

Ministry of Education

Report to the Minister on the Toronto
District School Board

December 2, 2013



Building a better
working world



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Ministry of Education
Minister
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December 2, 2013

Attention: Liz Sandals, Minister

Report to the Minister on the Toronto District School Board

Dear Ms. Sandals:

We have completed our engagement to provide a forensic audit of certain Toronto District School Board processes and attach our reported findings for your information.

We appreciate the cooperation and assistance provided to us by the Trustees, Management and Staff of the Toronto District School Board during the course of our work.

Very truly yours,

Mike Savage, Partner

Attachment



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Summary of findings

This summary provides highlights of our findings of the forensic audit of the Toronto District School Board ("TDSB"). Details regarding each finding can be found in the "Detailed findings" section beginning on the pages referenced below.

Audits (Section 1, page 13)

We were asked to review the process surrounding a forensic audit and an internal audit performed on the same program to assess whether the respective reports provided to the Audit Committee completely and accurately reported all key findings of the audits. We were also asked to assess the level of program compliance with the Ministry of Education's ("the Ministry") Master Transfer Payment ("MTP") Agreement, guidelines and policies.

Key findings

1. The "Summary of Findings" of the forensic audit provided to the Audit Committee in November of 2012 in response to their request for information, did not completely report all key findings of the audit and contained insufficient detail for the Audit Committee to discharge its duties in relation to risk management.
2. Findings in the internal audit report indicate that the TDSB was not compliant with the MTP Agreement in the management of the program or in the reporting of the program to the Ministry.

Financial reports submitted to the Ministry (Section 2, page 16)

A concern was raised that certain financial reports submitted to the Ministry may not have been approved by the Chief Financial Officer ("CFO"). The concern was in relation to a report regarding an Education Program Other ("EPO") project.

We also reviewed the use of the funds provided by the Ministry for the EPO projects to assess compliance with the MTP Agreement and EPO Project Agreements.

Key findings

1. Prior to December 12, 2012, there was no formal policy or other directive in place stating that the CFO was required to approve these reports prior to submission to the Ministry. Subsequent reports were duly approved by the CFO or designate.
2. EPO funds totalling \$3.2 million may not have been used in accordance with the Ministry EPO Project Agreements.

Broader public sector compensation restraint (Section 3, page 19)

We were asked to assess if salary increases for senior management staff and supervisory officers (academic and non-academic) for fiscal years 2011-12 and 2012-13, were supported by changes in job duties or responsibilities and were consistent with the principles of the Broader Public Sector ("BPS") Compensation restraint.

Key finding

Our review of salary increases for senior management staff and supervisory officers indicates that salary increases were supported by changes in job duties or responsibilities but were not consistent with the principles of the BPS Compensation restraint. We obtained an estimate of \$1.29 million of salaries paid in excess of the wage freeze (for the period from March 25, 2010 to August 31, 2013) from the TDSB.

Contracts without proper approval (Section 4, page 23)

A concern was raised in relation to contracts with a particular individual that had not been presented as required for approval to the Administration, Finance and Accountability Committee ("AFAC") in January of 2012.

Key finding

The contract with this individual was incorrectly removed from the list presented to the AFAC for approval. A subsequent contract with this individual was also not presented as required.

Procurement (Section 5, page 26)

We were asked to review the TDSB procurement policies to note any exceptions to the BPS directive on procurement and to review certain contracts for compliance with the TDSB policies on procurement. We performed procurement process testing to determine if the procedures being followed complied with the TDSB Purchasing Policy and Administrative Procedures ("PPAP") Manual.

Key findings

1. The PPAP Manual does not have a comprehensive approval authority schedule as required under the BPS directive.
2. Forty-five percent (45%) of the 20 samples tested did not use a competitive bid process as required under the PPAP. Almost half of the 45% also did not meet the approval requirements.

Staffing - succession planning (Section 6, page 30)

Given the departure of a key senior executive and other recent senior staff turnover, we were asked to review the succession planning processes in order to ensure that the risk associated with governance, oversight and operation of the TDSB is adequately addressed in respect of key staff positions. A 2010 Operational Review Report recommended the development of a succession planning strategy.

Key finding

Management has not completed a succession plan. A "Succession Talent and Growth Plan 2013- 2015" is currently being developed. The plan includes considerations regarding Executive Superintendents, Superintendents of Education, Principals, Vice-Principals, Associate Directors and Managers.

Audit Committee mandate (Section 7, page 31)

We reviewed the current environment under which the Audit Committee is operating to assess whether they are able to effectively carry out their mandate/duties as set out in Regulation 361/10 of the Education Act ("Regulation 361/10").

Key Finding

Our review of the current environment indicated opportunities for improvements in four main areas: meeting minutes; member appointments; meeting attendees and management action plans.

As a result of the improvements required in these areas and the findings related to the audits in section 1 of this report, the Audit Committee was not able to effectively carry out their mandate as set out in Regulation 361/10.

Director's Office expenses (Section 8, page 34)

We assessed whether Director's Office expenses incurred were in compliance with the TDSB's policies on expenses, the Board Administration and Governance Workgroup Report, May 2007 and the Ministry's Uniform Code of Accounts Manual for Ontario School Boards, April 2012. We reviewed expenses related to the Director's Office including administration, supervisory officer and Vision of Hope project expenses.

Key findings

1. We identified non-compliance with the TDSB policies. Seventy-nine percent (79%) of the number of transactions reviewed did not use a competitive bid process as required under the PPAP. Further, more than half of the 79% that did not use as a competitive bid process as required were approved by a designate.

2. We found no evidence of non-compliance with the Board Administration and Governance Workgroup Report, May 2007 and the Ministry's Uniform Code of Accounts Manual for Ontario School Boards, April 2012.

Other (Section 9, page 35)

We have also reported on other concerns raised during the course of our field work as follows:

Employee and Trustee involvement in external organizations

There were payments to charities and not-for-profit organizations. On numerous occasions, the recipients' Directors or Officers included TDSB Trustees, TDSB employees and/or family members or close business associates of TDSB Trustees or employees.

Key findings

1. TDSB policies require declaration of potential conflicts of interest. In our review of personnel files, no declarations by TDSB employees related to their connections to external organizations were found. The current Director and the Associate Director, Chief Employee Services Officer, indicated that no process is currently in place to obtain and retain declarations.
2. In our review of Board Meeting minutes from January 2009 to May 2013, we did not locate a declaration by any Trustee in relation to connections with external not-for-profit or charitable organizations.

Trustee expenses

Our Terms of Reference did not include an in-depth review of Trustee office and other expenses. A concern was raised in relation to office expenses that did not follow procurement policies and some potentially ineligible Trustee expenses that may not be in accordance with TDSB policy. At the request of the Ministry, we performed a review of expense claims submitted by Trustees to determine if a more in-depth review should be performed at a later date.

Key finding

We selected transactions totalling \$52,136 included on 65 expense claims. Of the transactions reviewed, we assessed approximately 70% by dollar value as being eligible expenses and 30% as potentially ineligible. Consideration should be given to a more in-depth review by the TDSB.

Trustee involvement in day to day management of the TDSB

We heard from numerous individuals including management, staff and Trustees of a culture of "fear" in the organization. Pressure is sometimes put on staff to not comply with set policies and some employees fear their employment may be terminated if they refuse to do as requested. We found examples of this type of pressure.

Key finding

In mature governance structures such as the district school boards in Ontario, there is an expectation that more clearly articulated and respected roles and responsibilities should exist. The measures in place and actions taken by the TDSB in response to various governance reports to date have been helpful, but are not yet sufficiently effective to adequately balance the day to day management needs and the role of the Trustees.

Introduction

Ernst & Young LLP (“EY”) was appointed by the Ministry of Education (“the Ministry”) as investigators for the Toronto District School Board (“TDSB”) to conduct a forensic audit of the TDSB’s processes as they relate to internal audits and financial reporting, among other matters referenced in a June 26, 2013 statement by the Minister (see “Background” below). In addition to the forensic audit, EY was asked to include recommendations for future actions.

Background

On June 26, 2013, Liz Sandals, Minister of Education, issued the following statement in response to forensic audit request received from the TDSB and its Audit Committee:

"I recently received a written request from the acting director of the Toronto District School Board for the Ministry of Education to conduct a forensic audit of the board's financial management practices after concerns were raised by members of its audit committee.

Both the acting director and the chair of the audit committee identified a number of concerns, including the availability of reports to the audit committee, financial reporting to the ministry that may not have been approved by the chief financial officer, salary increases for staff that may not be in line with Broader Public Sector compensation, and expenses paid without proper review by the chief financial officer.

In response, we have asked Ernst & Young LLP to conduct a forensic audit of the school board to address the concerns raised, as well as any other matters that may be of interest to the ministry. The team of auditors will deliver a report and recommendations for potential future action this fall.

Our government has made significant investments in publicly funded education so that every student can benefit from a world-class education system. Ontarians expect public dollars to be invested efficiently, transparently and responsibly, and I look forward to working with all relevant parties to ensure that is taking place at the Toronto District School Board."

Our detailed findings have been organized as follows:

Concerns	Report Section
Audits	1
Financial reports submitted to the Ministry	2
Broader public sector compensation restraint	3
Contracts without proper approval	4
Procurement	5
Staffing - succession planning	6
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Other	9

Approach

We designed our forensic audit based on Terms of Reference from the Ministry (as detailed in the “Scope” section below). For each issue outlined in the Terms of Reference, we collected information from TDSB documents, databases and employees. We assessed the collected information in reporting our findings.

We substantially completed our field work on October 31, 2013 and then prepared our report.

Scope

Mandate

Our engagement was performed in accordance with our appointment as investigators under subsection 257.30 (2) of the Education Act pursuant to the terms and conditions of the Master Services Agreement OSS-078979 between EY and the Ministry of Government Services. We reserve the right, but are under no obligation, to supplement or amend our report upon the receipt of additional information.

Terms of Reference

The Terms of Reference provided guidance on the scope of the forensic audit as follows:

“The forensic investigation team at the Toronto District School Board will consist of Ernst & Young, hereafter referred to as ‘The Team’.

The team will be supported by Ministry of Education and Ministry of Finance staff. The team is appointed pursuant to an invitation from the Toronto District School Board. The team shall have the powers and duties of investigators under Part IX, Division D of the Education Act.

The team shall perform a forensic investigation, in relation to the issues outlined in the Toronto District School Board’s audit committee letter to the Minister of Education dated May 31, 2013, as follows:

- *Internal Audit = Review the process surrounding the 2011 and 2012 internal audits to assess the level of program compliance with the Ministry of Education’s transfer payment agreement, guidelines and policies. In addition, assess if the summary report provided to the audit committee completely and accurately reported all key findings of the internal audit. The investigation will also assess if there was any breach of Ontario Regulation 361/10 including any limitations or restrictions imposed on the internal auditors;*
- *Financial Reports = For the period of January 1 2011 to May 31 2013, review the financial reports submitted by the Toronto District School Board to the Ministry of Education and assess if they were submitted without seeking prior review or approval*

by the CFO or an authorized delegate to ensure accuracy and appropriate attestation. In addition, assess the compliance of the approval process with the Toronto District School Board's policies on financial approvals;

- *Broader Public Compensation Restraint* = For all senior management staff & supervisory officers (academic or non-academic) who have received salary increases for fiscal years 2011-12 and 2012-13, assess if their increases were supported by changes in job duties/responsibilities and are consistent with the principles of the Broader Public Sector Compensation restraint;
- *Expenses* = Review the expenses noted to assess if they were submitted without seeking prior review or approval by the CFO or an authorized delegate. In addition, assess the expenses noted for compliance with the Toronto District School Board's policies on expenses as well as note any exceptions to the Broader Public Sector directive on expenses;
- *Procurement/RFP Process* = Review the contracts noted for compliance with the Toronto District School Board's policies on procurement as well as note any exceptions to the Broader Public Sector directive on procurement;
- *Staffing* = Given the departure of a key senior executive, review the succession planning processes in order to ensure that the risk associated with governance, oversight and operation of the school board is adequately addressed for key positions; and
- *Mandate* = Review the current environment under which the audit committee is operating to assess whether they are able to effectively carry out their mandate as set out in Ontario Regulation 361/10 (i.e. The adequacy of information provided to the audit committee such as minutes of meetings and their role vis-à-vis the external auditors, internal auditors, internal controls, risk management and compliance matters).

The team shall also perform a forensic investigation, in relation to the issues outlined in the Toronto District School Board's Director of Education letter to the Deputy Minister of Education dated June 13, 2013, as follows:

- *Director's Office* = Review the use and management of funds in the Director of Education's office from September 2009 to June 2013 to assess whether expenses incurred were in compliance with the Toronto District School Board's policies on expenses, the Board Administration and Governance Workgroup Report, May 2007 and the Ministry of Education's Uniform Code of Accounts Manual for Ontario School Boards, April 2012.

The team shall report the following to the Minister of Education:

- *The team's findings of the forensic investigation and*
- *Recommendations for future action."*

EY received anonymous correspondence from other individuals expressing concerns in areas not specifically included in the Terms of Reference. After consultation with the Ministry, we undertook a review of concerns raised following the same approach as utilized for areas specifically included in the Terms of Reference. Any related findings have been incorporated in our report.

Definitions and roles

To assist with the reader's understanding of the roles and responsibilities of different types of audits, we have provided definitions and roles related to the Audit Committee, for each type of audit and other relevant terms below.

Audit Committee

Regulation 361/10 of the Education Act ("Regulation 361/10") states that if the Board has 15 or more Board members, the Audit Committee shall consist of seven members, including four Board members and three persons who are not Board members. The TDSB has four Audit Committee members that are Trustees and three Audit Committee members who are not Trustees.

Section 9 of Regulation 361/10 provides details on the duties of the Audit Committee including duties related to:

- ▶ Financial reporting
- ▶ Internal controls
- ▶ Internal auditors
- ▶ External auditors
- ▶ Compliance matters
- ▶ Risk management

Further details on the duties of the Audit Committee can be found in the detailed Sections 1 and 7 of this report.

External audit

The term external audit usually refers to a financial statement audit which is performed to express an opinion on the financial statements of an organization. An external audit includes the evaluation of accounting policies, the reasonableness of accounting estimates used by management and an evaluation of the overall presentation of the statements.

As per Regulation 361/10 Section 1(2), an "External auditor" means an auditor appointed by a board under subsection 253 (1) of the Act to perform the duties referred to in subsection 253 (4) of the Act; ("vérificateur externe").

Internal audit

Regulation 361/10 Section 1(2) states that "Internal auditor" means a contractor or employee of a board who examines and evaluates a board's records and procedures related to the board's risk management, internal controls and governance processes and makes recommendations on ways to improve the board's risk management, internal controls and governance processes; ("vérificateur interne")

Forensic audit

A forensic audit utilizes professional accounting skills and investigative techniques to obtain facts and provide an analysis to be used in litigation or in situations where there are risks or allegations of fraud or other illegal or unethical conduct.

Expenses

A cost incurred by an organization for goods and services that are consumed during a given period is considered an expense of that period. Expenses are recorded on the organization's statement of operations. Examples of typical business expenses include salaries, utilities, rent, interest on debt and property taxes.

Expenditures

In the context of the Toronto District School Board's Expenditure Guidelines PR582, expenditures include payments for expenses such as conferences and workshops, travel, hospitality, gifts, and Trustee expenses.

Abbreviations

AAS	Approval Authority Schedule
AFAC	Administration, Finance and Accountability Committee
BPS	Broader Public Sector
current Director	current Director of Education
CFO	Chief Financial Officer
EPO	Education Program Other
former Director	former Director of Education
GSN	Grant for Student Needs
MTP	Master Transfer Payment
OPS	Ontario Public Sector
PPAP	Purchasing Policy and Administration Procedures
SAT	Special Assistance Team

Purpose of report and restriction of use

This report to the Ministry was prepared solely for the purposes of a forensic audit on the Ministry's behalf as set out in this document. It shall not form part of any court admissible evidence without the express authority of EY.

The Ministry, at its sole discretion, may disclose this report to any third party provided that it or the Province provides EY with prior notification of the proposed disclosure and discloses the report in its entirety including all disclaimers and restrictive legends attached thereto by us intact. Notwithstanding anything herein, EY does not assume any duties or obligations to third parties who may obtain access to the report. Any use such third parties may choose to make of the report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use.

In conducting this forensic audit and preparing our report for the Ministry, our procedures were limited to those required to fulfill the mandate from the Ministry. Our report may not have considered issues relevant to any third parties, and any use such third parties may choose to make of our report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use.

Information relied upon

In performing our forensic audit and making our findings, we relied on the documents listed in Appendix A and held interviews or discussions with the individuals listed in Appendix B. A list of other documents reviewed can be found in Appendix C.

We were sometimes provided with conflicting information from different sources. We based our findings on our objective review of the information.

We worked with the TDSB to obtain extracts from the general, payroll and accounts payable ledgers for the time period September 1, 2008 to July 3, 2013 as follows:

- ▶ TDSB Chart of Accounts
- ▶ Senior Management payroll accounts
- ▶ Director's Office accounts
- ▶ Cash disbursements
- ▶ Accounts payable
- ▶ Various cost centre accounts related to funded programs
- ▶ Trustee expenses

We used the extracts to facilitate our analyses and to select specific items for testing.

Restriction on scope

On numerous occasions, we attempted to meet with Sheila Ward, Trustee and former Chair of the Administration, Finance and Accountability Committee. We were unable to meet with her and were therefore not able to have the benefit of her insights.

Procedures do not constitute an audit of financial statements

A financial statement audit is generally performed with the objective of providing reasonable assurance that financial statements are free from material error.

EY was not engaged to, and did not perform a financial statement audit, review or compilation for the purpose of expressing an opinion on historical financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants. Accordingly, EY does not express such an opinion or any form of assurance.

Detailed findings

1.0 Audits

1.1 Forensic audit

Context

We were asked to review the process surrounding a forensic audit and a subsequent internal audit performed on the same TDSB program to assess whether the respective reports provided to the Audit Committee completely and accurately reported all key findings of the audits. We were also asked to assess the level of program compliance with the Ministry of Education's ("the Ministry") Master Transfer Payment ("MTP") Agreement, guidelines and policies.

On May 21, 2012 senior staff received an anonymous letter containing a number of allegations regarding the misappropriation and misuses of TDSB funds for personal pursuits.

The Audit Committee did not receive a copy of the letter and was not consulted on the actions to be taken.

Subsection 9(6) of Regulation 361/10 of the Education Act ("Regulation 361/10") states:

"(6) An audit committee of a board has the following duties related to the board's risk management:

- 1. To ask the board's director of education, a senior business official, the internal auditor and the external auditor about significant risks, to review the board's policies for risk assessment and risk management and to assess the steps the director of education and a senior business official have taken to manage such risks, including the adequacy of insurance for those risks.*
- 2. To perform other activities related to the oversight of the board's risk management issues or financial matters, as requested by the board.*
- 3. To initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealing."*

The Audit Committee also has a duty under section 9 (4) paragraph 6 of Regulation 361/10 to recommend to the Board a policy designating services that the external auditor may perform for the Board, and if the Board adopts the policy, to oversee its implementation.

In discussions with Audit Committee members, they indicated that the forensic services were not initiated by them and were obtained from the external auditor without seeking review from the Audit Committee. The forensic audit was contracted to the external auditor by General Counsel and Management. The Management involved in commissioning the contract with the external auditor were not identified in the letter of allegation.

Subsequently, the allegations in the anonymous letter were withdrawn in another letter dated August 14, 2012; however, the Audit Committee was informed by the former Director of Education ("former Director") that a forensic audit was still being carried out.

Members of the Audit Committee indicated they requested a copy of the full forensic audit report including the findings and resulting action plans but the requested information had not been provided to them as of May 31, 2013.

In mid-November 2012, TDSB General Counsel received acknowledgement from the forensic auditors that they understood a summary of findings from the forensic audit would be provided to the Audit Committee. The Audit Committee was provided with a one-page summary of the findings on November 29, 2012.

As a result of not receiving the full report as requested, the Audit Committee voted to request an audit by the Internal Audit Department.

Findings

1. The Audit Committee was not provided the opportunity to exercise oversight of the investigation:
 - ▶ Audit Committee members indicated that the Audit Committee was not consulted on the scope of work to be performed.
 - ▶ The “Summary of Findings” related to the forensic audit report presented to the Audit Committee on November 29, 2012 did not completely report all key findings of the audit and contained insufficient detail for the Audit Committee to discharge their duties in relation to risk management. Per discussions with Audit Committee members, the Audit Committee Chair and a Trustee Audit Committee member, they indicated the full report was requested through a formal resolution at the November 29, 2012 private meeting. Our review did not find a formal resolution in the November 29, 2012 meeting minutes or subsequent meeting minutes.
 - ▶ In a discussion with the current Director of Education (“current Director”), she indicated she was prepared to provide the forensic report at the meeting on June 17, 2013. This meeting however was discontinued when quorum was lost prior to reaching this agenda item. She also stated she had not received a formal request for the report prior to this.
2. The full report was provided to the Audit Committee on July 3, 2013.

Recommendations

1. Issues requiring investigations into auditing matters, internal financial controls or allegations of inappropriate or illegal financial dealing should be discussed with the Audit Committee for their initiation and oversight. This is particularly necessary if the allegations relate to management.
2. The Audit Committee should have access to all investigative and audit reports, including external, internal and forensic audit reports.
3. All audit findings and reports should be provided to the Audit Committee on a timely manner.
4. As per the requirement under section 9 (4) paragraph 6 of Regulation 361/10, the Audit Committee should recommend to the Board a policy designating services that the external auditor may perform for the Board, and if the Board adopts the policy, oversee its implementation.

5. Recommendations and management actions should be included in the reports to the Audit Committee to allow the Audit Committee sufficient information to assess whether or not the identified risks have been appropriately managed.

1.2 Internal audit

Context

The Internal Audit Department requested copies of the forensic audit report from TDSB's Legal Department and from the forensic auditors prior to conducting the internal audit but were not provided access to the forensic report. The internal auditor did meet with the forensic auditors during the internal audit and was provided with a verbal summary of the forensic audit findings.

The internal audit focused on key risks and controls related to hiring, payroll, procurement, facilities (permits), subcontracting and reporting.

The findings of the audit report included recommendations for improvements and responses from management. The internal auditor indicated in the internal audit report that management proposed actions would sufficiently address the identified risks.

The findings in relation to procurement included non-compliance with policies related to the competitive procurement and "System Contracts Agreements" not being utilized where possible.

As of October 31, 2013, it is our understanding that the internal audit report had not been presented to the Audit Committee. It was expected to be presented to the next Audit Committee meeting scheduled for November 25, 2013.

Findings

1. The Internal Audit Department was not provided with sufficient information prior to developing the scope of the internal audit requested by the Audit Committee.
2. EY requested draft and final copies of the internal audit report. The draft report included findings that were not subsequently reflected in the final report to be presented to the Audit Committee. The internal auditor indicated that most of the removed findings were removed due to information subsequently received.

One of the findings removed from the draft internal audit report related to a \$65,000 surplus reflected in the program's accounting records. The report to the Ministry did not reflect this surplus. Management advised that the \$65,000 surplus as per the program accounts was spent on central operating costs that were directly or indirectly related to the program.

The internal auditor indicated that since the fiscal year 2011-12 books were already closed at the time and the amount was significantly below materiality, it was decided that no remedial actions could have taken place. At the suggestion of management, the internal auditor agreed to remove the finding from the report.

3. The TDSB was not compliant with the Ministry's MTP Agreement in the management of this program. The internal audit report findings, in relation to procurement, included non-compliance

with policies related to the competitive procurement not being followed when required. The MTP Agreement with the Ministry states that the recipient is to be in compliance with all requirements in policies, directives and guidelines of the government of Ontario including Supply Chain Guidelines.

4. The TDSB was not compliant with the Ministry's MTP Agreement in the reporting of this program. The program's accounting records reflected a surplus of \$65,000 which should have been reported to the Ministry.
5. As of October 31, 2013, the Internal Audit Department did not have a mandate approved by the Audit Committee defining roles, responsibilities, authorities and accountability. The internal auditor indicated that the Mandate was scheduled to be presented to the Audit Committee at their next meeting on November 25, 2013.

Recommendations

1. To ensure the Audit Committee is informed of all relevant financial issues identified by the internal auditor, relevant findings and the related Management responses should remain in the report for presentation to the Audit Committee.
2. An Internal Audit Mandate should be approved by the Audit Committee defining roles, responsibilities, authorities and accountability.

2.0 Financial reports submitted to the Ministry

Context

A concern was raised that certain financial reports submitted to the Ministry may not have been approved by the Chief Financial Officer ("CFO"). We reviewed reports provided to the Ministry on programs that received transfer payments from the Ministry.

The concern regarding a financial report being provided to the Ministry without approval of the CFO related to a report on an Education Program Other ("EPO") grant provided to the Ministry in the summer of 2012.

2.1 Requirements for EPO grants

Transfer payments made by the Ministry are required to follow the Transfer Payment Accountability Directive, effective August 31, 2007. The directive establishes the principles and requirements for implementing controllership practices to achieve accountability for transfer payments and supports the efficient and effective delivery of services provided through transfer payment programs. The directive governs the administration of transfer payments and applies to ministries, district school boards and other classified agencies that provide and administer transfer payments.

To assess whether or not required approvals of the reports were obtained prior to submission to the Ministry, we reviewed the Project Agreements and the MTP Agreement requirements. The projects reviewed either did not specify who was to review or approve the reports, or referred to either a TDSB representative, the Director of Education or the CFO for sign-off indicating review or approval. If the

Project Agreement did not specify who was to review or approve the reports, the approval conditions in the MTP Agreement apply. In accordance with Article 7: Reporting, Accounting and Review, paragraph 7.1(d) of the MTP Agreement, all reports are to be signed on behalf of the TDSB by an authorized signing officer.

Management and staff indicated there is no formal policy defining an authorized signing officer. Therefore, a senior staff in charge of an EPO would constitute an authorized signing officer.

Findings

1. At the December 12, 2012 Regular Meeting, the Board adopted the Committee of the Whole (Private), Report No. 55, December 12, 2012, which included the Audit Committee recommendation from the Audit Committee, Report No. 15 (Private), November 29, 2012, item 6 (a) (v): *“That all future financial reports be vetted through the chief financial officer prior to submission to the Ministry or other organizations.”* A copy of Report No. 55 is included on the TDSB website on page 21 of the Regular Meeting minutes of December 12, 2012.

There was no formal policy or other directive in place prior to this date.

2. EY reviewed the terms of the Project Agreements and the MTP Agreement to determine who the appropriate signing authority is for approval prior to submission to the Ministry, before and after December 12, 2012. EY compared the signing authority identified to the EPO reports submitted to the Ministry from January 1, 2011 to May 31, 2013. EY did not note any inappropriate approvals or submissions.

Recommendation

The Ministry should consider including the requirement for the CFO’s signature for Ministry reports in the MTP Agreement or Project Agreements.

2.2 Assignment of EPO funds

Context

We also reviewed the use of the funds provided by the Ministry for the EPO projects to assess compliance with the MTP Agreement and Project Agreements.

Article 21.1 of the MTP Agreement governing the use of EPO funds states:

“The Board shall not assign any part of the MTP Agreement, any Project Agreement or the Funds without the prior written consent of the Ministry.”

At a Special Meeting of the Board held on June 13, 2012, the Board considered a Staff Report (BD:062A and BD:062D) presenting a budget for 2012-13 and decided to use \$7 million of EPO funds to balance the operating budget.

A Staff Report described the aforementioned measures as follows:

“Education Program Other (EPO) grants are Ministry grants which are not part of the Grants for Student Needs. These grants are typically specific to a Ministry initiative. However, historically the TDSB has initiated programs locally which the Board has paid for itself. Later the Ministry issues an EPO grant to support the similar initiatives. In this recommendation, the TDSB should be using the EPO funding to offset its own program costs first. As well, there is a risk that when an EPO is released, permanent structures are created to support the initiative and when an EPO is discontinued, the Board must find a way to support the structures already established. A good example of this Outdoor Education. The TDSB currently offers Outdoor Education Programming to its students. The Ministry has announced that it will be issuing an EPO to support Outdoor Education Programming. Currently, there is no direct funding source for Outdoor Education and the Board uses other grants and revenues to support the program.”

A report provided to EY in July 2013 indicated the \$7 million was not all from EPO funding. An amount of \$3.2 million of EPO revenues was held back (to reduce and balance the operating budget) and was not spent directly on EPO projects as required under the Project Agreements. The TDSB could not provide written approval from the Ministry to hold back the \$3.2 million in EPO funding and apply the savings to reduce the deficit.

The remaining \$3.8 million of the \$7 million approved by the Board to balance the budget related to Grant for Student Needs (“GSN”) revenue. We confirmed with the Ministry that the TDSB did have flexibility in their actual use of the \$3.8 million in GSN funds and therefore the use of the \$3.8 million in funds to balance the budget was acceptable.

In an email to the former Director on November 13, 2012, the current Director indicated that the TDSB Academic Team had concerns regarding the use of specific programs funds towards the bottom line and stated there are specific reporting expectations and accountabilities which require staff verification on the use of the funds.

In a memo to the former Director on November 20, 2012, the current Director stated that she had been in contact with a representative of the Ministry who indicated that EPO funds have contractual obligations and deliverables and are to be used for their intended purpose.

In an email to “All Administrative Council” of the TDSB dated November 22, 2012, the former Director stated in part:

“The Education Program Other Grants (EPO) was suggested as a strategy to balance our budget. It was suggested by staff and supported by staff. It was presented to the Ministry as part of a strategy and accepted by the Ministry. It was presented to the Trustees in June and approved. I understand that planning has been impacted.”

We confirmed with the Ministry that EPO funding is to be used for its intended purpose.

Findings

1. The TDSB did not obtain prior written approval from the Ministry to use the funds for a purpose other than the intended purpose.
2. The EPO funds totalling \$3.2 million may not have been used in accordance with the Ministry EPO Project Agreements.

3. The submission of the EPO Reports on the use of funds for fiscal year 2012-13 was on-going as of October 31, 2013. The EPO Reports that have been provided to the Ministry indicate that the TDSB did report the surpluses held back.
4. The current Director informed EY that the TDSB is reporting a \$14.1 million surplus for fiscal year 2012-13.
5. The proposed budget for the 2013-14 fiscal year outlines a similar EPO hold back process in the amount of \$6 million.

Recommendations

1. The TDSB should obtain written permission from the Ministry prior to utilizing EPO funds for something other than the intended purpose.
2. The TDSB should report the unused EPO funds to the Ministry to allow the Ministry to recover or adjust its funding as appropriate.

3.0 Broader public sector compensation restraint

Context

We were asked to assess if salary increases for senior management staff and supervisory officers (academic and non-academic) for fiscal years 2011-12 and 2012-13 were supported by changes in job duties or responsibilities and were consistent with the principles of the Broader Public Sector (“BPS”) Compensation restraint.

Our review of salary increases for senior management staff and supervisory officers indicated that salary increases were supported by changes in job duties or responsibilities but were not consistent with the principles of the BPS Compensation restraint as discussed below.

Bill 16 received Royal Assent on May 18, 2010. Within the Bill, Schedule 24 “Public Sector Compensation Restraint to Protect Public Services Act, 2010” became effective with retroactive application to March 25, 2010.

The Public Sector Compensation Restraint to Protect Public Services Act, 2010 includes an exception regarding collective bargaining. It states that the Act does not apply to an employee who is represented by an organization which represents two or more employees for the purpose of collectively bargaining, with their employer, terms and conditions of employment relating to compensation. As per the Ministry, management is not unionized therefore the Act did apply to the management teams of school boards, who do not bargain collectively.

Bill 16 was subsequently superseded by Bill 55 “Strong Action for Ontario Act (Budget Measures), 2012” on June 20, 2012. Bill 55 amended the Broader Public Sector Accountability Act by adding Part II.1 - “Compensation Arrangements”, effective March 31, 2012. It extended the wage freeze indefinitely and amended it so that it applied to all other employees not represented by a collective bargaining organization.

The Ministry provided the following chart summarizing the BPS Compensation Legislation:

Compensation Legislation	Public Sector Compensation Restraint to Protect Public Services Act, 2010 (Bill 16, Schedule 24)	Broader Public Sector Act, 2010 (Bill 55, Schedule 4)	Putting Students First Act, 2012	
Groups Impacted	Directors of Education & Supervisory Officers	Directors of Education & Supervisory Officers	Management > \$100K excluding Directors & Supervisory Officers	Individuals covered by collective agreements
Grid Movement Permitted	Yes	No	No	97th Day
Performance Pay Permitted	Yes	No	No	
Increases to Ranges Permitted	No	No	No	
Effective Date	March 25, 2010 - March 31, 2012	April 1, 2012 - today	Repealed January 2013	

The TDSB indicated the legislation was vague and difficult to interpret with respect to the senior executives. At issue, was whether or not the discussions with the Toronto Supervisory Officers' Association could be considered a form of collective bargaining. While each executive has individual personal services contracts with the TDSB, the contracts are uniform from one person to the next and are developed through discussions with the Toronto Supervisory Officers' Association.

The TDSB chose not to follow advice received indicating that the wage freeze should apply to senior executives.

The current Director, General Counsel and the Associate Director, Chief Employee Services Officer stated that the TDSB approach was consistent with the approach of other school boards in exempting their senior officials and other non-unionized staff from the wage freeze. EY did not substantiate this stated approach with other school boards. The TDSB also received advice from another school board indicating that the wage freeze would not apply to senior executives.

The September 1, 2010 TDSB compensation plan for fiscal years 2008-09 to 2011-12 included an annual 3% increase for management and non-unionized staff, as initially directed by the Ministry release "Funding enhancements for peace and progress in education - 2008-09 and future years". We confirmed with the Ministry that the wage freeze under the Compensation Restraint Act overruled the 3% annual increase initially included in the TDSB compensation plan. School boards are required to sign and submit a "Public Sector Compensation Restraint to Protect Public Services Act, 2010, Compliance

Report” each year for the reporting period of April 1 to March 31. The compliance report includes a statement to be signed by an officer of the board as follows:

“With regard to the Public Sector Compensation Restraint to Protect Public Services Act, 2010 and the compensation plans of the employees and office holders of the employer in effect on March 24, 2010. I certify that to the best of my knowledge and belief, the employer has complied with the restraint measures that apply to its employees and office holders throughout the reporting period in accordance with the Public Sector Compensation Restraint to Protect Public Services Act, 2010.”

The TDSB submitted signed compliance reports on April 20, 2011 for the April 1, 2010 to March 31, 2011 reporting period and on May 1, 2012 for the April 1, 2011 to March 31, 2012 reporting period. The reports were signed by the former CFO and former Director respectively.

The current Director has not submitted the compliance report for the reporting period April 1, 2012 to March 31, 2013.

Findings

The TDSB increased the compensation to the Senior Team and the Deputy (Associate) Directors (discussed in detail below) in excess of the amounts that would have been paid had the wage freeze been applied. We have provided detailed information in the following sections:

- 3.1 - Senior Team
- 3.2 - Deputy (Associate) Directors
- 3.3 - Director of Education

We obtained an estimate of the salaries paid in excess of the wage freeze (for the period from March 25, 2010 to August 31, 2013) from the TDSB as follows:

	TDSB Estimate			Grand Total
	2010/2011	2011/2012	2012/2013	
Senior Team	254,722	498,351	419,457	1,172,529
Deputy (Associate) Directors	30,374	44,114	44,114	118,602
Director of Education	-	-	-	-
Total by Fiscal	285,096	542,465	463,571	1,291,131

The TDSB indicated that the estimate does not take into consideration that there were some individuals that were promoted or hired within that may not have accepted the positions at the rate in place at the time of the freeze.

3.1 Senior Team

A Personal Services Contract updated on May 28, 2010 and provided to Supervisory Officials references annual salary increases agreed to on December 1, 2008 as follows:

Effective Date	Increase as a %
September 1, 2008	3%
September 1, 2009	3%
September 1, 2010	3%
September 1, 2011	3%

Adjacent to the 2009-10 and 2010-11 3% increases in the Contract there is a note "*Pending passage and definitions in freeze legislation*". The Contract also states: "*The supervisory official's salary will be paid according to the salary schedule established for Supervisory Officials in the Toronto District School Board, Senior Compensation Salary Schedule - Bands A and B.*"

Band A refers to salary ranges for Executive Superintendents, Executive Officers, Chief Officers, Senior Advisors, General Counsel and department Directors. Band B refers to salary ranges for Education and System Superintendents, Counsel and Comptroller. Each band has 5 steps. An individual begins at Step 0 and progresses to the next Step within the salary band effective on January 1st of each year. The increases related to Bands A and B ("Senior Team") for fiscal years 2008-09 to 2011-12 inclusive were as indicated in the charts provided by the TDSB (Exhibit 1).

Based on the Compensation Restraint Legislation, step increases were allowed after March 25, 2010 and until March 31, 2012, but they should have been paid at the rates in effect as of March 25, 2010 (equal to the September 1, 2009 rates) and should not have included a 3% annual increase each year.

Standard allowances ranging from \$5,100 to \$6,806 are also provided to the Senior Team. A standard allowance is defined as "*Supplementary Expense Allowance that is a flat amount in lieu of automobile and travel expenses (such as mileage, business use of personal vehicle) within the GTA.*" It is all intended to cover parking for all senior staff. The allowance amounts have remained constant since prior to the Act taking effect.

The Senior Team received the following increases since the beginning of the wage freeze:

Effective Date	Increase
September 1, 2010	3% wage increase
January 1, 2011	Step increase
September 1, 2011	3% wage increase
January 1, 2012	Step Increase

Promotions within the Senior Team (i.e. moving from band B to band A) also reflected the 3% annual increases.

3.2 Deputy (Associate) Directors

Salaries for the Deputy (Associate) Directors follow a different salary schedule. The schedule provided by the TDSB had the following salaries by effective date:

Effective Date	Salary	Increase as a %
September 1, 2008	207,585	3%
September 1, 2009	213,813	3%
April 15, 2010	229,000	7%
September 1, 2011	235,870	3%

Based on the Compensation Restraint Legislation, salaries should have remained at the effective March 25, 2010 salary (equal to the September 1, 2009 salary), with no subsequent increases.

Standard allowances of \$6,806 are also provided for the Deputy (Associate) Directors. The allowance amounts have remained constant since prior to the Act taking effect.

The Deputy (Associate) Director positions received a 7% salary increase effective April 15, 2010. A further 3% increase was applied effective September 1, 2011.

3.3 Director of Education

The Director of Education's salary has remained constant at \$272,000 since prior to the Compensation Restraint Act. The Director also receives a benefits allowance of \$6,800 to cover benefits not covered by the TDSB's insurance plan and a car allowance of \$12,000. These also have remained constant since prior to the Act taking effect.

Recommendation

In situations where there is conflicting information on the interpretation of significant legislation, the TDSB should consider consulting with the Ministry for guidance.

4.0 Contracts without proper approval

Context

A concern was raised in relation to contracts with a particular individual that had not been presented as required for approval to the Administration, Finance and Accountability Committee ("AFAC") in January of 2012.

Purchasing Policy P017 last revised May 18, 2011 Section 4.4, Approval Authority states:

- (a) *"Contracts for consulting services* [sic] up to \$50,000 shall be acquired using the Request for Quotation process and may be approved by the Director, or designate.*
- (b) *Contracts over \$50,000 for consulting services shall be acquired using the Request for Proposal process and approved by the Board prior to an award.*
- (c) *Where a sole-source consulting services contract exceeding \$50,000 is deemed necessary, the user department shall receive Board approval prior to an award.*
- (d) *Contracts for goods and non-consulting services over \$50,000 and up to \$175,000, exclusive of taxes, may be approved by the Director, or designate, and presented to the appropriate standing committee for information, except those undertaken by Facility Services."*

The above requirements are also included in the Purchasing Policy and Administration Procedures (“PPAP”).

The mandate of the AFAC as indicated on the TDSB website is to consider and make recommendations to the Board on administrative matters, including finance matters, referred to them for consideration. [Procedural Bylaw 4.2] The PPAP indicates that contracts that meet specific dollar thresholds should be reported to the “appropriate Standing Committee” for informational or approval purposes. The AFAC would have been the appropriate Standing Committee at which the contract in question should have been presented.

Before each AFAC meeting, TDSB staff members prepare a Contract Awards Report for review. The reports sub-headings are:

- ▶ Contract Awards Provided for Information (contracts over \$50,000 and up to \$175,000)
- ▶ Contracting Requiring Board Approval (contracts over \$250,000 and Consulting Services over \$50,000)

Each report contains contract award information such as the number of bids received, the vendor name and the estimated annual payment amount. In situations where sole sourcing or further explanation is required, appendices or footnotes are added.

A discussion with Board Services personnel indicated the report is then reviewed during an “agenda clearing meeting”. This is an informal process and would include representatives from operations, Board Services, the AFAC and the acting CFO. This group determines what should be presented to the AFAC which will then be re-presented to the Board.

The approved report is kept on file as support for accepted contracts.

Contracts for consulting services with this individual during fiscal year 2011-12 were as follows:

Contract Date	Period	Not to Exceed
September 1, 2011	September 1, 2011 to December 1, 2011	16,000
December 1, 2011	December 1, 2011 to August 31, 2012	30,000
June 22, 2012 [1]	December 1, 2011 to August 31, 2012	18,300
		64,300

Note 1: The June 22, 2012 contract amended the December 1, 2011 to August 31, 2012 contract to increase the total fees under the contract to \$48,300 plus GST/HST from the original \$30,000.

Management initially determined that the contract should be amended and presented to the AFAC. EY was provided with a copy of the draft February 1, 2012 report to the AFAC. Item 6 of Appendix B [Contracts Requiring Board Approval (contracts over \$250,000 and Consulting Services over \$50,000)] referenced a contract with the individual with an estimated annual amount of \$66,000 for fiscal year 2011-12. The Products/Services Details indicates the contract related to “*Consulting Services under the direction of the Chair*”.

Prior to the report being presented to the AFAC, item 6 was removed at the direction of the former CFO. In an interview with the former CFO, she indicated that the former Chair of the AFAC, the Chair of the Board and the former Director requested it be removed from the report. In an interview with the Chair of the Board, he stated that he did not recall requesting that the item be removed but that there

might have been some confusion because of the start date of the contract. He stated that there may have been some overlap between fiscal years that may have caused the amounts paid on the contract to go over the \$50,000. He indicated that he did not recall requesting the contractor's name be removed from the AFAC report but does remember a discussion occurring between himself, the former CFO and the former Director.

A consulting contract was also issued to the same individual for fiscal year 2012-13 as follows:

Contract Date	Period	Not to exceed
September 1, 2012	September 1, 2012 to August 31, 2013	64,000

The September 1, 2012 contract was subsequently replaced on February 1, 2013 with a Constituency Assistant contract; however, the total contract amount still exceeds \$50,000 for fiscal year 2012-13.

This contract was also not presented to the AFAC for approval prior to the award of the contract.

Findings

1. The "Independent Contractor Services Agreement" with this individual was incorrectly removed from the list provided to the AFAC for approval for fiscal year 2011-12.
2. The 2012-13 contract with this individual was not presented as required.
3. The reason for two agreements and an agreement amendment in fiscal year 2011-12 was not clear. According to the BPS Procurement Directive, *"Organizations must not reduce the overall value of procurement (e.g., dividing a single procurement into multiple procurements) in order to circumvent the approval requirements of the organizational AAS [sic] or the Procurement AAS for Consulting Services."* The term AAS is defined as an "Approval Authority Schedule".
4. Payments were made to the individual in excess of the approved contract amount. Payments made to the individual between December 1, 2011 and June 22, 2012 were approximately \$32,700, net of taxes. The original contract (December 1, 2011) was for a total not to exceed \$30,000 but payments in excess of \$30,000 were made prior to the amendment being awarded on June 22, 2012.
5. The Purchasing Policy states that contracts over \$50,000 for consulting services are to be acquired using the Request for Proposal process and approved by the Board prior to the award. Board approval prior to an award is also required if the consulting services contract is solely sourced.

It is not clear if the \$50,000 applies on a single contract basis, a cumulative basis over a single fiscal year or a cumulative basis over consecutive years.

Recommendations

1. Purchasing Policy P017 and its related PPAP should be amended to provide specific guidance that the established approval limit is to be considered on a cumulative basis over consecutive fiscal

years (where applicable), per the BPS Procurement Directive.

2. All contracts greater than \$50,000 should be brought forward to the AFAC for approval, as per the PPAP.

5.0 Procurement

Context

We were requested to note any exceptions to the BPS Directive on procurement and review certain contracts for compliance with the TDSB's policies on procurement.

5.1 Comparison of TDSB procurement policies to BPS Procurement Directive

Under the authority of the Broader Public Sector Accountability Act, 2010, the Government of Ontario has issued directives governing, among other things, the procurement of goods and services to increase accountability and transparency for designated BPS organizations.

We reviewed and compared the PPAP, Revised May 18, 2011 against the BPS Procurement Directive, effective July 01, 2011.

Findings

1. We highlighted the following comparisons for information:

Topic	BPS Directive	TDSB Guidance
a. Approval authorities	Requires an approval authority schedule. Under 7.2.2.1 of the BPS Procurement Directive, the AAS must identify, for each of the functional procurement roles (requisition, budgeting, commitment, receipt and payment), authorities that are allowed to approve procurements for different dollar thresholds.	The TDSB Purchasing Policy does not have a comprehensive AAS which explicitly states signing authorities for specific roles. TDSB guidelines refer to "next level" approval under which an individual's supervisor or budget holder would be responsible for approving expenses. Purchasing authorities are defined for the following titles: <ul style="list-style-type: none"> • Manager, Purchasing & Distribution Services • Director of Education or Designate(s) • Trustee Standing Committee (i.e. AFAC) • Board of Education
b. Consulting service procurement process	Requires an invitational competitive procurement process to be used for any consulting services from \$0 to \$100,000.	Contracts for consulting services up to \$50,000 are to be acquired using a Request for Quotation process. Contracts over \$50,000 are to be acquired using the Request for Proposal process.
c. Non-competitive procurement	Any non-competitive procurement of goods or non-consulting services must be approved by an authority one level higher than the requirements for competitive procurement.	Section 7.0 - Non Competitive Purchasing of the PPAP does not include an approval authority schedule and states: <i>"In case of emergencies, the Board has the authority to obtain goods and/or services in the most expedient possible manner regardless of the amount."</i>

2. Other observations regarding the Purchasing Policy and the PPAP:

- a. There are two sections of the PPAP which deal with contracts up to \$50,000. Page 5 of the PPAP, paragraph 5 under "Approval Authority" states that contracts for consulting services up to \$50,000 shall be acquired using the Request for Quotation process and may be approved by the Director, or designate.

Page 10, section 3.1, Manager, Purchasing & Distribution Services, under section 3.0 "Authority" states that the Purchasing Manager in consultation with the originating Board Official may, unless there are explicit instructions otherwise, approve all contracts equal or less than \$50,000.

While we understand that in the first instance, they are specifically addressing consulting services, it is not clear under section 3.1 that the authority given to the Manager, Purchasing & Distribution Services does not apply to consulting services.

- b. Page 5 of the PPAP provides definitions of consulting and non-consulting services as follows:

“Definitions

Consultant means a person or entity that under an agreement, other than an employment agreement, provides expert or strategic advice and related services for consideration and decision-making. An individual or organization is considered a consultant if they provide the following services:

- *Management Consulting (i.e. helping improve performance, primarily through the analysis of existing problems and development of plans for improvement. This includes organizational change management assistance and strategy development);*
- *Information Technology Consulting (i.e. advisory services that help clients assess different technology strategies, including aligning their technology strategy with their business or process strategy);*
- *Technical Consulting (i.e. strategic advice related to actuarial science, appraisal, community planning, employment/placement, engineering, health sciences, interior design, realty, social sciences);*
- *Policy Consulting (i.e. the provision of advisory services to provide policy options, analysis and evaluation);*
- *Communication Consulting (i.e. the provision of strategy and advice in conveying information through various channels and media).*

Consulting Services is the provision of expertise or strategic advice that is presented for consideration, and decision making.

Non-Consulting Service Provider is an individual/company who contracts to provide services, other than consulting services to another individual or business. Examples may include ‘consultants’ such as property brokers, head hunters or trainers.”

There are some good examples of consulting and non-consulting services provided in the PPAP; however, whether a Constituency Assistant provides consulting or non-consulting services is not defined. Whether or not a Constituency Assistant provides consulting services will determine the process required to approve the contract for their services. For example, if a Constituency Assistant is considered to provide consulting services, a contract for their services in excess of \$50,000 would require Board approval prior to the award of the contract.

Recommendations

1. The TDSB should identify an individual with the responsibility to ensure the PPAP aligns with the BPS Procurement Directive.
2. As required by the BPS Procurement Directive, the TDSB should develop and formalize an Approval Authority Schedule for each of the requisition, budgeting, commitment, receipt and payment processes.

3. The PPAP contract authorities should be clarified to ensure consulting services contracts are appropriately obtained and approved.
4. The PPAP should be amended to define the approval process and thresholds for services provided by a Constituency Assistant.
5. The PPAP should be amended to define whether or not a Constituency Assistant is considered to provide consulting services as defined in the PPAP.
6. The TDSB should consider developing accountability measures to ensure compliance with the PPAP.

5.2 Procurement Testing

We performed procurement process testing to determine if the procedures being followed complied with the PPAP.

We obtained data of accounts payable transactions from September 1, 2009 to July 4, 2013. This package was then subjected to further analysis from which we selected certain transactions for further procedures.

For selected transactions, we established the contract value (from the contract or alternatively the invoice) which we used to establish the bid process and approvals which should have been applied.

For the selected transactions, EY traced documents to original contracts, invoices and committee minutes where available and required. Invoices were analyzed and reviewed for numerical accuracy as well as for appropriate review and approval.

Individuals responsible for the approval, processing and payment of identified transactions were interviewed to obtain an understanding of the nature of the expenses incurred. This was supplemented by historic email reviews and internet and corporate searches on some of the entities.

Findings

1. Forty-five percent (45%) of the 20 samples tested did not use a competitive bid process as required under the PPAP. Almost half of the 45% also did not meet the approval requirements.
2. In our discussions with management and staff, comments were made regarding the lack of training on the policies and procedures.

Recommendations

1. The current Director stated that as part of efforts to improve fiscal accountability, a presentation from Business Services containing an overview of key components of the purchasing policy was made in July and August of 2013 to the Senior Team members. The TDSB should also consider providing training to all employees involved in the procurement process and other employees with purchasing authority.

2. The TDSB should consider including a single point of contact in the PPAP for guidance on ensuring the PPAP is being followed.

6.0 Staffing - succession planning

Context

Given the departure of a key senior executive and other recent senior staff turnovers, we were asked to review the succession planning processes in order to ensure that the risk associated with governance, oversight and operation of the TDSB is adequately addressed in respect of key staff positions.

A Ministry "Operational Review Report" was issued in April of 2010.

The report details the findings and recommendations of the Operational Review of the TDSB conducted by the Operational Review Team composed of external consultants and Ministry staff. The Operational Review was conducted over a two week period beginning in November of 2009. The purpose of the report was to assess the extent to which the TDSB had implemented the leading practices identified in the "Operational Review Guide for Ontario School Boards" and to provide recommendations on opportunities for improvements. The findings in the report relating to Succession and Talent Development on page 26 state:

"The school board is in the process of developing a formal Leadership Development, Mentoring and Succession Planning Strategy for principals, vice-principals and non-unionized support staff ('Schedule II'). Specifically, the school board's principal/vice-principal leadership competencies have been aligned to the practices and competencies outlined in the Ontario Leadership Framework. For the school board's "Schedule II" support staff, the competencies from the performance management process provide a framework for the support staff leadership development initiatives."

Findings

1. As of October 31, 2013, management had not completed a succession plan although as per the Operational Review Report finding above, a strategy for Principals, Vice-Principals and non-unionized support staff has been in progress in 2010.
2. The current Director stated she has identified succession planning and talent growth as one of her highest priorities as part of her business continuity mind-set. A "Succession Talent and Growth Plan 2013 - 2015" is currently being developed. The plan includes considerations regarding Executive Superintendents, Superintendents of Education, Principals, Vice-Principals, Associate Directors and Managers.

Recommendation

The TDSB should prioritize the activities related to developing a Succession Plan. Succession planning for members of the senior management team is crucial to the continuity of effective leadership of school boards and is considered a leading practice.

7.0 Audit Committee mandate

Context

We reviewed the current environment under which the Audit Committee is operating to assess whether they are able to effectively carry out their mandate/duties as set out in Regulation 361/10. EY interviewed external and Trustee Audit Committee members, reviewed the Audit Committee meeting minutes approved by the Audit Committee Chair and the materials provided to the members for meetings.

Finding

Our review of the current environment indicates there are opportunities for improvements in four main areas (discussed in detail below):

- 7.1 Meeting minutes
- 7.2 Member appointments
- 7.3 Meeting attendees
- 7.4 Management action plans

As a result of the improvements required in these areas and with the findings related to the audits in section 1 of this report, the Audit Committee was not able to effectively carry out their mandate as set out in Regulation 361/10.

7.1 Meeting minutes

Section 11, "Meetings" subsection 11(7) of Regulation 361/10 states:

"(7) The chair of the audit committee shall ensure that minutes are taken at each meeting and provided to the members of the committee before the next meeting."

Findings

1. Copies of the minutes of the previous meeting were not approved at the commencement of each Audit Committee meeting or included as part of the Audit Committee agenda. For example, minutes of all the previous Audit Committee meetings from March 10, 2011 to May 27, 2013 inclusive were to be presented to the Audit Committee on June 17, 2013 and had been included in the Meeting Notice package and the agenda. This meeting however was discontinued when quorum was lost prior to reaching this agenda item. Prior to that date, the meeting minutes were distributed at the Board Committee Meetings. Internal members of the Audit Committee and other Trustees had access to them but not external members. The lack of timely distribution to all members is inequitable and is not a leading practice.
2. The minutes lack detail regarding discussions, actions to be taken and resolutions presented. For example, while Audit Committee members recalled having requested a full copy of the forensic audit report, there was no minuted record of this request. No minutes are taken when the Audit Committee meets regarding highly confidential issues (called "deep private" meetings).

3. Discussions with Audit Committee members and EY's review of the minutes indicate that the Audit Committee is generally receiving other reports and financial information as required to meet their responsibilities.

Recommendations

1. Copies of the minutes of the previous meeting should be included in every Audit Committee package for review and approval at the next meeting.
2. The Audit Committee should consider:
 - a. Whether or not the level of detail of the Audit Committee minutes adequately documents the actions requested of management as a basis for tracking the requested items to closure, and
 - b. Whether or not appropriately sanitized minutes of deep private meetings would be better than no minutes. The minutes of deep private meetings could be similar to those of Committee of the Whole minutes which are also private meetings.

7.2 Member appointments

Regulation 361/10 provides guidance on the composition of the Audit Committee as follows:

- ▶ Section 3.1 (3) Composition of the board states that If the board has 15 or more board members, the Audit Committee shall consist of seven members, including four Board members and three persons who are not Board members.
- ▶ Section 6 (1), Chair of the Audit Committee, states that at the first meeting of the Audit Committee in each fiscal year, the members of the Committee shall elect the Chair of the Committee for the fiscal year of the Board from among the Board members appointed to the Committee.
- ▶ Section 7 (1), Term of appointment, states that the term of office of a member of the Audit Committee who is a Board member shall be determined by the Board but shall not exceed four years.

The TDSB Audit Committee is comprised of three external members, four Trustee members and is chaired by a Trustee member.

Findings

1. Through our review of the Audit Committee meeting minutes and discussions with external and Trustee committee members, the current practice is for the term of Trustee members to be one year, leading to an annual turnover of Trustee Audit Committee members. Each year, time is invested in informing new members about the role of the Audit Committee, explaining basic concepts, and bringing them up to speed on outstanding issues. The Audit Committee only meets about four times annually.
2. The three external members of the Audit Committee were appointed by the TDSB for a three year term, expiring January 2014.

Recommendations

1. To enhance the perception of independence in the governance and oversight provided by the Audit Committee, consideration should be given to amending Regulation 361/10 to provide an option to allow non-Trustee Audit Committee members to be the Chair rather than a Trustee.
2. We recommend that the TDSB consider requiring a longer term for the internal Audit Committee members (Trustees) to improve continuity.
3. The TDSB should consider staggering the terms of the external Audit Committee members to improve continuity.

7.3 Meeting attendees

Review of the meeting minutes and confirmation with various Audit Committee members, indicates a number of Trustees, who are not part of the Audit Committee, have been attending the meetings since November 2012. A complete and accurate list of who actually attended each meeting is not maintained or noted in the minutes.

Finding

Audit Committee members stated that allowing Trustees who are not members of the Audit Committee to attend is inefficient and has resulted in additional time spent on explanations, Trustees asking uninformed questions, discussion of their own personal agenda items and arguments. In order to carry out the Audit Committee duties, the Audit Committee should be able to meet in an unhindered environment and be able to focus on the agenda. Non-Audit Committee members should still be able to discharge their oversight responsibilities from within their role as Board members at Board meetings.

Recommendations

1. The minutes should reflect who attended Audit Committee meetings.
2. Audit Committee access should be limited to members of the Audit Committee and others specifically requested or required to attend. Attendance by non-members should be by invitation only.

7.4 Management action plans

Audit Committee members stated there is no process in place to effectively track the implementation or status of management actions being taken in response to recommendations made in the Management Letters following TDSB's annual audit, recommendations made by other auditor reviews, consultants or internal audit recommendations. One Audit Committee member stated they have previously requested a project plan tracker be provided for all internal audit actions but none has been provided to date. We reviewed various reports provided to the Audit Committee.

Findings

1. From the August 31, 2012 Management Letter provided by the external auditor, one item appears to remain outstanding from the August 31, 2010 Management Letter and from the August 31, 2011 Management Letter, six of the 11 items identified remain outstanding. Although the Management Letters do provide a management response to external auditor observations, without a formal action plan outlining milestones and progress, the Audit Committee relies on updates from operational personnel to track open items. This makes it difficult to assess if all the items are going to be addressed, if the right steps are being taken by management and when they will be resolved.
2. Internal audit has also carried out several internal audits in various areas or related to specific projects. The reports contain recommendations related to current processes and internal controls and management responses and action plans. We found no evidence of progress reports provided to the Audit Committee.

Recommendation

The Audit Committee should consider a resolution to formally instruct management to provide the reporting the Audit Committee requires in discharging its responsibilities, such as the tracking of open items.

8.0 Director's Office expenses

Context

We assessed whether Director's Office expenses incurred were in compliance with the TDSB's policies on expenses, the "Board Administration and Governance Workgroup Report, May 2007" and the Ministry's "Uniform Code of Accounts Manual for Ontario School Boards, April 2012". We reviewed expenses related to the Director's Office including administration, supervisory officer and Vision of Hope expenses.

The Vision of Hope program was developed by the former Director and had three priorities:

- ▶ Student achievement
- ▶ parent and community engagement
- ▶ financial stability

The school board has used GSN funding to support the Vision of Hope.

We were provided with a "Summary of Director's Office Expenses" for fiscal years ended August 31, 2009 to 2013. Information provided for fiscal year 2013 was up to July 4, 2013.

We were also provided with transactions charged to the Director's Office accounts. We performed an analytical review of the transactions to identify and test recurring transactions such as standard payroll, utilities, Receiver General and other transactions recognized as being in the normal course of business.

We selected vendors for further review from the transaction-based analysis and from accounts payable supporting documents for the Director's Office transactions.

For payments to numbered companies, or for which the purpose of the payment was not clear, we conducted internet and corporate searches on the entities to determine ownership and primary business purpose. Where further clarification was required, we interviewed individuals associated with the project or purchase. In addition, for some expenses, we reviewed privileged documents such as correspondence between external and internal TDSB legal counsel and reviewed Committee of the Whole (Private) meeting minutes.

The Board Administration and Governance Workgroup Report, May 2007 and the Ministry's Uniform Code of Accounts Manual for Ontario School Boards, April 2012 define how revenue and expenses are to be disclosed in the financial reports to the Ministry. To facilitate our assessment of compliance with the Board Administration and Governance Workgroup Report, and the Ministry's Uniform Code of Accounts Manual for Ontario School Boards, we obtained an understanding of how transactions are coded to TDSB accounts in their accounting system and how each account is disclosed in the financial statements. We also reviewed journal entries to identify changes made to account categories.

Findings

1. We identified non-compliance with the TDSB procurement policies. Seventy nine percent (79%) of the number of procurement transactions reviewed did not use a competitive bid process as required under the PPAP. More than half of the 79% that did not use a competitive bid process as required were signed by a designate of the authorized signatory. We found no written documentation authorizing the designation. The Accounts Payable staff indicated they were verbally informed.
2. We found no evidence of non-compliance with the Board Administration and Governance Workgroup Report, May 2007 and the Ministry's Uniform Code of Accounts Manual for Ontario School Boards, April 2012.

Recommendations

1. Recommendations to enhance procurement processes at the TDSB were discussed in Section 5 of this report.
2. The Director's Office should also follow all procurement policies and guidelines.
3. Designations by authorized signatories should only be accepted if in writing.

9.0 Other

9.1 Employee and Trustee involvement in external organizations

There are numerous policy and procedure documents that address conflicts of interest including:

1. Policy P057 EMP, Employee Conflict of Interest
2. Policy P075, Code of Conduct and Ethics for Trustees, section 3.2 Commitments, paragraph (c)
3. Operational Procedure PR673 BUS, Employee and Community Partners Conflict of Interest

Highlights of the policies as related to our findings include:

Policy P057 section 4.3 states:

"Where employees (or their family members or close business associates) have a personal or financial interest that might present a conflict of interest in connection with their duties as Board employees, they shall report this conflict, in writing..."

Policy P075 section 3.2 (c) states:

"Trustees of the Toronto District School Board are committed to declaring any possible conflicts of interest."

Operational Procedure PR673 provides further guidance on Employee and Community Partners Conflicts of Interest. The term "Community partners", includes members of school councils, parent councils, student councils and volunteers. Section 4.1 of PR673 states:

"An employee who has a connection to or a relationship with an external organization or business (including a supplier or promoter of products or services to the Board) must avoid any situation in which that connection or relationship may influence or reasonably be perceived to influence the employee in the performance of his or her duties."

The MTP Agreement effective June 1, 2009, also discusses actual, potential or perceived conflicts of interest at the TDSB. Article 6 page 7 states:

**"ARTICLE 6
CONFLICT OF INTEREST**

- 6.1 No Conflict of Interest.** *The Board shall carry out the Project and use the Funds without an actual, potential or perceived conflict of interest.*
- 6.2 Conflict of Interest Includes.** *For the purposes of this Article, a conflict of interest includes any circumstances where:*
- (a) *the Board; or*
 - (b) *any person who has the capacity to influence the Board's decisions, has outside commitments, relationships or financial interests that could, or could be seen to, interfere with the Board's objective, unbiased and impartial judgement relating to the Project and the use of the Funds.*
- 6.3 Disclosure to Ministry.** *The Board shall:*
- (a) *disclose to the Ministry, without delay, any situation that a reasonable person would interpret as either an actual, potential or perceived conflict of interest; and*
 - (b) *comply with any terms and conditions that the Ministry may reasonably prescribe as a result of the disclosure."*

Findings

1. Our review of Director's Office expenses identified payments to charities and not-for-profit organizations. On numerous occasions the recipients' Directors or Officers included TDSB Trustees, TDSB employees and/or family members or close business associates of TDSB Trustees or employees. Examples include:
 - a. The current Director is a Director on DAREarts, a charitable organization that receives funding from the TDSB. The current Director indicated that she has not been comfortable with being the sole signing authority on payments made to DAREarts.
 - b. Services purchased from not-for-profit organizations whose Officers or Directors are family members of TDSB Trustees or are TDSB employees. Some of these services relate to projects covered by the MTP Agreement.
2. In our review of personnel files, no declarations by TDSB employees related to their connections to external organizations were found. The current Director and the Associate Director, Chief Employee Services Officer, indicated that no process is currently in place to obtain and retain declarations.
3. In our review of Board Meeting minutes from January 2009 to May 2013, we did not locate a declaration by any Trustee in relation to connections with external not-for-profit or charitable organizations.

Recommendations

1. TDSB employees and Trustees have experience that is beneficial to charitable and not-for-profit organizations. To mitigate risks associated with potential conflicts of interest, we recommend:
 - a. Yearly declarations of potential conflicts should be received from senior management and employees with authority to approve payments. These declarations should be accessible by TDSB signing authorities to increase transparency and facilitate informed decisions. Authorizations for payments to these organizations should be limited to individuals with no potential conflict.
 - b. Approval for disbursements to any charitable or not-for-profit organizations in which the Director of Education has a direct interest (i.e. as a Director or Officer on the Board of the organization) should be approved by the Chair of the Board, regardless of dollar value.
 - c. Management should implement controls to improve the reporting of conflicts and to collect and retain reported conflicts.

9.2 Trustee expenses

Context

Our Terms of Reference did not include an in-depth review of Trustee office expenses and other Trustee expenses. A concern was brought forward in relation to office expenses that did not follow procurement policies and some potentially ineligible Trustee expenses that may not be in accordance with Board policy.

9.2.1 Comparison of Trustee expense policies and guidelines

As noted under the Procurement section of this report, pursuant to the authority of the Broader Public Sector Accountability Act, 2010, the Government of Ontario has issued directives to increase accountability and transparency for designated BPS organizations. The BPS Expenses Directive, April 1, 2011 provides guidance to publicly funded organizations in establishing expense rules that apply to all persons in an organization, including employees, consultants, appointees, Board members and elected officials.

We compared the TDSB Expenditure Guidelines PR582, revised October 9, 2012 with the TDSB Policy P016, Trustee Expenses, revised June 29, 2009, and compared the TDSB guidance against the following Directives:

- ▶ BPS Expense Directive, April 1, 2011
- ▶ BPS Perquisites Directive, August 2, 2011
- ▶ OPS Travel, Meal and Hospitality Directive, revised April 1, 2010

As noted below, we did find instances where it appears Trustee expenses did not comply with TDSB policies and procedures.

Findings

1. The TDSB documents align to the Directives in regards to the rules that have been established for expenses.
2. Trustee expenses are governed by both Section F of the TDSB guidelines and Policy P016, Trustee Expenses.
3. Policy P016, Trustee Expenses does not make it clear that the rules contained in the policy are in addition to all the rules inherent in the TDSB Expenditure Guidelines.

Recommendations

1. To support transparency and reduce the risk of error, a governance and accountability framework should be in place to ensure everyone understands the rules and authority for approvals. Having the rules in separate policies and guidelines for Trustees, may make it difficult for individuals and the public to know the rules and for the TDSB to ensure compliance.
2. The TDSB should consider combining all rules currently addressed in the TDSB Expenditure Guidelines and the Policy P016, Trustee Expenses into one policy or guideline by expanding section F of the TDSB Expenditure Guidelines to include the appropriate rules from the Trustee expense policy.
3. The TDSB should consider developing accountability measures to enforce compliance with the revised expenditure policy or guideline.

9.2.2 Review of Trustee expense claims

As per Policy P016, Trustee Expenses, TDSB Trustees have discretionary office budgets of \$27,000 each per year. The \$27,000 may be used for office expenses, meetings with constituents, newsletters, mileage and other expenses incurred relating to the business of the Board and the role of the Trustee. Policy P016, Trustee Expenses also states that it is the responsibility of the Trustee to comply with purchasing, accounting and financial policies and procedures.

We considered eligible expenses to be those expenses that were allowed under policies applicable at the time the expense was incurred, were supported with adequate, complete documents and were consistent with the business purpose and responsibilities of a Trustee. Examples of expenses assessed as eligible Trustee expenses include internet connection expenses, supplies, and costs associated with sending newsletters to schools.

Findings

At the request of the Ministry, we performed a review of expense claims submitted by Trustees to determine if a more in-depth review should be performed at a later date by the TDSB.

We selected transactions totalling \$52,136 included on 65 expense claims. Of the transactions reviewed, we assessed approximately 70% by dollar value as being eligible expenses and 30% as potentially ineligible.

Examples of potentially ineligible expenses noted include:

- ▶ Hotel expenses for a one night stay at a Downtown Toronto hotel for a conference.
- ▶ Descriptions on invoices from vendors which were manually changed.
- ▶ A Constituency Assistant's mileage being claimed on a Trustee's expense report. Under the Constituency Assistant's contract, mileage is not an allowable expense.
- ▶ Duplicate reimbursement for home internet charges.
- ▶ Purchase of a tablet computer from a retail vendor for \$362. As per Policy P016, Trustee Expenses, purchases over \$250 must be purchased through the Board under the Board's established contracts.

We did not have discussions with the Trustees regarding these expenses.

Recommendation

In light of the aforementioned findings and to strengthen accountability measures, the TDSB should consider performing a review of Trustee office and other expenses to assess compliance with policies.

9.3 Trustee involvement in day to day management of the TDSB

We heard from numerous individuals including management, staff and Trustees of a culture of "fear" in the organization.

Pressure is sometimes put on staff to not comply with set policies and some employees fear their employment may be terminated if they refuse to do as requested. We found examples of this type of pressure:

- ▶ A Trustee became involved in decisions being made by Purchasing and Business Services and pressured staff to circumvent the procurement process.
- ▶ A Trustee requested assistance in circumventing hiring practices.
- ▶ A Trustee requested payments be made to a vendor without a required, signed contract in place.

The Trustees involvement in staff changes is also contrary to leading practices. For instance, Board Policy P014: Staff Changes states:

“4.1 The Board shall approve the following changes related to the staffing of the Board:
(a) Appointments of teachers (new hires);
(b) Promotions to the position of supervisory officer or equivalent;
(c) Promotions, appointments and transfers of principals and vice-principals, including central appointments;
(d) Promotions and appointments of coordinators with system-wide responsibility within the teaching collective agreements;
(e) Promotions and appointments of support staff Schedule II, Level 10 and above;
(f) Dismissals from employment for just cause of teachers, principals, vice-principals, Schedule II Level 10-12, supervisory officers or equivalent”.

The TDSB had received external advice indicating that it would be better for the Board members to not be involved in staffing changes with the exception of managing the Director of Education position.

The latest version of the “Operational Review Guide for Ontario District School Boards 4th Edition (September 2010)”, published by the Ministry was released after Bill 177 to further strengthen leading practices. Though this leading practice was strengthened following the TDSB’s Operational Review, it includes a section on the leading practice for Recruitment policies and administrative procedures and sets out the following Staff Recruitment/Hiring practice:

“Recruitment policies and administrative procedures are reviewed annually, and are aligned with staff planning to support student achievement. Trustees do not sit on hiring panels (exception: hiring the director of education) but provide policies to govern staffing and recruitment.”

Trustees are also involved in the selection process for some procurement contracts with significant monetary awards. For instance, in the past, Trustees have been involved in the selection process for architects and legal counsel.

Bill 177, “Student Achievement and School Board Governance Act, 2009” amended section 218.1 of the Education Act which included revising the “Duties of board members” section to state:

“A member of a board shall,

(a) carry out his or her responsibilities in a manner that assists the board in fulfilling its duties under this Act, the regulations and the guidelines issued under this Act, including but not limited to the board’s duties under section 169.1;

- (b) attend and participate in meetings of the board, including meetings of board committees of which he or she is a member;*
- (c) consult with parents, students and supporters of the board on the board's multi-year plan under clause 169.1 (1)(f);*
- (d) bring concerns of parents, students and supporters of the board to the attention of the board;*
- (e) uphold the implementation of any board resolution after it is passed by the board;*
- (f) entrust the day to day management of the board to its staff through the board's director of education;*
- (g) maintain focus on student achievement and well-being; and*
- (h) comply with the board's code of conduct."*

As noted in section 218.1 (f) above, Trustees should entrust the day to day management of the Board to its staff through the Board's Director of Education.

Toronto District School Board Trustee involvement in day-to-day operations has been highlighted in other reports.

The Ministry Operational Review Report of April 2010 contained a recommendation that:

"The Board, supported by school board administration, should review the Board's governance principles, to establish a formal, documented governance model that clearly delineates the roles and responsibilities among the Board, the Director and senior administration. In line with provisions of Bill 177 which was passed in December 2009, Board members should carry out their responsibilities in a manner that assists the school board in fulfilling its duties under the Act, and entrust the implementation of Board policy and the day-to-day management of the school board to the Director of Education."

The Special Assistance Team ("SAT") noted in their report to the Ministry released in the summer of 2013:

"The SAT's mandate did not include a review of the Governance structure of the school board. However, it quickly became apparent that governance issues have a significant impact on day-to-day operations. In several instances noted in this report, the SAT has found extensive trustee involvement in a range of operational issues, from permits and procurement to staffing decisions.

The level of involvement of trustees in day-to-day matters reflects legacy practices that are deeply ingrained in the culture of the board. They do not reflect the roles and responsibilities of trustees as mandated by the Student Achievement and School Board Governance Act, Bill 177. The school board's governance model needs to be strengthened to distinguish the roles and responsibilities of the trustees and the Director of Education, to support an effective working relationship that meets the goals and priorities of the school board."

It is our understanding the Trustees received training on Bill 177 in 2010.

Finding

In mature governance structures such as the district school boards in Ontario, there is an expectation that more clearly articulated and respected roles and responsibilities should exist. The measures in place and actions taken in response to the various reports by the TDSB to date have been helpful, but are not yet sufficiently effective to adequately balance the day to day management needs and the role of the Trustees.

Recommendation

The TDSB Board of Trustees and Management should develop strategies to address the issues. Areas of focus when considering the strategies could include:

- a. Developing a liaison position between the Trustees and staff. This position would accept and consider Trustee requests and determine appropriate actions.
- b. Providing training to staff on how to handle specific Trustee requests.
- c. Amend current governance policies that are not in accordance with recommended practices as they relate to Bill 177.
- d. Adopting leading governance practices from other district school boards in the province as well as examining similar sized organizations in other sectors to determine leading practices that may transitioned to the TDSB.

Appendices

Appendix	Appendix Description
Appendix A	List of documents relied upon
Appendix B	Interviews
Appendix C	Other documents reviewed

Appendix A - List of documents relied upon

- ▶ Administration, Finance and Accountability Committee Contract Awards agenda items Jan 2009 - April 2013
- ▶ Bill 16, An Act to implement 2010 budget measures and to enact or amend various Acts, Royal Assent, May 18, 2010, Schedule 24
- ▶ Bill 55, Strong Action for Ontario Act (Budget Measures), An Act to implement Budget measures and to enact and amend various Acts, Royal Assent, June 20, 2012
- ▶ Bill 115, Putting students first Act, An Act to Implement Restraint Measures in the Education Sector, Royal Assent, September 11, 2012
- ▶ Bill 177, Student Achievement and School Board Governance Act, An Act to Amend the Education Act with Respect to Student Achievement, School Board Governance and Certain other Matters, Royal Assent, December 15, 2009
- ▶ Board Services Agenda Record CW:008C, Agenda Item 5, December 1, 2008
- ▶ Board Services Agenda Record HRC:030A, Agenda Item 8.1, May 29, 2013
- ▶ Broader Public Sector, Expense Directive, April 1, 2011
- ▶ Broader Public Sector, Expenses Directive Implementation Guide for Ontario School Boards, PwC
- ▶ Broader Public Sector, Perquisites Directive, August 2, 2011
- ▶ Broader Public Sector, Procurement Directive, April 1, 2011
- ▶ Collective Agreement Between Toronto District School Board and Local 4400 Canadian Union of Public Employees, Unit C, September 1, 2008 - August 31, 2012
- ▶ Cost Centre to Function Code Mapping, excel spread sheet - prepared by the Toronto District School Board
- ▶ Education Act, Ontario Regulation 361/10 Audit Committees, September 10, 2010
- ▶ Education Act, R.S.O. 1990, Chapter E.2
- ▶ Good Governance: A Guide for Trustees, School Boards, Directors of Education and Communities
- ▶ Master Transfer Payment Agreement between the Minister of Education and Toronto District School Board, effective as of June 1, 2009
- ▶ Ministry of Education, Board Administration and Governance Expenditures Workgroup, Report, May 2007
- ▶ Ministry of Education, Education Funding, Technical Paper 2012-2013, revised September 2012
- ▶ Ministry of Education, Funding Enhancements for peace and progress in education - 2008-09 and future years, August 18, 2008
- ▶ Ministry of Education, Operational Review Guide for Ontario District School Boards, September 2010 (Fourth Edition)
- ▶ Ministry of Education, Transfer Payment Accountability directive, August 31, 2007
- ▶ Ministry of Education, Uniform Code of Accounts Manual for Ontario School Boards, last revised April 2012

- ▶ Municipal Conflict of Interest Act, R.S.O. 1990, Chapter M.50
- ▶ Ontario Public Service Travel, Meal and Hospitality Expenses Directive, Corporate Policy Branch, Management Board of Cabinet, adopted November 2004, revised April 1, 2010
- ▶ Privileged correspondence and documents related various topics including: allegations, conflicts of interest, and a statement of claim
- ▶ Public Sector Compensation Restraint to Protect Public Services Act Protecting Public Services Act, 2012
- ▶ Toronto District School Board, Audit Committee meeting minutes from March 10, 2011 to July 3, 2013
- ▶ Toronto District School Board, Board Services Agenda Record BD:062A, Appendix B, Agenda Item 3, Proposed Budget Plan for 2012-13, June 13, 2012
- ▶ Toronto District School Board, Board Services Agenda Record PPC:041E, including the 2013-2014 Proposed Budget, June 12, 2013
- ▶ Toronto District School Board, Education Program Other reports for 2012-2013 breakdown of allocated amount and amount held back to balance budget
- ▶ Toronto District School Board, Employee Services Protocol RM13 - Salary Administration - Non-Union Staff, issued September, 2005
- ▶ Toronto District School Board, Focus on Youth Toronto 2012, Internal Audit Report, May 2013
- ▶ Toronto District School Board, Operational Procedure PR516, Academic Supervisory Officer Selection and Transfer of Superintendents, adopted February 3, 1999, Revised September 25, 2008, Reviewed March 2012
- ▶ Toronto District School Board, Operational Procedure PR533, Use of Board Resources During Election Campaigns, adopted September 9, 2003, last reviewed December 2012
- ▶ Toronto District School Board, Operational Procedure PR582, Expenditure Guidelines, adopted March 27, 2007, last revised October 9, 2012
- ▶ Toronto District School Board, Operational Procedure PR673 BUS, Employee and Community Partners Conflict of Interest, adopted January 8, 2001, last revised March 28, 2008
- ▶ Toronto District School Board, Personal Services Contract - Update, June 4, 2010
- ▶ Toronto District School Board, Policy P014, Staff Changes, Adopted March 6, 2003, Revised March 7, 2007, Reviewed March 2012
- ▶ Toronto District School Board, Policy P016, Trustee Expenses, adopted March 6, 2003, last revised June 29, 2009
- ▶ Toronto District School Board, Policy P017, Purchasing, adopted October 24, 2001, last revised May 18, 2011
- ▶ Toronto District School Board, Policy P055, Supervisory Officer Selection, Adopted February 3, 1999, Revised March 24, 2004, Reviewed March 2012
- ▶ Toronto District School Board, Policy P057 EMP, Employee Conflict of Interest, adopted June 23, 2004, revised January 30, 2008
- ▶ Toronto District School Board, Policy P074, Honoraria for Trustees, adopted September 7, 2010

- ▶ Toronto District School Board, Policy P075 Code of Conduct and Ethics for Trustees, adopted September 1, 2005, last revised September 23, 2009
- ▶ Toronto District School Board, Policy P081, Anti-Fraud Measures, November 29, 2012
- ▶ Toronto District School Board, Procedural Bylaws, April 14, 2010
- ▶ Toronto District School Board, Protocol SR22, Staffing & Recruitment, Re-issued September 22, 2011
- ▶ Toronto District School Board, Purchasing Policy and Administrative Procedures, adopted September 23, 1998, revised May 18, 2011
- ▶ Trustee Services Information Handbook, excerpt pg. 31
- ▶ Various Education Program Other Project Agreements and related financial reports submitted to the Ministry
- ▶ Ward 10 Council Meeting Minutes - February 15, 2011
- ▶ X Y Coordinate Mapping, excel spread sheet - prepared by the Toronto District School Board

Appendix B - Interviews

We conducted interviews or had discussions with the following individuals:

TDSB employees/former employees

- ▶ Director of Education (current)
- ▶ Associate Director (former Associate Director, Teaching and Learning Organization)
- ▶ Associate Director, Chief Employee Services Officer
- ▶ Executive Superintendent, Continuing and International Education
- ▶ Coordinating Superintendent, Inclusive Schools, Student, Parent & Community
- ▶ Senior Manager, Board Services & Trustee Governance
- ▶ Chief Financial Officer (acting)
- ▶ Interim Assistant Comptroller of Administration Services
- ▶ SAP Business Process Manager
- ▶ Supervisor, Accounts Payable (2)
- ▶ Audit & Risk Manager
- ▶ Executive Assistant, Office of the Chair
- ▶ Registrar, Board Services
- ▶ Budget Analyst
- ▶ Chief Financial Officer (former)
- ▶ Purchasing Specialist
- ▶ Senior Financial Analyst
- ▶ International Programs and Admissions Officer
- ▶ General Counsel (2)
- ▶ Program Coordinator, Experiential Learning

Trustees

- ▶ Chair of the Board, Fiscal Year 2012-2013
- ▶ Trustee members of the Audit Committee Fiscal Year 2012-2013
- ▶ Seven other Trustees

Ministry of Education Representatives

- ▶ Director, School Business Support Branch
- ▶ Senior Policy Coordinator, School Business Support Branch
- ▶ Director, Financial Analysis & Accountability Branch

- ▶ Manager, Financial Analysis & Accountability Branch
- ▶ Project Manager, Financial Analysis & Accountability Branch
- ▶ Director, Ontario Internal Audit, Education Audit Service Team
- ▶ Senior Audit Manager, Ontario Internal Audit, Education Audit Service Team
- ▶ Project Manager, Ontario Internal Audit, Education Audit Service Team
- ▶ Director, Safe Schools and Student Well Being Branch
- ▶ Manager, Inclusive Education Branch
- ▶ Senior Policy Advisor, Inclusive Education Branch

External Parties

- ▶ Three TDSB audit committee members, external to the TDSB
- ▶ Representatives of PwC
- ▶ Representatives of Deloitte
- ▶ Representatives of Helixlegal
- ▶ Ralph Benson, Special Assistance Team, January to June 2013
- ▶ Bill Hogarth, Special Assistance Team, January to June 2013

Appendix C - Other documents reviewed

- ▶ Director's Office Expense Register September 1, 2009 - July 4, 2013
- ▶ Ministry of Education, Operational Review Report, Toronto District School Board, April 2010
- ▶ Privileged correspondence regarding Trustee participation on principal/vice-principal selection committees, April 29, 2009
- ▶ PwC Report, TDSB Resource Allocation Review, Appendices, November 27, 2012
- ▶ Special Assistance Team, Report to the Ontario Minister of Education, regarding the Toronto District School Board, released Summer 2013
- ▶ Toronto District School Board accounts payable register 2009-2013
- ▶ Toronto District School Board, Human Resource and Professional Committee meeting minutes from September 16, 2009 to May 29, 2013
- ▶ Toronto District School Board, Human Resource and Professional Learning Committee, Report No. 21, March 21, 2012
- ▶ Toronto District School Board, Report Re: Reduction of Academic Funds to Support a Balance Budget, November 20, 2012
- ▶ Toronto District School Board, Senior team organizational charts, employment contracts, salary bands, promotion approvals and letters
- ▶ Trustees' Constituency Assistant Contracts
- ▶ Trustees' Expense Reports from Sept 2009 to June 2013

Exhibits

Exhibit	Exhibit Description
Exhibit 1	Senior Team salary increases 2008-09 to 2011-12

Exhibit 1 - Senior Team salary increases 2008-09 to 2011-12

Band A	Step 0	Step 1	Step 2	Step 3	Step 4
Effective September 1, 2008	152,996	160,645	168,295	175,944	183,594
Effective September 1, 2009	157,586	165,464	173,344	181,222	189,102
Effective September 1, 2010	162,314	170,428	178,544	186,659	194,775
Effective September 1, 2011	167,183	175,541	183,900	192,259	200,618

Band B	Step 0	Step 1	Step 2	Step 3	Step 4
Effective September 1, 2008	132,596	139,225	145,853	152,485	159,113
Effective September 1, 2009	136,574	143,402	150,229	157,060	163,886
Effective September 1, 2010	140,671	147,704	154,736	161,772	168,803
Effective September 1, 2011	144,891	152,135	159,378	166,625	173,867