

Education

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Main points

The Conseil des écoles fransaskoises No. 310 (Conseil) told us that the Conseil would not co-operate with our office to complete the August 31, 2010 audit. Accordingly, we are not able to audit the Conseil in accordance with *The Provincial Auditor Act* (Act) and report our findings to the Legislative Assembly.

The Act expects agencies subject to an audit by the Provincial Auditor to co-operate. In our view, the decision by the Conseil not to co-operate with the Provincial Auditor is an interference with an officer of the Legislative Assembly in the execution of his duties as contemplated by section 24 of *The Legislative Assembly and Executive Council Act, 2007*.

The Ministry needs to approve major capital grants in accordance with its policies. We found seven projects over \$500,000 that had not received proper approval.

The Teachers' Superannuation Commission has made some progress to improve its processes to adequately safeguard public resources and comply with the law. However, more work remains.

Introduction

The Ministry of Education (Ministry) provides direction for Pre-kindergarten to Grade 12 education. As well, the Ministry provides leadership to the early learning and child care, literacy, and library sectors.¹

The Ministry's responsibilities are set out primarily in *The Education Act, 1995*, *The Child Care Act*, and *The Public Libraries Act, 1996*.

Related special purpose funds and agencies

At March 31, 2010, the Ministry was responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
Technology Supported Learning Revolving Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
Teachers' Superannuation Commission (Commission)	
Teachers' Superannuation Plan	June 30
Teachers' Disability Plan	June 30
Teachers' Dental Plan	December 31
Teachers' Group Life Insurance Plan	August 31
Chinook School Division No. 211	August 31
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31
Conseil des écoles fransaskoises School Division No. 310	August 31
Creighton School Division No. 111	August 31
Englefeld Protestant Separate School Division No. 132	August 31
Good Spirit School Division No. 204	August 31
Holy Family Roman Catholic Separate School Division No. 140	August 31
Holy Trinity Roman Catholic Separate School Division No. 22	August 31
Horizon School Division No. 205	August 31
Ile a la Crosse School Division No. 112	August 31
Light of Christ Roman Catholic Separate School Division No. 16	August 31
Living Sky School Division No. 202	August 31

¹ *Ministry of Education, 2009-10 Annual Report*, p. 7.

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Lloydminster Roman Catholic Separate School Division No. 89	August 31
Lloydminster Public School Division No. 99	August 31
North East School Division No. 200	August 31
Northern Lights School Division No. 113	August 31
Northwest School Division No. 203	August 31
Prairie South School Division No. 210	August 31
Prairie Spirit School Division No. 206	August 31
Prairie Valley School Division No. 208	August 31
Prince Albert Roman Catholic Separate School Division No. 6	August 31
Regina Roman Catholic Separate School Division No. 81	August 31
Regina School Division No. 4	August 31
Saskatchewan Rivers School Division No. 119	August 31
Saskatoon School Division No. 13	August 31
South East Cornerstone School Division No. 209	August 31
St. Augustine Roman Catholic Separate School Division No. 220	August 31
St. Paul's Roman Catholic Separate School Division No. 20	August 31
Sun West School Division No. 207	August 31

Financial overview

As set out in the table below, the Ministry spent over \$1,334 million in 2009–10.

Table 1	Estimates	Actual
	<u>2009-10²</u>	<u>2009-10</u>
	(in millions of dollars)	
Central Management and Services	\$ 16.5	\$ 15.1
Pre-K-12 Education	1,109.5	1,101.7
Early Learning and Child Care	57.8	53.9
Curriculum and E-Learning	6.1	5.4
Literacy	2.8	2.4
Provincial Library	12.3	12.3
Teachers' Pensions and Benefits	173.2	142.6
Capital Asset Amortization	<u>1.0³</u>	<u>0.9</u>
Total Expense	<u>1,379.2</u>	<u>1,334.3</u>
Capital Acquisitions	<u>--</u>	<u>0.5</u>
	<u>\$ 1,379.2</u>	<u>\$ 1,334.8</u>

² Saskatchewan Finance, 2009-10 Saskatchewan Estimates.

³ Amortization is not included in appropriations.

The Ministry's *2009-10 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (www.education.gov.sk.ca).

In 2009-10, the Ministry had revenues of \$12.1 million of which 63% came from the Federal Government primarily for Federal-Provincial Cost Sharing programs.

This chapter also includes an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC).

Audit conclusions and findings

In our opinion, for the fiscal years ending on or before August 31, 2010:

- ◆ **the Ministry and the Commission had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- ◆ **the Ministry and the Commission complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**
- ◆ **the financial statements of the above listed funds and the Commission's Teachers' Superannuation Plan are reliable**

The Commission did not prepare financial statements for the Teachers' Dental Plan and Teachers' Disability Plan for the years ended December 31, 2009 and June 30, 2010, respectively.

We have not completed our audit of the school divisions and Teachers' Group Life Insurance Plan financial statements for the year ended August 31, 2010. We will report our findings in a future report.

Audit of School Divisions

Because of changes to *The Education Act, 1995* in 2009, school divisions form part of the Government of Saskatchewan. Beginning with the year ended March 31, 2010, school divisions are included in the Government's Summary Financial Statements. As a result, school divisions are now subject to the audit requirements of *The Provincial Auditor Act (Act)*.

We are currently in the process of auditing school divisions for the year ended August 31, 2010. School divisions also have appointed auditors similar to other government organizations. In conducting our audit of school divisions, we are working together with their appointed auditors in accordance with the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see www.auditor.sk.ca/rrd.html).

In June 2010, the appointed auditor of the Conseil des écoles fransaskoises No. 310 (Conseil) told us that the Conseil had requested them not to provide any information to our Office. Accordingly, we cannot conduct the audit of the Conseil in accordance with the Act. The Conseil provides educational services to Saskatchewan's Francophone student population. For the year ended August 31, 2009, the Conseil reported revenues of \$26.5 million, expenses of \$24.5 million, and capital assets \$39.7 million.

The Act expects agencies subject to an audit by the Provincial Auditor to co-operate. In our view, the decision by the Conseil not to co-operate with the Provincial Auditor is an interference with an officer of the Legislative Assembly in the execution of his duties as contemplated by section 24 of *The Legislative Assembly and Executive Council Act, 2007*.

The Ministry of Education has told us that it is working with the Conseil to try to resolve this lack of co-operation. However, if the Conseil does not allow our office to fulfill its duties, we will be unable to provide the Legislative Assembly with our assurance as to:

- ◆ the adequacy of the Conseil's rules and procedures to safeguard public resources
- ◆ its compliance with authorities relating to authorities governing the Conseil's activities relating to financial reporting, safeguarding

public resources, revenue raising, spending, borrowing, and investing

- ◆ the reliability of the Conseil's financial statements

In addition, we will be unable to bring to the attention of the Legislative Assembly any matters required by section 12 of the Act. Such matters include incidents of fraud, misuse of public money, and expenditures without authorization.

Better control over grants needed

The Ministry needs to better control approval of major capital grants.

The Ministry's signing authority delegation requires the Deputy Minister or an Assistant Deputy Minister to approve major capital projects over \$500,000. We found seven projects over \$500,000 that had not received proper approval prior to recording the expense. As a result, major capital grants were not approved in accordance with the Ministry's delegation of authority.

- 1. We recommend that the Ministry of Education approve major capital grants in accordance with its signing authority delegation.**

The Ministry subsequently approved the above grants in accordance with its delegation of authority.

Reporting of incorrect pension costs

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

The Ministry follows policies set by Treasury Board to prepare its financial plan (Estimates) and to account for its activities. In our audit report on the 2010 financial statements of the General Revenue Fund⁴, we continue to report that Treasury Board does not use Canadian generally accepted accounting principles for the public sector to account for pension costs.

⁴ *Public Accounts 2009-10: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund]. pp. 47-48.

As a result for the year ended March 31, 2010, the Ministry understates the amount of teachers’ pension and benefits costs reported in its annual report by \$300 million (2009 – understated by \$310 million) and understates the amount it owes for teachers’ pensions by \$3.8 billion (2009 – \$3.5 billion). We also report this matter in Chapter 8 on the Ministry of Finance.

Implementation of past recommendations needed

In our previous report, we made recommendations noted in the table below. These recommendations remain outstanding.

We continue to make the recommendations contained in Table 2.

Table 2

RECOMMENDATION (INITIAL REPORT)	STATUS PAC	ACTIONS EDUCATION TOOK IN 2009-10	STATUS OF RECOMMENDATION
4-1 the Ministry of Education require all public libraries to prepare their financial statements following the standards as recommended by The Canadian Institute of Chartered Accountants. 2009 Report – Volume 3 Chapter 4	PAC agreed with these recommendations on May 2010.	The Ministry is working with public libraries to meet this recommendation.	Partially implemented (as at March 31, 2010).
4-2 the Ministry of Education prepare an information technology strategic plan. 2009 Report – Volume 3 Chapter 4		No progress in the year.	Not implemented (as at March 31, 2010).

Teachers’ Superannuation Commission

Background

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 Saskatchewan Teachers’ Federation and the Ministry of

Education each nominate three members and these six members nominate the Commission's Chairperson. The Commission collects pension plan contributions, provides pension benefits, and administers teachers benefit programs as described below.

The Commission administers the Teachers' Superannuation Plan (Plan) established under *The Teachers Superannuation and Disability Benefits Act*. The Plan's members are teachers who commenced service prior to July 1, 1980. The Plan consists of the Teachers' Superannuation Fund, a defined benefit final average pension plan, and the Voluntary Contributions Fund that invests members' voluntary contributions.

In 2009-10, the Plan recorded contributions of \$8 million from plan members and \$63 million from the Minister of Finance. At June 30, 2010, the Plan held total assets over \$1.0 billion and had accrued pension benefits of almost \$5.1 billion resulting in an unfunded pension liability of \$4.1 billion. The Commission's June 30, 2010 Annual Report includes the Plan's financial statements.

The Commission receives money from the General Revenue Fund (Ministry of Education) to pay for the benefit programs. In 2009-10, the Commission received and paid approximately \$5 million in Teachers' Disability Plan (Disability) claims and \$9.5 million in Teachers' Dental Plan (Dental) claims. For the year ended August 31, 2010 the Commission paid an estimated \$4.3 million in Teachers' Group Life Insurance (Group Life) claims. Teachers do not pay for Disability and Dental benefits and pay half of the premiums required for Group Life. The Commission has hired an insurance company to help administer the Dental and Group Life programs.

Human resource plan

Since 2008, we have recommended that the Commission identify its human resource needs and develop strategies to address any competency gaps. PAC agreed with our recommendation in June 2008.

The Commission made little progress in developing a human resource plan. It continued to discuss its human resource needs with the Ministry. The Commission identified and documented the skills and competencies required for two positions when it hired new employees to fill these

positions during the year. Management told us the Commission will use this documented process for hiring other employees. However, the Commission has not formally assessed its overall human resource needs and developed strategies required to address any competency gaps. Nor did it have processes to ensure its employees had needed competencies to do assigned tasks. When employees do not have needed competencies, they may hesitate to do assigned tasks or may do them incorrectly.

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

Management told us the Commission continues to work with the Ministry and the Public Service Commission to address staffing and establish a human resource plan.

Payments without support

Since 2009, we have recommended that the Commission have adequate support for all payments. PAC agreed with our recommendation in September 2009.

In 2009-10, the Commission began receiving a weekly invoice from the insurance company who administers the Dental program. The weekly invoice lists the dental benefit payments that have cleared the bank (several thousand lines of data). The Commission also receives a monthly benefits paid report and a monthly invoice for administration costs.

The Commission examines a sample of dental claims from the monthly dental benefits report to determine claims paid are valid (e.g., there is an eligible member, the member received service, and the benefit is the correct amount). However, the Commission does not reconcile the weekly invoices to the monthly benefits paid report. Such a reconciliation ensures claims paid and recorded are valid benefit claims.

We continue to recommend that the Teachers' Superannuation Commission have adequate support for dental payments.

Management told us it is working with its information technology consultant to build a database to reconcile the weekly invoices to the monthly dental benefits paid.

Compliance with legislation

Since 2009, we have recommended that the Commission comply with *The Teachers Superannuation and Disability Benefits Act (Act)* for contributions into and payments out of the Teachers' Superannuation Fund (Fund). PAC agreed with our recommendation in September 2009.

The Act does not allow the Fund to receive money to pay disability benefits. The General Revenue Fund is responsible for paying these benefits.

In 2009-10, the Commission continued to receive money from the General Revenue Fund to pay disability benefits. It deposited \$5 million into the Fund's bank account and paid disability benefits from this account. The money deposited into the Fund and paid out of it for disability benefits is without authority.

We continue to recommend that the Teachers' Superannuation Commission comply with *The Teachers Superannuation and Disability Benefits Act* for contributions into and payments out of the Teachers' Superannuation Fund.

Management told us it began using the separate bank account to pay disability benefits in July 2010.

Adequacy of insurance agreements

In our 2010 Report – Volume 1, we recommended that the Commission implement adequate processes to establish and monitor agreements with insurance providers.

The Commission does not have adequate written guidance for making and monitoring such agreements. For Dental, the Commission has not outlined the reports it needs to monitor the cost of benefits. As a result, management is not receiving adequate reports to support the payments it makes for Dental benefits.

For Group Life, the agreement with the insurance company does not outline all of the roles and responsibilities of both the Commission and the insurance company. The agreement does not indicate the premium rate for accidental death and dismemberment insurance coverage or set out who is responsible for paying any benefits exceeding the premiums.

Lack of adequate written guidance increases the risk that the Commission may not receive the contracted services and pay incorrect amounts for services received.

We continue to recommend that the Teachers' Superannuation Commission implement adequate processes to establish and monitor agreements with insurance providers.

Management told us the 2010-11 Group Life Insurance Plan and the Dental Plan annual agreements between the Commission and the insurance company will outline the roles and responsibilities of both including the Commission's responsibility for premiums and the reports it requires from the insurance company.

Processes to prepare financial reports

Since 2009, we have recommended that the Commission establish complete and written guidance for preparing interim and year-end financial reports. PAC agreed with our recommendation in September 2009.

During the year, the Commission made progress in establishing written guidance for preparing the Dental and Disability Plans' interim and year-end financial reports. The Commission worked with the insurance company to obtain weekly manual invoices of Dental benefit payments. For the Disability Plan, the Commission had the financial information to prepare accurate financial records. However, it did not prepare any financial statements for the Disability Plan. As of September 2010, the Commission had not yet prepared financial records for the Dental and Disability Plans. Lack of accurate and timely financial records prevented preparation of proper interim and year-end financial reports. Without accurate and timely financial reports, the Commission is at risk of making incorrect decisions.

We continue to recommend that the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports.

Management told us that it provides summarized financial information to the Commission members. Management also told us now that the Commission has a separate Disability bank account, and it will begin preparing financial records and financial reports. In addition, management told us it continues to develop processes to prepare financial records for the Dental Plan.

Complete annual report

Since 2008, we have recommended that the Commission's annual report include a report on the activities and the financial statements of each benefit plan the Commission administers. PAC agreed with our recommendation in June 2008.

The Commission's 2009-2010 Annual Report provides additional information about the Dental and Disability Plans. However, the Commission does not provide financial statements for those plans to the Legislative Assembly. Without financial statements, legislators, plan members, and the public cannot assess the plans' performance and the Commission's effectiveness in administering these programs.

We continue to recommend that the Teachers' Superannuation Commission's annual report include the financial statements of each benefit plan the Commission administers.

Management told us it plans to include the financial statements for both the Dental and Disability Plans in the Commission's annual report when it has developed its processes for preparing financial statements. Management also told us that while it develops these processes it will continue to provide information about the Plans' expenses and accrued disability benefits in the Commission's annual reports.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.⁵

Table 3

PAC REPORT YEAR ⁶	OUTSTANDING RECOMMENDATION	STATUS
1999	CR60. The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Canadian Institute of Chartered Accountants] CICA.	Partially implemented (as at March 31, 2010). The Ministry is working with school divisions to meet this recommendation.
2007	PAC concurs: 3-1 that the Department of Learning’s human resource plan should: -quantify its human resource needs -provide details on human resource gap between actual and required resources -provide details on plans to implement the major strategies	Not implemented (as at March 31, 2010). No progress in the year.
2007	PAC concurs: 3-2 that the Department of Learning should sign a service level agreement with the Information Technology Office.	Not implemented (as at March 31, 2010). No progress in the year.
2009	PAC concurs: 16-2 that the Ministry of Education follow its established procedures for user access to its systems and data.	Not implemented (as at March 31, 2010). During the audit, we found that the Ministry did not remove network access for 5 employees on a timely basis.
2009	PAC concurs: 5-2 that the Ministry of Education receive and review proper support for the payments made to the Teachers’ Superannuation Commission (TSC).	Partially implemented (as at March 31, 2010). The Ministry is working with TSC to obtain proper support for payments.

⁵ For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

⁶ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR ⁶	OUTSTANDING RECOMMENDATION	STATUS
2009	<p>PAC concurs:</p> <p>5-4 that the Ministry of Education monitor the effectiveness of the Information Technology Office's (ITO) security controls to protect the Ministry's computer systems and data.</p>	<p>Partially implemented (as at March 31, 2010).</p> <p>The Ministry received monthly reports from ITO during the year. The reports include information on ITO activities such as service levels and costs, but little information on the security or availability of its systems. In addition, the Ministry does not receive any information about the adequacy of ITO controls or how the weaknesses at the ITO could affect the Ministry's systems and data.</p>

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