

Ministry of Education
Transfer Payments and
Financial Reporting Branch

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2009: SB38

MEMORANDUM TO: Superintendents of Business and Finance

FROM: Andrew Davis
Director
Transfer Payments and Financial Reporting

DATE: September 16, 2009

SUBJECT: Interim Financial Reporting

I am pleased to have the opportunity to write to you today on behalf of the Interim Financial Reporting Committee (IFRC) to share the report developed by this group and to summarize the recommendations.

The IFRC was brought together following one of the recommendations resulting from the Operational Reviews. In the fall of 2007, the Ministry of Education began the process of conducting Operational Reviews of all 72 district school boards. The Ministry's goal in conducting Operational Reviews is to enhance management capacity within school boards by encouraging good stewardship of public resources and by the leveraging and sharing of best practices.

The Operational Review team developed a Sector Summary Report to highlight common findings. The report highlights seven key areas for improvement that impact the entire sector. Included was the need to enhance Interim Financial Reporting in school boards. The purpose of interim financial reports is to provide management and the board of trustees with a clear understanding of the status of the current year's budget versus actual expenditures to date, and an outlook for the remainder of the year.

The Operational Review Advisory Committee recommended that the Council of Senior Business Officials (COSBO) and the Council of Directors of Education (CODE) establish a workgroup to examine the content and form of Interim Financial Reports. It was envisaged that the committee would seek input from school boards to establish the components of an effective report and identify best practices currently in place across the sector.

In early 2009, the Interim Financial Reporting committee was struck. The objective was to identify best practices and develop a common reporting template that would support the needs of the sector. The committee included broad representation from across the sector, as well as Ministry staff from the School Business Support Branch and the Transfer Payments and Financial Reporting Branch.

In summary, the key recommendations of the committee contained in the attached report are:

1. Establish a reporting cycle at the beginning of the year, sharing the proposed cycle with Trustees in September;
2. Provide a minimum of 3 in-year reports in a consistent format with each report containing the same performance indicators;
3. Include non-financial performance indicators in the report (eg. enrolment and staffing); and
4. Explain key variances and form a conclusion.

In order to minimize any additional workload demands on board staff, the committee recommends the reporting dates of the interim financial reports align with the reporting dates of existing Ministry reports.

- 1st Interim Report- Mid-January Report to Trustees (based on October 31 close date)
- 2nd Interim Report- Mid-May Report to Trustees (based on March 31 close date)
- 3rd Interim Report- Mid-September Report to Trustees (based on discretionary close between June 30 and August 31)

The IFRC also developed a proposed model or template consistent with these recommendations. Boards may choose to adopt or customize this template to suit their local needs, culture and circumstances. These templates also attached include:

- A summary dashboard in two different formats which boards can choose from (a one page “placemat” summary in excel and a power point presentation).
- More detailed revenue and expense schedules.

The dashboard was designed to summarize the financial position and include two key non-financial indicators, enrolment and staffing. The dashboard was also designed to include tables, charts and a high level explanation to summarize the key information that should be shared with the board.

The supporting revenue and expense schedules provide a more detailed break-down with two key assessments:

1. Budget Assessment that compares the year-end forecast to the Budget (Estimates) providing an explanation for all key variances; and
2. Risk Assessment that compares prior year results to the current year actual.

The risk assessment is useful to gauge whether the forecast (in the budget assessment) is on track or whether based on prior years, there appears to be a potential pressure or a savings beyond those that may already be reflected in the budget forecast. This is only an indicator and does not mean that the forecast is right or wrong.

The IFRC report, recommendations and attached templates were developed based on considerable consultation. IFRC held round table presentations by the participating school boards, sharing their current interim reporting practices, followed by the other members critiquing their reports. This in turn led to a discussion of best practices culminating in the report which we are now sharing with the sector. The recommendations and templates were also shared in advance with COSBO, the comments back were quite favourable.

It is important to emphasize that this report and attached templates are intended to help share best practices to support the needs of the sector and improve reporting. Boards are encouraged but not mandated to adopt these recommendations.

If you have any questions on the above, please contact Jeff Lewis at (416) 325-0607 or jeffrey.lewis@ontario.ca or your Ministry Finance Officer.



Andrew Davis

cc. Directors of Education
Chairs of the Trustee Associations