



Big Plans for Little Kids Ltd.

**Governance Review for the Minister of Education,
Government of Alberta**

KPMG Forensic

May 1, 2019

This report contains 25 pages



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1 Executive Summary

Pursuant to Section 41(1) of the *School Act* (Alberta) (the "Act"), KPMG Forensic Inc. ("KPMG") was retained by the Government of Alberta ("Government") on behalf of the Minister of Education in Alberta ("Alberta Education" or the "Minister") to conduct an independent inquiry (the "review") into the financial and administrative condition, and the management, administration, and operation of Big Plans for Little Kids Ltd. ("Big Plans" or the "Operator") and its Board of Directors (the "Board").

This report addresses our observations and recommendations related to governance matters at Big Plans ("Governance Report"). A separate report has been prepared to discuss financial matters at Big Plans ("Financial Report").

We identified weaknesses that suggest the Board of Big Plans has not fulfilled its oversight role in a number of areas. Our key observations include the following:

- For most of the Operator's history the Board was comprised of senior management. This lack of independence precluded the Board from being able to provide adequate oversight of the activities of senior management.
- Big Plans' Articles of Association were established effective May 2009. Since then they have not been updated to reflect the current needs of the Operator.
- The Board Governance Policy that was provided to us is not dated, and does not appear to have been formally adopted by the Board.
- There has been an insufficient understanding and recognition of the need to formally declare and implement Board oversight over transactions that involve potential conflicts of interest.
- The Board has no sub-committees and therefore no policies to govern these sub-committees.
- Big Plans maintains a significantly high balance in its primary operating bank account, with some funds periodically being invested in Treasury Bills ("T-bills"), term deposits and Guaranteed Investment Certificates ("GICs"). There is a concern that excess funds are not being appropriately managed.

A number of Big Plans' governance and operating policies have either not been established or are in draft form. In this report, we have outlined 21 recommendations to improve governance matters at Big Plans.



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2 Mandate

Pursuant to Section 41(1) of the *School Act*, KPMG was retained by the Government of Alberta on behalf of the Minister to conduct a review of the financial and administrative condition, and the management, administration and operations of Big Plans.

Section 41 of the *School Act* grants authority to “*examine and inspect the financial condition, the administrative condition, or any other matter connected with the management, administration or operation, of a board, private school or early childhood services program*”. We were asked to gather information, and report findings and observations to the Minister in a number of areas.

We were asked to gather information and provide observations regarding the design and implementation of the financial management and internal control process.

We were also asked to review board policies with respect to:

1. The use of Alberta Education funding for non-educational purposes.
2. The setting of compensation for executives, related parties, management and any other entity and the role of the governance entity in determining and authorizing these amounts.
3. The delivery of the educational programs and cost to deliver such programs.

A separate Financial Report dated May 1, 2019 has been prepared which addresses item 1 of KPMG’s mandate, above. All other items are addressed in this report.



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3 Background

3.1 Big Plans for Little Kids Ltd.

Big Plans is a private early childhood services (“ECS”) operator in Calgary offering early intervention services for pre-school and elementary school-aged children with developmental delays. Big Plans was founded by Ms. Carmen Knowles (Souster) and Mr. Michael Souster in 2009. When Big Plans was incorporated as a not-for-profit corporation in Alberta on May 27, 2009, Ms. Knowles and Mr. Souster each received 100 shares, and therefore an equal 50% share in the corporation. According to a Government of Alberta Corporate Registration search dated February 14, 2019, the registered directors and voting shareholders of Big Plans are:

- Carmen Knowles; and
- Michael Souster.

Big Plans partners with pre-schools and private kindergartens in Calgary and the surrounding area to provide specialized services to children in domains such as speech and language therapy, occupational therapy, physical therapy, and psychological/behavior support.

The Operator’s administrative operations are split primarily between Big Plans’ basement office located at 4108 Montgomery View NW Calgary, Alberta (“Big Plans” office” or the “Montgomery Property”) and the offices of Peak Power Sport Development (“PPSD”) located on the campus of the Southern Alberta Institute of Technology (“SAIT”) in Calgary. In its first year of operations, Big Plans provided early intervention services to approximately 50 children; since then, registration has grown to more than 400 children. For the year ended August 31, 2017, Government funding accounted for approximately 98% of Big Plans’ operating revenues.

Management of the operations of Big Plans is primarily handled by the following individuals:

- Ms. Carmen Knowles (Souster), Founder, Principal and Director of Programming;
- Mr. Michael Souster, Founder, Director of Finance and Operations; and
- Person 1,

Big Plans submits audited financial statements to the Government each year. GryzkoHarperBouw Chartered Professional Accountants (“Gryzko”) was the auditor up to the end of fiscal 2017, but were recently replaced by PFC Accounting Tax Consulting (“PFC”).

A history of the Board is provided in Table 1, below. Each of the Board members listed are independent of management, except for Ms. Knowles and Mr. Souster.



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Table 1 – Board Member History		
Date	Board Members	Resignations
May 2009 – April 2018	Carmen Knowles (Souster) Michael Souster	
April 2018	Carmen Knowles (Souster) Michael Souster	
April – June 2018	Carmen Knowles (Souster) Michael Souster	
June – October 2018	Carmen Knowles (Souster) Michael Souster	
October – December 2018	Carmen Knowles (Souster) Michael Souster	
December 2018 – Present	Michael Souster	

3.2 Peak Power Sport Development

PPSD was founded in 1995 by Mr. Michael Souster. Operating primarily through the use of unpaid interns, PPSD has progressed to become an elite training centre that provides fitness testing, programming, group, team and one-on-one coaching, sport camps, physical education instruction, seminars, and corporate team building¹.

Mr. Souster has hired interns and employees of PPSD to assist with administrative duties at Big Plans.

¹ Source: PPSD's current website www.sportdevelopment.com/about-us/our-story.html



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3.3 Clearly Communicating Inc.

Clearly Communicating Inc. ("Clearly Communicating") was incorporated on March 11, 2002, and is used to invoice Big Plans for contracted speech therapy services provided to registered students of the Operator. According to a Government of Alberta Corporate Registration search dated February 14, 2019, the registered directors and voting shareholders of Clearly Communicating are:

- Carmen Souster; and
- Michael Souster.

3.4 Ownership and Leasing History of the Montgomery Property

The following is a summary of the leasing and ownership history of the Montgomery Property:

- **January 1, 2010 to August 31, 2010:** Big Plans subleased from _____, on an as-needed basis, "172 square meters on main and upper floor, 60 square meters on main floor, site dimension of 502.5 square meters, and studio of approximately 40 square meters, fully furnished and with full access to the chattels, services and amenities" ("Rentable Area"), at a monthly base rent of \$4,000². Big Plans was operating out of the Sousters' personal residence prior to January 1, 2010.
- **September 1, 2010 to August 31, 2011:** Big Plans extended its sublease agreement with _____. Monthly base rent remained unchanged.
- **December 13, 2011:** Big Plans signed a residential real estate purchase contract, agreeing to purchase the Montgomery Property from _____ and Person 2 for \$1,000,000. A deposit of \$150,000 was paid by Big Plans, with the remaining \$850,000 funded through a mortgage provided by the Toronto Dominion Bank ("TD Bank"). The decision to purchase the Montgomery Property was approved by the Big Plans Board of Directors on November 20, 2011³. According to the Land Title Certificate, ownership of the property was transferred to Big Plans on February 13, 2012.
- **February 1, 2012 to December 31, 2016:** _____ Professional Corp. (operating as "Riverside Law") leased from Big Plans the Rentable Area at a monthly base rent of \$2,500⁴.
- **January 1, 2017 to December 31, 2021:** Riverside Law extended its existing lease with Big Plans. Monthly base rent remained unchanged.

3.5 Alberta Education Funding Regulations

The Government of Alberta's Education Grants Regulation governs the general funding, use and repayment of education grants in Alberta. Relevant sections have been included here:

² Source: Sublease agreements between _____ and Big Plans for Little Kids Ltd. dated January 1, 2010 and September 1, 2010.

³ Source: Signed resolution of the Big Plans Board of Directors.

⁴ Source: Lease agreement between Big Plans for Little Kids Ltd. and _____ dated February 1, 2012.

_____ and Big Plans for Little Kids Ltd. dated _____

_____ Professional Corp.



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Section 7(a) outlines the conditions on which grants are made, and states that the recipient of every grant shall:

- (i) use the grant only for the purpose for which it is made;
- (ii) account to the Minister, in the manner that the Minister determines and to the Minister's satisfaction, for how the grant money or any portion of it was or is being used;
- (iii) permit a representative of the Minister or the Auditor General to examine any books or records that the Minister or Auditor General considers necessary to determine how the grant money has been or is being used; and
- (iv) provide to the Minister, on request, any information the Minister considers necessary for the purpose of determining whether or not the recipient has complied or is complying with the conditions of the grant.

Section 7(b)(i) further states "that where all or part of the grant money is required to be repaid ... the amount required to be repaid constitutes a debt due to the Government and is recoverable in an action against the recipient."

Section 9(1) governs the repayment of any grant money. "The Minister may require a recipient to repay all of part of the grant money if the recipient:

- (a) fails to comply with a condition of the grant;
- (b) has provided any false, misleading or inaccurate information in order to obtain the grant; or
- (c) has received a grant for which the recipient was ineligible."

Each year, Alberta Education publishes a Funding Manual for School Authorities which outlines the types of funding available and how much funding a school might be eligible to receive. In Section 1.1 of the 2017/18 funding manual, it states that "Access to at least 475 hours of ECS instruction must be provided. Modifications to this requirement may be made for individual children with special education needs based on their individualized program plan (IPP) or instructional support plan (ISP) and age." The earliest funding manual available on Alberta Education's website dates back to the 2011/12 school year. The requirement to provide at least 475 hours of ECS instruction has been in place since at least this 2011/12 school year.

We understand that Big Plans receives funding from Alberta Education for each student based on the condition to provide access to at least 475 hours of ECS instruction.

3.6 Alberta Education Monitoring Visit and Allegations of Inappropriate Use of Grant Funding

Big Plans was advised sometime in August 2017 that members of Alberta Education's School Accreditation and Standards Branch ("SASB") and Financial Reporting and Accountability Branch ("FRAB") would be conducting an on-site monitoring visit to review the Operator's programming and financial records. As noted in a letter from Ms. Cathy Martin (Senior Manager, Alberta Education), dated January 10, 2018, Alberta Education conducted its review on November 8, 2017. We understand Ms. Knowles, and Person 3, addressed queries from the SASB related to programming, while Mr. Souster answered questions from the FRAB regarding the Operator's financial operations.



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A list of requirements and recommendations from the SASB and FRAB were included in Ms. Martin's letter from January 10, 2018, and an email from Ms. Arina Barsukova (Accounting Analyst, Alberta Education) sent on June 13, 2018, respectively.

We understand Ms. Knowles conducted a review of Big Plans' financial records sometime after the completion of Alberta Education's visit on November 8, 2017. As part of this review she prepared a 7-page summary of issues and questions pertaining to specific transactions covering the period September 1, 2013 to August 31, 2017 that she deemed possibly inappropriate. Mr. Souster prepared a written response to each of Ms. Knowles' concerns. These two documents formed the basis for much of our review.



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4 Scope of Review

4.1 Period of Review

We were asked to review finance and governance related activity at Big Plans between September 1, 2009 and August 31, 2018 using a targeted approach. Our period of review coincides with the list as discussed in Section 3.6. Please refer to Section 6 which provides details with respect to our findings.

4.2 Documents and Information Reviewed

In preparing our reports, we have reviewed and relied upon documents listed in Appendix 1.

4.3 Interviews and Discussions

We interviewed or held discussions with the following individuals:

- Ms. Carmen Knowles (Souster), Principal, Director of Programming, Founder and Former Director, Big Plans. Owner, Clearly Communicating.
- Mr. Michael Souster, Director of Finance and Operations, and Founder, Big Plans. Director and Founder, PPSD.
- Person 1, PPSD.
- Person 3, Big Plans.
- Person 4, Big Plans.
- Person 5, Big Plans.
-
- Big Plans.
- Person 6, PPSD.
- Person 7, PPSD.
- Person 8,

4.4 Scope Limitations

The following limitations were placed on our review:

- For key management personnel and some employees, employment contracts and timesheets were either missing or incomplete.



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- We have not spoken with the external auditors of Big Plans to determine what information management had provided to them regarding certain transactions discussed in our Findings.
- In some areas, our assessment has relied significantly on the representations of the individuals we spoke with and we were not able to validate these representations.
- Our work has not been designed to express an opinion on the design, implementation and operating effectiveness of Big Plans' governance and financial oversight practices. Additionally, Big Plans has not had an independent and well-functioning board for most of its existence, thus making an assessment impractical.



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5 Approach

We have performed the following procedures with respect to gathering information on the governance practices at Big Plans:

- We conducted interviews of current and former Board members and management outlined in Section 4.3 to understand governance and internal control practices at Big Plans.
- We reviewed all available Board meeting minutes to identify whether there were additional transactions that may be of interest in this review and to understand events that took place.
- We reviewed aspects of Big Plans' Statement of Corporate Governance Practices ("Board Governance Policy"), and Articles of Association which set out certain governance requirements.
- We reviewed available job descriptions for all of Big Plans' Directors, employees and contractors.
- We reviewed the Organizational Structure Evaluation Summary Report prepared by Western Management Consultants ("WMC") for Big Plans, dated August 3, 2018. The commissioning of this report was approved by the Board on May 8, 2018.
- We requested policies and procedures pertaining to Big Plans' Board, employees and contractors. The documents available for our review included:
 - Board Governance Policy, not dated;
 - Board member job description, yet to be approved;
 - Board evaluation document, yet to be approved;
 - Board governance code of conduct, yet to be approved;
 - Child development specialist's manual;
 - Educational coordinator's manual;
 - Preschool handbook;
 - Quick reference guide for educational coordinators;
 - A guide to the common approach; and
 - Parent handbook.



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6 Findings

In this section, we outline our findings and observations on the governance practices at Big Plans. This section focuses on areas for improvement and some recent developments rather than positive aspects of Big Plans' governance and oversight practices.

6.1 Overall Observations

One of the overarching issues affecting Big Plans is that its governance structure has not kept up with the growth of the organization, despite attempts in recent years to rectify this issue.

As discussed in Section 3, Big Plans' Board of Directors experienced significant turnover in the 2018 calendar year. During the course of our review we spoke with current and former Board members to gather information about the Board's history and plans for the future.

To ensure that current Board members understand their role, Big Plans should consider the following recommendation:

Recommendation 1 – Organize training for Board members on their roles and responsibilities and leading governance practices for not for profit organizations. Thereafter conduct an assessment and gap analysis to identify governance areas at Big Plans that should be enhanced.

6.2 Board Composition, Operation, Compensation and Qualifications

In this section we address elements of Big Plans' Board.

6.2.1 Independence and Committees

As outlined in Table 1 (refer to Section 3), for most of the Operator's history the Board has been comprised of senior management. This lack of independence precluded the Board from being able to provide adequate oversight of the activities of senior management, which likely contributed to many of the issues discussed in our Financial Report dated May 1, 2019.

The Government has previously communicated the expectation that the Board will include independent directors. In a letter from Alberta Education to Big Plans, dated January 10, 2018, the following recommendations were provided with respect to board governance:

"In order to fulfill its role of providing sound governance and accountability processes, we encourage you to expand the membership of your board to include individuals who bring a critical perspective to discussions, who are not related and who are without financial interests to the organization.

As part of establishing an effective governance board, it is recommended that the lines of communication between the members of the board and the Executive Director be clearly delineated in order to avoid any potential conflict of interest issues that may arise due to the familial relationships."

Our discussions suggest that senior management, with the help of _____, have been proactive in trying to satisfy this request, as evidenced by the recruiting of Directors throughout 2018. _____ has expressed _____ confidence that, going forward, the current Board will be able to fulfill its requirement to provide adequate oversight of the activities of senior management.



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According to _____, Big Plans has no established Committees of the Board, but organizing these is an immediate priority for the current Board.

6.2.2 Schedule and Attendance

The Board Governance Policy has projected five meetings to be held during specific months throughout the year. It further states that *“Directors are required to attend at least 75% of all the meetings to which they are called, unless the Board deems that factors beyond their control prevented them from doing so.”* There have been a total of seven board meetings since the Operator’s inception in 2009 for which meeting minutes were made available. These meetings were held on the following dates: December 14, 15, 16, 2015; October 13, 14, 15, 2016; and May 8, 2018. All except the latter only involved Ms. Knowles and Mr. Souster.

Directors’ Resolutions:

Big Plans’ Articles of Association state that *“Subject to any unanimous shareholder agreement, the board shall manage the business and affairs of the Company. The powers of the board may be exercised at a meeting at which a quorum is present or by resolution in writing signed by all of the directors entitled to vote on that resolution at a meeting of the board.”*

We observed a series of Directors’ resolutions for each fiscal year beginning in fiscal 2011 and ending in fiscal 2017. Dates on these resolutions cover the period December 11, 2010 to November 19, 2016. It is our understanding, through conversations with Ms. Knowles and Mr. Souster, that all of these resolutions were prepared, backdated and signed sometime in fiscal 2017, in preparation for the monitoring visit from Alberta Education.

6.2.3 Compensation of Directors

According to Big Plans’ Articles of Association, *“A director shall not be paid any remuneration for his services, but, by resolution of the Board, he may be reimbursed for expenses incurred in the performance of his duties as a Director or committee member. A Director may receive remuneration for serving the Company in any capacity other than as a Director or committee member.”*

_____ confirmed that since _____ appointment to the Board in _____, Board members have not received compensation for the work they have performed on the Board. From our review of Big Plans’ bank statements, cancelled cheques and payroll records, we did not find any payments to Board Members that appear to be related to duties performed on the Board.

6.2.4 Recommendations

Big Plans should consider the following recommendations:

Recommendation 2 – Implement a recruitment policy to ensure that a majority of Board positions are filled by Directors that are independent of management. The qualifications, experience and suitability of new Directors should be reviewed by the Board or a Committee of the Board.

Recommendation 3 – Fill the position of Board Chair with a qualified and experienced independent Board member.

Recommendation 4 – Maintain formal minutes for all Board and Committee meetings going forward.



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Recommendation 5 – Establish an Audit Committee comprised of independent Directors with financial knowledge to provide oversight and direction in, at a minimum, the following areas:

- *Internal controls and processes;*
- *Risks faced by Big Plans;*
- *The appointment, scope and reporting by Big Plans' external auditor;*
- *Big Plans' Policies (e.g., complaint handling/whistleblower, expense, etc.); and*
- *Review and oversight of complaints and concerns (including investigation).*

Recommendation 6 – Establish a Human Resources or equivalent committee of the Board comprised of independent Directors with appropriate qualifications to provide oversight and direction of senior management pay, benefits and human resource policies and issues.

Recommendation 7 – Establish a Governance Committee comprised of independent Directors with appropriate qualifications to provide oversight with respect to Big Plans' governance structure, and governance policies.

Recommendation 8 – Increase the frequency of scheduled Board meetings to achieve the minimum number of meetings set out in the Board Governance Policy.

6.3 Governance Policies

We sought to gather information on whether the Board has adequate governance documents in place and whether it has overseen the implementation of these policies. In particular, we focused our inquiries and documentary review around the following areas:

- Board Governance Policy and Articles of Association;
- Ethical principles and expectations and complaint handling;
- Delegation of financial authorities to management; and
- Establishing roles, responsibilities and accountabilities of the Board, management and staff.

6.3.1 Board Governance Documents

Big Plans' Articles of Association were signed by Ms. Knowles and Mr. Souster effective May 2009. Since then they have not been updated to reflect the current needs of the organization.

The Board Governance Policy that was provided to us is not dated, and does not appear to have been formally adopted by the Board of Big Plans based on our review of the Board minutes and discussions with Mr. Souster.

As mentioned in Section 6.2.1, the Board has no Committees and therefore no policies to govern these committees.

Mr. Souster and _____ are both aware of the need for the Board to update its governance documents.



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6.3.2 Ethical principles and expectations and complaint handling

In the course of our work we identified that:

- With respect to matters pertaining to Integrity, Big Plan's Board Governance Policy requires that *"The directors of the School act with integrity and exercise independent judgment in performing their duties and fulfilling their responsibilities. Directors are bound by the provisions of the Code of Conduct and Ethics and other rules of conduct and ethics applicable to directors, officers and employees of the School, and annually undertake in writing to comply with the Code of Conduct and Ethics."* We have reviewed Big Plans' Code of Conduct for Board members, but observed that it has not yet been approved by the Board. We have not been provided with any evidence that Board members have agreed in writing to comply with this Code of Conduct. We further note that there is no document titled *Code of Conduct and Ethics*, as mentioned in Big Plans' Board Governance Policy, but that the Code of Conduct for Board members appears to be equivalent.
- Big Plans has not established a formal complaint handling mechanism (whistleblower) to allow staff and others to raise matters and concerns of employee and management integrity and ethical lapses in a confidential or anonymous manner to the Board.
- With respect to conflicts of interest, Big Plans' Board Governance Policy requires that *"Directors undertake, in writing, to comply with the School's standards with regard to conflicts of interest, and they renew their commitment on an annual basis. They must avoid all real, potential or apparent conflict of interest situations with the School. Any director with an interest in a contract or material transaction with the School must disclose the nature and scope of their interest to the Board."* Big Plans' Code of Conduct also includes the commitment to avoid any conflict of interest. As stated previously, we have not been provided with any evidence that Board members have agreed in writing to comply with this Code of Conduct.

6.3.3 Financial Authorities and Policies

We have observed that there are no policies in place governing payment authorization limits or controls related to the approval of capital and non-capital transactions. We discussed this with _____ who agreed with our observation and acknowledged that currently the Board is not required to approve any expenses. It is our understanding that creating these kinds of policies is a priority of the current Board.

6.3.4 Roles and Responsibilities

We have reviewed documents that establish the roles and responsibilities for Directors and employees of Big Plans and have the following observations:

- Board and Director roles and responsibilities are outlined in Big Plans' Board Governance Policy and Articles of Association. Job descriptions for all employees and contractors are outlined in a single Excel file, which was provided to us.
- Big Plans has created training manuals for its child development specialists and educational coordinators. We understand that these manuals are distributed to newly hired specialists and coordinators.



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- There are no employment contracts for any of Big Plans' core employees. The absence of employment contracts outlining such matters as compensation, duties, hours, vacation and other benefits is a gap in Big Plans' governance. According to _____, employment and executive contracts are being drafted by Big Plans' legal counsel.

6.3.5 Recommendations

Big Plans should consider the following recommendations:

Recommendation 9 – Big Plans should broaden its existing Code of Conduct to include all staff. This Code of Conduct should be approved by the Board before being implemented. At both the time of appointment/hiring and annually directors and staff should acknowledge in writing that they agree to comply with this Code of Conduct.

Recommendation 10 – Big Plans should consider developing and implementing a complaint handling/whistleblower mechanism to provide employees and others with an avenue to raise ethical concerns in an anonymous and confidential manner. The mechanism should provide for the ability to bypass management so that independent Directors are made aware of issues that arise.

Recommendation 11 – Employment contracts should be established for all employees, including Ms. Knowles and Mr. Souster, so the terms of their employment, roles, responsibilities, compensation and benefits and other terms of service are clearly defined. Their contracts should be reviewed and approved in advance by the Board or a suitable Committee of independent Directors.

Recommendation 12 – Big Plans should revisit whether it has sufficiently defined and communicated staff roles and responsibilities and implement any necessary enhancements to its approach.

Recommendation 13 – The Board should create policies governing the approval of capital and non-capital expenses.

Recommendation 14 – The Board should follow the provisions of their Board Governance Policy whenever conflict arise.

6.4 Strategic Planning

We did not review the strategic planning and budgeting process at Big Plans in detail. We observed references to budgeting and planning in our review of the minutes, and also resolutions from the Board of Directors approving annual budget reports. We also inspected evidence of budget reports that were included as part of each year's financial statement package, which we understand is then provided to the Ministry. As discussed in our Financial Report dated May 1, 2019, Big Plans' actual surplus exceeded budget by \$2.9M during the period beginning September 1, 2013 and ending August 31, 2017.

6.4.1 Access to ECS Instruction

As discussed in Section 3.5, Big Plans receives funding based upon the expectation that it will provide access to at least 475 hours of ECS instruction to each child annually. Through discussions with management we have learned that Big Plans is not meeting this requirement.



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At the end of June 2018, Person 3 initiated a discussion with [redacted] regarding plans that would be put in place by [redacted] and Ms. Knowles to ensure that Big Plans' would be ready to operate and meet Alberta Education's requirement to provide 475 hours of access by the fall of 2018. We understand that Ms. Knowles and Person 3 were unable to achieve this objective and that Mr. Souster and the current board are actively pursuing options that will satisfy this requirement.

6.4.2 Recommendations

Recommendation 15 – Big Plans should consider implementing a Programming Committee to oversee the delivery of all educational programs, and ensure compliance with the Ministry's requirement to provide access to at least 475 hours of ECS instruction to each child annually. This Committee should also be in charge of organizing adequate reporting processes so that Big Plans is able to substantiate in its records their compliance with this requirement. The Board should monitor compliance with this requirement.

6.5 Management Oversight

6.5.1 Compensation and Benefits

We gathered information from interviewees and other documents to determine the extent to which the Board oversees the area of compensation and benefits, particularly as it concerns senior management.

We observed that until recently, Big Plans' Board has not been independent of management. Therefore, suitable Board oversight by independent directors has not been in place and there has been no process to gather detailed information on the salaries and benefits of senior management for approval and comparison to market value. Essentially, Ms. Knowles and Mr. Souster have set their total compensation at whatever amount they deem to be appropriate.

6.5.2 Management Expense Claims

We have made the following observations with respect to management's expense claims:

- We were told that Mr. Souster's expense reports are reviewed and approved by the [redacted], Person 1. Person 1 reports to Mr. Souster so Person 1 may not be comfortable denying or challenging his request for reimbursement.
- Nearly all of the personal electronics⁵ that were purchased by Big Plans were done so using Person 1's credit card. Mr. Souster then approved the reimbursement of these expenses.
- At the bottom of each expense report there is a space designated for the employee and the approver to sign. With respect to those expense reports submitted by management, we did not see any evidence of either the employee or the approver signing off on these reports.
- Leading practice around the oversight of expense claims made by the most senior members of management is to have such claims reviewed and approved by the Board, a Board Committee, or an independent Director. Based on discussions with [redacted] it is our understanding that

⁵ See our Financial Report dated May 1, 2019 for further discussion



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going forward, it is intended that all expenses incurred by senior management will be reviewed and approved by the Board.

6.5.3 Other Payments to Senior Management and Related Parties

Big Plans' draft Code of Conduct, which was prepared prior to the start of the 2017/18 school year when the Board was comprised exclusively of management, states that "*Board members must not use their positions to obtain for themselves, or for their family members, employment with the school.*" As things currently stand, Ms. Knowles and Mr. Souster would be in violation of this draft Code of Conduct. In addition to regular salaries, we identified a number of other payments to senior management and their family members. These include payments for property maintenance, legal services, and other consulting services. These payments are discussed and summarized in our Financial Report dated May 1, 2019. At the time these payments were made, Ms. Knowles and Mr. Souster were the only members of the Board, and therefore the payments would have been approved by them. However, we do not see any mention of payments to senior management and related parties being discussed in the board minutes. Board oversight of the remuneration, benefits and payments to senior management and their families is important for control, financial and broader reputational reasons.

The Articles of Association state that "*A director who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company shall disclose the nature and extent of his interest at the time and in the manner provided by the Act. Any such contract or proposed contract shall be referred to the board or shareholders for approval even if such contract is one that in the ordinary course of the Company's business would not require approval by the board or shareholders.*"

6.5.4 Recommendations

Recommendation 16 – On an annual basis, the full Board should be provided with a detailed summary of the compensation and benefits proposed and paid to senior management for the coming year for review and approval. Any changes should be approved by the Board or Independent Committee prior to payment.

Recommendation 17 – Implement a process for Board (or sub-Committee) review and approval of expense claims of senior management. This should involve a review by independent Directors of Big Plans.

Recommendation 18 – Commitments and payments outside of approval payroll, benefits and expense reimbursement for all employees that may constitute a potential conflict of interest should be declared to the Board and approved as set out in the policy. The Board should consider reviewing past payments to ensure that they are appropriate and fairly valued.

6.6 Other Matters

Included in this Section is a summary of other governance-related issues we have identified, and recommendations to address these issues.



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6.6.1 Communication and Access to Financial Information

On May 8, 2018, the Board approved the decision to proceed with an external evaluation of Big Plans' organizational structure. Western Management Consultants ("WMC") was subsequently engaged to complete this evaluation.

In its report dated August 3, 2018, WMC observed that "*Communication rarely occurs at an overall organizational level (e.g. there are no formal meetings or regular communications by leadership) and there is poor communication between organizational functions except on a reactionary basis.*" The report continues to describe Big Plans' culture as "*divisive*", with interviewees attributing this divide to Ms. Knowles and Mr. Souster.

We agree with WMC's conclusion that Big Plans' "*Current structure reinforces siloed behavior and poor communication.*" During the course of our review we were made aware of several instances of poor communication between Ms. Knowles and Mr. Souster.

6.6.2 Oversight of AGMs

According to Big Plans' Articles of Association, "*Meetings of shareholders shall be held at the registered office of the company or elsewhere in the municipality in which the registered office is situated or, if the board shall so determine, at some other place in Alberta or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Alberta.*"

As discussed in our Financial Report dated May 1, 2019, Alberta Education requested that all AGM expenses be repaid. Going forward, adequate oversight should be applied by the Board to ensure that future AGM expenses are reasonable and do not constitute the use of Alberta Education funding for non-educational purposes.

6.6.3 Management of Surplus Funds

We have observed that Big Plans maintains a significantly high balance in its primary operating account with ATB Financial ("ATB"), with some funds periodically being invested in T-bills, term deposits and GICs. We recognize that these balances fluctuate throughout the year, but the following is a summary of the approximate balance of Big Plans' operating and investment accounts with ATB at the end of each fiscal year. There is a concern that excess funds are not being appropriately managed.

- August 31, 2014: Operating Account: \$1.2M; Investment Account: Nil
- August 31, 2015: Operating Account: \$0.8M; Investment Account: \$1.0M
- August 31, 2016: Operating Account: \$1.0M; Investment Account: \$1.5M
- August 31, 2017: Operating Account: \$1.9M; Investment Account: \$1.5M

6.6.4 Recommendations

Recommendation 19 – Big Plans should consider appointing a Communications Director to oversee communication between management and the Board, including the sharing of financial and other pertinent information.



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Recommendation 20 – Implement a process for Board review and approval of AGM expenses. This should involve a review by independent Directors of Big Plans. The Board should also consider updating the terms of Big Plans’ Articles of Association with respect to the reasonability of AGMs and AGM expenses.

Recommendation 21 – Big Plans should consider implementing a Finance Committee to oversee all investment decisions, including a process to ensure that excess funds are appropriately managed.



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7 Restrictions

This report has been prepared for the purpose of informing the Minister of our observations and recommendations related to the indicated matters at Big Plans. Our report is confidential and is not intended for general use, circulation or publication outside of the Alberta Ministry of Education. Our report is not to be published, circulated, reproduced or used for any other purpose without our prior written permission in each specific instance.

We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses suffered by the Alberta Ministry of Education as a result of circulation, publication, reproduction, use of or reliance upon our report contrary to the provisions of this section. We will not assume any responsibility or liability for any costs, damages, losses, liabilities, or expenses incurred by anyone else as a result of circulation, publication, reproduction, use of or reliance upon our report. Comments in our report are not intended, nor should they be interpreted to be, legal advice or opinion.

We have relied upon the completeness, accuracy and fair presentation of all the information obtained (the "Information"). Our comments and calculations are conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment, KPMG has not audited or otherwise independently verified the accuracy or fair presentation of any of the Information. Should additional information be provided to us after the date of this report, we reserve the right, but will be under no obligation, to review this information and adjust our report and calculations.



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8 Appendix 1

In preparing our reports, we have reviewed and relied upon the following documents:

- Audited financial statements of Big Plans for the years ended August 31, 2014 to 2017.
- Big Plans' Statement of Corporate Governance Practices.
- Big Plans' Articles of Association.
- Big Plans' board meeting minutes, directors' resolutions, shareholder registers and other documents as found in the Operator's minute book.
- An export of Big Plans' general accounting ledger from QuickBooks, along with support for any adjusting journal entries for the years ended August 31, 2014 to 2017.
- Big Plans' trial balances for the years ended August 31, 2014 to 2017.
- Ms. Carmen Knowles' summary of issues identified during her review of the financial records covering the period September 1, 2013 to August 31, 2017.
- Mr. Souster's written response to each of the issues identified by Ms. Knowles, as mentioned in the previous point.
- Sublease agreement between _____ and Big Plans, dated September 1, 2010.
- Sublease agreement between _____ and Big Plans, dated January 1, 2010.
- Lease agreement between Big Plans and Riverside Law, dated February 1, 2012.
- Lease renewal agreement between Big Plans and Riverside Law, dated January 1, 2017.
- Residential real estate purchase contract between _____ and Person 2, and Big Plans regarding the purchase and sale of the Montgomery Property for \$1M.
- Land Title Certificate of the Montgomery Property.
- Corporate registration profile for 2061235 Alberta Ltd. obtained directly from the Government of Alberta's Corporate Registration System.
- Corporate registration profile for Big Plans for Little Kids Ltd. obtained directly from the Government of Alberta's Corporate Registration System.
- Corporate registration profile for Clearly Communicating Inc. obtained directly from the Government of Alberta's Corporate Registration System.
- Payworks reports covering the period September 1, 2013 to August 31, 2017.
- T4 summary reports and individuals' T4 slips for the years ended December 31, 2013 to 2017.
- Mr. Souster's T4 slip for the year ended December 31, 2017.
- Relevant timesheets and contractor invoices for the period September 1, 2013 to August 31, 2017, including all invoices from Clearly Communicating during that same time period.
- An excel file containing job descriptions for each of the Operator's employees.
- Employment agreements for Big Plans' contractors and employees.



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- Expense reports and vendor invoices paid by Big Plans during the period September 1, 2013 to August 31, 2017.
- Bank statements and cancelled cheques for the period September 1, 2013 to August 31, 2017 for all of Big Plans' accounts with ATB and TD.
- Monthly summaries of Big Plans' expenditures paid for by Riverside Law.
- Appraisal report of the Montgomery Property, prepared by Macdonald Copeland Appraisals on December 15, 2011.
- Code and costing summary prepared by AMR Design Works Ltd., dated January 16, 2019.
- Property management agreement between Big Plans and Riverside Law dated September 1, 2015.
- Agreement for ongoing legal services between Big Plans and Riverside Law.
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- Information found on Big Plans' website at www.bigplans.org.
- Information found on PPSD's website at www.sportdevelopment.com.
- Available emails and written correspondence between Big Plans' personnel and the Government.
- Results from an internet archive search of www.sportdevelopment.com/about-us/coaches.html.
- LinkedIn profiles of individuals alleged by _____ to be receiving unauthorized pay from Big Plans.
- Alberta Education's Funding Manual for School Authorities for the 2011/12 and 2017/18 school years.
- Government of Alberta's Education Grants Regulation.
- Rocky View School Division No 41 (2012-2016) Collective Agreement.