



## **AUDIT COMMITTEE REPORT (PUBLIC)**

**Monday, November 25, 2019**

**7:00 pm**

**Trustees' Committee Room**

**133 Greenbank Road**

**Ottawa, Ontario**

- Members: Mark Fisher (Trustee), Keith Penny (Trustee) (electronic communication), Erik Husband (External Member), Annik Blanchard (External Member)
- Staff and Guests: Lynn Scott (Trustee), Prasith Wijeweera (Student Trustee), Rob Clayton (Lead Audit Engagement Partner, KPMG LLP), Rebecca Prophet (Audit Senior Manager, KPMG LLP), Genevieve Segu (RIAT Manager), Brett Reynolds (Associate Director of Education), Janice McCoy (Superintendent of Human Resources), Michael Carson (Chief Financial Officer), Kevin Gardner (Manager of Finance), Sandy Owens (Manager of Business & Learning Technologies), Sandra Lloyd (Manager of Risk and Supply Chain Management), Charles D'Aoust (Coordinator of Budget Services), Teri Adamthwaite (Coordinator of Financial Reporting), Kim Lebrun (Finance/Project Officer), Ken Broomer (Supervisor of Network & Network Security), Nicole Guthrie (Senior Board Coordinator)

1. Call to Order

Trustee Fisher called the public session to order at 7:02 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 Annik Blanchard,**

**THAT the agenda be approved.**

**Carried**

3. Delegations

There were no delegations.

4. Superintendent's Report

Chief Financial Officer (CFO) Carson advised that a work to rule strike action was taken by the Ontario Secondary School Teachers' Federation (OSSTF) and the Elementary Teachers' Federation of Ontario (ETFO). The work to rule campaign will involve the removal of some Ministry-related services and should not negatively impact the student experience. Staff met with principals on 25 November 2019 to discuss community messaging and monitoring to help mitigate potential issues.

CFO Carson advised that the District decided to close Alta Vista Public School to students and staff from 21 November to 22 November to permit emergency repair work as a result of a leak in the steam pipes in the heating plant. Remediation was completed and, unfortunately, involved the loss of student instructional time. CFO Carson noted that the District has other facilities with steam plants and continues to work on the program to modernize these, but owing to the nature of the buildings, the conversion is not always feasible. Facilities department staff continues to explore and review alternative heat provision. Staff noted that Alta Vista PS re-opened on 25 November and there are plans to host a meeting in the community to hear their concerns.

Trustee Fisher noted that the incident, while unfortunate, provided the District with a critical opportunity to review its incident response process. He suggested that the Audit Committee have an opportunity to discuss the subject.

## 5. Matters for Action

### 5.1 Review of Audit Committee Report

#### a. 25 September 2019

**Moved by Erik Husband,**

**THAT the Audit Committee Report dated 25 September 2019 be received**

**Carried**

#### b. Business Arising

There was no business arising from the report.

### 5.2 Report 19-101 Draft 2018-2019 Consolidated Financial Statements

Your committee had before it Report 19-101 seeking approval of the Draft 2018-2019 Consolidated Financial Statements.

During the presentation of the financial statements and in the ensuing discussion, the following points were noted:

- The consolidated financial statements are prepared in accordance with requirements under the *Education Act* and include activities of the Ottawa-Carleton Education Network, school generated funds and the Ottawa Student Transportation Authority;

- The District has a consolidated accumulated surplus of just over \$42 million available for compliance purposes of which \$2.7 million is restricted to offset amortization expense for committed capital, and there is a limited ability for the use of the funds;
- \$17.2 million has been set aside for contingencies;
- The independent auditor's report is positive and is accompanied by the unqualified opinion of KPMG LLP;
- New standards require a change in format for the audit opinion;
- KMPG LLP received the full cooperation of the District's finance team to complete the work;
- KPMG LLP found no significant issues;
- In response to a query from Ms. Blanchard regarding the identification of concerns regarding provincial funding and whether or not the concern is applicable to other boards across the province, Mr. Clayton noted that the District added the issue to the management report several years ago to ensure the concern with the funding of the system as a whole was formally acknowledged. Some boards include the statement, and others do not; and
- In response to a query by Trustee Scott regarding the changes in salary, wages, and benefits as noted at item 11 on folio 72, Manager Gardner noted that the amounts include the annualization of the costs related to the employee life and health trusts. The actual costs of benefits have increased, and staff was expecting the increase.

**Moved by Erik Husband,**

**THAT the Audit Committee recommend that the Board approve the Draft 2018-2019 Consolidated Financial Statements attached as Appendix A to Report 19-101.**

**Carried**

6. Matters for Discussion

6.1 Report 19-102, Analysis of the District's 2018-2019 Financial Results

Your committee had before it Report 19-102, providing the Audit Committee with information regarding the District's financial results for the year ended 31 August 2019.

During the discussion and in response to questions, the following points were noted:

- Changes in enrolment have impacted pupil foundation grants. The funding changes at elementary and secondary panels are outlined in the report;
- The changes in enrolment also impact funding for special education, English as a second language (ESL) and French as a second language (FSL);
- Appendix A on folio 86 highlights the changes in revenues and expenses;
- The funding for newcomers to Canada is based on a 4-year rolling average, and the District has benefited as a result of the increased enrolment;
- There were significant revenue increases in the extended day program (EDP). The childcare program benefited from an increase in government funding through the City of Ottawa, which helps reduce the deficit of the childcare program. The deficit was offset by EDP funding;
- A review of the service life of assets was conducted by the Ministry resulting in a reduction of both the amortization costs and associated revenues. Amortization of capital assets and the associated revenues decreased by \$3.7 million;
- In total, the District had a \$7.5 million surplus which increases the District's accumulated surplus to \$42.4 million;
- CFO Carson noted that enrolment growth was better than anticipated;
- In response to a query from Trustee Scott regarding the calculation of the costs for administering Priorities and Partnerships Fund (PPF) grants, CFO Carson responded that grants are a challenge to manage and it is difficult to calculate the administration costs;
- CFO Carson noted that he is unaware of any cost-benefit analysis of the grant system conducted by the province. As elements are incorporated into the grants for student needs, the process is simplified;
- In response to a query from Mr. Husband, Manager Gardner noted that on folio 86 the \$12.8 million identified as Instruction-related compensation costs is a decrease and represents a savings relative to the budget;
- In response to a query from Trustee Fisher regarding the risk of instruction-related compensation and teacher absences, CFO Carson noted that the District had seen an increase in costs as a result of absenteeism. The District was working with the School Boards' Cooperative Inc. (SBCI) on potential solutions and advised that it will never be eliminated;

- The District reviews the provincial averages for absenteeism for teachers and employee groups by panel and by grade. The District would need to compare with other districts of a similar size to set a formal target or benchmark; and
- Superintendent McCoy noted that since 2014, the District and other school boards across the province have seen an increase in the number of absenteeism days. The goal is to level it out and is investigating strategies to reduce absenteeism.

## 6.2 Report 19-117, Policy P.074.IT Computer Network Security

Your committee had before it Report 19-117, providing the proposed revisions to Policy P.074.IT Computer Network Security for consideration by the Audit Committee.

During the discussion, and in response to questions, the following points were noted:

- The policy is intended to identify the key levels of control in the District's infrastructure and is focused on network security. The accompanying procedure, which is more detailed, has not yet been developed;
- Previous security audits identified areas of need, including a review of the policy.
- A security steering committee was created, and its first task was the revision of the policy. The committee determined that ongoing training of staff is an integral part of creating a security-aware organization;
- A Software Catalog Review Committee was formed to review software to determine if the applications teachers, administration, and support staff have requested are safe, secure, do not impact privacy and are pedagogically linked to the curriculum;
- Staff conduct routine security and privacy audits to ensure security compliance is maintained;
- In response to a query from Mr. Husband regarding a scheduled review of policies, Associate Director Reynolds noted that policies are reviewed every five years. Some may be reviewed as a result of amendments to legislation. Mr. Husband suggested that information technology, and the policies that relate to it, be adjusted and reviewed more frequently as they may be impacted by rapid changes in technology;
- The District aims to follow the International Organization for Standardization (ISO) 27001 as well as the National Institute of Standards and Technology (NIST). Mr. Husband suggested that reference to these

standards be referenced in the policy to enable the District to audit against the standard;

- Principals are required to review policies with staff as part of an annual review of documentation. Some policies require staff signatures to ensure they are reviewed annually;
- Associate Director Reynolds advised that the October documentation identifies policies and procedures, related to student safety, that must be reviewed annually by staff. District policies and procedures are binding directives. Staff noted that P.100.IT Appropriate Use of Technology is a part of the October documentation for staff and students;
- Trustee Fisher expressed concern that there are no regulatory mandates from the province related to cybersecurity. Staff noted that they anticipate an update from the province through its broadband modernization program;
- Staff indicated they would welcome input from KMPG LLP;
- Mr. Husband expressed the view that security is all about the identification of breaches, frequency, loss of information (digital or otherwise) and physical threats;
- Trustee Penny suggested that training should be addressed in the policy;
- Staff advised that ongoing training supports and other training-related statements would be provided in the procedure;
- Trustee Fisher remarked on the use of the words "computer" and "computer network" and noted that those terms appear limiting. Both computer and computer network are defined in the policy and include a variety of devices that are linked to the network;
- Mr. Husband expressed the view that it would be important for the Audit Committee to be apprised of the frequency of security breaches, loss of information and physical threats;
- Trustee Penny remarked on the absence of details on the training of personnel, and a statement regarding the quantity and type of training of staff and protection from vulnerabilities should be included. Gaps can then be identified and addressed. Staff have reviewed training and have identified areas that require more central support. This could be addressed and referenced in the companion procedure;
- Policy P.074.IT Computer Network Security focuses specifically on network security and is distinct and separate from the privacy policy. Computer and computer systems are clearly defined within the policy and include electronic devices and software. The definition would cover

equipment such as alarm systems, smart televisions, and other devices that are tied to the network or systems. Communication on the broad definition of computer and computer system may be required to ensure a more comprehensive understanding; and

- The report from the consultation will be presented to the Committee of the Whole for adoption early in 2020. Comments and suggestions from the Audit Committee will be included in the report. The external members will be provided with a copy of the final report.

7. Information Items

7.1 Regional Internal Audit Team (RIAT) Update

Genevieve Segu, RIAT Manager, advised that the attendance data visualization from Deloitte is being finalized to include some analysis.

In response to a query from Trustee Penny regarding a timeline for completion, Manager Segu noted that the RIAT should be in a position to present the results in January 2020.

7.2 Long Range Agenda

The long-range agenda was provided for information.

CFO Carson noted that he will meet with the new Chair of the Audit Committee to review the schedule and work plan to ensure the role and function of the Audit Committee are being met.

8. New Business

There was no new business.

9. Adjournment

The public meeting adjourned at 8:10 p.m.

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Mark Fisher, Chair, Audit Committee