



## AUDIT COMMITTEE REPORT (PUBLIC)

**Monday, November 19, 2018**

**7:00 pm**

**Trustees' Committee Room**

**133 Greenbank Road**

**Ottawa, Ontario**

Members: Sandra Schwartz (Trustee), Keith Penny (Trustee), Lynn Scott (Trustee), Annik Blanchard (External Member), Erik Husband (External Member)

Staff and Guests: Mike Carson (Chief Financial Officer), Jennifer Adams (Director of Education), Shawn Lehman (Superintendent of Instruction), Kevin Gardner, (Manager of Financial Services), Charles D'Aoust (Coordinator of Budget Services), Teri Adamthwaite (Coordinator of Financial Reporting), Kim Lebrun (Finance/Project Officer), Sandy Owens (Manager, Business and Learning Technologies), Sandra Lloyd (Manager of Risk and Supply Chain Management), Rob Clayton (KPMG), Rebecca Prophet (KPMG) Nicole Guthrie (Board/Committee Coordinator)

1. Call to Order

Trustee Schwartz 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 Trustee Penny,**

**THAT the agenda be approved.**

**Carried**

3. Delegations

There were no delegations.

4. Superintendent's Report

Chief Financial Officer (CFO) Carson advised that recent media discussions on claims against the District will be discussed in the in camera session.

The District recently completed the upgrade of the K212 Finance system and the transition has been routine. Staff continues to work with the developers to resolve any issues as they arise. He noted that within the next several years the District will want to investigate a more robust product to meet its needs.

CFO Carson thanked Director Adams for her continuous support and commitment to the Audit Committee and its work. He noted that her support has been a key factor in the District's recognition as a leading-edge board of education.

5. Action Items

5.1 Review of Audit Committee Report

a. 26 September 2018

**Moved by Trustee Scott,**

**THAT the report from the Audit Committee, dated 26 September 2018, be received.**

**Carried**

b. Business Arising

There was no business arising.

5.2 Referred - Report 18-081, Audit Committee Annual Report for 2017-2018 (M. Carson ext. 8881)

Your Committee had before it Report 18-081 seeking approval of the 2017-2018 annual report on activities.

**Moved by Trustee Penny,**

**THAT the revised Report 18-081 be approved as the Audit Committee Annual Report to the Board for 2017-2018. (Attached as Appendix A)**

**Carried**

5.3 Report 18-101, Draft 2017-2018 Consolidated Financial Statements (M.Carson, ext. 8881)

Your Committee had before it Report 18-101 seeking approval of the draft 2017-2018 Consolidated Financial Statements.

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

- The actual 2017-2018 Consolidated Financial Statements show a surplus of \$26.2 million;
- The 2017-2018 Budget identified a surplus of approximately \$15.0 million and staff are actively trying to identify the specific sources of the higher

- than anticipated surplus. Early investigations indicate the use of occasional teaching staff as an area requiring further review;
- Table 3 on folio 4 identifies a carry forward amount of approximately \$2.1 million;
- With a larger than anticipated surplus, the District has some flexibility moving into the 2019-2020 budget planning process;
- Every effort will be made to identify and address issues of underspending; and
- KPMG have audited the consolidated financial statements and provided a clean and unmodified opinion. KPMG expressed no issues or reservations with the consolidated financial statements.

**Moved by Erik Husband,**

**THAT the Draft 2017-2018 Consolidated Financial Statements be approved. (Attached as Appendix B)**

**Carried**

6. Matters for Discussion

6.1 Report 18-102, Analysis of the District's 2017-2018 Financial Results (M. Carson, ext.8881)

Your Committee had before it Report 18-102 providing information regarding the District's financial results for the year ended 31 August 2018.

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

- The District approved a balanced budget of \$928.0 million. Owing to an increase in revenue, the District anticipates an approximate surplus of \$15.0 million;
- Enrolment growth and expense control contributed to the higher than anticipated surplus;
- Other significant items include increased international student enrolment, additional funding through the receipt of special purpose grants and reduced instruction related compensation costs;
- Portable relocation costs of \$3.5 million were incurred whereas the 2017-2018 budget was \$900,000. These costs will normalize in future years;
- The Infant Toddler Preschool (ITP) program had a projected deficit of \$400,000 but ended the year with a deficit of \$233,000. The surplus in the Extended Day program (EDP) was used to offset the deficit in the ITP program. The ITP/EDP programs ended the 2017-2018 year with a net surplus of \$673,000;
- The District achieved significant savings related to compensation costs for instruction. Preliminary reviews suggest that the variance is due to new

staff commencing their tenure at a lower rate of pay, the use of occasional teachers and replacement staff during the staffing process, and a residual effect of the employee life and health trusts. Staff continue to investigate the variance and will provide more information as part of the finalized 2018-2019 Revised Estimates;

- Through the increased enrolment and an increase in the Language grant the District was able to address English as a Second Language (ESL) staffing shortages;
- There has been a significantly larger than expected decrease in the liability associated with employee future benefits. Although the decrease works in favour of the District, staff need a better understanding of the issue to be able to plan for coming years;
- Director Adams noted that the issue of replacement staff is an area the District must focus on. The cost of replacement staff is more than financial in that the replacement staff affects the continuity of learning for students. She noted that the District and other school boards across the province have made overtures to the Ministry noting the lack of availability of staff and absentee rates. The District must continue to investigate solutions to lower the absentee rate;
- In response to a query from Trustee Scott, Director Adams noted that casual staff is employed during the staffing process to comply with Regulation 274. The replacement staff are paid at the casual rate until the hiring process is finalized. While it is more cost effective to employ casual staff, it is disruptive to learning as students may have multiple teachers before full-time staff are hired. Trustee Scott requested that information on this matter be provided to the trustees to assist in their advocacy efforts;
- Trustee Scott queried whether or not the District anticipates a reduction in retirement gratuity payouts over time. CFO Carson responded that the payouts have been reducing annually but it still represents a significant cost. Some of the decreases in the amount are the result of a freeze on entitlements;
- In response to a query from Trustee Scott, CFO Carson responded that the Human Resources department has a detailed understanding of the number and nature of pending retirements in all employee groups and provides the Finance department with the information;
- Trustee Scott requested that staff provide the Board and Audit Committee with a summary of the overall trends. She noted there may be a potential liability within retirement gratuities;
- Trustee Penny suggested that staff provide clear language regarding the larger than anticipated surplus to ensure public confidence;
- Director Adams noted that the surplus will enable the District to allocate funding to specific areas of need;
- In response to a query from Trustee Penny regarding the provision of equipment and support for special education students, CFO Carson noted that Learning Support Services (LSS) and Business and Learning

Technologies (B&LT) staff work diligently to shorten any wait lists experienced in the acquisition of needed technology and training for special education students. He noted that staff resources have been added to B&LT and that staff continue to address the issues as they arise;

- Chair Schwartz highlighted the EDP surplus as a function of the fee increase owing to deficits in previous years. The surplus will be used to cover the losses in ITP and invest in much-needed software for the department. She queried whether or not staff felt the trend of an EDP surplus would continue and advised that the Board may need to revisit the fee structure;
- CFO Carson noted that the planned investment in the software for the EDP department, approximately \$300,000, has been carried forward to the 2018-2019 school year and staff are optimistic the program will be in place for the start of the 2019-2020 school year. Changes to the support and level of staff within the EDP are being monitored and a report on the fee structure for 2018-2019 will be presented for further discussion by the Board in December 2018; and
- CFO Carson cautioned trustees to be mindful of possible future fee increases and noted the surplus is a valuable safety net.

## 6.2 Report 18-107, Regulatory Compliance Register (M. Carson, ext. 8881)

Your Committee had before it Report 18-107 to provide information on the processes and controls in place to ensure that the District is in compliance with key regulations and statutes.

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

- Staff are working with all internal departments to better understand the regulations used by each department to determine compliance;
- The District continues to work toward an Enterprise Risk Management (ERM) system ;
- In areas where partial compliance or noncompliance is identified, the noncompliance is documented and the corrective actions taken;
- Chair Schwartz highlighted the examples staff provided on folio 16 as evidence of the District's efforts towards full compliance. She understood the list will not be exhaustive but is satisfied with the annual review;
- In response to a query regarding compliance with the Ontario Human Rights Commission's Policy on Accessible Education for Students with Disabilities, Superintendent Grigoriev noted that Learning Support Services staff are reviewing District procedures and practices with respect to accommodations for students with special education needs to assess alignment with the policy. She noted that the policy references more than just physical disabilities but does not reference all of the exceptionalities presently defined by the District. For example, those identified with a

disability, including a communication or a learning disability (LD), would be captured by the policy;

- The register provided in Appendix A to Report 18-107 captures the key statutes and regulations of the 2016-2017 and 2017-2018 school years;
- CFO Carson noted that the regulatory net is vast and constantly changing through Ministry Directives and Policy/Program Memorandum (PPM). Staff is constantly working on processes and controls to achieve compliance;
- Mr. Husband advised that it is the role of the Audit committee to review the processes and controls in place to ensure the District is in compliance. He added that it would be helpful if the Audit Committee could see a list of all the statutes and regulations so that they can confirm compliance; and
- CFO Carson noted that resources are a factor and that an ERM system would help staff prioritize processes and controls.

## 7. Information Items

### 7.1 Long Range Agenda

The long range agenda was provided for information. CFO Carson advised that he will review and revise the long range agenda with the new Chair of the Audit Committee.

In response to a query from Trustee Scott regarding item 13, Self Evaluation of the Audit Committee, CFO Carson noted that staff has been investigating this item and possible solutions on the development of a tool to conduct the evaluation. Trustee Scott noted the importance of the item and hoped that it would remain on the long range agenda for the new Audit Committee to address in 2019.

## 8. New Business

There was no new business.

## 9. Adjournment

The public meeting adjourned at 7:58 p.m.

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Sandra Schwartz, Chair, Audit Committee