



AUDIT COMMITTEE REPORT (PUBLIC)

**Monday, January 21, 2019
7:00 pm
Trustees' Committee Room
133 Greenbank Road
Ottawa, Ontario**

Members: Sandra Schwartz (Trustee), Mark Fisher (Trustee), Keith Penny (Trustee), Erik Husband (External Member)
Staff and Guests: Lynn Scott (Trustee), Camille Williams-Taylor (Director of Education), Michael Carson (Chief Financial Officer), Kevin Gardner (Manager of Financial Services), Bill Tyers (Risk Management Analyst), Nicole Guthrie (Board/Committee Coordinator)

1. Call to Order

Trustee Schwartz called the public session to order at 7:06 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. Election of Chair

Trustee Schwartz self-nominated for the position of Chair of the Audit Committee.

Moved by Trustee Fisher,

THAT the nominations be closed.

Carried

Trustee Schwartz was declared the Chair of the Audit Committee by acclamation.

3. Approval of Agenda

Moved by Erik Husband,

THAT the agenda be approved.

Carried

4. Delegations

There were no delegations.

5. Superintendent's Report

Chief Financial Officer (CFO) Carson advised that Memo 19-011 was circulated to trustees regarding the status of 2018-2019 Education Program Grants-Other (EPO). The memo noted that services in 2018-2019 would not be adversely affected and that the potential impact of the Ministry's announcement to discontinue or renew grants at a reduced amount would be confirmed at a later date. The potential impacts of the changes will be considered during the budget process.

CFO Carson advised that over the Christmas break a broken water pipe at Earl of March Secondary School resulted in the flooding of a section of the school. The school was closed on 7 January 2019 as a result. The school re-opened to students on 8 January 2019 with temporary relocations. The clean-up required the removal of drywall as well as asbestos and mould abatement. The Energy Management team is investigating remote monitoring systems to prevent further incidents from occurring. The District did not experience any other incidents as a result of the extreme cold.

CFO Carson advised that many District facilities have flow sensors. The Ontario School Boards' Insurance Exchange (OSBIE) is reviewing the use of flow sensors and may provide incentives to fund their installation.

CFO Carson welcomed the new Director of Education, Camille Williams-Taylor.

6. Audit Committee - 2019 Planning

Your Committee had before it Memo 19-008 providing an opportunity for the Committee to discuss its goals and direction for the coming year.

Trustee Fisher commented on the connections between the state of District-owned buildings and risk noting the importance of continued investment in capital assets and the maintenance of the capital schedule. He expressed the view that the facilities conditions index should be evaluated with respect to risk.

Mr. Husband highlighted his continued interest in the District adopting and implement an enterprise risk management framework. He also expressed the view that the Committee be provided with an opportunity to review the year-to-date financial statements quarterly.

CFO Carson noted that Manager Lloyd is currently working on a proposal to begin the introduction of an enterprise risk management framework.

The members discussed compliance with Ontario Regulation 361/10 to ensure the deliverables of the Committee are met.

The members suggested the long range agenda be revised to become a work plan.

Chair Schwartz expressed the view that succession planning should remain on the long range agenda for future discussion. Members have raised the issue in the past and concerns on the matter remain.

Trustee Fisher indicated that it would be important for the Board and senior staff to determine the organizational tolerance for risk and ensure a consistency of practice to minimize risks.

Trustees Fisher and Scott requested further discussions at the Committee and Board level on the matter of risk and risk tolerance.

Chair Schwartz noted the reports of the Audit Committee are shared with trustees and it would be valuable to have a broader discussion on the findings of the Regional Internal Audit Team (RIAT) at the Board level. Trustees need to be aware that the findings, while sometimes small, could present a larger risk over time.

7. Matters for Action

7.1 Review of Audit Committee Report

a. 19 November 2018

Moved by Erik Husband,

THAT the Audit Committee report, dated 19 November 2018, be received.

Carried

b. Business Arising

There was no business arising.

8. Matters for Discussion

8.1 Report 19-001, Purchasing Policies Exceptions

Your Committee had before it Report 19-001, providing information on the purchasing policies exceptions for the period September 2017 to August 2018.

CFO Carson noted that the number of sole source exceptions for the 2017-2018 fiscal year remained the same as the previous year and most of the exceptions were a result of software licensing and agreements related to building control systems.

CFO Carson advised that the number of non-application exceptions decreased in the 2017-2018 fiscal year while the number of single source exceptions increased. Staff continues to reinforce the competitive procurement process and the need for advance planning. The purchasing policies exceptions do not pose a significant risk to the District.

In response to a query from Trustee Scott regarding the use of funds raised by school councils in purchasing locally, CFO Carson noted that although school councils may wish to purchase goods and equipment through local commercial outlets, the assets become the property of the District and

must be maintained. Over time, and through the use of consistent messaging, school councils and staff are beginning to understand the value of the competitive bid process and approved vendor lists.

In response to a query from Trustee Fisher, CFO Carson noted that local services are often addressed in the scoring of the bid. Although scoring is tightly regulated, some weight is given to the local presence and the strength of the local office can be a key factor (e.g., legal services). Local services are valued as the service will often be quicker and more effective if locally provided.

8.2 Report 19-002, 2018-2019 Revised Estimates

Your Committee had before it Report 19-002 providing information on the changes reflected in the District's 2018-2019 Revised Estimates as compared to the District's 2018-2019 Budget.

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

- The revised estimates reflect a surplus of \$2.8 million for the 2018-2019 school year;
- Staff were cautious with the recommendation of the use of \$5.4 million to support capital spending for investments in technology and student furniture. A recommendation will be presented at the 22 January 2019 Committee of the Whole Budget meeting;
- Compensation related instruction costs are projected to provide a savings of \$9.1 million. A review of the factors contributing to the savings identified an anomaly related to the compensation of new teaching staff who are generally compensated at lower rates of pay;
- Facility operations has incurred an increase owing to property lease costs and the additional costs of portable relocation;
- Transportation costs have increased as a result of the driver retention mitigation strategy intended to reduce bus driver turnover approved by the Ottawa Student Transportation Authority (OSTA) Board in June 2018;
- An accumulated surplus of \$37.7 million provides the District with the capacity to transition to the possibility of decreased revenue;
- The District has appropriated approximately \$17.0 million in contingencies to be used to respond to revenue shortfalls or increased expenses;
- Local Priorities System Investment funding currently supports 87.7 FTEs. That funding expires in August 2019. With the accumulated surplus the District will be able to manage the continuation of those positions, however, their prolonged extension will impact future budgets;
- The District will continue its commitment to community groups and the community use of space until the end of the 2018-2019 school year;
- Continued enrolment growth is projected for next year;

- Mr. Husband queried the growing surplus and whether or not staff has an estimate of an appropriate surplus. CFO Carson noted the Ministry mandated Multi-Year Financial Recovery Plan (MYFRP) was specific in its recommendation that the District maintain a reserve of between 1.5 and 2 percent of the calculated revenues. He noted that staff are more confident that a reserve of 2 to 3 percent would be more appropriate at the time;
- Staff anticipates funding reductions owing to the Ontario government's goal of reducing the provincial deficit and will continue to be cautious in the preparation of future budgets;
- In response to a query from Mr. Husband regarding folio 36 and the year-to-date expenses associated with employment, CFO Carson noted that teaching positions are often filled with occasional teachers (OTs) until contracts are signed. The District does not incur the full cost of the teachers until they are permanently placed;
- The change in the fees, contractual and rentals expenses listed on folio 36, is a result of the provision of some retroactive charges incurred in the first quarter; and
- Chair Schwartz expressed concern over the increased cost of OTs and its protracted impact on the budget year-to-year. CFO Carson noted that staff continues to investigate the matter and believe the issue may be a result of changes to sick leave within the collective agreements. Without the ability to bank sick leave, the District has seen a corresponding higher rate of absenteeism. The OT costs may also be a result of inadvertent coding errors in the Human Resources system. The Ontario Public School Board Association (OPSBA) is interested in this issue as it is common to many school boards across the province and negatively impacts student learning.

9. Information Items

9.1 Long Range Agenda

CFO Carson advised that staff will review the comments made by members during the discussion of item 6 and make the necessary revisions to the long range agenda. Chair Schwartz and CFO Carson will meet in advance of the 27 March 2019 meeting to review the draft long range agenda.

Trustee Fisher expressed the view that the Board's strategic planning retreat should include a discussion on ERM.

10. New Business

There was no new business.

11. Adjournment

The public meeting adjourned at 8.13 p.m.

Sandra Schwartz, Chair, Audit Committee