

Chapter 5 Education

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Education (Education), its funds and plans.

The Ministry of Education (Education), the Technology Supported Learning Revolving Fund, the School Division Tax Loss Compensation Fund, the Prince of Wales Scholarship Fund, the Teachers' Superannuation Plan and the Teachers' Disability Plan, complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The financial statements of the Teachers' Superannuation Plan and Education's funds for the year ending 2012 are reliable.

Education, Teachers' Superannuation Plan, and Teachers' Disability Plan had effective rules and procedures to safeguard public resources except for the following:

- › Education needs to enter into written agreements with school divisions setting out the terms and conditions of its capital grants and properly record them in its financial records
- › Education needs to improve information technology (IT) processes to promptly remove user access, prepare an IT strategic plan, sign an adequate service level agreement with the Information Technology Office, and monitor the effectiveness of the Information Technology Office's security controls to protect Education's computer systems and data

In addition, in October 2012, we became aware that Education had provided at least \$31 million in loan guarantees for capital projects to certain school divisions. For the year ended March 31, 2012, Education's and the General Revenue Fund's expenses and liabilities were understated by at least \$31 million.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

2.0 INTRODUCTION

Education provides leadership and direction to early learning and child care; Kindergarten through Grade 12 education; literacy; and library sectors. Education supports these areas through funding, governance, and accountability, with a focus on improving student achievement.¹

For the year ended March 31, 2012, Education had 285 full-time equivalent positions.²

¹ *Ministry of Education, 2011-12 Annual Report*, p. 6.

² *Ibid.*, p. 6.



2.1 Financial Overview

For the year ended March 31, 2012, Education spent \$1.56 billion on its programs and had revenues of \$10.9 million. Information about Education's revenues and expenditures appears in its 2011-12 annual report (see www.education.gov.sk.ca/Annual-Report).

Figure 1 – Major Programs and Spending

	Estimates 2011-12	Actual 2011-12
	(in millions of dollars)	
Central Management and Services	\$ 13.7	\$ 13.5
Pre-K-12 Education	1,136.0	1,229.0
Early Learning and Child Care	63.5	57.4
Curriculum and E-Learning	4.8	4.9
Literacy	2.5	2.0
Provincial Library	12.3	14.0
Teachers' Pensions and Benefits	198.5	224.6
Total Appropriation	<u>1,431.3</u>	<u>1,565.4</u>
Capital Asset Acquisition	-	(1.9)
Capital Asset Amortization	1.0	1.0
Other	-	(0.3)
Total Expense	<u>\$ 1,432.3³</u>	<u>\$ 1,564.2</u>

Source: Ministry of Education, 11-12 Annual Report

2.2 Related Special Purpose Funds, Plans and Agencies

At March 31, 2012, Education was responsible for school divisions and the following funds and plans:

	<u>Year-end</u>
Funds	
Technology Supported Learning Revolving Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
Plans	
Teachers' Superannuation Plan	June 30
Teachers' Disability Plan	June 30
Teachers' Dental Plan	June 30
Teachers' Group Life Insurance Plan	August 31

We described our audit results of the school divisions and the Teachers' Group Life Insurance Plan for the year ended August 31, 2011 in our 2012 Report – Volume 1,

³ The Estimates total does not included an additional \$140.5 million authorized through the Saskatchewan Supplementary Estimates and statutory adjustments.

chapters 1 and 3, respectively. For our audit results of the Teachers' Dental Plan, see Chapter 25.

3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

In our opinion, for the years ended on or before June 30, 2012:

- › Education and the plans had effective rules and procedures to safeguard public resources except as reported in this chapter
- › Education, the funds, and the plans complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

The Government Organization Act
The Ministry of Education Regulations, 2007
The Education Act, 1995
The Education Funding Regulations
The School Division Tax Loss Compensation Fund Administration Regulations
The Child Care Act, sections 21 and 22
The Child Care Regulations, 2001
The Financial Administration Act, 1993
The Public Libraries Act, 1996, sections 64 and 65
The Public Libraries Regulations, 1996
The Public Service Act
The Teachers' Life Insurance (Government Contributory) Act, section 6
The Teachers' Superannuation and Disability Benefits Act

The Teachers' Superannuation and Disability Benefits Regulations
The Teachers' Dental Plan Act, section 7
The Pension Benefits Act, 1992
The Pension Benefits Regulations, 1993
The Tabling of Documents Act, 1991
The Crown Employment Contracts Act Pension Benefits Standards Regulations, 1985 (Canada)
Income Tax Act (Canada), sections 147.1, 147.2, and 147.3
Income Tax Regulations (Canada), sections 8501-8504, 8512, 8514, 8520
 Orders in Council issued pursuant to the above legislation

- › The financial statements for the Teachers' Superannuation Plan and the funds are reliable

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Education's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Education's rules and procedures to safeguard public resources included assessing the design and effectiveness of Education's control activities relating to making grants, which are approximately 97% of total Ministry expenditures.

3.1 Delegation of Authority Process Improved

We recommended that the Ministry of Education approve school division operating and capital grant payments in accordance with its delegation of authority. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented.



Education changed its processes to ensure that all school division operating and capital grant payments are in accordance with its delegation of authority.

3.2 Capital Transfer Agreements with School Divisions Needed

We recommended that the Ministry of Education enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support the Ministry's expenses. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – We continue to make this recommendation.

Education provided school divisions with general information on capital funding. The Minister also used approval forms to communicate its funding decisions to school divisions. However, these approval forms did not include the terms or conditions of these grants.

Without formal funding agreements that include the terms and conditions of the grants, there is increased risk that school divisions may misunderstand what they must do to qualify for grants or what they must do to keep the grants. As well, it may not always be clear when Education should record its capital grant expense.

3.3 Capital Grants to School Divisions Not Properly Recorded

In the current year, we identified capital projects totalling \$21.8 million where Education had not recorded the liability and related expenses for approved capital projects at the time school divisions met the eligibility criteria for funding. We also identified capital projects totalling \$15.8 million where Education recorded a liability before eligibility criteria for funding was met or did not adjust the amounts recorded as a liability when there were approved changes to, or cancellation of, previously approved projects. These errors resulted in Education's and the General Revenue Fund's expenses and liabilities being understated by \$6 million as of March 31, 2012.

In October 2012, subsequent to the completion of our audit, we became aware that Education, in 2011-12, had provided loan guarantees for capital projects to certain school divisions. It had agreed to provide those school divisions with funding that allows them to repay their loans with financial institutions for their capital projects. These loans total at least \$31 million.

Under Canadian generally accepted accounting principles, guaranteed loans expected to be repaid through government funding should be accounted for as a liability and expense in the year that the guarantee is made. This means that for the year ended March 31, 2012, Education's and the General Revenue Fund's expenses and liabilities were understated by at least an additional \$31 million.

At the time of this report, we are further reviewing to determine whether other loans held by school divisions should be recorded as liabilities of Education and the General Revenue Fund. At March 31, 2012, school divisions had loans totalling \$74.5 million. Our further review of this could indicate that an additional liability of \$43.5 million may need to be recorded.

1. **We recommend that the Ministry of Education properly record capital grants to school divisions in its financial records.**

3.4 Human Resource Plan Improved

We recommended the Ministry of Education's (formerly Department of Learning) 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
(2006 Report – Volume 3; Public Accounts Committee agreement March 20, 2007)

Status – Implemented.

Education has improved its human resource plan. The plan now identifies key issues and needs related to Education's workforce.

3.5 Information Technology Controls Need Improvement

We recommended the Ministry of Education (formerly Department of Learning) sign a service level agreement with the Information Technology Office. (2006 Report – Volume 3; Public Accounts Committee agreement March 20, 2007)

Status – We continue to make this recommendation.

During 2011-12, Education signed a memorandum of understanding with the Information Technology Office (ITO) identifying the roles and responsibilities for both parties. However, Education and ITO are still working on defining services, disaster recovery requirements and reporting as part of the agreement. Without an adequate service level agreement, Education's needs may not be met.



We recommended that the Ministry of Education (formerly Department of Learning) follow its established procedures for user access to its systems and data. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

Status – We continue to make this recommendation.

Education did not follow its processes for promptly removing user access from individuals who no longer work for Education. For example, we found 6 out of 13 individuals tested did not have their network access removed promptly. In one instance, access was not removed until 55 days after the employment ended. If former employees do not have access removed in a timely manner, it increases the risk of inappropriate access to Education's systems and data.

We recommended the Ministry of Education monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – We continue to make this recommendation.

ITO provides computers and network access to Education. ITO is a custodian for Education's information systems and data. To be certain that its information systems and data are secure, Education needs to monitor whether the security provided by ITO is adequate. Education receives reports from ITO. However, these reports were not adequate for Education to monitor the effectiveness of ITO's security controls. Therefore, Education did not know if ITO was addressing Education's security and disaster recovery needs.

We recommended the Ministry of Education prepare an information technology strategic plan. (2009 Report – Volume 3; Public Accounts Committee agreement May 12, 2010)

Status – We continue to make this recommendation.

Education is working on developing an information technology (IT) strategic plan.

An IT strategic plan can help management ensure IT initiatives are appropriate to meet Education's direction. It would also help management determine if it has addressed all the threats and risks to Education's security. Education needs an IT strategic plan to ensure its use of resources supports its strategic objectives.

4.0 EXHIBITS

4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

PAC Report Year	Outstanding Recommendation	Status
Ministry of Education – Child Care Facilities (2010 Report – Volume 1)		
2011	5-3 that the Ministry of Education report trends in child care facilities' compliance with <i>The Child Care Regulations</i> to senior management quarterly and to the public annually.	Partially implemented (as of March 31, 2012)
Ministry of Education – Instruction Time (2009 Report – Volume 3)		
2011	4-3 that the Ministry of Education define “instruction time” to set clear expectations for delivery of the core curriculum.	Partially implemented (as of September 30, 2011)
2011	4-4 that the Ministry of Education require school divisions to publicly report on their performance in meeting the Ministry's instruction time requirements.	Partially implemented (as of September 30, 2011)
2011	4-5 that the Ministry of Education monitor for all core curriculum areas of study the extent to which school divisions meet the Ministry's requirements for instruction time.	Partially implemented (as of September 30, 2011)
2011	4-6 that the Ministry of Education take corrective action where necessary to improve school division compliance with the Ministry's requirements for instruction time.	Not implemented (as of September 30, 2011)