

**Education**

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## Executive summary

The Department is responsible for the overall quality of the Kindergarten to Grade 12 education system of Saskatchewan. Saskatchewan has about 180,000 school-aged children in this system. Each year, over \$1 billion is spent on the education system by the Department and the 100 provincially-funded school divisions. To achieve its goals and those of the system, it must work with teachers, administrators and locally-elected school boards.

In this chapter, we set out the results of our examinations of the Department and the agencies that it manages. In general, the Department continues to have good processes for safeguarding public money and complying with the law. The 2001 financial statements of the three Funds and the Teachers' Superannuation Plan that the Department manages along with the 2000 financial statements of the Plan are reliable.

We note that the Department continues to make progress on areas relating to improving the reporting of its and the school divisions' performance. Also, it is actively working with school divisions and aboriginal leaders to identify and pursue options to track the movement of children between schools and the education systems. However, it has not addressed our concern about how it records and reports pension costs for teachers' pensions. Also, we report one new matter where the Department did not use the rates set by law for determining its share of capital projects (e.g., school building).

We look forward to continued progress by the Department to ensure Saskatchewan children receive a quality education.

## Introduction

In this chapter, we set out:

- ◆ a brief overview of the Department of Education's role, goals and the key risks it faces; and
- ◆ the results of our 2001 audits of the Department and the funds it manages, including the results of our assessment of the Department's 1999-2000 Annual Report.

## Understanding the Department

It is important that legislators and the public understand the role of the Department and the risks it faces. This helps them to assess better the Department's performance. This section briefly describes the Department's role and its goals, risks, and spending.

### Role of the Department and its goals

Under *The Education Act, 1995 (Act)*, the Department is responsible for the overall quality of the Kindergarten to Grade 12 (K to 12) education system in Saskatchewan. Also under the Act, locally-elected boards of education and *conseils scolaires* are responsible for the administration and management of school divisions.

Specific responsibilities of the Department include developing policies and provincial curriculum, working with school divisions to deliver the curriculum, regulating independent schools and home-based education, and certifying and classifying teachers.

Directions, published in 1984, set out the Saskatchewan Goals of Education. The Goals of Education are intended to develop the intellectual, physical, emotional, spiritual, and social potential of all students in the province to the best of their abilities. Saskatchewan Education Indicators reports, issued annually, provides information on the progress towards achieving those goals. For further information on these goals and indicators, see *2000 Saskatchewan Education Indicators: Kindergarten to Grade 12* at <http://www.sasked.gov.sk.ca/>.

During the year, the Department continued to develop its strategic plan, *Department of Education Strategic Plan, 2000-01 to 2003-04* (the Plan). The Plan sets out the following strategic outcomes.

1. A high quality education system in which the Goals of Education are achieved.
2. Public understanding of and confidence in the school system.
3. Equitable access to and benefit from the services and programs of the education system.
4. Leadership in mediating and facilitating the variety of social and political interests, which have an impact on education.
5. Maintenance of the structural integrity, effectiveness, and efficiency of the education system.

In addition, the Department is responsible for managing three special purpose funds—the School Division Tax Loss Compensation Fund, the Learning Resources Distribution Centre Revolving Fund, and the Correspondence School Revolving Fund and one pension plan—the Teacher’s Superannuation Plan.

### **Overview of Department spending**

The 100 Saskatchewan school divisions spend over \$1 billion on K to 12 education each year. Almost 70%<sup>1</sup> of this amount is spent on teachers’ salaries. Through school grants, the Department provides a portion of the total amount and pays for teachers’ pensions and benefits directly. The rest is financed primarily through property taxes.

The following is a list of major program and spending reported by the Department in the *Public Accounts 2000-2001: Volume 2: Details of Revenues and Expenditure*. (To view a copy of public accounts, see <http://www.gov.sk.ca/finance/paccts>). The actual amount for teachers’ pensions and benefits is adjusted from the amounts reported in the Public

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<sup>1</sup> p. 42, Saskatchewan Education, *2000 Saskatchewan Education Indicators: Kindergarten to Grade 12*.

Accounts to reflect the actual annual costs earned of pensions earned by teachers.

	Estimates <u>2000/2001<sup>2</sup></u>	Actual <u>2000/2001</u>
	(in millions of \$)	
School Division grants (operating and capital)	\$ 455.6	\$ 474.9
Teachers pension and benefits	110.4	135.2
Education programs	16.8	18.3
Administration and shared services	3.6	3.8
Accommodation and central services	<u>2.1</u>	<u>2.1</u>
	<u>\$ 588.5</u>	<u>\$ 634.3</u>

## Risks the Department faces

The environment in which the Department operates continues to change. These changes can affect the needs of students and of society and the delivery of education. Relevant characteristics of Saskatchewan’s population include the number of pre-school-aged children, the age distribution of school-aged children, the number of aboriginal children (due to the option of First Nation children attending either a band school if living on a reserve or a provincially-funded school if living off a reserve), and where the children live. Other factors include socio-economic factors such as level of family income, youth crime rates, and the state of children’s health.

As identified in the *2000 Saskatchewan Education Indicators: Kindergarten to Grade 12*, Saskatchewan’s population as a whole continues to age. In 1999, the proportion of the population under age 20 has declined to under 30% (1971 – 42%). In 1999, the number of Saskatchewan pre-school-aged children was insufficient to replace the number of older students who are completing their schooling within the next five years. In 1996, Aboriginal peoples represented 11.4% of the province’s population. The proportion of school-aged Aboriginal youth compared with the school-aged population as a whole increased by about 2% from 1991 to 1996. The Department expects these trends to continue. Also, the population continues to shift from rural to urban areas<sup>3</sup>.

<sup>2</sup> Saskatchewan Finance, *Saskatchewan Estimates 2000-01*.

<sup>3</sup> pp.8 – 10, *2000 Saskatchewan Education Indicators: Kindergarten to Grade 12*.

The *2000 Saskatchewan Education Indicators: Kindergarten to Grade 12* also reports increases of 20% in total personal income from 1992 to 1998 over and above inflation of 11.8% during the same period. The Report notes the percentage of Saskatchewan children living in poverty has dropped slightly to 18.6% (i.e., 48,000 children from about 20% in 1990). It also states that Saskatchewan's charge and case rates for youth crime are about double that of Canadian rates<sup>4</sup>.

In 1998, our Office worked with the Department to identify four areas where ineffective action could limit the Department's ability to successfully carry out its mandate. The four areas are:

- ◆ ensuring that the provincial curriculum reflects the knowledge and skills that people need;
- ◆ providing leadership to ensure that the expectations of a quality education system delivered at a reasonable cost are clear and understood;
- ◆ ensuring that schools have equitable access to appropriate resources; and
- ◆ developing and implementing measures to address the diverse needs of children and youth at risk of doing poorly at school.

Our Office examines matters related to these areas. In 1999, we reported on our review of the leadership role of the Department as it relates to vulnerable children and youth. In our Spring 2001 Report, we reported on the adequacy of the Department's processes to maintain the relevance of the core curriculum.

### **Follow up of key risk: monitoring vulnerable students**

In this section, we provide an update on a recommendation we initially made in 1999. In 1999, we encouraged the Department to take a leadership and coordinating role to improve the monitoring of the movement of vulnerable children between schools and education systems<sup>5</sup>.

<sup>4</sup> pp. 11 – 16, *2000 Saskatchewan Education Indicators: Kindergarten to Grade 12*.

<sup>5</sup> Chapter 2, Office of the Provincial Auditor, *1999 Fall Report – Volume 2*.

In March 2001, the Standing Committee on Public Accounts discussed and expressed support for this recommendation.

During the year, the Department accepted related recommendations made by two separate groups. In the first report entitled, *Directions for Diversity – Enhancing Supports to Children and Youth with Diverse Needs* issued in January 2000, the Saskatchewan Special Education Review Committee recommended: “That Saskatchewan Education, in partnership with boards of education, develop a provincial electronic information system that follows all children and youth”.<sup>6</sup>

In their report entitled, *Task Force and Public Dialogue on the Role of the School: School<sup>PLUS</sup> A Vision for Children and Youth*, the members recommended:

That an ad hoc committee be struck ... to address the issue of responsibility for absenteeism follow-up ...  
That the current efforts in Region No. 4<sup>7</sup> to develop a public tracking system between the school divisions in the Region and schools operated by Indian Bands ... be promoted and supported; that upon successful conclusion of this pilot project, this model be extended to the entire province....<sup>8</sup>

The Department continued to work closely with Indian and Northern Affairs Canada in the development of policies that address accountability issues. It also continued to identify and pursue options for possible ways to track children and youth.

We encourage the Department to continue its efforts in this area.

## **Audit conclusions and findings**

This section contains our audit conclusions and findings for the Department and for its four agencies, the School Division Tax Loss Compensation Fund, the Learning Resources Distribution Centre Revolving Fund, and the Correspondence School Revolving Fund for the fiscal year ended March 31, 2001, and the Teachers’ Superannuation

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<sup>6</sup> p. v, Saskatchewan Education, *Directions for Diversity – Enhancing Supports to Children and Youth with Diverse Needs*, January 2000.

<sup>7</sup> Region 4 includes school divisions from Humboldt, Kindersley, Lanigan, Outlook, Rosetown, Saskatoon, Saskatchewan Valley and Wakaw.

<sup>8</sup> pp. 84 – 85, Task Force and Public Dialogue on the Role of the School; School<sup>PLUS</sup> A Vision for Children and Youth *Final Report to the Minister of Education Government of Saskatchewan*; February 28, 2001.

Plan (Plan) administered by the Teachers' Superannuation Commission for the fiscal year ended June 30, 2001. We also report on the June 30, 2000 financial statements of the Plan.

**In our opinion:**

- ◆ **the financial statements of each of the above mentioned funds for the year ended March 31, 2001 and of the Plan for the years ended June 30, 2000 and 2001 are reliable;**
- ◆ **the Department and its agencies had adequate rules and procedures to safeguard and control their assets except for matters reported in this chapter; and**
- ◆ **the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter.**

We note that the Department's 1999-00 Annual Report did not improve significantly from its 1998-99 Report.

The following sections briefly set out the detailed findings for the Department.

### **Rate used not in accordance with regulations**

The Department needs to follow approved rates when determining its share of capital projects' costs.

*The 2000-01 School Grant Regulations (Regulations)* establish the rate at which the Department and school divisions must share the cost of approved capital projects (e.g., school buildings).

In 2000-2001, we found two instances where the Department did not follow the rate established in the regulations to determine its share of costs of the approved capital projects. For both instances found, the Department used a rate that was higher than the rate allowed for in the Regulations. The Department later corrected the rate for one project. For

the second project, it decided not to correct the rate. As a result, the Department incurred additional costs of about \$240,000 without proper authority.

- 1. We recommend that the Department follow the rates set out in the School Grant Regulations when determining its share of the costs of capital projects.**

## Status of previous recommendations

This section briefly identifies previous recommendations, sets out the Standing Committee of Public Account's (Committee) position on each recommendation, discusses each area, and identifies key activities that the Department undertook in 2000-2001 to move towards compliance with each recommendation.

In March 2001, the Committee met and discussed the recommendations that we made in our previous reports. For the following recommendation, the Committee acknowledged that the Department was complying with Treasury Board's policy. It thought that by following that policy the Department was appropriately recording and reporting its pension costs.

We do not think Treasury Board's policy on this matter is appropriate and that its use of the policy results in recording and reporting improper amounts. Our position is consistent with the standards of the Canadian Institute of Chartered Accountants, regarding recording and reporting pension costs.

We continue to recommend that the Department work with Treasury Board to adopt an appropriate accounting policy that properly accounts for its pension costs.

In March 2001, the Committee expressed continued support for the following three recommendations. We continue to recommend that:

- ◆ the Department, working with school divisions and other stakeholders, should set public reporting requirements for school divisions' performance in achieving the Goals of Education;

- ◆ the Department, working with school divisions, should set financial reporting requirements for school divisions consistent with those recommended by The Canadian Institute of Chartered Accountants (CICA) for the public sector; and
- ◆ the Department should continue to improve the contents of its annual reports.

### **Proper recording of pension costs needed**

The Department has not changed how it records and reports on the annual pension costs for teachers.

As previously reported, the salaries and benefits paid to teachers for services rendered include pension benefits. Pension benefits, and thus pension costs, accumulate each year that the teachers work. The Department is responsible for the pension costs of teachers. Pension costs represent about 25% of the Department's total spending of \$634 million.

As previously reported in Chapter 3 of our 2000 Fall Report – Volume 3, the Department follows the accounting policy set by Treasury Board for planning and reporting the amounts related to teacher pension costs. We think that Treasury Board's policy is not appropriate. Using the policy, the Department bases its decisions (e.g., for teachers' pay) on only the amount of cash it pays out, (i.e., on the cash basis) rather than on the pension costs incurred by the Department (i.e., the pension benefits earned by teachers). The difference is significant.

If the Department reported the pension costs that it actually incurred, its 2001 expenditures for the year would have increased by \$52.7 million (2000 – \$31.4 million) and its liabilities would have increased slightly to \$2.56 billion<sup>9</sup> (2000 – \$2.5 billion).

As a result of using an inappropriate accounting policy, the financial records of the Department, along with the Estimates and the General Revenue Fund's financial statements, are materially misstated. Also,

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<sup>9</sup> p.19, Public Accounts, 2000-01.

legislators and the public are unable to properly assess the pension costs actually incurred by the Department.

Management told us that it is required by Treasury Board to conform to the established accounting policies. Also, management told us that the issue of the appropriateness of the accounting policy is a matter that we should raise with the Department of Finance as opposed to its Department.

### **Better reporting on performance by school divisions needed**

The Department continues to collect information from school divisions that is necessary to prepare the Saskatchewan Education Indicators reports. These reports focus on the progress of the K to 12 education system as a whole towards achievement of the Goals of Education. The Department generally publishes these reports annually.

The Saskatchewan Education Indicator reports do not address the performance of individual school divisions but rather the education system as a whole. The Department does not require each division to prepare this type of information for its school division. Rather, the Department is working with school divisions to encourage them to improve their reports to the public. For most divisions, this type of information is not yet available to the public. As a result, the public is missing important information to help assess if their tax dollars are well spent.

### **Proper financial statements for school divisions needed**

In 2000, the Department approved, in principle, the new financial statement format and the implementation schedule proposed by the Saskatchewan Association of School Business Officials (SASBO). The new format reflects the recommendations of The Canadian Institute of Chartered Accountants' Public Sector Accounting Board. SASBO plans to pilot the use of the new format in selected school divisions in 2001 with the balance of the school divisions using the format in 2002. It expects to fully implement the new financial statement format by 2003. The Department, working with SASBO, intends to monitor the results of the

pilot and work with SASBO to improve the financial reporting of school divisions.

### **Reporting on performance—Annual Report**

We previously reported that the content of the Department's annual reports need improvement. The Department did not significantly change the content of its 1999-00 Annual Report from its previous annual report.

To improve its annual report as a performance report, future annual reports should include a description of:

- ◆ the key risks the Department faces;
- ◆ what the Department views as its measures of successful achievement of its strategic goals; and
- ◆ the extent to which the Department has achieved its plan including an analysis of the differences between planned and actual operational results.

Good performance reporting depends upon good planning. Management told us that it plans to strengthen its future annual reports in conjunction with the changes in reporting expected in the Government's new accountability framework initiative.