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Newfoundland and Labrador English School District

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PUBLIC ACCOUNTS COMMITTEE

Newfoundland and Labrador English School District

Chair: David Brazil, MHA

Vice-Chair: Derrick Bragg, MHA

Members: Neil King, MHA
Pam Parsons, MHA
Barry Petten, MHA
Scott Reid, MHA
Gerry Rogers, MHA

Clerk of the Committee: Elizabeth Murphy

Appearing:

Office of the Auditor General

Julia Mullaley, CPA, CA, Auditor General
Trena Keats, Audit Principal
Lindy Stanley, Audit Manager
Tony Wiseman, Audit Senior
Martin Cook, Audit Senior

Newfoundland and Labrador English School District

Goronwy Price, Chair of the Board of Trustees
Tony Stack, CEO and Director of Education
Terry Hall, Assistant Director of Finance and Business Administration/Student Transportation
Ed Walsh, Assistant Director of Human Resources, Assistant Director of Programmes and Operations (Acting)

The Committee met at 9:30 a.m. in the House of Assembly Chamber.

CHAIR (Brazil): All good?

AN HON. MEMBER: Yes.

CHAIR: Okay.

Ladies and gentlemen, I want to welcome everybody to the Public Accounts Committee hearings on the Management of the Procurement of Goods and Services, Newfoundland and Labrador English School District.

I'll just explain the process and some of the housekeeping items. We'll get each of the witnesses who haven't been sworn in previously to be sworn in, in a second, by the Deputy Clerk.

I want to welcome everybody here, obviously.

The intent here is to look at the Auditor General's report and have a multitude of questions around the process to how we got to this point, what are some of the processes to move forward, and how do we best identify the solutions that ensure that the people of Newfoundland and Labrador have confidence in the spending processes of any entity in government but, particularly in this case, the English School District itself.

So before we get in, the way it normally works here, I'll do a preamble and outline some of the concerns of the Public Accounts Committee, and then each of the witnesses will get an opportunity to introduce themselves. And I do ask that when we get in to the actual hearing part of it and the question and answer part, that you identify who you are so that your light – you can see that the little red light by your microphone comes on, because this is being recorded, and then it will be streamed later for the general public to know the questions and answers and the process that's been used here.

I do welcome people in the gallery – I know have a vested interest. Some from the board and some from the Department of Education. So all are welcome. There are probably media members in the media room who will be taking notes and probably reporting after the fact.

So, again, I first would like to ask that everybody would introduce themselves, and then we'll do the actual affirmation or the swearing in.

I'll start with the Vice-Chair of the Committee.

MR. BRAGG: Derrick Bragg, MHA for Fogo Island - Cape Freels, and the Vice-Chair of the Public Accounts Committee.

MR. PETTEN: Barry Petten, MHA for Conception Bay South.

MR. KING: Neil King, MHA for the District of Bonavista.

MS. ROGERS: I'm Gerry Rogers, St. John's Centre, MHA.

MR. REID: I'm Scott Reid, MHA for St. George's - Humber.

CHAIR: I'll start with Tony.

MR. STACK: Tony Stack, CEO and Director of the Newfoundland and Labrador English School District.

MR. PRICE: Goronwy Price, Chair of the English School District.

MS. MULLALEY: Julia Mullaley, Auditor General.

MS. STANLEY: Lindy Stanley, Audit Manager with the Auditor General's office.

MR. WALSH: Good morning. Ed Walsh, Assistant Director of Human Resources and Acting Associate Director of Programs and Operations.

MR. HALL: Good morning. Terry Hall, Assistant Director of Education, responsible for finance and business administration.

MS. KEATS: Trena Keats, Audit Principal with the Office of the Auditor General.

MR. WISEMAN: Tony Wiseman, Audit Senior, Office of the Auditor General.

MR. COOK: Martin Cook, Audit Senior, Office of the Auditor General.

CHAIR: Again, welcome to everybody.

I'm going to ask the Deputy Clerk if she'd do the affirmation or swearing in of any witnesses who haven't been sworn in during this sitting of the Public Accounts in the last three years.

Swearing of Witnesses

- Mr. Stack
- Mr. Price
- Ms. Stanley
- Mr. Wiseman
- Mr. Hall
- Mr. Walsh
- Mr. Cook

CHAIR: Thank you, Elizabeth.

I'll just start with a quick preamble of the Public Accounts, how we got to this point to the hearing. Then at the completion of that, I'll ask Mr. Stack if he'd like to give a general synopsis of where we are when it comes to the recommendation of the AG and the findings, and then we'll go into the question and answer process.

The normal process is that we'll start – each one of the Members have up to 10 minutes to ask various questions and get answers back and forth. They may direct the question to the AG or her staff, depending on the nature of the answer or the particular issue that's being involved here.

It's meant to be open. It's not meant to be intimidating in any way, shape or form. It's not a process here where the public accounts are trying to throw anybody under the bus. The normal process would be when the AG's report comes out, the Public Accounts will sit – and we sit a multitude of times – and review the report. We normally then would send a letter to the line department or particular entities saying: Can you update us as to what you've done to address these particular issues?

In this case, because it's a fairly new report, yet it's been ongoing for two years, we felt it was severe enough that we want to immediately address it, and thought the best way to get to the

root of how we address the findings and how we can reassure the general public and the House of Assembly that due diligence is being done, that accountability and transparency is being followed, and that there's a process put in place to reassure people and have confidence in the spending habits of the Eastern School District, we felt the best way to do that is to have a full-fledged hearing as quick as possible.

Then, we can look at formulating a set of recommendations, and maybe follow-up information back and forth with the board and/or with the Department of Education, so that when we present our report early in the spring in the next sitting in March, that the recommendations are fluent and reflect exactly what we feel, as a Committee, that would be the proper process for accountability and ensuring that the money being spent, in the future, are done in the proper manner, and that the mechanism is put in play. If that means there are resources that are available, we have the ability to make recommendations relevant to that.

If it's relevant to the structure of the organization, we have the ability to make those recommendations. It then can get debated in the House of Assembly. But the important part here is for the Public Accounts, which is non-partisan. made up of all three parties, to look at the best way that we can support the entity and, in this case, the Eastern School District, to ensure that accountability and the best use and the best return on the monies being spent are put in play, and that the mechanisms are there to ensure that everything is done in the proper manner.

Some of the concerns that came out of here are: We know, or we're anticipating, that this only a small part of what might be a bigger situation, because the AG had only done one particular division under the facility's procurement. So, we want to ensure – and we know there are ongoing investigations, and we're not interfering with that. That's not what the intent of this hearing is about. But we want to make sure that the mechanisms in play are not only to reflect or address this particular area, but all the areas of the organization's operations and spending habits.

So, with that being said, the one thing I do want to emphasize, we find this a bit alarming and very serious that we have challenges in our financial situation, but we particularly have them in our education system about monies that we would prefer if we had additional funds that could be used for other programs and services. No doubt, the board and staff would agree to that, that we want to ensure all the monies that are spent are being spent to better move our education system forward.

With that being said, it's the intent – if people are familiar with how we operate – of why we called a particular, quick public hearing on this entity because we feel this needs to be addressed as soon as possible. We're looking forward to hearing what steps have been taken and what are the future steps to ensure it doesn't happen, and what other mechanisms are put in play to identify any other challenges that are within the organization, in the immediate and in the near future.

So, without further ado, I'm going to turn it over and ask the first questions to Mr. Bragg – oh, sorry, Tony; I ask the CEO if he'd like to give a general concept.

MR. STACK: If I may, I ask that the chair speak first and then I'll follow.

CHAIR: Perfect, sure.

MR. PRICE: Thank you, Tony. Thank you, Mr. Chair.

Before I start, we have some challenges, too. This is a vast district in the Newfoundland and Labrador English district and we get wrestled because there are sections before, so it's getting that concept in your head that it's the full provincial district is the first step that we have to go to. The Eastern or the Western or, as I like to call it, the Labrador district before obviously had some significant impact in their regions, but now we have to do it on a global basis.

Obviously, I take my role as chair very seriously. It's a volunteer position. I've been around this education system for far too long – I was looking and we were doing some calculations – about 28 years, and you don't stay involved with something like this unless it's

important, and it's very significant to the province.

I would argue, as chair, that there is no organization in government or in the private sector that does what the educational board does.

CHAIR: Excuse me, sorry, Goronwy, I hate to cut you off, but I noticed *Hansard* doesn't have your – they now have it on now. They didn't have it on. Sorry, because this is being recorded.

MR. PRICE: Okay, I can hear it. Sorry about that.

What I was saying is the organization itself, every single day, it reaches every community whether there's a school there or not, which when you look at that there are very few organizations that do that. The scope and scale of that exercise is humungous, so you really have to be about children in order to make sure that this organization works. It's a humungous task: 67,000 students; 10,000 employees. I know you understand this, but that is the framework and the scope.

Thank you for the opportunity to come and speak today and answer the questions, with our senior staff. Obviously, I'm the chair of the board of Newfoundland and Labrador English School District. We've introduced our staff that are here today. I'm going to speak to the Auditor General's report as chair of the Board of Trustees. I'll then ask Tony to speak, as the director of Education and CEO for the district, and then make every effort to answer the questions that you present.

As you know, in 2016 the provincial government asked the Auditor General to investigate suspected fraudulent purchase activity within the facilities division, Avalon region, at the English School District. The Auditor General had also examined the policies and procedures in place to ensure compliance with the *Public Tender Act* and other legislative governing financial management and procurement processes. The scope of the AG report covers facilities purchasing for the Avalon region of the NLESD for the period of July 2011 to 2016, so it's a snapshot from before.

As chair of the Newfoundland and Labrador English School District or school board, I want to say the results were very disappointing obviously for us, and we take the findings of the Auditor General very seriously. That's demonstrated through the action that's taken place since the report coming down: meeting with the Auditor General, going through the process, having our trustees come together on specialty, developing an action plan that addresses that piece. So, it's not a case that nothing has happened since the report came out. There's been specific activity that's taken place and we are moving forward.

To be clear, the overall theme of the findings was not a total surprise. As a board, we had been aware for some time that we had some issues. But, as you can appreciate, we could not comment while the Auditor General investigation was ongoing, and it was ongoing for a significant period of time. As a result of the spring 2015 internal review of a number of purchasing transactions, it was the district staff that first recognized there might be a problem. Further, it was the district staff that first alerted the Board of Trustees and it was the district staff who first alerted law enforcement of the potential fraud.

Even before the Auditor General investigation, the board made it clear that improved financial management and oversight was going to be a priority moving forward. Following the trustee elections of November 2016, the board began developing a three-year strategic plan which committed to: improved purchasing processes and approval procedures, better inventory controls and improved financial management processes. This is part of the strategic plan that was in place that recognized, obviously, that there was stuff that needed to happen, especially in the context of the very large district.

In the two years since the Auditor General's office began its investigation, the board has also established a number of new policies to govern financial practices, including an internal audit policy that demands higher transparency and accountability to the public. This was not there prior to this, so we've got a direct input to the Board of Trustees that meets those; a conflict of interest policy for employees, August 2017, which clearly articulates expectations for

personal integrity and ethical behaviour in the performance of the duties; and, a risk management policy which came into effect in 2016.

We are also in the process of developing an ethics policy for employees and a code of conduct as recommended in the AG report, which will complement our conflict of interest policy as a whole.

I will let Tony provide more detail with respect to the operational changes that will be put into place to ensure the financial procedures and oversight are compliant with legislation and best financial practices.

As a final note, I want to say that we were very disappointed with the activities that were identified, particularly because we know that the actions of an individual, or any number of individuals, can really cast a lot of suspicion on the total organization. As I opened up with, this is a huge organization. That means we have a huge responsibility to make sure that things go the way they should go. And, that's unfortunate.

Given we have honest, hard-working district staff who conduct themselves to the highest degree of professionalism and personal integrity, day in and day out, for the advancement of students and our education system, our job, as always, is to ensure people are working in the environment that makes sure proper procedures are followed, and which mitigates the risk or any fraudulent activity in the future.

I would say that, from my point of view, you have to implement the policies, you have to do this piece, but we are going to have excitement in the future. What we have to do is to make sure that we're all deck and we know, going forward, that we can identify as quickly as possible.

Thank you.

Tony, I believe, you have some stuff.

CHAIR: Thank you, Mr. Price.

We will turn to Mr. Stack now for his opening comments.

MR. STACK: Thank you, Mr. Chair. Thank you, Goronwy.

As Goronwy noted, the Auditor General's findings did not come as a complete surprise to us, since it actually expanded upon an investigation and initial findings that were already in process at the district since 2015. Admittedly, the extent of some of the actions were more pervasive than we had anticipated when we started and, in some respects, more disturbing.

There were terminations. Where we suspected illegal or fraudulent activity, we engaged law enforcement. Individuals the district identified are no longer working at the district, and one has already been dealt with through the justice system.

While we were in the midst of a more in-depth internal review of practices and procedures in 2016, including the engagement of an external forensic auditor, the Auditor General was called in. Our own investigation and any ongoing police investigations were then suspended.

We welcomed the Auditor General and the resources available through that office and cooperated fully in the process. We had become aware of some serious issues and we were committed to taking action to reduce the possibility it could happen again. While we participated in the process and awaited recommendations, we also took steps to enhance the integrity of internal purchasing procedures. Again, within the resources we had to work with.

For example, as our chair noted, the school board made better financial and asset management a priority through our strategic plan and policies which govern district activities. From an operational perspective, we expanded our independent internal audit division that conducts both targeted and random audits to ensure we are compliant with legislation and policy. We developed mechanisms by which employees could report any concerns they identified in their own work environments. We've tightened up purchasing procedures to better ensure proper approval and oversight. Albeit, this is very demanding on manual processes.

While not specifically covered in this audit, we've also delivered targeted financial training to individuals within the district. We provided ethics training to staff through the Gardiner Centre at Memorial, starting with facilities and finance management staff and, earlier this month, with provincial directors from all of our divisions in all of our regions. This is particularly important because the Auditor General's report speaks specifically to a culture which allowed certain attitudes and activities to go unchecked. We recognize as a district executive team we have a responsibility to change that culture, and that will begin with the development of an ethics policy and a code of conduct for staff, as recommended by the Auditor General.

I should note we appreciate that the Auditor General took the time to come to speak to our Board of Trustees in early November and to answer their questions related to the report. As evidence to the trustees' commitment to accountability, they have also availed of training related to governance at Memorial's Gardiner Centre.

Meanwhile, prior to the release of the AG report, the district had, on a few occasions, already acknowledged limitations within its financial control systems. The district is currently working with the provincial government to identify and implement more robust financial management software, and an inventory management system that will allow us to better identify district assets and track their use. We know our current system has limitations, and it must be said that the district itself has resource limitations when it comes to identifying people who would implement new systems and maintain them on an ongoing basis.

I think it's important to say at this point that the district did have financial management processes in place, but it's much clearer to us now that they were not always followed, nor as effective as they should have been. There were clearly insufficient controls in place to prevent or detect abuse. And, to be honest, that made us very vulnerable. I don't want to suggest there was wide-spread, deliberate wrongdoing within the Facilities division in the Avalon region but, clearly, the environment existed for wrongdoing to happen, because it did happen.

Even when staff members were doing the right thing, the documentation was incomplete or didn't exist to show that they had done the right thing. In many instances, there was no paper trail and this, obviously, created opportunity. Again, it doesn't necessarily follow that there was widespread fraudulent activity, only that an environment existed in certain pockets of the organization which allowed wrongdoing to occur.

That said, we have accepted all the AG's recommendations. Many initiatives and changes related to the recommendations have already been implemented or are in various stages of implementation. We have established an implementation team to ensure appropriate follow-through, as we realize it would be an ongoing process to continuously ensure the integrity of our processes and financial management.

I'll end this opening statement by saying this: We have over 8,000 employees throughout the province including district staff, school administrators, teachers, support staff such as secretaries, bus drivers, custodians, maintenance personnel and more, and this report has had an impact on all of us.

I recognize our management team in all regions of the district recognizes that we have a leadership role to play in creating and nurturing a culture in the district that demands we adhere to the highest standards of professional and personal integrity, honesty, ethics and intelligence and diligence in the performance of our duties. The vast majority already do.

We are dedicated to children. We are dedicated to education. We are dedicated to ensuring each and every child has a positive school experience and achieves to their full potential. But we're also dedicated to ensuring we operate in a manner that ensures operational and financial integrity.

Thank you.

CHAIR: Thank you, Mr. Stack.

We'll start now with Mr. Bragg.

MR. BRAGG: Thank you.

Well, gentlemen, thank you for your opening statements and thank you, Mr. Chair, for chairing this here today. I think this is a report that you can almost fall on any page and ask a dozen questions. One that came up to me that you alluded to in your opening statement; you said the report of the Auditor General came as no surprise.

So, if it came as no surprise, I wonder why nothing was acted on so that something could have been started to be prevented before the AG came in. Is there a reason that was overlooked?

MR. STACK: When I say there was no surprise; in 2015 we became aware, through our own processes, that we had issues. We had proceeded with our own internal investigations, which resulted in some terminations and engagement of law enforcement.

So that's what I mean by no surprise. We were aware we had some issues in the Facilities division in the Eastern region. So that was with respect to that comment.

MR. BRAGG: (Inaudible) would've had an internal audit done every year, and my understanding your internal audit never reached the board level. What would be the reason behind that?

You had your own (inaudible). So when the AG came in for us, there was a report that you guys would've generated internally that you would've thought would've went to the board, or I would've thought would've went to the board for discussion. That would've outlined some of these surprises or lack of surprise, I guess.

MR. STACK: We haven't engaged the services of an internal auditor. We also have an external auditor that goes over things on an annual basis, and that report goes to the board.

But you're correct, and going forward what we've instituted is that the internal auditor will report to a committee of the board to look specifically at these and they'll have direct insight, direct interaction with the board officials on a go-forward basis.

MR. BRAGG: (Inaudible) senior manager, when something came to you from the external

auditor, why would it be ignored? Why would it not be taken to the board level?

MR. STACK: I can only speak to processes that were – sorry.

MR. PRICE: As chair, obviously, I've fulfilled different roles over time. And to have the perception that the board didn't know or the executive didn't know that we are having challenges, that's not accurate.

I was vice-chair in the earlier days and obviously moved up to the chair position, and when we have issues, no matter what they are, whether they be in HR or they be financial or if there are circumstances that are a little startling that have come out in this report, that would've come to the executive, and the chair would be familiar with those particular issues.

The actions, the follow-up, the investigation, that would've been updated to the chair. But was there a complete report given to all the board of governors, board of trustees? No, not at that time, because you're still in the investigation mode and you have to go through a process.

So it's not fair to say, or it's not accurate to say the board didn't have some oversight and insight into what was going on when these processes and these individual circumstances were identified by our staff. That did come to the top of the organization from the volunteer board point of view, and then we move forward. That's what took place afterwards in the investigation.

MR. BRAGG: Excuse me; I got a bit of a head cold today.

Okay, in light of that, what have you guys done for your checks and balances? Is there a checklist of things that you've started to do or – leading up to, to prevent this? Because I'm thinking – and, as you said earlier, this is the Avalon Eastern region. Before the amalgamation we had three or four different regions of the province.

So I'm just curious if you're going to follow it all through, or if there are other checks and balances replacing other parts of the province that would've prevented this long before it got to this level?

MR. STACK: If I may, we're dealing with a report that spans from 2011 to 2016, and, of course, the Newfoundland and Labrador English School District didn't really exist until September 2013. So some of this is prior Eastern. You're referencing internal audio reports that would've predated my involvement in a role, or the staff here that are with me, back in – probably as far back as 2009. So I can't speak to what occurred then.

What I can speak to now is that our board is seized with – the staff are seized with making sure we perfect this going forward. There are still some issues. We have some resource issues. We prepared a list of items that has gone to the board for approval, forwarding an ask to the Department of Education for some support to implement so that we can not only get better at detection but also prevention. Some of these will require human resources. Some of them will require technological resources. And if those recommendations are implemented, we believe we will be in a position to be more responsive to detection of fraud and also prevention of fraud.

MR. BRAGG: Do you want to take over now?

CHAIR: Okay, we're going to move now to Mr. Petten.

MR. PETTEN: Thank you, Mr. Chair.

Thank you all for joining us here today for these important questions we have on a very important issue.

Derrick just asked some questions pertaining – I want to follow up on, too. This is not new. The chair recognizes this goes back a long time. I'm troubled, and as I'm listening to this and I've read a lot of it, this is not new. This was pre-2015.

There's a chart here in the AG – there were findings in 2012. There's another in 2012; 2013 there are three; 2014 there are four. This was reported to senior management and the responses coming back were no response. They just stopped paying a cellphone bill.

There was one instance of a facilities manager getting his cellphone bill paid with no – he was retired. It was just like there was – I guess the

concern it raised to me when I read it, and we've had briefings on it, it didn't seem like it was being taken seriously; even though, from what I'm reading, it's not my – there's factual evidence that this was not new. This was pre-2015. This is not new to anyone in this province, if you read the reports. This went on for years.

So I guess the general question that bugs me or pries at me is: why? How could this have happened when you're seeing this stuff? This wasn't just one isolated incident, this was a real – there were a lot of issues here. So that's my general – to sum it up. And one big question is: How could this have happened?

MR. STACK: And that's a very good question.

As I said in my opening statement, as a district staff were certainly disturbed by many of the findings. The Auditor General uncovered quite a few things in the report here. A lot of which, frankly, there's no rational explanation. Some of it – other than it was fraud committed by individuals with intent to do so. And some of that has been referred to law enforcement.

So particular examples that are in here, the Auditor General spent a couple of years with us. We've looked at it and, really, the only rational explanation is there was purposeful fraud, fraudulent activity that is likely of a criminal nature.

What I can say is that we spent a lot of time on this in the last couple of years, starting in 2015 and moving forward, to put in place the procedures to better prevent and detect. Some of that – to be more confident and to bring confidence back to the system – requires an investment and an ask that we submitted to our board of trustees who have authorized it and sanctioned it and sent it on to the Department of Education. That'll allow us to have better technological means and better human resources to track and identify but, more so, prevent fraud.

MR. PETTEN: Thank you.

Well, I guess on that note, too, we're going to be spending \$2 million, plus – I think, what is it, \$2 million and one point three, followed up with exact numbers. Anyway, if we're going to be spending that money should we not find out

what broke down? You're bringing in a solution without knowing your problem.

We all know there's a problem. There was fraudulent activity, but unless you find a solution to fix those fundamental problems, you're going to just replace people and you're going to bring in another person that's going to create and do fraudulent activities, you're not getting any further ahead; yet, you got a Cadillac system but you have no way of – you got to know where you're coming from to find out where you got to go. It's one of those things, you got to find your problems first.

You're bringing in a system, but I think – I guess what I'm saying is it doesn't appear outside that this was fraud and it should never have happened. It doesn't appear that the root cause of the problem has been resolved, or at least I'd like to know what has been done I suppose to resolve it from your side.

MR. STACK: With respect to – we've mentioned one aspect is a culture that allowed that to occur. So we recognize that. We've taken that very seriously.

The first two bullets, recommendations in the Auditor General speaks to code of ethics, code of conduct, and we've already initiated the education piece around that and building those code of ethics in the Auditor General's recommendations.

Secondly, when you talk about procedures, we have an antiquated system of financial management. The school data systems is very much outdated. You had the ability to go in and manipulate that system with intent, if you're really strongly intending to commit fraud, and that system is still in place. So what we have right now are some very vigilant people in the procurement that are eyeballing through manual processes where this – all these purchases.

What we hope to have is a better system that allows – that can only – where various levels of approvals for purchasing can only happen with the technological inputs from that individual who's authorized to do so, and there's oversight built in to these systems. We don't have that system now.

I can go in as an individual and order something. I can go in and, using someone else's name right now, approve that. Because the way the login works, it doesn't – so the only way we can properly ensure that there are no improper purchases is manual oversight. So we have an antiquated system. If we get a better system, that'll improve our ability to respond.

I don't think anybody can positively say that you have a foolproof system that prevents and detects all fraud. There are – to use the term – the evil genius who will always find a way around your system. The best we can do is build the systems and the oversight to the best of our ability. But right now we remain vulnerable because we have an antiquated system, and that's part of the new ask.

Now, we have a response from the Department of Education and the response indicates that they've accepted our ask and, as part of the normal budget process, it will be reviewed. But they've also indicated to us that government has a system that is used in core government that has the capacity, in their view, to address a number of issues identified such as central purchasing, accounts payable, including quality control, inventory control and asset management. They've asked for, and we've agreed to, co-operating with the services of a consultant to work with the district and government officials to conduct a detailed business requirement and scoping exercise.

So I guess all that to say is that we've put in an ask. We were asking for a system and some human resources to go forward. Government's response is thank you for that, and we're going to engage a consultant to work with you and see if maybe some of the government systems can be leveraged with our ask to improve things going forward.

MR. PETTEN: Yes, thank you. I wondered the same thing.

I'll ask a short time in my allotment for this time. I'll just go back to some of the concerns I've raised throughout here.

You have a situation – in May 2015, the district's internal auditor raised concerns about a particular vendor regarding double billings,

unclear invoices; yet, the AG determined that the district continue to pay the invoices submitted by the vendor.

That's not that long ago, and it just cries out. When everyone was aware – again, I'll say, why? It's almost appalling when you read some of it. I can't understand why this would ever have happened at this level of school district.

MR. STACK: In that time frame, there are a couple of individuals that were looking at their practices and were beginning to understand that we are vulnerable and we may have been a victim of fraud. We've got to go through normal due process, keeping in mind normal HR processes. There's a lot of heat and light being put on those particular individuals, which led to us starting a process of termination. That was the start of it around that time frame.

The things that you're referring to were detected by the district staff, and you go through a process that ultimately resulted in termination of those individuals and referring them to law enforcement. So that is around the time frame that you're talking about.

CHAIR: Okay, Mr. Petten.

I'm going to move to Mr. King.

MR. KING: I'd just like to thank you folks for coming out this morning.

I know Mr. Petten asked a question about the systems and whatnot, and you talked about a consultant. Is this consultant within the Department of Education or an outside consultant?

MR. STACK: The Department of Education will be engaging an outside consultant –

MR. KING: Okay.

MR. STACK: – is my understanding.

MR. KING: Just going back to some findings here on page 5, and something stood out to me: "Non-compliance" within the Newfoundland and Labrador English School District "procurement policies also resulted in expenditures for goods and services not being

properly authorized and reviewed and there was often a lack of sufficient documentation to support invoice payment.”

Who’s responsible for that now? I know you talked about a new system coming in, but who’s actually overseeing that now? Because the more I read this, the more it stood out to me that the buyer actually had a ridiculous amount of power where there were no checks and balances. What’s put in place now to take that power away from the buyer, and who oversees it?

MR. STACK: I’m going to defer the detailed answer to that –

MR. KING: Yes.

MR. STACK: – to our chief financial officer, Mr. Terry Hall.

MR. KING: Okay.

MR. HALL: Thank you, Tony.

So to answer your question, given the volume that goes through, we couldn’t do what we call a true centralized procurement team because of the volume. So our facilities managers, supervisors, were entrusted with a certain amount of buyer approval limits.

So, basically, what that means is they – starting at the very bottom of the supervisor, I’ll just use a number for you – had up to \$3,000 they could approve in order to keep things going. Our Facilities division is the only one. The other divisions, their actual procurement, their quoting, all of that, always went through our procurement team.

The facilities team – to your point – did have this power. So they had the power to initiate, to approve and to do the receipting of the goods. So that’s what made us vulnerable, and our system allowed that because it doesn’t have the appropriate audit trail nor the built in protection in order to stop it, which is why we need to replace it.

What we have done since we’ve discovered this – very manual, because we can’t get any more improvements in the system. The supplier has already told us they’re not doing any more

upgrades. They’re not doing any edits or anything like that.

So we have done more preferred vendor lists. For services that we use on a regular basis, we now have more preferred vendor lists. So that takes the choosing of a vendor out of the hands of our facilities managers and our maintenance folks that are out doing this work on a daily basis.

We’ve also initiated that we have to have better segregation of duties. So while the system doesn’t prevent it, we now have a manual process whereby people are looking to say whoever initiated this in the requisition, it has to have a different buyer and a different receiver before AP will process it.

We’ve also done more standing offers, so as that takes it out of the hands of facilities managers that every time they need, let’s say, paving on a parking lot or holes filled, there’s a standing offer. So they don’t need to go out and get bids or take a specific vendor. So we’re taking that control away from them, for the most part, as much as we can on a manual basis so as they don’t have that ability to go out and choose and do it on their own.

We’ve also moved the quoting process for facilities inside of our procurement team. So we’ve managed to get that much done. Even though it’s a burden on our procurement team, who, as Tony mentioned, we do have a resource constraint that we have in our proposal. We need more people in order to get a true centralized procurement.

All of that said, we have tightened up quite a bit and taken some authority away from the facilities team to be able to get better eyes on it in finance. And when it gets to our accounts payable, they now have to do a matching to ensure that if the details on the PO doesn’t match the invoice, even if the amount matches, they have to kick it out. But they have to make sure the amount matches, that there is a goods receipt slip and that it all matches before they will pay it. So we’ve got a lot of manual controls put in to take power away.

MR. KING: Okay, thank you.

That was a very detailed answer, and certainly shows that – my thoughts on it is you're taking the power away from the buyer, and you've got standing offers, preferred vendor lists and whatnot, which seems to be common in other government departments as well.

One thing that stood out was the quick emergency, quick purchase orders, and that was almost like a licence to print money for some businesses. You look at – if it was 98 per cent of the invoices coming to almost \$96,000, there's no documented evidence of an emergency and no receipts and no whatnot. What's being done with those? Are they still being issued? Is there more – well, obviously, I would assume there would be more scrutiny under those, but to me that was just a free-for-all for anyone who wanted to go in and purchase something.

MR. HALL: Yeah. So we have – Tony, do you want me to answer that one as well? Okay, sorry.

We have pulled back the quick PO books. So all of our facilities managers don't have it. The reason these quick PO books were put out there, just to give a bit of context, is if something happened at 7 o'clock at night – in a school, say, a pipe broke – we didn't want to have to hold up the facilities team, that because our procurement team wasn't in to issue a PO to the vendor, they needed to get that stopped immediately to mitigate the amount of damage in the school –

MR. KING: Yeah.

MR. HALL: – but also to try and get it fixed so as we preserve the educational and instructional time. We don't want schools to be closed if at all possible.

Did that get to a point where some of the facilities managers deemed everything was an emergency? I think you're right, in some cases. You're absolutely right, and it got abused. So we have pulled those back.

We only have two or three out now to our critical, more senior people in facilities who can make the decision as to – they got to have a phone call now into them from the facility supervisors out in the field, to them, in order to say this is what's happening. Then the senior

person issues the quick PO now as an interim measure until we get a better system or we can get a better procurement in terms of, I don't know, P-cards or something like that, that we will look at as well that other government departments have. But we have severely restricted that as well.

MR. KING: Okay. So, basically, the spirit of the quick purchase order will be to keep the school open the next day if something happens, and basically that's –

MR. HALL: Mitigate damage and get things done in the nighttime when the staff is not there in the office to issue a PO to a vendor in order to get them in. But they also know now that, look, if something is able to be contained and not be a safety issue, then contain it.

MR. KING: Yeah.

MR. HALL: Then the next morning we'll deal with it, as long as it's not a safety concern. If we got to close – we've also told them the mandate of at all else, don't have the school closed. It's okay, we may fail and have to close the school for a morning some time, and we've told our facilities managers and our director that might happen; whereas before they considered it a failure if they had to close the school for two hours, but we said we have to do it right and make sure that it's followed.

MR. KING: Thank you, Mr. Hall.

I do have some more questions, but in the limited amount of time I'll come back to those after.

CHAIR: Mr. Stack is about to speak.

MR. STACK: Just to add to Mr. Hall's comments. When I speak to culture, I wouldn't want to leave the impression that it's a culture of individuals that are preoccupied with nefarious activity. There was some of that, absolutely.

When I speak to culture, as Terry alluded to it, is this culture of operational effectiveness. Don't lose any precious instructional time, and we all prescribe to that; however, that culture then permitted an environment where for expediency, then the PO system could be abused. And Terry

and I met personally with all the directors and said look, we may have to accept failure. We may have to lose instructional time in order to adhere properly to the legislation around procurement and our own internal practices around procurement. So when I speak to culture, that's part of what I meant, too.

MR. KING: (Inaudible) nothing was documented. Yeah, I agree that it did open up the door to some nefarious actions but more than likely a lot of those, my thought would be, they're honest enough but just people didn't keep the receipts or put them back in.

MR. STACK: A lot of it, there was – as I say, there was clearly fraudulent activity but there was a lot of individuals that were not doing diligence with respect to recording why things happened. And in some cases, though, they were doing the wrong thing for the right reasons.

MR. KING: Yeah.

MR. STACK: But it was clearly the wrong thing and it's not acceptable, and we've communicated that.

So a school loses a roof off a gym – and I'm not using a particular example now, I'm just using a scenario. A roof goes off a gym you secure, on an emergency basis, a contractor to make sure that roof is – there are no issues with it. If the Facilities person engages services then for the repair of that roof, once it had been secured on an emergency basis that would have been wrong; that's just an example.

MR. KING: Thank you very much, Mr. Stack.

CHAIR: Thank you, Mr. Stack.

Ms. Rogers.

MS. ROGERS: Okay, thank you, and thank you once again for everyone for your time today.

Goronwy, I want to say thank you for stepping up to your position in a time when you knew that there were many complications and changing – and Mr. Stack as well, stepping up for your position knowing that you had many things to deal with. Changing culture is a tough job. It really, really is a tough job.

Also, we all know that coming up with policies and procedures that will safeguard but also not choke and prevent work from going forward, that's a delicate balance as well. I know that there is a lot of work being done in that area.

Tony, you had said that we have accepted all of the AG's recommendations and we have a strategy and a plan to implement changes and an implementation team in place. Can we have a copy of that strategy and plan?

MR. STACK: Absolutely. I have a November 3 submission to Minister Hawkins and we can certainly provide that.

MS. ROGERS: Thank you very much.

And have you submitted that plan to the AG and to the AG's office?

MR. STACK: No, I don't believe we submitted it to the AG's office. No, we didn't.

MS. ROGERS: Okay, because my next question would be to Julia Mullaey, our Auditor General: Are you confident in this plan and strategy? I believe it would probably be more than appropriate and actually important for the AG to see that strategy and plan. Would that be correct, Julia?

MS. MULLALEY: Yes, it certainly would be fine. We could take a look at the plan. My understanding, some of the plan, I assume, is part of the budget submission to government. So as long as government was comfortable with us having it, and certainly not getting into the debate on prioritizing where money should go, because certainly that would be the government purview. But the types of actions there we certainly could look at.

MS. ROGERS: Yes, and I would think the same thing that we're not looking at government allocating money or not, but basically what is the plan and strategy going forward to dealing with the very specific issues that have been highlighted by the investigations in terms of where there are weaknesses. I haven't seen, and perhaps I've missed it, but oftentimes when there's an Auditor General report there is a very substantive response from the entity that has been subject to an audit.

Will we be seeing that from the English School District, Mr. Stack or Mr. Price?

MS. MULLALEY: Probably I can speak to that. It's been the protocol over the years – this one actually came in under a special assignment by Lieutenant-Governor in Council request.

MS. ROGERS: Okay.

MS. MULLALEY: Those are normally investigations, so there would be findings in it but no detailed response from the client department or entity. The regular audits, I would say, that we do as part of our mandate, the performance audits, they do certainly, as you say – they always are provided to the department and entity and there's always a detailed response in it. But it's different when it's asked for under an investigation concept.

MS. ROGERS: So would there be, though, any kind of response in terms of – I guess that would be in the strategy and plan that the Eastern School District is developing or has developed now. So it would be good to see that, to see how you're going to address some of those issues.

And again, I understand the huge job of changing the culture. That's really important. Tony, you were talking about the antiquated system and how often we wish that we had state of the art instead of state of the arc. So, you've explained a little bit where things are at with that and the request that you have put to government and the consultant. Is there a time frame associated with that? Is there any time when we can expect some results?

MR. STACK: Clearly, you know, the faster that we get a system in place, the better. Because, right now, we are relying on manual oversight and a lot of vigilance on the part of Mr. Hall's staff. So, yes, the sooner the better, but there are no timelines established. We've got a response from government that indicates that it's part of the normal budgetary process, but no timelines have been given. They'll communicate budget decisions to us once budget 2019 has been approved and then we also have the other activity of the consultant working with us as well.

MS. ROGERS: Okay, and that consultant have already begun?

MR. STACK: We were advised in a letter to our chair, Mr. Price, on November 29 that they'll be appointing a consultant in the coming weeks.

MS. ROGERS: Okay, thank you.

I also want to note that I imagine that this is hard for staff, as well, in the Facilities branch to be under such scrutiny and all the accusations that are overhanging there. So it must be hard as well for staff who are very dedicated and working hard.

So, Mr. Price, I'd like to look at the issue of the board. What sort of training do board members undergo when they are first appointed or elected?

MR. PRICE: We went through the elections 2½ years ago now, and when the 17 trustees came on board one of the first priorities was obviously the PD of trying to – with new trustees, they don't really necessarily come from a place that understands what the role of a trustee is. So right off the top, we do those professional development sessions where we bring people in that determine what governance is, what day-to-day operations are, and we go through that process. Obviously, different people come from different places and those learning curves take different amounts of time for different people.

So we do that PD on a regular basis. But the nature of our board is that it's an elected board. So it's not a case that you submit a resume and you can say we have this particular skill set there. A lot of the times it does come together, and you do have a good reflection of society or a good reflection of skill sets on the table. But it's not a case that you have a chartered accountant or you have a psychologist and a program person.

So the PD is put in place for the board. The trustees recognize through their committees of the board that there is an oversight requirement, and I can assure you – and in some of our discussions this morning, it seems that you get the sense that nothing is moving. I can rest and I can tell you from my position, there are a lot of

things that have changed since the identification of these circumstances that took place back then.

The oversight, some would say – and I see it as a volunteer more so than in the system when I hear people complaining, you’ve got to remember – you said it a minute ago – the culture. We had four cultures that came together under one roof when we came to this place, and everyone knows that different parts of this province operate very differently and it’s reflected in the House.

So bringing those cultures together and coming into one and taking different policies that exist in certain places, the challenge for Terry is – and their specific challenge of coming up with a single policy that doesn’t throw the baby out with the bath water in downtown Nain are significant. Because if you have an issue in Nain, getting three quotes could be a challenge. Those realities have to be taken into consideration. And where we fell down, it was identified in this, it’s not in what we do, it’s in how we document and justify afterwards. Humans aren’t good, sometimes, at going back and cleaning things up after you’ve done something in an emergency fashion. I can assure you, some of the feedback coming out of places outside of St. John’s are: Oh, my God, how are going to run the system, with these new systems in place, that ensure the financial accountability.

From a trustee point of view, the training has been there. We had a special session specifically dealing with the AG report. We invited the AG in and she certainly came in on – I think it was a Sunday, wasn’t it, Sunday morning or Saturday morning bright and early and went down through it. Then the board of directors took each of the items and our senior staff went away and came back with a plan.

Education, we’ve got supports. Government has given us supports for PD, and that education is taking place.

A long-winded answer, I apologize for that, but it’s really important to know from my sense and to put across to you that things aren’t the same as they were. There is an accountability framework, but you have to be careful because the system still has to run.

MS. ROGERS: That’s right.

MR. STACK: And the children have to be in class and you have to be able to have the resources.

I can tell you, the system is pushing back now because the oversight that’s been put into the system now is squeezing them in their day-to-day job, which tells you that, yes, the Public Accounts part of it is a high priority but we have to make certain, from our point view and our senior staff point of view, that we don’t paralyze the system within this.

MS. ROGERS: That’s right.

MR. STACK: So it’s open eyes, but making sure that you are accountable to your actions.

MS. ROGERS: Yeah, and consequently why it’s so important that we have a real diverse group of people that are trustees to ensure that all those different voices are heard so we’re developing systems that, in fact, are effective and workable –

MR. STACK: All over.

MS. ROGERS: – all over. Yeah, and for all people.

CHAIR: Ms. Rogers, I’m going to move to Mr. Reid there now.

Thank you.

MS. ROGERS: Thank you.

MR. REID: Thank you.

I’d like to thank all the staff for coming here and sharing their views on this report with us as well. I’d like to, as well, recognize the good work being done by employees of the board all across the province as well.

I think we have some serious questions to ask here, and we had some serious problems as I read through this report. What I’m hearing today doesn’t really, for me, settle my mind in terms of some of the issues that have been highlighted in this report.

I think for us to get to the root of how we solve the issues that have arisen, we have to have a full understanding of exactly what the problems were and how we got where we were. And to be clear, we have to understand that the problems highlighted in this report are pretty serious, right? Basically, when the chair and the CEO started off, you talked about the scope of the organization, and I think that sort of speaks to, for me, the need to have proper procedures in place. When you have a big organization, you have to have the proper procedures in place.

Based on things like splitting of orders, it seemed to be common practice, basically. What was happening here in this report, there was no procedure foreseeing that the scope of work to be done was actually done and completed. The billing process and the way purchase orders were – the tender process wasn't clear. The quick purchase orders, as you outlined, is necessary in some cases but it seemed it was being abused, or at least it wasn't properly documented. There was a lack of segregation of duties, the same personnel.

So there are a lot of problems here and the potential for abuse. I think if we're to get at the root of the problem, it's not just a few bad apples or a few people who are doing fraud. The root of the problem seems to be the lack of proper processes that were in place.

I just want to throw out a general, basic question, I guess. How did we get where we are? How did we get to a report like this? Which is pretty damning in terms of processes that were in place. How did we get to this state?

MR. STACK: That's a fundamental question that we've been preoccupied with these last months and years when this process was initiated. And you're right, this is – and I said it in the opening statement. We're disturbed by this.

Our focus now is on – we understand we were victims, as well, of fraud. We have a lot of employees out there, hard-working employees doing the right thing day in, day out and have done so since the inception of the various boards, predecessor boards and our board now. But you have to have in place procedures and policies that are going to deal with those

individuals that are going to take advantage of systems, and that's why we have fraud in this world.

So we're focused on, and have been focused – particularly since 2015 – on developing the policies that prevent this, and detect. Since then we've got an internal audit policy. We beefed up our internal audit processes. The internal auditors will report directly to the Board of Trustees.

There is a conflict of interest policy that's been put in place. And to speak to the impact to that, every week now – and we have a Monday executive meeting – we're processing conflict of interest declarations. So it'll show you the level of understanding by our front line personnel of the importance of this policy.

Risk management; we had instituted risk management but the Auditor General has recommended, specifically, fraud risk management. So that'll be embedded within the risk management processes. So we've looked at our vulnerabilities with respect to purchasing and approval of purchasing. Mr. Hall addressed some of those, and those are ongoing.

I'll concede that we are still vulnerable, because we're relying on manual processes. These are people that weren't necessarily hired to do that specific function, but were seized with detection and prevention. We do need a better system going forward, and that's part of our request. What that looks like at the end, will it look exactly like what we've asked for? I guess we also got to rely on the process that the consultant is going to recommend.

There may be government systems that can be leveraged here, but we do have to keep in mind that we're dealing with 254 school locations and not all of them are going to be able to interface with something like an Oracle system that government uses. So it's going to be a process that is going to be very involved.

I can tell you, as the CEO of the organization, I'm aware that our Board of Trustees is seized with this. We are, as a professional staff, the executive staff of the district, we are seized with ensuring that something on the scale of this never occurs again.

MR. REID: In terms of your response to this report – and you said you weren't surprised by the findings of this report. In fact, your internal auditors and your external auditors that you have highlighted some of these same things. Also, in terms of the AG's report, I understand it took two years to do, and you were being provided with updates and issues that were being identified as the report continued.

Do you think you've been prudent in dealing with these issues as they came up in terms of the internal auditors' report and in terms of the reports that were given to the board as the AG did their work?

MR. STACK: Do you want to speak to some of that?

MR. PRICE: Yes.

MR. STACK: Go ahead.

MR. PRICE: I'll speak to the first part, the government side of this. Because the flavour that nothing was done – like the world unravels in real time. And can we fix history? No. That's the part that causes us all the grief when you get a report like this that articulates exactly what has gone on.

We said in our opening statement that when the trustees were elected, one of the strategic issues that we talked about was developing the policies around findings because we recognized that there was an issue. Our senior staff in the accounting section, as well as our CEO, as we were progressing through this and the things were identified as issues, they were fixed at the time. We weren't waiting, we put policies in place and we changed procedures to make sure once you know something, the test is on you to fix it.

We weren't waiting until the end to come up with this. It's a good process to go through to have somebody come in externally and look at all your processes because this is a mammoth job. But, as they were going through the process and issues were identified, our financial staff certainly put the policies in place, came to the board and we changed policies. We recognized that we had to do things.

Now, there are lots of detail in that and our staff can talk to that detail, but it wasn't a stagnant process in the sense we weren't waiting for someone at the end of the day – we knew the issues. This system does not work unless you respond in real time to issues as they present themselves. The financial accountability in the last number of years has been phenomenal. If you were to talk about – we mentioned these emergency POs. Before, how many were there? Today, how many are there? They're minimal today. That tells you that the culture is already shifted away from using them to do whatever you want to do whenever you want to do it.

So, those subtle changes in the system speak to some of the items in this.

After that, I'll pass over to Tony.

MR. STACK: So again, focusing on the fact that we were aware and when you say no surprises – again, I'm speaking in 2015, because in 2015 we are aware that there have been some activities that are inappropriate. There was a HR process and an investigative process that unfolded that dealt with certain individuals. Recognizing that that was occurring, we were aware that a review of our systems highlighted a number of control deficiencies, and we started making corrections, implementing changes right away. Some compensating controls, where possible, given the limitations I've already addressed.

We had the district processing system, school data systems had significant limitations with respect to system controls. So we did identify those concerns. We commenced changes to improve the control environment, again, starting with our own investigations in 2015 and recognizing as well that we have a high dependency on manual controls.

We're still operating in the SDS environment, but we've completed a number of options for improving that system. We also recognized very early on that we needed some cultural change. I was pleased to see that the Auditor General also recommended that, and a concerted effort began back a couple of years ago. So as the AG was engaged, we were also engaged in fixing what was happening.

We created and launched the risk management program. It continues to evolve. Based on the Auditor General's report, we're including a fraud risk management program, in addition to the operational one. We've instituted leadership training, new policies, as I've referenced – conflict of interest, a big example.

And on the operational side, a lot of concerted effort with Terry's Financial division, with the Facilities division operating hand in glove with a high degree of oversight – oversight to the point of frustration where some of our finance people were saying you're really constraining me from doing my job and we had to say to them, this is necessary. This level of oversight and interaction is necessary.

So we haven't been sitting by. We weren't waiting for the Auditor General's report to start down the road. What I will say is that the Auditor General's report has given specific recommendations and some very clear guidance, and we are committed to ensuring those recommendations are ultimately followed up on and achieved.

CHAIR: Okay, thank you.

Mr. Reid, I'm going to go to Ms. Parsons, or unless you have one quick – because after we finish Ms. Parsons, it's the first round of questions, we want to take a 10-minute break. I want to note, too, that we will break at noon for lunch for an hour.

So Mr. Reid if you got a follow-up, quick one, before Ms. Parsons?

MR. REID: Yeah, just a quick one, I guess.

This report is based on a spot check of the Avalon school board. Have you done any sort of checks on other boards to see if similar problems exist there and the extent of the problems? You mentioned you had different cultures coming together.

Have you identified that what happened in the Avalon was an anomaly or is it worse elsewhere, is it better elsewhere, do you have any sense of that at this point?

MR. STACK: We have no evidence of that level of wrongdoing in terms of the fraudulent piece elsewhere. However, the controls and the measures and the policies apply evenly across all regions of the district.

We have a provincial focus to this. For example, our session at the Gardiner institute a couple of weeks ago with all of our directors in each of the divisions, some 30 in total, around 30 folks, involved everybody from Nain to St. John's.

So the response is provincial in scope, but we have no evidence of any type of nefarious activity in other regions, other than Avalon.

MR. REID: My question was related to the procedures that were in place in other regions. Were they more stringent? When you say you have no evidence that there was any problems there, does that mean you haven't checked to see if – you can't give me any conclusive evidence either way or what does that mean?

MR. STACK: No, what I'd say is there's no evidence of any fraudulent activity. There is evidence of problems with the procedures.

MR. REID: Okay, so internally you've checked –

MR. STACK: Yes.

MR. REID: – done spot checks on what's –

MR. STACK: Right.

MR. REID: – happening in the other regions and it identified similar issues that were identified –

MR. STACK: Similar processes, not identical, and that's why the policies that we're putting in place and the measures and protocols are necessary provincially, recognizing, of course, that we can't handcuff a school in Rigolet from acquiring resources.

If there's only one vendor in the local area, and it needs to be acquired, we have an approval process for that that looks after that.

MR. REID: Okay.

I have some other questions but –

CHAIR: Yeah, we'll come back in a second round.

MR. REID: – we'll deal with those later.

CHAIR: Thank you, Mr. Reid.

Ms. Parsons.

MS. P. PARSONS: Good morning.

Like my colleagues, I appreciate, of course, you being here but I think it's safe to say that it's unfortunate why we're all here today, given what we've gone through in the news media recently as well.

I just want to stay here in the conclusions of the report. Again, I'll reiterate and I'll state this and put this on record, this lack of oversight of the Newfoundland and Labrador English School District's control environment and lack of action over the years to address known internal control deficiencies and disregard of policies significantly increased the risks of errors, unauthorized actions on ethical behaviour, and or fraud.

Are you confident that the people who've been hired to conduct the responsibilities in these jobs, including the trustees, are you confident they're doing everything they can to do the job well and to prevent these sorts of things from happening?

MR. STACK: Maybe our board chair can respond on the trustee side, but on the staff side, I can tell you, MHA Parsons, that I'm confident in the team we have to see this through and to turn the culture around and to arrive eventually at a place where these measures and controls will prevent this type of thing, in large measure, in the future. Recognizing, you're never completely ever going to be in a situation where your detection systems and your prevention systems are 100 per cent. But we will do whatever humanly, mechanically, technologically possible to arrive at a place where the scale of this sort of thing never occurs again.

MS. P. PARSONS: Right. I'll use other workplaces as an example. Say, in journalism, a reporter goes and presents their work and it's vetted by other people, it's checked. An MHA, for example, submits an expense claim. It goes through a channel and it's seen, different eyes are on that.

Are you confident that these sorts of processes are in place? Again, because we are accountable to the taxpayers and this is arguably one of the most departments in our system of education.

MR. STACK: We have the policies and procedures. Largely, we are reliant now on manual processes. We need a better system for a school district that has 254 school sites and a bunch of other buildings and work sites.

Something like inventory control is extremely difficult when you're dealing with resources. We don't have central warehouses that you can deposit items. What we can do is work on a technological system to have serialized items that are checked and ensure that if you're going to buy a new item, then the other one is identified as being beyond repair or it's end of life. That's not easy. I'm not saying it's easy to do this, but we do need and we've developed a plan. We've submitted it to government to get us to a place where we can be better at inventory control, asset management and procurement systems.

I don't know, Chair, if Mr. Price would like to – you mentioned trustees.

MR. PRICE: I guess you started with a question: Are we satisfied with what we do? From a point of view of trustees, obviously, we'd like to be able to make sure that everything is the best it possibly can, but we have to deal in the reality of what we have in front of us.

The trustees – and we've started off – recognize how serious this is. We've implemented committees of the board to review the details in this. Sometimes you get tied up – and I don't mean to say this isn't important. What I'm saying is the number of transactions and the size of the organization, if we didn't have those policies and procedures in place, such as the travel claim approvals and all those, if you didn't have that for 8,000 employees, this

system would go down pretty quickly. And we're similar to other agencies and we have those pieces and process.

It is a challenging and daunting task, and the trustees recognize it, to come up with a system and policies that truly allow the system to work properly right across the district.

The system in St. John's is very different from the system in Labrador and the West Coast, and we recognize that we've got to do the due diligence on these, but we didn't have an internal auditor directly answering or coming to the board before. We do now.

We have a risk assessment, internal risk recognition system that brings the risks of the organization, whether it be in HR, whether it be in curriculum, whether it be in financial, that comes to the board. These things were never there before. So it's all building blocks that help us do our job better than we were doing before.

Answering the questions; some of the issues in here, there's no answer to it. Some of the specifics or the issues in there, there's no answer to the – just a second, because I think I picked up my phone and I need to turn it off so I'm not talking to the world. Sorry about that.

So, we are addressing, through our board function and our trustees, the important stuff in this report, but we're also not limiting the scope to that. We now have systems that internally, on our own steam, address issues and bring it to the board so that we can fix it. That wasn't present before.

The different policies, when we first came together as a unit in the amalgamation process there was about a year and a half – Tony, correct me if I'm wrong – that we were operating under four different policies and procedures in the province. We're now all operating on the same page. So, there is consistency that has come of this and the accountability.

I can't stress any more that our staff – and I've been here all the way through this – have treated this at the upmost importance level and have dedicated themselves totally. When an issue came up, once you're aware of it, you got to fix it. We don't wait for other people to come in and

say it's got to be fixed. Sometimes, externally, it looks like you're not doing anything, but there's a lot of stuff that goes on internally that you have to deal when you're dealing with these pieces.

I guess, in a long way, to answer the question, the trustees, through the policies that we've been developing, the training that we're getting, the internal audit – the AG clearly came in and told us what we need to do in terms of trustee oversight. Because that was the question for us, through the AG, was: What do you mean when you say enough oversight wasn't given? How does that track into some real steps that we can take? This risk assessment process that we're doing, the internal audit, the accountability through our Finance and Operations Committees, going back and validating these pieces, go on a basis – can we do more? I'm sure we can do more. We got a team that's willing to do more but it's going to take time.

The other challenge – and I can say it because I'm not in a staff role here – is we'll take it on a simplistic level. How well does the internet work in all our communities around the province? Some of it works very well and in other areas it doesn't work so well. So, when you're implementing financial accountability and you're using all these great software platforms that jam up your computer – I'm not saying it's not going to be done, but there are real challenges in making it work.

If there's anything that I've seen since I've been at this table, our team is doing what it takes to make people accountable but understanding the context that their coming from so they don't overburden and kill them so the system breaks down. Long-winded, I know, but I'm really trying to emphasize that we've got 17 trustees around this province that are absolutely on deck in trying to respond to this report in the most professional and accountable way possible.

Our forward-looking piece is if the AG comes in again in the not-too-distance future or whenever and does another analysis, that a lot of this stuff is taken care of in the appropriate fashion, and that'll be the final litmus test.

Thank you.

MS. P. PARSONS: Good. Thank you.

CHAIR: Ms. Parsons, you're good?

MS. P. PARSONS: Good, yeah.

Thank you.

CHAIR: Okay, we'll take a break until 11:10 for people to stretch their legs and if they got to make a phone call.

We'll come back then and get into the second round, and we'll break for lunch at 12.

Thank you.

Recess

CHAIR: Wait now, Derrick. Sorry, your light is not on. I don't know if –

MR. BRAGG: Okay, we're good to go.

No, when I initially started this and reviewing it over the last week or two, I had looked at the full document and said I will ask almost line-by-line questions, but I'm more hooked up on the policy and the procedures.

Some of the responses from you guys, I'll be honest, I'm not really convinced we've done a lot. I don't know if you have a list of things you've done that you could present to us, or how soon you could do that, because your answers seem to be generic answers to most of our questions, and most of us have gone down the same line.

What assurance can you give the people of this province that you fellows have made great changes, great movements over the last six, eight, twelve months or whatever to address this?

MR. STACK: Okay, fair question.

Look, there are no real excuses for what happened. It should never have happened. So I'll be clear on that.

I think we said in the opening remarks the district did not have the policies and procedures in place to mitigate the risk, but we have been

developing them over the past couple of years. We're at a point right now where we believe we have the policies that deal with it. There are a couple of additional ones that the Auditor General recommended, and the report is in September. Policy development does take some time.

So a couple of the things – like, for example, risk management, from a financial perspective, has a process been initiated. Another policy, we are under whistleblower legislation as an entity of government but we're developing our own, and I have a draft of that right now. All the policies that I mentioned have been developed since we became aware of this situation. So we believe we have the policy framework.

We also have the commitment, from an ethical perspective, around changing culture and developing those code of ethics. Those are well under way, but the trustees and a few of the senior staff could sit in a room and we could give you a code of ethics within a day, but the process of developing a code of ethics has to be an elongated process that involves and includes all of our staff right down to the rank and file, and then gets vetted and comes right back up. The strength in developing code of ethics is almost in the process, as opposed to the final result, and the final result would be important going forward.

So all of those policies are in place, and a couple being developed that are specific to the Auditor General's report that we've been aware of since September. The reassurance piece is I am committed, as CEO, to ensuring that we have in place procedures that vastly improve our detection and our prevention for fraud. But I'll be honest, I don't know if there's a system in the world that is completely, 100 per cent prevention – completely.

Now, we had the staff look at what's required in terms of technological and a HR acquisition to get to a place where we're ultimately confident. That plan has been developed and submitted to government, and government has responded. So I guess that's our short answer. And in this current environment, we have been preoccupied with this to the point of almost distraction.

I'm the director of education, and that continues; that work continues. I am focused on deep learning initiatives and moving this province forward, responding to the Education Action Plan, ensuring that we get to a place where we are improving the outcomes. That is our main core business, but we're also focused on the financial piece.

Perhaps I'll defer to Mr. Hall to give maybe a more verbose answer on some of the financial things we have done and are planning to do, just to extenuate and provide more detail to what I've just said.

Mr. Hall.

MR. HALL: Sure. Thank you, Mr. Stack.

If I can, if you could indulge me for a second, I just want to go back for 30 seconds to a couple of points from Ms. Rogers earlier, and I do want to say I appreciate the comment you made about Mr. Stack. He did stand up in a difficult time and took this on and he is to be applauded for it. He takes this more serious than anyone even knows every day. We've gotten to be best friends almost, we talk every day.

The other thing I just want to mention, you asked about if the AG had a copy of our proposal, not specifically handed; however, Ms. Mullaley would be aware that we were looking at needing a new system, and that's first and foremost for us if we're going to make significant change.

What I do want to mention is the Comptroller General is aware of our proposal from an operational point of view and is working with us and the department on the implementation and the potential system that we will need. So, from an operational point of view, we have engaged the Comptroller General. Just if that helps to answer your question.

Specifically to your question – I won't bore you with all the details. I've already alluded to some of the power we've taken back from the facilities team and some of the things we've put in. We have, what I call, put in some stop-gap measures, given we're still working with the system and people resources that we have had and going through this. So I call it, we have put

in the stop-gap measures to mitigate anything from happening going forward while we're looking to get the appropriate process, people and system in place that we need.

We looked at it from two angles, operational and cultural. So from a cultural point of view, reiterate some of what Mr. Stack said, we actually designed a leadership management course with the Gardner Institute that we were putting our facilities management and our finance management through. So they've already conducted three separate courses, they have three more to do. So we're trying to change the way people are thinking and the culture. We're making the district more aware of what our expectations are and what needs to be done, because we do take the public money very seriously when it comes to that.

We've also created and posted a number of new policies, as we've addressed. Board has done training. The district executive just last week, we did training ourselves. We sat through and went through a code of ethics, code of conduct and those types of things. So we're taking it serious to that point as well.

On an operational side; we just, this past number of months, engaged a student on a work term, their final work term to come in and work with one of our individuals to start the process of getting a formalized documentation of our purchasing process, because that was lacking.

That's one of the things would have been mentioned by the AG's office that we didn't – when we came together, we didn't do one formal purchasing process that everyone could lay their hand on and say they know exactly what to be doing to acquire goods. So we've got that process done, and we have an initial draft that the student and one of our individuals worked on that we're still working on.

We created, as I said, an approved vendor list that people have to go to when they need certain services. So they don't have the ability to go anymore and pick who they want. The procurement team is doing the quotes for facilities.

We added a second internal auditor. In mid-2017, we added another internal auditor. We

only had one internal auditor for the whole district. So we added another one to be able to get out and be more proactive and help divisions and help other areas understand processes and what they need to do better, to be more proactive.

Again, quick PO books, we limited them down to a couple. We have done a review of an asset management system we'd like to bring in that will help track. We have IT that are currently tagging at least the IT assets that are coming in. Because our shiny objects are some of the most expensive and where we spend a lot of money, as you can appreciate, computers, iPads and those things. So they're, minimally, at least now tagging IT assets when they come in to the office before – so we can at least record them. And we're working on an absolute tracking system.

We designed a fuel and gas logbook that we now have in all of our vehicles. That any time there is a point A to point B trip, the person in the vehicle has to write it down where they went. So we can always take – they're reconciled at the end of the month against our fuel logs. So if there's a purchase on a fuel card, we know that vehicle must have driven 400-450 kilometres when these logs are recorded. In conjunction with that, we did a pilot on a GPS for our maintenance vehicles. So as we'd have a better understanding as to where our vehicles are and be able to track it more on a system basis versus depending upon manual fuel logs.

We implemented a wet signature on any invoices that come in that's over \$10,000 as a starting point. Before, as long as it matched, you didn't need a wet signature on it but we've changed that. We started with \$10,000 because that's our major cut off for having to go to tender; however, again, we keep banging away at it. We do have limited resources and we're hoping to fix that.

We process anywhere from 80,000 to 100,000 invoices a year with a team of six, sometimes seven, AP folks that are trying to do this. So, you can appreciate, we can't explicitly look at every one, so we work on a model of sampling. We do find some stuff through samples which then drives us to have to look further, but that's the extent of the processing we're doing. But we

have implemented new stuff in AP as well to help them with – as the last set of eyes before a check is cut or anything like that goes out, that they can at least flag something.

So we're giving them more training as well. We've had them in and helped them understand other things to be looking for and what to flag. We've gotten ourselves to a point where – and I believe I'm accurate in saying my last number – we're at about 90, 94 per cent. We're doing EFTs now. So there are no cheques. We don't manually deliver cheques anymore which would have been a comment in this here, we're on EFTs. So there's no one coming and picking up cheques or we're not delivering them anymore.

I won't bore you with the other few things, but there is a long list of stuff that we have done and implemented for stop-gap measures to educate our staff. And I assure you, as Mr. Stack said, this hit everyone. I assure you when this came out, my accounts payable staff were devastated right down to that level. They are in it to say what is it you need us to do better if we can be your last set of eyes to help. So whatever area we can, we're trying to do stuff.

Again, we know we have a road to go. We need a system that will help us with the controls in the system versus being manually dependent, and we need to get better at preventing this versus depending upon detecting it at the back end before it goes out.

So we are just off the starting line, and we all know it. We have a road to go but we're committed to do it and make more change that we need.

MR. BRAGG: Thank you.

CHAIR: Okay, Mr. Bragg.

Mr. Petten.

MR. PETTEN: Thank you very much.

I have a couple of questions I want to ask Mr. Price, Chair. When did you first become aware of the problems pre-2015? Because I know you were vice-chair, you said, prior to becoming chair. Do you have any idea when you would've first become aware of some problems being

reported within the organization pre-2015 or pre-AG?

MR. PRICE: I can't give you a specific date because I don't keep the logs. What I can tell you, we have a system in our organization that if there's anything untoward that goes on, such as the difficult challenges that were identified by us with some of our employees, that the executive and the chair is notified.

As we were going through these particular issues, that was not the exception. I was notified as soon as it became pertinent to the district. Which day it was? It was when it was in real time. It was when it was happening, I was aware that these things were ongoing. If it raised the level where disciplinary action was going to be taken or we were going to take a pause, that's when it goes to the executive, and the executive has to make the decisions on (inaudible). So I guess the accurate answer without giving dates, because I don't know them off the top, would be yes. In real time, as this was unfolding and (inaudible).

I would be also aware in this process, sometimes there are HR issues that you have to work your way through in a very methodical fashion. I would've been aware and be asking the questions: Why is it taking so long to deal with this? And the explanations would've been given back to me at that time why it was taking long. So it's not a case of being kept in the dark. You have to go through the processes, and internal processes that you got to do in these circumstances.

I can't re-emphasize, this is a huge organization. Our budget, and this is why it's so important, is a billion dollars. It's a huge amount of money for a province of our size, and our respect for that is absolutely critical. So when you get a report like this come out, and I say it again, it's startling, it's serious and you've got to deal with it. In my mindset, and in a trustee's mindset, you ask yourself after these things have been identified: Can this happen today like it happened before?

We have changed. When this came out, we didn't (inaudible) every one of our secretaries in the schools, back when this was happening, went through specific training to try and tighten up

what was going on. Not just here in St. John's, not just in Eastern, not just on the Avalon piece, not just in Facilities, this whole issue permeated right the way through the organization, at the time, in real time, to try and fix and make sure these kind of items didn't happen again, okay, that we see in this report.

MR. PETTEN: So the board would've been aware – because these problems are dating back to 2012 and probably even earlier than that. Did the board give any direction – I know it's the old board and you're a part of it. Was there any direction given to the district at that time? And on the flip side, what did the district report? What was reported to the board's finance committee from the district during that period of time? Because, again, it's glaring throughout the report, as we've talked about many times, and I'm not still settled. There's an awful lot of stuff here that would seem to be – and I wouldn't use the word ignored because I realize it's a problem – but seemed to be, they weren't dealt with pre-2015 when the AG stepped in.

So I don't know if you could answer those two questions of what direction you gave the district, I guess, and what the district reported back to the finance committee of the board.

MR. PRICE: Okay.

A lot of the issues that would've been brought to us would've been criminal in nature or fraud or those kind of pieces. The direction of the trustees of the board is you have to deal with fraud in the proper channels of dealing with fraud. You go and do the investigation. When it's done, at some point it comes to a place where the investigation produces a certain amount of information that requires legal involvement. That would be at the direction of the board at that time. Go through the process, identify the issues, bring them back to the board and say we're at a position now where we've done this, now we go to the police. That's the process that we were following at that particular time.

I can't stand or sit here and say, do I know all the details of what happened in all the districts. At that particular time, when we were going through amalgamation, there are huge different policies taking place in different areas of the

province at the same time. We weren't in a policy-free environment where it was a free-for-all for everybody. There were policies that were being applied, such as the Labrador policies for finance and accounting were being applied in Labrador at that time in the way they'd done it for years.

So I guess, to answer your question, these items would've come to the board in the same fashion of any other criminal activity, whether it be in the programming side or the financial side, and we'd have dealt with it in that fashion. Do we tell them to go – it's not required to tell your people to go to court or to pursue legal action in that fashion. Once fraud or illegal activity has been identified, there's a process and you go for it, and that's what would've happened and did happen in these pieces.

A lot of the items that were here, obviously, the scope in the AG report has given us a lot of insight into what policies and procedures we've implemented and we're going to have to continue to implement it, such as our risk piece, but the actual legal context, we go through the standard process.

MR. PETTEN: Thank you.

I have one question for Mr. Stack there now, too.

How many staff were in the Facilities division pre-AG report, before any real action was taken? How many staff were in that division?

MR. STACK: How many staff – I'm not sure I understand your question.

MR. PETTEN: Before any dismissals, before any firings or any legal action was taken, how many staff were in that division, Facilities division?

MR. STACK: I'd have to research the total number of personnel in the Facilities division. I couldn't give you an exact answer, but I can certainly obtain that for you.

MR. PETTEN: Some of the same staff are still there in the positions that were there during the full process, correct?

MR. STACK: Yes. Some of the same staff would be there, yes.

MR. PETTEN: So it's only the staff that were identified as having direct involvement in the fraudulent activity that have been let go or replaced or –?

MR. STACK: Any of the management staff that was involved have been terminated.

MR. PETTEN: Any of the management staff.

MR. STACK: That's right.

MR. PETTEN: And what about regular front-line staff?

MR. STACK: There were some – again, I don't want to get in to confidential HR procedures, but there were other staff that were non-management that were also terminated, yes.

MR. PETTEN: Okay.

One more question and then I'll pass it over to Mr. King.

So you got a proposal for a new audit risk committee, based on what's happened. How many board members will be on the new committee? Where they'll come from?

MR. STACK: The new entity, the financial oversight committee, will comprise elements of the board, as well as some external membership.

And I'll ask Mr. Hall for the exact detail, because I don't have it right in front me, as to the composition of that entity.

MR. HALL: The proposal we have and that was approved was seven. We were going to have up to seven. There will be membership from both our current standing committees on it. The vice-chair or the chair of the larger board would also be on it, and a minimum of one, up to two external. So we would go out and make sure we have financial expertise or legal expertise that will also come in and be part of this audit and risk management committee.

MR. PETTEN: I want to follow up. Who would appoint those two outside people? Who would

they be appointed, or what process would be followed to appoint those two people?

MR. HALL: Well, that's currently what we're discussing and that the chair will discuss with the board as to: Do we go outside to have someone appointed independently or is the board going to go through a process to review and understand who would be appointed. So that's the piece we're currently at. We've established the makeup of the committee and that's what we need to now appoint. So we're in that process.

I don't know if the chair would like to comment on what his thoughts are.

MR. PRICE: The audit and finance committee of the board that we're structuring and the guidelines, the external part is in the AG report there was a recognition that we didn't have some of the professional designated skill sets on the board, which is through the elected process that I've already alluded to earlier on, you don't get that. So these external people will be dictated by their legal designations and what the requirement for that audit committee is. So that's going to be a limiting factor in who's identified.

The other part that has to be debated is, where do these people come from? Obviously, our headquarters is in St. John's, so there's a little bit of a logic to have them located in St. John's, but there's also a logic that we're a board from across the province, so we have to try and deal with that.

So to answer your question, we're working through it. We haven't identified exactly how that's going to work yet, but it will be open and it will be posted with the rest of our policies and our committee structures on how that's done on our regular website.

CHAIR: Thank you, Mr. Petten.

Mr. King.

MR. KING: Thank you.

I'm going to page 53 of the Auditor General's report about human resources policies and

procedures. There are four, I think, recommendations that come with that:

“Establishing formal job descriptions that clearly outline roles and duties of a position.

“Hiring individuals with competencies that match the requirements defined by job descriptions.

“Performing background checks when hiring individuals, particularly for those positions of trust and authority.

“Evaluating individual job performance on a regular basis to identify competency and performance gaps, develop plans to address these gaps and monitor employee progress against these plans.”

If you go a little bit further, you'll see two employees that were highlighted through the AG that were hired and didn't necessarily meet qualifications and they were actually bumped up to a senior position. Are those two people still employed with the school district? What are you doing right now to come up with new job descriptions and meeting those four recommendations that came out of the HR section?

MR. STACK: I'm going to ask Mr. Walsh, in his capacity as the assistant director of human resources, to respond to some of the granularity of the question.

I want to be careful in alluding to any answers that might identify employees here.

MR. KING: Yeah.

MR. STACK: So I have to be careful in the response with respect to the two individuals here.

I can say that the policies around the hiring and performance evaluation have been improved since this report was written. And I'll ask Mr. Walsh to respond.

MR. WALSH: Good morning.

First and foremost, I guess it's important to note that the beginning stage of any recruitment

process is always the development of current and accurate position descriptions.

Post-amalgamation of the four previous boards, these position descriptions were housed in the different regional offices or – yeah, in the different regional offices of the province. And given that they were housed there and that's how they were developed, there wasn't a consistent process for their development. Oftentimes even positions that on paper or on our website appeared to be the same position, their actual position description was different.

So as a part of our response to the report, we've centralized the collection and the management of position descriptions for all management positions in the province. We've been collecting them, collating them and analyzing them to determine whether or not they're current or whether or not further work and development needs to be done on them. And we've started that process with any of the areas in which we've identified needs for updating. So that forms the basis of any recruitment process. Now that we have those collated in a central repository, we can now use them in the development of job ads for positions that occur in the future.

By way of context, from the education side alone, not necessarily the management or the facilities side, since May 25 of this current school year – or this year, I should say – the district has processed over 1,700 recruitments for education personnel. And, of course, when you are processing that many job competitions in a short period of time there is always the opportunity for things to not be done in a consistent manner.

Obviously, if there are issues with the recruitment process itself, collective agreements, in particular, on the education and the support staff side would address those. But as a part of our oversight of the human resources procedures, we've developed our own, inside of human resources, mini – I guess I would call it – audit process on job competitions to ensure there's consistency in the development of the jobs, the recruitment of the individuals and the offering of contracts.

From a policy development perspective, we currently have a draft policy that's about to go to the board on the performance appraisal for management individuals. Prior to this past fall and prior to the AG's report, this policy did not exist. It's moved its way through the initial stages, committee stage of the board, and is ready to go before the full board at its next meeting.

Also, our internal process has been, we've initiated a review of our certificate of conduct policy, highlighting some of the challenges that existed prior to this current year. Of course, part of our annual review process anyway, we would be identifying things in that policy that need to be addressed.

Part of our policy development also is we are going to be doing, and have started doing, some education sessions with employees to which the policies apply to so that they fully understand what their obligations are.

MR. KING: Just going back to the two employees mentioned in the Auditor General's report, they were not qualified for the positions they held. Are they still in the same positions?

I respect the fact that there are privacy concerns, but we're not naming names. We're just looking at positions. Are they still employed? Because that's very – to me, that's speaks volumes as to people not qualified to do their jobs, especially in engineering roles.

MR. STACK: I can say that one individual is still employed in the position.

MR. KING: Okay.

MR. STACK: There is a question as to – and it was noted an engineering role. There's a question as to whether or not that role required an engineering background or more of a business MBA-type role. I can't speak to – because I wasn't involved in the design of that competition, but I am confident that the individual that's currently in the role is capable of performing that task and is integral to turning this around going forward.

MR. KING: Okay.

That's all the questions I have.

CHAIR: Okay, Mr. King.

Ms. Rogers.

MS. ROGERS: Thank you very much.

I can truly appreciate, Tony, when you talk about wanting to move on to some of the other issues, particularly around the implementation and recommendations from the task force and really what our education system is all about. I can imagine how frustrating this must be. It's almost like the tail that wags the dog for a while. So let's do something about this dog.

We hear, it's sort of bits and pieces, of some of the – I've asked you for a report on the strategy and plan that you have, but can we also have a formal report of what you have implemented to date, the new policies and procedures you've implemented to date? If we could have a written report like that.

I would also ask the Auditor General: Julia, can you tell us what you feel would be helpful? Because, again, what we're trying to do now is free you of this as well so you can get on with the other important work, but also to instill confidence.

And the other thing is that if your asks require additional resources, whether it be personnel or whatever, that we, as the Public Accounts Committee, our role is to ensure that what you need in order to proceed in a way that is fiscally responsible and reliable, that our role as a Public Accounts Committee is also to push on your behalf to make sure that that is in place. I do believe that is part of our responsibility.

So I'd like us, like you all to be able to move on as well. So let's establish what is needed. Again, the Auditor General, Julia Mullaley, if you could let us know what you believe you need also in order to have a confidence, because the audit that was done was so comprehensive over a long period of time. So let's get this right. Let's wrap it up so everybody can move forward.

MS. MULLALEY: Yes, sure. I think I'd like to start out by certainly commending the board and senior management in tackling this situation.

It was a very significant review with, what I would say in my time frame of auditing, it was probably one of the audits that I've seen the most significant weaknesses throughout the organization in the areas of – the whole parameters of control environment.

So from the governance side with respect to implementing and developing and making sure that risks were being proactively identified and managed too, because setting the tone at the top is so important, and I heard that today. I commend the board and senior management for saying that and acknowledging that the culture certainly needs to be changed. I heard a lot of things today about how that is changing now. To your point earlier, I think that certainly takes time.

Some significant issues around the systems and asset management systems, and, again, they are significant issues and take time. I'm also really pleased to hear a lot of the other initiatives that are underway that we heard about today to address risk, because I think we all acknowledge today that those risks, because of the systems and still some of the policies, they still exist in the organization. We did look at one small part of the organization, although it was responsible for a significant amount of procurements, having said that.

So on a go-forward basis, I think that, again, to keep this – and I think the term you used this morning, that the board and the senior executive had been seized with that. I mean that says a lot. It's really important I think, that you need to continue to be seized with this until you have the confidence that this is corrected in the organization. It's not going to be overnight, but you got to make sure like your action plan – and you have a implementation team on it and you're monitoring it because I think we've all worked in organizations where we set a plan in motion but one of the downfalls of any plan you set in motion is you back off the implementation. You're not monitoring how well it's working.

So I guess as a piece of advice is that you continue to be seized with it. Make sure you're continuing to have the discussions at the board and senior management level to make sure that these controls and additional initiatives are

working and you're seeing a difference in the organization; and to continue to celebrate the successes when you do, when you see things improving. I think to be able to provide that feedback to staff in how that's making a difference is a positive thing as well.

I think that's sort of what – it has to continue to be a real priority of the board as well, and senior management for sure. I think it's a really good lesson learned for all of our agencies and boards and our own offices and our own departments because these things can happen, and it's important to see the consequences of what happens when controls and governance and different aspects fall down. So I think it was an important lesson as well.

MS. ROGERS: And I think as well, the whole issue of developing policies and procedures, so often what happens when we see there has been a crisis, that there's been a violation of a privacy or procedure, then we tighten up and it's not necessarily the best way to go. So it's that delicate balance, as you said –

MR. PRICE: Goronwy.

MS. ROGERS: I'm so sorry.

MR. PRICE: No problem.

MS. ROGERS: Goronwy.

MR. PRICE: Close enough.

MS. ROGERS: Sorry.

As you said, Mr. Price, we don't want to see the organization paralyzed. How often have we seen policies and procedures – and I call it the once factor. That once somebody did something, so the whole policy and procedure changes because of the once. We don't want to see that happen as well, where we also can see the whole issue of subsidiarity where people can make decisions that make sense from where they are perched in the work they are doing. I understand the complexity there and that balance. Hopefully, our pendulum doesn't swing so much that it paralyzes the work or stops the work.

Would it be possible then to get a written report of the work that you have done to date? As well

as – because I understand what you've proposed to government sounds like a specific ask on a system. So it's not just the system, I think it's the other comprehensive issues as well.

We know there were policies and procedures in place, yet they weren't followed. So what do we do about that? Can somebody speak to that? Because it seems like some of the very specific violations, they were violations of existing policies and procedures. So if someone could speak to that.

MR. STACK: Sure. Thank you for that.

First, we can certainly compile sort of a synopsis of actions taken to date. We've got it in various forms, so it probably won't be too onerous to compile that.

MS. ROGERS: For us and for the Auditor General as well.

MR. STACK: Right.

MS. ROGERS: Thank you.

MR. STACK: In terms of the submission to government, the highlights of that are around upgrading our financial management system, having a business analyst embedded, inventory control, asset management, centralized purchasing, and some folks to do that, the fleet and fuel card management, as well as GPS tracking for our vehicle fleet, and accounts payable, quality control. That forms the essence of the ask.

With respect to the policy piece, you're quite right, policies are written. When we write these policies, though, we do it through the lens of, it has to be something that's in the art of the possible. We can't write policies that we know won't actually make sense when the rubber hits the road, so to speak. So we were very cognizant of that in developing the policies.

We're already seeing effect. As I mentioned, the conflict of interest policy has engendered a tremendous degree of dialogue and discussion and discourse within all aspects of our employee ranks. So that's evidence there.

Ultimately, the other piece that makes the policies work is right from the board oversight, and the board have made it clear that they are going to ask the questions and demand the reports that we have to furnish to them. So that functionality will give the staff the engine, if I will, or the fuel to ensure that happens, and that's how we make policies be followed.

Yeah, it does require a focused energy around, as I said earlier, changing the culture; but, as well, being absolutely – and I'll use the term again – seized with it. And to the point where – the pendulum has to come across where it actually does create friction in order to get a response until we can move forward.

MR. ROGERS: I'm aware my time has run out, but I have a very quick question just in relation to that –

CHAIR: Yes.

MS. ROGERS: – if that would be okay.

The AG had reported that the bylaw stipulate that the internal auditor meet with the board, but reported there was no evidence of such meetings. So why did that happen? Can we be assured, in fact, that the internal auditor will meet with the board? Because the board can't really do its work if that's not happening.

MR. STACK: That's right, and I think Goronwy will speak to it, but what I can say is the board has been clear with me that they want access through this risk management and audit committee to sit, and the direction – like, the auditors work independently from me.

MS. ROGERS: Mm-hmm.

MR. STACK: The auditors report directly to the board, and that's how it should be. That is now enshrined, and I can guarantee you that will happen.

MS. ROGERS: That the internal auditor will meet with the board?

MR. STACK: Report directly to the board, yes.

I don't know, Goronwy, if you'd like to add to that.

MR. PRICE: No, I'm just reiterating what you said. We've got a process in place now. There's at least – obviously, it's not every meeting they'll do there, because we have such a broad scale of stuff there, but there's an anchor point that requires us – that they meet at least once a year with us and present their report. The same as the risk component of it, identifying the risks in the various sectors presented to the board.

Then the prioritization of those risks, if we assess something as higher priority than the internal response, then that's where it's done. Before it was not a required statute that they be there on a regular basis. It is there now, and it will happen or else people will be uncomfortable.

CHAIR: Yes.

Thank you, Ms. Rogers.

MS. ROGERS: Thank you.

CHAIR: Mr. Reid, we'll let you take us in to 12 o'clock, and then see when we come back if you need more time.

MR. REID: Yeah, okay.

I started off, I was looking at the nature of the problem and how it developed. In this round of questions, I want to get into the solutions a little bit more and look at some of the things we've talked about here today in a little bit more detail maybe.

One of the things that's come up is the financial accounting system that the board uses and how important that is, and the fact that funds have been asked for to put that system in place.

I'm wondering, in terms of the nature of the problem that was identified in this report, how much of it is the lack of a proper accounting system and how much of it is cultural? I'm just wondering – to be cynical about it, we could say we could have the best accounting system but if we haven't changed the culture significantly then we won't have solved this problem.

So I'm just wondering, in terms of the nature of the solution, how much of the solution is this

accounting package? How much is cultural change –?

MR. STACK: That's a very good point. Thank you for that.

It's difficult to assign percentages to say. I will say this, I think the Auditor General correctly pointed out the problem with culture. We internally recognize that and endorse that finding, certainly.

As I spoke to earlier, the culture of operational efficiency around not losing instructional time and opening schools at all costs, dealing with a vast array of infrastructure out there, allowed an environment to exist where if you're going to go outside of regulation to get something done, then that speaks to a permissive culture which then allows for other activities to occur, and that's wrong. So we've been very clear that the culture has to be not only doing the right thing but doing the thing right, and there's a distinction. We've been very clear on that.

We also communicated with our operational managers that people like me, who are not experts in construction or financial controls, as educators, probably have over the years assisted in this, you know, we need that school open; and they were responding. Now, what we've reassured them is, that's fine, you have to be preoccupied with expediency and effort but you can't do it at the expense of procedure, regulation or violation of policy, no matter what. So culture is a part of it, yes. Again, I can't assign a percentage to it, but it starts there.

The training that we're doing, the process in developing a code of ethics – that starts at the top, goes down, gets socialized and debated and then brought back up – is important, and that's going to take time. It'll probably take this year to do it.

Now, that's not to say we're not operating in – it's not that we're operating without ethics, we're operating without a defined code of ethics right now. A lot of our professions have code of ethics in their professional capacities as well, but we need a unifying code of ethics.

So the culture starts there. The code of ethics or ethics development is important. The policies

that back that up, the board oversight, all of it is a part of this piece.

I don't know if I've answered your question completely.

MR. REID: Instructional time; I can understand in terms of the quick purchase, the quick order and things like that, but the instructional time, a lot of the things that have been identified here don't relate to instructional time, and you use that as justification for some of the processes that were in place.

MR. STACK: What I meant by instructional time was, if you're preoccupied with that, and then the people that were doing the procurement felt they could bend the rules to achieve the result that we all wanted, then what other rules could I bend? That's what I meant –

MR. REID: Okay, I'm not –

MR. STACK: – by an environment.

MR. REID: I'm not sure –

MR. STACK: If you're operating in an environment where it's okay to look at a regulation or a procedure –

MR. REID: Yeah.

MR. STACK: – and you're going to overlook that, then there are other parts that are not related to instructional time which you might also overlook. It creates a culture of permissiveness, and that's what we're saying has not – that cannot occur.

MR. REID: Yeah, but most of the things that are identified here did not, sort of, relate to instructional time. So the link to instructional time, in my point of view, is somewhat tenuous in terms of –

MR. STACK: Okay.

MR. REID: In terms of a quick order, I certainly understand that, but to say that instructional time led to splitting of orders and the other things, raises concern with me. I don't know if we really have the nature of the issues here.

MR. STACK: So if you're permitted to – if somebody is not looking closely at you violating a regulation to get a task done that people above you want done, then what we're saying is that helped cultivate a culture. It's not a direct cause or relationship, no, and I don't mean to suggest that.

MR. REID: Yeah.

MR. STACK: Some of the things in here are clearly inappropriate, repugnant and go against the very ideals, the vision and values that the organization stands for. That's clear.

CHAIR: Okay.

If I could suggest, Mr. Reid, when we come back, the extra three minutes you can have then to start some questions.

MR. REID: Yeah.

I don't know, Mr. Price seemed like he had something to say.

CHAIR: Oh, yes, sorry.

Mr. Price.

MR. PRICE: From my standpoint, what I took – it's not the educational time on task, it's the mentality. For me, it's like this, we have facilities in this province, without facilities children don't go to school. If we run into problems in this place, the attitude was that we got to do everything we possibly – it's got to be a can-do attitude. Can-do. On Monday morning that place is going to open, it's going to open no matter what. In that environment of can-do, sometimes people were breaking the regulations that they should have been following. That's the connection there.

The other part about the software, which I think was in your question as well, was the looking for software. There are simple things that we have in our software packages that don't allow us to put the controls in place. For example, I think it was alluded to earlier on, in the approval process the same person could purchase, approve and do everything because the software didn't allow us to differentiate those kind of things.

Is that correct, Terry?

MR. HALL: That's correct.

MR. PRICE: So although everyone knows it, we can't fix it because there are some physical limitations with the software to do that. Those subtle controls in the modern types of equipment you've got will allow us to do it, and were huge. There's no way we can do and put the controls in place on a manual basis for an organization like ours. We have to have the equipment. We have to have the software that's modern and allows this organization of its size to function properly and function in the reality of the province. Because even when it shows up, it's not going to be easy.

Registering students for your attendance is a different challenge with the software that we have in different places of the province, because you can't get online and those kinds of things. So it's not going to be the be-all and end-all, but the cultural shift that we've invested in is definitely taking place. We've heard that loud and clear, but we also need the automatic controls that software brings us in order to be able to do this as well.

I hope that answers the question a little bit.

CHAIR: Thank you, Mr. Price.

Mr. Reid, we'll recess.

Could I have everybody back by 1 o'clock sharp, please?

Thank you.

Recess

CHAIR: Okay, go ahead.

MR. REID: Okay.

As I was saying, I have a few questions about governance. School boards are elected officials and they direct the way the school board operates. We have talked about some of the importance of training, and things like that have been mentioned. Is that a new type of training? How are the practices in terms of governance changed in this? Because the trustees, as the

elected representatives, are the people who watch this for taxpayers in one sense.

So, I'm just wondering: Has this caused the board to have a renewed look at the way governance is done at the board, and the availability of information to the board of trustees, and their involvement in decision making.

CHAIR: Mr. Goronwy.

MR. PRICE: Has board governance – the job hasn't changed as a trustee from before to now. Obviously, the complexities and the size of the district add a whole new layer or two on top of what trustees did before.

Through the financial accountability, the program accountability, the risks that have been identified, our governance piece comes through policy development and follow-up and accountability of those policies. I guess our governance structure has changed since this came in because we alluded to it earlier on, our finance, our risk committee, our internal audit committee that actually – those processes, we have different lines of business. We have our CEO who makes the direct decisions of the day.

Now, not only us questioning but the internal audit component is also looking at it, the risk assessment component is also looking at the resource. In terms of the governance structure, our responsibilities have changed because of this because now we're getting direct reports to the board on these issues. That's a clear change from what would have happened before; there'd only be single lines of communication coming up. So, our accountability and our governance structures have definitely improved.

The training PD for the last three years in our district – it had been cancelled for a while, professional development for individual trustees, but we do have the resources to go when individuals are able to choose what they want to do. And, some of the trustees, based on what's taken place within the financial review process, has prioritized the need for a greater understanding about the financial accountability and, more so, about some of the subtle system controls you can put in place in order to do the job more effectively.

MR. REID: Okay.

I got about a minute and a half left. In terms of the rural/urban differences and things like that, that has been mentioned as a constraint in terms of the way things are approved. I represent a rural district; have grown up in a small community; visit many small communities in my district and elsewhere in the province. You mentioned Nain as an example of a rural, isolated school. I'm not sure what kind of Internet connection they have.

My experience is most schools in the province have pretty good Internet connections. I'm not sure how – I understand in terms of the number of bidders and things like that, but most of the problems outlined in this report were related to other things that weren't related to small, isolated schools. I would think the standards in most cases should be similar, where possible.

I'd like to explore it a little bit in terms of exactly how the cultural differences between the previous boards, the rural/urban (inaudible) – are you saying that the accountability measures should be less stringent because of those things, or what's the case to be made there given that, in my experience, most schools have pretty good Internet access?

MR. PRICE: Okay.

On the Internet, I beg to differ. There are clearly different classes of Internet capacity in this province. On the coast of Labrador it's dial up or DSL, where in most of the other places we're on fibre op now. All the software packages that are running in the schools are bandwidth hogs most of the time, so it does shut down. So, it makes it difficult for some of the log-ins. That's a statement of fact.

What I was saying – and I alluded to it earlier in a comment about policy development – it's not that there's less accountability, but we have to make sure when we make a policy and the accountability framework works in all the communities that we're actually participating in.

For example, standard policy for getting quotes on things is you want three quotes, then you make a decision and you go through the proper process. In certain places, you can't get three

quotes. So, what do you do in that location? It has to be in the policy to give the same accountability to the process as it would be for three quotes in a larger centre. We have to make sure that in some of the smaller communities, where you can't do this, you have to make sure the policy is reflective and still holds them accountable so that some of those questionable decisions aren't being made.

It's not a case of not holding them accountable, it's just making sure that the policy is robust enough that it does understand the circumstances in different locations.

MR. REID: And allows for exceptions, where they're warranted.

MR. PRICE: Or an exception is you've still got to move forward and you still got to acquire something. If, on a Friday night or a Friday evening, the windows are beat out in a school or something like that and you have to do – those emergency process, we have them in place, but we have to make sure they're still accountable. That's what the reflection was when we were doing – the same in all our policy sectors. When we develop policy in the school district, obviously our internal crew go at generating the initial round of the policy, but then it's gone out to the regional components to make sure that the policy actually can work and make sense in all regions.

It's not a case of making it an exception in a region, it's making sure the policy can fit with the same amount of accountability.

MR. REID: Mm-hmm.

Okay, I'll have a chance to ask some other questions later on, but I think my time is up.

CHAIR: Okay. No problem, Mr. Reid.

Thank you.

Ms. Parsons, do you have any more questions on –

MS. P. PARSONS: No, I'm good on this –

CHAIR: – on this part of it. Okay, yeah.

Mr. Bragg.

MR. BRAGG: All right. I think we pretty well agree with (inaudible) questions each. I don't know where to start now because I got four or five and I got to clue it down to one, but I think I'm going to make it two into one, all the same.

The last time you said it's a challenge with the Internet and the availability to do reporting and everybody stay up to key. We had four districts previous to amalgamation, right? One is all we've identified there are any issues, there has been any wrongdoing, which was the Avalon Eastern district, and assuming you guys have gone back and checked out the other districts, just a few spot checks to say okay, yeah, well that all worked great.

So if their policies were so good – say, we'll use Central, Western and Labrador to deal with theirs – why wouldn't that be the policies we would've quickly got into rather than trying to work with four different ones when we have such a big issue that went on that brought the Auditor General in?

MR. STACK: So with respect to – none of the previous predecessor boards would've had, for example, to my knowledge, my understanding, something like a risk management process, specifically a financial or fraud risk management process. None of the predecessor districts would've had that.

I do not believe any of the predecessor districts would've had an audit committee of the board where the auditors reported directly. So those are things that needed to take place pan-district.

And the policies like conflict of interest, there may have been elements of that policy in other regions, but we're one district now so we need a provincial policy. So those policies apply evenly throughout every quarter.

I'll ask Terry – I don't know if you have anything to add to that, Terry, with respect to the finances, in terms of the processes we do for spot checks, that kind of thing.

MR. HALL: Thank you, Tony.

No, I don't have anything specific to add, other than the fact that when the amalgamation happened – and you're talking about the four previous boards. The four previous boards all were operating on four different financial systems.

So the processes that would've been in other areas weren't necessarily transferable to when they formed the one. And the system that was chosen, and I guess due to 'expeditedness' – if I can use that word, because they only had a couple of months to amalgamate – they chose STS because that was the one that was being used in the larger centre.

In order to bring it all together and into the processes – as Mr. Stack said, not all the regions had all policies or procedures written either and it came into the one. And it's been worked on ever since, in terms of trying to make sure if we can get district-wide policies and procedures. Obviously, we know where we ended up and what we're trying to do to go forward.

MR. BRAGG: Okay.

Can I follow up with one final question?

CHAIR: Yes.

MR. BRAGG: I'm just looking for a yes or no answer.

Is the board combined, the English and French, two district school boards? Is it too big for you guys to manage, the English one being one board, say, from Nain to St. John's?

MR. STACK: I can start, and then certainly our chair.

As a CEO, we have – it's the Newfoundland and Labrador English School District. One of the advantages of a large district is synergies and continuity of effort, cohesion of effort around improving educational outcomes. We've been able to leverage, as well, expertise in various capacities, be that programs expertise or student transportation or the technical skills of individuals throughout the district on a provincial scope. So there are advantages. There are synergies that come from being a provincial board. I think there are advantages as well for

the department in terms of the promulgation of policies, the interaction.

Those are positives, but I will acknowledge it is – essentially, in 2012 there were four, and then at the end of August of that year, September 1, there was one. There was very little transition time. We started with essentially no policies, just the predecessor board policies, and over time – even continuing to this day, there's an effort to collate those to dispense with the ones that are no longer required, develop them provincial in scope, and it's still an ongoing process. Obviously, the key ones like student assessment and evaluation were tackled right away, but it took time.

I think we're at a point right now where most of the policies that are essential to our operation are there, but there's still work to do. So even after five years there's still a coming together of policies, and it is a big district.

One of the things we are sensitive to is ensuring that our support for the students in Rigolet or Harbour Breton or Marystown or St. John's, that we have a cohesive response to student learning and we're able to provide the services throughout the province. Leveraging technology has also helped with that.

That's a long-winded answer.

Goronwy.

MR. PRICE: Obviously, the board size is huge, and everyone understands it in comparison to other provinces and stuff. There were 67,000 students – it's a large one – spread all over the 254 schools, with the employees that go along.

As Tony has alluded to, there are some synergies. I'll give you a practical one. It's like teachers going to Labrador, to go to school and teach, are more likely to do it now because they have the flexibility of taking that experience and transferring it right across the province. So there are certain pieces.

To answer the question from a personal point of view, because I can't answer it for all the – some would suggest it's rather large and differences of the different regions are clearly different. But what I'd say to you is this: the school district has

been around for five years now, and when you look at what's happened within those five years in the classroom with the safety and busing and all those other aspects, all of the issues, the large issues that have come up have been dealt with in a fairly satisfactory manner and the system has been able to continue on.

Is the school district huge? Yes, it is. And is it frustrating at times? Yes. But the values and the ability to do it have been proven that it does work the way it is. The governance side of this, we have to work on and it's going to take time.

We're certainly not stagnant. We're moving forward, as you can see through the dialogue today. The committees are being struck, the policies are being made and it was asked earlier on – because of these reports, because of the reflection on financial accountability, we're now picking up things right across the district that lead to normal follow-up questions about practice and stuff like that, which would not have been done before these governance processes and accountability processes were put in place.

So I think that is a litmus test of yes – the thing is, there are still growing pains, still big, but I think it is starting to work.

MR. BRAGG: Thank you.

CHAIR: Thank you, Mr. Bragg.

I'll pass it over to Mr. Petten.

Mr. Petten is about to speak.

MR. PETTEN: I'd like to follow up. We keep talking about the progress that the district had made, which is all good. And policies and committees being formed is a very important aspect to dealing with a very serious issue. I think this is a very serious issue, but they're not the resolution I guess – committees and policies are fine. It's policies in effect and policies being implemented and results come from these policies are probably the most important thing. So, it sounds nice to say we have committees and policies, but we're going back six, seven years. The AG came in in 2016. Again, this is not new, as stated across the way by several of your officials over there that this is not new, and

it's no surprise and you were aware of a lot of this stuff.

We're pushing three years in and we're dealing with committees and policies, which is good, but it's still not where we need to be. But I'm looking the board – this new database or new electronic system for monitoring or the financial operations. You look at \$2 million for year one, \$2 million for year two, and \$1.3 million every year after for staffing alone, just to protect against fraud.

All the while, there are no tangible answers as to what went wrong, who is responsible. From my end of it – and I can speak for myself but, to me, this appears to be somewhat of a blank cheque. I've asked this question earlier this morning when I started off, and I'll ask it again: There's no explanation across the way that's telling me that you know concretely what went wrong, how to never let this happen again. I'll say it again: If you don't know where your problem originated, you can't have a solution to it – if you don't know the problem, you can't have a solution.

To say this should never have happened, we had fraudulent activities, people were charged, that's good; you have to have committees and policies in place. But to be coming forward to be looking for an excess of – in three years, you're going to be over \$5.3 million, and that'll be built on and on. There's no clear explanation, other than some words and comforting thoughts that tells us that you even know what went wrong. I don't really know what's in place now. We still got the same system in place, the same people are there – a lot of the same people are there, same system. There's nothing new, other than the fact that there's going to be more oversight and people are watching closely. There's nothing new implemented.

Something like this, wouldn't you scrap it down and build it back up? There appears to be – it's still ripe for fraud. Derrick Bragg, my colleague's question was the other areas, when you amalgamate it, what's happening out there. It's fine to say, but has AG been asked to go in and look at those? We don't know. We're still operating on our old system until we get this supposedly new policy and system in place, just more checks and balances in this whole system. But to Mr. Stack's point, we're still operating on

the old system until we get a new system in place and we've got more oversight, and there's more of a manual process, and that's good, but I'm troubled by just give us the money and we'll fix it, and we got all the solutions. As a member of this Committee, I don't feel comfortable – I can speak for myself, I don't feel comfortable that that's where we're to, so you can feel free to remark.

That's my main comment to sum it up, I guess.

MR. STACK: I'm not sure if there's a question in there, but I think we've spoken to most of those points throughout. But I can reiterate again that we acknowledge that the system, the financial system we have, is antiquated, the actual technology behind that drives the financial system. So, we do realize that there is still vulnerability there; we're open and transparent about that. We need a new system. The one we've asked for specifically is something called Cayenta, and it's something that we have been floating to the department now for a couple of years. There may be better systems out there.

This consultant that's been hired may actually be able to recommend some things that, as long as it doesn't break our system and works with our schools, some of the government systems that are in place, in the core of government, may be applied. But we absolutely acknowledge we need that. In the interim, what we have to rely on is manual processes, and people diligently providing the oversight to the degree that it's possible. But if you're looking for a guarantee that we're not still vulnerable to fraud, I can't give it to you, Sir. We've stated our requirement, we've delineated what we think we need, government have hired a consultant to meet us half way and discuss where we need to go and I think that's our best effort.

We will remain resolute in rooting out any fraud that we detect, and when we're aware of it, as we have done, we will employ HR processes appropriately using due process to deal with those individuals, if they occur. We will employ policies as rigidly as we can. The board oversight, which the Auditor General recommended, we've hoisted in fully. I think that the internal audit process that we'll employ, interfacing with the board and reporting directly

to the board, will pay dividends, and it'll meet the recommendations of the Auditor General.

I'm looking at the recommendations in the Auditor General's report, and they are all achievable. However, to be fully implemented in those recommendations, we require a better system, and that system comes with a cost.

I'll leave it there.

MR. PETTEN: Just one quick follow-up to that, too. I guess the question is: Why can't we partner or piggyback – for want of better word – off the provincial system, which seems to be working quite well? I mean the province has –

MR. STACK: I think that's –

MR. PETTEN: – 40,000 employees, so –

MR. STACK: And that is part of the process; however, remembering that schools are a different animal than core government business. And ultimately whatever we develop, in tandem with government, whatever the consultant comes back with, has to work for schools. That's why we're here. So it has to work from a programming perspective, a procurement perspective, for those schools. And if government systems can be leveraged to support the district, then we're all for it. Our only caveat is it's got to work for schools.

CHAIR: Okay, thank you, Mr. Petten.

We will move on to Mr. King.

MR. KING: I just want to go a little bit on with this one as well, because you're asking for \$2 million, \$2 million and \$1.5 million to maintain it afterwards. So the cost is very alarming to me when you look at is this the amount of money it's going to take to lease the program or to employ people. Because if you look at \$1.5 million and if you have a salary on average of \$70,000, you're looking at 21 people to prevent fraud.

MR. STACK: There's some question – this will come out probably in the consultant's activity as well – but even employing government systems, our initial look at it, given our dispersed footprint in this province, it might actually

require more human resources than we're asking for in this, our own proposal – it might. It might actually be more costly at the end of the day; we don't know yet. I'll ask my chief financial officer to provide more granularities or add anything there.

MR. HALL: Sure.

Just first on the system, let's pretend for a second we're not talking about fraud – in a normal operation, every so many years you upgrade your system anyway, because it outlives itself. This system, we have outlived it. The supplier has given us notice over two years ago that it is done. It is basically sunset and we need to move to a different system. So, that's part of upgrades and natural anyway.

For us, the added is the system left us vulnerable anyway; it didn't have the controls. So the system replacement itself, just on the costs, we estimated – and we've done a lot of work with the supplier. To acquire the system itself is about \$600,000 to have it fully implemented. And then we'll pay an annual software support, no different than if you're Oracle or if you're on PeopleSoft, or no matter what you're on, you have to pay an annual support fee which, for us, we've got some commitments, it won't be any different than what we're paying on our system today for at least five years.

So, the additional cost that you talk about, I just want to go back for a second in terms of resources and your colleague down at the end asked about is it too big to operate. I just want to put in perspective what Tony and Goronwy have been reiterating that we're in the education system; we're trying to protect the classroom.

Over the last five years of GRI initiatives and attrition management initiatives, all of our reductions we take in the office because we try to protect the front line. I can assure you we have taken out north of 20 and 30 bodies in our administrative teams in the district. So, we are now five years in after amalgamation and what I say anyway, we get beyond amalgamation now, we're a mature district. Some of these costs are just to rightsize as to now what we know that we need in order to operate.

It's not just to prevent fraud; it's to operate efficiently. We do 80,000 to 90,000 invoices a year. We know we can't sustain that with six AP people. It is way too much if we wanted to process properly. We need some more oversight with that, so we need to add the bodies in order to operate efficiently.

And, if we want centralized purchasing and take purchasing away from the Facilities team, it means more people. So, not only to –

MR. KING: Sorry, just to get back – did you say you have six to eight people currently working on this?

MR. HALL: Six, seven AP folks right now processing 80,000 to 90,000 to 100,000 invoices a year. We process a lot.

The same in our procurement. We obviously have requisitions and POs that we need to process in order to match those invoices. And Facilities, which is to a specific area that was reviewed for five years, they do greater than 50 per cent of all our POs. That's the nature of that particular operation in the district. There's a lot of activity with it.

So while it looks like it starts out high, with any implementation – and I sat through a meeting last week or the week before. Even if we get to a point we can utilize some the government's core systems, we will need to have temporary staff for 12 to 18 months to do the implementation. That is with any implementation of a new system, you need people there on the ground in order to help with the implementation because you can't take your people that are trying to run the business every day in order to do it. So there is a little blip and then there is people that are needed after in order to structure, to be able to maintain it and do it properly going forward.

MR. KING: Certainly, that's what raised the red flag is you're asking for money but if you're going to put it into a central processing where you make things more efficient, then it would actually make sense –

MR. HALL: Correct.

MR. KING: This is why I'm looking for justification for the money being spent.

That's all the questions I have.

MR. HALL: Sure.

MR. KING: Thank you.

MR. HALL: You're welcome.

CHAIR: Thank you, Mr. King.

Ms. Rogers.

MS. ROGERS: I'm sitting here and just getting more and more despondent. Really what we're talking about is people are ripping off the system. How do we stop them from ripping it off? So, we can do any kind of a centralized system, but that's not the core of the problem here. It's not the core of the problem. The core of the problem is why are our own staff who are working for the people of Newfoundland and Labrador – is it a small handful of staff ripping off the people of Newfoundland and Labrador? Ripping off our education system and what needs to be done to stop that.

I think to talk about a brand new system – yes, probably it's outdated and we need to improve that, but that's not going to stop the problem that we have. It may stop false invoices, et cetera, but we also saw the situation where the people had said that they were at work when they weren't. So what in God's name is happening that there seems to be – or maybe you can put it in perspective for us; How much money do we think has been lost in fraud? How much time do we think we have lost? How many people have been involved in fraudulent activities, whether it's stealing paperclips or having their house re-sided or getting tires for the vehicles? In your estimation, what is the magnitude of the problem? And it's not going to be solved simply by a new way to process invoices and purchase orders.

What in God's name is happening that people are ripping off our system?

MR. STACK: I would agree with that, completely. I could tell you, I've spent the better part of my life in education and the vast majority of our employees from our teachers to our secretaries to our facilities workers, custodians, you name it, the folks that work in the finance

and student transportation are honourable Newfoundland and Labradorians who are doing their very best day in day out, sung and unsung, for the children of this province. But there are some who took advantage of some holes in our system that we're now plugging.

When we first uncovered it, I was sickened – even more sickened when I read the Auditor General's report. It is disturbing, no question. If there's ever an enterprise where we husband our resources and say watch every penny, it's within the education system, and we try to funnel it directly to the classroom, to where the needs are. To have that somehow stomped on and abused for people to have personal gain from, that is disgusting.

So, I definitely share in the sentiment, but I don't think it reflects on the whole of the organization. I think it's a few individuals, and I believe that we have dealt with them, unless there's new evidence that comes to light. When we are aware of the issue, we dealt with them expeditiously and in a forthright and fair manner. Some of that may yet unfold in our judiciary as well. I don't know if that answers your question, but I certainly share in the sentiment.

MS. ROGERS: Well, it doesn't because it seems that this has been going on for long time, even if it's just a few people.

MR. STACK: Goronwy, did you –?

MR. PRICE: Thank you.

One thing about this approach, this action plan, we've got 17 elected trustees from across the province that have dedicated a lot of time to researching and taking the interest on the importance of this report to heart, and doing a lot of stuff on our own time. This is not just something that dropped out of the sky and we want this, this and this. The solution to our problem is not singular. It's a multi-faceted approach, and no one element of it is going to fix the issue. We accept that, so that's why we have a multi-faceted approach.

We recognize, also, as everyone in this rooms knows, fraud happens. It happens in all the greatest places in this country. Part of the

measure of an organization is how we deal with it once we know it.

From our point of view, from my point of view, this organization has been dealing with the issues, and we continue to deal with issues of questionable nature with individuals within our 8,000 employees. Now, going back to the ask to government and that piece, we recognize, because we deal with it every day, that the complexity of this board and the organization of this board takes a lot of effort and work to get it done. The AG has spent two years in our offices going through and doing – and it has given us extra credibility and credential to really professionalize and improve our system, and that's why we're doing what we're doing.

The governance side, the structures of the committee, it's not just a committee, it's people volunteering that are looking at issues that are raised and brought to the board to deal with. I'm serious; it's not just another committee. If I was sitting here today, and sometimes I get this feeling that we've done nothing since this report has come in, I wouldn't be sitting here. Guess what my pay cheque is? It's zippo. I get nothing for this.

When you sit and you dedicate your soul to something and you can see improvements, and stuff like that, it tends to get you a little fired up when – and I understand the role of asking the tough questions, and they should be asked, but you also have to understand, from our point of view, we are implementing clear processes that everyone in this room would do if they were in the same seat, to try and make sure that the honest people in our system don't go off track.

There will be dishonest people and we will be dealing with them, and we'll continue to deal with them, but in order for us to be the best we possibly can with this, we've identified some basic things that are required to make sure this mammoth organization does move forward in a positive way. It's going to be tough. This district is tough. Every youngster goes to school tomorrow, and it's got to happen. So we have to make that whole system jig together like a jigsaw puzzle. And the software – the software will ease up some of our staff time in order to do some of the other stuff that you are critically thinking that we need to do, and we agree to it.

So I didn't mean to get wound up about it, but I can assure you, from the chair's point of view, and the focus on this, and the expression of our board, and the actions that we've taken since this has come down and since the activities took place, we are definitely moving this organization forward. If that impression wasn't, the 17 volunteers that sit around this table have put a hell of a lot of effort into making this happen.

And have we done it to the best of the world class? I'd say we've done a pretty good job. Can we do better? We can, and that's a good thing, because if you think you got it figured out, you don't.

MS. ROGERS: Okay, so I'm going to suggest that you blow your own horn, and I look forward to seeing a report of what you have done, because that will, hopefully, solidify that in the minds of everyone, because there are people out there saying, what have they done, and it's all obfuscation.

Let's put that to rest with what has actually concretely been done. Somebody earlier said – I think, Tony, it was you – our plan was submitted to government and government has responded. What was their response, and what specifically was that plan?

MR. STACK: So the government response, to formally answer it, we had an initial response on November 13 to the chair indicating that they received our action plan and the associated request as a result of the recent Auditor General's report, and that they will review the action plan and the associated request and it will be part of the budget 2019 process. That was one letter.

The other correspondence was related to the fact that they were engaging and have engaged – or, sorry, have put out an RFP for a consultant to meet with us and see if government's current system has the capacity to address a number of the issues identified in our request, such as the centralized purchasing, the quality controls for accounts payable, inventory control and asset management. So that response was received on November 29.

The next step, we're going to continue with our own slice of this, which is the development,

continued emphasis on the first couple of the bullets in the Auditor General's recommendation around code of ethics and code of conduct and policies and procedures. We'll continue on that, and we'll engage with this consultant with respect to the systems and processes and automated systems that might be leveraged from the government side going forward. So that's been the formal response to government.

MS. ROGERS: Okay.

The RFP that government's putting out for a consultant, is that different – have you hired a different consultant yourselves?

MR. STACK: No, this is –

MS. ROGERS: So there's only one consultant?

MR. STACK: One consultant that the Department of Education is engaging, and then they will interface with us to determine going forward.

MS. ROGERS: So there's not a separate consultant.

And I just have two more shorts questions.

CHAIR: Okay, go ahead.

MS. ROGERS: Also, you talked about – where is it – the cultural shift that we have invested in; that was you, Mr. Price. Can you tell me a little bit more about that cultural shift and what that means?

MR. PRICE: Tony's a good advocate on this because he recognizes it, and being in the trenches every day he understands the cultural nature of the piece and he's advocated. But the cultural shift that I talk about is similar to him, but it's in an environment previous to some of the investigations that have been ongoing.

Our organization was totally and utterly focused on students. And it should be; that's what their priority should be. But also within that focus there has to be a broader range focus that includes financial accountability, ethics, doing the right thing, doing it the right way and those pieces. So, what we're working at and we're doing through continual upgrading, continual

contact with our people, our employees, our teachers or whatever through a PD, is we're focusing on these other issues so that they realize and they understand.

Now, when they're making choices – an example I think I used earlier on was the school secretaries in the schools and stuff like that. Their world is a crazy world; it always is a crazy world because they're dealing with the kids that are coming in the office all day. They have an onerous responsibility on the financial accounting and making sure the data and all that kind of stuff is up to date.

Sometimes those individuals come from different backgrounds with different skill sets and sometimes it's easy to overlook that they need the assistance that we're doing. So our sort of corporate culture is looking at making sure that we give the honest people that are out there the tools to be able to do the jobs that it is obvious that we haven't been supporting in the right kinds of ways in the previous concept.

That cultural shift, to me, is what I'm talking about. Prior to before, it was a single focus; now the broad, responsible mandate of the whole board is where the corporate culture is changing and is improving, and we see it. We see it because some issues now that would never come up before are now coming up. People are asking questions about things that they would never have asked before: How do we do this? How does the school do a better accountability in this framework?

So that's the cultural shift that we're working at and moving. That's one component. The body count, to have the resources to be able to do your job, the equipment to support the job, and sometimes the equipment works better in different locations than others and we have to accept that, but we have to be cognizant of it. So that's the corporate shift that we're talking about, that I'm talking about when we say that we have to make sure that we're (inaudible.)

MS. ROGERS: And one of the realities is that we have fewer schools and smaller enrolments. In fact, our school system is not expanding but rather, I believe, shrinking and how do we adapt to that as well.

So I look forward to getting the reports of the work that's been done to date. I sure hope you can get this right. I sure hope you can. It's so important and I hope that you're able to find a system that doesn't paralyze any work or strangle any work and that makes it not just more efficient but also more satisfying for the people who are working in this system and all the great people who are working in our education system, whether it be with the staff there at the English School District board, and also there have been some concerns raised to me about the board and the trustees and making sure that trustees really have the opportunity to be involved; that this is not an executive-run board but that, in fact, the trustees have authority, that they have the skills they need and the resources they need to really be able to fully participate in the roles that they have been asked to do, that they have been elected to do. I would hope that part of that cultural shift is also to ensure that that can happen and that they are fully aware of what's going on and be part of the architects of moving forward.

CHAIR: Thank you, Ms. Rogers.

I go to Mr. Reid.

MR. REID: Thank you.

I think part of Public Accounts is that we examine how taxpayers' money is spent and we look at that the proper procedures are in place for the way money has been spent, and I think this hearing, for me, sort of highlights the importance of doing that.

I still have some questions and concerns after this hearing, though. I listened to some of the responses to some of the questions and one thing sort of caught my attention was, I think it was the Member for Bonavista asked about the nature and scope of the problem, and the response was that there are few people – there's no system that can be put in place that would prevent all fraud. And then there was the statement that we think that the vast majority of the employees in the system are honest and trustworthy, and I hope that's the case, too, and I believe that it is the case.

But, none of us here have any evidence that that's the case, because of the lack of

documentation of what's happening. That's not fair to us. It's not fair to taxpayers. It's not fair to the people who work with the school board, really. I don't know if the seriousness of this issue is really taking hold here yet in some of the responses that I've had. So that's one issue that I wanted to put on the table.

The other issue is related to this financial system. You mentioned, Terry Hall, when you spoke, that these systems sort of have a time that they're useful. I guess these issues started to be highlighted by your internal auditor about four years ago or so. If you know you're going to have to replace an asset, you have a fair period of time to work that into your budgeting process. Why do you have to make a special request to put that system into place? Shouldn't you have been planning for that long ago?

I'm going to put another question there just to put them all on the table and you can look at it. I think the other question is now that we are where we are, how do we restore confidence in the school board? How do we restore confidence that money is being spent in an appropriate fashion, that the documentations have been done?

The last thing I want to ask is: In the last couple of years, have there been any complaints from bidders about problems with the process?

So, there are a number of questions there.

MR. HALL: I'll answer your first one on the system itself.

So, we did acknowledge, over two years ago actually – and I'm sure you appreciate, we're funded by the department from the government so we can't just say okay, we want to spend X on upgrading a system; we have to go look for the approval and the funding.

Over two years ago we did acknowledge, to be honest, we first highlighted we need a new system. We did the research. We were talking with our current supplier and, as I said, it was manufactured and basically they weren't doing anything with it and we needed to move.

Given the timing, I guess, and the economy and what the province was going through, there was

no funding, no appetite at that time to provide the money in order to do the upgrade. So, that's why we went through the AG for the last couple of years. The report finally came out and we decided that our current system – I'll use the word – is an enabler. I don't say our current system caused it. Our current system is an enabler because it doesn't have the preventative controls in it that will stop someone from initiating, approving and receiving all in one, so it's an enabler. If someone had a propensity to want to do something, our system didn't stop it, is my point. We need a system that enables us to have better system control, so we're not so dependent upon the individuals sat at a desk that can't go through 80,000 invoices or anything like that. Because we have some of our purchasing control out into some of the teams, we can't control that all the time.

Just to answer your question, we have approached this, over more than 2 years ago, and it's been on the table. We're just now, again, after the AG's report, putting it back on the table that it is one of the issues that unless we are able to get a system with better controls, we're going to be more and more and more dependent upon the people resources that we have, and we're going to need even more if we need to try to do this manually.

Okay, Tony –

MR. STACK: With respect to how do you restore confidence, I think the Auditor General has given us a recipe for success here. These recommendations are achievable, and we've already taken great steps, even before the Auditor General's report came out, in anticipation of some of these recommendations. But now that we actually have them, then it's a responsibility – I view, and I know my colleges here view, as well as my governing Board of Trustees, safeguarding the public purse is a sacred responsibility. Particularly when we're talking about funding that is towards the development of our – I'll use the term – often overused, but very apt, our precious human resource, which is our youth of our province. That is a scared trust.

The blueprint has been provided by the Auditor General. I'll reiterate: We are seized with ensuring that these recommendations are carried

out, and we're well down that path. Part of the solution, however, is the acquisition of a modernization of resources, and that process is underway as well.

CHAIR: You're good, Mr. Reid?

MR. REID: Yes.

CHAIR: Ms. Parsons?

MS. P. PARSONS: I have nothing further on this.

CHAIR: Okay. If there's any other point now you want to bring up, this is an opportunity before we go back again, while you're there. Any other education issue? Are you good?

MS. P. PARSONS: Are we opening up the floor –?

CHAIR: Yeah. I'm giving the indulgence here of the staff, while we have you, if there's a particular question somebody has relevant to it while you're here – you're good for that? Well, this wasn't the intent. Now, there still may be other questions. We've already bypassed Ms. Parsons once in case there's something you may want to get some clarification on, I'll give you that leeway.

MS. P. PARSONS: Can we go talk about, say, busing topics? Would that be fine?

As you know, the 1.6 busing has been a contentious topic, as well as courtesy seating. Of course, apparently, it's been a long-time topic and something that's been implemented for quite some years. And us, as elected officials on all sides of the House, there are concerns brought by constituents regarding the 1.6, the distance, as well as the courtesy seating. What can we say to improve this? What would be or need to happen? What are the chances that we can improve safety? Because those are the sorts of concerns that parents bring forward.

For example, in the district I represent, Harbour Grace - Port de Grave, and Bay Roberts – and I'll use the Coley's Point Primary school as an example. That school is located off of the main highway, which is a four-lane highway. In those areas, we currently don't have any sidewalk

infrastructure or even signage with crosswalks or crossing guards, for that matter.

So parents have a genuine concern for that, and rightfully so. Especially in inclement weather during the winter months, you know how hard it is – some of these children who don't have the means to get to school or parents to have the means to bring their children to this school. What do you say that? Because when concerns come to my office, I've spoken with my colleagues, the Education minister and whatnot, and it's put back there that's it's the Eastern School District – or rather the NL English School District that oversees this policy or whatnot.

So what can you say about that? How can we improve this? Will it be made away with at some point?

MR. STACK: So it depends on what you mean and defined by improve it, I suppose. Right now the 1.6 kilometre – I guess I'm not being a spokesman for the department, because ultimately the 1.6 is a Department of Education policy. It's a government policy. And we are funded with that 1.6 model in mind. And what's happened over time with the attrition of our student population in places, as contracts are renewed, or if it's board-owned busing we can do that an annual basis, you look for efficiencies.

So efficiencies may mean – one of the consequences of that where before there might have been two buses and there was excess capacity for courtesy seating, if you become more efficient with your route planning and now you're down to one bus, which has less courtesy seats. The courtesy seats are also part of the government policy and our own policy, which provides seats to students who are not eligible for busing. So, you know, we are the implementers of government policy.

Now this year, there was one sector of the province where we were doing the review based on new contracts and efficiencies and we were asked to look at a stop within the 1.6 and that was implemented in about, Terry, 40 –?

MR. HALL: Forty-four.

MR. STACK: Forty-four routes. We run 1,100 routes and we have a very small busing staff who need to reconnoitre these stops, make recommendations. It sounds simple, but it's an involved process to do safely, to implement new stops where there had never been stops before, sanctioned stops. There might have been informal stops that Joe the bus driver, whoever, might have just done on an informal basis, but to have a properly assigned stop takes a bit of staff effort and research. So, that's in the pilot phase to see how this stop within the 1.6 works.

From a national perspective the 1.6 is – with the exception of I think it's primary students in Prince Edward Island who it's 1 kilometre. But other than that, most of the busing distances or the eligible zones are much larger than 1.6. I was just recently reading an article out of Durham, where due to some efficiency planning in bell times, school bell times, they were able to bring the distance down from 4 kilometres to 3.2, which is still twice as long as our eligibility zone.

So, in terms of best in class, the busing distances are best in class in this country. Now, I know that does nothing to alleviate the concerns and fears of parents that may be worried about their children traversing particular routes, but we are operating within the parameters of the provincial policy and we're funded in that manner.

The only other editorial comment I would make, obviously, as an educator, we're always looking from a resource perspective. To buy a bus is over \$100,000. To maintain a busing contract, every bus on the road whether it be contracted, or our own bus services, is somewhere in the range of \$65,000, \$100,000 when you take everything into account, and that's almost what a teacher costs.

From an educator's lens, I'd rather invest in resources for the schools in terms of human resources, teacher student assistants. The addition of extra buses, none of that is going to improve math scores. If you're looking at the total education pie that's where I think in terms of priority – now, in a perfect world, you'd have everybody bused and excess resources to get to the desired outcome in terms of teacher allocation, student assistants, but we have to make decisions.

I guess, in summary, we are compliant with provincial regulations and we're funded in that manner. We have offered some flexibility with respect to courtesy seating. There's a bit of a pilot on the go on it right now for a stop within the 1.6. But, other than that, we're not terribly flexible to do much more.

MS. P. PARSONS: But having said that, though, going back to the safety with regard to where you would choose to put resources, children's safety, you can't put a price on that.

Again, I want to compare a rural district – for example, the district I represent, the Harbour Grace - Port de Grave, about an hour outside of St. John's, it's not comparable to the infrastructure that we see in the metro region. The sidewalks, again, they're non-existent in parts of my district – most of my district, pretty much all of my district, and I can say it's probably the same for a lot of my colleagues who represent districts around the province.

Again, I was invited to come out with a parent and walk the distance, and to drive the distance that this child now has to walk. Apparently, it's been in place for quite some time, but it wasn't implemented in my district until just recently. Now, I don't know how that happened or why it wasn't implemented, apparently, when it was implemented in other places throughout the province. I'm being the voice of the parents, the people, the constituents I'm representing, and the genuine concerns that they bring to me are the safety, and rightfully so.

What's the point in any kind of resource that you say in a classroom if that child's safety is jeopardized even getting to school in the first place?

Given the responsibilities that you've been entrusted with by the government as the school district, can't you make a recommendation to government that perhaps this is something that should be altered or changed?

MR. STACK: That's always possible, yes. I don't know, Terry, if you have anything to add to my commentary. Terry also wears the hat of looking after transportation within the district as well.

MR. HALL: No, Tony, you've articulated it. I don't have anything to add at this time.

CHAIR: Okay.

Are you good, Ms. Parsons?

MS. P. PARSONS: For now.

CHAIR: Okay.

Mr. Bragg.

MR. BRAGG: (Inaudible.)

CHAIR: You can go any route you want to go, yeah, until everybody's happy with where they are.

MR. BRAGG: All right, I guess someone has to clue up at some time, so I'm going to clue up with – this will be, I think, my final question of the afternoon.

If we look at the recommendations that came forward to the AG, and you guys gave us some indication that work was being done, I, for one, as a Member of Public Accounts, would love to see a written report from you fellows, like, where you stand today on where you're to, what's been implemented, what's been done. I understand your challenge of getting everybody into a system so that everything can be reported accurately and correct, and I get that.

I spent 29 years in a small town in which I was the administrator, and a lot of people put a lot of faith in me with their tax money and trusted me to spend it wisely and not to basically take it and run down the road and spend it in the slots or something like that.

I would think no matter what process we bring in, somewhere along the line we have to have checks and balances where everybody is accountable, that works for every branch of government that deals with any pot of money at all. And you can say, yeah, if you steal a pen, it's petty theft. I did a course on that years ago, petty thefts, envelopes and pens, and that's hundreds of thousands of dollars a year go out the window.

But when it's blatant that it's like tires and siding and kitchen cabinets and God knows whatever else you could dream of, I know for you guys it has to be disturbing to be a part of something like that. I'm apologizing for some of our line of questions, but you have to realize we sort of have to come out to this to the benefit of the people, of the taxpayers of this province, in saying right now they're going down the right road, even if that means at some point someone ends up with those 8,000 invoices that got to approve them all, which may be an extreme measure, but something has to be done, and I need some confidence something is being done besides just replacing people.

Because I lived in a town with 300 people and my best friend ran a town with 30,000, and we said it's the same percentage of people in both towns; you have more in numbers but you had the percentages. And someone said it correct a while ago: No matter what checks and balances you put in place, to prevent 100 per cent of any corruption is going to be really hard to do. It's only that person, them, their shop, that can prevent that. So you can put in all the checks, if someone wanted to do something that undermines everything, they're going to find a way, there's no doubt about that.

I guess we need to know somewhere along the line that you guys are doing something to put the faith back into the people of the province that we don't rent a wheelbarrow a week for \$700, and we don't rent three extension cords or a jackhammer for an outrageous amount of money. It happened, and nobody ever wants to see it happen again. Hopefully the people who had any part of that would be out the door by now, with any luck at all, and anybody who knew anything about it would be out there door.

You're right about the culture; we need to change it. We definitely need to change the culture of – and you talk about the kids. Every dollar that we misspent there is an opportunity that we didn't have a teacher's aid. I struggle with that in my district because there are some schools could really use student aids. So any dollar – if there are two tires, that's \$500 that's gone. Well, that's a salary a week for some student aid somewhere.

That's not lost on anybody. I would certainly hope that this is a major learning curve. As MHA Rogers said, sort of show us what you've done. I guess that's what I would leave you with today: You show us that you're doing something and I'm sure we'll have probably a follow-up meeting in the days or months to come to see where it is. Because this is too big an issue for us just to let lie and just hope that someone is doing something. We need to know something is being done.

Thank you, Mr. Chair. Thank you guys for coming out today, by the way.

CHAIR: Thank you, Mr. Bragg.

Barry.

MR. PETTEN: Thank you, Mr. Chair.

I, too, want to finally just a wrap up of sorts – probably not questions, but there are a couple of things I'd like to finish up with. Firstly, I'd like to go back to Mr. Price's remarks after my last round of questioning. I want to remind him and let him know and certainly I do understand the volunteer role. I get that and I appreciate what you and all the trustees done. I know the trustee from my own district is sitting over there, so I get that.

As MHA Reid said, this is not easy for us either. We know the responsibilities. I talked to a lot of the staff over on a regular basis about stuff in my district, but we have a responsibility and we strongly feel – and I think you all do too as well as the AG – this is a very serious issue for public monies. Colleagues have mentioned about school busing and what have you and I have in my district – and I won't bore Terry Hall with any more of my rants on school busing. I have well publicly stated my views on it, so I won't bring you into that. I know the day that we were briefed on this, just to put it in context of how it affects all of us, the day that the AG briefed us on this, we had a private Member's resolution in this House on school busing.

I was irritated – and the Chair can probably reassure me on that, or back me up. I was irritated by the amount of money that went missing, just by the virtue of this money went missing, and I've been fighting since I got

elected for more school busing, to get a parking lot paved in one of the schools and what have you and just to bring – it angered me, but I know it angers everyone. We're all real, we're all human, we're all in this together; but, we have a role, it's public money, we're appointed to this Public Accounts Committee to ask tough questions, and I know the answers are not always easy, either.

I just hope that when all is said is done, we will be better, going forward. I look forward to seeing some good recommendations that this never happens again. I know it's not 100 per cent assurances, but I just want to thank you for coming in here, for answering the questions the best of your ability, and I do look forward to seeing continued improvements.

Once again, just thank you very much.

CHAIR: Mr. Petten.

Mr. King.

MR. KING: Certainly, I want to thank the English School District and the board members for being here today, and the AG and her staff. Like I said, it is our job as Members of the Public Accounts Committee to make sure all the dollars are spent properly. I'm certain we've touched on that a little bit; that's why we want to ask the tough questions to follow up and make sure the money is being used properly. As you talked about, I don't think there's a more important department than Education because it deals with our young people.

So, I look forward to working with you people in the near future as you roll out and implement a lot of the recommendations. I look forward for updates and, again, thank you for your time and being here today.

CHAIR: Thank you, Mr. King.

Ms. Rogers.

MS. ROGERS: Yes, I just have a few quick questions. The education task force had called for more teaching and learning staff for students with special needs, and government announced a new category that teaching and learning assistants would be added this fall. But, at the

same time, the regular teaching assistant hours were short of what was needed, and that was determined by the board, itself, that 4,000 hours were needed.

We also know that parents of children with autism, or on the autism spectrum, continually raise the need for more student assistants in the classroom. So, can you tell us what the current allocation is of hours for student assistants, and is there a plan to raise this in the next budget?

MR. STACK: Thank you for the question.

With respect to teaching and learning assistants, we're into phase one right now. They've been introduced – phase one involves some 39 English School District locations and one French. My understanding is it'll be a similar number of schools in phase two, and we're working on identifying that right now.

There has been an infusion of resources into those schools. When we go through our budgetary process, I know Education will go before Treasury Board, and we will be there as a district, and we will be articulating and putting forth submissions for students assistants.

Last year, there were \$300,000 cut from the student assistant budget. I think we will be arguing and putting forth a position that we would like, as a minimum, those restored.

With respect to the rest of the teacher allocation, a lot of it is by formula and we do endeavour to ensure addressing the need that's out there, but there is a resource limitation and then we have to divide up the resource as we see fit.

It is encouraging, though, that there is an investment in education in terms of these phasing in of schools. That is an infusion of resources of reading specialists – we've already had the program specialist on a provincial level, but the reading specialist into schools, the learning resource teachers and the teaching learning assistants. That allocation, to my understanding, has been divorced from the normal allocations. These are in addition.

MS. ROGERS: My grandson lives in Gambo and he's going to be hitting kindergarten this coming September. There were 28 kids born in

Gambo when he was born; 26 of them are boys. So, look out kindergarten teacher.

The autism community says there's a need to train student assistants and there are specific issues such as anxiety and sensory issues. I'm hearing from a lot of parents with children on the autism spectrum. Are there plans for training of student assistants in specific needs for children with autism?

MR. STACK: Some of our student assistants – while student assistants are there sometimes for the physical needs, there are also student assistants that are employed, as you know, for behavioural needs and for autism supports. We also have autism itinerants in the system that support our instructional resource teacher who work with students with autism.

So this is an ongoing piece. There's a lot of investment in professional learning for our regular classroom teachers as well around supports for children with autism.

MS. ROGERS: So the school district is represented on one of the task force committees studying absenteeism. Do we have any idea how many of our kids are not in school and, if so, who's not in school? What kind of kids are not in school?

MR. STACK: I don't have data right now at my fingertips, but we are aware of the problem. In fact, I know the board chair took it as a personal initiative on behalf of the Board of Trustees and I echoed that last year with a bit of a campaign around attendance. We have some chronic issues around attendance. We do know, from the research, that it starts in kindergarten. If we can get them early and keep them early, then that'll be mitigated over time.

But it is a concern of ours, and I believe we are soon on the cusp of a release of some report from the Child and Youth Advocate. I know we've been working with the Child and Youth Advocate around the issue of attendance, and I know they'll be communicating a report in that regard in the very near future.

MS. ROGERS: Oh, that's good. Okay.

Two quick questions: Mental health, guidance counsellors overburdened, they can't see the kids and meet the needs of the kids that they have, which means that all they're doing is crisis work and intervention, the rise in anxiety and depression, they've been asking for a better ratio.

Where's that in ...?

MR. STACK: So, we operate within the teacher allocation model. There is some degree of flexibility there, particularly because we're dealing with a dispersed population and it doesn't make sense to apply the formula rigidly because you might end up with a small school with a tenth of a guidance counsellor.

Ed can give me the exact number, but I believe there are some 26 – we're over-allocated in the area of guidance counsellors by 26 units, is it?

MR. WALSH: It's closer to 30 for this current year. So while the allocation formula from the department is 1 to 500, when we factor in the extra units that we provide for the circumstances like Tony just referenced, it comes down to about 1 to 415, 1 to 420, or thereabouts.

MS. ROGERS: Which really doesn't work out, though, in reality when you're thinking about smaller schools and then guidance counsellors travelling to a different school and ...

MR. WALSH: Correct, from an allocation perspective, the number is closer to 1 to 420, but that doesn't necessarily trickle down to individual schools.

MS. ROGERS: Yeah. I'm hearing from guidance counsellors about the crisis that they feel is in our schools.

And one last thing: Bishop Feild.

MR. STACK: Bishop Feild, that is an ongoing Transportation and Works project to restore, renovate, mitigate the – essentially the ceilings all had to come down and are being replaced, and there's been some building envelope work as well with that project.

And we're still operating on the timelines of hoping to open that facility sometime during the next school year.

MS. ROGERS: So not necessarily September?

MR. STACK: Nothing definitive, and I don't have the exact time right now, but we'd have to get that from Transportation and Works.

MS. ROGERS: I know that there was a contractor hired or a contract awarded. Has that work started?

MR. STACK: I'd have to research exactly where that project is.

MS. ROGERS: Okay.

Thank you very, very much, and thank you for all your work, paid and unpaid, and for the dedication and the passion and the compassion. Good luck with this. I think, aside from very concrete solutions, to be able to repair the confidence in the English School District will be a task. I hope that all of us, in the roles that we play, can be part of that in helping to do that and to help support you in the work that you have ahead of you. That we're all pulling in the same direction to be the best damn school system we can give our children ever.

Again, thank you so much and, please, if there's anything we ever can do as a committee, to let us know.

Thank you.

CHAIR: Thank you, Ms. Rogers.

Mr. Reid.

MR. REID: Thank you.

I could ask some further questions about other issues, but I think we could probably be here all day. I think I'll just conclude with a few comments.

I just want to thank you all for coming and thank you all for the work you do. I understand it's a difficult situation that has to be dealt with. We've asked some difficult questions here today I think, but we're all on the same page in terms

of we want to see improvements made, we want to see the money allocated to education in this province put to the use that it was intended for, and we want the procedures in place. I think we can all agree on that common ground and we can work towards it from our various roles.

As well, I just want to echo some of the comments of other Members; the people who make up the school system in this province are some very dedicated, hard-working people. I think we need to recognize that, recognize the work they do and recognize their professionalism. I just want to make those comments in conclusion.

Thank you to the members of the board as well.

Thank you.

CHAIR: Thank you, Mr. Reid.

Ms. Parsons.

MS. P. PARSONS: Again, thank you for being here today. Obviously, this is a process. We're all about transparency, especially the Public Accounts Committee. I commend – there are a lot of good people who do a lot of good work, obviously, in the Department of Education and all of our departments throughout the province. But we can all agree as well that education is one of the most critical and one of the most important as we are overseeing and educating our youth.

So I encourage you all, going forward, to keep these sorts of situations in mind and it'll help everybody's confidence in the entire process and government overall. Again, thank you, and for answering my questions as well.

CHAIR: Thank you, Ms. Parsons.

Obviously, as Chair, I get the last opportunity. The last time I spoke as the critic – I could speak for hours, but the last time I spoke on a piece of legislation I went the whole hour. That's for a number of reasons. One, that we all have a uniform concern for education and trying to improve it. I don't think there's any question in this House, no matter what side you sit on, nor particularly from the trustees who volunteer their time to put into it, or the staff who work for

the school board or any administrative or any person who's part of our school system here that they don't have as their forefront issue about improving the education system and making it the best it can be.

My mother used to say locks are for honest people. I never really understood until I questioned her one day on that about no matter what you do in life, there's going to be people who are going to be dishonest and take advantage of situations. So I sort of challenged her on that and she said, but you've also got to think you got to pick the neighbourhood that you live in so you can ensure that. I think that equates here that you guys have got to find the system that ensures the most probable opportunity that all of our money is going to be spent in the best avenues possible.

That's a philosophy that I've started to live by since I got in politics, particularly knowing that things are not as simple as they sound, and the solutions are there, but there might be a timely fashion or a decision-making process about the equity for it, the investment and the process going to be used.

Again, as critic, I can talk about a hundred things, and my colleagues have brought up a multitude of things beyond the intent of this hearing. I would like to note one particular issue here, and it's relevant to another particular challenge that we have in our school system, working with special needs children, particularly deaf and hard of hearing. I know there are a number of agencies out there, but particularly some who are trying to partner. I do appreciate and respect wholeheartedly that there are policies and procedures and mechanisms that have to be met, but I do encourage, and I think we all do this, that you find ways that equitable and workable to include these groups, because they have an expertise.

As Tony had mentioned, you're limited on your finances and you try to get the best out of that, if it's changing the busing system to get the best for the quotas or the resources in the school system. And we all appreciate that.

So I do ask that there's an open mind in being able to make things work the best that you can, because there are people out there offering to do

the same thing that you guys have committed to do, and we have, as elected officials, improve our system here for the people of Newfoundland and Labrador, but particularly our young people in our school system.

I want to thank the Committee, I want to thank the chair and the CEO and the trustees who attended, and all the staff, and the representatives from the department. It was good to see that opportunity for them to get here.

Before I conclude my comments, I'm going to turn it over to the chair, and then I'll have a few last comments to wrap it up.

MR. PRICE: Okay, I just wanted to make a comment at the end, and obviously I'm fairly passionate about what I do. I'd be crazy if I wasn't after so many years of being involved.

This process is good for us. The AG process was good for us, because any time you shed light on an organization the size that we are, and when people ask questions that you don't control the questions, it's a cause for us to have to be accountable to what we do.

Don't think the trustees don't have expectations, either. Obviously we have expectations over our organization, and it is looked on very critically to make this happen. Obviously, we were horrified with the details of some of these, and there are certain things in there there's no explanation for, other than – there's just no explanation for it. Our thing is that we got to make sure it doesn't happen again.

I really appreciate the opportunity to come and speak today, appreciate the staff for doing the work that they do in preparing for this, because this does mean – they're doing this every day. I'm always amazed because every day is not a normal day. It could be busing today, could be a school in Black Tickle tomorrow, could be anything, but they still do it with the same amount of passion on a day, so that's greatly appreciated.

Thank you, Chair, for the opportunity.

CHAIR: Thank you, Goronwy.

I want to particularly thank the Auditor General and her staff. We've met a number of times, particularly around this issue. She knows, as my colleague Barry had noted, that we were very passionate because it came right in the midst of some debate around challenges within the school system and priorities.

Again, as I said at the beginning of this, this wasn't about throwing anybody under the bus or pointing fingers. This was about all of us finding the best solutions, so that we're confident we're getting the best return on the monies we're investing.

So I'm going to ask Julia if you'd like to have a few comments about your assessment, where we are.

MS. MULLALEY: In thinking in the conclusion side, we all recognize that this report certainly contained a lot of significant deficiencies, but I'm really pleased to hear today again, as I said earlier, the discussion, the recognition of a cultural change that needs to happen, and a commitment to that change to happen, which includes setting those clear expectations for ethical organizational behaviour because I think that is so key in an organization.

Because everybody has that responsibility. It's not just the board, it's not just senior management, it's every employee in an organization. I think if those expectations are set clearly and there are processes to allow employees to understand and train in that and have mechanisms to come forward for allegations and allegations are dealt with on a timely basis, I think we're all better off as organizations is very key.

I'm very pleased again to hear a lot of the initiatives that are underway. I know there's a lot of hard work that has to go into those, so I certainly recommend that there's a continued focus on that moving forward.

I do also want to take the opportunity to thank the staff of the school district because I know we were there for quite some time and they were very helpful. We received a lot of co-operation from them while we were there, so I thank them for that as well.

Again, lastly, I want to thank the Public Accounts Committee and commend you for having the hearing today. I think it's really good when you can respond in a very timely way to a report of this nature, so I commend you for that as well.

Thank you.

CHAIR: Thank you, Julia.

I will note sometimes – I've been the longest sitting Member of the Public Accounts over my years in government – we've had some confrontational ones right at the beginning. They normally come when we hear the CEO, or the chair, or the deputy minister say we disagree with the Auditor General's reports; we don't see it as a concern.

It was uplifting to know you were starting on the right point, that you do see this as a serious issue, that the Auditor General's work was very thorough and that you understood the recommendations being made were something that you wanted to aspire to get to. Particularly seeing it from both sides of your entity here, the staffing point and the volunteer Board of Trustees.

That sort of, I think, lowered our tension levels. I can't speak for all the Members of the Committee, but we did have some frank discussions around the concerns we had around this and what would be the responses from the board and the Board of Trustees.

I think we're in a better place. I think there's a framework here that's moving forward and there are some steps being done. I will say I do have some concerns about time frames because this is time sensitive because every dollar that potentially is not going in the right avenue in education is a concern for everybody in this room. So, we will be pushing, no doubt, in our discussions and our report around getting concrete time frames, the process of who is going to handle it, how the checks and balances are going to be put in play after and then the evaluation to see if it's being effective.

No doubt, the Auditor General has that as her responsibility. In this case, I think part of her

vocation now is to ensure that it moves to the next level.

Once again, I want to thank everybody for coming in. We look forward – I suspect this is not the end of this because, as you know, there are other entities going on as part of this process. As that unfolds, we may have more questions, we may have more inquiries, there may be another opportunity for us to sit and, no doubt, we will be meeting with officials from the department to outline what our concerns are, or particularly what our recommendations around how the board gets supported in moving forward in addressing this particular issue.

I just want to end by, again, thanking everybody. Asking that the information that's been requested if you could share that through me as Chair or through Elizabeth as the Clerk's office here, that way we can distribute it to all Members as we do our follow-up as part of that.

When we complete our report, the Committee will decide whether or not we add this as just an appendix to our one that we table in the House or this may be a separate one. The Committee will decide how we want to handle this one.

We will obviously let you guys have a look at that around the same time we're about to table it in the House so you understand what it is we're recommending and the process to go forward.

On that note, I do wish everybody a happy holiday and a safe and prosperous new year.

Before I leave, there's one piece of housekeeping. I need a motion to adopt the Public Accounts meeting minutes of December 4.

Mr. King.

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: Opposed, 'nay.'

Motion carried.

On motion, minutes adopted as circulated.

CHAIR: Could I have a motion to adjourn?

Motion done by Mr. Reid.

We're in adjournment.

Thank you again.

On motion, the Committee adjourned.