variable capital funding with a one-time debt support grant in 2009-2010. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that supports the capital programs as of that date. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. In any year, the Board may also receive additional capital grants to support new capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of \$133,582,854 (2018 - \$175,874,384) as at August 31, 2019 with respect to capital grants.

3. Net long-term liabilities and temporary borrowing:

(a) Net long-term liabilities:

The Board's long-term liabilities result from new school construction and major school renewal renovation projects. The provincial government has committed to fully funding the annual payments for this debt as disclosed in note 2. Net long-term liabilities consist of the following:

	2019	2018
Bank loan for new school construction, bearing interest of 5.55% per annum, maturity date July 15, 2019	\$ -	\$ 32,461,652
Ontario Financing Authority capital debenture debt:		
bearing interest at a rate of 4.56% per annum (1 st issue), maturity date November 17, 2031	30,588,155	32,369,601
bearing interest at a rate of 4.90% per annum (2 nd issue), maturity date March 31, 2033	10,804,574	11,342,008
bearing interest at a rate of 5.06% per annum (3 rd issue), maturity date March 31, 2034	7,686,225	8,027,542
bearing interest at a rate of 5.232% per annum (4 th issue), maturity date April 13, 2035	14,814,978	15,400,244
bearing interest at a rate of 4.833% per annum (5 th issue), maturity date March 11, 2036	5,586,366	5,797,675
bearing interest at a rate of 3.97% per annum (6 th issue), maturity date November 17, 2036	580,781	603,404
bearing interest at a rate of 3.564% per annum (7 th issue), maturity date March 9, 2037	10,545,664	10,963,423
bearing interest at a rate of 3.799% per annum (8 th issue), maturity date March 19, 2038	10,187,872	10,552,496
bearing interest at a rate of 4.003% per annum (9 th issue), maturity date March 11, 2039	3,950,527	4,079,159
bearing interest at a rate of 3.242% per annum (10 th issue), maturity date March 15, 2041	466,466	480,971
	\$ 95,211,608	\$ 132,078,175

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

3. Net long-term liabilities and temporary borrowing (continued):

(a) Net long-term liabilities (continued):

Future principal and interest payments relating to the net long-term liabilities are due as follows:

	Principal	Interest	Total
2019-2020	\$ 4,608,171	\$ 4,265,653	\$ 8,873,824
2020-2021	4,820,925	4,052,899	8,873,824
2021-2022	5,043,624	3,830,200	8,873,824
2022-2023	5,276,739	3,597,085	8,873,824
2023-2024	5,520,762	3,353,062	8,873,824
Thereafter	69,941,387	18,537,436	88,478,823
	\$ 95,211,608	\$ 37,636,335	\$ 132,847,943

Principal and interest payments made on the net long-term liabilities in the year are as follows:

	2019	2018
Principal payments	\$ 36,866,567	\$ 6,950,303
Interest payments	5,979,281	6,547,455
	\$ 42,845,848	\$ 13,497,758

(b) Maturing loan:

The schedule of net long-term liabilities and schedule of future principal and interest payments include amounts relating to the bank loan for new school construction, bearing interest of 5.55% per annum and matured on July 15, 2019. The liability was paid in full in the amount of \$32,461,653.

(c) Temporary borrowing:

The Board has credit facilities available to a maximum of \$95,000,000 to address operating requirements and to bridge funding of capital expenditures. Interest on the credit facilities is determined based on the bank's prime lending rate discounted pursuant to the agreement with the bank. All loans are unsecured and due on demand. There was no temporary borrowing as at August 31, 2019 (2018 - \$Nil) and, accordingly, no liability is reported.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

4. Deferred revenue:

Deferred revenue consists of amounts received by the Board that are restricted for specific purposes by the funder and amounts that are required to be set aside for specific purposes by legislation, regulation or agreement. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

Deferred revenue is comprised of:

	2019	2018
By legislation, regulation or agreement:		
Proceeds of disposition - school buildings	\$ 1,578,342	\$ 1,544,673
Amounts restricted by external funders	29,259,835	36,365,581
	<u>\$ 30,838,177</u>	<u>\$ 37,910,254</u>
Balance, beginning of year	\$ 37,910,254	\$ 26,721,185
Amounts received during the year (note 4(b))	46,393,163	52,066,929
Amounts recognized as revenue or transferred to deferred capital contributions	(53,465,240)	(40,877,860)
Balance, end of year	<u>\$ 30,838,177</u>	<u>\$ 37,910,254</u>

(a) Proceeds of disposition - school buildings:

The proceeds of disposition deferred revenue balance consists of proceeds from the sale of schools. The Board is required to use this amount with Ministry of Education approval to fund future capital costs related to Board facilities.

(b) Detail of amounts received during the year:

	2019	2018
School renewal	\$ 14,533,875	\$ 14,282,274
Temporary accommodations	840,000	900,000
Special education	2,630,535	2,589,105
Grants from other provincial ministries	2,606,582	3,001,235
Other various Ministry of Education	15,587,122	20,006,481
Education development charges	6,625,823	6,950,705
School generated funds, OCENET and other	3,535,557	4,312,690
Proceeds of disposition	33,669	24,439
Total	<u>\$ 46,393,163</u>	<u>\$ 52,066,929</u>

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

5. Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, service awards, worker's compensation and long-term disability benefits.

(a) Retirement benefits:

(i) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of the Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System:

All administrative and support employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2019, the Board contributed \$12,437,472 (2018 - \$12,261,477) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

The OMERS pension plan had a deficit as at December 31, 2018, based on the actuarial valuation of the pension benefit obligation resulting in the plan being 96% funded (2018 - 94.0% funded). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

(iii) Retirement gratuity benefits:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

5. Retirement and other employee future benefits (continued):

(b) Other employee future benefits:

(i) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 require the Board to provide a salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreements included such provision.

(ii) Sick leave top-up benefits:

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$537,809 (2018 - \$553,402).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as at August 31, 2019. This actuarial valuation is based on assumptions about future events and is based on the average daily salary and banked sick days of employees as at August 31, 2019.

(iii) Long-term disability life insurance:

Prior to 2019, the Board provided group life insurance benefits to employees on long-term disability leave that were not yet members of an ELHT. The premiums were waived for the employee and the Board. The costs were reflected in the experience of the plan. The Board provided these benefits through an unfunded defined benefit plan. Commencing 2019, all employees were members of an ELHT and, accordingly the Board did not incur costs during the year. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

(iv) Post-employment life insurance and health care benefits:

The Board continues to provide life insurance, dental and health care benefits to employee groups after retirement until the age of 65. The premiums are based on the Board's experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2012, employees retiring on or after this date no longer qualify for Board subsidized premiums or contributions.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

5. Retirement and other employee future benefits (continued):

(c) Accrued benefit liability:

The accrued benefit obligations for employee future benefit plans are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2019. The actuarial valuation was based on assumptions about future events.

During 2018, an assumption relating to the eligibility of certain teachers to receive a gratuity payment upon retirement was amended. The amended assumption resulted in an increase to the accrued employee future benefit obligation reported at August 31, 2018. The increase in the obligation was reported as an unamortized actuarial loss which is being recognized over the remaining service life of employees eligible for a gratuity payment.

The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2019	2018
Discount rate	2.00% per annum	2.95% per annum

Information with respect to the Board's retirement and other employee future benefit obligations is as follows:

	Retirement gratuities	Other employee future benefits	2019 Total employee future benefits	2018 Total employee future benefits
Accrued employee future benefit obligations at August 31	\$ 57,823,935	\$ 564,097	\$ 58,388,032	\$ 60,452,971
Unamortized actuarial gains (losses) at August 31	(7,009,692)	1,705	(7,007,987)	(3,426,854)
	50,814,243	565,802	51,380,045	57,026,117
Current portion of retirement gratuities included in other accounts payable	(1,927,353)	–	(1,927,353)	(1,958,477)
Employee future benefits liability at August 31	\$ 48,886,890	\$ 565,802	\$ 49,452,692	\$ 55,067,641

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

5. Retirement and other employee future benefits (continued):

(c) Accrued benefit liability (continued):

	Retirement gratuities	Other employee future benefits	2019 Total employee future benefits	2018 Total employee future benefits
Current year benefit cost	\$ 41,992	\$ 539,980	\$ 581,972	\$ 212,568
Interest on accrued benefit obligation	1,674,680	804	1,675,484	1,690,798
Benefits paid	(7,344,396)	(559,132)	(7,903,528)	(7,782,421)
Change in employee future benefits liability	\$ (5,627,724)	\$ (18,348)	\$ (5,646,072)	\$ (5,879,055)

6. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

	2019	2018
Opening balance, September 1	\$ 715,691,875	\$ 683,022,613
Additions to deferred capital contributions	90,060,074	81,290,259
Amortization of deferred capital contributions	(49,672,200)	(48,620,997)
Closing balance, August 31	\$ 756,079,749	\$ 715,691,875

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

7. Tangible capital assets:

Cost	Balance at August 31, 2018	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2019
Land	\$ 77,877,593	\$ 13,313,610	\$ –	\$ 91,191,203
Land improvements	24,683,512	3,666,068	–	28,349,580
Buildings	1,100,961,155	50,903,079	18,570,311	1,170,434,545
Portable structures	16,010,608	3,211,755	(79,800)	19,142,563
First-time equipping of schools	12,828,670	271,013	(1,988,681)	11,111,002
Furniture	856,791	273,272	(25,238)	1,104,825
Equipment	10,332,247	1,387,363	(458,953)	11,260,657
Computer hardware	7,385,227	4,769,309	(1,455,607)	10,698,929
Computer software	551,312	5,587,874	(15,244)	6,123,942
Vehicles	1,382,362	331,022	(249,184)	1,464,200
Leasehold improvements	123,386	23,008	–	146,394
Construction-in-progress	6,028,396	22,016,669	(18,570,311)	9,474,754
Total	\$ 1,259,021,259	\$ 105,754,042	\$ (4,272,707)	\$ 1,360,502,594

Accumulated amortization	Balance at August 31, 2018	Amortization	Disposals write-offs and adjustments	Balance at August 31, 2019
Land improvements	\$ 12,463,976	\$ 3,343,030	\$ –	\$ 15,807,006
Buildings	431,090,376	40,526,608	–	471,616,984
Portable structures	5,398,753	890,607	(79,800)	6,209,560
First-time equipping of schools	7,099,181	1,196,983	(1,988,681)	6,307,483
Furniture	334,368	98,081	(25,238)	407,211
Equipment	4,002,366	979,219	(458,953)	4,522,632
Computer hardware	3,462,949	1,808,416	(1,455,607)	3,815,758
Computer software	229,334	667,526	(15,244)	881,616
Vehicles	828,959	262,335	(249,184)	842,110
Leasehold improvements	69,918	8,993	–	78,911
Total	\$ 464,980,180	\$ 49,781,798	\$ (4,272,707)	\$ 510,489,271

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

7. Tangible capital assets (continued):

	Net book value August 31, 2019	Net book value August 31, 2018
Land	\$ 91,191,203	\$ 77,877,593
Land improvements	12,542,574	12,219,536
Buildings	698,817,561	669,870,779
Portable structures	12,933,003	10,611,855
First-time equipping of schools	4,803,519	5,729,489
Furniture	697,614	522,423
Equipment	6,738,025	6,329,881
Computer hardware	6,883,171	3,922,278
Computer software	5,242,326	321,978
Vehicles	622,090	553,403
Leasehold improvements	67,483	53,468
Construction-in-progress	9,474,754	6,028,396
Total	\$ 850,013,323	\$ 794,041,079

8. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
Available for compliance - unappropriated		
Operating accumulated surplus	\$ 16,709,964	\$ 14,362,296
Available for compliance - internally appropriated by Board:		
Provision for contingencies	12,200,000	10,000,000
Employee future benefits	5,000,000	5,000,000
Computer systems replacement	2,000,000	2,000,000
School budget carry-forwards	1,293,664	1,602,376
Department budget carry-forwards	362,481	546,615
Extended Day and Child Care Programs	2,073,376	886,279
Committed capital projects	2,742,372	471,613
Total internally appropriated	25,671,893	20,506,883
Total accumulated surplus available for compliance	42,381,857	34,869,179
Unavailable for compliance:		
OCENET	4,254,996	3,861,282
School generated funds	9,555,571	8,894,273
Employee future benefits (note 5)	(39,804,287)	(47,798,627)
Revenue recognized for land	91,191,203	77,877,593
Total externally appropriated	65,197,483	42,834,521
Total accumulated surplus	\$ 107,579,340	\$ 77,703,700

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

8. Accumulated surplus (continued):

Available for compliance - unappropriated:

(a) Total operating accumulated surplus:

This amount is the sum of the net annual surpluses and deficits from the start of the school year less any transfers to internally appropriated accumulated surpluses. The Board is able to use the amount to balance future years' budgets within limits set by the Ministry of Education.

Available for compliance - internally appropriated:

(b) Provision for contingencies:

A provision for contingencies has been established to respond to reduced revenues and increased expenses in comparison to the annual budget.

(c) Employee future benefits:

The Board has set aside an amount for use in years when actual employee future benefit costs (retirement gratuities and Workplace Safety and Insurance Board costs) exceed the annual budget.

(d) Computer systems replacement:

A provision has been established to provide for the replacement of financial, human resources, payroll and student management systems.

(e) School budget carry-forwards:

The Board has approved the carry-forward of certain unspent budget amounts for use in the subsequent year.

(f) Department budget carry-forwards:

The Board has approved the carry-forward of certain unspent budget amounts for use in the subsequent year.

(g) Extended Day and Child Care Programs:

The Board has approved the carry-forward of the combined net operating surplus of the Extended Day and Child Care programs. A portion of this amount has been identified to support the acquisition of computer software to manage participant registration and billing. The remainder will be used to respond to reduced revenues and increased expenses in comparison to the annual budget.

(h) Committed capital projects:

The Ministry of Education required school boards to establish appropriated accumulated surplus amounts equal to their spending on non-Ministry funded capital projects. There is an annual transfer to unappropriated accumulated surplus of an amount equal to the amortization of the relevant capital assets.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

8. Accumulated surplus (continued):

Unavailable for compliance:

(i) OCENET:

The balance is OCENET's accumulated surplus. The Board of OCENET determines its use.

(j) School generated funds:

Schools and school councils operate various fundraising activities during the year. The proceeds are used for the benefit of the students in the schools.

(k) Employee future benefits:

The basis of accounting described in note 1(a), requires school boards to record the annual deemed impact of employee earning benefits that will not actually be paid to them until future years. This balance is the offset to the accumulated annual expense entries.

(l) Revenue recognized for land:

The amount of revenue recognized for the purchase of land.

9. Commitments and contingent liabilities:

(a) Litigation:

The Board is involved with pending litigation and claims which arose in the normal course of operations; however, a liability of \$4,500,000 has been reported in response to a number of specific sexual assault claims. In the opinion of the administration, any additional liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Board. Any adjustments arising from these matters will be provided for in future years.

(b) Capital construction:

Letters of credit totalling \$6,031,845 (2018 - \$6,785,732) were issued on behalf of the Board as required by the City of Ottawa for ongoing school construction projects.

(c) Contractual obligations:

The Board has a total of \$28,819,338 (2018 - \$44,599,902) of contractual obligations at year end relating to the construction or renovation of buildings, which are funded from government grants, existing deferred revenues and reserves and the issuance of new debt during the year.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

9. Commitments and contingent liabilities (continued):

(d) Ontario School Board Insurance Exchange ("OSBIE"):

The school board is a member of OSBIE, a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks for this school board, and as such the Board shares in the pooled risk of all OSBIE members.

The ultimate premiums over a five-year period are based on the reciprocals and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five-year term expires December 31, 2021.

10. Grants for student needs:

School boards in Ontario receive the majority of their funding from the provincial government. This funding comes in two forms: direct grants from the provincial government and education property taxes. The provincial government sets the education property tax rate. Eighty-five percent of the consolidated revenues of the Board are directly controlled by the provincial government through the grants for student needs. The payment methods of this funding are as follows:

	2019	2018
Local property taxation	\$ 300,678,601	\$ 292,652,992
Ministry of Education direct funding	563,035,571	547,577,126
	\$ 863,714,172	\$ 840,230,118

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

11. Expenses by object:

The following is a summary of the expenses reported on the "Consolidated Statement of Operations" by object:

	2019 Budget	2019 Actual	2018 Actual
Salary and wages	\$ 673,164,527	\$ 665,739,008	\$ 643,889,063
Employee benefits	108,828,099	115,492,768	108,659,349
Total salary and benefits	781,992,626	781,231,776	752,548,412
Staff development	2,721,200	1,338,797	1,383,380
Supplies and services	41,497,892	36,747,646	36,295,952
Utilities	16,538,396	17,527,832	17,315,676
Rentals/leases	1,461,490	2,012,042	929,735
Fees/contracts/provincial schools	19,254,987	22,790,081	21,016,871
Transportation contracts	39,739,091	40,268,933	38,301,493
Other	3,508,115	9,267,286	14,077,635
Transfers to Other Boards	—	—	92,635
Interest on debt	6,192,758	5,979,281	6,547,455
Amortization of tangible capital assets	53,399,661	49,781,798	48,611,506
Loss on disposal of tangible capital assets	—	—	51,104
School-funded activities	23,041,000	23,254,348	23,084,653
Subtotal other operating expenses	207,354,590	208,968,044	207,708,095
Decrease in employee future benefits	—	(7,994,339)	(7,994,339)
Total expenses	\$ 989,347,216	\$ 982,205,481	\$ 952,262,168

12. School council activities:

The cash balance on the consolidated statement of financial position includes \$1,800,897 (2018 - \$1,772,615) relating to school councils whose activities were included in these consolidated financial statements. The school-funded activities revenue and school-funded activities expenses respectively include \$3,629,156 (2018 - \$3,518,853) and \$3,600,873 (2018 - \$3,540,777) of school council activities.

13. Trust funds:

Trust funds administered by the Board amounting to \$3,174,146 (2018 - \$3,104,857) have not been included in the consolidated statement of financial position, nor have their operations been included in the consolidated statement of operations and accumulated surplus, in accordance with the basis of accounting described in note 1(c).

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

14. Ottawa Student Transportation Authority:

The Board is a member of OSTA with the Ottawa Catholic School Board ("OCSB"). Related party transactions and balances with OSTA include the following:

- (a) The Board had expenditures of \$41,868,519 (2018 - \$39,809,918) for student transportation services of OCDSB students in the year.
- (b) The Board has a payable to OSTA of \$556,549 (2018 - \$297,405) for student transportation services.
- (c) The Board has a receivable from OSTA of \$110,589 (2018 - \$329,857).

OSTA's assets, liabilities, revenue, expenses and surplus for the year ended August 31, 2019 are as follows:

	2019	2018
Financial assets	\$ 2,799,240	\$ 2,711,192
Financial liabilities	(2,986,086)	(2,943,876)
Net debt	(186,846)	(232,684)
Non-financial assets	186,846	232,684
Accumulated surplus	\$ -	\$ -
	2019	2018
Revenue	\$ 64,586,411	\$ 61,191,322
Expenses	(64,586,411)	61,191,322
Annual deficit	\$ -	\$ -

15. Adoption of new accounting standards:

Effective September 1, 2018, the Board adopted Canadian public sector accounting standard PS 3430 Restructuring Transactions.

The adoption of this standard did not result in an accounting policy change for the Board and did not result in any changes to the consolidated financial statements as at September 1, 2018.



AUDIT COMMITTEE
Report No. 19-102

25 November 2019

Analysis of the District's 2018-2019 Financial Results

Key Contact: Mike Carson, Chief Financial Officer, 613-596-8211 ext. 8881

PURPOSE:

1. To provide the Audit Committee with information regarding the District's financial results for the year ended 31 August 2019.

CONTEXT:

2. The District's financial results significantly contribute to those reported in the draft 2018-2019 Consolidated Financial Statements. An analysis of the District's results provides insight into relevant changes that occurred during the year. The narrative reflects areas discussed in forecasts presented during the year and amounts have been updated based on actual results.

KEY CONSIDERATIONS:

3. In June 2018, the Board approved the 2018-2019 Budget authorizing expenses totaling \$974.3 million. Funding of the expenses was provided through grants and other revenues totaling \$974.3 million. This resulted in a balanced budget.

The District's 2018-2019 financial results show expenses of \$974.4 million, revenues of \$966.9 million and a surplus of \$7.5 million. Table 1 compares the surplus reflected in the updated forecast with the amount originally budgeted.

Table 1 – Comparison of Actual Results and Approved Budget

	Actual	Approved Budget	Change	Change
	\$	\$	\$	%
Revenues	974,458,200	974,300,600	157,600	-
Expenses	966,945,500	974,300,600	(7,355,100)	0.8
Surplus	7,512,700	-	7,512,700	

Changes to revenues and expenses since the approval of the 2018-2019 Budget are expanded upon in Appendix A - Analysis of Changes in Revenues and Expenses. Costs by program area for the current and prior year are presented in Appendix B - Comparative Summary of Expenses. Additional detail regarding

grants is provided in Appendix C - Grants for Student Needs and a list of special purpose grants is provided in Appendix D - Priorities and Partnerships Fund Grants.

4. **Enrolment Estimates and Grants**

The 2018-2019 Budget was developed using enrolment estimates established in early 2018. Average daily enrolment (ADE) levels have a direct impact on funding and also affect related instructional expenses. The approved budget reflected ADE of 49,295 for elementary and 22,954 for secondary (excluding high credit and adult day school enrolment).

Actual elementary ADE for 2018-2019 was 49,723 students which is an increase of 428 students (0.9%) over the approved budget. Secondary day school enrolment ADE was 22,866 students which is a decrease of 88 students (0.4%) over the approved budget.

As previously mentioned, enrolment has a direct impact on various grants and in particular the Pupil Foundation Grant (PFG). This grant applies to students of the District under 21 years of age and excludes high credit and adult day school ADE. Table 2 shows that the District's PFG is \$1.8 million more than budgeted.

Table 2 – Effect of Increased Average Daily Enrolment on Pupil Foundation Grant

	Enrolment (Pupils of the Board)			Pupil Foundation Grant		
	Actual	Approved Budget	Change	Actual	Approved Budget	Change
Elementary	49,723	49,295	428	\$ 270,833,500	\$ 268,558,600	2,274,900
Secondary	22,866	22,954	(88)	136,157,100	136,678,200	(521,100)
Total	72,589	72,249	340	406,990,600	405,236,800	1,753,800

Other allocations that comprise the Grants for Student Needs (GSNs) are affected by changes in enrolment and student demographics. One grant that had significant growth was the Language grant which increased by \$3.2 million beyond the budgeted amount. This grant has two components: The first part relates to enrolment in French as a Second Language (FSL) studies which provides funding based on the grade level and duration of French instruction. The second component is the English as a Second Language (ESL) amount which provides funding based on confirmed enrolment of students whose first language is not English and who have arrived in Canada since September 2014. FSL funding accounted for \$595,900 of the increase while the remaining balance of \$2.6 million resulted from ESL funding.

Special mention must be made regarding the Indigenous Education grant. The District's grant is comprised of a base amount to support the Board's action plan on indigenous education, a per pupil amount reflective of the enrolment of indigenous students and an indigenous studies amount which provides funding based on student enrolment in qualifying secondary panel courses. Almost all of the \$1.5 million increase relates to indigenous studies where 1,631 pupil credits are anticipated as compared to the 375 pupil credits assumed during budget

development. The increase is generally attributable to enrolment in compulsory English credit courses which qualify for increased funding.

A number of other grants also had significant changes. The Special Education grant increased (net of revenue deferrals) by \$1.6 million, the Adult Education grant increased by \$863,200, the Teacher Qualifications and Experience grant decreased by \$897,900 and the Transportation grant increased by \$377,700.

Appendix C - Grants for Student Needs compares the GSNs with the approved budget and reflects the effect of revenue deferrals.

5. **Instruction-Related Compensation Costs**

Instruction-related compensation costs are those incurred in meeting the needs of students in the classroom. Examples of staff whose costs are reported in the Instruction category include classroom teachers, school-based administrators, learning consultants and professional and support staff such as psychologists, educational assistants (EAs) and early childhood educators (ECEs).

As discussed in forecasts presented during the year, the District expected significant savings in instruction-related compensation costs. A review was conducted which confirmed an anomaly related to the compensation of new teaching staff. Teachers that leave the District normally have significant qualifications and experience and, accordingly, are compensated at the high end of the salary scale. Teachers filling the vacated positions are generally compensated at lower rates of pay which reflect their more recent entry into the teaching profession. Actual results showed that the qualifications and experience levels and, consequently, the rates of pay were less than originally provisioned in the budget.

The net savings, exclusive of occasional teacher (OT) costs, totaled \$12.8 million. As expected, the majority of savings were for classroom teachers given the budget anomaly. Revenue provided by the Qualifications and Experience grant has also decreased by \$897,900 because the teachers are starting at lower rates of pay as compared to the salary benchmark.

The assumptions underlying compensation were reviewed as part of the District's 2019-2020 budget development process.

6. **Enrolment-Related Compensation Adjustments**

As previously mentioned, the financial results reflect increased enrolment in both the elementary and secondary panels. There has also been increased enrolment of international students. The additional enrolment, as influenced by site-specific enrolment needs, resulted in changes in the number of teaching staff required by the District.

The revised estimates reflected the addition of 9.5 FTE elementary teachers beyond the approved complement to meet enrolment-driven needs. The increase was offset by savings of 9.0 FTE secondary teaching assignments. Although enrolment at the secondary level increased, teaching assignments were accommodated within approved staffing levels. The cost adjustments associated with the positions result in a modest increase of \$29,900. Although the amount is small, it has been identified in this report to ensure that initial changes resulting from enrolment growth are reported. Additional information on the academic staffing changes is available in Memo 19-006, 2018-2019 Staffing Update.

7. **Special Education**

During the year, the Special Education program's net revenues increased by close to \$1.4 million. The amount is analyzed as a net increase in the Special Education grant in excess of \$1.6 million. This amount is offset by other revenue reductions attributable to the Special Education program totaling \$280,600. The change in the grant is separately identified on Appendix A, while the latter amount is included in the Other Net Revenue Adjustments.

The increase in the Special Education grant is comprised of \$1.0 million that resulted from in-year increases to the per pupil amount funding benchmarks, \$443,300 related to enrolment growth and the balance of \$104,100 was attributed to specialized equipment and student specific funding.

Costs also increased by close to \$1.2 million. Almost all of this increase relates to compensation for teachers, EAs and professional support staff.

8. **Teacher Absences**

OTs provide coverage when teachers are absent due to illness or to attend medical appointments. In addition, OTs provide coverage when teachers are attending certain professional development and student support activities on a school day.

The District incurred costs of \$19.9 million, which is \$3.1 million more than budgeted. The increased costs reflect current experience and reporting. It is important to note that OTs are also used to staff vacant contract teaching positions, but that such costs are reported in the Instruction category.

Although the use of OTs has a financial impact, the effect on student learning is also a primary consideration. Accordingly, OT use will continue to be monitored as will the continued promotion of a healthy workplace that fosters employee well-being.

9. **International Students**

The Ottawa-Carleton Education Network (OCENET) is a not-for-profit organization that offers international students the opportunity to learn alongside the District's students. OCENET helps prospective students to submit their applications and fees and also supports their transition into the school and community. Fees collected cover OCENET's administrative costs and approximately 60% of the fee is remitted to the District. The percentage is an estimate of the amount of tuition fees necessary to support instruction-related costs.

The District's 2018-2019 Budget reflected revenue of over \$10.6 million based on 817 students. The financial results reflect revenue of just over \$11.0 million based on 852 students. Increased enrolment of 35 students accounts for the \$406,700 revenue increase.

Administrative fees paid to OCENET by the District are reported as a fee in the Instruction category. Actual costs reported were more than \$4.3 million, which is an increase of \$159,900 relative to the budget.

10. **Other Instruction-Related Costs**

Other instruction-related costs are those that are not specifically identified elsewhere in the report, but which form part of the overall spending classified as Instruction. It is common practice to combine the spending reported under the Staff Development, Supplies and Services category with the Fees, Contractual and Rentals category. Combining the categories recognizes that the budget traditionally does not align with the ultimate reporting of costs. On a combined basis, the costs represent an overall decrease relative to the budget of \$4.4 million.

The combined amount can be analyzed in the two categories. A \$6.7 million saving within the Staff Development, Supplies and Services category was observed. The decrease is the result of the required reporting of the acquisition of minor tangible capital assets. For reporting purposes, the District is required to transfer the costs to a capital fund meaning that the costs are no longer reported as an operating expense. The cost of the asset is amortized into expense over multiple years. Other operating cost variances were fully offset within the category.

A number of factors contributed to the \$2.4 million overspending in the Fees, Contractual and Rentals category. These included \$1.4 million on information technology maintenance agreements, \$544,500 on communications software licensing and the balance of \$309,300 is a variety of spending including \$84,000 for French as a Second Language testing.

A review will be conducted during 2019-2020 to improve the alignment of budget allocations and cost reporting.

11. **Student Transportation**

Transportation of the District's students is provided by the Ottawa Student Transportation Authority (OSTA). Amounts reflected in the 2018-2019 Budget were based on information received from OSTA. The year-end results show that costs were \$407,200 more than budgeted, of which \$53,700 is attributable to compensation. The balance of \$353,500 relates to supplies and services and is generally attributable to driver retention costs.

Transportation expenses of \$41.9 million are reported which are supported by the \$41.8 million Transportation grant.

12. **Facility Operations**

Spending on school facilities represents the largest operating cost category outside of the instruction envelope. An increased need for casual staff resulted in a modest overspend of \$213,500. Non-compensation costs exceeded the budget provision by close to \$6.5 million. The significant contributors to the latter amount include:

- \$1.0 million to address property lease costs retroactive to the 2014-2015 school year and inclusive of a potential retroactive rate increase;
- \$2.6 million for additional costs to relocate portables during the year;
- \$1.3 million for additional costs for snow clearing and property maintenance;
- \$1.3 million in additional costs for natural gas and electricity;
- \$907,000 for additional school renewal maintenance needs such as roof and floor repairs, masonry work and supporting consulting services; and
- Other net cost savings of \$657,700 on supplies and services.

13. **Priorities and Partnerships Fund Grants and Other Deferred Revenues**

In addition to GSN funding, the District receives special funding which targets Ministry priorities. The grants are termed Priorities and Partnerships Fund (PPF) grants and the funding received must be used for the specified purpose. Amounts not spent are recovered by the Ministry or, if the funding agreements permit, are carried forward for use in the subsequent year. In recent years, the Ministry has announced the majority of PPF grants in March at the same time as the GSNs; however, it is common practice to receive additional funding during the school year.

The District reports PPF grants as deferred revenue. Revenue from these grants is recognized in an amount equal to the associated expense. Certain grants from other ministries and non-government organizations are treated in a similar manner and, for this analysis, are also referred to as PPF grants.

It is important to highlight that PPF grants are temporary, and often project-based, meaning that the funding may not be received in subsequent years. Although some grants may require the creation of a position, most often the funds are used to purchase goods and services or to pay for casual staff to backfill established positions while employees participate in identified priorities.

The actual results reflect adjustments to PPFs including those announced by the Ministry in December 2018. In addition, remedy payment funding has been updated to correspond with associated costs. The net adjustment relative to the budget is \$613,900. Most of the expenses relating to PPF funding are shown in the Instruction category in Appendix B - Comparative Summary of Expenses, but remedy payment costs totaling \$705,600 are reported in the Other category based on Ministry directive.

The District's 2018-2019 Budget reflected PPF grants totaling \$10.5 million. Appendix D – Priorities and Partnerships Fund Grants shows that anticipated funding for the year is expected to be \$11.1 million.

14. Remedy Payments and Legal Provisions

New costs totaling \$2.9 million relating to remedy payments and legal provisions have been reported for the year.

Costs totaling \$705,600 relating to a settlement that was reached between the Ontario Secondary School Teachers' Federation (OSSTF) and the Province as a remedy for the Ontario Superior Court ruling in April 2016 on the *Putting Students First Act, 2012* (PSFA) are expected. The ruling determined that the PSFA was a violation of the Canadian Charter of Rights and Freedoms. The costs are fully supported by Ministry PPF grants.

A provision of \$2.0 million was identified during the year in response to anticipated costs relating to legal claims filed by former students in regards to sexual assault allegations. The provision is in addition to the \$2.5 million established in 2017-2018. The provision will be monitored on a continuing basis and adjusted as needed.

During the year, additional costs of \$228,800 have been incurred on other legal matters, including arbitration.

15. Other Non-Instruction Costs

Other non-instruction costs relate to the activities of the Continuing Education department, central administrative departments and staff secondments.

On a combined basis, the compensation costs exceeded the budget by a modest \$77,300.

Savings of \$431,100 were observed for supplies and services. The largest contributor to the savings relates to deferred asbestos consulting work.

16. Deferred Capital Contributions and Amortization Expenses

Funding received for the purpose of acquiring or developing a depreciable tangible capital asset is termed a deferred capital contribution (DCC). Such contributions are recognized as revenue at the same rate as the related tangible capital asset is amortized into expense. Straight-line amortization is based on the remaining service life (RSL) of the asset.

In addition to the contributions discussed above, certain capital projects are supported internally through the use of the District's accumulated surplus.

Internally supported tangible capital assets are amortized into expense in the same manner as those supported by contributions from others, but there is no related revenue.

Various capital projects were completed and a variety of capital assets acquired during the year. In addition, adjustments to incorporate prior year actual results are reflected. These items increase the net value of the tangible capital assets managed by the District. In accordance with accounting requirements, the amortization of an asset's value commences immediately upon completion of the capital project. This has a direct impact on both revenues and expenses.

During the year, the Ministry directed all school boards to review the RSL of major capital assets using a prescribed methodology. As previously noted, the RSL is used in determining the revenues and expenses reported in a year based on straight-line amortization rules. The objective of the review was to update the RSL to reflect the significant infrastructure investments that had been made since 2013-2014. The review resulted in increased RSLs for various investments (e.g., the 2014-2015 addition at Longfields-Davidson Heights Secondary School). The effect of the change is being accounted for prospectively and it has resulted in a significant decrease in both expenses and related revenues.

The approved budget projected amortization expenses and related revenues of \$53.4 million. The actual amount reported is close to \$49.8 million in expenses which is supported by \$49.7 million in revenues. Expenses and revenues decreased by \$3.6 million and \$3.7 million, respectively.

17. **Minor Tangible Capital Assets**

A portion of the annual GSN is budgeted for the acquisition of minor tangible capital assets (MTCA) such as furniture, equipment and computers. If the funds are not required for capital purposes, they are reported as operating revenue and support overall operating costs.

The financial results reflect capital spending to advance specific initiatives relating to information technology and student furniture renewal. In total, \$5.7 million previously identified as operating revenue was instead used to support MTCA acquisitions. Requests to proceed with significant acquisitions were approved by the Board in January 2019 in accordance with policy.

18. **Extended Day Program**

The Extended Day Program (EDP) commenced operations in 2010. Significant growth in the program ensued and it now operates District-run programs in 65 schools and serves close to 5,500 children. The program, which is an integral part of the Early Learning strategy, is closely tied to the operations of the District's kindergarten programs. In fact, ECEs who staff the EDP, before and after school, also partner with teachers during the core day to provide the kindergarten program.

Increased program participation has been observed this year which has resulted in additional revenue of \$1.2 million being reported relative to the budget.

Costs of the program have also changed. A decrease of \$481,800 in compensation costs was observed for the year. The savings are attributable to temporarily vacant positions that occur during the year and the use of casual staff who are compensated at a lower rate of pay. In addition, it appears that increased participation rates did not result in a proportional increase in compensation costs.

Spending on supplies, services and computer equipment was \$8,600 less than budgeted and is summarized in three cost categories. A review of spending on program supplies and services resulted in the identification of a \$148,600 cost overrun which is generally attributable to snacks for program participants. The overrun is offset by savings of \$190,000 relating to the purchase of computer software and hardware used to manage participant registration, billing and attendance monitoring. A \$32,800 increase in Facilities department transfers reflects increased participation rates.

Table 3 shows the original budget and actual results by category. The program had a significant surplus of over \$1.7 million for the year. A portion of the surplus will be used to offset the \$152,600 deficit incurred by the Child Care Program.

Table 3 – Extended Day Program Comparative Amounts

	Actual	Budget	Change
	\$	\$	\$
Revenues	17,888,700	16,646,000	1,242,700
Expenses			
Compensation	14,911,000	15,392,800	(481,800)
Administrative Transfers (Comp)	576,400	576,400	-
Supplies and Services	588,600	440,000	148,600
Computer Equipment	110,000	300,000	(190,000)
Facility Transfers (Supplies)	363,100	330,300	32,800
	16,549,100	17,039,500	(490,400)
Surplus (Deficit)	1,339,600	(393,500)	1,733,100

A comprehensive analysis of the costing methodology and participation rates will be completed in preparation for the 2020-2021 budget development process. The analysis will result in a better alignment of revenues and expenses.

19. **Child Care Program**

In September 2013 the District assumed the operations of four child care centres that had previously been run by the Ottawa School Day Nursery. The Infant, Toddler and Preschool (ITP) program operated at four sites and was intended to operate on a cost recovery basis. Changes to cost structures in relation to revenues resulted in the program operating at a deficit for a period of time. As part of the 2017-2018 Budget, the Board approved the closure of two underutilized sites and increased user fees in an effort to stabilize the program's financial performance.

The ITP program is eligible for general operating (GO) funding. GO funding is the grant provided to licensed not-for-profit child care programs by the City of Ottawa and covers direct operating, pay equity, and wage enhancement grants. Projected GO funding of \$200,000 was reflected in the budget, but the City of Ottawa provided \$435,600 for the year, which is an increase of \$235,600. Service-based fees accounted for an additional \$43,900 of revenue.

Costs have also been updated. Compensation costs are \$71,000 less than budgeted which is generally attributable to net savings that result from temporarily vacant positions and the use of casual staff who are compensated at a lower rate of pay relative to permanent staff. The costs of supplies are \$3,100 more than budgeted.

Table 4 shows the original budget and actual results by category.

Table 4 – Child Care Program Comparative Amounts

	Actual	Budget	Change increase (decrease)
Revenues	\$ 1,876,500	\$ 1,597,000	\$ 279,500
Expenses			
Compensation	1,916,000	1,987,000	(71,000)
Supplies and Services	113,100	110,000	3,100
	2,029,100	2,097,000	(67,900)
Deficit	(152,600)	(500,000)	(347,400)

The deficit is fully supported using the EDP surplus.

20. **Accumulated Surplus**

An accumulated surplus is the excess of revenues over expenses that has resulted over time.

The *Education Act* allows the Board to use its accumulated surplus to balance its operating budget, but it also restricts the use in any school year to 1% of the operating grants provided by the Ministry. For the 2018-2019 Consolidated Financial Statements, this amount is \$8.6 million. Approval to use accumulated surplus in excess of this amount must be obtained from the Ministry. That said, the District's 2018-2019 Budget was balanced meaning that no reliance was placed on the use of the accumulated surplus.

Table 5 presents the components of accumulated surplus and shows the alignment of the 2018-2019 net operating surplus of \$7.5 million.

Table 5 – Accumulated Surplus Available for Compliance

	Actual as at 31 Aug 2019	Actual as at 31 Aug 2018	Change increase (decrease)
	\$	\$	\$
Available for compliance			
Restricted-committed capital	2,742,400	471,600	2,270,800
Internally appropriated			
Extended Day Program	2,073,400	886,300	1,187,100
Budgets carried forward	1,656,100	2,148,900	(492,800)
Business Systems	2,000,000	2,000,000	-
Contingencies	17,200,000	15,000,000	2,200,000
Unappropriated	16,709,900	14,362,300	2,347,600
	42,381,800	34,869,100	7,512,700

It is important to highlight that with the approval of the 2017-2018 Consolidated Financial Statements, the Board appropriated \$17.0 million to be used to respond to revenue shortfalls or increased expenses relative to the budget. This appropriation was categorized as “Contingencies” and included \$2.0 million for use in modernizing business systems used to manage student, financial and human resources needs. Since 31 August 2018, the \$2.0 million is shown separately under the Business Systems category. A portion of the 2018-2019 surplus has been used to increase the contingency provision.

21. **Summary**

The District’s 2018-2019 financial results show expenses of \$966.9 million, revenues of \$974.4 million and a surplus of just over \$7.5 million. The amount increases the District’s accumulated surplus to \$42.4 million which places the District in an excellent position to respond to the financial challenges expected over the coming years.

RESOURCE IMPLICATIONS:

22. The net operating surplus of just over \$7.5 million represents a variance of 0.8% in relation to planned expenses approved in the 2018-2019 Budget. The District’s accumulated surplus has increased to \$42.4 million.

COMMUNICATION/CONSULTATION ISSUES:

23. The analysis of the District’s financial results was prepared by Finance department staff in consultation with other departments.

STRATEGIC LINKS:

24. Aligned with the 2019-2023 Strategic Plan’s pillar of developing a culture of social responsibility, an effectively functioning Audit Committee and approach to risk management is a key component of the focus on sustainably allocating resources, in particular by enhancing operational practices to effectively and

responsibly manage human and financial resources in support of students. Monitoring actual performance in relation to the Board's approved budget allows staff to identify opportunities to reallocate resources to address emerging needs and to respond to changes in revenue streams and expense patterns.

GUIDING QUESTIONS:

25. The following questions are provided to support the discussion of this item by the committee:
- Does the analysis explain the significant changes in revenues and expenses?
 - Is staff taking steps to mitigate any adverse financial impacts and to leverage opportunities that were identified during the preparation of the analysis?

Mike Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and Secretary of
the Board

Appendices:

- Appendix A – Analysis of Changes in Revenues and Expenses
- Appendix B – Comparative Summary of Expenses
- Appendix C – Grants for Student Needs
- Appendix D – Priorities and Partnerships Fund Grants

	Report Reference	Revised Estimates	Actual	Change from Revised
		\$	\$	\$
Planned Surplus in Original Estimates		-	-	-
Revenues Increase (Decrease)				
Grants for Student Needs				
Pupil Foundation	4	2,652,200	1,753,800	(898,400)
Language	4	115,400	3,162,600	3,047,200
Indigenous Education	4	1,474,200	1,530,000	55,800
Special Education	4,7	1,816,900	1,639,200	(177,700)
Adult Education	4	869,700	863,200	(6,500)
Teacher Qualifications and Experience	4,5	(1,647,700)	(897,900)	749,800
Transportation	4,11	276,500	377,700	101,200
Minor Tangible Capital	4,17	(5,390,400)	(5,733,400)	(343,000)
Net Other (School Foundation, Learning, etc.)	4	610,400	(1,083,600)	(1,694,000)
		<u>777,200</u>	<u>1,611,600</u>	<u>834,400</u>
Other Revenue				
International Student Fees (OCENET)	9	379,000	406,700	27,700
Priorities and Partnerships Fund	13,15	1,556,600	613,900	(942,700)
Amortization of Capital Assets	16	2,551,400	(3,685,800)	(6,237,200)
Extended Day Program	18	715,800	1,242,700	526,900
Child Care Program	19	194,000	279,500	85,500
Other Net Revenue Adjustments	7	1,064,100	(311,000)	(1,375,100)
		<u>6,460,900</u>	<u>(1,454,000)</u>	<u>(7,914,900)</u>
Total Increase (Decrease) in Revenues		<u>7,238,100</u>	<u>157,600</u>	<u>(7,080,500)</u>
Expenses (Increase) Decrease				
Compensation Costs				
Instruction -Related Compensation Costs	5	8,349,800	12,806,500	4,456,700
Teaching Complement	6	(29,900)	(29,900)	-
Special Education Staff	7	(477,600)	(1,172,700)	(695,100)
Teacher Absences	8	(2,110,000)	(3,054,300)	(944,300)
Student Transportation	11	-	(53,700)	(53,700)
Facilities	12	(4,500)	(213,500)	(209,000)
Other Non-Instruction	15	(125,300)	(77,300)	48,000
Extended Day Program	18	(187,700)	481,800	669,500
Child Care Program	19	52,700	71,000	18,300
		<u>5,467,500</u>	<u>8,757,900</u>	<u>3,290,400</u>
Non-Compensation Costs				
International Student Fees (OCENET)	9	(147,600)	(159,900)	(12,300)
Other Instruction	10	(991,200)	4,413,100	5,404,300
Student Transportation	11	(677,300)	(353,500)	323,800
Facilities	12	(2,160,000)	(6,455,900)	(4,295,900)
Remedy Settlements	13,14	(1,280,900)	(705,600)	575,300
Legal Costs and Settlements	14	(2,000,000)	(2,195,500)	(195,500)
Other Non-Instruction	15	(19,400)	431,100	450,500
Amortization of Capital Assets	16	(2,551,400)	3,617,900	6,169,300
Extended Day Program	18	(48,000)	8,600	56,600
Child Care Program	19	15,000	(3,100)	(18,100)
		<u>(9,860,800)</u>	<u>(1,402,800)</u>	<u>8,458,000</u>
Total (Increase) Decrease in Expenses		<u>(4,393,300)</u>	<u>7,355,100</u>	<u>11,748,400</u>
Projected Surplus	20	<u>2,844,800</u>	<u>7,512,700</u>	<u>4,667,900</u>

Ottawa-Carleton District School Board
 Comparative Summary of Expenses
 for the year ending 31 August 2019

In \$ Millions EXPENSE CATEGORY	2018-2019					2017-2018				
	Budget	Revised Estimates	Actual	Variance	% Spent	Budget	Revised Estimates	Actual Year End Expenses	Variance	% Spent
				Actual minus Budget	Actual over Budget				Actual minus Budget	Actual over Budget
Instruction										
Salaries and Benefits	667.2	659.4	655.6	(11.6)	-1.7%	636.6	649.8	631.3	(5.3)	-0.8%
Salaries and Benefits (Occasional Teachers)	16.9	19.0	19.9	3.1	18.1%	16.4	17.2	18.4	2.0	12.5%
Staff Development, Supplies and Services	26.4	27.4	19.7	(6.7)	-25.3%	24.9	25.2	20.3	(4.6)	-18.6%
Fees, Contractual and Rentals	9.8	10.0	12.2	2.4	24.8%	9.4	10.2	12.3	2.9	30.7%
Instruction Sub-Total	720.4	715.8	707.6	(12.8)	-1.8%	687.3	702.4	682.2	(5.0)	-0.7%
Continuing Education										
Salaries and Benefits	10.0	10.0	10.3	0.2	2.5%	9.1	9.5	9.9	0.9	9.6%
Staff Development, Supplies and Services	0.5	0.5	0.5	0.1	14.2%	0.5	0.5	0.7	0.3	57.0%
Fees, Contractual and Rentals	0.5	0.5	0.5	0.1	19.3%	0.4	0.4	0.5	0.1	29.8%
Continuing Education Sub-Total	11.0	11.0	11.4	0.4	3.7%	9.9	10.4	11.2	1.3	12.6%
Transportation										
Salaries and Benefits	1.2	1.2	1.2	0.1	4.5%	1.3	1.3	1.2	(0.1)	-8.5%
Staff Development, Supplies and Services	0.4	0.4	0.4	(0.1)	-13.1%	0.4	0.4	0.3	(0.1)	-18.9%
Fees, Contractual and Rentals	39.9	40.6	40.3	0.4	1.0%	38.4	38.9	38.3	(0.1)	-0.3%
Transportation Sub-Total	41.5	42.1	41.9	0.4	1.0%	40.1	40.6	39.8	(0.3)	-0.8%
School Facilities										
Salaries and Benefits	52.1	52.1	52.3	0.2	0.4%	50.8	51.9	51.5	0.7	1.4%
Staff Development, Supplies and Services	24.5	24.2	25.4	0.9	3.7%	24.7	24.0	24.1	(0.7)	-2.7%
Fees, Contractual and Rentals	8.5	9.8	10.8	2.3	26.6%	8.1	8.5	7.8	(0.2)	-3.0%
Other/Temporary Pupil Accommodation	0.8	2.0	3.4	2.6	310.0%	0.9	0.9	3.5	2.6	286.3%
Interest Charges on Capital	6.2	6.2	6.0	(0.2)	-3.4%	6.5	6.5	6.5	(0.0)	0.0%
School Facilities Renewal Expense	5.7	5.7	6.6	0.9	15.9%	5.7	5.7	6.7	1.0	17.9%
School Facilities Sub-Total	97.8	99.9	104.4	6.7	6.8%	96.7	97.5	100.1	3.4	3.5%
Central Administration										
Salaries and Benefits	17.5	17.5	17.1	(0.4)	-2.2%	16.3	16.2	16.8	0.6	3.5%
Staff Development, Supplies and Services	2.1	2.1	1.9	(0.2)	-11.4%	1.9	1.9	1.9	0.1	3.8%
Fees, Contractual and Rentals	1.9	1.9	1.6	(0.4)	-19.7%	1.3	1.3	1.7	0.4	29.1%
Central Administration Sub-Total	21.5	21.6	20.5	(1.0)	-4.6%	19.5	19.4	20.5	1.0	5.3%

Ottawa-Carleton District School Board

Comparative Summary of Expenses
for the year ending 31 August 2019

In \$ Millions EXPENSE CATEGORY	2018-2019					2017-2018				
	Budget	Revised Estimates	Actual	Variance	% Spent	Budget	Revised Estimates	Actual Year End Expenses	Variance	% Spent
				Actual minus Budget	Actual over Budget				Actual minus Budget	Actual over Budget
Other										
Extended Day Program Compensation	16.0	16.2	15.5	(0.5)	-3.0%	15.4	15.4	14.9	(0.6)	-3.6%
Extended Day Program Supplies/Int Svcs	1.1	1.1	1.1	(0.0)	-0.8%	1.2	1.2	0.9	(0.3)	-24.3%
Child Care Program Compensation	2.0	1.9	1.9	(0.1)	-3.6%	1.9	2.0	1.8	(0.1)	-3.6%
Child Care Program Supplies/Int Svcs	0.1	0.1	0.1	0.0	2.8%	0.1	0.1	0.1	(0.0)	-33.4%
Recoverable Compensation (Secondments)	7.2	7.2	7.4	0.2	2.9%	7.6	7.6	6.8	(0.9)	-11.3%
Remedy Payments and Legal Provisions	-	3.3	2.9	2.9	0.0%	-	-	7.7	7.7	0.0%
Fifty-Five Board Trust (Capital and Interest)	2.5	2.5	2.5	-	0.0%	2.5	2.5	2.5	-	0.0%
Other Sub-Total	28.8	32.3	31.4	2.6	9.0%	28.8	28.8	34.6	5.9	20.5%
Amortization										
Ministry Approved Projects	53.4	55.9	49.7	(3.7)	-6.9%	45.8	47.5	48.6	2.8	6.2%
Board Approved Projects	0.0	0.0	0.1	0.1	163.4%	0.0	0.0	0.0	0.0	6.7%
Amortization Sub-Total	53.4	56.0	49.8	(3.6)	-6.8%	45.8	47.5	48.7	2.8	6.2%
Grand Total	974.3	978.7	966.9	(7.4)	-0.8%	928.1	946.8	937.2	9.0	1.0%

Finance 2019.11.04 (numbers may not add due to rounding)

	Budget	Actual	Change
			increase (decrease)
	\$	\$	\$
Revenue			
Pupil Foundation-ADE only	405,236,743	406,990,556	1,753,813
School Foundation	52,063,690	52,193,942	130,252
Special Education	97,211,751	98,979,099	1,767,348
Language	31,922,357	35,084,923	3,162,566
Rural and Small Community Allocation	188,140	188,140	-
Learning Opportunity (includes mental health leader)	27,568,922	27,090,967	(477,955)
Adult Education, Continuing Education and Summer School	6,750,093	7,613,316	863,223
Cost Adjustment and Teacher Qualification and Experience	80,560,874	79,662,974	(897,900)
ECE Qualification and Experience Allocation	4,816,359	4,663,484	(152,875)
New Teacher Induction Program (NTIP)	604,418	240,774	(363,644)
Restraint Savings	(279,158)	(279,158)	-
Transportation	41,384,828	41,762,550	377,722
Administration and Governance	20,839,682	20,801,305	(38,377)
School Operations	77,099,422	77,573,408	473,986
Community use of schools	1,064,827	1,064,827	-
Declining Enrolment Adjustment	-	-	-
Indigenous Education Allocation	1,171,049	2,701,080	1,530,031
Safe and Accepting Schools	1,869,628	1,875,001	5,373
Permanent Financing of NPF (Board 55 Trust)	2,523,115	2,523,115	-
	<u>852,596,740</u>	<u>860,730,303</u>	<u>8,133,563</u>
Revenue Deferrals			
Deferred Revenue - MTCA Allocation	(21,314,919)	(21,518,258)	(203,339)
Deferred Revenue - Rural and Northern Ed Fund	(188,140)	(188,140)	-
Deferred Revenue - Special Education	(97,211,751)	(98,979,099)	(1,767,348)
Deferred Revenue - Library Staffing	(238,343)	(238,343)	-
Deferred Revenue - Student Achievement Envelope	(6,684,008)	(6,206,053)	477,955
Deferred Revenue - Indigenous Education	(732,681)	(737,194)	(4,513)
	<u>(126,369,842)</u>	<u>(127,867,087)</u>	<u>(1,497,245)</u>
Deferred Revenue Recognition and Adjustments			
Deferred Revenue (5.1) - Special Education	96,449,071	98,088,301	1,639,230
Deferred Revenue (5.1) - Library Staffing	238,343	238,343	-
Deferred Revenue (5.1) - Student Achievement Envelope	6,684,008	6,206,053	(477,955)
Deferred Revenue (5.1) - Indigenous Ed PPA	732,681	737,194	4,513
Deferred Revenue - MTCA (Sch 5.1 Capital)	18,285,834	12,552,446	(5,733,388)
Deferred Revenue - School Renewal (this is maintenance)	5,693,776	5,693,776	-
Deferred Revenue - Interest on Capital Projects (OFA)	6,720,459	6,427,746	(292,713)
Deferred Revenue - Temporary Accommodation	840,000	840,000	-
Deferred Revenue - Rural and Northern Education Fund	188,140	23,783	(164,357)
Trustees' Association Fee	43,316	43,316	-
	<u>135,875,628</u>	<u>130,850,958</u>	<u>(5,024,670)</u>
Total Operating and Capital Support GSN	<u>862,102,526</u>	<u>863,714,174</u>	<u>1,611,648</u>

	Budget	Actual	Change from
			Budget
	\$		increase (decrease)
			\$
Education Program-Other Grants			
Adult Education Hybrid Project	-	15,369	15,369
After School Skills Development	58,268	55,925	(2,343)
Applied Behavioural Analysis	-	4,563	4,563
Autism Pilot Project	247,595	207,213	(40,382)
Board Leadership Development Strategy	117,276	19,001	(98,275)
Common European Framework of Reference	-	34,464	34,464
Enhancements to Support Experiential Learning	281,185	255,034	(26,151)
Executive Compensation Adjustment	-	75,925	75,925
Experiential Learning for Adults	10,529	-	(10,529)
Focus on Youth	476,000	447,050	(28,950)
Focusing on Fundamental Mathematics (replaces RMS)	1,682,261	1,682,261	-
French as a Second Language	298,875	198,089	(100,786)
Gap Closing in Literacy Grades 7-12	38,000	-	(38,000)
Identity based Data Collection, Analysis and Use	-	56,280	56,280
Indigenous Student Learning & Leadership Strategy	15,370	-	(15,370)
Indigenous Support and Engagement Initiative	100,000	84,520	(15,480)
Innovation Learning Fund	108,111	-	(108,111)
Jiangsu Summer Leadership Program	15,000	-	(15,000)
Keeping Students in School	-	10,500	10,500
Mental Health Workers in Schools	607,188	607,188	-
Mentoring for All	7,268	28,038	20,770
OECD Study on Social and Emotional Skills	-	63,499	63,499
Online Incident Report System	-	10,000	10,000
Ontario Focused Intervention Partnership	23,500	56,035	32,535
Ontario Region Equity Network	-	12,887	12,887
OSSTF Education Workers Apprenticeship Training	212,997	275,593	62,596
Outreach Coordinator	152,800	95,500	(57,300)
Parents Reaching Out	80,199	84,475	4,276
Parents Reaching Out Regional	-	10,000	10,000
Physical Activity in Secondary Schools	-	8,706	8,706
Prepare for Recreational Cannabis	76,100	53,781	(22,319)
Priority Schools	510,000	318,750	(191,250)
Re-engagement Initiative (12 & 12+)	71,421	-	(71,421)
Safe, Inclusive, and Accepting Schools	298,454	180,755	(117,699)
Speak Up Project	70,627	41,934	(28,693)
Special Education Professional Assessments	-	362,466	362,466
Specialist High Skills Major	242,263	343,998	101,735
Support for Implementation of Revised Curriculum Documents	-	12,399	12,399
Teacher Learning and Leadership Program	-	36,525	36,525
Technomath Glebe CI	7,500	4,703	(2,797)
Transportation Funding for Children and Youth in Care	-	167,378	167,378
Tutors in the Classroom	56,600	-	(56,600)
	5,865,387	5,920,804	55,417
Remedy Payments-Non Affiliated	-	230,787	230,787
Remedy Payments-OSSTF (Residual)	-	130,526	130,526
Remedy Payments-Principals and Vice-Principals	-	348,176	348,176
	5,865,387	6,630,293	764,906
Other Deferred Revenues			
Literacy and Basic Skills (Advanced Education & Skills Dev)	831,042	867,929	36,887
English as a Second Language (Citizenship & Immigration)	1,818,388	1,811,707	(6,681)
Infrastructure, Environment & Climate Change (Rideau HS Hub)	208,500	167,661	(40,839)
Other	1,776,158	1,635,815	(140,343)
	4,634,088	4,483,112	(150,976)
Total	10,499,475	11,113,405	613,930



Audit Committee

25 November 2019

Report 19-117

Policy P.074.IT Computer Network Security

Key Contact: Shawn Lehman, Superintendent of Instruction, ext. 8391

PURPOSE:

1. This report provides the proposed revisions to Policy P.074.IT Computer Network Security (attached as Appendix A) for consideration by the Audit Committee. The Security Steering Committee recommended that the policy, which was last updated in 1999, be revised. A consultation plan (attached as Appendix B) outlines how the stakeholders will be consulted regarding the changes to the policy. A timeline with consultation with key stakeholders has been identified (attached as Appendix C).

CONTEXT:

2. The District last wrote and approved Policy P.074.IT Computer Network Security in January 1999. The digital security landscape has evolved considerably during the last 20 years. While technology has to continually evolve to mitigate the technological threats, there is a greater need for awareness for staff and students to be cognizant of threats via social engineering, phishing attacks, email spoofing, etc. The revisions to the computer network security policy will assist in raising District awareness of security threats to the organization.

The recommended revisions to the policy also include a more comprehensive understanding of the terms associated with the complexities related to network security, as well as incident management, business continuity, monitoring and compliance.

The draft policy outlines guiding principles that set the foundation for the policy. A policy is a statement of intent, governing principles or end result adopted by the Board intended to guide future actions. Policies are typically related to the principles, rules, and guidelines formulated or adopted by an organization to

reach its long-term goals. They are designed to influence and determine all major decisions and actions.

A procedure refers to a document issued through the Director of Education, governing the implementation of a Board policy, or required to coordinate and control certain aspects of system operations. They are the detailed methods and specific strategies employed by the organization to support day-to-day operations of the District's policies.

KEY CONSIDERATIONS:

3. Policy and Procedure Framework

The District currently has a computer network policy which is fairly straightforward and dates back many years. Staff has drafted a new policy with a view to rescinding and replacing the existing policy. The draft new policy is attached as Appendix A.

The new policy is intended to be a high level policy which establishes key areas of control in the District's network security infrastructure, including (reference section titles of policy i.e., compliance management etc). The policy sets the parameters for a secure infrastructure; the specific protocols will be established in the companion procedure which is under development.

This policy is intentionally focused on computer network security. While information management security and privacy are an important part of a secure infrastructure, the District has an established privacy policy. Every effort has been made to align but avoid duplication of the privacy policy in this draft.

OCDSB policies related to Computer Network Security P.074.IT include:

- P 128 GOV - Privacy- MFIPPA (Privacy--Municipal Freedom of Information and Protection of Privacy [MFIPPA]);
- P 100 IT - Appropriate Use of Technology;
- P 049 IT - Electronic Communications Systems; and
- PR 501 GOV - Policy And Procedure Co-Ordination And Management.

4. Security Audits

In 2015-2016 the Regional Internal Audit Team conducted a review of the District's Enterprise Resource Planning (ERP) systems. This review recommended a formalized patch management process to ensure security patches were installed in a timely manner. In December 2018, the District sought out and participated in the 10 Essential Security Practices Assessment through a

third party provider. The findings from this assessment indicated that while the District had recognized the need for security, there were other areas of need. Four foundational projects were recommended to address these needs:

Project	Deliverables
Governance Framework	<ul style="list-style-type: none"> ● Organizational structure ● Roles and Responsibilities Matrix (RACI –Responsible, Accountable, Consulted, Informed) ● Security Steering Committee
Policy Framework	<ul style="list-style-type: none"> ● Security policy framework. ● List of policies, guidelines, standards, and processes to be developed. ● Formal policy review and approval process.
Security Metrics and Reporting	<ul style="list-style-type: none"> ● Key performance, risk and security metrics. ● Data collection, analysis and reporting processes.
Security Awareness Program	<ul style="list-style-type: none"> ● Online interactive training modules. ● Communication plan. ● Security awareness performance measurements

5. **Security Governance**

The Security Steering Committee was formed as a result of the recommendation in the 10 Essential Security Assessment. The first recommendation of the Security Steering Committee was to update the Computer Network Security policy and review the accompanying procedures.

6. **Awareness and Training**

One of the key changes to this policy is the commitment of the District to provide training to all staff. Security awareness training can occur in a variety of forms including online modules, simulated phishing attacks with responses to educate the user and face to face workshops. Baseline data will be gathered and used to assist with planning future training opportunities and monitoring the impact.

7. **Third Party Data Sharing**

With the increase of availability of third party applications for educational use, teachers are being asked to interpret privacy agreements and terms and conditions before sharing student data. This has been a challenge for educators and it is clear they are in need of guidance and support in this area. The District is moving forward with the creation of a software catalogue committee that will

curate, oversee and recommend applications in schools from a pedagogical, technological and privacy and security aspect.

8. **Consultation**

This policy deals with very important issues which may be of high interest to some stakeholders, but may be less likely to attract input from the broader community as a whole. Recognizing this, careful consideration was given to how to craft a meaningful consultation strategy.

As the District has several policies and procedures to be reviewed this year, staff developed a specific page on the District website which contains information about current policy consultations. There is a link to this page on school websites and it includes key background information, timelines for consultation and opportunities for providing feedback.

Information about this consultation has been sent to all school councils through the school council newsletter and to all parents through Keeping You Connected. Interested parents were invited to share feedback either electronically or at a planned policy discussion meeting held on November 12th, 2019.

In addition to the parent consultation, consultation includes targeted outreach to the federations, the Audit Committee, principals, vice-principals and managers, students and staff in Business and Learning Technologies.

The attached consultation plan proposes a series of questions which will guide the consultation with all groups, including:

- Does the draft policy establish an effective framework for network security?
- What specific computer security protocols or best practices would you like to see documented in the accompanying procedures?
- Are there gaps or opportunities to enhance our computer and information management security practices?
- What resources or supports do you believe are necessary to support effective implementation of this policy?

A third party consultation firm has been hired to review the policy and provide input around potential changes. Persons interested in participating may provide comments until November 27th which will allow a revised draft to come forward to COW for January.

RESOURCE IMPLICATIONS:

9. The resources required to carry out this work will be part of the B< department budget.

COMMUNICATION/CONSULTATION ISSUES:

10. A consultation plan has been developed in consultation with Board Services. It is located as Appendix B in the package.

STRATEGIC LINKS:

11. This policy revision is aligned with a Culture of Caring through championing and nurturing a safe, caring and respectful workplace.

GUIDING QUESTIONS:

12. The following questions are provided to support the discussion of this item by the Committee.
- What would the Audit Committee like to see in an annual security report?
 - What needs to be adjusted to the draft policy to increase the security of the computer network? and
 - What additional questions should we be asking about the computer network security policy?

Shawn Lehman
Superintendent of Instruction

Camille Williams-Taylor
Director of Education
Secretary to the Board

APPENDICES

Appendix A - Policy P.074.IT

Appendix B - Consultation Plan

Appendix C- Computer Network Security (Policy P.074.IT) Consultation Plan Timeline

POLICY P.074.IT

TITLE: COMPUTER NETWORK SECURITY

Date Issued: February 1999
Last Revised: XX October 2019
Authorization: Board: 27 January 1999

1.0 OBJECTIVE

To ensure the safety, security, integrity, and business continuity of computer network systems to protect the information ~~stored,~~ **owned**, processed, or transmitted electronically by the Ottawa-Carleton District School Board,

2.0 DEFINITIONS

In this policy,

- 2.1 Access means direct or indirect use, attempt to use, instruct, communicate with, cause input to, cause output from, or otherwise make use of any resources of a computer or other electronic device, computer system, facility or network.**
- 2.2 Authorization means having the express or implied consent or permission of the owner, or of the person authorized by the owner to give consent or permission to access a computer, computer system, or computer network in a manner consistent with the authorized consent or permission.**
- 2.3 Board means the Board of Trustees.**
- 2.4 Computer refers to any electronic device or communication device that stores, retrieves, processes, or transmits data.**
- 2.5 Computer system refers to a set of related, connected or unconnected, devices, software, or other related computer equipment.**
- 2.6 Computer network means the interconnection of computers, electronic devices, software, or other equipment.**
- 2.7 Computer property includes electronic impulses, electronically produced data, information, financial instruments, software, or programs, in either machine or**

human readable form, any other tangible or intangible item relating to a computer, computer system, computer network, and copies of any of them.

- 2.8 Confidential means data, text, or computer property that is protected by a security system that clearly evidences that the owner or custodian intends that it not be available to others without the owner's or custodian's permission.**
- 2.9 District means the Ottawa-Carleton District School Board.**
- 2.10 Encryption or encrypted data refers to the most effective way to achieve data security. To read an encrypted file, you must have access to a secret key or password that enables you to decrypt it.**
- 2.11 Information ~~is defined as~~ means all information holdings that are stored, transmitted, or processed electronically in the course of District business.**
- 2.12 Integrity of information means safeguarding information from unauthorized alteration or destruction.**
- 2.13 Physical Assets ~~are defined as~~ refers to the information technology infrastructure, such as computers, **devices**, software applications, network ~~wiring~~ **equipment and peripherals**, encryption devices, etc. used in the processing, storage, and transmittal of information.**
- 2.14 Security system refers to access control technologies such as encryption, password protection, and other forced authentication or access controls designed to keep out unauthorized persons.**
- 2.15 Security Threats refers to any possible danger that might exploit a vulnerability to breach security safeguards and therefore cause possible harm to the District's information and/or physical assets.**
- 2.16 Sensitive information refers to data that contains personally identifiable information.**

3.0 GUIDING PRINCIPLES

- 3.1 The Board believes that:**
- a) a strong, reliable, and secure computer infrastructure is essential to ensuring an effective working and learning environment;**
 - b) a secure infrastructure includes effective long-term contingency and incident management planning to prevent, manage and quickly recover from a security threat or any incident and reduce risk to the organization; and**

- c) ***on-going training and support to all employees on information security, possible threats, and safeguards is essential to implementing this policy.***

3.2 *Physical assets and any form of information received, created or gathered on behalf of the OCDSB in the course of District business are corporate assets and considered property of the OCDSB.* ~~All information in the Board, in whatever form, stored on any media, is an asset and the property of the Ottawa-Carleton District School Board. Similarly, physical assets owned and utilized in the processing of this information are the property of the OCDSB.~~

4.0 SPECIFIC DIRECTIVES

~~4.1 This policy applies to all areas within the OCDSB and is in addition to existing Ottawa-Carleton District School Board policies and procedures and to sections of the *Education Act* pertaining to access to and retention of information or records.~~

~~4.2 Superintendents, principals and managers/supervisors are accountable for safeguarding Superintendents, principals and managers/supervisors are accountable for safeguarding information and physical assets under their control. All employees are responsible for the protection of these assets from unauthorized use, modification, disclosure or destruction (whether accidental or intentional) and for maintaining the integrity of these assets and their availability to others as required in the performance of their duties.~~

~~4.3 The requirement to identify potential security threats and safeguard information and physical assets also applies to students, parent volunteers, vendors, consultants, and other organizations that are party to agreements between themselves and the OCDSB, as may be appropriate.~~

4.4 ***Stakeholders, including*** staff, ***trustees***, parents volunteers, students, vendors, consultants, ***and partners, with OCDSB-owned*** information and physical assets under their control ***shall:***

- a) safeguard the confidentiality and integrity of such assets;
- ~~b) protect such assets from unauthorized use, modification, disclosure or destruction (whether intentional or accidental);~~
- c) maintain their availability to others as required in the performance of their duties; and
- d) ***identify and report potential security threats and/or breaches.***

4.5 *The District shall make every reasonable effort to protect and secure information and assets from threat, abuse and/or misuse, including through human error,*

hardware malfunction, natural disaster, security break, and/or malicious attack.

~~4.6 Information and physical assets shall be classified as to their value, sensitivity, integrity, availability, and accountability requirements. In addition, information and physical assets shall be safeguarded according to procedures which include their classification and assessment of related risks.~~

Security Safeguards

- 4.7 The District shall ensure the security of all computers, computer networks and computer property through:**
- a) classifying them as to their *risk*, value, sensitivity, integrity, availability, and accountability requirements;**
 - b) Access to sensitive information and assets is restricted to those whose duties require such access. *controls on system access including an authorization process for granting and or revoking system access based on specific requirements which are necessary to perform a job;***
 - c) a documented change management process for handling system upgrades, installations, or changes to software and hardware;**
 - d) ensuring all equipment that contains sensitive information are secured to deter theft;**
 - e) requiring safe and secure use and storage of any computer or network device;**
 - f) ensuring their use is in accordance with Board Policy P.100.IT Appropriate Use of Technology; and**
 - g) establishing practices for automatic log off, and requirements for locks and password screen locks.**
- 4.8 The District shall ensure that server rooms and data closets are protected by appropriate access control which segregates and restricts access from general school or District office areas.**
- 4.9 No other person, including contractors, shall be allowed unescorted access to server rooms and data closets, unless expressly authorized.**
- 4.10 The District shall ensure network controls are in place to regulate traffic moving between internal (District) resources and external (Internet) entities.**
- 4.11 The District shall ensure that appropriate network segmentation is in place to protect the integrity of systems and data, using industry standards and current**

best practices to segment internal computer networks based on the data type, user access, and level of risk.

Incident Management

- 4.12** ***The District shall ensure that malicious software protection is installed on District-owned equipment, and shall ensure practices are in place to:***
- a)** ***monitor for risk;***
 - b)** ***respond to malicious acts;***
 - c)** ***report incidents; and***
 - d)** ***manage incidents.***
- 4.13** ***Monitoring and responding to technology related incidents shall be designed to provide early notification of events and rapid response and recovery from internal or external network or system attacks.***

Business Continuity

- 4.14** ***The District shall develop and deploy a District-wide business continuity plan which shall, at a minimum, include:***
- a)** ***data Backup Data procedures which establish a regular schedule for the collection of backup data and practices which ensure secure location of backup data; and***
 - b)** ***established practices for managing data in response to threats, attacks, and/or disasters.***

Monitoring and Compliance

- 4.15** ***The District shall perform routine security and privacy audits in congruence with the District's Information Security Framework.***
- 4.16** ***All Staff members are responsible for shall monitoring and enforcing compliance with this policy within the scope of their duties and responsibilities.***
- 4.17** ***Violations or suspected violations of these **staff** responsibilities must be reported immediately to the appropriate superintendent, principal or manager/ **direct** supervisor.***
- 4.18** ***Staff Persons found to be in violation of this policy may be subject to immediate disciplinary action up to and including termination of employment **with the District.*****
- 4.19** ***Legal action and/or referral of the matter to law enforcement agencies shall be considered depending on the severity of the violation, the real or potential loss to the Board, or breach of confidentiality.***

4.20 *Violations or suspected violations by OCDSB vendors, consultants, or partners shall be dealt with in accordance with the applicable Data Sharing Agreements.*

Implementation

4.21 The Director of Education ~~is authorized to~~ shall issue **such** procedures to implement this policy **to ensure information and physical assets security is integrated within all aspects of the operations of the District.**

5.0 REFERENCE DOCUMENTS

The Education Act, 1998, ss. 170, 171

Board Policy P.027.GOV: Corporate Records Management

Board Policy P.049.IT: Electronic Communications Systems

Board Policy P.100.IT Appropriate Use of Technology

Board Policy P.128.GOV Municipal Freedom of Information and Protection of Privacy Act (MFIPPA)

~~Board Policy P.098.CUR Anti-racism and Ethnocultural Equity Board~~

~~Policy P.053.HR Alleged Harassment/Abuse~~

Board Procedure PR.516.GOV Corporate Records Management Board

Procedure PR.564.IT Computer Network Security

Board Procedure PR.622.IT Appropriate Use of Technology

Board Procedure PR.669.GOV Privacy Breach

Board Procedure PR.672.IT Electronic Communications Systems

Board Procedure PR.685.IT Mobile Devices



Consultation Plan

(REFERENCES: POLICY P.110.GOV AND PROCEDURE PR.644.GOV)

DATE:	25 November 2019
PROJECT: (Project name, Letter of Transmittal, etc.)	Consultation regarding the proposed updates to Policy P.074.IT Computer Network Security, Report 19-117
CONTACT / PROJECT LEAD (Name, telephone, email):	Shawn Lehman, Superintendent of Instruction, ext 8391
WHAT?	
<p>1. WHAT IS THE PURPOSE OF THE CONSULTATION? (Describe project scope, nature of consultation, decision to be made, and any relevant information)</p> <p>To seek input into the proposed changes to Policy P.074.IT Computer Network Security</p>	
WHY?	
<p>2. WHY ARE YOU CONSULTING? (Check all that apply)</p> <p>___ To seek advice, informed opinion or input for consideration prior to decision-making?</p> <p><input checked="" type="checkbox"/> To share information and/or create awareness about a subject/potential recommendations/decision yet to be made?</p> <p>___ To share information and awareness about a subject/recommendation/decision that has been made?</p> <p>___ Other? (Please explain)</p>	

3.HOW DOES THIS CONSULTATION LINK TO THE OCDSB STRATEGIC PLAN, DISTRICT IMPROVEMENT PLAN, BUDGET, ANNUAL DISTRICT GOALS AND OBJECTIVES AND/OR RELEVANT MINISTRY / OCDSB POLICIES OR PROCEDURES (if applicable)?

The policy reflects the District's commitment to a Culture of Caring: Champion and nurture a safe, caring and respectful workplace.

The District last wrote and approved Policy P.074.IT Computer Network Security in January 1999. The digital security landscape has evolved considerably during the last 20 years. While technology has to continually evolve to mitigate the technological threats, there is a greater need for awareness for staff and students to be cognizant of threats via social engineering, phishing attacks, email spoofing, etc. The revisions to the computer network security will assist in raising District awareness of security threats to the organization.



Consultation Plan

(REFERENCES: POLICY P.110.GOV AND PROCEDURE PR.644.GOV)

WHO?
<p>4.WHO WILL BE CONSULTED? (Key stakeholders) (Check all that apply)</p> <p><u>OCDSB Community Internal to OCDSB External / Other (please identify)</u></p> <p><input checked="" type="checkbox"/> Students <input type="checkbox"/> Trustees <input type="checkbox"/> Agencies/associations <input checked="" type="checkbox"/> Parents/guardians <input type="checkbox"/> Superintendents <input type="checkbox"/> Community groups</p> <p><input checked="" type="checkbox"/> School council(s) <input checked="" type="checkbox"/> Principals and/or Vice-principals <input type="checkbox"/> General Public</p> <p><input type="checkbox"/> Ottawa Carleton Assembly of School Councils <input checked="" type="checkbox"/> Managers <input type="checkbox"/> Other <input type="checkbox"/> governments</p> <p><input type="checkbox"/> Advisory committees (Specify below) <input checked="" type="checkbox"/> District staff <input type="checkbox"/> Other</p> <p><input type="checkbox"/> Special Education Advisory Committee, etc <input checked="" type="checkbox"/> Federations</p> <p><input checked="" type="checkbox"/> Other Technology Advisory Committee</p> <p><input checked="" type="checkbox"/> Audit Committee</p> <p>Please describe or expand on who will be consulted and any partners in the consultation:</p> <p style="margin-left: 20px;">Information about this consultation will be sent to all school councils through the school council newsletter and to all parents through Keeping You Connected. Interested parents will be invited to share feedback either electronically or at a planned Policy Discussion meeting.</p> <p style="margin-left: 20px;">In addition to the parent consultation, the consultation includes targeted outreach to the federations, the Audit Committee, principals, vice-principals and managers, students and staff in Business and Learning Technologies.</p>
<p>5.HAVE ANY OF THESE STAKEHOLDERS BEEN INVOLVED IN INFORMAL CONSULTATION AS PART OF THE DEVELOPMENT OF THIS PLAN?</p> <p>In accordance with section 4.3 of Policy P.110.GOV, it is expected that informal consultation has taken place with representative stakeholders to obtain their suggestions prior to finalizing this plan. Please describe below. (If this informal consultation did not take place, explain why it was not feasible.)</p>

<p>Staff in Business and Learning Technology has been part of discussions about how to implement the recommendations from the security audit.</p>	
HOW?	
<p>6.HOW WILL STAKEHOLDERS BE MADE AWARE OF THIS CONSULTATION PROCESS? (Check all that apply)</p> <p> <input type="checkbox"/> Media advertisement (print and/or radio) _____ School newsletter <input type="checkbox"/> Letter distribution <input checked="" type="checkbox"/> Website (schools and/or OCDSB sites) <input checked="" type="checkbox"/> School council(s) <input checked="" type="checkbox"/> Other - Principal Operations Meeting <input type="checkbox"/> Ottawa Carleton Assembly of School Councils <input checked="" type="checkbox"/> Keeping You Connected <input checked="" type="checkbox"/> Student Focus Groups <input checked="" type="checkbox"/> School Council Newsletter Please describe how stakeholders will be made aware of the consultation process and any special requirements for consultation (translation, alternate formats, etc):? </p> <p>Information about this consultation will be sent to all school councils through the school council newsletter and to all parents through Keeping You Connected. Interested parents will be invited to share feedback either electronically or at a planned Policy Discussion meeting.</p> <p>In addition to the parent consultation, the consultation includes targeted outreach to the federations, the Audit Committee, principals, vice-principals and managers, students and staff in Business and Learning Technologies.</p>	
<p>7.HOW WILL THE CONSULTATION BE CARRIED OUT? (Check all that apply)</p> <p> <input checked="" type="checkbox"/> Focus groups _____ Ottawa Carleton Assembly of School Councils <input type="checkbox"/> Interviews <input checked="" type="checkbox"/> Public meetings <input type="checkbox"/> Mail-out or email circulation <input checked="" type="checkbox"/> Survey / questionnaire <input type="checkbox"/> Open houses / workshops / cafes <input checked="" type="checkbox"/> Web-based notice / Web-based comments <input type="checkbox"/> School council(s) <input checked="" type="checkbox"/> Other (Audit Committee) Please describe: The consultation approach has been targeted to invite participation from those stakeholders who are most likely to provide input to this policy. Recognizing that the subject matter may be of high interest to some stakeholders, the consultation has been designed to allow interested stakeholders to provide input. </p>	

Recognizing that the district has several policies and procedures to be reviewed this year, staff is developing a specific page on the district website which will contain information about current policy consultations. There will be a link to this page on school websites. This page will include key background information, timelines for consultation and opportunities for providing feedback.

Information about this consultation will be sent to all school councils through the school council newsletter and to all parents through Keeping You Connected. Interested parents will be invited to share feedback either electronically or at a planned Policy Discussion meeting.

In addition to the parent consultation, the consultation includes targeted outreach to the federations, the Audit Committee, principals, vice-principals and managers, students and staff in Business and Learning Technologies.



CONSULTATION PLAN

(REFERENCES: POLICY P.110.GOV AND PROCEDURE PR.644.GOV)

WHEN?		
8. PROJECT PLAN FOR CONSULTATION (KEY ACTIVITIES AND COMMUNICATIONS): i.e. Identify plan approval dates; Timelines for awareness of consultation; Specific consultation initiatives; Timelines for analysis; Date for Committee/Board deliberation; Evaluation of consultation		
Targeted DATE FOR FINAL DECISION:	ACTIVITY/MILESTONE	NOTES**
Sept 17	DEC - Changes to Policy shared via LOT with consultation plan	DEC LOT with draft revisions
Oct 1	COW presentation of draft policy and consultation plan	
October 2- Nov 25	Community for input - information to go to community website text posted, period for input	
Oct 16	Principal Operations	3 Year Tech Plan - Feedback
Oct 28	Meeting with Federation	OSSTFF, ETFO
Oct 28	Policy Discussion Forum	Parents, Staff and Community Members
Nov. 4 - 8	Student Focus Group	Students in grades 7 - 12 from across the district

APPENDIX B TO REPORT 19-117 POLICY P.074.IT

APPENDIX B TO REPORT 19-117 POLICY P.074.IT



COMPUTER NETWORK SECURITY (POLICY P 0.74.IT) CONSULTATION PLAN TIMELINE

Activity	Date
Notice of Intention to Commence Review of P 0.74.IT	
➤ Committee of the Whole Meeting	1 October 2019
➤ Board Approval of Study Consultation Plan and Timeline	1 October 2019
Consultative Stage	
➤ Online consultation	18 October 2019
➤ Student Focus Groups	5 November 2019
➤ Federation Consultation	5 November 2019
➤ Public Consultation Meeting	12 November 2019
➤ Audit Committee Consultation	25 November 2019
Recommendation and Decision Making Stage	
➤ Regular Committee of the Whole Meeting – Presentation of Staff Recommendation Report	January 2020
➤ Regular Board Meeting – Final Decisions	February 2020
Communication and Implementation Stage	
➤ Communication of Board Approved Decision	February 2020
➤ Implementation of Board Approved Decision	September 2020



Subject: Presented by: Meeting Date:	Internal Audit Activities Update Genevieve Segu, Regional Internal Audit Manager Gord Champagne, Senior Regional Internal Auditor November 25, 2019												
Purpose	To provide the Audit Committee with an update from the Regional Internal Audit Team on the progress of the 2019-20 Internal Audit work.												
Content	<p>2019-20 Internal Audit Plan update</p> <table border="1" data-bbox="431 810 1490 1129"> <thead> <tr> <th>Year</th> <th>Audit & Scope</th> <th>Status & Dates</th> </tr> </thead> <tbody> <tr> <td>2019-20</td> <td>Attendance Support Review</td> <td>Field Work Complete</td> </tr> <tr> <td>2019-20</td> <td>Attendance Data Visualization</td> <td>In Progress</td> </tr> <tr> <td>2019-20</td> <td>Follow-up Procedures</td> <td>On-going</td> </tr> </tbody> </table>	Year	Audit & Scope	Status & Dates	2019-20	Attendance Support Review	Field Work Complete	2019-20	Attendance Data Visualization	In Progress	2019-20	Follow-up Procedures	On-going
Year	Audit & Scope	Status & Dates											
2019-20	Attendance Support Review	Field Work Complete											
2019-20	Attendance Data Visualization	In Progress											
2019-20	Follow-up Procedures	On-going											
Recommendation	That the Ottawa-Carleton District School Board Audit Committee receive for information the November 25, 2019 Internal Audit Activities update.												

Audit Committee Work Plan

General Responsibilities

Audit Committee Agenda Items	Meeting Date					Comments
	S	N	J	M	M	
3.(1) - Ensure committee composition complies with the regulation						
4.(1) – Ensure newly appointed external members meet eligibility requirements						
6.(1) - Elect the chair and appoint a secretary for the year			•			
7.(2) - Ensure external members have not exceeded the maximum term of appointment						
8.(1) & 8.(2) - Review committee members' compliance with membership rules listed in the regulation						
9.(7) - Report as required to the Board regarding the execution of duties and responsibilities						
9.(8) – Ensure the regulation is posted on board's website						
10.(a) - As necessary (and with Board approval), retain counsel, accountants or other professionals to advise or assist the committee						

Audit Committee Agenda Items	Meeting Date					Comments
	S	N	J	M	M	
	E	O	A	A	A	
	P	V	N	R	Y	
	T					
10.(c) - Meet with management privately to discuss any necessary matters						
11.(6) – Ensure a quorum is present						
11.(7) - Maintain minutes, review and approve the minutes of prior meetings						
14.(3) – Members declare any potential financial benefits relating to agenda items						
15.(1) &15.(3) – Annual report to the Board	•					
15.(2) – Annual report to the Ministry of Education	•					

Financial Reporting

Audit Committee Agenda Items	Meeting Date					Comments
	S	N	J	M	M	
	E	O	A	A	A	
	P	V	N	R	Y	
	T					
9.(1) 1 - Review: - relevant accounting and reporting practices and issues - complex or unusual transactions - material judgments and accounting estimates - any departures from PSAB			•			
9.(1) 2i - Review the external audit results						

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(1) 2ii - Review any difficulties encountered in the course of the audit						
9.(1) 2iii – Review any significant changes made to the external audit plan in response to issues identified during the audit						
9.(1) 2iv - Review significant disagreements between external audit and management and how those disagreements were resolved		•				
9.(1) 3 - Review the annual financial statements		•				
9.(1) 4 - Recommend to the Board the approval of the annual audited financial statements		•				
9.(1) 5 - Review all external auditor communications required under GAAS		•				
9.(1) 6 - Review any material written communication between the external auditor and management		•				
9.(1) 7 – Ask the external auditor whether all reporting entities were consolidated into the board's financial statements		•				

Internal Controls

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(2) 1 & 9.(2) 3 - Enquire about significant financial risks and the measures taken to manage such risks (reviewing the overall effectiveness of board's internal controls)						
9.(2) 2 - Review the scope of the internal and external auditor's reviews of the board's internal controls, as well as any significant findings and recommendations made and management's response to these	•					

Internal Audit

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(3) 1 - Review their mandate, activities, staffing and organizational structure						
9.(3) 2 - Make recommendations to the Board on the content of the internal audit plan		•				
9.(3) 2 - Make recommendations to the Board on all proposed major changes to the internal audit plan		•				

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(3) 4 - Review internal auditor performance and provide comments to the Board and host board		•				
9.(3) 5 - Review internal audit's effectiveness, including compliance with professional internal auditing standards. This could include a review of the quality assurance and improvement program results, which may use tools such as peer reviews and/or periodic external assessments.		•				
9.(3) 6 - Meet with internal audit privately to discuss any necessary matters						
9.(3) 7i - Review significant findings and recommendations made by internal audit and management's response to the recommendations						
9.(3) 3 & 9.(3) 7ii - Discuss significant difficulties, disagreements or scope restrictions/limitations encountered by the internal auditor						
9.(3) 7iii - Review any significant changes internal audit made to the audit plan in response to issues identified during the audit						

External Auditor

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(4) 1 – Review external auditor performance	•					
9.(4) 1 – Make recommendations to the Board on the appointment, replacement or dismissal of the external auditor and on the external auditor's fee and fee adjustment	•					
9.(4) 2 – Review the external audit plan (engagement letter, coordination with internal audit, use of other independent accountants)	•					
9.(4) 2.1 - Make recommendations to the Board on the content of the external audit plan	•					
9.(4) 2.1 - Make recommendations to the Board on all proposed major changes to the external audit plan	•					
9.(4) 3 - Review and confirm external auditor's independence	•					
9.(4) 4 - Meet with the external auditor to discuss any necessary matters	•					
9.(4) 5 - Oversee the resolution of any disagreements between the external auditor and management	•					
9.(4) 6 - Recommend a policy on services the external auditor may perform and oversee its implementation	•					

Compliance

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
9.(5) 1 - Review the board's system for monitoring compliance with legislative requirements, board policies and procedures		•				
9.(5) 1 & 9.(5) 4 - Review instances of non-compliance with legislative requirements and board policies and procedures, as well as actions taken		•				
9.(5) 2 - Review any legal matters or findings of regulatory entities		•				
9.(5) 3 - Review the board's process for communicating and administering any codes of conduct		•				
9.(5) 5 - Receive confirmation that all statutory requirements have been met, e.g., through the annual compliance report signed by the Director		•				

Risk Management

Meeting
Date

Audit Committee Agenda Items	S	N	J	M	M	Comments
	E	O	A	A	A	
	P	V	N	R	Y	
	T					
9.(6) 1 - Enquire about significant risks, review and assess the board's risk management policies						
9.(6) 2 - Perform other activities related to the oversight of the board's risk management issues or financial matters as requested by the Board						
9.(6) 3 - Initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealings (including fraud)						

Other Leading Practices

Audit Committee Agenda Items	Meeting Date					Comments
	S	N	J	M	M	
	E	O	A	A	A	
	P	V	N	R	Y	
Develop work plan and meeting schedule for the next fiscal year			•			
Succession planning				T B D		
Perform a self-assessment of the audit committee		•				
Appropriate continuing education/orientation						

Audit Committee Agenda Items	Meeting Date					Comments
	S	N	J	M	M	
	E	O	A	A	A	
	P	V	N	R	Y	
	T					
Review interim financial reports						
Insurance Coverage				•		

DRAFT