

Revised 9 March 2021

AUDIT COMMITTEE REPORT (PUBLIC)

Wednesday, February 17, 2021

6:00 pm

Zoom Meeting

Members: Mark Fisher (Trustee), Sandra Schwartz (Trustee), Jennifer Jennekens (Trustee), Grace Lee (External Member), Shannon Hoeft (External Member)

* Staff and Guests: Camille Williams-Taylor (Director of Education), Donna Blackburn (Trustee), Mike Carson (Chief Financial Officer), Janice McCoy (Superintendent of Human Resources), Kevin Gardner (Manager of Financial Services), Sandra Lloyd (Manager of Risk and Supply Chain Management), Sandy Owens (Manager of Business & Learning Technologies), Kristen Kenopic (Staff Development Officer), Stefano Di Marco (Security and Identity Team Leader), Rob Clayton (Lead Audit Engagement Partner, KPMG LLP), Genevieve Segu (Regional Internal Audit Team (RIAT) Manager), Gordon Champagne (Senior Regional Internal Auditor), Rebecca Grandis (Senior Board Coordinator)

1. Call to Order

Chief Financial Officer (CFO) Carson called the public session to order 6:02 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. Election of Chair

Trustee Schwartz, seconded by Trustee Jennekens, nominated Trustee Fisher.

Trustee Fisher accepted the nomination.

Moved by Trustee Schwartz, seconded by Shannon Hoeft

THAT nominations be closed.

Carried

By acclamation, Trustee Fisher was appointed Chair of the Audit Committee

Trustee Fisher assumed the chair.

3. Approval of Agenda

Moved by Trustee Schwartz,

THAT the agenda be approved.

Chair Fisher noted that Report 21-018, Business and Learning Technologies Updates, was moved from the in camera agenda and would become item 9.4 on the public agenda.

Moved by Trustee Schwartz,

THAT the agenda be approved, as amended,

Carried

4. Welcome New Members

CFO Carson welcomed the new external members to the Audit Committee and provided information on the expertise that Dr. Grace Lee and Shannon Hoeft, CPA, would bring to the Committee.

5. Delegations

There were no delegations.

6. Superintendent's Report

CFO Carson advised that since the Audit Committee met on 23 November 2021, the District's focus has continued to be on providing safe learning environments for students. Staff have been extremely flexible as they had to prepare to return to remote learning when the January 2021 lockdown measures were implemented. Students have recently returned to in-person learning. Staff continue to work with Ottawa Public Health (OPH) to ensure students and staff are safe.

The Ministry of Education released information regarding the second round of committed funding for school boards as part of the Safely Back to School Program. Staff have analyzed how much of the funding is being allocated to technology and will continue to monitor the use of the additional Ministry funding.

The Budget Committee held its first meeting on 2 February 2021. The annual budget cycle has been impacted by the uncertainty of the Ministry of Education funding that is available to school boards for the 2021-2022 school year. There is no indication of a change in the usual timelines for the submission of a balanced budget by the end of June 2021. Timelines for the development of the 2021-2022 budget were presented to the Budget Committee and are subject to change. Staff have been informed by the Ministry that the COVID-19 funding that was provided in the 2020-2021 school year will not continue and the plan should be to return to the usual school year. In the absence of a firm commitment of funding to support the safe return to schools, funding for additional staffing supports will be a challenge. Building a budget and planning for a safe return to school in September 2021 will require flexibility to respond to the challenges that may arise. It will be a challenge for school boards to manage without additional funding (approximately \$28.0 million extra in

2021-2022 for COVID purposes) to maintain safe schools and to provide the extraordinary amounts of personal protective equipment (PPE) that will be required with the presence of COVID-19 still a reality in September 2021.

The Ontario Public School Boards' Association (OPSBA) is advocating on behalf of school boards for the Ministry to provide financial commitments as soon as possible for boards to make staffing and budget decisions.

7. COVID-19 Update

CFO Carson advised that the Minister of Education has announced that there would be increased COVID-19 testing in schools. Staff is working with Ottawa Public Health (OPH) to determine how the testing will be conducted. The province has indicated that funding is provided for this initiative, but operational issues need to be addressed. Staff is concerned about the additional pressure that testing in District schools places on education workers and administration. Trustees and the Audit Committee will be updated as information on this initiative becomes available.

Director Williams-Taylor reported that targeted testing would be conducted at 5% of District schools on a weekly basis. The District's experience with testing in the fall has been shared through the Council of Ontario Directors of Education (CODE). School districts are working to customize the approach to targeted testing in their areas. Local school boards are working with OPH, who has taken the lead on the project.

Staff have communicated the importance of timelines to the Ministry to facilitate planning for the 2021-2022 school year. Along with budget information coming forward, challenges are occurring with instructional expectations. For example, the Ontario Secondary School Literacy Test (OSSLT) is a graduation requirement and grade 11 students have not yet participated in this testing, which usually occurs in grade 10. The Ministry is proposing double cohorting for the testing only for students who are attending school in-person. The assessment is not available for students who are attending school virtually and this presents a risk to these students. CODE is actively advocating with the Ministry on this issue.

Planning for next year must include the reality of COVID-19 still being present. There will be a continued need for PPE and for some of the structures that were implemented to ensure safety in schools to remain. This may include cohorting secondary school students and maintaining a digital platform for learning. Stability is a key consideration in the planning of the 2021-2022 school year. Every effort will be made to provide the community with as much information as possible to inform choices in planning for returning to school.

To ensure a student's privacy is maintained in the event of a COVID-19 positive test or if a student exhibits symptoms, principals have worked with staff and students to reinforce that these are health-related issues. In cases where there have been greater COVID-19 numbers in a community, OPH has reached out to conduct targeted testing, ensuring no judgment is associated. This has been an ongoing

discussion with staff since the virus appeared in the spring and it has been managed very well within the District.

8. Matters for Action

8.1 Review of Audit Committee Report

a. Report, 23 November 2020

Moved by Trustee Schwartz,

THAT the 23 November 2020 report be received.

Trustee Fisher noted that an error was identified in the minutes prior to the meeting and the minutes have been amended to correct the error.

Moved by Trustee Schwartz,

THAT the 23 November 2020 Audit Committee report be received, as amended.

Carried

b. Business Arising

There was no business arising from the minutes.

9. Matters for Discussion

9.1 Report 21-005, Purchasing Policies Exceptions (M. Carson)

Your Committee had before it Report 21-005, Purchasing Policies Exceptions, providing information regarding purchasing policies exceptions for the period of March 2019-2020. CFO Carson noted that this is a cyclical report and presented to the Audit Committee annually.

Manager Lloyd advised that competitive procurement processes must be followed in accordance with District purchasing policies. From time-to-time, non-competitive procurement is allowed through free trade agreements and those allowances are outlined in Appendix A. Under those exceptions, there are three categories: non-application, single source, and sole source. The fourth category noted in the report is non-conformance which falls outside of the free trade agreements and the District policies. Instances of non-conformance are documented and require authorization from the Director of Education, or the CFO or designate. Supply Chain Management staff follow up with staff to provide guidance to mitigate future occurrences.

Manager Lloyd noted that the total dollar value of purchase orders increased by 5% from the previous year, still the number of purchasing exceptions in all categories remained similar to the previous year. There was a slight increase in exceptions in the single source category, which was 1.79% greater than the previous year. This increase can be attributed to COVID-19 and the need to

make timely purchases to respond to the pandemic. Over the course of the last four years, the District has been less than 1% non-compliant in total purchase orders processed.

During the discussion, the following points were noted:

- The similarity in the number of purchase order exceptions over the past two years can be attributed to contracts that continue year-after-year, often a sole source category;
- The bulk of non-conformance results when staff commit to a purchase before a purchase order is authorized. There are instances where an individual procures a service that is thought to be below the purchase order threshold and when the service is performed, it exceeds the threshold, even if by a small amount, it is still considered non-conformance;
- Purchases made to respond to the pandemic have remained under control and are monitored by superintendents, Supply Chain Management staff and the Joint Health and Safety Committee. The District has been strict about the quality of PPE procured, considering safety over cost. The District's safety requirements are strictly regulated as a result of the unionized environment;
- The District has a rigorous vetting process to ensure vendors' integrity and internal financial controls are sound. Finance staff exercise due diligence when processing transactions and deviations from standard practice trigger senior staff involvement. It is the District's practice to be vigilant and question unusual activity, the possibility of a fraudulent transfer of funds occurring would be unlikely;
- Staff have not reviewed the new trade agreements that have recently come into force, the Canada-United States-Mexico Agreement or the Trans-Pacific Partnership Agreement. Staff consider the lower common denominator in agreements in terms of what thresholds need to be met;
- Staff who are repeatedly involved in non-conformance purchases would face disciplinary action; and
- It is a challenge to compare purchasing exceptions at the coterminous boards as purchasing exception reporting is not standardized or centralized.

9.2 Report 21-009, Regulatory Compliance Register (M. Carson)

Your Committee had before it Report 21-009, Regulatory Compliance Register, providing information on the processes and controls to ensure that the District complies with key regulations and statutes.

CFO Carson noted that in an organization as large as the Ottawa-Carleton District School Board there is likely to be non-compliance. There are processes in place to capture irregularities and remedy them as soon as possible. This report is presented annually to the Audit Committee.

Manager Lloyd reviewed the processes and procedures to achieve compliance and noted that annual reporting on non-compliance is satisfactory. As a result of the pandemic, some of the work compliance undertaken within the District was paused due to competing pressures. Manager Lloyd reported that staff are aware there will be gaps in compliance, as statutes or regulations come into existence. These gaps are addressed by implementing new or revised policies, procedures or operational processes to address the non-compliance.

In response to a suggestion that areas identified as non-compliant in the attestation provide more comprehensive reporting, CFO Carson noted that he would consider how staff could amend language in the attestation.

9.3 Report 21-012, 2020-2021 Revised Estimates (M. Carson)

Your Committee had before it Report 21-012, 2020-2021 Revised Estimates, explaining the changes reflected in the District's 2020-2021 Revised Estimates as compared to the District's 2020-2021 Budget.

Manager Gardner provided the following information in his presentation of the report:

- The revised estimates indicated an increased deficit of \$28.1 million, an increase of over \$10.0 million from what was approved in the 2020-2021 budget in August 2020;
- The increase in the deficit resulted from changes to the revenues and expenses that were identified and additional funding that was provided, these changes are outlined in Appendix A of Report 21-012;
- Enrolment decreased by approximately 2000 students. The decreased enrolment has had an impact on the various grants received by the District;
- Priorities and Partnerships Fund (PPF) grants provide funding to meet Ministry-identified priorities and must be spent in accordance with the funding arrangements. The District received approximately \$12.8 million in funding over the budgeted \$5.4 million to support the response to COVID-19. This funding is reflected in both revenues and increased expenses;
- The Ministry provided approximately \$15.3 million in stabilization funding to compensate the District for lower enrolment;

- There was decreased revenue from the lower enrolment of international students;
- The Extended Day and Childcare programs saw a decrease in revenue of approximately \$6.3 million. Staff hope the deficit will be offset by Ministry funding;
- Increased compensation costs are a result of requirements for additional teaching staff to respond to COVID-19;
- The Indigenous Education allocation increased as a result of higher enrolment in secondary courses that qualify for the Indigenous studies amount (\$1.1 million); and
- There was an increase in the cost of custodial staffing of \$2.7 million to respond to COVID-19 enhanced cleaning protocols.

During the discussion, the following points were noted:

- Staff monitor the agreements attached to PPF grants and the progress on spending to ensure the funds are spent on time. A carry forward of this funding may be permitted but requires that the District follow Ministry guidelines to request an extension;
- Year-end compliance identifies the extent of the Board's deficit that is allowed and can be maintained upon the Minister of Education's approval. The approval would see a deficit elimination plan put in place outlining how the Board intends to reduce and eliminate the deficit. Should the Board continued to be non-compliant past deadlines and without Ministry support, punitive action would be taken in the form of withholding monthly payments to the Board; and
- If the District's enrolment does not increase, there may have to be reductions to expenditures in some areas.

9.4 Report 21-018, Business and Learning Technologies Updates (S. Lehman)

Your Committee had before it Report 21-018, Business and Learning Technologies Updates, providing updates that the Business and Learning Technologies (B<) department has undertaken to improve cybersecurity in the District.

Superintendent Lehman, Manager Owens and Team Leader Di Marco presented the report. The following information was provided:

- B< has embarked on a three-year plan called, Transforming How We Learn and Work, that focuses on four pillars:
 - Modern learning;
 - Seamless and Innovative Technologies;

- Privacy and Security; and
- Digital Transformation.
- IBM Technologies was engaged to conduct an operational review of the department in 2018;
- COVID-19 provided opportunities to advance technology practices in instruction and reporting;
- Each of the four pillars in the technology plan ties to the District's 2019-2023 Strategic Plan, and provides a definition of the work undertaken and includes goals that outline desired outcomes and deliverables;
- In January 2020, B< adjusted the organizational structure within the department to create a Security and Identity Team to oversee security and accounts within the department and to safeguard the Districts' digital assets;
- The District has formed a partnership with the Educational Computing Network of Ontario (ECNO) that allows for collaboration with other school boards on matters of cyber security and provides shared resources;
- An Operational Security Committee and a Security Steering Committee were formed to establish governance in cybersecurity in the District;
- Staff will undertake an Information Security Gap Assessment to look for gaps that pose a cyber security risk to the organization that is not at a tolerable level;
- The Security and Identity Team has developed a security awareness training framework to provide awareness and education to all staff to mitigate common daily digital threats;
- A vulnerability framework has been developed to discover, assess, report and remediate software-based vulnerabilities;
- A software vetting process has been established to examine applications from a security perspective to identify risks to the District;
- An email removal process was revised in November 2020. The process is intended to mitigate risk to the District and can only be activated by designated staff using very specific criteria. Copies of the email messages that have been removed are retained perpetually. The majority of emails removed to date have been in response to security (phishing emails);

During the discussion the following points were noted:

- The number of staff with the authority to remove emails was revised to tighten controls and to ensure consistency in the criteria for removal. Prior to revising the list, emails were removed that did not meet the criteria;
- In the 2019-2020 school year 214 emails were removed;
- Staff endeavour not to remove emails if possible and only those that are serious in nature are removed; and
- The Ontario School Board Insurance Exchange (OSBIE) provides cyber security insurance that would provide coverage for costs incurred in response to an intrusion. The policy was introduced within the last three years. The policy would also provide immediate consulting services to respond to an intrusion. This need is diminished by the formation of the in-house Security and Identity Team.

9.5 Regional Internal Audit Team Manager Update (Oral) (G. Segu)

Ms. Segu, the Regional Internal Audit Team (RIAT) Manager, provided an update on the approved RIAT Plan for 2020-2021. The plan aligns with the Ontario Regulation that is mandated for Audit Committees.

Ms. Segu noted the mandate for the RIAT is to execute two engagements during the year. The RIAT plan for 2020-2021 included the following engagements:

- A cybersecurity workshop occurred in October of 2020, and managers within the region were provided with a report of the cybersecurity and risk review findings in January 2021. The RIAT manager met with B and LT staff in February 2021 and it is anticipated the RIAT will present a final report to the Audit Committee in May or September 2021;
- A COVID-19 response review was proposed to examine management's response to the pandemic. The RIAT engaged a consultant to assist with the review. The review is on hold pending staff's availability to participate;
- A review of educational assistant deployment is planned for the OCDSB and is aligned with the District's Strategic Enterprise Risk Management (SERM) plan. Meetings with Human Resources staff are scheduled for the coming weeks to discuss the scope and timing of the project;
- Follow-up from previous recommendations is planned to ensure they have been implemented; and
- There is a placeholder in the plan to address management's requests related to emerging priorities.

10. Orientation (G. Segu, R. Clayton)

Chair Fisher noted the orientation session will be deferred to a future date. Senior Board Coordinator Grandis will secure a future date for the Committee to participate in the orientation.

11. Supplementary Information Items

CFO Carson advised supplementary information items may be provided to the committee on occasion and that the item will be added to future agendas. Any information provided is for review only.

11.1 Memo No. 20-020, Leadership Succession Planning Strategy Update

Director William-Taylor noted that Memo 20-020, Leadership Succession Planning Strategy, provides the Audit Committee with an update on the succession planning project. The Phelps Group has been engaged to assist and will complete the work in four phases. The first phase is nearing completion and staff anticipate a report from the Phelps Group by the end of March 2021.

During the discussion, the following points were noted:

- The Leadership Excellence Advisory Panel (LEAP) was composed of 16 leaders representing both the academic and business areas, recognizing there is a need to ensure a clear career path for all in the organization;
- The panel was chosen to ensure diversity of thought and diversity of experience and to engage those who might not typically participate in such a panel;
- Senior staff has approved the members of the LEAP;
- The LEAP system structure was designed to ensure those employees who do have a capacity for advancing their careers should have an opportunity to engage in this system work;
- The Phelps Group is conducting the work to provide information regarding current gaps in the system and comparing district processes to industry standards. Director Williams-Taylor noted her vision for the project would be a blueprint from entry-level positions to the Chief Executive Officer (CEO) or the directorship;
- With respect to succession planning at the CEO level and a possible emergency that would leave a vacancy, Director Williams-Taylor noted she would speak with the chair to have a future conversation with trustees. She noted that the issue is province-wide and that it may be raised with the Ontario Public School Board Association (OPSBA) as a provincial approach may be required for the governance responsibility for selecting and monitoring a CEO; and

- The Audit Committee expressed concern over the lack of a succession plan for the Director of Education and the resulting risk to the organization. The members noted that the Chair of the Board should be aware of these concerns and that The Phelps Group could provide advice to the trustees. Director Williams-Taylor noted she would advise the Chair of the Board of these concerns.

12. New Business

There was no new business.

13. Adjournment

The public meeting adjourned at 8:51 p.m.

Mark Fisher, Chair, Audit Committee