

## NEWS RELEASE

October 20, 2018

### **Board of Trustees Examines Auditor General's Report**

The Board of Trustees of the Newfoundland and Labrador English School District held a special all-day working session today (Saturday, October 20) to discuss the recent Auditor General's report titled "Management of the Procurement of Goods and Services" as it relates to the Facilities Division of the Newfoundland and Labrador School District (current Avalon Region and former Eastern School District). The report covered the period July 2011 to June 2016.

"As I indicated during a news conference on September 12, 2018 – the day the report was made public – the Board of Trustees takes the report very seriously," said Goronwy Price, Chair of the Board. "Today's working session was an opportunity for trustees to discuss the recommendations; the actions that have been taken over the past number of years, and further actions that must be taken to ensure financial accountability and oversight. It is clear we must request the resources required to implement the Auditor General's recommendations and mitigate the risk of fraudulent activity in the future."

Auditor General Julia Mullaley joined trustees for a portion of the session, clarifying aspects of the report in response to questions.

The Chair noted that in 2015, District financial staff became aware of irregular behaviour and inappropriate financial practices involving a staff member. The District immediately began an investigation that led to the termination of the employee. Information was also provided to the RNC, which opened an investigation into the matter at that time. The Provincial Government then asked the Controller General, and subsequently the Auditor General, to conduct investigations. The District and RNC investigations were suspended until the Auditor General's work was completed. The District has recently asked the RNC to reopen its investigation, and for the RCMP to initiate another.

"The Board of Trustees has made financial accountability a key focus of its 2017-2020 Strategic Plan, with specific commitments to improved purchasing processes and approval procedures; better inventory controls, and improved financial management procedures," Chair Price said. "The Board has also introduced a new Internal Audit Policy that demands higher transparency and accountability to the public; a Conflict of Interest Policy for Employees, and a Risk Management Policy."

Operational changes made over the past two years include the expansion of the District's internal audit division, tighter purchasing procedures, financial training, and ethics training to address the Auditor General's finding of a workplace culture which allowed certain attitudes and activities to go unchecked.

At a September 12, 2018 news conference at District headquarters, the Chair of the Board of Trustees and the Director of Education/CEO of the District provided statements in response to the Auditor General's report before answering media questions. The statements are attached below, for reference.

"It is important to look back at the circumstances and the culture that existed which allowed fraudulent activity to occur, and to make sure we continue down the path we've been going these past two years towards rectifying those issues," said the Chair. "There have been policy developments at the Board level, and procedural changes at the operational level – but we still have a long way to go. The Board is committed to restoring confidence in the financial procedures of the District and we will use any means at our disposal to do so."

The District has been tasked with developing an action plan, with a breakdown of any anticipated cost, for the next scheduled meeting of the Board.

-30-

Media contact:

Heather May | Director of Strategic Planning, Policy and Communications | NL English School District  
O: 709-758-2371 | M: 709-690-0056 | [heathermay@nlesd.ca](mailto:heathermay@nlesd.ca) | @NLESDCA | [www.nlesd.ca](http://www.nlesd.ca)



## **Speaking Notes**

Goronwy Price - Chair of the Board

Re: Auditor General's Report

Wednesday, September 12, 2018

Good afternoon, everybody. Thank you for being here today.

I'm going to respond to the Auditor General's report as Chair of the Board of Trustees. I'll then ask Tony to speak as Director of Education and CEO of the District, and then we'll make every effort to answer any questions you might have.

\*\*\*\*\*

As you know, in 2016 the Provincial Government asked the Auditor General to investigate suspected fraudulent purchasing activities within the Facilities Division at the English School District.

The Auditor General also examined the policies and procedures in place to ensure compliance with the Public Tendering Act and other legislation governing financial management and procurement processes.

The report covers the period from July 2011 to June 2016.

As Chair of the Newfoundland and Labrador English School Board, I want to say we take the findings of the Auditor General very seriously.

I've had a brief opportunity today to look through it, and I'll certainly be reviewing it in detail in the days ahead - as will our trustees.

As a Board, we have been aware for some time that we had some issues - but could not comment while the Auditor General's investigation was ongoing.

It was District staff that first recognized there might be a problem; it was District staff that first alerted internal auditors and the Board of Trustees; and it was District staff who first alerted law enforcement to the potential fraud.

Even before the Auditor General's investigation, the Board made it clear that improved financial management and oversight was going to be a priority moving forward.

Following the trustee elections in 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 procedures.

In the two years since the Auditor General's office began its investigation, the Board has established a number of new policies to govern financial practice, including:

- An Internal Audit policy that demands higher transparency and accountability to the public;
- A Conflict of Interest Policy for Employees which clearly articulates expectations for personal integrity and ethical behaviour in the performance of their duties; and,

- A Risk Management Policy, which came into effect in June 2016.

I'll let Tony provide more detail with respect to the operational changes that have been, and will be, put in place to ensure our financial procedures and oversight are compliant with legislation and best financial practices.

But as a final note, I want to say that we're very disappointed with some of the activities uncovered, particularly because we know that the actions of a very small number of unscrupulous individuals can cast a cloud of suspicion over an entire organization.

And that's not fair to the honest, hard-working District staff who conduct themselves to the highest degree of professionalism and personal integrity day-in, and day-out.

Our job, as always, is to ensure people are working in an environment that makes sure proper procedures are followed, and which mitigates the risk of any fraudulent activity in the future.

Thank you. Tony, I believe you have some comments to add. . .



**Speaking Notes**

**Anthony Stack - Director of Education/CEO - NLESD**

**Re: Auditor General's Report**

**September 12, 2018 - 2 p.m.**

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.

The District itself had identified irregularities back in 2015 - based on concerns expressed by staff and the results of our own internal investigation - and we took immediate action. Nobody was shying away from this.

There were terminations and, where we suspected illegal or fraudulent activity, we engaged law enforcement. The small number of individuals responsible are no longer working at the District, and one has 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, the Auditor General was called in. Our own investigation, and any ongoing police investigations, were suspended.

We welcomed the Auditor General and the resources available through that office, and co-operated 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 our internal purchasing procedures.

For example:

As Goronwy noted, the school board made better financial and asset management a priority through 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;
- While not specifically covered in this audit, we've also delivered targeted financial training to individuals within the District;
- We've started with our Facilities and Finance Management staff attending ethics training at the Gardiner Institute.

- 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.
- We are also currently working with the Provincial Government to identify and acquire new, more robust financial management software, and we are engaged in identifying an inventory management system that will allow us to better identify District assets and track their use.
- We know our current systems have limitations - and it must be said that the District itself has resource limitations when it comes to identifying people who will 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.

And there were clearly insufficient controls in place to prevent or detect abuse.

To be honest, that made us vulnerable.

I don't want to suggest there was widespread, deliberate wrongdoing within the Facilities Division in the Eastern 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 they had done the right thing. In many instances, there was no paper trail.

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 - if somebody really put their mind to it.

I should note at this point that while we were aware of the general contents of the Auditor General's report, and had an opportunity to review a draft within the past weeks, we only received a final copy this morning. Over the next days and weeks, we will be reviewing the report in more depth.

That said, we can say right now that we **agree** with, and **accept** in principle, all of the recommendations.

Many initiatives and changes related to the recommendations have already been implemented, or are in various stages of implementation.

Others will require more analysis to determine how and when they can be fully implemented.

We have established an implementation team to ensure appropriate follow-through, as we realize it will be an ongoing process to continuously ensure the integrity of our processes and financial management.

I'll end my formal 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.



While this report relates to the actions of only a small number of people, I assure you it has an impact on us all. We take great pride in our District, so it is disturbing that the actions of a few could ultimately reflect on the organization as a whole.

So I will say to all of our employees - from executive on through to every division in the District - that we value your integrity, your hard work, and your commitment to education and to the children of our province.

I recognize, and 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 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 are also dedicated to ensuring we operate in a manner that ensures operational and financial integrity.

Thank you. We'll now take any questions you might have. . .