REPORT NO. 3, AUDIT COMMITTEE

TO:      Board                                          DATE: 24 May 2017

A meeting of the Audit Committee was held this evening commencing at 7:03 p.m. in the Trustees’ Committee Room, 133 Greenbank Road, Ottawa, Ontario, with Theresa Kavanagh as Chair and the following also in attendance:

TRUSTEE MEMBERS:  Lynn Scott.

OTHER TRUSTEES:  Keith Penny.

EXTERNAL MEMBERS:  Erik Husband.

STAFF:  Jennifer Adams, Director of Education; Michael Carson, Chief Financial Officer; Kevin Gardner, Manager of Financial Services; Sandra Lloyd, Manager of Risk and Supply Chain Management; Renald Cousineau, System Principal Student Success Lead; and Nicole Guthrie, Board/Committee Coordinator.

GUESTS:  Line Robitaille, Regional Internal Audit Team Manager.

1. **Call to Order**

   Chair Kavanagh called the meeting to order at 7:03 p.m.

2. **Approval of Agenda**

   **Moved by Eric Husband,**
   
   **THAT the agenda be approved.**

   - Carried –

3. **Delegations**

   There were no delegations.
4. Superintendent’s Report

Chief Financial Officer (CFO) Carson noted that the budget process is three weeks behind schedule due to the late receipt of the grant regulation.

CFO Carson indicated that the summer would be busy as schools close and others prepare to welcome additional students due to the decisions made at the conclusion of the eastern secondary and western area accommodation reviews. The District must now control assets and manage the move of students and staff. The learning spaces of the remaining schools will be undergoing renovations, some of which must be complete by the fall of 2017. Through Board motion, staff was authorized to use a less formal competitive bid process for procuring renovation projects to assist staff in getting the work completed on time. Staff will report to the audit committee regarding the modified process, and Ms. Robitaille and her team will review the process to ensure compliance.

5. Review of Audit Committee Report

a. Report 2, 22 March 2017

Moved by Trustee Scott, THAT Report 2, Audit Committee, dated 22 March 2017, be received.

- Carried -

b. Business Arising

In response to a query from Trustee Scott regarding regular financial reporting as referenced under Item 7 on folio 2, CFO Carson responded that staff had discussed the level of analysis that may be required to prepare the reports for the committee and is unsure of the value of more regular financial reporting. He noted that the monthly adjustments are not made every month, and 75% of the District's expenses are comprised of salaries and benefits. The staff could add additional information to the revised estimates that would be beneficial to the audit committee and their role.

Trustee Scott expressed the view that the purpose of the reporting is to serve as an early warning system and that the design of the report should reflect that goal.

Mr. Husband expressed the opinion that a year to date actual budget is a central part of any audit. He understood that many of the District’s costs are fixed, but variances may impact into the negative. He noted that while he would not expect every line item to a variance level, he would appreciate year to date every quarter so that the committee may analyze the nature of any trends.
CFO Carson indicated that the revised estimates do show year to date. He noted that staff typically waits to produce this document as the first three months of the year can be distorted until staffing is finalized. The matter of sick leave is the most volatile and challenging issue within the budget.

Manager Robitaille indicated that audit committees from other boards do not often review financial statements. She noted that Ottawa Catholic School Board trustees had referenced the matter at conferences. She indicated that some of the larger boards in the province do report on financials at audit committee, but she was unsure of the frequency and the level of detail. Director Adams expressed the view that it would be beneficial to learn more about the practice of other audit committees on the subject of financial reporting.

In response to a query from Trustee Scott on the timing of the revised estimate reports presentation to Audit Committee, CFO Carson responded that the timing of the reports will depend on the meeting schedule but that they could work with Board Services to ensure members have the information as it is released.

6. Report 17-029, Student Incidents Reported to OSBIE

Your Committee had before it Report 17-029 to provide the audit committee with a summary report on the various types, and the number of student incidents reported to the District's insurer, the Ottawa School Board Insurance Exchange (OSBIE) for the period 01 September 2015 to 30 June 2016.

Manager Lloyd provided the following overview of the report:
- For the period of 01 September 2015 to 30 June 2016, there were 3406 OSBIE student incident reports entered by schools. Injuries included those sustained by students while on District property or while participating in District events away from District property;
- Visitor accidents involving injuries that occur on District property are also reported to OSBIE;
- Daily electronic copies of the incident reports filed with OSBIE are reviewed by Risk Management staff for further analysis;
- Based on provincial calendar year data, the District has an incident reporting rate of four percent of 72,000 students and 2917 incidents; and
- Staff offers risk management information and advice to schools on a continual basis;
- The District is one a few in the province that investigates incidents and utilizes the data to put into practice new procedures to assist in prevention;
- A similar report was presented to the audit committee last year, and comparatively the difference is negligible;
- The most frequently reported injury type was a head injury. Of the 1434 head injuries reports, there were 219 reports that contained concussion or possible
concussion in the description. Only 38 had been confirmed medically diagnosed through OSBIE. The District has a concussion management procedure which it uses to support students as they return to school after concussions;

- Slips and falls are a concern among staff members and the Joint Health and Safety Committee, working with facilities staff are taking action to prevent incidents;
- Slips and falls on school walkways and parking lots are significant, and the changing climate is impacting the cost to provide the maintenance to prevent incidents. The District traditionally reduces snow removal during the Christmas shutdown, however, in 2017-2018 contractors will be used to maintain those areas. Access points to schools will also be investigated, and staff, students, and visitors will be encouraged to use specific points of access to minimize the risk of slips and falls;

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

- In response to a query from Trustee Penny regarding risk management, CFO Carson indicated that OSBIE typically does not rate incidents. When a claim is investigated, OSBIE will provide guidance on limiting risk. The District is making progress as evidenced by a reduction in incidents and settlements. The District takes a proactive approach with data and shares the information with principals to aid in minimizing risk;
- In response to a query from Trustee Scott regarding policies and procedures on when a school calls for an ambulance or medical assistance, CFO Carson responded that while there is no particular procedure, superintendents and principals discuss these types of issues regularly and do have guidelines within which to operate. Director Adams added that the District has an emergency system in place and that principals have guidance and a coding system. She noted that she is unaware of other districts with policies of this type. The decision to call for emergency medical assistance would fall under a school level protocol; and
- Trustee Kavanagh expressed the opinion that the risk and prevention strategies must be carefully balanced to ensure children are safer but also able to continue sports and physical activity.

7. Report 17-033, 2016-2017 Updated Financial Forecast (as of February)

Your Committee had before it Report 17-033 to present for information the District’s 2016-2017 Updated Financial Forecast as of 28 February 2017.

Manager Gardner provided the following overview of the report:

- The District is projecting a small deficit of approximately $500,000 for 2016-2017 which would bring the accumulated surplus to $4.0 million;
- Significant items include employee life and health trust enhanced funding and related costs, increased enrolment in elementary and secondary panels,
increased international student enrolment, enhanced funding through receipt of special purpose grants with resulting increases in expenses;

- The District continues to experience pressures relating to staff replacement costs; and
- Staff is confident the revised estimates are accurate and that year-end will reflect these figures.

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

- In response to a query from Trustee Penny regarding staff replacement and whether or not the majority of costs were associated with Early Childhood Educators (ECEs), Manager Gardner noted that staff are carefully analysing the issue and have identified that core day costs relating to approximately 32.0 full-time equivalents (FTE) had been excluded in past budget estimates accounting for some of the cost overruns. The 2017-2018 budget makes corrections based on more accurate tracking and reporting;

- Trustee Penny expressed the view that staff replacement costs, particularly the ECE employee group requires further monitoring and would be an area that could be reported to audit regularly as the numbers are significant; and

- Manager Gardner noted that the forecast from February had not changed dramatically as of May, and there has been a modest decrease in the deficit since the February report.

8. Report 17-047, Update: School Generated Funds Audit

Your Committee had before it Report 17-047 to present to the Audit Committee the regional internal audit manager’s findings of the follow-up review of the audit of school generated funds (SGF) business processes.

CFO Carson thanked Manager Robitaille for providing a public version of the follow-up procedures to the May 2015 School Generated Fund Audit. He noted that it is important for the District to have a public summary of the work.

Manager Robitaille provided the following overview:

- In May 2015, the regional internal audit team (RIAT) completed an audit of processes supporting SGF. The overall objectives of the audit were:
  - To obtain an understanding of the administrative, operational and financial processes used at the Board and school levels;
  - To evaluate the adequacy and effectiveness of the associated internal controls; and
  - To identify opportunities for process and control improvements.

- The school audits focused on all aspects of SGF activities between the period of September 2013 and March 2015;

- Discussion of the audit findings and recommendations were presented to the Audit Committee on 16 November 2015. The follow-up review was
completed in April 2017 through discussions with the management team, and all but two of the recommendations have been addressed;

- Policies and procedures relating to fundraising activities will be reviewed by the end of the 2017-2018 school year to ensure compliance with Ministry directives and District requirements; and

- The implementation of KEV Group’s School Cash Suite is an active project which is an integrated solution that provides accounting, online ordering and payment processing functionality. All District schools will be migrated to the suite by the end of 2017-2018.

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

- In response to a query from Trustee Scott regarding school council funds, Manager Robitaille responded that the audit did not include school council funds. She added that the RIAT are in the process of conducting another audit which focuses solely on school councils; and

9. Long-Range Agenda

The committee members discussed meetings on either Mondays or Wednesdays. The consensus was for Wednesday. The committee also discussed the option of convening meetings bi-monthly. Director Adams sought input from Manager Robitaille on the audit committee schedules of other large boards. Manager Robitaille indicated she would provide the committee with information.

10. New Business

CFO Carson thanked the members of the Audit Committee and Manager Robitaille for their work during the 2016-2017 school year. He noted the District is appreciative of their time, preparation, effort and cooperation.

11. Adjournment

The public meeting adjourned at 8:05 p.m.

Theresa Kavanagh, Chair
Audit Committee