Learning

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Main points

The Department of Learning oversees the learning sector including its various partners (such as school boards, universities, regional colleges, public libraries). During 2005-06, the Department spent over $1 billion delivering its program and services.

The Department needs to improve its human resource plan to ensure it has the right people, in the right jobs, and at the right time to meet the Department's goals and objectives.

The Information Technology Office (ITO) now delivers information technology services to the Department and Saskatchewan Apprenticeship and Trade Certification Commission (SATCC). The Department and SATCC need to sign a service level agreement with ITO to ensure all the Department and SATCC's needs are met.

In our 2005 Report – Volume 3 and prior reports, we made recommendations for the Department to improve its processes to safeguard public resources. During 2006, the Department made some progress in addressing our outstanding recommendations. An update on each recommendation is provided.

We also report the results of our audit on the reliability and understandability of the Department's performance information. We concluded that the performance information reported by the Department for Goal 1 of its *2005-06 Annual Report* is reliable and understandable.

Introduction

The Department of Learning (Department) has overall responsibility for the learning sector. This sector includes programs and services for early childhood development, pre-kindergarten to Grade 12 education, post-secondary education, technical training, public libraries, and student financial assistance.

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

In April 2006, the Government restructured the Department into two new departments: the Department of Learning and the Department of Advanced Education and Employment.

Related special purpose funds and agencies

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

	Year-end
Saskatchewan Correspondence School Revolving Fund	March 31
Saskatchewan Student Aid Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Training Completions Fund	March 31
Prince of Wales Scholarship Fund	March 31
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
Southeast Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Teachers' Superannuation Commission (TSC)	June 30

Financial overview

Each year, the learning sector spends over $2 billion. The Government, primarily through the Department provides over $1 billion. K–12 education school divisions raise about $695 million through local property taxes; universities raise about $400 million primarily through tuition fees, federal government grants, and sales of services.

As set out below, the Department spent over $1.4 billion in 2005-06.

Table 1

	Estimates 2005-06[1]	Actual 2005-06
	(in millions of $)	
Central Management and Services	$ 12.8	17.2
Post-Secondary Education	396.8	519.0
K -12 Education	606.9	625.1
E-Learning	7.0	6.7
Training programs	33.7	34.5
Student Support programs	69.5	50.9
Provincial Library	8.6	9.0
Early Childhood Development	3.3	3.0
Education Property Tax Relief	55.0	51.0
Teachers' Pensions and Benefits	160.1	155.2
Capital asset acquisitions	(1.0)	(2.2)
Capital asset amortization	3.5	3.5
	$ 1,356.2	$1,472.9

In 2005-06, the Department had revenues of $60.1 million (2005 - $59.7 million) of which 98% (2005 - 98%) came from the Federal Government primarily for labour market development programs.

The Department's *2005-06 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (See www.sasked.gov.sk.ca to view this report).

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[1] The Department of Finance, *2005-2006 Saskatchewan Further Estimates.* The Estimates total does not include the additional $127,375 thousand authorized through the *Saskatchewan Supplementary Estimates - November* for the Department of Learning (Vote 5), special warrant, i.e., Order in Council 112/2006, and a statutory adjustment.

Audit conclusions and findings

This section reports the results of our 2006 audits of the Department, the five special purpose funds, three of eight regional colleges (i.e., Cumberland, Prairie West, and Northlands), SATCC, and SIAST. It does not include the results of our audit of the Teachers' Superannuation Commission (TSC). We have not completed this audit because TSC has not finalized its financial statements.

In our opinion, for the years ending on or before June 30, 2006:

♦ **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 complied with authorities governing its and the above-listed funds' and agencies' activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **the 2006 financial statements of the above-listed funds and agencies are reliable**

We audit colleges on a cyclical basis. We work with the appointed auditor of each of these colleges to carry out the audits. We require the appointed auditors of the other five colleges that are not in rotation to provide us with reports that set out the results of their audits. We review these reports and have discussions with related departmental officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditor on these matters. For SIAST, we carry out the audit jointly with the appointed auditor.

Exhibit 1 sets out the appointed auditor for each agency. We use the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[2] The auditors of the other five colleges did not report any new matters for the colleges they audited.

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[2] To view this report, see our website at www.auditor.sk.ca/rrd.html.

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Exhibit 1

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP, Chartered Accountants
Cumberland Regional College	Neumann & Neumann, Chartered Accountants
Prairie West Regional College	Gilchrist & Co. Certified Management Accountants
Northlands Regional College	Deloitte & Touche LLP, Chartered Accountants

Also, this chapter contains the results of our audit on the reliability and understandability of the Department's performance information.

The following sections set out our detailed findings.

Findings—Department

This section includes two new matters and provides an update on the status of previously reported recommendations.

Improvements to human resource plan needed

The Department needs to improve its human resource plan to ensure it has the right people, in the right jobs, at the right time.

In 2005-06, the Department developed its *Human Resource Strategic Plan 2006-2007*. We assessed this plan against the key elements of a human resource plan.

A good human resource plan needs to set priorities and link to the agency's overall strategic direction. It should also identify key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

We found that the Department's human resource plan sets priorities and identifies key human resource risks. The plan sets out its current and future supply of human resource needs based on occupations and competencies. It does not quantify the Department's needs (i.e., the number of employees needed). Therefore, the plan only provides a broad

description of the gap that exists between required and actual human resources.

The plan sets out strategies and broad action plans to address the human resource risks identified. However, it does not provide completion dates or assign responsibility for carrying out the action. The plan should also describe how the Department would monitor the implementation of the major strategies and achievement of planned results. The Department sets out performance measures with targets but does not indicate the frequency and nature of management reports.

1.   **We recommend the Department of Learning's human resource plan:**

  ♦   **quantify its human resource needs**

  ♦   **provide details on the human resource gap between actual and required resources**

  ♦   **provide details on plans to implement the major strategies**

Service level agreements required

The Department does not have a service level agreement with the Information Technology Office (ITO).

ITO delivers information technology services that the Department previously delivered itself. Therefore, the Department needs to sign a service level agreement with ITO setting out the roles and responsibilities of both ITO and the Department. For example, the agreements would describe the services to be provided by ITO (such as help desk services and application development), service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as time frames for setting up new email accounts), and the term of the agreement. The agreement should also identify security and disaster recovery requirements. Without the signed service level agreement, there is a risk that the Department's needs may not be met.

> ### 2. We recommend the Department of Learning sign a service level agreement with the Information Technology Office.

Status of previous recommendations

The table below provides an update on outstanding matters previously reported. The Standing Committee on Public Accounts discussed these recommendations in the past and agreed with them.

Table 2

Previous recommendation	Key actions or activity during audit period	Implemented (Yes/No/Partial)
We recommend the Department of Learning use a department-wide risk assessment to guide the nature and extent of its evaluation activities.	Due to the restructuring of the Department, which was announced in February 2006, the department-wide risk assessment was not completed in 2005-06. The Department has assigned an individual to lead this work in 2006-07, with the risk assessment to be completed by March 2007.	Not implemented
We recommend the Department of Learning provide staff with written guidance on situations unique to the Department to help staff avoid conflict of interest situations.	The Department is currently developing processes and procedures to ensure all staff are aware of the criteria constituting a conflict of interest situation.	Not implemented
We recommend the Department use procedures that prevent and detect incorrect payments to meet the pre-established rate.	The Department's overpayment experience continues to be higher than it deems acceptable for provincial training allowances. In July 2004, the Department approved a maximum rate of incorrect payments of 5.0% and corrective actions to reduce to a maximum rate of 4% within 24 months. At March 31, 2006, the Department determined 5.32% (March 31, 2005 – 5.10%) of its total 2005-06 disbursements resulted in overpayments. During the year, the Department paid out $23.2 million (2004-05: $21.7 million) in provincial training allowances. At the end of the 2005-06 fiscal year, the Department implemented several new verification procedures for the provincial training allowance payments. These procedures should help prevent and detect incorrect payments to meet the pre-established rate.	Partially implemented

Previous recommendation	Key actions or activity during audit period	Implemented (Yes/No/Partial)
We recommend the Department provide legislators and the public with a clear concise description of the accountability relationships between the Department and the key provincial agencies within the learning sector.	In its 2005-06 Annual Report, the Department improved its description of the responsibilities of the agencies in the learning sector. However, the detail is not yet sufficient for the legislators and public to have a clear understanding of who is accountable for what, to who, and how. Management noted that the new performance plans for the new departments of Learning and Advanced Education and Employment are currently under development and will include descriptions of the accountability relationships.	Partially implemented
We recommend that the Department work with school divisions and other stakeholders to set requirements for school division's reporting on their performance.	The Department continues to use its initiative "Strengthening Education Capacity" to move forward in having school divisions report on their performance. Working with the school divisions and other education stakeholders, the Department developed the Continuous Improvement Framework to assist school divisions reporting on their performance. The Department began implementing the Framework in February 2006.	Partially implemented
We recommend that the Department set financial reporting requirements for school divisions consistent with those recommended by The Canadian Institute of Chartered Accountants (CICA) for the public sector (GAAP).	The Department is taking the lead on the project to have all school divisions comply with GAAP. The Department is targeting August 31, 2009 for all school divisions to be in compliance with GAAP.	Not implemented

Reporting of incorrect pension costs

With the continued use of Treasury Board's accounting policies, the Department has not reported its costs of teachers' pensions properly.

The Department follows policies set by Treasury Board to prepare its financial plan (Estimates) and to account for its activities. In our audit

report on the 2006 financial statements of the General Revenue Fund[3], we continue to report that Treasury Board does not use Canadian generally accepted accounting policies for the public sector to account for pension costs.

As a result for the year ended March 31, 2006, the Department understates the amount of teachers' pension and benefit costs reported in its annual report by $55 million (2005 - understated by $65 million) and understates the amount it owes for teachers' pensions by $2.6 billion (2005 - $2.6 billion). We report this concern in our report on the Department of Finance.

Findings—Saskatchewan Apprenticeship and Trade Certification Commission

Background

The Saskatchewan Apprenticeship and Trade Certification Commission (the Commission) is established under *The Apprenticeship and Trade Certification Commission Act, 1999*. The Commission manages the provincial apprenticeship and trade certification system. This includes:

♦   designating trades for apprenticeship training and certification

♦   registering and monitoring the training of apprentices and journey people

♦   facilitating training delivery

♦   providing certification of achieved skill levels to apprentices and journey people

♦   representing Saskatchewan on inter-provincial apprenticeship and trade certification initiatives

In 2006, the Commission had revenues of $12.2 million, including $10.8 million from the Department (General Revenue Fund), and had expenses

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[3] *Public Accounts 2005-06: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund]. pp. 11-12.

of $12.0 million. At June 30, 2006, the Commission's accumulated surplus was $1.6 million.

Service level agreement needed

The Commission needs to sign a service level agreement with the Information Technology Office (ITO) for the delivery of IT services.

ITO provides IT service delivery for the Commission effective April 2006. The Commission does not have an agreement with ITO to manage the services delivered.

Without a signed service level agreement, there is a risk that the Commission's needs may not be met. Also, the Commission does not know whether its systems and data are secure and will be available when needed.

3.   **We recommend the Saskatchewan Apprenticeship and Trade Certification Commission sign a service level agreement with the Information Technology Office for the delivery of information technology services.**

Findings—Student Aid Fund

Background

The Department uses the Student Aid Fund (Fund) to help students finance their education. It does this through providing students with grants, bursaries, and loans.

In 2006, the Fund had revenues of $30.8 million including $16.9 million from the General Revenue Fund and had expenses of $39.8 million. At March 31, 2006, the Fund held net assets of $5.9 million.

Verification of critical information needed—status of previous recommendation

As previously reported, the Department needs to verify critical information on student loan applications within a reasonable time period.

During the year, the Department approved approximately 15,000 student loans (2005 - 16,000 loans) for approximately $55 million (2005 - $60 million). The Department also paid debt reduction benefits[4] to students and incurred other costs of $32 million (2005 - $27 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, these debt reduction and other costs also increase.

By not verifying all critical information within a reasonable time 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 at a later date. Sufficient and timely verification of critical information reduces the Department's risk of incurring significant additional costs and of not complying with governing authorities. Verifying critical information on student loan applications ensures only eligible students receive aid and that the amount of aid they receive is correct. The Department must balance its costs to verify applicant information with the need to provide students with timely financial assistance.

The Department has made good progress in verifying critical information on student loan applications. The Department has adopted a risk management approach to verifying critical information. The Department has verified some higher risk data variables and plans to verify other high risk data variables.

Because the Department did not have processes to verify all critical information and it is not practical for us to do so, we are unable to report the extent to which students may have received incorrect amounts of aid. We have reported this matter for several years. The Standing Committee on Public Accounts previously agreed with this recommendation in March 2001, April 1999, and December 1996.

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

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[4] Debt reduction benefits include grants and bursaries which offset the student loans issued to post-secondary students based on established criteria.

Reliability and understandability of performance information

Introduction

Publishing objectives, performance measures, and the results achieved is key to open and accountable government. In Saskatchewan, the Government's accountability framework calls for departments to report on their performance annually.

Audit opinions on whether reported performance information is reliable and understandable add value to the information by adding credibility. Also, audits examine the processes used to prepare the information. Identifying areas for improved processes helps to foster better controls over the information systems. Users can be more confident that audited information is reliable.

Our Office provides assurance on whether performance information in annual reports is reliable and understandable. Examples include reports by the Information Services Corporation and the Department of Health in 2004 and the Department of Finance annual report in 2005.

For 2005-06, the Department was accountable for the elementary, high school, and post-secondary education systems as reflected in its performance measures. In April 2006, the Government restructured the Department, but it continued to use the same goals and performance measures. The Department's Goal 1 was that *Learners succeed*. The performance measures for Goal 1 are set out in Exhibit 2.

Audit objective

The objective of this audit was to provide an opinion on the reliability and understandability of information for Goal 1 performance measures as reported in the Department's *2005-06 Annual Report*. We did not audit whether the performance measures are relevant or appropriate.

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Exhibit 2—The Department's Goal 1 Performance Measures for 2005-06

Goal 1 - Learners succeed

Objective 1 - Optimize children's readiness to learn
Performance measures:
  ♦ Under development

Objective 2 - Enhance Learner outcomes
Performance measures:
  ♦ number of graduates/completers by type of credential
  ♦ percent of students in a cohort starting Grade 10 who finish within three years after they start
  ♦ percentage of K-12 students performing at age appropriate (target) levels in mathematics, science, reading, and writing on national School Achievement Indicators Program (SAIP) assessments

Objective 3 - Deliver high quality curriculum, programs, and services
Performance measures:
  ♦ public satisfaction with the learning sector
  ♦ number of post-secondary programs eligible for accreditation, which have achieved accreditation
  ♦ enrolments by type of credential and type of delivery

Objective 4 - Increase access to information and resources through improved use of technology
Performance measures:
  ♦ the number of on-line courses under development, available for delivery and delivered: K-12 and post-secondary

Source: Department of Learning *2005-2006 Saskatchewan Provincial Budget Performance Plan* and the *Department of Learning: 2005-06 Annual Report*

Criteria and what we did

To do our audit, we followed Standards for Assurance Engagements established by The Canadian Institute of Chartered Accountants. We based our audit criteria on a review of the reports of other auditors and relevant literature. Our primary sources are set out in the selected references. We confirmed the appropriateness of these criteria with the Department.

We examined the controls that the Department uses to achieve reliable information. We tested whether information in the "*What Are We Measuring?*" section of its *2005-06 Annual Report* accurately reflects the Department's actual performance results. We also evaluated the overall presentation of the Goal 1 performance information.

Exhibit 3—Criteria—reliable and understandable performance information

For information on performance measures to be adequately reliable and understandable, agencies should have processes to ensure that the information reported:

1. Is reasonably accurate and complete
    1.1. is free from significant error
    1.2. is free from significant omissions
    1.3. is produced by systems that control quality

2. Is verifiable
    2.1. states time period covered
    2.2. discloses data source and any data limitations
    2.3. explains calculation of measures
    2.4. explains if measure is comparable to prior years' measure

3. Is understandable
    3.1. is appropriately explained
    3.2. compares performance to prior or expected performance
    3.3. discloses unusual events or circumstances impacting results

Conclusion

We concluded that the performance information reported by the Department in the "*What Are We Measuring?*" sections for Goal 1 of its *2005-06 Annual Report* is, in all material respects, reliable, understandable, and in accordance with the reporting principles described by management on page 3 of its *2005-06 Annual Report* (see Exhibit 5).

Public performance reporting is evolving and therefore situations arise that prevent full compliance with criteria. Management disclosed and explained limitations to the performance information. We encourage readers to use the annual report to evaluate the performance of the learning sector, but to keep in mind management's explanations of the limitations of its performance information.

Exhibit 4 reproduces our audit opinion. It also appears on page 4 of the Department's *2005-06 Annual Report* at www.sasked.gov.sk.ca under Publications.

Exhibit 4—Audit opinion

To the Members of the Legislative Assembly of Saskatchewan

I have audited the performance information reported by the Department of Learning in the *What Are We Measuring?* sections for Goal 1 of this Annual Report. The information is prepared in accordance with the principles for reliability and understandability described in management's representation on page 3. The information is the responsibility of the department's management. My responsibility is to express an opinion on the reliability and understandability of the performance information based on my audit. My audit work was limited to the information relating to the most recent year. Comparative information for prior years has not been audited. My audit was not designed to provide assurance on the appropriateness or relevance of the goals, objectives, or measures set by the Department of Learning.

I conducted my examination in accordance with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the performance information and related disclosures. An audit also includes assessing the principles used and the significant judgments made by management, as well as evaluating the overall presentation of the performance information.

In my opinion, the performance information relating to the most recent year reported by the Department of Learning in the *What Are We Measuring?* sections for Goal 1 of this annual report is, in all material respects, reliable, understandable, and in accordance with the principles for reliability and understandability described in management's representation on page 3.

Public performance reporting is evolving and therefore situations arise that prevent full compliance with criteria. Management has disclosed limitations to the performance information in situations where, in their judgment, the information does not fully conform to the criteria. Management has fairly stated the limitations and why they exist. Readers are encouraged to use the measures to evaluate the performance of the learning sector, but to keep in mind management's explanations of the limitations of its performance information.

[signature]
Fred Wendel, CMA, CA
Provincial Auditor Saskatchewan

June 28, 2006
Regina, Saskatchewan

Exhibit 5—Management's representation on performance information

The performance information in Goal 1 of the Department of Learning's 2005/06 Annual Report has been prepared in accordance with the following principles.

The performance information maintained by the department is reliable. Limitations are disclosed by both the department and, to the best of our knowledge, by learning sector partners. Reliability of data received from learning sector partners was not verified although the data was compared to public sources. As a result, there could be errors in the information. Not withstanding these limitations, we consider this to be the best information available at a reasonable cost.

The performance information provides the level of detail, language, and comparisons needed to enable a proper understanding of performance. The performance measures are comparable over time and reported at appropriate and meaningful levels.

Sincerely,

[*signature*]
Bonnie Durnford
Deputy Minister
Saskatchewan Learning

Source: Department of Learning's *2005-06 Annual Report*

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