

Ministry of Education

**Hastings and Prince Edward District
School Board
Follow-up Report to the Operational
Review**

July 2011

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1. Introduction

The Ministry is in the final stages of conducting Operational Reviews of the 72 district school boards across the province. The Ministry's goal is to enhance management capacity within school boards by encouraging good stewardship of public resources and by the leveraging and sharing of best practices. By identifying opportunities for continual improvement, school board administration and operations will be aligned to support the government's highest priority: student achievement.

In accordance with the stated objectives of the Operational Reviews, the Ministry has also engaged school boards to participate in a status and implementation update as part of the Operational Review cycle. Occurring approximately 12 months after the issuance of the final Operational Review report, the purpose of the update is to discuss with each school board the progress made in implementing the recommendations contained in the final report. It will also provide school boards with an opportunity to communicate to the Ministry their thoughts on the process, benefits that have been derived, and areas where some adjustments to the process would be beneficial.

As the recommendations vary between school boards, both in terms of quantity and scope, the following criteria were developed to help focus the review team, and the school board, on specific recommendations:

- Is the recommendation linked to the 12 Areas of Opportunity identified in the 2008 Sector Summary Report (seven) and the 2009 Sector Summary Report (five)?
- Does the recommendation represent a move toward more Strategic Planning on the part of Boards?
 - The departments that are responsible for the business functions perform significant activities in support of Student Success. The update should profile whether or not the school board is establishing links between the academic and non-academic functions through its strategic goals and priorities.
- Does the recommendation represent an area of potential risk to the board?
 - As an example, financial systems that are antiquated and require staff with very specialized knowledge could potentially disrupt the operations of the school board should those business skills be lost.
- Is the recommendation deemed to have positive Return on Investment?

- For example, implementation of an attendance management system may have greater potential for savings to the school board than introducing an electronic funds transfer system.
- Does the recommendation reflect updates to the Leading Practices?

For each of the selected recommendations, the school board was asked to provide the following information to the Operational Review team:

- Description of action(s) taken/not taken by the board to address recommendation(s).
- Supporting documentation
- If implemented, describe benefits derived, if possible, and date of implementation.

Details of the prioritization of the recommendations can be found in Appendix A of this report.

The scope of the follow up review also includes high-level consideration of whether the school board demonstrates adoption of those leading practices that were added to the fourth edition of the Operational Review Guide, released to the sector in September 2010. These were not part of the original review process.

2. Status and Implementation Update

Introduction

The Hastings and Prince Edward District School Board Operational Review follow-up review took place on May 18, 2011, approximately 15 months after the release of the initial Operational Review report. The Deloitte Operational Review team conducted a teleconference with the Superintendent of Human Resources (assuming the Director of Education's role in September 2011) and the Superintendent of Business Services. In advance of the teleconference, the Deloitte team selected recommendations from the Operational Review Report and asked the board to provide an implementation status along with any related supporting material.

Summary of Recommendation Status

The school board has made significant progress in implementing the recommendations since the completion of its review in February 2010. Of particular note is the addition of two external audit committee members as well as significant and ongoing work towards the implementation of a fully integrated financial system.

Following the Operational Review, management reported to the Board on the findings of the Operational Review report. The report was shared with the public through a Board report and the school board's website.

There were 14 recommendations made in the original report. The Operational Review team focused on eight of the recommendations in the follow-up review. The selected recommendations and the corresponding criteria are listed in Appendix A.

Overall, senior administration has either fully implemented or has made progress on all of the recommendations chosen for follow-up.

3. Governance and School Board Administration

No recommendations

4. Human Resource Management and School Staffing/Allocations

#1 Audit Insurance Carrier

Operational Review Recommendation	Implementation Update
Management should consider conducting compliance audits of the school board's insurance carrier to ensure adherence to the benefit plans terms and conditions. This will ensure accuracy and validity of claims paid.	Completed

#1 Audit Insurance Carrier

The school board has completed a full independent, third party audit of its insurance carrier's health and dental claims. The audit encompassed claims paid from January 1, 2009 to September 30, 2010. The report did not find any material variances in the carrier's records or history of payments. A minor issue was flagged regarding the coding of one particular type of drug. However, it was determined that the error did not result in any cost to the school board or staff. Management suggests the audit process was beneficial and that in the future they will monitor trends in and changes to the cost of benefits, completing another full third-party audit when applicable.

5. Financial Management

#1 Consolidate Key Risks

Operational Review Recommendation	Implementation Update
The school board should consider consolidating key risks and mitigation strategies into a single risk plan.	In progress

#2 Integrated Financial System

Operational Review Recommendation	Implementation Update
The school board should consider implementing a fully integrated financial system across all departments.	In progress

#3 Audit – External Advisors

Operational Review Recommendation	Implementation Update
Management and the board of trustees should consider establishing an audit committee that includes external advisors.	Completed

#4 Three-way Matching

Operational Review Recommendation	Implementation Update
Management should perform a detailed review of the school board's purchase-to-payment cycle and implement three-way matching.	In progress

#6 Electronic Funds Transfers

Operational Review Recommendation	Implementation Update
Management should continue to explore additional Electronic Fund Transfers (EFT) opportunities to maximize efficiencies.	In progress

#1 Consolidate Key Risks

The school board is working with the Ministry's Regional Internal Audit team. Risk assessments are being conducted on the school board's processes in the following

areas: Instruction and Schools, Business Services, Facilities, Human Resources, Information Technology and Transportation. The risk assessment process is underway at the school board and the next phase will include producing a document outlining risks in six broad categories including governance, human resources, financial, legal and compliance, service delivery and operational and information management risk. In each category, the audit team will follow up with school board officials to understand the risk mitigation strategies in place. From this, a heat-map showing areas of high risk will result in detailed investigation by the team. These risk assessments as well as the resulting recommendations will provide management with tools to develop a central risk mitigation plan.

Management is encouraged to continue working with the Regional Internal Audit team and to use recommendations from the risk assessment to develop a clear documented picture of key risks and associated mitigation strategies.

#2 Integrated Financial System

During the 2009-10 school year, management reviewed the potential use of ERP (Enterprise Resource Planning) systems for the school board. In June 2010, the Board accepted a recommendation to move forward with the implementation of an ERP system. The school board began the planning stages of the implementation in September 2010 and is currently working towards going online with a full implementation of the financial system in September 2011. Challenges with bridging gaps in the existing financial system may require that the rollout date or portions of it be pushed beyond September 2011. The integrated payroll and HR portion of the system is on track for full implementation in January 2012. Management is encouraged to pursue its rollout and full use of the integrated financial management system.

#3 Audit – External Advisors

The school board has appointed two external advisors to its audit committee in compliance with the Audit Committee Regulation that came into effect in September 2010. Changes to the composition of the audit committee have been formalized in Board's policy. The school board advertised for applications in local newspapers, on the Board's public website and through the personal contacts of senior management. Five applications from local candidates were received for the two positions on the Audit Committee.

#5 Three-way Matching

Three-way matching functionality will be included as part of the new integrated financial management system. Management continues to weigh the cost benefit of the full implementation given current staffing considerations. Management suggests that if the

new integrated financial system is implemented on schedule in September 2011, the three-way matching functionality will be implemented afterwards. This staggered approach will permit appropriate change management processes and ensure the full and efficient adoption of new matching procedures. The school board is encouraged to implement and use the three-way matching functionality of the integrated financial management system, when appropriate.

#6 Electronic Fund Transfers (EFT)

Similar to the three-way matching functionality, management intends to implement the EFT functionality through the new integrated financial management system.

Management suggests the initial launch will include an employee payment system for mileage expenses and other reimbursements. Once the system is operational, it will be further adapted to pay vendors. Management is encouraged to continue with this plan, ensuring that the school board has full EFT capability and then to work with vendors on adoption.

6. School Operations and Facilities Management

#1 Environmental Policy

Operational Review Recommendation	Implementation Update
The school board is encouraged to develop an overarching environmental policy that addresses both environmental education and responsible management.	In progress

#2 Multi-year Capital Plan

Operational Review Recommendation	Implementation Update
The school board should develop an approved annual and multi-year capital plan that includes the related funding plan.	In progress

#1 Environmental Policy

The school board has developed a draft environmental plan that focuses primarily on academic functions. Management has suggested that a review and update of this draft will be completed in 2011-12, and that this review of the environmental plan has been incorporated into the 2011-12 school board strategic plan. These updates will ensure inclusion of non-academic functions and operational considerations. The school board is encouraged to consider best practices in developing an overarching environmental policy that addresses both environmental education and responsible environmental management within the school board.

#2 Multi-year Capital Plan

The school board has used a third party to develop business cases for all priority capital projects planned from 2011-12 to 2015-16. These were prepared in response to a ministry request for capital funding approval. These documents are an update to earlier business cases developed by the same firm in 2007 and show progress in working towards the school board's initial Operational Review recommendation. Although the current documentation sets clear direction for capital projects, the school board has not developed a multi-year capital plan that is approved by the Board. The school board should use the details of the planned capital projects for the 2011-12 to 2015-16 period to develop a multi-year capital plan that includes the related funding plan with formal Board approval. This document will help to provide a long-term forecast of planned capital planning.

7. School Board Adoption of New Leading Practices

The following leading practices were added or amended for the Fourth Edition of the Operational Review Guide that was released to the sector. Some of these leading practices are a result of the observations and learning from earlier waves of reviews.

School boards that were reviewed prior to September 2010 were not assessed against the new leading practices identified below. During this follow-up review process, the Operational Review team asked those school boards to comment on the extent to which they demonstrate adoption of these practices.

Governance and School Board Administration

New Leading Practice	Adopted?
The governance model reflects the roles and responsibilities mandated by the <i>Student Achievement and School Board Governance Act</i> , Bill 177.	Yes

Management reports that through a previous full policy review and the Board's mandated three-year policy review cycle, the majority of policies are up-to-date and in line with Bill 177. It is reported that the Board and administration are working together to ensure overall compliance with the requirements of Bill 177. A third-party firm will be facilitating a Governance and Bill 177 training session with trustees, the Director and the Senior Business Official in June 2011.

HR Management and School Staffing/Allocation

New Leading Practice	Adopted?
Trustees do not sit on hiring panels (exception hiring the director of education) but provide policies to govern staffing and recruitment.	No
Processes are in place to identify and remove discriminatory biases and systemic barriers in staff recruitment, selection, hiring, mentoring, promotion and succession planning processes. The school board conducts employment system reviews and works towards broadening the diversity of recruitment pools.	No
Trustees provide the school board's policy and priority framework within which bargaining takes place.	Yes

The school board recognizes the implications of Bill 177 and that trustees should not sit on staff hiring panels with the exception of the hiring of the Director of Education. The school board has discontinued the practice of having trustees sit on principal hiring panels. There have been no superintendents hired since the change in legislation and as such the school board has not been required to address the situation of trustee involvement in superintendent hiring. The school board reports a long standing tradition

of trustee participation on superintendent hiring committees. The Director of Education should review existing practices and the composition of interview panels, and develop formal hiring policies and procedures to clarify the roles of trustees and school board staff. Trustees should provide strategic policies to govern staffing and recruitment. They should not sit on hiring panels, with the exception of the hiring of the Director of Education.

The school board does maintain processes to identify and remove discriminatory biases and systemic barriers in staff recruitment, selection, hiring, mentoring, and promotion of staff but these processes and policies have not been formalized yet. Management suggests there are plans to formalize recruiting and hiring practices and procedures by September of 2011, and is encouraged to do so. The school board also takes other steps to remove biases and barriers. This includes working to implement a voluntary staff self identification survey to provide a clearer picture of the demographics and dynamics of the full staff team, as well as an active equity and inclusivity portfolio managed by the assistant superintendents.

Trustees do provide the school board's policy and priority framework within which bargaining takes place, and are not directly involved in the bargaining process. Trustees have not traditionally been involved in labour negotiations, and are kept informed of labour relations issues through Board committees and through verbal and written reports during the negotiation process.

Financial Management

New Leading Practice	Adopted?
The established policies and procedures that govern all aspects of supply chain management, including both planned (recurring) and unplanned (non-recurring/emergency purchases, comply with the Supply Chain Guideline (SCG) v.1.0.	Yes
In line with the SCG, purchasing authorization levels are commensurate to job roles and responsibilities, and are monitored for compliance by a supervisor or department head.	No

The school board has adopted and maintains procurement guidelines that are aligned with the mandatory elements of the Supply Chain Secretariat's Supply Chain Guideline (SCG) 1.0. The procedures have been updated to correspond to the new Broader Public Sector (BPS) Procurement Directive and will be taken to the Board in June 2011.

Management has yet to formally document purchasing authorization levels, but have begun to develop a draft procedure. The school board is encouraged to clearly articulate levels of purchasing authorization that are commensurate to job roles and all related responsibilities.

Operations and Facilities Management

New Leading Practice	Adopted?
The school board has an approved facility partnership policy.	Yes
A Project Manager is appointed to oversee all aspects of the project including monitoring the budget and project timelines and ensuring management processes are in place for issues such as change orders and other internal approvals. This includes periodic project status updates and post-construction project evaluation.	Yes
An independent Cost Consultant is retained by the school board to review the design, provide objective costing analysis and advice, and report to the school board on options to ensure that the proposed capital expenditure is within the approved budget, prior to tendering a project.	Yes

The school board has an approved facility partnership policy and rents space to a number of groups. A community engagement coordinator manages all related procedures and relationships.

Management has an effective process in place to monitor and control construction project costs, in line with Ministry requirements. The school board uses internal project managers for all renewal, renovation and addition work. The school board project managers direct the process from beginning to end, starting with the ARC process and working with the architect to manage the project during construction.

The school board has used independent cost consultants on each recent project for which they were required. Management reports differed experiences with using cost consultants. In some cases, wide differences between price estimates of the cost consultant and those of the contractors added increased complexity to projects. It was reported that cost consultants added one extra step in the construction process that did, on occasion, add extra time pressures.

Appendix A – Selection of Recommendations

- **SP** - Strategic Planning (SP)
- **AR** - Areas of Risk Categories
 - AR 1 - Undue reliance on specific human and / or non-human resources
 - AR 2 - Reputational risk in the community from not acting on the recommendation
 - AR 3 - Financial risk impacting school board’s financial position
- **ROI** - Potential for material Return on Investment
- **TAO** - Twelve Areas of Opportunity from 2008 sector report (seven) and the 2009 sector report (five)
- **NLP** – New leading practices introduced in Wave 4 through the Third Edition of the Operational Review Guide.

Governance and School Board Administration

Ref.	Recommendation	Follow-up Yes/No	Criteria
	No recommendations		

HR Management and School Staffing/Allocation

Ref.	Recommendation	Follow-up Yes/No	Criteria
1.	Management should develop a recruitment policy, and ensure it is reviewed annually to align staff planning with student achievement.	No	
2.	Management should continue to develop a comprehensive attendance management program, including policies and procedures to address specific categories of absenteeism. This will provide management with a consistent and structured approach to improve attendance across all employee groups.	No	
3.	Management should consider conducting compliance audits of the school board’s insurance carrier to ensure adherence to the benefit	Yes	ROI

Ref.	Recommendation	Follow-up Yes/No	Criteria
	plans terms and conditions. This will ensure accuracy and validity of claims paid.		
4.	Management should consider developing staff satisfaction surveys which would include all employee groups. This would improve communication with staff and provide input for professional development plans and HR policy.	No	
5.	Management should consider developing a formal plan for conducting exit interviews. These interviews would provide input for HR policy as well as process and program improvement.	No	

Financial Management

Ref.	Recommendation	Follow-up Yes/No	Criteria
6.	The school board should consider consolidating key risks and mitigation strategies into a single risk plan.	Yes	AR3
7.	The school board should consider implementing a fully integrated financial system across all departments.	Yes	ROI
8.	Management and the board of trustees should consider establishing an audit committee that includes external advisors.	Yes	TAO
9.	Cash management activities should be consolidated with a single institution.	No	
10.	Management should perform a detailed review of the school board's purchase-to-payment cycle and implement three-way matching.	Yes	ROI / TAO
11.	Management should continue to explore additional Electronic Fund Transfers (EFT) opportunities to maximize efficiencies.	Yes	ROI

School Operations and Facilities Management

Ref.	Recommendation	Follow-up Yes/No	Criteria
12.	Management should work with the utility companies to obtain consolidated billing in an electronic format. This would support more efficient monitoring and forecasting of energy consumption.	No	
13.	The school board is encouraged to develop an overarching environmental policy that addresses both environmental education and responsible management.	Yes	AR2

Ref.	Recommendation	Follow-up Yes/No	Criteria
14.	The school board should develop an approved annual and multi-year capital plan that includes the related funding plan.	Yes	AR3