

# WATSON™

Advisory



## School District 83

### Special Advisor Report

June 3, 2016

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## **EXECUTIVE SUMMARY**

Pursuant to an appointment made by the Ministry of Education on April 20, 2016, we completed a review of the governance practices at North Okanagan Shuswap School District No. 83 (District). Under our appointment as Special Advisor to the Ministry, our role was to:

- evaluate the governance practices of the District's Board of Education (Board); and
- evaluate the Board's capacity in respect of financial matters and effective fiscal management.

We carried out our review between the dates of April 20, and May 18, 2016. In completing our review, we:

- considered the governance framework for school boards within British Columbia, including the *School Act* and *Regulations*;
- reviewed District documentation related to the Board's governance framework and practices, including meeting minutes for the prior five plus years; and
- interviewed a broad range of stakeholders including trustees, senior management, parents, teachers, and others.

In addition to our interviews, we considered a number of letters received from interested parties who wished to share their views.

We would like to acknowledge and thank those who participated in the review. All individuals interviewed were candid and forthcoming in sharing with us their thoughts and experiences.

### **Summary of Key Findings**

This review arose from concerns raised in the District as a result of the recently constructed District office. The underlying issue that gave rise to concern was the realization by members of the community that the office was financed through local capital, a significant amount of which had been transferred into the fund in recent years from operating fund surpluses at the same time the Board had been cutting its operational budget, citing budget pressures. Cost overruns on the building have escalated the sense of outrage in the community.

Our interviews discovered that the concern surrounding the funding of the District office is only part of the story. Deep philosophical issues exist related to education delivery strategies in the face of declining enrolment – including striking the right balance between urban and rural schools, the level of commitment to middle schools, the issue of potential school closures and the related long-term facility

plan, the prioritization of programs – all competing for the same limited resources. We were struck by the complexity of these strategic options and finding the right balance to meet community needs.

The realization of how the District office was funded served as a lightning rod to galvanize community concern about how the District was being governed and managed and its transparency with stakeholders. Stakeholders have lost trust in the District's trustees (Trustees) and the superintendent (Superintendent). Three (of nine) Trustees have given their notice of resignation. Board meetings have degenerated to the point where there appears to be little decorum. The ability to carry on District business is seriously hampered.

While most of the underlying challenges the District faces might not be unique to this school district, the emotions experienced by individual Trustees, central staff, and stakeholder groups in the District are profound and troubling.

There are several deep underlying factors contributing to the current turmoil. Several of these are intertwined. Some of the challenges include:

- lack of a strong governance framework for the District;
- lack of clarity as to the role of the Board and individual Trustees;
- lack of sufficient skills and experience among Trustees to provide strategic, operational, and financial oversight;
- absence of a long-term strategy and vision, making the decision-making process more challenging in the absence of a set of guiding principles;
- a strongly held view by interviewees that individual Trustees often put the needs of the region they represent, and who elect them, before the needs of the District as a whole;
- a complete absence of financial expertise on the Board, and a very minimal level of financial literacy, which has contributed to poor understanding by the Board of financial results and activities;
- a lack of trust amongst Trustees, and an eroding level of trust that some Trustees have in the information and recommendations brought forward by senior management;
- lack of trust by stakeholders and the broader community in the Trustees;
- a view held by key stakeholder groups (including NOSTA, CUPE, DPAC and parents) that there is actual or perceived lack of consultation with vested parties on key decisions;
- lack of perceived transparency by the Board which is compounded by the number of *in camera* meetings coupled with insufficient time and mechanisms to respond to the public's questions and other related factors;
- no formal evaluation processes for the Board or Trustees nor any formal performance management processes (goal setting and evaluation) for the Superintendent and Secretary Treasurer; and

- a lack of comprehensive approach to governance education for Trustees and senior management.

## Summary of Key Recommendations

We have made a number of recommendations to help lay a more solid foundation to strengthen governance practices at the District in the future. However, implementing these recommendations successfully requires a fresh start.

Our review highlighted that this Board is not functioning well, and the situation would appear to be deteriorating rapidly.

The community has lost confidence in this Board. A by-election for the three vacancies is not expected to significantly change current dynamics. As a result, we recommend that the Board be dissolved with a Ministry-appointed trustee appointed in its place. We recommend that the Ministry-appointed trustee hold office until the next regularly scheduled election of school board trustees for the District in the fall of 2018. We also recommend that the Ministry-appointed trustee complete a formal evaluation of the Superintendent's performance over the next six months.

Prior to the next election, we recommend that the current number of Trustees, along with the regions they represent, be revisited with a goal of reducing the number of Trustees, and rebalancing the regional representation to better reflect population in the District.

Other key recommendations contained within the report include the following:

### *Strategic Planning and Performance Management*

- Develop and implement a new strategic plan coupled with a comprehensive risk assessment and implementation of an enterprise risk management program.
- Adopt a Board and Trustee performance evaluation process.
- Implement a formal performance management process (including establishing goals, and conducting a formal performance review) for the Superintendent, which would also extend to other members of central staff including the Secretary Treasurer.

### *Skills and Expertise*

- Develop formal terms of reference for the Board and Trustees and enhanced governance training.
- Ensure that the Board has necessary financial expertise, notwithstanding the important role that the Secretary Treasurer plays in supporting the Board in delivering on its responsibilities.

- Formalize an Audit and Finance Committee, including the necessity that at least one member of this Committee be a “financial expert”.

### ***Consultation and Enhanced Transparency***

- With the new Board, take steps to have the Board and management discuss and agree on the expectations of how they will work together and the process for assigning work to management.
- Review the District's consultation strategy to ensure it is, and is perceived to be, open, engaging, and conducted prior to decisions being made.
- Ensure greater openness and transparency of Board business (e.g., conduct of Board meetings, distribution of meeting materials, protocol for responding to questions, and enhanced disclosures on the District's website including attendance records).

### ***Financial Oversight and Supporting Framework of Policies and Procedures***

- Enhance the budgeting processes to ensure the Board has a higher level picture of the combined operating and capital budgets, along with a greater understanding of the budget's sensitivities and risks.
- Provide more frequent reporting and analysis of actual financial results during the year.
- Establish a “Surplus Policy”, including a provision that any inter-fund transfers be formally approved by the Board.
- Implement a more formal control framework, including policies and procedures, a delegation of authority, and an internal audit function.
- Incorporate an annual sign-off by Trustees on the Code of Conduct.
- Implement a Conflict of Interest Policy and a Whistleblower Policy, along with consideration of the Taxpayer Accountability Principles.

## **A. BACKGROUND**

This review arose from concerns raised in the North Okanagan Shuswap School District No. 83 (District) and a request by the District's Board of Education (Board) that the Minister of Education (Minister) appoint a Special Advisor under s.171.1 of the *School Act (Act)*.

The underlying issue that gave rise to concern was the realization by members of the community that the District had transferred over \$10 million in operating surplus funds over the past five years to fund capital projects, most notably including a new District office, at a time when the District had been cutting its operational budget, citing budget pressures. Concerns raised at the time included lack of transparency and a question as to the Board's role in these matters.

The Minister appointed Elizabeth Watson, QC of WATSON as a Special Advisor to the Board effective April 20, 2016 with a requirement to report by May 20, 2016 (later extended to June 3, 2016). An excerpt of the Special Advisor's terms of reference is attached as Appendix A to this report. Under the appointment, the Special Advisor's role was to:

- evaluate the Board's governance practices; and
- evaluate the Board's capacity in respect of financial matters and effective fiscal management.

### **1. SCOPE OF OUR REVIEW**

Our review focused on the Board's governance functioning, including capacity, structure and culture; the Board's relationships with District management and external stakeholders; Board accountability and evaluation mechanisms; and the Board's capacity with respect to financial matters and fiscal management, including the budgeting process, capital planning, and monitoring of financial results.

Our review was not designed to be a comprehensive assessment of financial planning and reporting practices; thus we did not complete a review of existing policies and procedures, or internal controls nor did we conduct an audit or forensic review of past financial transactions.

During the course of our review, we heard feedback from several stakeholders on the substance of decisions made by the District. Our review was not designed to focus on the substance of District decisions and therefore we have made no comment on the substance of any decisions made or contemplated.

Given the parameters set out in the terms of reference, our recommendations are specific to the District.

## **2. PROCESS**

To carry out our review, we:

- considered the governance framework for school boards within British Columbia, including the *Act* and related regulations (*Regulations*);
- reviewed District documentation related to the Board's governance framework and practices, including meeting minutes for the prior five plus years; and
- interviewed a broad range of stakeholders including Trustees, senior management, parents, teachers and others.

In addition to our interviews, we considered a number of letters received from interested parties who wished to share their views.

With respect to the information obtained from interviews, it is to be noted that we did not conduct any investigation in relation to the information provided and make no findings of fact in relation to the information. This report should be considered in light of this methodology.

In addition, none of the information in this report has been reviewed with the individual(s) who are the subject of the information and such individuals have not had an opportunity to respond to this information. As such, any allegations described in this report have not been tested and for the purposes of this report are unproven.

## **3. ACKNOWLEDGEMENT**

We would like to thank all those who participated in the review. We found everyone involved in the process to be forthcoming. We thank District staff in particular for setting up most of the interviews, answering our many questions, providing us with relevant documentation and generally supporting the review process. We thank all participants for sharing their views.



## **B. WORKING DEFINITION OF “GOVERNANCE”**

### **1. MEANING OF GOVERNANCE**

Because this review is about governance, it is helpful that there be a working definition of governance as a foundation to the discussion and recommendations set out in this report.

The word “governance” has a long history and derives from the Greek word meaning “to steer”. Definitions of governance vary according to context; in the context of organizations, governance refers to the structures and processes by which an organization is directed, controlled and held to account.

Good governance structure specifies the distribution of rights and responsibilities among the different participants (e.g., Ministry of Education, District Board of Education, Board Chair, Trustees, Superintendent, Secretary Treasurer, staff) and makes clear:

- Who is in charge of what?
- Who sets the direction and the parameters within which the direction is to be pursued?
- Who makes decisions about what?
- Who sets performance indicators, monitors progress and evaluates results?
- Who is accountable for what – and to whom?

Governance processes spell out the rules and procedures for making decisions and how the various parties to governance interact.

The governing body of an organization is responsible to set direction, set policies and management performance expectations, characterize and manage risk, oversee progress towards stated goals and ensure accountability to stakeholders through transparency and reporting. The governing body delegates responsibility to management to carry out the activities necessary to achieve the desired direction and monitors management's performance.

In a School District setting, the board oversees the activities of the district but is not involved in the day-to-day running of it. The board employs staff to administer the activities of the district. The superintendent is the most senior member of staff and is responsible to the board for carrying out board decisions, ensuring policy is followed and managing the operations. The secretary treasurer is the district's financial officer. The secretary treasurer is hired by the board although often reports to the superintendent. The Board may constitute committees to assist the board's work in certain ways.

## 2. BENEFITS OF GOOD GOVERNANCE

In the 2013 report by the BC Auditor General on School Board governance<sup>1</sup>, the Auditor General stated:

***“Whether in the private or public sector, good governance is achieved when an organization’s structures, processes and actions enable it to:***

- *deliver goods, services or programs effectively and efficiently; and*
- *meet the requirements of the law, regulations, published standards and community expectations of accountability and openness.*

***“Good governance is the foundation from which an organization can achieve its objectives. Good governance ensures that an organization is allocating resources wisely and serving the public interest openly and transparently. In turn, this builds and maintains citizens’ confidence in the organization.***

***“Poor governance increases the risk that the organization will not deliver on its mandate effectively and efficiently.”***

## 3. COMPONENTS OF GOOD GOVERNANCE

While governance is not “one size fits all”, there are certain components of good governance that are applicable across all types of organizations. These include:

- Alignment on vision and strategy
- Clear roles and responsibilities
- Competent leaders
- Effective review and decision-making processes
- Constructive relationships
- Positive culture and dynamics across the organization
- Accountability and transparency
- Self-reflection, with a commitment to continuous improvement

## 4. GOVERNANCE FRAMEWORK

Good governance doesn’t just happen. High performing organizations create an explicit approach to good governance by establishing a framework that addresses each component of effective governance outlined above.

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<sup>1</sup> School District Board Governance Examination, Office of the Auditor General of British Columbia (April 2013), p.7

An organization's governance framework is the system of structures and practices put in place to define how authority, decision-making and accountability are exercised within the organization. A clear governance framework enhances the ability for an organization to perform at a high level, achieve its objectives and enjoy public confidence in its decisions. A governance framework:

- defines the division of power through the allocation of authorities and responsibilities;
- includes processes used to make decisions and direct and manage an organization's operations and activities;
- includes policies to guide positive behaviour; and
- establishes mechanisms to achieve accountability between the governing body, management, and stakeholders.

## **C. SCHOOL BOARD GOVERNANCE IN BRITISH COLUMBIA**

### **1. K TO 12 GOVERNANCE REGIME**

The K to 12 education governance regime in British Columbia is set out in the *Act*. It is a multi-party system of governance – the Province sets the curriculum, negotiates major collective agreements and provides funding. Locally elected school boards appoint district leaders (Superintendent and Secretary Treasurer), set priorities, develop strategic plans, establish policies, approve the allocation of resources, provide oversight, and account to the Province and stakeholders for student achievement.

Other than the *Act* and *Regulations*, there is no specific governance regime or official guidance for school boards. While the *BC Best Practice Governance Guidelines* provide a foundation of good governance practices for public sector governing boards, and have been used as a reference point for previous reports<sup>2</sup>, they are not specific to School Boards and therefore do not provide guidance around some of the more complex areas of school board governance. The BC School Trustees Association provides support and guidance to trustees in a variety of matters, including some aspects of governance.

### **2. MINISTER OF EDUCATION**

Pursuant to the *Act*, the Minister “has charge of the maintenance and management of all Provincial schools”<sup>3</sup> and may make a variety of orders for the purposes of carrying out the Minister’s powers, duties or functions under the *Act*.

### **3. BOARD OF EDUCATION**

The *Act* provides for a board of education for each School District composed of Trustees who are elected or appointed. The board is to consist of 3, 5, 7 or 9 Trustees as determined by the Minister of Education. The Minister may determine whether elected Trustees are to be elected at large, from electoral areas within the district, or a combination of methods. The board elects its own chair.

The board is responsible for the improvement of student achievement in the district. To carry out its responsibilities, a board may<sup>4</sup>:

- establish committees and specify the functions and duties of those committees,

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<sup>2</sup> Auditor General Report, 2013; Comptroller General Report, 2010

<sup>3</sup> *School Act*, s.168

<sup>4</sup> *School Act*, s.65

- establish a district advisory council, and
- delegate specific and general administrative and management duties to one or more of its employees.

A board must establish procedures governing the conduct of its meetings and may establish procedures respecting the provision of advice by a district parents' advisory council.<sup>5</sup>

Under the *Act*, school boards have been given various specific powers and duties<sup>6</sup>, including:

- subject to the order of the Minister of Education, opening, closing or reopening a school;
- managing schools *"and for the custody, maintenance and safekeeping of all property owned or leased by the board"*;
- managing student enrolment;
- providing and evaluating educational programming;
- managing class size, school calendars and student records; and
- submitting approved achievement reports to the Minister.

The board is responsible for preparing an annual budget. The budget must be approved by June 30<sup>th</sup> of each year and must be balanced (i.e., estimated expenditures must not exceed estimated revenues) unless the board has obtained prior approval from residents pursuant to a referendum.

The Minister provides each board with an annual operating grant and may pay a facility grant to be used for annual facility projects.

Boards are required to maintain budgetary control over expenditures, keep proper accounting records and submit financial reports and statements to the Minister.<sup>7</sup> Surpluses accruing in respect of operating expenses of a board may be retained as an unappropriated operating reserve of the board.<sup>8</sup>

Each board must appoint an auditor. In the case of School District 83, the BC Auditor General has been the District's auditor in recent years. Under the *Act*, the auditor must report on, among other things, *"any irregularity respecting the assets, liabilities, accounts, funds or financial obligations of the board."*<sup>9</sup>

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<sup>5</sup> *School Act*, s.67

<sup>6</sup> *School Act*, Division 2

<sup>7</sup> *School Act*, s.156

<sup>8</sup> *School Act*, ss.156 (6)

<sup>9</sup> *School Act*, s.162

## **4. INDIVIDUAL TRUSTEE'S ROLE IN GOVERNANCE**

To be eligible to serve as a trustee, a person must be 18, a Canadian citizen, a resident of British Columbia for at least six months prior to the election and not be disqualified under the *Act*. In British Columbia, all trustees are elected pursuant to elections that are held every 4<sup>th</sup> year in conjunction with municipal elections.

The *Act* provides little guidance on the duties and responsibilities of individual trustees. On taking office, all trustees are required to take an oath of office on election that requires the trustee to abide by the *Act* and faithfully perform the duties of the office.<sup>10</sup>

The BC School Trustees Association (BCSTA) describes the work of a trustee as follows:<sup>11</sup>

*"School Trustees are elected to govern their districts in the interest of improving student achievement. They do this by engaging their communities in building and maintaining a school system that reflects local priorities, values and expectations. They listen to their communities, and guide the work of their School District by setting a strategic plan, amending policy as necessary, helping build an annual budget that is aligned with the strategic plan, and reporting back to the public on the progress toward district goals. They hire senior staff, approve job descriptions and administrative objectives, delegate responsibility for administration and day-to-day matters consistent with those descriptions and objectives, and monitor staff and district performance on a regular basis. Working within the policies, regulations and directives set by the provincial government, Trustees act as co-governors of the provincial education system by setting the local direction for achievement, allocating available resources, and monitoring local performance."*

As a member of the school board, it is our view that each trustee has a duty of loyalty to the District as a whole (also known as the fiduciary duty) and must exercise reasonable care in carrying out their duties (the duty of care), much the same as any member of a governing board.

## **5. SUPERINTENDENT**

Pursuant to the *Act*, a board must appoint a superintendent who, under the general direction of the Board:<sup>12</sup>

- a. has the general supervision and direction over the educational staff employed by the board;
- b. is responsible:
  - i. to the board, for improvement of student achievement in that school district;

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<sup>10</sup> B.C. Reg. 382/93

<sup>11</sup> BCSTA Resource Manual for Boards of Education (<http://www.bcsta.org/content/successful-governance>)

<sup>12</sup> *School Act*, s. 22

- ii. for the general organization, administration, supervision and evaluation of all educational programs provided by the board; and
- iii. for the operations of schools in the school district; and
- c. must perform other duties set out in the *Regulations*.

The *School Regulation* provides that the superintendent must assist in making the *Act* effective, advise and assist the board in exercising its powers and duties under the *Act*, investigate matters required by the Minister and perform those duties assigned by the board.<sup>13</sup>

## 6. SECRETARY TREASURER

The *Act* provides<sup>14</sup> that the board must also appoint a secretary treasurer who *"is its corporate financial officer and must perform those duties set out in the regulations."*

The *School Regulation*<sup>15</sup> provides that the secretary treasurer must:

- a. comply with the accounting and administrative procedures specified by the minister and keep a record of board proceedings and perform the other duties assigned by the board in relation to its corporate affairs;
- b. perform the duties specified for a secretary treasurer by the *Act* and regulations, rules or orders made under it; and
- c. perform those duties assigned by the board.

## 7. LIEUTENANT GOVERNOR IN COUNCIL

Pursuant to the *Act*,<sup>16</sup> the Lieutenant Governor in Council may appoint an official trustee to any school district to conduct the affairs of the school district if, in the opinion of the Lieutenant Governor in Council,

- a. *"there is substantial non-performance of the duties of the board,*
- b. *there is a risk to student achievement in the district and it is in the public interest to do so"*

On the appointment of an official trustee to conduct the affairs of a school district, the trustees of the school district cease to hold office.

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<sup>13</sup> *BC Regulation 265/89, s.6*

<sup>14</sup> *School Act, s.23*

<sup>15</sup> *BC Regulation 265/89, s.7*

<sup>16</sup> *School Act, s.172*

## **D. SCHOOL DISTRICT 83, OVERVIEW**

School District No. 83 (District) is an area of 8,500 square kilometers located around the Shuswap Lake and North Okanagan. The School District encompasses the distinct communities of Malakwa, Sicamous, Grindrod, Enderby, Ashton Creek, Kingfisher, Armstrong, Spallumcheen, Falkland, Ranchero/Deep Creek, Silver Creek, Salmon Arm, Tappen, Sorrento, Celista and Seymour Arm. The district has 16 community elementary schools, three middle schools and four secondary schools.

The following sets out key aspects of the District's governance framework.

### **1. MISSION STATEMENT**

The District's stated mission is *"to engage all students in meaningful and relevant learning experiences that develop their knowledge, skills, attitudes, creativity and the pursuit of personal success."*

### **2. VISION STATEMENT**

The District's stated vision is *"for all students to develop social, personal, thinking, and communicating competencies in preparation for life. This includes but is not limited to:*

- *literacy and numeracy skills*
- *critical and creative thinking abilities*
- *responsibility for wellness of self and others*
- *effective career skills and habits*
- *the desire to participate in learning throughout life."*

### **3. CORE VALUES**

The District has adopted the following core values:

1. *For learning to occur, our relationships inside and outside the classroom need to be respectful and caring.*
2. *Joy, fun, satisfaction and celebration are essential to learning.*
3. *To nurture creativity and innovation is to motivate and encourage commitment to learning.*
4. *It is important to approach all issues and problems with a positive attitude focused on finding solutions collaboratively.*
5. *Students and their learning are our prime focus.*



6. *We need to build on the diversity and strengths of students, staff, and families.*
7. *The pursuit of both excellence and participation are worthy of our attention and support.*

## 4. BOARD OF TRUSTEES

The Board is composed of nine trustees (Trustees) who are elected regionally from seven electoral areas. Several of the Trustees have been re-elected numerous times and have served for over 20 years. We have been unable to locate terms of reference for the Board or individual Trustees.

## 5. BOARD CHAIR

The Board Chair is elected by the Board for a one-year term. The current Chair has served in this position since December 2009. There are no comprehensive terms of reference for the Board Chair position. The District's Procedural Bylaws provide that the Board Chair (called the Chairperson) shall preside at all Board meetings, rule on all points of order (subject to an appeal to the Board) and act as a spokesperson in discussing matters with a delegation.

## 6. GOVERNANCE POLICIES

The District's Policy Manual outlines the following policies with respect to School Board Governance & Operations.

- Public Participation at Board of Education Meetings
- Policy Development
- Hotel Accommodation
- Spouses' Expenses

## 7. MEETING PROCEDURES

The District has adopted a set of Procedural Bylaws (last amended 2014-04-08) which cover the following topics: Inaugural Meeting, Annual Election of Officers of the Board, Regular Public Meetings, Closed In-Camera Sessions, Special Meetings, Chairperson, Vice chairperson & Presiding Officers, Rules of Order, Motions, Reconsideration and Rescind, Debate, Voting, Committees, Bylaws and Resolutions, Procedure on Bylaws, and Code of Conduct for Trustees.

## 8. SUPERINTENDENT

School District 83 adopted a job description<sup>17</sup> for its Superintendent which provides that *“the Superintendent of Schools shall be the Chief Executive Officer of the Board and shall be held responsible and accountable to the Board for the total operations of the school system. He shall have general responsibility for advising the Board of matters arising in all areas of Board jurisdiction, for implementing appropriate policies to the Board in these areas and for implementing the policies adopted by the Board.”*

There are a number of responsibilities set out in the job description, including the following which are most relevant to this review:

- Determining present and future educational needs of the School District and developing short and long-term plans for meeting these needs.
- Evaluating the operation of all aspects of the educational system and providing reports to the Board which will keep it informed on school system functioning.
- Co-ordinating and integrating educational programs, physical facilities and financial and human resources within the School District.

## 9. SECRETARY TREASURER

The current Secretary Treasurer started in her position in September 2015. Although hired by the Board, she reports to the Superintendent.

There is no formal job description for the Secretary Treasurer in place, however as the current Secretary Treasurer was recruited to the position last summer, the job posting serves as a useful reference point in outlining the roles and responsibilities of this position. These roles and responsibilities include:

- Overall responsibility for the business operations of the School District including budget planning and monitoring.
- Financial reporting to the Ministry of Education and the financial accountability of the School District.
- Responsibility to assist and facilitate the Board of Trustees in its role.
- Assisting the Human Resources Director with labour relations, collective bargaining, and contract interpretation.

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<sup>17</sup> The job description is entitled: North Okanagan-Shuswap School District #83 SUPERINTENDENT (Chief Executive Officer) General Duties and appears to be dated 1996-11-25.

## **E. SCHOOL DISTRICT 83, OBSERVATIONS AND RECOMMENDATIONS**

The following summarizes our major observations and recommendations with respect to the Board's governance practices and capacity in respect of financial matters and fiscal management. A full list of recommendations is attached to this report as Appendix B.

### **1. BOARD FUNCTIONING**

#### **1.1. Board Performance**

Our review included interviews with a broad range of stakeholders – Trustees, senior management, parents, teachers, and others. Virtually all interviewees described the Board functioning in unfavourable terms. Descriptions provided included:

- Dysfunctional
- Disrespectful (of each other and management)
- "A Gong Show"
- "A Zoo"
- No team
- Frustrating
- No big picture thinking
- Trustees all have their own agendas
- No Direction

Consistent feedback also identified that Board functioning is going from bad to worse with no expectation that this will change in the foreseeable future.

Three of nine Trustees have already resigned, and many of the remaining Trustees have considered resigning. There is a strong sense by those interviewed that conducting a by-election now for the three vacancies would not improve the current environment as the majority of Trustees would remain unchanged and the same unproductive working dynamics would continue.

The current environment is having a significant impact on Central Staff (Superintendent, Secretary Treasurer, two Directors of Instruction, and Director of Human Resources). Many of these staff members are new in their roles; for example, the Secretary Treasurer started in September 2015. They have been inundated with information requests that require extensive time in order to respond, they are asked to

explore alternate strategies which they expect will be voted down by the Board regardless of their recommendation and they are embarrassed by the tone and conduct in Board meetings. There is a significant risk of complete turnover of Central Staff.

The community has lost confidence in this Board.

## Recommendations:

### #1 Dissolve the Board Immediately

The Board of School District No. 83 should be immediately dissolved and replaced by a Ministry-appointed trustee. The Ministry-appointed trustee should be in place until the next regularly scheduled election of School Board Trustees in the fall of 2018.

## 2. ALIGNMENT OF VISION AND GOALS

### 2.1. Regional Representation and Board Size

The nine District Trustees are regionally elected as follows:

Region	# Trustees
Salmon Arm	2
Armstrong / Spallumcheen	2
Enderby	1
Sicamous / Malakwa	1
Falkland / Deep Creek / Ranchero	1
Carlin / Sorrento	1
North Shuswap	1

The regional representation has some historical context (for example, Armstrong / Spallumcheen had its own District until the late 1990s) and is intended to represent the differing needs of communities within the District.

Interviewees noted that the number of Trustees by region does not align well with current population numbers. For example, we were told anecdotally that Salmon Arm has 50% of the population, but only two of nine elected Trustees.

We were also told stories of how the regional representation is impacting decision making by the Board, particularly in an environment of difficult decisions regarding school closures and program cuts. We were told that in some situations Trustees representing smaller communities support each other by voting against school closures in other smaller regions, on the presumption that if and when the question of school closures in their own communities are being debated, those other smaller regionally represented Trustees will in turn vote against closures in that community.

Recent votes on school closures and program cuts are normally five/four or six/three split votes. The challenge is compounded by the lack of vision and direction for the District as a whole.

The overriding concern is that while the Trustees are elected to represent the District as a whole, they are often conflicted in also representing the needs of their communities, who in fact, elect them.

The current structure is broken; and the allocation of Trustees by region is unbalanced.

Interviewees offered different views on the merits of Board elections being population based (i.e. all communities vote the same slate of candidates) versus the current regional representation. There is a significant risk that transitioning to a population-based model could result in all Trustees representing one community (i.e. Salmon Arm), meaning smaller communities would lose their voice. The District covers a wide area requiring different views and perspectives at the Board table.

We also considered the number of Trustees currently on the Board. The Act, Section 30 (2) requires that a school board be composed of three, five, seven or nine Trustees. We see no reason why School District No. 83, given the size of its budget, or complexity of influencing factors, should be at the high or the low end.

## Recommendations:

### #2 Simplify Regional Representation and Reduce the Number of Trustees

We recommend that the current regional representation model be retained but simplified and that the allocation of Trustees be revised to better reflect population within the region.

We recommend that the number of Trustees be reduced to five or seven.

This recommendation should be addressed and implemented in advance of the next election (2018). The effectiveness of the revised Board composition and Board size should be reviewed and assessed within six years after that election and fine-tuned if needed.

The outcome of this recommendation could be along the following lines<sup>18</sup>:

Region	# Trustees
Salmon Arm	2
Southern region (Armstrong / Spallumcheen / Enderby)	1
Northern region (Sicamous / Sorrento / North Shuswap)	1
At large	1

We note that the District has had discussions in recent years focused on its board size and regional representation. A June 2014 special *in camera* meeting of the Board was held to discuss the results of a Trustee Variation Review which proposed seven Trustees represented regionally as follows:

Region	# Trustees
Salmon Arm	2
Armstrong / Spallumcheen	1
Enderby	1
Sicamous / Malakwa	1
Falkland / Deep Creek / Ranchero	1
North Shuswap / Carlin / Sorrento	1

## 2.2. Strategic Planning

School District No. 83 has been faced with declining enrolment in recent years. That, together with the nearing end of funding protection, is putting pressure on revenues and driving the need for difficult decisions related to school closures, program cuts and other cost savings initiatives. The geographical spread of the District and the regional representation model add a significant level of complexity to making these difficult decisions.

<sup>18</sup> This is provided for illustrative purposes only. Prior to the next election in 2018, further consultation and analysis should be undertaken to determine regional boundaries and Trustee allocations.

Further complicating the decision making process is the absence of a clear vision and strategic plan for the District. Fundamental questions such as the balance between rural and urban schools, and the level of commitment to middle schools, continue to be debated with no apparent resolution.

Consequently, the Board finds itself in a never-ending process of debating cost containment measures without understanding, or being guided by, the long-term goals and vision of the District. A properly developed vision and strategic plan would help provide a framework for making decisions that align with the long-term direction of the District.

## Recommendations:

### #3 Develop a Strategic Plan

School District No. 83 should undertake a strategic planning process that culminates in the development of a more specific vision and a long-term (e.g., three to five years) strategic plan. Management should have responsibility for developing the plan under the direction of the Board. Specifically, the Trustees should:

- provide direction to management on their long-term vision and expected direction for the District;
- review and provide feedback on the draft plan prepared by management; and
- formally approve the final plan.

The final plan should include measurement criteria to help assess progress in its implementation, and management should be charged with providing regular status updates to the Board on activities taken to address the plan.

Finally, the renewed vision and strategic plan should be a guiding force in the development of the annual budget.

## 2.3. Risk Management

Successful organizations embrace risk management methodologies that contain the following elements:

- thorough understanding of key operational, financial, strategic, and compliance risks that could impede the organization from achieving its strategy;
- careful consideration of the level of risk the organization is prepared to assume (risk appetite); and
- full understanding of risk mitigation activities that help manage the identified risks within the organization's risk appetite.

School District No. 83 has not adopted a formal risk management process.

## Recommendations:

### #4 Risk Assessment

It is recommended that initially, the District complete a comprehensive risk assessment, including an understanding of risk mitigation activities in place. Over a longer period of time (e.g., three to five years), more advanced Enterprise Risk Management (ERM) practices should be adopted.

## 3. CONSTRUCTIVE RELATIONSHIPS AND TRANSPARENCY

### 3.1. Constructive Relationships

In recent months, there has been a significant deterioration in trust amongst all stakeholders in the District. This has had a major impact on the perceived level of consultation, integrity of information provided, robustness of analysis completed in support of decisions, and strategic direction of the District. The situation has deteriorated to the extent that today, there is little trust by key stakeholder groups of information or recommendations brought forward by management, or in the Trustees' ability to oversee issues and make decisions. Some Trustees also do not appear to trust management.

As a result of the lack of trust, stakeholders are in some instances directly involved in the analysis of information and direction of staff time. While well intended, the boundaries between the roles and responsibilities of management, the Board, and other constituencies are blurred. The impact is significant on management, resulting in a major impact on workload, hours worked, morale, and perhaps most important, the risk of losing the ability to focus on the longer-term priorities of the District.

## Recommendations:

Good governance relies strongly on constructive relationships and trust among key parties. Without these essential elements, it will be very difficult for the District to create a productive working environment and forward momentum.

As stated earlier in this report, we recommend that the Board be dissolved. When looking to the future, it will be important that the District take an intentional approach to building trust among Trustees, management and stakeholders. Underlying elements of trust include honesty, open, proactive and transparent communication, and reliability.

### #5 Set Mutual Expectations

As between the future Board and management, we believe they would benefit from a discussion on their respective roles and responsibilities and their expectations as between themselves (i.e., among Trustees



and among management) and of each other (i.e., the Board's expectations of management and management's expectations of the Board).

## #6 Consultation Strategy

Another important relationship is between the District and stakeholders.

The District should revisit its consultation strategy to ensure that it is, and is perceived to be, open, engaging, and conducted before decisions are made.

## #7 Define the Process for Assigning Work to Management

One of the elements of establishing constructive relationships is to have a respectful and agreed-upon process to engage, provide information and answer questions.

A process should be established for the receipt of Board and stakeholder requests to management for information and analysis, the prioritization of those requests, and the reporting back by management to the Board and stakeholders on the responses to requests/questions.

### 3.2. Transparency

We heard much throughout our interviews about the need to ensure full transparency, and that in recent months, processes may not have been as transparent (or perceived to be as transparent) as they ought to be. These comments relate to all aspects of the Board's business, including *in camera* meetings, timing and availability of meeting material and responding to questions from the public.

## Recommendations:

### #8 Board Meetings

Unless there is a clearly sensitive matter for discussion involving only the Trustees (e.g., staff performance evaluations, potential litigation, Board governance assessments), Board business should be conducted in a public setting.

### #9 Meeting Material

Meeting agendas and material are often not available until the day before, or at the Board meeting. While there will be occasions where agendas and material may not be ready in advance, best efforts should be made to have Board agendas and meeting material available for public viewing at least three to four days in advance of each meeting. In addition, sufficient hard copies of material should be available for distribution at meetings.

## #10 Protocol for Questions from the Floor

Recent Board meetings have been well attended, and many questions have been asked from constituents. We understand the Trustees have not always responded directly to those questions, and that on occasion insensitive comments/reactions may have been made. Protocol should be established to ensure that all questions are responded to fully and with proper intent. At times, meeting timelines may not always allow for sufficient time to properly respond to all questions. In these situations, alternate mechanisms should be established to ensure adequate responses are provided in response to the public's questions.

## #11 Attendance Records

Voters expect that the candidates they elect to represent them are committed to the job and prepared to put the time and energy into preparing for and attending Board and committee meetings. One measure of transparency that can be provided to the public is to disclose Board member attendance records, a practice which has been commonly adopted by many public institutions. We recommend that the District maintain Board attendance records for each Trustee and that these be posted on the District's website.

## #12 Website

Opportunities exist to enhance current disclosures on the website in order to provide more transparency. Efforts should be taken to identify information that should be disclosed, compare this to what is disclosed, and then provide that additional information. Currently, the District provides a copy of its Policy Manual (which includes the Governance Policies), upcoming Board meeting dates, with agendas and meeting material and Board minutes. Potential additional information which should be considered for disclosure on the website includes, but is not limited to:

- Trustee and management backgrounds;
- Board Code of Conduct and Conflict of Interest guidelines;
- Superintendent and Secretary Treasurer job descriptions;
- Board and Committee Terms of Reference and memberships;
- Expanded Board governance policies, including meeting practices;
- Quarterly financial reports; and
- Trustee attendance records.

## 4. ROLES AND RESPONSIBILITIES

### 4.1. Role of Trustees

Prior to conducting interviews with Trustees, we reviewed the *Act* to gain background information on the role and responsibility of a Trustee. We noted that, throughout the *Act*, expectations were set out for Trustees, but most of these are of a compliance/appointment/approval nature and they are scattered throughout the 177-page statute.

We also asked Trustees what they understood their responsibilities to be. We received a wide range of responses that included:

- attendance at PAC meetings and graduation ceremonies;
- engagement with constituents to understand their concerns/wishes, and bringing those matters forward; and
- overseeing policy and big picture decisions.

A few noted that their responsibilities extended to financial oversight, but this was not a consistent response and was likely driven by the recent issues of surplus transfers and the investment in a new District building.

We understand that there are various reference sources available to individuals considering running for School Trustee, as well as for those elected, that help set out expectations for the roles and responsibilities of Trustees. These include:

- a nomination package;
- a formal presentation provided by the District that is made to interested candidates;
- an orientation session run by the District for newly elected Trustees; and
- orientation training offered by BCSTA along with educational resources available on BCSTA's website.

Despite these available resources, expectations for Trustees and the Board are not clear, resulting in Trustees operating under their own understanding of their role and responsibilities.

In addition to the above, we were unable to identify the existence of formal terms of reference for the Board. We understand terms of reference for the Committees of the Board have been established.

## Recommendations:

### #13 Role of Trustees

The Ministry should provide more clarity on its expectations for the role of a Trustee (including explicitly addressing whether the role is primarily one of providing input on program delivery, or more broadly around overseeing all aspects of a school district's strategic, financial, and operational initiatives).

These expectations should be codified and communicated, with education and tools in place to support Trustees in executing against these expectations.

Candidates running for election as a Trustee should explicitly acknowledge their understanding of the associated roles and responsibilities.

### #14 Mandatory Orientation

Mandatory orientation training should be delivered to all Trustees (newly elected and re-elected) that specifically addresses the responsibilities for Trustees, along with methods to help them successfully operate against those expectations. The training should encompass at a minimum, the following components:

- a. governance good practices and expectations;
- b. financial literacy (including the division of financial accountabilities between the Board, management, and auditors; elements of a healthy financial control framework; how to read financial statements; aspects of a sound budgeting process, etc.);
- c. overview of the educational sector (including responsibilities of stakeholders, and resources available); and
- d. overview of the District itself (including history, demographic trends, geographical dispersion, challenges, and opportunities).

### #15 Formal Board Terms of Reference

The District should develop formal terms of reference for the Board and individual Trustees.

### #16 Public Disclosure of Terms of Reference

Once in place, the terms of reference for the Board, along with the terms of reference for its Committees should be posted on the District's website.

## #17 Role of Board Chair

The chair of a board plays a key leadership role in the work of the board, including managing the board's work, chairing meetings, liaising with management on behalf of the board and engaging with external stakeholders. Individuals who step up to chair school boards may not come with significant board chair experience.

In addition to the normal Trustee training (#14 above), special training and education should be provided to Trustees who serve or plan to serve in a chair role (Board or Committee).

## 4.2. Role of Superintendent and Secretary Treasurer

There is currently a minimal job description for the Superintendent and no job description for the Secretary Treasurer (although responsibilities for this role were set out in a job posting used in the recent recruitment efforts of the current Secretary Treasurer). As the Board's two main employees, and the individuals who support the Board and provide leadership to the District, it is important that there be clarity on their respective roles and their obligations to each other and the Board.

## Recommendations:

### #18 Formal Job Descriptions

There should be a comprehensive job description for the Superintendent that reflects the balance of responsibilities between educational, operational and financial leadership of the District and support for the Board. There should also be a similar job description for the Secretary Treasurer that, among other things, clarifies the reporting relationship *vis à vis* the Superintendent and the Board.

## 5. SKILLS AND EXPERIENCE

### 5.1. Trustee Qualifications

Our interviews highlighted that citizens who decide to run for school board election are passionate about ensuring an effective education system for the children in BC. However, there is no mechanism to ensure that those elected to a school board collectively possess all the necessary skills and experiences that would be helpful to carry out the board's responsibilities.

Districts operate in a complex environment, requiring the management of multi-stakeholder groups, multi-million dollar budgets, competing demands on limited resources and delivery of modern and changing curriculum and pedagogical strategies. Trustees need to be able to meet and exceed the expectations of those who elected them through sound and reliable governance practices. To do so, school district boards require a full suite of skills and experiences at their disposal. The current electoral

model neither guarantees nor even addresses the requirement that each school district board has the collective skills and experiences necessary to provide sound governance.

Specific to School District No. 83, interviewees noted that the nine Trustees are “just regular folks”. They are individuals passionate about making a difference in the educational system. They all either had, or have, children in the school system and felt compelled to run for the Board to make a positive difference. None would be considered a financial expert, the closest being a mortgage broker. Yet they have oversight responsibility for a budget with annual revenue approximating \$70 million.

We asked the question “if no one on the Board is a financial expert, how do you know what questions to ask about the financial statements/performance of the District?” Frequently the response to this question was “the Secretary Treasurer”. It is understandable that the Secretary Treasurer is an important resource to the Board in understanding financial matters impacting a School District, and in fact, recognizing this, the Act provides for the Board to appoint the Secretary Treasurer.<sup>19</sup> However, the Secretary Treasurer is part of the senior management team, and thus the Board’s complete reliance on this position for financial governance represents a conflict of interest between the Board’s job to govern and management’s job to manage.

While financial expertise is the most obvious skill absent from the Board of School District No. 83 (and we would expect this to be the case for many other school districts in the province), other skills will be required by a school district from time to time that are not represented on the Board. These skills might include technology, human resources, and capital management. Mechanisms are required to help ensure school boards can easily access these skills on an as-needed basis.

## Recommendations:

### #19 Board Competency Assessment

Each school board in the province should be required to complete a skills matrix within three months of election that identifies the skills the board requires to provide effective governance, as well as an assessment of the collective skills the trustees possess. For gaps in required skills and demonstrated skills, the school board should develop a strategy to retain those skills. The skills matrix, assessment against that matrix, and skill retention plan should be submitted to the Ministry and upon Ministry approval, implemented by the school board.

Regardless of whether this is a Ministry requirement, School District No. 83 should implement such a process.

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<sup>19</sup> School Act, s.23

## #20 Board Continuing Education Plan

In order to provide Trustees with as much support as possible to carry out their job, the District should develop, implement, and update on an annual basis, a formal Board continuing education plan (Plan) that is specific to the needs of the Trustees. The Plan should consider the training requirements of newly elected Trustees, returning Trustees, the annual Board and Trustee evaluation results, District-wide and educational challenges, emerging risks (i.e. cyber-security), governance considerations, and financial literacy, among other areas.

## #21 Information

In order to make sure Trustees are as effective as possible, information should be presented to them in a format that they can digest and understand. Specifically we recommend that senior staff make sure that financial statements and other financial planning documents are presented as simply as possible to help non-financial experts understand their content and implications.

## 5.2. Committees

The new Secretary Treasurer has recently set up Committees of the Board, including Finance and Operations (which also has a Budget-Advisory sub-committee) and Education Direction. In addition, the Labour Relations Committee has been re-activated. A Policy Committee was already in place and functioning.

These Committees are considered Committees of the Board, and include Trustees as part of their membership. For a couple of these Committees, other constituency groups (including NOSTA, CUPE, Principals/Vice-Principals, and DPAC) also attend meetings or are part of the Committee membership.

While a Finance and Operations Committee of the Board now exists, it does not appear to have a financial expert as part of its composition (other than the Secretary Treasurer who is not independent of management). As a result, although it enables the Board to conduct some of its financial analysis more efficiently, with lengthier and more detailed discussions, the issue of the absence of independent financial expertise on the Board remains.

## Recommendations:

### #22 Audit and Finance Committee

The Ministry should require every school board in the province to establish an Audit and Finance Committee of the board. Terms of reference for this Committee should include oversight of audit and financial reporting, including review and approval of quarterly and annual financial statements, transfer of surplus between funds, risk management and internal controls. Terms of reference for this Committee

should require that it meet on at least a quarterly basis. The Committee should be comprised of a minimum of three individuals, at least one of whom is a financial expert. Provision should be made for members of this Committee to include individuals other than elected Trustees to provide advice and help ensure the presence of necessary financial expertise.

### #23 District Finance and Operations Committee

The District should revisit the terms of reference and composition of its Finance and Operations Committee to ensure appropriate financial expertise and financial oversight. If there is insufficient financial literacy among the Trustees, the Board should consider the appointment of financially qualified advisors to the Board and Finance and Operations Committee.

### #24 Other Committees

The District should review its committee structure and distinguish between committees that assist the Board in carrying out its governance responsibilities (which typically include committees related to finance, audit, labour relations, human resources and governance) and committees which are advisory in nature to the District.

## 5.3. Superintendent

We note that the *Act* requires all superintendents to hold a certificate of qualification as a teacher. At the same time, a superintendent is expected to be the chief executive officer of the district, with responsibility for a wide range of management responsibilities plus support for the Board. To our knowledge, there is no dedicated program or policy within the District that provides the Superintendent with access to training and education relevant to the required management and governance responsibilities. We believe the Superintendent of School District No. 83 and appropriate senior staff would benefit from this type of education and support.

## Recommendations

### #25 Superintendent Education

The District should support the Superintendent, Secretary Treasurer and senior staff in obtaining the education necessary to assist them in their management and governance responsibilities.



## 6. COMMITMENT TO CONTINUOUS IMPROVEMENT

### 6.1. Board and Trustee Evaluation

Good boards understand the importance of looking forward and anticipating future challenges and opportunities. They also understand that in equipping themselves to be able to proactively position their organizations to leverage opportunities and manage uncertainties, that there are learnings from looking backwards to assess what they did well, and what they could have done better. A formal evaluation process supports this commitment to continuous improvement. A good evaluation process provides the board with dedicated time to reflect on its functioning and effectiveness, and consider ways to improve.

Our interviews discovered that there is no formal evaluation process at the District for the Board as a whole, nor for individual Trustees.

The current Superintendent has been in his role for close to three years and it is apparent that the District has had no formal process for setting performance objectives for the Superintendent, nor evaluating the Superintendent's performance. The current Superintendent has recently asked the Board for a formal evaluation, and while the wheels were in motion to begin this process, it has been put on hold pending the results of this Governance Review. The result is that the Superintendent has been operating in an environment with little clarity over his roles and responsibilities, which combined with the Board dynamics, and stakeholder requests, has resulted in changing priorities depending on the crisis of the moment.

It is also our observation that there is no formal process for the setting of annual performance goals, nor a formal evaluation process for central staff other than their own performance growth plans, which they set with minimal input from the Superintendent.

### Recommendations:

#### #26 Annual Board and Trustee Evaluation

The District should develop an evaluation process to assess Board, Committee, and Trustee performance, with the objective of driving improved performance. To support the evaluation process, the following elements should be incorporated.

- The evaluation process should be conducted on at least an annual basis.
- The results of the evaluation process should be used with the purpose of improving future performance.
- Feedback obtained from the evaluation process should be used in the annual Board and Trustee goal setting process for the ensuing year.

## #27 Annual Performance Plan and Evaluation of Superintendent

An important part of maintaining a healthy board/superintendent relationship is to ensure there is a well-designed performance management process for the Superintendent. A good process sets clear, measurable and aligned goals for the Superintendent, clarifies the Superintendent's role/priorities and the Board's expectations, provides a way for the Superintendent to be evaluated on fair objective information and builds trust and transparency between the Board and Superintendent.

At the beginning of each fiscal year, the Board and the Superintendent should establish goals that set out expectations for the Superintendent for that year, as well as longer-term objectives (e.g., three years). The goals should be aligned to the long-term strategic plan of the organization, and include parameters related to organizational leadership and Board support. Clear measurement criteria and timelines should be developed alongside these goals that can be used to assess the level of progress in achieving targets. Upon completion of the fiscal year, a formal evaluation of the Superintendent's performance should be completed. The evaluation should include (amongst other sources of feedback) an assessment of progress made during the year against the agreed-upon goals and measurement criteria.

## #28 Annual Performance Plan and Evaluation of Central Staff Performance

Similar to the annual goal setting and performance evaluation process recommended for the Superintendent, we recommend that the Superintendent initiate a comparable process for central staff. The Superintendent should confirm to the Board on an annual basis that signed-off performance plans and formal year-end evaluations of each central staff member have been completed.

# 7. FINANCIAL MANAGEMENT AND ACCOUNTABILITY

The impetus of this Governance Review was driven by the community reaction to the realization that funds were transferred from the District's Operating Fund to the Capital Fund (Local Capital), and the resulting construction of a new District building. Compounding the public outcry has been the final cost of the District building, including cost overruns.

As previously noted, our review was not designed to be a comprehensive assessment of financial planning and reporting practices, thus we did not complete a review of existing policies and procedures. We also did not conduct an audit or forensic review of past financial transactions. However in trying to understand the chain of events related to the surplus transfer, and decision to build a new District office, we did gain an understanding, at the highest level, of practices in place around budgeting and financial reporting, as well as available policies, procedures, and monitoring tools that exist.

## 7.1. Budgeting Process

There are two main budget streams: the Capital Budget and the Operating Budget.

The budget process for School District No. 83 is set out below at a very high level. We understand this process is comparable to that followed by other school districts.

### *Capital Budget*

The Capital Budget is a rolling five-year budget that sets out capital spending priorities for which the District requests funding from the Ministry. The annual five-year capital plan is approved by the Board before being submitted to the Ministry.

The Capital Budget does not include projects that the District intends to finance through Local Capital. Because Local Capital represents funds generated by the District (as opposed to being financed through the Ministry), spending from this fund is at the discretion of the District Board and management. The process for budgeting for Local Capital would appear to be less defined than that described above for the Capital Budget.

### *Operating Budget*

The annual Operating Budget process is supported by the Budget Advisory Committee. The Budget Advisory Committee is not a decision-making body, but provides input into the budgeting process including options that the School District might take in order to balance the budget. This Committee is guided by three documents:

- Terms of Reference
- Guiding Principles
- Budget Development Timelines

These documents are reviewed and approved by the Board on an annual basis.

Development of the annual Operating Budget is a lengthy process with multiple phases and deadlines. The heavy lifting begins in the January time period with the District completing some preliminary analysis based on estimated Ministry funding (which is influenced by expectations of student enrolment, the numbers of which are submitted to the Ministry in February). Leading up to March, when the amount of the Ministry grant is announced, District staff analyze expected costs which typically reflect such factors as higher benefit costs, utility cost increases, etc.

With the grant announcement in March, the District is in a position to understand any shortfall in funding. Beginning in April, the public consultation process begins to identify opportunities to balance the budget.

The process to gather public input has undergone some revisions this spring with the establishment of the Budget Advisory Committee, and it will continue to be tweaked in the future.

Throughout the budget development process, budget packages are prepared for Board meetings that highlight expected revenue decreases, cost increases and the resulting expected deficit. The budget packages leading up to June (when the final budget is approved) largely address specific changes in year-over-year costs, as well as the impact of potential cost savings. In the past, where cuts have been proposed, supporting documentation focused on a stand-alone list of proposed cuts. It is not until the final budget package is presented for approval in June that the complete statement of budgeted revenues and expenses, operating surplus/deficit, appropriation from accumulated surplus and inter-fund transfers, is prepared and presented.

The budget process described above focuses only on the operations of the District. The impact of the Capital Budget (including amounts spent from Local Capital) is not incorporated into budget packages and discussions until the final budget is approved in June.

Unlike the Capital Budget, the Operating Budget is focused on the ensuing year with no rolling three to five year time frame.

## Recommendations:

### #29 Operating Budget

The Operating Budget packages could be strengthened and enhanced by the following:

- Earlier in the process, present the budgeted Statement of Operations, including appropriations from accumulated surplus and inter-fund transfers;
- Incorporate key elements of the Capital Budget (including Local Capital activity) in order to set out the full financial picture;
- Specifically identify contingencies and reserves that are built into the budget;
- Complete and include sensitivity analysis that shows the potential impact of changes to key assumptions;
- Risk assessment; and
- Statement of Financial Position (at the highest level).

In addition, while the budget submitted to the Ministry is a one-year budget, we recommend that in the near term, the District begin the process of establishing a rolling three-year budget that is aligned with the strategic plan.

## #30 Local Capital Budget

We recommend that the process for developing and approving the Local Capital Budget be defined, approved and implemented, with clear milestones for Board review and approval. This would be part of the District's governance policies.

### 7.2. Financial Results

Historically, actual financial results were not presented to the Board until year-end when the audited financial statements have been presented for approval. This process has been revised during the current year, with the new practice being to present to the Board (commencing in February) actual results to date, coupled with projected results for the balance of the year; along with analysis comparing the budget to projected results.

While we were able to see a Board-approved motion to transfer surplus funds for the 2010/11 fiscal year, current District management have not been able to identify subsequent years' motions. We heard from a couple of individuals that the discussion and surplus transfer approval in 2010/11 was intended to be a standing motion.

In looking at past years' meeting materials, we did not find reporting that indicates a specific commentary on surplus, although we cannot say that the discussion did not take place. Past years' inter-fund transfers are shown on the annual audited financial statements.

## Recommendations:

### #31 Quarterly Reporting

Under practices adopted by the new Secretary Treasurer, the Board now receives a monthly report commencing in February of each year, actual year-to-date results and projections for the balance of the year. We recommend that, in addition to this monthly report (which only provides financial reporting on the last five months of the year), the Board be provided with quarterly results and projections as at September 30, and December 31 of each year. This will allow the Board to monitor the District's financial position throughout the year on an ongoing basis.

Included in the quarterly reports on actual results should be updates on capital spending against budget. For significant capital projects, status reports should be provided that set out progress on spending relative to budget, achievement of key milestones and risks related to delivering the project on-time, on-budget and against identified project specifications.

In addition to financial reporting, quarterly reporting should also highlight significant operational results and achievement against key performance metrics.

## #32 Establish a Surplus Policy

The Board should discuss and approve a surplus policy that guides future years' inter-fund transfers. The policy should consider general guidelines as to how much (e.g., percentage or dollar amount) could be transferred to other funds, how much would be added to Accumulated Surplus and how much might be allocated for current year's initiatives and spent in that fiscal year. In addition to developing a policy, annual discussions on the expected surplus/deficit for the year should be held starting in the third quarter of the year to help inform decisions related to the application of the Surplus Policy for that fiscal year.

## #33 Formal Approval of Inter-Fund Transfers

Each year's inter-fund transfers should be subject to discussion and approval by the Board prior to the transfer being made, with a formal motion for the transfer of that year's surplus.

### 7.3. Supporting Framework of Controls and Policies

Our discussions with District staff suggest that while parts of a control framework, including policies and procedures, may be in place there has been no formal review of the completeness and continued relevance of historical policies, procedures and internal controls. In addition, any guiding material that may exist does not appear to be widely known and referenced in the day-to-day management and operations of the District.

## Recommendations:

### #34 Control Framework

A review of the District's control framework against a recognized and robust framework (such as the Committee of Sponsoring Organization's (COSO) Internal Control Framework) should be undertaken. Key controls should be documented, and where gaps in the control framework are identified, steps should be taken to close those gaps.

### #35 Financial and Operational Policies and Procedures

Management should identify financial and operating policies and procedures that should be in place, compare them to what exists, and implement and document those policies and procedures that don't exist but should.

### #36 Delegation of Authority

We enquired about the existence of a formal delegation of authority policy that sets out spending limits and required approvals, including spending requiring Board approval. We were unable to identify that

such a policy exists. A formal delegation of authority (e.g., spending authorization matrix) should be developed, approved by the Board and implemented.

### **#37 Internal Audit Function**

School District No. 83 should establish a formal internal audit function, charged with reviewing the efficiency and effectiveness of District processes and controls. In establishing the function, consideration should be given to outsourcing the function to an independent accounting firm.

## **8. ETHICAL CONDUCT AND CONFLICT OF INTEREST**

The District has a set of Procedural Bylaws that provide some guidance to Trustees on meetings, election of officers of the Board, etc. Included in the Procedural Bylaws is a Code of Conduct (Code). The Code is also incorporated in presentation material that is made available to individuals interested in running for Trustee. There is no requirement for Trustees to formally acknowledge that they have read the Code, agree to abide by it, and will bring forward any potential breaches of the Code. There also does not appear to be any practice for its periodic review to assess ongoing completeness, relevance and appropriateness of content.

Trustees interviewed were not familiar with the BC Government's Taxpayer Accountability principles. We also discovered that there is neither a Conflict of Interest Policy nor a Whistleblower mechanism.

### **Recommendations:**

#### **#38 Review, Update, and Provide for Annual Sign-Off on the Code of Conduct**

The Code of Conduct embedded within the Procedural Bylaws should be reviewed and updated on a regular basis. Steps should be taken to ensure it is aligned with references to conflicts as set out in the *Act*. In addition, each Trustee should be required to review and formally sign-off on an annual basis, acknowledging their agreement to abide by the Code.

Given the importance of the Code, we recommend that the Code be reconstituted as a stand-alone document.

#### **#39 Taxpayer Accountability Principles**

The BC Government's *Taxpayer Accountability Principles* (TAP) are intended to apply to the broader public sector, which includes school districts. All Trustees and members of central staff should receive training on the expectations of TAP and the expectations established by TAP should be incorporated into the Code of Conduct.

#### #40 Conflict of Interest Policy

A Conflict of Interest Policy should be developed and training provided to Trustees and central staff. The Conflict of Interest Policy should also be signed off on an annual basis by the Trustees and central staff. In addition, a mechanism should be established for the reporting of actions that are, or could potentially be perceived to be, in violation of the Conflict of Interest Policy. The Conflict of Interest policy could form part of the Code of Conduct.

#### #41 Whistleblower Mechanism

There currently is no mechanism for the anonymous submission of complaints. A whistleblower process should be established that provides for the anonymous reporting of suspicious or inappropriate behaviour / activity. An important feature of the design of a whistleblower process is that the submission of matters for investigation must be done in good faith, with ramifications for individuals who use it for purposes for which it is not designed. It is recommended that the whistleblower process for the District be open to staff and employees, as well as external third parties.

### 9. GOVERNANCE FRAMEWORK

One of the ways governance of an organization is embedded is through the articulation of a governance framework – written policies that outline the governance structure (roles and responsibilities), expected standards of business conduct and governance practices (how the various parties involved in governance fulfill their responsibilities).

While the District has some governance policies, they are minimal and do not provide the type of guidance on how the Board performs its work and how the Board and management interact.

#### Recommendations:

#### #42 District Governance Framework and Policies

The District should establish a more comprehensive set of governance policies that outline the District's approach to governance and include roles and responsibilities (e.g., for the Board, Committees, individual Trustees, the Superintendent and the Secretary Treasurer), a code of conduct, and important review and decision-making processes that guide the Board's work (e.g., the approach to strategic planning, delegation of authority, Superintendent review, meeting practices, and stakeholder engagement).



## **APPENDIX A – TERMS OF REFERENCE (EXCERPT)**

### 3. The Special Advisor will:

- a. evaluate the Board's governance practices, including
  - i. capacity
  - ii. structure (e.g., leadership, committees)
  - iii. role and responsibilities
  - iv. practices (including meetings, policies and organizational stewardship processes)
  - v. culture and functioning, including approach to conflict of interest
  - vi. relationship with district management, including management support for Board governance
  - vii. relations with stakeholders, including local governments, parent associations and other key stakeholders identified by the special advisor
  - viii. relations with the provincial government
  - ix. compliance with legal and regulatory requirements, and
  - x. accountability and evaluation mechanisms;
- b. evaluate the Board's capacity in respect of financial matters and effective fiscal management, including
  - i. budgeting process - annual and longer-term, including operating and capital
  - ii. capital planning process
  - iii. procurement/disbursement/contracting processes
  - iv. year-end financial reporting processes
  - v. monthly/quarterly/annual - actual to budget revenues and expenses analysis
  - vi. trustee and senior management perquisites, expenses, benefits, and
  - vii. the capacity of the district management to support the Board's financial planning and governance responsibilities; and
- c. any other matters arising from this inspection and evaluation as required by the Minister.

## APPENDIX B – LIST OF RECOMMENDATIONS

RECOMMENDATIONS
<b>BOARD FUNCTIONING</b>
<p><b>#1 Dissolve the Board Immediately</b></p> <p>The Board of School District No. 83 should be immediately dissolved and replaced by a Ministry-appointed trustee. The Ministry-appointed trustee should be in place until the next regularly scheduled election of School Board Trustees in the fall of 2018.</p>
<p><b>#2 Simplify Regional Representation and Reduce the Number of Trustees</b></p> <p>We recommend that the current regional representation model be retained but simplified and that the allocation of Trustees be revised to better reflect population within the region.</p> <p>We recommend that the number of Trustees be reduced to five or seven.</p> <p>This recommendation should be addressed and implemented in advance of the next election (2018). The effectiveness of the revised Board composition and Board size should be reviewed and assessed within six years after that election and fine-tuned if needed.</p>
<b>ALIGNMENT OF VISION AND GOALS</b>
<p><b>#3 Develop a Strategic Plan</b></p> <p>School District No. 83 should undertake a strategic planning process that culminates in the development of a more specific vision and a long-term (e.g., three to five years) strategic plan. Management should have responsibility for developing the plan under the direction of the Board. Specifically, the Trustees should:</p> <ul style="list-style-type: none"> <li>▪ provide direction to management on their long-term vision and expected direction for the District;</li> <li>▪ review and provide feedback on the draft plan prepared by management; and</li> <li>▪ formally approve the final plan.</li> </ul> <p>The final plan should include measurement criteria to help assess progress in its implementation, and management should be charged with providing regular status updates to the Board on activities taken to address the plan.</p>

## RECOMMENDATIONS

Finally, the renewed vision and strategic plan should be a guiding force in the development of the annual budget.

### #4 Risk Assessment

It is recommended that initially, the District complete a comprehensive risk assessment, including an understanding of risk mitigation activities in place. Over a longer period of time (e.g., three to five years), more advanced Enterprise Risk Management (ERM) practices should be adopted.

## CONSTRUCTIVE RELATIONSHIPS AND TRANSPARENCY

### #5 Set Mutual Expectations

As between the future Board and management, we believe they would benefit from a discussion on their respective roles and responsibilities and their expectations as between themselves (i.e., among Trustees and among management) and of each other (i.e., the Board's expectations of management and management's expectations of the Board).

### #6 Consultation Strategy

Another important relationship is between the District and stakeholders.

The District should revisit its consultation strategy to ensure that it is, and is perceived to be, open, engaging, and conducted before decisions are made.

### #7 Define the Process for Assigning work to Management

One of the elements of establishing constructive relationships is to have a respectful and agreed-upon process to engage, provide information and answer questions.

A process should be established for the receipt of Board and stakeholder requests to management for information and analysis, the prioritization of those requests, and the reporting back by management to the Board and stakeholders on the responses to requests/questions.

## RECOMMENDATIONS

### #8 Board meetings

Unless there is a clearly sensitive matter for discussion involving only the Trustees (e.g., staff performance evaluations, potential litigation, Board governance assessments), Board business should be conducted in a public setting.

### #9 Meeting Material

Meeting agendas and material are often not available until the day before, or at the Board meeting. While there will be occasions where agendas and material may not be ready in advance, best efforts should be made to have Board agendas and meeting material available for public viewing at least three to four days in advance of each meeting. In addition, sufficient hard copies of material should be available for distribution at meetings.

### #10 Protocol for Questions from the Floor

Recent Board meetings have been well attended, and many questions have been asked from constituents. We understand the Trustees have not always responded directly to those questions, and that on occasion insensitive comments/reactions may have been made. Protocol should be established to ensure that all questions are responded to fully and with proper intent. At times, meeting timelines may not always allow for sufficient time to properly respond to all questions. In these situations, alternate mechanisms should be established to ensure adequate responses are provided in response to the public's questions.

### #11 Attendance Records

Voters expect that the candidates they elect to represent them are committed to the job and prepared to put the time and energy into preparing for and attending Board and committee meetings. One measure of transparency that can be provided to the public is to disclose Board member attendance records, a practice which has been commonly adopted by many public institutions. We recommend that the District maintain Board attendance records for each Trustee and that these be posted on the District's website.

### #12 Website

Opportunities exist to enhance current disclosures on the website in order to provide more transparency. Efforts should be taken to identify information that should be disclosed, compare this to what is disclosed, and then provide that additional information. Currently, the District provides a

## RECOMMENDATIONS

copy of its Policy Manual (which includes the Governance Policies), upcoming Board meeting dates, with agendas and meeting material and Board minutes. Potential additional information which should be considered for disclosure on the website includes, but is not limited to:

- Trustee and management backgrounds;
- Board Code of Conduct and Conflict of Interest guidelines;
- Superintendent and Secretary Treasurer job descriptions;
- Board and Committee Terms of Reference and memberships;
- Expanded Board governance policies, including meeting practices;
- Quarterly financial reports; and
- Trustee attendance records.

## ROLES AND RESPONSIBILITIES

### #13 Role of Trustees

The Ministry should provide more clarity on its expectations for the role of a Trustee (including explicitly addressing whether the role is primarily one of providing input on program delivery, or more broadly around overseeing all aspects of a school district's strategic, financial, and operational initiatives).

These expectations should be codified and communicated, with education and tools in place to support Trustees in executing against these expectations.

Candidates running for election as a Trustee should explicitly acknowledge their understanding of the associated roles and responsibilities.

### #14 Mandatory Orientation

Mandatory orientation training should be delivered to all Trustees (newly elected and re-elected) that specifically addresses the responsibilities for Trustees, along with methods to help them successfully operate against those expectations. The training should encompass at a minimum, the following components:

- a. governance good practices and expectations;
- b. financial literacy (including the division of financial accountabilities between the Board, management, and auditors; elements of a healthy financial control framework; how to read financial statements; aspects of a sound budgeting process, etc.);

## RECOMMENDATIONS

- c. overview of the educational sector (including responsibilities of stakeholders, and resources available); and
- d. overview of the District itself (including history, demographic trends, geographical dispersion, challenges, and opportunities).

### #15 Formal Board Terms of Reference

The District should develop formal terms of reference for the Board and individual Trustees.

### #16 Public Disclosure of Terms of Reference

Once in place, the terms of reference for the Board, along with the terms of reference for its Committees should be posted on the District's website.

### #17 Role of Board Chair

The chair of a board plays a key leadership role in the work of the board, including managing the board's work, chairing meetings, liaising with management on behalf of the board and engaging with external stakeholders. Individuals who step up to chair school boards may not come with significant board chair experience.

In addition to the normal Trustee training (#14 above), special training and education should be provided to Trustees who serve or plan to serve in a chair role (Board or Committee).

### #18 Formal Job Descriptions

There should be a comprehensive job description for the Superintendent that reflects the balance of responsibilities between educational, operational and financial leadership of the District and support for the Board. There should also be a similar job description for the Secretary Treasurer that, among other things, clarifies the reporting relationship *vis à vis* the Superintendent and the Board.

## SKILLS AND EXPERIENCE

### #19 Board Competency Assessment

Each school board in the province should be required to complete a skills matrix within three months of election that identifies the skills the board requires to provide effective governance, as well as an assessment of the collective skills the trustees possess. For gaps in required skills and demonstrated skills, the school board should develop a strategy to retain those skills. The skills matrix, assessment

## RECOMMENDATIONS

against that matrix, and skill retention plan should be submitted to the Ministry and upon Ministry approval, implemented by the school board.

Regardless of whether this is a Ministry requirement, School District No. 83 should implement such a process.

### #20 Board Continuing Education Plan

In order to provide Trustees with as much support as possible to carry out their job, the District should develop, implement, and update on an annual basis, a formal Board continuing education plan (Plan) that is specific to the needs of the Trustees. The Plan should consider the training requirements of newly elected Trustees, returning Trustees, the annual Board and Trustee evaluation results, District-wide and educational challenges, emerging risks (i.e. cyber-security), governance considerations, and financial literacy, among other areas.

### #21 Information

In order to make sure Trustees are as effective as possible, information should be presented to them in a format that they can digest and understand. Specifically we recommend that senior staff make sure that financial statements and other financial planning documents are presented as simply as possible to help non-financial experts understand their content and implications.

### #22 Audit and Finance Committee

The Ministry should require every school board in the province to establish an Audit and Finance Committee of the board. Terms of reference for this Committee should include oversight of audit and financial reporting, including review and approval of quarterly and annual financial statements, transfer of surplus between funds, risk management and internal controls. Terms of reference for this Committee should require that it meet on at least a quarterly basis. The Committee should be comprised of a minimum of three individuals, at least one of whom is a financial expert. Provision should be made for members of this Committee to include individuals other than elected Trustees to provide advice and help ensure the presence of necessary financial expertise.

## RECOMMENDATIONS

### #23 District Finance and Operations Committee

The District should revisit the terms of reference and composition of its Finance and Operations Committee to ensure appropriate financial expertise and financial oversight. If there is insufficient financial literacy among the Trustees, the Board should consider the appointment of financially qualified advisors to the Board and Finance and Operations Committee.

### #24 Other Committees

The District should review its committee structure and distinguish between committees that assist the Board in carrying out its governance responsibilities (which typically include committees related to finance, audit, labour relations, human resources and governance) and committees which are advisory in nature to the District.

### #25 Superintendent Education

The District should support the Superintendent, Secretary Treasurer and senior staff in obtaining the education necessary to assist them in their management and governance responsibilities.

## COMMITMENT TO CONTINUOUS IMPROVEMENT

### #26 Annual Board and Trustee Evaluation

The District should develop an evaluation process to assess Board, Committee, and Trustee performance, with the objective of driving improved performance. To support the evaluation process, the following elements should be incorporated.

- The evaluation process should be conducted on at least an annual basis.
- The results of the evaluation process should be used with the purpose of improving future performance.
- Feedback obtained from the evaluation process should be used in the annual Board and Trustee goal setting process for the ensuing year.

### #27 Annual Performance Plan and Evaluation of Superintendent

An important part of maintaining a healthy board/superintendent relationship is to ensure there is a well-designed performance management process for the Superintendent. A good process sets clear, measurable and aligned goals for the Superintendent, clarifies the Superintendent's role/priorities and the Board's expectations, provides a way for the Superintendent to be evaluated on fair objective



## RECOMMENDATIONS

information and builds trust and transparency between the Board and Superintendent.

At the beginning of each fiscal year, the Board and the Superintendent should establish goals that set out expectations for the Superintendent for that year, as well as longer-term objectives (e.g., three years). The goals should be aligned to the long-term strategic plan of the organization, and include parameters related to organizational leadership and Board support. Clear measurement criteria and timelines should be developed alongside these goals that can be used to assess the level of progress in achieving targets. Upon completion of the fiscal year, a formal evaluation of the Superintendent's performance should be completed. The evaluation should include (amongst other sources of feedback) an assessment of progress made during the year against the agreed-upon goals and measurement criteria.

### #28 Annual Performance Plan and Evaluation of Central Staff Performance

Similar to the annual goal setting and performance evaluation process recommended for the Superintendent, we recommend that the Superintendent initiate a comparable process for central staff. The Superintendent should confirm to the Board on an annual basis that signed-off performance plans and formal year-end evaluations of each central staff member have been completed.

## FINANCIAL MANAGEMENT AND ACCOUNTABILITY

### #29 Operating Budget

The Operating Budget packages could be strengthened and enhanced by the following:

- Earlier in the process, present the budgeted Statement of Operations, including appropriations from accumulated surplus and inter-fund transfers;
- Incorporate key elements of the Capital Budget (including Local Capital activity) in order to set out the full financial picture;
- Specifically identify contingencies and reserves that are built into the budget;
- Complete and include sensitivity analysis that shows the potential impact of changes to key assumptions;
- Risk assessment; and
- Statement of Financial Position (at the highest level).

In addition, while the budget submitted to the Ministry is a one-year budget, we recommend that in the near term, the District begin the process of establishing a rolling three-year budget that is aligned with the strategic plan.

## RECOMMENDATIONS

### #30 Local Capital Budget

We recommend that the process for developing and approving the Local Capital Budget be defined, approved and implemented, with clear milestones for Board review and approval. This would be part of the District's governance policies.

### #31 Quarterly Reporting

Under practices adopted by the new Secretary Treasurer, the Board now receives a monthly report commencing in February of each year, actual year-to-date results and projections for the balance of the year. We recommend that, in addition to this monthly report (which only provides financial reporting on the last five months of the year), the Board be provided with quarterly results and projections as at September 30, and December 31 of each year. This will allow the Board to monitor the District's financial position throughout the year on an ongoing basis.

Included in the quarterly reports on actual results should be updates on capital spending against budget. For significant capital projects, status reports should be provided that set out progress on spending relative to budget, achievement of key milestones and risks related to delivering the project on-time, on-budget and against identified project specifications.

In addition to financial reporting, quarterly reporting should also highlight significant operational results and achievement against key performance metrics.

### #32 Establish a Surplus Policy

The Board should discuss and approve a surplus policy that guides future years' inter-fund transfers. The policy should consider general guidelines as to how much (e.g., percentage or dollar amount) could be transferred to other funds, how much would be added to Accumulated Surplus and how much might be allocated for current year's initiatives and spent in that fiscal year. In addition to developing a policy, annual discussions on the expected surplus/deficit for the year should be held starting in the third quarter of the year to help inform decisions related to the application of the Surplus Policy for that fiscal year.

### #33 Formal Approval of Inter-Fund Transfers

Each year's inter-fund transfers should be subject to discussion and approval by the Board prior to the transfer being made, with a formal motion for the transfer of that year's surplus.

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### #34 Control Framework

A review of the District's control framework against a recognized and robust framework (such as the Committee of Sponsoring Organization's (COSO) Internal Control Framework) should be undertaken. Key controls should be documented, and where gaps in the control framework are identified, steps should be taken to close those gaps.

### #35 Financial and Operational Policies and Procedures

Management should identify financial and operating policies and procedures that should be in place, compare them to what exists, and implement and document those policies and procedures that don't exist but should.

### #36 Delegation of Authority

We enquired about the existence of a formal delegation of authority policy that sets out spending limits and required approvals, including spending requiring Board approval. We were unable to identify that such a policy exists. A formal delegation of authority (e.g., spending authorization matrix) should be developed, approved by the Board and implemented.

### #37 Internal Audit Function

School District No. 83 should establish a formal internal audit function, charged with reviewing the efficiency and effectiveness of District processes and controls. In establishing the function, consideration should be given to outsourcing the function to an independent accounting firm.

## ETHICAL CONDUCT AND CONFLICT OF INTEREST

### #38 Review, Update, and Provide for Annual Sign-Off on the Code of Conduct

The Code of Conduct embedded within the Procedural Bylaws should be reviewed and updated on a regular basis. Steps should be taken to ensure it is aligned with references to conflicts as set out in the Act. In addition, each Trustee should be required to review and formally sign-off on an annual basis, acknowledging their agreement to abide by the Code.

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## GOVERNANCE FRAMEWORK

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