



NOTICE OF MEETING

AUDIT COMMITTEE

**Wednesday, 22 January 2020
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:
Leigh Fenton, Board/Committee Coordinator, Board Services, at 596-8211, ext. 8461, or
leigh.fenton@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 Leigh Fenton, Board/Committee Coordinator, at 613-596-8211, extension 8641.

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

Wednesday, January 22, 2020, 7:00 pm

Trustees' Committee Room

133 Greenbank Road

Ottawa, Ontario

Pages

1.	Call to Order	
2.	Election of Chair	
3.	Approval of Agenda	
4.	Delegations	
5.	Superintendent's Report	
6.	Matters for Action	
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9.	New Business	
10.	Adjournment	



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;
- KPMG 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.

Mark Fisher, Chair, Audit Committee



**AUDIT COMMITTEE
COMMITTEE OF THE WHOLE (BUDGET)
Report No. 20-003**

**22 January 2020
3 February 2020**

2019-2020 Revised Estimates

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

PURPOSE:

1. To explain changes reflected in the District's 2019-2020 Revised Estimates as compared to the District's 2019-2020 Budget and to seek approval of the In-Year Deficit Elimination Plan (the Plan) as required by the Ministry of Education.

CONTEXT:

2. The Ministry requires that school boards approve and submit annual budget estimates by the end of June preceding the beginning of a new school year. The original budget estimates were approved by the Board on 10 June 2019.

The Ministry also requires that the approved budget estimates be revised after the start of the school year to reflect the financial impact resulting from actual enrolment levels. Changes in revenues and expenses not related to enrolment are also included. The update to the Board approved budget is referred to as the revised estimates.

The changes reflected in the 2019-2020 Revised Estimates include the impact of net enrolment changes which resulted in reduced revenue, the effect of increased attrition from classroom-based teaching positions, updates resulting from the remaining service life (RSL) review of physical assets, adjustments resulting from grants announced after the approval of the District's budget and changes identified as part of ongoing monitoring of operations. The revised estimates are prepared relatively early in the school year and, recognizing the reduced enrolment, staff continues to closely monitor resources to ensure that the planned deficit is not unexpectedly exceeded.

The revised estimates also reflect the anticipated use of \$6.2 million of accumulated surplus to support capital spending on classroom portables and administrative facilities.

KEY CONSIDERATIONS:

3. In June 2019, the Board approved the 2019-2020 Budget authorizing expenses totaling \$980.2 million. Funding of the expenses was provided through grants and other revenues totaling \$971.8 million. This would result in a planned deficit of \$8.4 million.

The District's 2019-2020 Revised Estimates provide for expenses of \$977.8 million, revenues of \$969.4 million and a planned deficit of \$8.4 million. Table 1 compares the anticipated deficit reflected in the revised estimates with the amount originally budgeted.

Table 1 – Comparison of Revised Estimates and Budget

	Revised Estimates	Budget	Change (decrease)	Change
	\$	\$	\$	%
Revenues	969,410,500	971,802,500	(2,392,000)	(0.2)
Expenses	977,803,400	980,246,000	(2,442,600)	(0.2)
Deficit	(8,392,900)	(8,443,500)	(50,600)	

Changes to revenues and expenses since the approval of the 2019-2020 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 Partnership Funds and Other Deferred Revenues.

4. **Enrolment Estimates and Grants**

The 2019-2020 Budget was developed using enrolment estimates established in early 2019. Average daily enrolment (ADE) levels have a direct impact on funding and also affect related instructional expenses. The approved budget reflected ADE of 50,246 for elementary and 23,373 for secondary (excluding high credit and adult day school enrolment).

The revised elementary ADE for 2019-2020 is 50,484 students which is an increase of 238 students (0.5%) over the approved budget. Secondary day school enrolment ADE is projected to be 23,060 students which is a decrease of 313 students (1.3%) from 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 \$196,200 less than budgeted. The amount reflects increased elementary enrolment and reduced secondary enrolment.

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

	Enrolment (Pupils of the Board)			Pupil Foundation Grant		
	Revised Estimates	Approved Budget	Change	Revised Estimates	Approved Budget	Change
Elementary	50,484	50,246	238	\$ 272,847,600	\$ 271,519,300	\$ 1,328,300
Secondary	23,060	23,373	(313)	112,577,700	114,102,200	(1524,500)
Total	73,544	73,619	(75)	385,425,300	385,621,500	(196,200)

Other allocations that comprise the Grants for Student Needs (GSNs) are affected by changes in enrolment and student demographics. One grant that shows relatively significant growth is 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. The \$427,200 increase relates to Indigenous studies where 1,663 pupil credits are anticipated as compared to the 1,330 pupil credits assumed during budget development. The increase is attributable to enrolment in compulsory English credit courses which qualify for the supplemental funding.

Special mention must be made regarding the Cost Adjustment and Teacher Qualifications and Experience grant. The grant is used to provide funding for teacher compensation relative to the provincial benchmark that is used in the PFG. It also provides funding to cover the Ministry's contributions to employee life and health benefit trusts and, commencing 2019-2020, to provide attrition protection funding as part of the government's plan to achieve financial savings through changes to average class sizes for certain grades. The grant shows a significant reduction of \$3.7 million relative to the budget. The reduction is comprised of two amounts:

- A \$2.0 million reduction in the teacher qualifications and experience allocation. The 2019-2020 Budget assumed that the qualifications and experience of teachers would result in higher average compensation costs for the District. The revised estimates reflect the actual placement of teachers on the salary grid as at 31 October 2019. The change reflects a modest reduction in average costs; and
- A \$1.7 million reduction attributable to teacher job protection funding. The 2019-2020 Budget anticipated that 230 secondary teacher FTEs would be protected; however, actual attrition up to 31 August 2019 increased beyond projections and, when combined with the reduced enrolment at the secondary level, resulted in only 217 FTEs being protected.

A number of other grants also changed: the School Operations grant decreased by \$294,900, the Adult Education grant decreased by \$552,900 and the Transportation grant decreased by \$831,200.

Appendix C - Grants for Student Needs compares the GSNs with the approved budget and reflects the effect of revenue deferrals. The additional revenue relating to minor tangible capital assets (MTCA) is discussed in Section 13.

5. Compensation-Related Instruction Costs

Compensation-related instruction 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).

The forecast of compensation-related instruction costs shows that savings of \$1.4 million are likely in comparison to the 2018-2019 Budget. Almost all of this reduction relates to classroom teachers and reflects the update of average compensation costs reflective of qualifications and experience relative to the provincial salary benchmark. The revised estimates also include anticipated compensation costs for term EA positions that were recently approved by the Board.

6. Teacher Absences

Occasional teachers (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.

For the revised estimates, the District has assumed supply teaching costs of \$18.0 million, which is \$1.0 million more than budgeted. The increased cost reflects 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.

7. 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 2019-2020 Budget reflected revenue of over \$11.4 million based on 846 students. The revised estimates reflect anticipated revenue of just over \$11.0 million based on 818 students. Reduced enrolment of 28 students accounts for the \$387,000 revenue decrease.

Administrative fees paid to OCENET by the District are reported as a fee in the Instruction category. These costs have decreased by \$144,600 to \$4.3 million.

8. Other Instruction-Related Costs

Other instruction-related costs are those that are not specifically identified elsewhere in the report, but form part of the overall spending classified as Instruction. These costs represent an overall increase relative to the budget of \$294,900.

9. Student Transportation

Transportation of the District's students is provided by the Ottawa Student Transportation Authority (OSTA). Amounts reflected in the 2019-2020 Budget were based on information received from OSTA. The estimates have been updated and costs are expected to be \$29,300 more than budgeted. The additional costs relate to student transportation contracts.

Although costs are projected to be relatively stable, funding provided through the Transportation grant shows a decrease of \$831,200 relative to the budget. The grant calculation incorporates the previous year's actual funding and related costs. The use of these amounts in the funding formula resulted in the reduction.

Transportation expenses of \$46.1 million are shown in the revised estimates. These costs are supported by the \$43.1 million Transportation grant.

10. Facility Operations

Spending on school facilities represents the largest operating cost category outside of the instruction envelope. Projected compensation costs have remained relatively stable and show a small increase of \$133,500. Non-compensation costs have increased by close to \$3.7 million. The significant contributors to the latter amount include:

- \$1.1 million for additional costs to relocate portables during the year;
- \$2.0 million for additional costs for snow clearing, property maintenance and for natural gas and electricity; and
- \$606,400 for additional school renewal maintenance needs such as roof and floor repairs, masonry work and supporting consulting services.

11. Other Non-Instruction Costs

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

Continuing Education programs are supported by specific funding, including funding from the federal government and various government ministries. Compensation costs shown in the revised estimates are \$172,700 less than budgeted while supplies and services costs are \$60,300 more.

Central departments show increased compensation costs of \$182,600 in the revised estimates while supplies and services costs have been reduced by \$138,100.

12. **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 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 will be completed and a variety of capital assets will be 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 2018-2019, 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 \$61.8 million. The revised estimates show \$57.2 million in expenses which is supported by \$56.9 million in revenues. Expenses and revenues decreased by \$4.6 million and \$4.9 million, respectively.

13. **Minor Tangible Capital Assets**

A portion of the annual GSN is budgeted for the acquisition of 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. In total, \$7.1 million previously identified as being set aside for MTCA needs will now be used to support operating costs.

The revised estimates also reflect the anticipated use of \$6.2 million of the accumulated surplus to support capital investments in new classroom portables and for upgrades to the 440 Albert Street and the Confederation Education Centres. The use of accumulated surplus for these investments is compliant with Ministry requirements, but does not directly affect the amounts reported in the operating analysis. Requests to proceed with the projects and the use of accumulated surplus will be submitted for approval according to Board policy.

14. **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 approximately 5,500 children. The program 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.

Participation in the program continues to be strong. The revised estimates show only a small decrease of \$61,900 in user fee revenue. This anticipated revenue is aligned with the previous year's actual results.

Costs of the program have also changed. A net decrease in compensation costs totaling \$1.1 million is anticipated. The savings result from temporarily vacant positions that occur during the year, lower than anticipated needs for special education supports and overall rates of compensation that are less than budgeted.

The budget for supplies and services has also decreased by \$273,300. The savings substantially relate to the computer software that will be used to manage participant registration and billing. A large portion of the project costs relate to computer hardware and this equipment was acquired near the end of the 2018-2019 school year. Lower than anticipated software licensing costs are also a factor.

Anticipated costs are in general alignment with the previous year's results. Table 3 shows the original budget and revised estimates by category. The program is expected to have a large surplus for the year.

Table 3 – Extended Day Program Comparative Amounts

	Revised Estimates	Budget	Change
Revenues	\$ 17,888,700	\$ 17,950,600	\$ (61,900)
Expenses			
Compensation	14,597,500	15,712,300	(1,114,800)
Administrative Transfers (Comp)	588,100	588,100	-
Supplies and Services	746,500	1,026,500	(280,000)
Facility Transfers (Supplies)	340,300	333,600	6,700
	16,272,400	17,660,500	(1,388,100)
Surplus	1,616,300	290,100	1,326,200

A comprehensive analysis of the costing methodology and participation rates is nearing completion. The results of the analysis will be referenced during the 2020-2021 budget development process and reflected in the user fee recommendation for that year. The analysis will result in a better alignment of revenues and expenses.

15. **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 operates at two sites and provides 96 licensed child care spaces.

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. The program also derives revenue from user fees and child care subsidies.

Table 4 shows the original budget and revised estimates by category. At this time, no significant changes are forecast in program revenues and expenses. Although the information would not normally be presented in the absence of a change in the estimates, the table is presented because the anticipated deficit will be fully supported using the EDP accumulated surplus.

Table 4 – Child Care Program Comparative Amounts

	Revised Estimates	Budget	Change increase (decrease)
Revenues	\$ 1,791,000	\$ 1,791,000	\$ -
Expenses			
Compensation	1,858,700	1,858,700	-
Supplies and Services	135,000	135,000	-
	1,993,700	1,993,700	-
Deficit	(202,700)	(202,700)	-

16. **Benefit Plan Surplus and Other Net Revenue Adjustments**

The revised estimates reflect a provision of \$1.5 million relating to the return of funds held by the District's former employee benefits plan administrator. The funds were being held to cover benefit claims during the windup of the former benefit plan. The funds are to be returned now that all District employees are members of provincial life and health benefit trusts. The provision is shown as a revenue increase.

Other net revenue adjustments result in a revenue decrease of \$459,400, most of which relates to decreased funding from OCENET. The 2019-2020 Budget projected special purpose funding from OCENET of \$1.5 million. This funding, which is separate from student fees, offsets an enrolment-based reduction in the School Operating grant that was introduced with the announcement of the 2019-2020 GSNs and relates to international students. The revised estimates anticipate funding of \$1.1 million will be required to offset the reduced grant revenue.

17. **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 2019-2020 Revised Estimates, this amount is \$8.5 million. Approval to use accumulated surplus in excess of this amount must be obtained from the Ministry.

Table 5 presents the components of accumulated surplus and shows the anticipated use and alignment of the projected 2019-2020 net operating surplus of \$8.4 million. The District is within the 1% compliance required.

Table 5 – Accumulated Surplus Available for Compliance

	Projected as at 31 Aug 2020	Actual as at 31 Aug 2019	Change increase (decrease)
	\$	\$	\$
Available for compliance			
Restricted-committed capital	8,604,200	2,742,400	5,861,800
Internally appropriated			
Extended Day Program	3,487,100	2,073,400	1,413,700
Budgets carried forward	1,656,100	1,656,100	-
Business Systems	2,000,000	2,000,000	-
Contingencies	17,200,000	17,200,000	-
Unappropriated	1,041,600	16,709,900	(15,668,300)
	33,989,000	42,381,800	(8,392,800)

18. **In-Year Deficit Elimination Plan**

The Ministry now requires that a board approve a plan when a district is projecting an adjusted in-year deficit. The Plan must identify how the adjusted deficit will be eliminated within two fiscal years. The District's adjusted in-year deficit is projected to be just over \$8.2 million which is \$169,600 less than the compliance- based deficit of close to \$8.4 million. The adjustment relates to the amortization of Board-approved committed capital projects incurred between 1 September 2010 and 31 August 2019.

The District's preliminary plan submitted with the revised estimates proposes that the deficit be eliminated over two years through a combination of revenue adjustments and expense reductions. To provide for the greatest flexibility in budget planning for the coming years, the Plan identifies revenue reductions of \$1.5 million in 2020-2021 with offsetting reductions in staffing costs and portable relocations. The approach effectively defers substantially all of the deficit elimination to 2021-2022. For that year, the Plan identifies that savings will be obtained through reduced investments in MTCA and by aligning school renewal operating costs with available funding. The approach recognizes that significant cyclical investments in District infrastructure will have been completed.

The proposed plan which requires Board approval is attached as Appendix E. It will be reviewed during the development of the 2020-2021 Staff-Recommended Budget.

19. Summary

The District's 2019-2020 Revised Estimates include the impact of net enrolment changes which resulted in reduced revenue, the effect of increased attrition from classroom-based teaching positions, updates resulting from the RSL review of physical assets and reductions in EDP operating costs.

The enrolment decrease this year has reduced revenue, but this is also offset by cost savings mainly relating to teaching staff and additional student supports.

The revised estimates show expenses of \$977.8 million, revenues of \$969.4 million and a projected deficit of \$8.4 million. As required by the Ministry, this report includes a recommendation to approve the proposed deficit elimination plan.

RESOURCE IMPLICATIONS:

20. The District's 2019-2020 Budget showed a planned deficit of \$8.4 million. The District's 2019-2020 Revised Estimates continues to show a planned deficit of \$8.4 million. The deficit is compliant with the Ministry's budget compliance framework.

COMMUNICATION/CONSULTATION ISSUES:

21. The 2019-2020 Revised Estimates were prepared by Finance staff in consultation with other departments.

STRATEGIC LINKS:

22. 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.

RECOMMENDATION:

THAT the Board approve the In-Year Deficit Elimination Plan attached as Appendix E to Report 20-003.

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 Partnership Funds and Other Deferred Revenues

Appendix E – In-Year Deficit Elimination Plan

	<u>Report Reference</u>	<u>Revised Estimates</u>
		\$
Planned Deficit in Original Estimates		<u>(8,443,500)</u>
Revenues Increase (Decrease)		
Grants for Student Needs		
Pupil Foundation	4	(196,200)
Adult Education, Continuing Education and Summer School	4	(552,900)
School Operations	4	(294,900)
Indigenous Education	4	427,200
Teacher Qualifications and Experience	4	(3,736,200)
Transportation	4,9	(831,200)
Minor Tangible Capital	4,13	7,193,500
Net Other (School Foundation, Learning, etc.)	4	<u>(94,000)</u>
		<u>1,915,300</u>
Other Revenue		
International Student Fees (OCENET)	7	(387,000)
Amortization of Capital Assets	12	(4,899,000)
Extended Day Program	14	(61,900)
Benefits Plan Surplus	16	1,500,000
Other Net Revenue Adjustments	16	<u>(459,400)</u>
		<u>(4,307,300)</u>
Total Decrease in Revenues		<u>(2,392,000)</u>
Expenses (Increase) Decrease		
Compensation Costs		
Compensation-Related Instruction Costs	5	1,406,300
Teacher Absences	6	(1,000,000)
Facilities	10	(133,500)
Other Non-Instruction	11	(9,900)
Extended Day Program	14	1,114,800
Child Care Program	15	<u>-</u>
		<u>1,377,700</u>
Non-Compensation Costs		
International Student Fees (OCENET)	7	144,600
Other Instruction	8	(294,900)
Student Transportation	9	(29,300)
Facilities	10	(3,694,100)
Other Non-Instruction	11	77,800
Amortization of Capital Assets	12	4,587,500
Extended Day Program	14	<u>273,300</u>
		<u>1,064,900</u>
Total Decrease in Expenses		<u>2,442,600</u>
Projected Deficit	19	<u><u>(8,392,900)</u></u>

Ottawa-Carleton District School Board

Comparative Summary of Expenses

2019-2020 Revised Estimates

In \$ Millions EXPENSE CATEGORY	2019-20					2018-19				
	Budget	Revised Estimates	YTD Nov 2019	Variance	% Spent	Budget	Revised Estimates	Actual	Variance	% Spent
				Revised minus Budget	Variance over Budget				Actual minus Budget	Var Actual over Budget
Instruction										
Salaries and Benefits	658.8	657.4	148.4	(1.4)	-0.2%	667.2	659.4	655.6	(11.6)	-1.7%
Salaries and Benefits (Occasional Teachers)	17.0	18.0	5.4	1.0	5.9%	16.9	19.0	19.9	3.1	18.1%
Staff Development, Supplies and Services	27.3	27.4	6.4	0.2	0.7%	26.4	27.4	19.7	(6.7)	-25.3%
Fees, Contractual and Rentals	10.4	10.4	4.0	(0.0)	-0.3%	9.8	10.0	12.2	2.4	24.8%
Instruction Sub-Total	713.5	713.3	164.2	(0.3)	0.0%	720.4	715.8	707.6	(12.8)	-1.8%
Continuing Education										
Salaries and Benefits	10.7	10.5	2.2	(0.2)	-1.6%	10.0	10.0	10.3	0.2	2.5%
Staff Development, Supplies and Services	0.5	0.6	0.1	0.1	11.8%	0.5	0.5	0.5	0.1	14.2%
Fees, Contractual and Rentals	0.5	0.5	0.2	-	0.0%	0.5	0.5	0.5	0.1	19.3%
Continuing Education Sub-Total	11.6	11.5	2.5	(0.1)	-1.0%	11.0	11.0	11.4	0.4	3.7%
Transportation										
Salaries and Benefits	1.2	1.2	0.5	-	0.0%	1.2	1.2	1.2	0.1	4.5%
Staff Development, Supplies and Services	0.4	0.4	0.2	-	0.0%	0.4	0.4	0.4	(0.1)	-13.1%
Fees, Contractual and Rentals	44.5	44.5	17.7	0.0	0.1%	39.9	40.6	40.3	0.4	1.0%
Transportation Sub-Total	46.0	46.1	18.4	0.0	0.1%	41.5	42.1	41.9	0.4	1.0%
School Facilities										
Salaries and Benefits	51.6	51.8	12.3	0.1	0.3%	52.1	52.1	52.3	0.2	0.4%
Staff Development, Supplies and Services	24.9	25.4	3.8	0.5	2.2%	24.5	24.2	25.4	0.9	3.7%
Fees, Contractual and Rentals	8.5	10.0	2.7	1.5	17.2%	8.5	9.8	10.8	2.3	26.6%
Other/Temporary Pupil Accommodation	1.9	3.0	0.4	1.1	56.9%	0.8	2.0	3.4	2.6	310.0%
Interest Charges on Capital	4.3	4.3	2.2	-	0.0%	6.2	6.2	6.0	(0.2)	-3.4%
School Facilities Renewal Expense	5.1	5.7	1.6	0.6	11.9%	5.7	5.7	6.6	0.9	15.9%
School Facilities Sub-Total	96.3	100.1	22.9	3.8	4.0%	97.8	99.9	104.4	6.7	6.8%
Central Administration										
Salaries and Benefits	17.2	17.4	4.2	0.2	1.1%	17.5	17.5	17.1	(0.4)	-2.2%
Staff Development, Supplies and Services	2.1	2.1	0.9	-	0.0%	2.1	2.1	1.9	(0.2)	-11.4%
Fees, Contractual and Rentals	2.1	1.9	0.2	(0.1)	-6.7%	1.9	1.9	1.6	(0.4)	-19.7%

Ottawa-Carleton District School Board

Comparative Summary of Expenses

2019-2020 Revised Estimates

In \$ Millions EXPENSE CATEGORY	2019-20					2018-19				
	Budget	Revised Estimates	YTD Nov 2019	Variance	% Spent	Budget	Revised Estimates	Actual	Variance	% Spent
				Revised minus Budget	Variance over Budget				Actual minus Budget	Var Actual over Budget
Central Administration Sub-Total	21.4	21.5	5.2	0.0	0.2%	21.5	21.6	20.5	(1.0)	-4.6%
Other										
Extended Day Program Compensation	16.3	15.2	0.8	(1.1)	-6.8%	16.0	16.2	15.5	(0.5)	-3.0%
Extended Day Program Supplies/Int Svcs	1.4	1.1	0.2	(0.3)	-20.1%	1.1	1.1	1.1	(0.0)	-0.8%
Child Care Program Compensation	1.9	1.9	0.4	-	0.0%	2.0	1.9	1.9	(0.1)	-3.6%
Child Care Program Supplies/Int Svcs	0.1	0.1	0.0	-	0.0%	0.1	0.1	0.1	0.0	2.8%
Recoverable Compensation (Secondments)	7.3	7.3	1.7	-	0.0%	7.2	7.2	7.4	0.2	2.9%
Remedy Payments and Legal Provisions	-	-	-	-	0.0%	-	3.3	2.9	2.9	0.0%
Fifty-Five Board Trust (Capital and Interest)	2.5	2.5	-	-	0.0%	2.5	2.5	2.5	-	0.0%
Other Sub-Total	29.5	28.1	3.0	(1.4)	-4.7%	28.8	32.3	31.4	2.6	9.0%
Amortization										
Ministry Approved Projects	61.8	56.9	15.1	(4.9)	-7.9%	53.4	55.9	49.7	(3.7)	-6.9%
Board Approved Projects	0.1	0.4	0.4	0.3	416.8%	0.0	0.0	0.1	0.1	163.4%
Amortization Sub-Total	61.8	57.2	15.5	(4.6)	-7.4%	53.4	56.0	49.8	(3.6)	-6.8%
Grand Total	980.2	977.8	231.6	(2.4)	-0.2%	974.3	978.7	966.9	(7.4)	-0.8%

Finance 2019.12.16 (numbers may not add due to rounding)

	Budget	Revised Estimates	Change increase (decrease)
	\$	\$	\$
Revenue			
Pupil Foundation-ADE only	385,621,536	385,425,261	(196,275)
School Foundation	53,511,209	53,403,779	(107,430)
Special Education	101,247,505	101,177,962	(69,543)
Language	34,707,951	34,812,797	104,846
Rural and Small Community Allocation	194,481	194,481	-
Learning Opportunity (includes mental health leader)	19,443,779	19,078,676	(365,103)
Adult Education, Continuing Education and Summer School	7,674,733	7,121,869	(552,864)
Cost Adjustment and Teacher Qualifications and Experience	101,927,896	98,261,195	(3,666,701)
ECE Qualification and Experience Allocation	3,897,242	3,827,749	(69,493)
New Teacher Induction Program (NTIP)	511,212	511,212	-
Restraint Savings	(279,158)	(279,158)	-
Transportation	43,895,596	43,064,411	(831,185)
Administration and Governance	20,747,693	20,734,389	(13,304)
School Operations	78,484,394	78,189,544	(294,850)
Community Use of Schools	1,078,910	1,078,910	-
Declining Enrolment Adjustment	-	-	-
Indigenous Education Allocation	2,283,685	2,710,885	427,200
Safe and Accepting Schools	1,905,160	1,902,757	(2,403)
Permanent Financing of NPF (Board 55 Trust)	2,523,115	2,523,115	-
	<u>859,376,939</u>	<u>853,739,834</u>	<u>(5,637,105)</u>
Revenue Deferrals			
Deferred Revenue - MTCA Allocation	(21,484,423)	(21,343,496)	140,927
Deferred Revenue - Rural and Northern Education Fund	(194,481)	(194,481)	-
Deferred Revenue - Special Education	(101,247,505)	(101,177,962)	69,543
Deferred Revenue - Library Staffing	(238,628)	(238,628)	-
Deferred Revenue - Student Achievement Envelope	(6,935,924)	(6,171,222)	764,702
Deferred Revenue - Indigenous Education	(751,180)	(750,457)	723
	<u>(130,852,141)</u>	<u>(129,876,246)</u>	<u>975,895</u>
Deferred Revenue Recognition and Adjustments			
Deferred Revenue (5.1) - Special Education	100,256,176	100,252,692	(3,484)
Deferred Revenue (5.1) - Library Staffing	238,628	238,628	-
Deferred Revenue (5.1) - Student Achievement Envelope	6,935,924	6,171,222	(764,702)
Deferred Revenue (5.1) - Indigenous Education PPA	751,180	750,457	(723)
Deferred Revenue - MTCA (Sch 5.1 Capital)	1,496,552	8,549,098	7,052,546
Deferred Revenue - School Renewal (this is maintenance)	5,087,333	5,087,333	-
Deferred Revenue - Interest on Capital Projects (OFA)	4,605,569	4,666,219	60,650
Deferred Revenue - Temporary Accommodation	859,131	1,091,329	232,198
Deferred Revenue - Rural and Northern Education Fund	194,481	194,481	-
Trustees' Association Fee	43,316	43,316	-
	<u>120,468,290</u>	<u>127,044,775</u>	<u>6,576,485</u>
Total Operating and Capital Support GSN	<u>848,993,088</u>	<u>850,908,363</u>	<u>1,915,275</u>

	Budget	Revised Estimates	Change from Budget increase (decrease)
	\$		\$
Priorities and Partnerships Funds			
After School Skills Development	58,268	138,498	80,230
Autism Pilot Project	247,595	34,000	(213,595)
Curriculum Implementation Funding	-	56,554	56,554
Enhancements to Support Experiential Learning	258,693	285,696	27,003
First Nations, Metis & Inuit Studies	-	69,600	69,600
Focus on Youth	476,000	476,000	-
Focusing on Fundamental Mathematics (replaces RMS)	1,682,261	1,236,000	(446,261)
French as a Second Language	-	313,826	313,826
Graduation Coach Program (Pilot for Black Students)	-	224,162	224,162
Human Rights and Equity Advisor	-	170,430	170,430
Identity-Based Data Collection, Analysis and Use	-	46,720	46,720
Indigenous Support and Engagement Initiative	100,000	-	(100,000)
Keeping Students in School	-	47,747	47,747
Mental Health Workers in Schools	607,188	616,024	8,836
Mental Health & Well Being	180,755	-	(180,755)
OSSTF Education Workers Apprenticeship Training	425,997	150,404	(275,593)
Parents Reaching Out	84,475	40,521	(43,954)
Prepare for Recreational Cannabis	-	44,401	44,401
Safe, Inclusive, and Accepting Schools	-	90,482	90,482
Specialist High Skills Major	343,998	367,548	23,550
Teacher Learning and Leadership Program	50,000	50,000	-
Transportation Funding for Children and Youth in Care	167,378	192,193	24,815
	4,682,608	4,650,806	(31,802)
Other Deferred Revenues			
Literacy and Basic Skills (Advanced Education & Skills Dev)	831,469	831,469	-
English as a Second Language (Citizenship & Immigration)	1,886,552	1,757,425	(129,127)
Ottawa Network for Education (ONFE) Breakfast Program	555,978	601,926	45,948
Ontario Works	538,574	558,261	19,687
Council of Ontario Directors of Education (CODE) Summer Learning	-	58,855	58,855
Ontario Early Years Child & Family Centre	563,952	563,952	-
	4,376,525	4,371,888	(4,637)
Total	9,059,133	9,022,694	(36,439)

		\$
Adjusted In-year Deficit in 2019-2020		<u>(8,223,286)</u>
Preliminary 2020-2021 Adjustments		
ADE-related teacher staffing decrease		1,125,000
Reduced costs relating to portable relocations		400,000
Revenue reductions		<u>(1,500,000)</u>
	2020-2021 Net Reduction	<u>25,000</u>
Preliminary 2021-2022 Adjustments		
Reduced minor tangible capital investments including those relating to completed work on broadband modernization, WIFI infrastructure and school furniture and equipment renewal		7,598,286
Align school renewal operating costs to funding		<u>600,000</u>
	2021-2022 Net Reduction	<u>8,198,286</u>
Planned in-Year Deficit in 2021-2022		<u>-</u>



AUDIT COMMITTEE Report No. 20-001

22 January 2020

Purchasing Policies Exceptions

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

PURPOSE:

1. To provide to the Audit Committee, annual information regarding purchasing policies exceptions.

CONTEXT:

2. District policy, in alignment with the legislated Broader Public Sector (BPS) procurement directive, sets forth rules with respect to following a procurement process that is fair and transparent to all stakeholders.

As a general rule, a competitive procurement process is followed as outlined in the District purchasing policies; however, from time to time, special circumstances require non-competitive procurement.

All BPS organizations, including the District, may use non-competitive procurement only in situations outlined in the Canadian Free Trade Agreement (CFTA), and the Canada-European Union Comprehensive Economic and Trade Agreement (CETA).

KEY CONSIDERATIONS:

3. Process for Non-Competitive Procurement
Prior to the commencement of a non-competitive procurement, supporting documentation is completed and approved by the appropriate superintendent and the Director of Education or Chief Financial Officer.

Supply Chain Management (SCM) staff record and track all non-competitive procurement transactions in a central database under the following three categories as deemed acceptable by the free trade agreements (see Appendix A):

- non-application;
- single source; and
- sole source.

Non-application means that the goods or services being procured do not require a competitive bid process. Single source means that only one supplier is

approached for a particular good or service. Sole source means that only one supplier can supply the goods or services required.

A fourth category of non-competitive procurement, nonconformance, is also tracked. Nonconformance procurements are those that fall outside of the free trade agreement exceptionalities and outside of the requirements of the District's purchasing policies. Nonconformity is defined as failure or refusal to conform to a prevailing rule or practice. Typically, these are the purchases where the requisitioner failed to obtain a sufficient number of competitive bids.

In the case of nonconforming procurement, Supply Chain Management staff will not convert the purchase requisition into a purchase order and payment does not occur until a rationale is documented that indicates the reason for non-conformance. The nonconformance procurement must then be signed by the appropriate superintendent and Director of Education or Chief Financial Officer for processing and payment to occur.

In the case of exceptions, SCM staff follows up with the schools or departments reminding them of the District's purchasing policies and provides guidance with respect to strategic sourcing and possible procurement processes that can be used in future.

Training is provided on an ongoing basis through the Finance department's school support hotline, telephone support and guidance from SCM staff, and presentations at school operations meetings (principals and vice-principals) and office administrator meetings.

4. Purchasing Policies Exceptions

Attached as Appendices B and C are the purchasing policies exceptions that occurred between September 2018 to August 2019, as well as the previous annual (2017-2018) purchasing exception report for comparison purposes.

As noted, the total dollar value of purchase orders processed in 2018-2019 was 29% higher than the previous year. The number of purchasing exceptions in all categories has increased slightly from the previous year. However, the non-conformance purchases remain at less than 1% of the total number of purchase orders processed and less than 1% of the total dollar value of purchase orders processed.

SCM staff continues to make presentations to principals, vice-principals, office administrators and departmental staff on the BPS procurement directive competitive bidding requirements, as well as the District's purchasing policies.

RESOURCE IMPLICATIONS:

5. Competitive procurement ensures optimum value for money.

COMMUNICATION/CONSULTATION ISSUES:

6. There is regular communication with schools and departments regarding tendered standing offer contracts that have already gone through the rigour of a competitive procurement process. This enables schools and departments to acquire goods or services in a timely and cost effective manner.

Updated purchasing policies and procedures are communicated to District staff in a timely fashion. Purchasing policy nonconformance is brought to the attention of the requisitioner and to their respective superintendent to prevent future occurrences.

This purchasing exceptions report is provided on an annual basis. Due to the fairly consistent reporting results for the past three years it appears that an annual reporting schedule is adequate. However, should there be an occurrence of substantial nonconformance, it will be brought to the attention of the Audit Committee immediately, and not wait for the annual report.

STRATEGIC LINKS:

7. The report aligns with the 2019-2023 Strategic Plan's pillar of developing a culture of social responsibility by modeling accountability and by building system capacity in resource allocation.

GUIDING QUESTIONS:

8. The following question is provided to support the discussion of this item by the Committee:
 - How does this activity connect with the Audit Committee's objectives?

Michael Carson
Chief Financial Officer

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

APPENDICES

Appendix A Sole Source

Appendix B Purchasing Policies Exceptions for Fiscal Year 2018-2019

Appendix C Purchasing Policies Exceptions for Fiscal Year 2017-2018

APPENDIX A To Report 20-001

CFTA/CETA - Allowable Exceptions

Non-Application of Trade Agreements

Where a non-application clause exists under CFTA or CETA, Broader Public Sector (BPS) organizations may apply this clause as the basis for conducting non-competitive procurement.

A BPS organization asserting that procurement is subject to a non-application clause under a trade agreement must formally establish applicability of this clause.

As of July 2017 (CFTA) and September 2017 (CETA), the above-mentioned non-application clauses of the free trade agreements are outlined below. BPS organizations are required to comply with any amendments to the trade agreements approved after release of the BPS Procurement Directive.

- Procurement of goods intended for resale to the public;
- Contracts with a public body or a non-profit organization;
- Procurement of goods and services purchased on behalf of an entity that is out of scope of the Directive;
- Procurement from philanthropic institutions, prison labour or persons with disabilities;
- Procurement of any goods the inter-provincial movement of which is restricted by laws not inconsistent with the trade agreements;
- Procurement of goods and services that is financed primarily from donations that are subject to conditions that are inconsistent with the Directive;
- Procurement of goods and services related to cultural or artistic fields and computer software for educational purposes;
- Procurement of services that in Ontario may, by legislation or regulation, be provided only by any of the following licensed professionals: medical doctors, dentists, nurses, pharmacists, veterinarians, engineers, land surveyors, architects, accountants, lawyers and notaries;
- Procurement of services of financial analysts or the management of investments by organizations who have such functions as a primary purpose;

- Procurement of financial services respecting the management of financial assets and liabilities (i.e., treasury operations), including ancillary advisory and information services, whether or not delivered by a financial institution;
- Procurement of goods and services for use outside Canada as well as construction work done outside Canada; and
- Health services and social services.

Single Sourcing

BPS organizations may conduct non-competitive procurement in the circumstances listed below (also known as single-source situations); provided that they do not do so for the purposes of avoiding competition between suppliers or to discriminate against suppliers:

- Where an unforeseeable situation of urgency exists and the goods or services cannot be obtained in time by means of open procurement procedures.
- Failure to plan and allow sufficient time for a competitive procurement process does not constitute an unforeseeable situation of urgency;
- Where goods or services regarding matters of a confidential or privileged nature are to be purchased and the disclosure of those matters through an open tendering process could reasonably be expected to compromise government confidentiality, cause economic disruption or otherwise be contrary to the public interest;
- Where a contract is to be awarded under a cooperation agreement that is financed, in whole or in part, by an international cooperation organization, only to the extent that the agreement between the entity and the organization includes rules for awarding contracts that differ from the obligations set out in the Directive;
- Where construction materials are to be purchased and it can be demonstrated that transportation costs or technical considerations impose geographic limits on the available supply base, specifically in the case of sand, stone, gravel, asphalt, compound and pre-mixed concrete for use in the construction or repair of roads;
- Where compliance with the open tendering provisions set out in the Directive would interfere with the entities' ability to maintain security or order or to protect human, animal or plant life or health; and
- In the absence of a receipt of any bids in response to a call for proposals or tenders made in accordance with the Directive.

Sole Sourcing

Where only one supplier is able to meet the requirements of a procurement, BPS organizations may conduct non-competitive procurement in the circumstances listed below (also known as sole-source situations) provided that they do not do so for the purposes of avoiding competition between suppliers or to discriminate against suppliers:

- To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licenses, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative;
- Where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists;
- For the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly;
- For the purchase of goods on a commodity market;
- For work to be performed on or about a leased building or portions thereof that may be performed only by the lessor;
- For work to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work;
- For a contract to be awarded to the winner of a design contest;
- For the procurement of a prototype of a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases;
- For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership, but not for routine purchases;
- For the procurement of original works of art;
- For the procurement of subscriptions to newspapers, magazines or other periodicals; and
- For the procurement of real property.

APPENDIX B
To Report 20-001

PURCHASING POLICIES EXCEPTIONS FOR FISCAL YEAR 2018-2019

For 2018-2019 Fiscal Year

Total # of P.O.s processed 9631

Total Dollar Value of P.O.s processed \$99,299,661.44

Exceptions	Number of P.O.s	% of Number of Total P.O.s Processed	Dollar Value	% of Total Dollar Value
Non-Application	14	0.15%	\$211,372.36	0.21%
Single Source	32	0.33%	\$214,930.03	0.22%
Sole Source	76	0.79%	\$1,133,565.15	1.14%
TOTAL	122	1.27%	\$1,559,867.54	1.57%
Non-Conformance	41	0.43%	\$365,272.12	0.37%

APPENDIX C
To Report 20-001

PURCHASING POLICIES EXCEPTIONS FOR FISCAL YEAR 2017-2018

For 2017-2018 Fiscal Year

Total # of P.O.s processed 10884

Total Dollar Value of P.O.s processed \$142,728,085.91

Exceptions	Number of P.O.s	% of Number of Total P.O.s Processed	Dollar Value	% of Total Dollar Value
Non-Application	8	0.07%	\$172,636.89	0.12%
Single Source	31	0.28%	\$213,109.20	0.15%
Sole Source	76	0.70%	\$1,845,486.03	1.29%
TOTAL	115	1.05%	\$2,231,232.12	1.56%
Non-Conformance	47	0.43%	\$297,888.39	0.21%



AUDIT COMMITTEE Report No. 20-002

22 January 2020

Regulatory Compliance

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

PURPOSE:

1. To provide information on the processes and controls in place to ensure that the District is in compliance with key regulations and statutes.

CONTEXT:

2. One of the roles of the Audit Committee is to ensure that appropriate processes and controls are in place to make certain that the District is in compliance with statutes and regulations, and that processes are also in place to address areas of non-compliance.

While the regulatory compliance register is a living document, the register captures the key statutes and regulations of the 2018-2019 school year.

In an organization the size of the OCDSB, there will always be instances of non-compliance, however the monitoring of the register is designed to reduce the risk that such non-compliance will go uncorrected.

KEY CONSIDERATIONS:

3. Developing and operationalizing compliance procedures and processes occurs at the departmental level by staff that has the greatest understanding of the compliance requirements.

Regulatory compliance is achieved and monitored in the following ways:

- a. Through Ministry directives and policy/program memoranda (PPMs);
- b. Through formal District policies, procedures, standard operation directives and processes that staff must follow;
- c. Through various levels of supervisory and management oversight of the work performed within the District;
- d. Through self-regulations as many staff members are bound by their professional standards and their professional code of ethics;
- e. Through staff training and certifications which includes in-depth knowledge of the regulatory requirements in their area of work/responsibility; and
- f. Orders to comply, fines, penalties, tribunal or judicial reviews by external agencies with oversight responsibility in their respective areas.

Attached as Appendix A is a memorandum to the Audit Committee confirming that the District has operational processes and practices in place to ensure substantial compliance with key statutory and regulatory requirements in most areas.

4. Managers in the District have provided an attestation to their respective superintendents that, for the 2018-2019 school year, to the best of their knowledge, their department is in compliance with statutory and regulatory requirements. Where partial compliance or non-compliance is identified by the manager, it is documented, including the actions that are being taken to ensure substantial compliance. For example, at any given time staff may be in the process of writing, updating or implementing new processes to meet the ever-changing statutes or regulatory requirements, or responding to immediate gaps that have been identified either internally or externally through the respective compliance mechanisms, i.e., Ministry of Labour inspections, Technical Standards & Safety Authority (TSSA) inspections, Electrical Safety Authority (ESA) inspections, etc.
5. The following are some examples of areas where departments are working on developing processes and controls to achieve full compliance:
 - a. One area identified by Supply Chain Management (SCM) as substantial compliance is the Comprehensive Economic and Trade Agreement (CETA) and Canadian Free Trade Agreement (CFTA). SCM is working on updating the relevant District policies and procedures for alignment with the trade agreements. The implementation of an e-bidding portal to receive submissions electronically is now operational and in compliance with the trade agreements;
 - b. Under the *Waste Diversion Act*, there is an expectation that school districts achieve a 50% diversion rate. Partial compliance on average of 24% has been achieved to date as all schools do not actively participate in a recycling program;
 - c. Under the *Education Act* a plan has been developed to re-establish compliance with the requirements related to the completion schedule for teacher, principal and vice-principal performance appraisals; and
 - d. With respect to the *Accessibility for Ontarians with Disabilities Act* (AODA), some new staff have not yet been trained as required. An online training module with enhanced Human Rights content is being developed and is to be rolled out to all staff, including new employees.
6. In staff's opinion, it is impossible to know, with certainty that all District staff are in compliance with all statutory and regulatory requirements at all times; however, by requiring an annual departmental identification of new statutes and regulations and by reviewing existing key statutory and regulatory requirements, staff is reminded of their responsibilities under a statute or regulation. This allows for the review of District processes and controls in place to become substantially compliant with the legislation, and for the identification of any non-compliance and subsequent corrective action.

It is the responsibility of superintendents to monitor proposed departmental work plans and timelines to ensure compliance is achieved in a timely manner and corrective action is taken where required.

As the regulatory landscape keeps changing, staff is constantly working on processes and controls to achieve compliance. The annual review satisfied staff that there are substantial processes in place to provide direction on compliance, monitor compliance and for follow-up where non-compliance is suspected.

RESOURCE IMPLICATIONS:

7. The District continues to see increasing demands for accountability and regulatory compliance. While staff is committed to providing safe and healthy learning environments for students, it should also be noted that trying to achieve compliance with the increasing levels of regulation is creating extensive demands on resources, both financial and human.

Although the District has not encountered any financial penalties as a result of non-compliance in recent years, statutory or regulatory non-compliance can result in significant fines or penalties.

COMMUNICATION/CONSULTATION ISSUES:

8. Communication has occurred with individual departmental managers to gather and understand their regulatory requirements and the associated processes and controls that are in place to achieve compliance.

STRATEGIC LINKS:

9. The 2019-2023 Strategic Plan pillar of developing a culture of social responsibility and improved governance practices is achieved when regulatory compliance is reviewed and updated on an annual basis thereby building capacity in risk management.

GUIDING QUESTIONS:

10. The following question is provided to support the discussion of this item by the Committee:
 - Does this annual compliance report satisfy the Audit Committee's objective of ensuring the effectiveness of the District's system for monitoring statutory and regulatory compliance?

Michael Carson
Chief Financial Officer
(ext. 8881)

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

APPENDICES

Appendix A - Regulatory Compliance Memorandum



MEMORANDUM

TO: Audit Committee

FROM: Camille Williams-Taylor, Director of Education and Secretary of the Board
Michael Carson, Chief Financial Officer

DATE: 22 January 2020

RE: **Regulatory Compliance**

During the 2018/2019 fiscal year we can confirm, to the best of our knowledge, that our operational processes and practices were satisfactory to:

- a. Demonstrate that the OCDSB is in general compliance with the regulatory requirements listed below in all substantial manners: and
- b. To identify instances of non-compliance and to provide for correction of their non-compliance.

- Accessibility for Ontarians with Disabilities Act (AODA)
- Anti-Racism Act
- Audiology & Speech-Language Pathology Act
- Broader Public Sector Accountability Act
- Building Code Act
- Canada-European Union (EU) Comprehensive Economic and Trade Agreement
- Canada Revenue Agency Act
- Canada's Anti-Spam Legislation
- Canadian Free Trade Agreement
- Child Care and Early Years Act
- Children and Youth Family Services Act
- Canadian Radio-Television and Telecommunications Commission Act (CRTC)
- Education Act
- Electricity Act
- Employment Standards Act
- Fire Prevention and Protection Act
- Green Energy Act
- Health Care Consent Act
- Municipal Elections Act
- Municipal Freedom of Information and Protection of Privacy Act

- Occupational Health and Safety Act
- Ontario Human Rights Code
- Personal Health Information Protection Act (PHIPA)
- Pesticides Act
- Psychology Act
- Quebec / Interior Trade Agreement
- Regulated Health Professionals Act
- Rowan's Law
- Ryan's Law
- Sabrina's Law
- Safe Drinking Water Act
- Social Work and Social Workers Act
- Technical Standards and Safety Authority
- Waste Diversion Act
- Workplace Safety and Insurance Act
- Youth Criminal Justice Act

Date: _____
 Month, Day, Year

 Michael Carson
 Chief Financial Officer

Date: _____
 Month, Day, Year

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

Attach.

cc Senior Staff
 Manager Risk and Supply Chain Management
 Manager Board Services
 Corporate Records



Subject:	Internal Audit Activities Update		
Presented by:	Genevieve Segu, Regional Internal Audit Manager Gord Champagne, Senior Regional Internal Auditor		
Meeting Date:	January 22, 2020		
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	2019-20 Internal Audit Plan update (as of January 6, 2020)		
	Year	Audit & Scope	Status Next Steps
	2019-20	Attendance Support Program Review This is a consulting engagement. The objective was to review the Attendance Support Program at the district, identify challenges and benchmark to leading practices in the sector. In the Ontario East Region, RIAT has performed engagements in this area at three other districts.	Field Work Complete Next: meet with Management to discuss. Final Report to AC: on or before May 2020.
	2019-20	Attendance Data Visualization This is a consulting engagement. The objective was to present the district’s absenteeism data in a format that would enable the district to form conclusions and inform policy changes. Over 25 school boards in the province (including 5 for the Ontario East Region)	In Progress November 2019: RIAT provided feedback to Deloitte on the tool and the information it presents. 9 Jan 2020: Deloitte will present the changes to RIAT



		have gone through this exercise and leveraged the tool to make positive changes.	Next: Deloitte will present the tool to Management.
	2019-20	<p>Follow-up Procedures</p> <p>This is a recurring item on RIAT's annual plan.</p> <p>RIAT continues to follow-up on the remaining recommendations, as they come due.</p>	<p>On-going</p> <p>22 Jan 2020: presentation to AC of the 2019-20 Interim Report</p> <p>Next steps: finalize the follow-up for the remaining audit recommendations.</p> <p>Final Report to AC: on or before May 2020</p>
Recommendation	That the Ottawa-Carleton District School Board Audit Committee receive for information the January 22, 2020 Internal Audit Activities update.		

Audit Committee Work Plan

General Responsibilities

Audit Committee Agenda Items	Meeting Date					Comments
	S E P T	N O V	J A N	M A R	M A Y	
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 E P T	N O V	J A N	M A R	M A Y		
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 E P T	N O V	J A N	M A R	M A Y		
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				•			