

Chapter 5 School Divisions

1.0 MAIN POINTS

This chapter reports the results of the annual audits of school divisions for the year ended August 31, 2012.

The financial statements of school divisions are reliable and school divisions are complying with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Overall, school divisions have been improving their internal controls. Thirteen school divisions still have work to do to improve segregation of duties, information technology security policies, disaster recovery plans, verification of capital assets, and evaluation of the performance of management.

2.0 INTRODUCTION

The Ministry of Education (Ministry) is responsible for providing direction to school divisions for Pre-Kindergarten to Grade 12 education. School divisions provide Pre-Kindergarten to Grade 12 education to students throughout the province. The Ministry's and school divisions' responsibilities are set out primarily in *The Education Act, 1995* (Act).

The Ministry was responsible for 28 school divisions for the year ended August 31, 2012. See **Exhibit 5.1** for a list of school divisions, their appointed auditors, and a description of our participation.

For 2012, the school divisions had revenue totalling \$2.0 billion (2011 - \$1.9 billion) including \$1.3 billion (2011 - \$1.1 billion) from the General Revenue Fund and expenses totalling \$1.9 billion (2011 - \$1.8 billion). At August 31, 2012, the school divisions held net financial assets of \$265 million (2011 - \$251 million) and non-financial assets of \$1.5 billion (2011- \$1.4 billion).

3.0 BACKGROUND

Since 2009-10, the Government's Summary Financial Statements have included school divisions' financial results. Since the year ended August 31, 2010, we have been actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities. For the years ended August 31, 2010 and 2011, we offered guidance through generalized recommendations (i.e., we did not name the school divisions that the recommendations applied to) to assist all school divisions in improving their practices and accountability. For the year ended August 31, 2012, we make recommendations directed at specific school divisions. See **Exhibit 5.2** for a summary of school division generalized recommendations from 2011 with a comparison to 2012. School divisions have been improving their internal controls.



4.0 AUDIT CONCLUSIONS AND FINDINGS

We worked with appointed auditors (see **Exhibit 5.1**) using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.¹

In our opinion, for the year ended August 31, 2012:

- ▶ **School divisions had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- ▶ **School divisions complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Education Act, 1995
The Education Regulations, 1986
The Financial Administration Act, 1993 (Section 38)
The Pension Benefits Act, 1992 (Section 44)
The Pension Benefits Regulations, 1993 (Section 38)
Pension Benefit Standards Regulations, 1985 (Canada) [Sections 9(1), 11(1)]

- ▶ **The financial statements of the school divisions are reliable**

4.1 Segregation of Duties Required

Five school divisions need to segregate certain duties among their employees to safeguard public resources from misuse. Good internal controls separate the following functions: the custody of or access to assets (e.g., cash), the initiation of transactions (e.g., decision to buy), the approval of transactions (e.g., approval to buy), and the responsibility for recording and reporting the transaction (e.g., recording amounts in the accounting records). Policies and procedures are used to establish segregation of duties among employees. When employees do not follow established policies and procedures, this increases the risk of misappropriation of assets.

We found that Prince Albert Roman Catholic Separate School Division has not adequately segregated incompatible duties among its employees. During the year, there was no independent review and approval of bank reconciliations. Regular reconciliations, and the review and approval of such reconciliations provides a check that all charges to bank accounts are proper and all money has been received and deposited into the right accounts. It also provides a check on the accuracy and reliability of the accounting records.

- 1. We recommend Prince Albert Roman Catholic Separate School Division No. 6 independently review and approve bank reconciliations.**

We found that two school divisions did not have adequate processes for reviewing and approving amounts entered into the accounting records (i.e., journal entries). Chinook

¹ See our website at www.auditor.sk.ca.

School Division implemented a journal entry process during the year; however this process has not been formally documented or approved. The policy should specify the duties of preparing, posting, and reviewing journal entries. During the testing of the journal entry process, there were some instances of journal entries that were not independently reviewed and approved.

We also found that Ile-a-la Crosse School Division did not have a policy on preparing, posting and reviewing journal entries. We found some instances of journal entries that were not independently reviewed and approved. This increases the risk of unauthorized entries being made to the accounting records.

2. We recommend that Chinook School Division No. 211 formally document and implement a policy for recording amounts (i.e., journal entries) in its accounting records including independent review and approval.

3. We recommend that Ile-a-la Crosse School Division No. 112 formally document and implement a policy for recording amounts (i.e., journal entries) in its accounting records including independent review and approval.

We found that Chinook School Division has not developed and implemented a purchasing policy that appropriately segregates duties. We found some instances where invoices did not have evidence of an authorized signature approving the payment. The purchasing policy should address the initiation, authorization, and approval of purchases.

Further, we found that North East School Division and Sun West School Division did not follow their purchasing policies during the year. At these two school divisions, we found several instances where purchase orders were missing or not completed, contained incomplete information, and/or were not approved.

4. We recommend that Chinook School Division No. 211 formally establish and implement a purchasing policy.

5. We recommend that North East School Division No. 200 follow its purchasing policy.

6. We recommend that Sun West School Division No. 207 follow its purchasing policy.



Sun West School Division does not have a documented process to regularly review changes made to its payroll system. Changes to employee information, such as new hires and retirements, and changes to rates of pay should be independently reviewed and approved.

7. We recommend that Sun West School Division No. 207 formally establish and implement a policy for making any changes to its payroll system.

4.2 Information Technology Security Policies Need Improvement

Ten school divisions need to establish adequate information technology (IT) security policies.

We found these school divisions did not set minimum password standards, allowed inappropriate access by employees to systems and data, did not review security logs to detect and address security threats, and/or did not appropriately test and document changes to their systems.

Information technology (IT) security policies help ensure the confidentiality, integrity, and availability of information systems and data. For example, these policies identify the rules that staff need to follow. Without adequate IT security policies, school divisions' systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

8. We recommend that Chinook School Division No. 211 establish adequate information technology security policies.

9. We recommend that Englefeld Protestant Separate School Division No. 132 establish adequate information technology security policies.

10. We recommend that Light of Christ Roman Catholic Separate School Division No. 16 establish adequate information technology security policies.

11. We recommend that Living Sky School Division No. 202 establish adequate information technology security policies.

12. We recommend that North East School Division No. 200 establish adequate information technology security policies.

13. We recommend that Prince Albert Roman Catholic Separate School Division No. 6 establish adequate information technology security policies.

14. We recommend that Saskatoon School Division No. 13 establish adequate information technology security policies.

15. We recommend that South East Cornerstone School Division No. 209 establish adequate information technology security policies.

16. We recommend that St. Paul's Roman Catholic Separate School Division No. 20 establish adequate information technology security policies.

17. We recommend that Sun West School Division No. 207 establish adequate information technology security policies.

4.3 IT Disaster Recovery Plans Needed

Seven school divisions need written, approved, and tested information technology (IT) disaster recovery plans to enable them to continue to deliver their programs and services if their IT systems become damaged. For example, IT systems need to be available for instructors and students who utilize computers, financial systems need to be available to pay contractors and staff the correct amounts of money on time, and student records need to remain accessible.

These school divisions should base their IT disaster recovery plans on risk assessments focusing on key programs, systems, and data. An IT disaster recovery plan:

- 】 Sets out the responsibilities of those who are to implement the plan
- 】 Includes emergency procedures to be used while the system is unavailable
- 】 Includes steps for the recovery and restoration of the system



 Should be regularly tested and updated

18. We recommend that Chinook School Division No. 211 approve and test its information technology disaster recovery plan.

19. We recommend that Englefeld Protestant School Division No. 132 approve and test its information technology disaster recovery plan.

20. We recommend that Living Sky School Division No. 202 approve and test its information technology disaster recovery plan.

21. We recommend that North East School Division No. 200 approve and test its information technology disaster recovery plan.

22. We recommend that Northern Lights School Division No. 113 approve and test its information technology disaster recovery plan.

23. We recommend that St. Paul's Roman Catholic Separate School Division No. 20 approve and test its information technology disaster recovery plan.

24. We recommend that Sun West School Division No. 207 approve and test its information technology disaster recovery plan.

4.4 Periodic Verification of Capital Assets Needed

Saskatchewan Rivers School Division did not have processes to periodically verify the existence of its physical assets. This increases the risk that some of its physical assets, such as computers and other equipment, may be disposed without authorization and proper adjustment to the accounting records.

25. We recommend that Saskatchewan Rivers School Division No. 119 periodically verify the existence of its physical assets.

4.5 Preparation of Performance Evaluations for Management

Horizon School Division is not evaluating the performance of its management. Regular performance evaluations help monitor that employees perform their duties as expected. Performance evaluations also help identify training needs to help employees obtain the necessary competencies to do their assigned work.

26. We recommend that Horizon School Division No. 205 prepare regular performance evaluations for management.

5.0 EXHIBITS

5.1 School Divisions, Appointed Auditors, and Our Participation

Under the Act, school divisions have the authority to appoint auditors. This exhibit lists the school divisions, their appointed auditors, and our participation.

School Division	Appointed Auditor (at August 31, 2012)	Participated in Audit*
Chinook School Division No. 211	Stark & Marsh LLP	Yes
Christ the Teacher Roman Catholic Separate School Division No. 212	Parker Quine LLP	Note 1
Conseil des écoles fransaskoises No. 310	Deloitte LLP	Yes
Creighton School Division No. 111	Kendall & Pandya	Note 1
Engelfeld Protestant Separate School Division No. 132	MNP LLP	Note 1
Good Spirit School Division No. 204	Skilnick Miller Moar Grodecki & Kreklewich	Yes
Holy Family Roman Catholic Separate School Division No. 140	Cogent Business Consulting	Note 1
Holy Trinity Roman Catholic Separate School Division No. 22	Robert A. Tiede	Note 1
Horizon School Division No. 205	MNP LLP	Note 1
Ile-a-la Crosse School Division No. 112	Menssa Baert Cameron Odishaw La Cock	Note 1
Light of Christ Roman Catholic Separate	Menssa Baert Cameron Odishaw La Cock	Note 1



School Division	Appointed Auditor (at August 31, 2012)	Participated in Audit*
School Division No. 16		
Living Sky School Division No. 202	Holm Clements Kwong Svenkeson Raiche	Yes
Lloydminster Roman Catholic Separate School Division No. 89	Wilkinson Livingston Stevens LLP	Note 1
Lloydminster Public School Division No. 99	Wilkinson Livingston Stevens LLP	Note 1
North East School Division No. 200	MNP LLP	Note 1
Northern Lights School Division No. 113	MNP LLP	Note 1
Northwest School Division No. 203	Pinnacle Business Solutions	Note 1
Prairie South School Division No. 210	Stark & Marsh LLP	Yes
Prairie Spirit School Division No. 206	C.S. Skrupski Certified General Accountant Professional Corporation	Yes
Prairie Valley School Division No. 208	MNP LLP	Note 1
Prince Albert Roman Catholic Separate School Division No. 6	Deloitte LLP	Note 1
Regina Roman Catholic Separate School Division No. 81	Dudley & Company LLP	Note 1
Regina School Division No. 4	MNP LLP	Yes
Saskatchewan Rivers School Division No. 119	Deloitte LLP	Note 1
Saskatoon School Division No. 13	KPMG LLP	Yes
South East Cornerstone School Division No. 209	Virtus Group LLP	Note 1
St. Paul's Roman Catholic Separate School Division No. 20	Deloitte LLP	Yes
Sun West School Division No. 207	Close Perkins & Hauta	Note 1

Source: Provincial Auditor Saskatchewan (2013)

* We were actively involved in auditing the school division's financial statements, processes to safeguard public resources, and compliance with authorities.

Note 1: We reviewed the opinions of the appointed auditor on the reliability of financial statements, effectiveness of processes to safeguard public resources, and compliance with authorities. We also reviewed the summary of errors and management letters to school boards. Where necessary, we followed up with the appointed auditor to clarify issues reported.

5.2 School Division Generalized Recommendations from 2011 with Comparison to 2012

This exhibit shows the number of school divisions to which the generalized recommendations made for the year ended August 31, 2011 applied. It also shows the number of school divisions to which those recommendations would still apply for the year ended August 31, 2012.

Recommendation	Year Ended August 31, 2011	Year Ended August 31, 2012
We recommend that school divisions periodically verify the existence of their physical assets. (2012 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	1	1
We recommended that school division boards approve policies on when and how the school divisions prepare periodic financial reports for their boards. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	7	-
We recommended that school division boards review (at least quarterly) financial reports (including comparison to budget) prepared in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board and document their review in minutes. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)		
We recommended that school divisions have segregation of duties policies. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	11	5
We recommended that school divisions assess the risks of incompatible functions and take appropriate action. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)		
We recommended that school divisions establish information technology security policies. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	19	10
We recommended that school divisions prepare and test their information technology disaster recovery plans. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	15	7
We recommended that school divisions establish appropriate processes to collect and record all funds generated in schools. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	2	-
We recommended that school divisions ensure that when they enter into financial arrangements with other agencies, they formalize their rights and obligations in written agreements. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	2	-

Source: Provincial Auditor Saskatchewan (2013)

School divisions, as noted in this exhibit, have made good progress during the past year addressing our recommendations.