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Main points

This is the Department of Learning's first year of operations. It administers programs previously delivered by the former departments of Education, Post-Secondary Education and Skills Training, and Municipal Affairs and Housing. It has responsibility for the provincial learning sector.

The learning sector is large and complex. During 2002-03, the Department provided educational agencies with over \$1 billion. In addition to this money, educational agencies raise significant revenues from various sources (e.g., property taxes, tuition fees, research grants). This chapter sets out the need for better reporting on performance for various levels within the learning sector.

Legislators need information on the learning sector to gain a better understanding of who is accountable to whom, for what, and by when. The chapter notes that the Department is developing a learning sector plan with its education partners. Once finalized, the Department expects to report publicly against it. We look forward to this.

The Department, legislators, and the public need better performance information from various educational agencies. While the chapter notes progress towards better performance reporting, it calls for further progress.

For example, boards of school divisions spend over \$1 billion. These boards administer and manage the 99 school divisions. While the financial statements of school divisions are improving, they are not yet prepared using rigorous accounting rules. Other local governments such as municipalities do so. Rigorous accounting rules ensure financial statements are consistent, reliable, and comparable. The Department must help the school divisions move forward in this area.

Finally, the chapter notes two programs where the Department needs better processes to ensure only eligible persons receive aid in the correct amount – Saskatchewan student loan and provincial training allowances.

Introduction

In this chapter, we provide a brief overview of the Department's role, goals, and financial activities. In addition, we set out the results of our 2003 audits of the Department, its related special purpose funds, and its agencies.

Understanding the Department

It is important that legislators and the public understand the role of the Department, its goals, and finances. This helps them to assess the Department's performance.

Role of the Department and its goals

Effective April 1, 2002, Cabinet created the Department of Learning. The Department has overall responsibility for the learning sector. This sector is comprised of pre-kindergarten to Grade 12 (K–12) education, post-secondary education, technical training, and public libraries.

Its responsibilities are set out primarily in The Education Act, 1995 and The Department of Post-Secondary Education and Skills Training Act, 2001, and The Public Libraries Act, 1996.

At March 31, 2003, the K–12 education system included 99 locally-elected boards of education and conseils scolaires. These boards administer the school divisions.

The post-secondary education and technical training system includes services for adult learners and student financial assistance (e.g., student loans and bursaries). The primary educational agencies include the University of Saskatchewan, University of Regina, Saskatchewan Institute of Applied Science and Technology, Saskatchewan Apprenticeship and Trade Certification Commission, eight regional colleges, and other privately- and federally-funded vocational schools.

The provincial library uses ten public library systems to provide basic library services.

Specific responsibilities of the Department include:

- ◆ Developing a strategic plan for the learning sector and advancing the goals of this plan,
- ◆ Developing provincial K–12 curriculum and instructional practices,
- ◆ Approving the structure and boundaries of school divisions,
- ◆ Working with school divisions to deliver educational programming,
- ◆ Certifying and classifying K–12 teachers,
- ◆ Overseeing the post-secondary education and skills training system,
- ◆ Regulating the operations of private vocational schools and home-based education,
- ◆ Providing adult learners with financial assistance (e.g., loans, grants, bursaries, and scholarships),
- ◆ Coordinating the provincial library system, and
- ◆ Providing a component of the Early Childhood Development strategy.

The Department’s web site contains its annual reports and other key publications. It is located at <http://www.sasked.gov.sk.ca/>. In its 2003-04 Performance Plan, the Department set out its goals. (See Exhibit 1.)

Exhibit 1—Department of Learning: 2003-04 Performance Plan

Department of Learning goals
1. the diverse learning needs of individuals are met through high quality programs and services,
2. the diverse needs of communities, employers and economy are met, and
3. the structural and fiscal integrity of the Learning systems is sustainable.
Source: 2002-2003 Annual Report: Saskatchewan Learning

Related special purpose funds and agencies

The Department is responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
Education Infrastructure Financing Corporation (EIFC)	March 31
Saskatchewan Correspondence School Revolving Fund	March 31
Saskatchewan Learning Resources Distribution Centre Revolving Fund (LRDC)	March 31
Saskatchewan Student Aid Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Training Completions Fund	March 31
University of Regina	April 30
University of Saskatchewan	April 30
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Southeast Regional College	June 30
Teachers' Superannuation Commission	June 30

Overview of Department finances

As reported in the Government's summary financial statements, the Government spent \$996.7 million¹ (2002 - \$987.2 million) on Education for the year ended March 31, 2003. Table 1 shows the Government's spending on education by agency.

¹ Saskatchewan Finance, *Public Accounts 2002-03: Volume 1 Main Financial Statements*. p.46

Table 1

	2002-03 (in millions of \$)	2001-02
Department of Learning	\$ 1,085.6	\$ 1120.0
SIAST	135.9	134.4
Student Aid Fund	39.3	44.1
EIFC	38.0	---
Centenary Fund	10.0	8.1
Department of Culture, Youth and Recreation	3.5	4.1
Other government organizations	40.9	48.5
Less expenditures for purpose other than education	(356.5)	(372.0)
	<u>\$ 996.7</u>	<u>\$ 987.2</u>

In 2002-03, the Department raised \$56.7 million (2002 - \$61 million) of revenue of which 98% (2002 - 97%) came from the Federal Government.

In 2002-03, the Department directly spent over \$1 billion. It spent 55% of this amount on K -12 education, 42% on post-secondary education and technical training, and 3% on administration and other programs (e.g., Early Childhood Development, Provincial Library). Through the Education Infrastructure Financing Corporation (EIFC), it provided post-secondary education agencies with \$30.9 million and school divisions with \$7.1 million for capital projects. See Table 2 for further details.

Table 2

	Estimates 2002-03 ² (in millions of \$)	Actual 2002-03 ³
Administration	\$ 5.7	\$ 6.4
Accommodation and central services	6.5	11.4
Capital grants from centenary funding	9.3	10.0
Early Childhood Development	2.1	2.0
K -12 Education	502.4	525.5
Post-Secondary Education	331.3	359.4

² Saskatchewan Finance, *Saskatchewan Estimates 2002-03* for Learning (Vote 5) and the amount of Centenary Fund (vote 70) assigned to Learning.

³ Actual per Public Accounts of \$1,085.6 million is adjusted for unrecorded 2003 pension revenue of \$37.5 million, \$38 million for related Education Infrastructure Financing Corporation capital projects, and \$9.95 million for capital projects paid from the Centenary Fund. The Estimates are not adjusted.

	Estimates 2002-03 ²	Actual 2002-03 ³
Provincial Library	8.0	8.1
Student Support programs	68.4	55.4
Teachers' Pensions and Benefits	105.4	75.0
Training programs	44.8	42.9
	\$ 1,083.9	\$ 1,096.1

The Public Accounts 2002-03: Volume 2: Details of Revenue and Expenditure report information about the Department's revenue and expenses (to view a copy of this report, see <http://www.gov.sk.ca/finance/paccts>).

School divisions with property taxes pay for a portion of the costs of K–12 education. In 2002, school divisions spent over \$1 billion on operating and capital costs.

Table 3 summarizes the total revenues and assets held by the special purpose funds and agencies. The revenues include money provided by the Department. Other revenue is primarily tuition fees from students, federal government grants, and sales of services.

Table 3 – Total revenues and assets held by special purpose funds and agencies

Fund or agency	2003 Total revenues	2002 Total revenues	2003 Total assets held	2002 Total assets held
			(Actual in millions of dollars)	
Education Infrastructure Financing Corporation	\$0.57	Not applicable	\$38.6	Not applicable
Regional Colleges (combined)	49.68	45.70	32.16	27.80
Saskatchewan Apprenticeship and Trade Certification Commission	10.36	9.84	0.76	0.82
Saskatchewan Correspondence School Revolving Fund	1.39	1.38	0.51	0.43
Saskatchewan Learning Resources Distribution Centre Revolving Fund	(0.72)	0.40	---	2.00
Saskatchewan Student Aid Fund	26.81	35.30	103.91	99.35
School Division Tax Loss Compensation Fund	1.44	2.13	4.50	4.24
SIAST	136.21	131.78	45.94	43.80
Training Completions Fund	0.07	0.08	0.43	0.36
Teachers' Superannuation Plan	74.84	86.41	1,575.43	1,732.58
University of Regina	145.90	132.00	219.75	186.19
University of Saskatchewan	532.40	522.20	985.45	932.85

Source: Audited financial statements of each for 2002 and for 2003 unless otherwise stated.

For the year ended June 30, 2003, \$95.5 million of SIAST's revenues came from the Department (2002- \$91.8 million), and \$9.6 million of

Saskatchewan Apprenticeship and Trade Certification Commission's revenues came from the Department (2002 - \$9.6 million).

For the year ended April 30, 2003, \$76 million of the University of Regina's revenues came from the Department (2002 - \$62 million), and \$246.8 million of the University of Saskatchewan's revenues came from primarily the Department and the Department of Health (2002 - \$257.6 million).

Each year, the Legislative Assembly receives the annual report including the audited financial statements of each agency and the audited financial statements of each special purpose fund.

Audit conclusions and findings

In this chapter, we report the results of our 2003 audits of the Department, its special purpose funds as listed above, the Education Infrastructure Financing Corporation, SATCC, SIAST, Teachers' Superannuation Commission, and of three of the eight colleges - Carlton Trail Regional College, Cumberland Regional College, and Northlands College.

In our opinion for the fiscal years ending on or before June 30, 2003:

- ◆ **the Department and the above-listed agencies had adequate rules and procedures to safeguard public resources, except for the matters reported in this chapter;**
- ◆ **the Department and the above-listed agencies complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing; and**
- ◆ **the 2003 financial statements of the above-listed agencies are reliable.**

Since 1998-99, we audit colleges on a cyclical basis. Chapter 12 of our 2002 Fall Report – Volume 2 describes our involvement and its basis.

For SIAST, we carry out the audit jointly with KPMG LLP. In addition, we worked with the appointed auditors of the above three colleges and the Education Infrastructure Financing Corporation to form the each of above opinions.

The following table sets out the appointed auditor for each of these agencies. In this work, we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of the report, see our web site at <http://www.auditor.sk.ca/rrd.html>). The auditors of the other five colleges did not report any new matters for the colleges they audited.

<u>Crown agency</u>	<u>Appointed auditor</u>
Carlton Trail Regional College	E.J.C. Dudley & Co, Chartered Accountants
Cumberland Regional College	Neumann & Neumann, Chartered Accountants
Education Infrastructure Financing Corporation	E.J.C. Dudley & Co Chartered Accountants
Northlands College	Meyers Norris Penny LLP, Chartered Accountants

Findings—Department

In this section, we make one new recommendation and provide an update on the status of previously reported recommendations.

Inaccurate reporting of certain costs

Due to the use of Treasury Board’s accounting policies, the Department has not reported its costs properly.

In our audit report on the 2003 financial statements of the General Revenue Fund⁴, we report that Treasury Board does not use appropriate policies to account for pension costs and costs of certain capital projects (loans receivable). The Department follows policies set by Treasury Board to prepare its financial plan and to account for its activities.

⁴ *Public Accounts 2002-03: Volume 1: Main Financial Statements, Auditor’s Report* [on the General Revenue Fund], pp 11 – 12.

In its 2002-2003 Annual Report, the Department understates post-secondary capital costs by \$30.9 million, understates K–12 Education costs for school capital by \$7.1 million, and overstates the teachers' pension costs by \$37.5 million.

See Chapter 10—Finance for further details.

Monitoring provincial training allowances

The Department needs better processes to ensure that it pays eligible persons provincial training allowances in the correct amount.

The Department administers the provincial training allowance program. The Department provides details of the program at http://www.sasknetwork.gov.sk.ca/pages/fh/fh_pers5.htm.

In general, the Department provides allowances to low income adults enrolled in certain training programs to assist with their costs of living. Applicants must meet conditions to qualify for money. Key conditions relate to the eligibility of training program and financial need based on family income and other resources available, marital status, living arrangement (i.e., with parents or not), and number of dependents. This program is similar to the social assistance program.

During the year, the Department provided \$19.9 million (2001-02: \$22.4 million) under the program.

As with social assistance, errors in payments are unavoidable due the nature of the program. We expected the Department's procedures to include the following. The procedures would prevent or detect incorrect payments (that is payments to ineligible persons or in incorrect amounts) to a rate acceptable to the Department (i.e., pre-established error rate). Senior management of the Department would review and approve the rate. Department would compare results of checks to the pre-established error rate, and adjust procedures, as necessary, to ensure they detect or prevent errors as expected.

During 2002-03, the Department identified that it made significant overpayments. It adjusted future payments of recipients for overpayments where possible. In addition, it took steps to recover overpayments where

it is no longer making payments to the recipient. In most cases, the individuals have limited financial resources and recovery of overpayments is difficult. At March 31, 2003, the Department has \$3.2 million of overpayments not yet recovered. The Department estimates that it does not expect to recover almost 74% of this amount.

At March 31, 2003, the Department had not set an error rate. Without this benchmark, the Department cannot determine if its procedures for this program are adequate or if they require adjustment.

- 1. We recommend that the Department set out the rate of incorrect payments for the Provincial Training Allowance program that it will accept, and use procedures that prevent and detect incorrect payments to meet the pre-established rate.**

Better reporting on performance needed

Performance reporting includes reporting on results against previously established objectives. As such, performance reporting involves timely sharing of plans.

In the last few years, our Office has made four key recommendations related to better reporting on performance. The Standing Committee on Public Accounts discussed these recommendations and agreed with them. We recommended that the Department:

1. provide legislators and the public with a clear concise description of the accountability relationships between the Department and key provincial educational agencies (explaining accountability relationships);
2. have Cabinet approve a sector-wide plan and the Department report publicly against this plan (sector planning and reporting);
3. work with school divisions and other stakeholders to set public reporting requirements for school divisions' performance in achieving the Goals of Education, (performance reporting requirements for school divisions); and

4. set financial reporting requirements for school divisions consistent with those recommended by The Canadian Institute of Chartered Accountants for the public sector. (performance reporting requirements for school divisions).

As mentioned earlier on April 1, 2003, Cabinet formed the Department by amalgamating programs formerly delivered by several other departments. The Department has continued with many actions previously in place. In addition, it initiated new actions to progress towards the implementation of these recommendations.

The following provides a brief summary of the status of the above recommendations.

Explaining accountability relationships

The Learning sector is large and complex. Over 20 laws set out the authorities and responsibilities of the Department. In addition, these laws guide the accountability relationships between the Department and agencies within the sector. Key agencies include 99 school divisions, two universities, SIAST, SATCC, eight regional colleges, and regional libraries.

The accountability relationships between the Department and the various educational agencies vary. In some cases, agencies are directly accountable to the Legislative Assembly, while in others they are not. For some, Cabinet appoints the board, and the Department approves the agency's business plan and directly holds it accountable for the achievement of the plan (e.g., regional colleges). While in others, Cabinet appoints part or none of Board. In these cases, the Board is elected (either in full or in part). Typically, these agencies must obtain the Department's approval of key activities, such as borrowing (e.g., universities) or building (e.g., school divisions).

The diversity in these different arrangements makes it challenging for legislators and the public to understand who is accountable to whom and for what. A clear understanding of accountability relationships is critical. A clear and common understanding is essential to the successful implementation of a plan.

The Department has provided legislators with some information to assist in this understanding. However, legislators need additional concise information to provide them with a clearer understanding of the key accountability arrangements. Legislators need this understanding to enable them to assess the Department's and the sector's success properly.

Sector planning and reporting

During 2002-03, the Department actively worked with educational agencies and other key stakeholders to develop a plan for the learning sector. Key stakeholders included Saskatchewan Association of School Business Officers (SASBO), Saskatchewan Teachers' Federation, Saskatchewan School Trustees Association, League of Educational Administrators, Directors and Superintendents, Multitype Library Board, Federation of Saskatchewan Indian Nations, and Métis Nation of Saskatchewan.

The Department is using the guidance set out in the Government's accountability framework to develop this plan. The Department expects to finalize the sector plan by October 2003. Once finalized, it plans to report publicly against it.

In the meantime, the Department continues to provide legislators with information on its sector through its annual report and other key documents. For example, the Department published the *2002 Saskatchewan Education Indicators – Kindergarten to Grade 12* in June 2003. These reports present data on a provincial basis for the K-12 education component of the learning sector. The Department bases the reports on data collected from school divisions as part of the provincial indicators program. The Department generally publishes these reports every second year.

In addition, the Department participates in the school assessment indicators program (SAIP). SAIP is a cyclical program of pan-Canadian assessments of student achievement in mathematics, reading and writing, and science. Since 1993, the Councils of Ministers of Education of Canada (CMEC) have carried out these assessments. CMEC publishes the results of these assessments (e.g., SAIP Mathematics III

Assessment 2001⁵). The Department makes them available to the public through its web site.

Performance reporting requirements for school divisions

During 2002-03, the Department furthered its activities to improve the performance reporting of school divisions. For example, it worked with school divisions who agreed to participate in a reporting program. Under this program, the school divisions improved their capacity to report on their performance.

The Department started this program in 2001. Although the Department has not made this program mandatory for all school divisions, it expects all school divisions to take part by 2005-2006.

At March 31, 2003, school divisions do not use generally accepted accounting principles as recommended by The Canadian Institute of Chartered Accountants (GAAP) to prepare their financial statements.

The Department is working with SASBO to have school divisions use GAAP to prepare their financial statements. School divisions are moving to the use of GAAP in steps. For 2002, SASBO expected school divisions to use its accounting policies to prepare their 2002 financial statements. These policies reflect most of GAAP. In 2002-03, the Department worked with SASBO to assess the quality of the 2002 financial statements and to assist school divisions in making this change.

Use of GAAP helps ensure school divisions prepare consistent, reliable, and comparable financial information for decisions. The Department must help move school divisions forward in this area.

Findings—Saskatchewan Student Aid Fund

Background

The Department uses the Saskatchewan Student Aid Fund (Fund) to help students finance their education with grants, bursaries, and loans.

⁵ The SAIP Writing III 2002 assessment is currently in progress.

In 2003, the Fund had revenues of \$26.8 million including \$18.5 million from the General Revenue Fund and expenditures of \$39.3 million. At March 31, 2003, the Fund held net assets of \$4.2 million.

Verifying critical information

The Department needs to verify critical information on student loan applications within a reasonable period.

During the year, the Department approved approximately 16,000 student loans (2002 - 18,000 loans) for approximately \$56 million (2002 - \$60 million). In addition, the Department paid debt-reduction benefits to students and incurred other costs of \$28 million (2002 - \$35 million). These debt-reduction benefits and other costs depend on the amount of loans awarded to students. When the Department approves loans to students in excess of the amount they are entitled to, these debt-reduction and other costs also increase.

By not verifying all critical information within a reasonable period, the Department may incur unnecessary costs and may not comply with the provisions of the regulations that govern student assistance. The Department must decide which applicant information to verify before approving loans and which information to verify later. Verifying critical information on student loan applications helps ensure only eligible students receive aid in the correct amounts. The Department must balance its costs to verify applicant information with the need to provide students with timely financial assistance.

During the year, the Department's processes to verify critical information on student loan applications did not improve. Critical information that the Department does not sufficiently verify includes information on: the number of dependants, single parent status, receipt of daycare allowances, amount of scholarships, the value and existence of vehicles, and whether the applicant is a resident of the province.

Because the Department does not sufficiently verify the above information, it is not practicable for us to do so. As a result, we are unable to report the extent to which students received incorrect amounts of aid.

We continue to recommend that the Department verify critical information on student loan applications.

We have reported this matter for several years. The Standing Committee on Public Accounts previously concurred with this recommendation in March 2001, April 1999, and December 1996.

The Department told us that it plans to implement a new student financial assistance system. The system should help it check loan applications.

Findings—Regional Colleges

In this section, we set out our findings related to the audits of Carlton Trail and Cumberland Regional Colleges, and Northlands College. The appointed auditors of the other five regional colleges report similar findings.

Performance management and reporting improving

Since 1996, we have recommended that colleges improve the reports used by the boards to monitor the colleges' performance. In February 1998, the Standing Committee on Public Accounts concurred with our recommendation. We continue to make this recommendation.

To measure and report on performance, colleges must:

- ◆ set performance measures and targets for their objectives.
- ◆ use adequate systems to track their performance against the targets.
- ◆ compare actual results to planned and explain significant differences.
- ◆ report on performance to their boards, the Department, the Legislative Assembly, and the public.

During 2002-03, we noted progress by the three colleges we audited. Each of the colleges continued to make positive changes, but need to make further progress to enhance reporting of their performance.

The colleges worked with the Department to improve how they manage and report on their performance. The colleges and the Department have developed jointly a set of common performance measures. In addition, the colleges are developing measures specific to their business plans. The colleges expect to use these measures to report their performance in future reports to the Minister.

A few colleges include their annual reports on their web sites. Legislators do not receive reports on Colleges' performance other than their audited financial statements. We look forward to the colleges providing legislators with reports on their performance.

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