

Education

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Main points

The Teachers' Superannuation Commission (Commission) needs to comply with its governance manual that outlines its governance processes. It also needs to develop and implement a strategic plan based on risks and a written communication plan. To ensure it has the human resources required to achieve its objectives, the Commission must identify its human resource needs and develop strategies to address any competency gaps.

To control public money relating to the benefits programs it administers, the Commission needs to establish and communicate to staff its policies and procedures. Also, it must obtain approval for bank borrowing as required by *The Financial Administration Act, 1993*.

To help ensure it receives accurate interim and annual financial reports for the pension plan and the benefits programs it administers, the Commission must provide complete and written guidance to staff for preparing interim and year-end financial reports. Such guidance will also help the Commission to give its annual report to the Legislative Assembly on time. The Commission also needs to provide more information to the Legislative Assembly about the benefit plans it provides for teachers. The Legislative Assembly should receive a report on activities and financial statements for each benefit plan.

Introduction

The Ministry of Education (formerly the Department of Learning) is responsible for the programs and services for early learning and childcare, pre-kindergarten to Grade 12 education, and public libraries. *The Education Act, 1995, The Child Care Act, and The Public Libraries Act, 1996* set out the Ministry's responsibilities. The Ministry is also responsible for certain special purpose funds and The Teachers' Superannuation Commission.

Our 2007 Report – Volume 3 reports the results of our audit of the Ministry's special purpose funds and the interim findings for the Ministry for the year ended March 31, 2007. At the date of that report, we had not yet completed the audit of the Ministry. We were examining the payment processes for the Education Technology Consortium projects. This work is not yet complete. If there are further matters to report upon completion of the audit, they will be reported in a future report.

In addition, our 2007 Report – Volume 3 did not include the results of our audit of the Teachers' Superannuation Commission (Commission) because we had not completed our audit.

This chapter sets out the results of the audit of the Commission and the pension and benefit plans it manages for the year ended June 30, 2007.

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 Cabinet.

The Commission administers the Teachers' Superannuation Plan (Plan) established under *The Teachers' Superannuation and Disability Benefits Act*. The Plan consists of the Teachers' Superannuation Fund, a defined benefit final average pension plan, and the Voluntary Contributions Fund that invests voluntary member contributions.

In 2006-07, the Plan recorded contributions of \$12.8 million from teachers and \$108.2 million from the Minister of Finance. At June 30, 2007, the

Plan held total assets of \$1.8 billion and had accrued pension benefits (pension obligations) of \$4.8 billion resulting in an unfunded pension liability of \$3.0 billion. The Commission's 2007 Annual Report includes the Plan's financial statements.

The Commission also administers the following other benefit plans for teachers and their spouses and dependents.

- ◆ Teachers' Disability Plan (Disability) established under *The Teachers' Superannuation and Disability Benefits Act*
- ◆ Teachers' Dental Plan (Dental) established under *The Teachers' Dental Plan Act*
- ◆ Teachers' Group Life Insurance Plan (Group Life) established under *The Teachers' Life Insurance (Government Contributory) Act*

The Commission receives money from the General Revenue Fund (Ministry of Education) to pay for these benefit plans. In 2006-07, the Commission received and paid \$6.1 million in disability claims, \$8.6 million in dental claims, and \$4.7 million in group life claims. Teachers do not pay for disability and dental benefits and pay half of the premiums required for group life insurance. The Commission hired an insurance company to help administer the Dental and Group Life plans.

The Commission does not prepare complete financial statements for the Disability, Dental, and Group Life benefits plans. Instead, the Commission provides some financial information in the Plan's financial statements and the Commission's annual report.

The Commission is required to provide the Ministry of Education the operating results and financial position of the Plan and the benefit plans.

Our audit conclusions and findings

In our opinion, for the year ended June 30, 2007:

- ◆ **the Commission had adequate rules and procedures to safeguard public resources except for the matters described below**
- ◆ **the Commission complied with authorities governing its activities relating to financial reporting, safeguarding public**

resources, revenue raising, spending, borrowing, and investing except for the matters described below

- ◆ **the Teachers' Superannuation Plan's financial statements are reliable**

Governance processes need improvement

In our 2007 Report – Volume 1 and past reports, we recommended that the Commission:

- ◆ develop and implement a strategic plan for the Teachers' Superannuation Commission that includes the Plan's goals and objectives, a summary of the key risks faced by the Plan and its members, and the key strategies to manage those risks
- ◆ develop and implement a written communication plan
- ◆ establish an information technology plan based on a risk assessment

The Standing Committee on Public Accounts (PAC) considered these matters in September 2004 and October 2006 and agreed with our recommendations.

As part of our 2007 audit, we assessed the Commission's progress towards addressing our past recommendations.

The Commission approved a strategic plan and an information technology strategic plan. However, it approved these plans before completing its assessment of risks for the Plan and the benefit plans. In September 2007, management provided the Commission with the Plan's and the benefit plans' risks and proposed strategies to manage those risks. Management told us the Commission plans to approve the draft risks and strategies in 2007-08.

In September 2007, management also gave members of the Commission a draft communication plan for approval.

We continue to recommend that the Teachers' Superannuation Commission develop and implement a written communication plan.

- 1. We recommend the Teachers' Superannuation Commission develop and implement a strategic plan that includes its**

goals and objectives, a summary of the key risks it faces, and the key strategies to manage those risks.

- 2. We recommend the Teachers' Superannuation Commission develop and implement an information technology strategic plan based on key risks faced by the Commission and the key strategies to manage those risks.**

In June 2006, the Commission approved a governance manual that outlines its governance processes. The Commission is not following all of the approved processes. For example, the manual requires the Commission to set out what authority it will delegate to management. The Commission has not yet done so.

Also, the governance manual requires the Commission to define and communicate to management the financial and operational information it needs to oversee all of its operations. While the Commission receives periodic financial and operational information, it has not assessed if it receives adequate information to fulfill its oversight responsibility. For example, the Commission is responsible for the administration of various benefit plans but does not regularly receive the operating results and financial position for each of these benefits plans. Without complete financial information, the Commission may not be able to fulfill its oversight responsibilities.

- 3. We recommend that the Teachers' Superannuation Commission comply with its governance manual.**

Human resource plan needed

The Commission does not have a human resource plan.

An adequate human resource plan would help the Commission to have the right employees, in the right jobs, at the right time. An adequate human resource plan would:

- ◆ set out priorities and human resource needs that link to the Commission's strategic direction
- ◆ identify key human resource risks and any competency gaps in current resources

- ◆ set out strategies and implementation plans to bridge competency gaps

In 2005, the Commission identified some human resource risks, e.g., key staff nearing retirement. It also identified some strategies to address these risks. However, the Commission has not fully assessed its current and future human resource needs. Nor has it identified strategies to address gaps between its current and future workforce. It needs to do so in coordination with the Ministry.

The Ministry requires its agencies to assess formally if their employees have the competencies required to do their work including any training plans for employees to obtain the required competencies. The Commission has not made such an assessment. When employees do not have the needed competencies, they may hesitate to do assigned tasks or do them incorrectly. We noted that when a senior manager left the Commission, staff had difficulties preparing financial statements and addressing accounting issues promptly. These difficulties delayed the completion of the Commission's annual report.

4. We recommend that Teachers' Superannuation Commission identify its human resource needs and develop strategies to address any identified competency gaps.

Management told us that the Commission will co-ordinate its human resource analysis with the Ministry of Education. Management also told us that based on the analysis, the Commission will develop a strategy to address any identified competency gaps.

Administration of benefits plans need strengthening

As stated earlier, the Commission also administers the Teachers' Disability Plan, Dental Plan (Dental), and Group Life Insurance Plan (Group Life). However, the Commission does not have adequate rules and procedures to administer the Dental and Group Life benefit plans.

The Commission needs processes to ensure only eligible plan members receive benefits, benefits claims are properly authorized, and plan members pay their share of the costs. Also, it needs adequate management reporting and monitoring processes to ensure benefit plans

operate properly. When it uses external service providers to process benefit claims, it must make written agreements setting out each party's roles and responsibilities.

The Commission uses an external service provider to pay plan members' claims under the Dental plan. The Commission receives information from members and from school divisions about members of the plan. It updates the approved members list for the service provider. The Commission does not ensure that all the changes to the members list are valid and properly supported. As a result, the Commission may pay benefits to ineligible persons.

The Commission receives financial reports for the Dental plan. The monthly reports, however, do not agree (reconcile) to the monthly invoices the Commission receives from the insurance company for claim costs. The Commission could not tell us the reasons for the differences. Without agreeing the monthly invoices and financial reports, the Commission does not know that it only paid for eligible claims.

The Commission's service agreements for the Dental and Group Life plan do not fully address all significant matters. For example, the agreements do not establish the type and frequency of reports that the Commission needs to verify that eligible members receive the correct amount of benefits.

The Commission has bank accounts for the Dental and Group Life plans. The Commission's policies do not require its employees to reconcile regularly the recorded bank balances to the banks' records. Employees did not reconcile the recorded bank balances to the bank's records throughout the year.

The Commission's policies also do not require its employees to monitor the Dental and Group Life plans' cash needs including the need to borrow. The Dental plan's bank account was overdrawn (borrowing from the bank) throughout the year and the Group Life plan's bank account was overdrawn twice during the year. The Commission could not provide evidence that the Minister of Finance approved these borrowings. Under *The Financial Administration Act, 1993*, the Commission must obtain the Minister of Finance's approval before borrowing money.

The Commission does not maintain complete financial records for its benefit plans it administers. It has no financial records setting out benefits paid and owing to members, premiums collected and owing from members, and money received and owing from the General Revenue Fund. Nor does the Commission have financial records for administration costs and amounts it owes to others. Lack of adequate financial records increases the risk that public money could be lost or misapplied without ready detection. Also, lack of proper financial reporting for the benefit plans increases the risk the Commission will make decisions based on incomplete or inaccurate information.

- 5. We recommend the Teachers' Superannuation Commission:**
- ◆ **maintain proper financial records**
 - ◆ **establish and communicate to staff policies and procedures to control public money relating to its benefit plans**
 - ◆ **obtain approval for bank overdrafts as required by *The Financial Administration Act, 1993***

Processes for preparing financial reports needed

The Commission does not have adequate accounting policies and procedures to prepare accurate interim and annual financial reports.

Agencies need accounting policies and procedures to provide staff with guidance in completing their tasks. Incomplete or unclear accounting policies and procedures increase the risk that staff may do their jobs incorrectly or late.

For the year ended June 30, 2007, the Commission did not receive complete interim financial reports. Staff prepared an interim financial report at March 31, 2007 for the Plan. The report was incomplete because it did not include all amounts due from or owed to others. For example, the report did not include the amount due from the General Revenue Fund for contributions.

The draft annual pension plan financial statements provided for audit contained several errors. Investments and amounts owing from the General Revenue Fund for contributions were incorrect. Also, staff did not follow the established accounting policies for recording investment

transactions. When informed of the errors, the Commission corrected some of them. In addition, the Commission did not prepare financial statements for its benefit plans.

- 6. We recommend the Teachers' Superannuation Commission establish complete and written guidance for preparing its interim and year-end financial reports.**

Complete and timely annual report needed

The Teachers' Superannuation and Disability Benefits Act requires the Commission to submit to the minister a report on the activities of the Commission for the preceding year and financial statements showing the business of the Commission.

To be a good accountability document, the report should describe the Commission's goals and objectives, how it manages its key risks, what it has done, where it is now, and what it plans to do.

The Commission provides audited financial statements for the Teachers Superannuation Plan, and a report on the Plan and benefit plans it administers to the Legislative Assembly. However, the Commission provides limited information about the benefit plans and does not provide complete financial statements for those plans to the Legislative Assembly. Also, the annual report does not describe the goals and objectives of the benefit plans, the cost of providing those benefits, and who pays for them.

The Tabling of Documents Act, 1991 required the Commission to provide its 2006-07 annual report to the Legislative Assembly by October 28, 2007. The Commission gave its 2006-07 annual report to the Legislative Assembly on December 20, 2007.

- 7. We recommend that the Teachers' Superannuation Commission's annual report include a report on the activities and the financial statements for each benefit plan the Commission administers.**
- 8. We recommend the Teachers' Superannuation Commission provide its annual report to the Legislative Assembly by the date required by law.**