AUDIT COMMITTEE REPORT (PUBLIC)

Monday, November 23, 2020
6:00 pm
Zoom Meeting

Members:	Mark Fisher (Trustee), Sandra Schwartz (Trustee), Keith Penny (Trustee), Erik Husband (External Member)
Staff and Guests:	Donna Blackburn (Trustee), Lynn Scott (Trustee), Lyra Evans (Trustee), Camille Williams-Taylor (Director of Education), Mike Carson (Chief Financial Officer), Kevin Gardner (Manager of Financial Services), Sandra Lloyd (Manager of Risk and Supply Chain Management), Teri Adamthwaite (Coordinator of Financial Services), Charles D'Aoust (Coordinator of Budget Services), Kim Lebrun (Finance Officer), Rob Clayton (Lead Audit Engagement Partner, KPMG LLP), Rebecca Prophet (Audit Senior Manager, KPMG LLP), Gordon Champagne (Senior Regional Internal Auditor), Pasquale L'Orfano, (Regional Internal Auditor),Rebecca Grandis (Senior Board Coordinator).

1. Call to Order

   Trustee Fisher called the public session to order at 6:04 p.m. and acknowledged that the meeting is taking place on unceded, unsurrendered Algonquin Territories and thanked the Algonquin Nations for hosting the meeting on their land.

2. Approval of Agenda

   Moved by Trustee Schwartz

   That the agenda be approved,

   Carried

3. Delegations

   There were no delegations.

4. Superintendent's Report

   Chief Financial Officer (CFO) Carson advised that the District did submit an application for funding of $45.0 million, under the COVID-19 Resilience Infrastructure Stream (CVRIS), to the Ministry of Education. The Ministry will review the submission and forward it to the federal government for approval. Staff expect

the funding announcements in February of 2021.The projects must be substantively complete by December 2021. This presents a very small window to complete these projects. Many of the projects included in the submission were scheduled to be undertaken under the Facilities Renewal/School Condition Index (FRP/SCI) work.

CFO Carson acknowledged the excellent work of the Finance department over the 2019-2020 year. Staff was able to adapt to working remotely and achieved a successful year end with the finalizing of the financial statements.

CFO Carson acknowledged that Kevin Gardner, Manager of Financial Services recently marked his 30 year anniversary of achieving his Certified General Accountant (CGA) designation.

5. COVID-19 Update

CFO Carson advised that the District has received an additional $21.0 million in provincial funding through various agreements. The funding was allocated for enhanced cleaning supplies, transportation support, and for additional teaching staff. A second round of funding was allocated to school boards that were in "hotspot" areas in October. The majority of this provincial funding was used for staffing.

Pressure points continue to be the cost of acquiring personal protective equipment (PPE) and cleaning supplies. The province is coordinating the supply of these items through the Ministry of Government and Consumer Services (MGCS). Deliveries of goods through this supply chain have been unreliable and the District has had to purchase these items using its own funding. The products the District has acquired are medical grade, a much superior grade to that from the provincial supply.

There has been pressure placed on the Ministry by Directors of Education, senior business officials and trustee organizations to compensate school districts for the additional costs incurred in acquiring supplies. An announcement of this funding is expected in January 2021.

In response to questions CFO Carson noted:

- As part of the passing of an emergency bill, the province established that the MGCS would be the point of contact for all supplies of PPE for the Broader Public Sector (BPS). A second piece of legislation has allowed for the formation of Supply Chain Ontario, which may eventually see the centralization of provincial procurement for the BPS. Details are not available at this time;
- The District applied for approximately $45.0 million in CVRIS funding which was based on what a proportionate share of the $900.0 million of federal funding would be. Capacity within the system will have an impact on the projects. Staff reached out to the other school boards in Ottawa to ensure that the District's requests would not deplete the supply of local contractors, etc. The majority of the work in the OCDSB will be for heating, ventilation and air conditioning (HVAC) , information technology (IT) infrastructure, washroom

facility upgrades and hands free water bottle fillers. The projects chosen could be completed in the short window of time that is available;

- Substantively complete is based on the cost of the project, 95% of the value of the project must be completed; and
- There were approximately 100 projects included in the OCDSB submission.

6. Matters for Action

6.1 Review of Audit Committee Report

a. 21 October 2020

Moved by Trustee Penny

That the Audit Committee Report for 21 October 2020 be received.

Carried

b. Business Arising

There was no business arising.

6.2 Report 20-092, Draft 2019-2020 Consolidated Financial Statements

Your Committee had before it Report 20-092, seeking approval of the draft 2019-2020 Consolidated Financial Statements.

CFO Carson noted that there were circumstances related to COVID-19 that had an impact on the completion of the financial statements and caused some delay.

The District is required to report the financial information using two methods: the consolidated financial statements and the compliance-based financial report.

The report introduces the draft consolidated financial statements that are prepared in accordance with *the Education Act.* They are consolidated as, in addition to the compliance-based financial information, they include the Ottawa-Carleton Education Network (OCENET), the Ottawa Student Transportation Authority (OSTA) and school generated funds.

The following points were noted:

- The District had a consolidated operating surplus of $11.2 million as compared to a budgeted surplus of $900,000;
- The District has $39.8 million available for compliance that the Board can use in future years to balance a budget within the restrictions placed on it;

- The recommended carry forward amount of $2.3 million will be used to augment existing budgets, the use will be monitored and managed closely to ensure focused spending occurs; and
- KPMG have audited the consolidated financial statements and provided the opinion that the statements fairly present the consolidated financial information in all material respects.

CFO Carson drew attention to a new note to the financial statements that is becoming a standard disclosure, and outlines the impact of the Coronavirus COVID-19 pandemic and the ability for an organization to operate.

Chair Scott requested, on a point of personal privilege, that when referring to the report that the page numbers be used rather than the folio numbers.

Mr. Rob Clayton, Lead Audit Engagement Partner at KPMG advised that there were no issues or reservations expressed by the auditors in their report and staff cooperated fully in a very challenging time and that he could report a clean, unmodified opinion.

In the ensuing discussion and questions the following was noted:

- The significant amount in accounts receivable due from the municipality of $80.0 million was the result of a property tax deferral to ease the pressure on local property owners and municipalities during COVID-19. The funds did not flow through to school boards at the time of reporting but have since been received;
- Regarding the carry forward increase of $2.3 million that will augment existing budgets, staff will be developing a spending plan for schools to ensure the funds are used to respond to COVID-19 issues; and
- Employee future benefits (EFB) will continue to be a liability as it includes the future cost of Workplace Safety and Insurance Board (WSIB) benefits and some commitments to life insurance for staff members on long-term disability. The unfunded liability for EFB is a component of the accumulated surplus balance that is unavailable for compliance. The unfunded liability is being amortized as an expense over twelve years. There are four years of amortization costs remaining.

Moved by Erik Husband

THAT the Draft 2019-2020 Consolidated Financial Statements attached as Appendix A to Report 20-092 be approved.

Carried

7. Matters for Discussion

7.1 Report 20-093, Analysis of the District's 2019-2020 Financial Results

Your Committee had before it Report 20-093, providing the Audit Committee with information regarding the District's financial results for the year ended 31 August 2020.

CFO Carson advised that the deficit incurred for the year was substantially lower than the original budgeted amount of $9.0 million. Funds were used from the 2019-2020 fiscal year to ensure the readiness of schools in September for the 2020-2021 school year.

During the presentation and ensuing discussion, the following was noted:

- The $2.6 million deficit was lower than the planned deficit of $8.4 million;
- Costs and revenues were adjusted in response to centrally negotiated collective agreements;
- * There is an accumulated surplus in the amount of $39.8 million that is available for compliance with Ministry requirements for managing the District's finances. Of this amount, $8.0 million is committed to support capital asset amortization costs;
- Items of significant impact on the financial results were:
    - centrally negotiated collective agreements;
    - decreased average daily enrolment;
    - Indigenous Education allocation increases and higher enrolment in secondary courses;
    - language allocation for French as a second language FSL) and (English as a Second Language (ESL) ;
    - Teacher Qualification and Experience grant reductions;
    - Transportation grant reduction;
    - increased spending on portables; funds set aside for the acquisition of minor tangible capital assets;
    - deferred capital contributions and related expenses;
    - loss of Extended Day Program (EDP) and childcare revenue;
    - reduced international student revenue;
    - reductions in rental income benefits and miscellaneous revenue; and
    - COVID-related costs incurred in 2019-2020.
- Staff are going to be reviewing the cost of the EDP and child care programs in December to determine a fee structure and to look at the business model for 2020-2021;
- Maintaining stability within the District was a priority in 2019-2020 and early childhood educators (ECEs) in the EDP and extended programs

* Revised

were retained to support students. It is anticipated that funding will be provided for the cost of maintaining staff;

- Discussions about how to maintain stability in childcare are ongoing with the Ministry;
- The EDP and childcare programs were intended to be cost-recovery, deficits were incurred in the early years and subsequent adjustments have been made;
- A strong child care program helps to attract students to the District;
- Of the $7.9 million in COVID-19 expenses, approximately 60% of those funds were spent in the spring and the remainder was allocated to prepare for the September 2020 school reopening;
- Strike savings are currently shown as a liability which will be recovered by the province by way of future grant adjustments;
- The recovery fee for international students was announced in the 2019-2020 Grants for Student Needs (GSNs), OCENET did plan to increase tuition costs to recover this fee but in light of COVID-19 they may have to revisit this strategy;
- The recovery fee is the same for students in all school districts; and
- Staff will be reviewing the EDP fees to look for ways to lessen the impact of increases to cover the cost of operations.

8. Information Items

8.1 Regional Internal Audit Team (RIAT) Update

Your Committee had before it the Regional Internal Audit Team (RIAT) Update, providing information to the Audit Committee on the work being carried out by the RIAT.

Mr. Gordon Champagne, Senior Regional Internal Auditor, provided an update on the work of the RIAT that included the following:

- The Cyber Security Review was a useful robust workshop that took place in October 2020 and the results are being finalized. The next steps will be meeting with Information Technology (IT) managers in the Eastern Ontario region to validate the report and determine the priorities for each school board;
- The RIAT follow-up procedures will continue with consideration of the impact of COVID-19 on this work and staff time;
- RIAT Manager Segu met with the contractor and senior management to review the terms of references for the COVID-19 Review project. It

is scheduled to commence in January 2021 and will take approximately 4 weeks to complete; and

- The educational assistant (EA) deployment engagement has not been initiated, RIAT staff are looking at a start date for this work when availability permits.

In the ensuing conversation the following was noted:

- CFO Carson noted that he did meet with Ms. Segu and the contractor to discuss the COVID-19 Response Review. Changes were made to the timing and the format is being reviewed. He advised that he and Ms. Segu reached a solution that allows for a review to be conducted without a significant impact on the regular work of staff.
- The EA Deployment Review is planned to be undertaken this year; however, the COVID-19 Response Review has become a priority.

9. New Business

9.1 External Audit Committee Members (Outgoing)

Trustee Fisher noted that this is the last meeting with the current external members of the Audit Committee, as their term ends on 30 November 2020. He acknowledged the very valuable contribution that Ms. Blanchard and Mr. Husband have made to the Audit Committee during their terms, in particular, guiding the conversation around risk management and the financial statements.

Trustee Scott noted it has been a pleasure to work with Ms. Blanchard and Mr. Husband, and that they have been instrumental in informing the thinking of the Committee and keeping it on track with their consistent, good questions. These experienced, knowledgeable members provide a valuable service to the District.

CFO Carson noted that Ms. Blanchard and Mr. Husband have given a great deal of time to the Committee both at meetings and outside of meetings. Mr. Husband has been forthright in his approach to the risk management and financial disclosure work and it has been appreciated. Their comments have always been valuable and helpful.

Director Williams-Taylor noted her appreciation for the skilled external voice on the Audit Committee as it helps to promote the District's commitment to transparency and authenticity. She did recognize that this work is done with volunteer time and it is recognized and greatly appreciated.

Mr. Husband was pleased to note that since he joined the Committee areas that had been identified as a risk to the District have been addressed. He

acknowledged that he was committed to the risk management work and as a result there is a program in place.

He acknowledged that the work on the long range agenda for the Audit Committee must continue to include more structure and deliverable dates. He noted that he wished to see the Committee have a better understanding of the internal controls framework, particularly in relation to the approval of the financial statements and that it would be beneficial to have an attestation letter from the CFO noting that the internal controls of the organization are sufficient to safeguard its interest. He suggested a quarterly cadence to the financial statements. It was his hope that these suggestions would be considered in the future by the new members of the Committee.

10. Adjournment

The public meeting adjourned at 7:44 p.m.

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Mark Fisher, Chair, Audit Committee