

## Education

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## Introduction

The Department of Education is responsible for the overall quality of the Kindergarten to Grade 12 education system in Saskatchewan. Specific responsibilities of the Department include developing policies and curriculum, working with school divisions to acquire and use resources to deliver the curriculum, certifying and classifying teachers, and regulating independent schools and home-based education.

Chapter 3 of our 2000 Fall Report – Volume 3 contained our findings for the 2000 audits of the Department, the Correspondence School Revolving Fund, and the School Division Tax Loss Compensation Fund.

In this part, we set out our findings for the 2000 audits of two agencies for which the Department is responsible—the Learning Resources Distribution Centre Revolving Fund (Fund) and the Teachers' Superannuation Plan operated by the Teachers' Superannuation Commission (Commission).

## Audit conclusions and findings

We have not completed our audit of the Commission's financial statements for the year ended June 30, 2000 because of the Commission's delays in finalizing its financial statements. We will report our audit conclusions and findings in a future report.

### **In our opinion:**

- ♦ **the financial statements of the Fund for the year ended March 31, 2000 are reliable;**
- ♦ **the Department had adequate rules and procedures to safeguard and control the Fund's and the Commission's assets except for the matters reported in this part; and**
- ♦ **the Department complied with authorities governing the Fund's and the Commission's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in this part with respect to the Commission.**

The following sections briefly describe the mandates of the Fund and Commission and set out our detailed findings for each.

## **Learning Resources Distribution Centre Revolving Fund**

The Department of Education recommends Saskatchewan schools use specific learning resources including reference books, curriculum guides, related print, and non-print materials. The primary purpose of the Saskatchewan Learning Resources Distribution Centre Revolving Fund (Fund) is to purchase, sell, and distribute these publications and materials to school divisions. In addition, the Department, through the Fund, provides a staffed facility and related services to evaluate learning resources that support the curriculum.

For the year ended March 31, 2000, the Fund had revenues of \$3.2 million and held assets of \$2.7 million at March 31, 2000.

### **Accounting for the value of inventory needs improvement**

The Department needs to improve how it establishes and accounts for changes in the value of the Fund's inventory. At March 31, 2000, the Fund had inventory of \$2.2 million representing 73% of its assets.

Organizations should routinely value their inventory to ensure that the amount recorded in their accounts represents the fair value of the asset. Fair value is the lower of cost and net realizable value. The Department's practice for valuing the Fund's inventory should consider the condition of the inventory (e.g., damage) and the resale value for certain stock (e.g., an assessment of the amount on hand compared to anticipated demand). The results of this practice should be reflected in adjustments, as necessary, to the Fund's records.

The Department appropriately considered the condition of the inventory (e.g., damage) and the resale value for certain inventory, such as books no longer suggested for purchase by the Department for use in schools or where the Department has not sold the books in the last two years. However, the Department's practice for valuing the Fund's inventory did not fully consider the impact of carrying too much inventory. It did not take into account the impact of anticipated low sales on the value of its inventory, e.g., the Department's practice does not take into account

situations where the quantity of a particular item in inventory exceeds anticipated demand at current prices. The amount charged can impact the volume of sales. Low sales impact the amount the Department can charge and still sell the inventory on hand.

During the audit, we brought these matters to the Department's attention. The Department corrected its records and financial statements to reflect an accurate value for inventory.

- 1. We recommend that the Department improve its inventory valuation practices.**

## **Teachers' Superannuation Commission**

The Teachers' Superannuation Commission (Commission) operates under the authority of *The Teachers Superannuation and Disability Benefits Act*. The Commission consists of seven members appointed by the Lieutenant Governor in Council. The Commission's primary roles are to:

- ◆ provide lifetime retirement and related benefits to teachers; and
- ◆ assist the Government of Saskatchewan in its responsibility for ensuring that there is sufficient money in the Teachers' Superannuation Fund to pay all allowances and other amounts out of the Teachers' Superannuation Fund as they become due and payable.

The Commission manages the Teachers' Superannuation Plan (Plan). The Plan consists of the Teachers' Superannuation Fund, a defined benefit pension plan, and the Voluntary Contributions Fund.

The 1999-2000 financial information is not available since the Commission has not finalized its 1999-2000 financial statements. In 1998-99, the Plan received contributions of \$20 million from teachers and \$87 million from the Minister of Finance. At June 30, 1999, the Plan held assets of \$1.8 billion. It had liabilities of \$3.6 billion.

## Rules and procedures to manage significant projects needed

The Commission needs rules and procedures to manage significant projects. This would include: tendering and awarding contracts, managing the deliverables<sup>1</sup>, scheduling of project components, and monitoring the completion of the project. Such rules and procedures reduce the risk that a project may not serve the needs of the Commission and project deliverables may not be timely.

For example, an actuarial valuation is one of the significant projects of the Commission. A valuation is needed to discharge the Commission's responsibilities. The Commission needs an actuarial valuation to prepare its financial statements. Its financial statements are necessary to help discharge its stewardship responsibilities to report to the Legislative Assembly on the Plan's financial performance.

The Commission hired an actuary to work on the Plan's pension liabilities without a written agreement. A written agreement with the actuary is necessary for good project management. The lack of a written agreement with the actuary contributed to significant delays in completing an actuarial valuation as at June 30, 1999. The Commission received the final actuarial valuation for the year ended June 30, 1999 in April 2001. As a result, the Commission has not yet completed its financial statements for the year ended June 30, 2000.

### 2. We recommend that the Commission establish written rules and procedures for managing its significant projects including:

- ◆ tendering and awarding of contracts;
- ◆ describing the proposed project deliverables and the scheduling for those deliverables;

<sup>1</sup> Any measurable, tangible, verifiable outcome, result, or item that must be produced to complete a project.

- ♦ **defining the responsibilities of the project contractor(s) and management; and**
- ♦ **having written agreements setting out agreed-upon terms of the project.**

### **Timely annual report required**

*The Tabling of Documents Act, 1991* requires the Commission to table its 1999-2000 annual report in the Assembly within 180 days of its year end. The annual report must contain the Plan's financial statements. The Commission has not completed its 1999-2000 financial statements. Accordingly, the Commission has not complied with *The Tabling of Documents Act, 1991*.

- 3. We recommend that the Commission ensure it provides its annual report to the Assembly by the date required by law.**

### **Overpayments to retired teachers**

In 1997, the Commission became aware that some school boards incorrectly reported days taught by retired teachers receiving a pension.

In our 1999 Fall Report – Volume 2 and 2000 Spring Report, we stated the Commission had requested that all school boards provide new information about the number of days that each retired teacher taught during the past seven years. In the past, some school boards had incorrectly reported the number of days retired teachers taught. *The Teachers Superannuation and Disability Benefits Act* (Act) requires that retired teachers receiving a pension who teach more than 60 days in a year (reduced from 120 days after the 1998-99 fiscal year) receive a reduced pension.

The Commission asked school boards to provide revised information about retired teachers who taught. The Commission received the requested information from all school boards. The Commission found that the information provided earlier by some school boards was incorrect. The Commission also noted several inconsistencies in the revised information received.

The Commission relies on information it receives from school boards about the number of days retired teachers taught in a year. The Commission does not know if the information it receives from the school boards is accurate. As a result, the Commission cannot ensure the pensions it pays to the retired teachers are in accordance with the Act.

In our 2000 Spring Report, we recommended that the Teachers' Superannuation Commission establish rules and procedures to independently verify information it receives from school boards.

In March 2001, the Standing Committee on Public Accounts (PAC) considered this matter. The Commission's management advised PAC that it is not cost effective to establish rules and procedures to ensure compliance with this provision of *The Teachers' Superannuation and Disability Benefits Act*. Management also advised PAC that once people are entitled to a pension, that it represented deferred income, and it is questionable whether it is proper to penalize somebody for returning to teach. Management also advised PAC that there is currently a shortage of skilled teachers in some areas of the province where retired teachers live. PAC did not concur with our recommendation.

As a result of the discussion at PAC, the Commission may want to consider whether this law is still necessary. However, if the laws are not changed, the Commission is responsible to ensure it has a system to comply with the law.

We continue to recommend that the Teachers' Superannuation Commission establish rules and procedures to ensure that the pensions it pays are in accordance with *The Teachers' Superannuation and Disability Benefits Act*. Alternatively, if the policy is no longer appropriate the Commission should seek changes to the law. We report this matter in Chapter 8 (Pensions).

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