

## Chapter 6 Education

### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Education (Education), School Division Tax Loss Compensation Fund, Prince of Wales Scholarship Fund, Teachers' Superannuation Plan, and Teachers' Disability Plan.

Education, its two funds, and its two plans complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The financial statements of the Teachers' Superannuation Plan and Education's two funds for the years ended on or before June 30, 2014 are reliable.

Education and its two plans had effective rules and procedures to safeguard public resources except Education needs to:

- › Enter into written agreements with school divisions for funding of school capital projects
- › Periodically verify the accuracy of its contributions to the Saskatchewan Teachers' Retirement Plan
- › Improve its information technology (IT) processes by preparing an IT strategic plan, monitoring the effectiveness of the Information Technology Division of the Ministry of Central Services' (ITD) security controls over Education's computer systems and data, and promptly removing unneeded user access to its computer systems and data

### 2.0 INTRODUCTION

Education's mandate is to provide leadership and direction to early learning and child care, Kindergarten through Grade 12 education, literacy, and library sectors. Education supports the sectors through funding, governance, and accountability, with a focus on improving student achievement.<sup>1</sup>

At March 31, 2014, about 289 full-time equivalent positions provided services.<sup>2</sup>

### 2.1 Financial Overview

For the year ended March 31, 2014, Education spent \$1.7 billion on its programs and had revenues of \$9.5 million. Information about Education's revenues and expenditures appear in its *2013-14 Annual Report*.<sup>3</sup>

<sup>1</sup> Ministry of Education, *2013-14 Annual Report*, p. 3.

<sup>2</sup> *Ibid.*, p.4.

<sup>3</sup> [www.education.gov.sk.ca/Annual-Report-2013-14](http://www.education.gov.sk.ca/Annual-Report-2013-14) (2 October 2014).

**Figure 1 – Major Programs and Spending**

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management Services	\$ 15.7	\$ 18.1
K-12 Education	1,324.1	1,300.8
Early Years	63.4	64.2
Literacy	2.8	2.8
Provincial Library	12.7	12.7
Teachers' Pension and Benefits*	<u>321.9</u>	<u>306.6</u>
<b>Total Appropriation</b>	<u>1,740.6</u>	<u>1,705.2</u>
Capital Asset Acquisitions	(38.4)	(35.3)
Capital Asset Amortization	1.3	1.1
<b>Total Expense</b>	<u>\$ 1,703.5</u>	<u>\$ 1,671.0</u>

Source: Ministry of Education.

\* The Ministry of Education determines the estimated and actual expenses for teachers' pension and benefits using the cash basis of accounting instead of the accrual basis. For 2013-14, the audited Summary Financial Statements include additional pension and benefits costs for the Teachers' Superannuation Plan sponsored by the Ministry of \$159.6 million.

## 2.2 Related Special Purpose Funds and Agencies

At March 31, 2014, Education was responsible for 28 school divisions and the Teachers' Group Life Insurance Plan each with year ends of August 31, the Teachers' Dental Plan with a year end of June 30, and the following funds and plans:

	Year-End
<b>Funds</b>	
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
<b>Plans</b>	
Teachers' Superannuation Plan	June 30
Teachers' Disability Plan*	June 30

\* The Teachers' Disability Plan does not have separate financial statements.

Our *2014 Report – Volume 1* included the audit results of the school divisions and the Teachers' Group Life Insurance Plan for the year ended August 31, 2013. For our audit results of the Teachers' Dental Plan, see Chapter 27. This chapter includes the audit results for Education and the remaining listed funds and plans.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended on before June 30, 2014:

- › **The financial statements for the School Division Tax Loss Compensation Fund, Prince of Wales Scholarship Fund, and Teachers' Superannuation Plan are reliable**
- › **Education and its plans had effective rules and procedures to safeguard public resources except as reported in this chapter**
- › **Education, its funds, and its plans complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Government Organization Act*  
*The Education Act, 1995*  
*The Education Funding Regulations*  
*The Education Regulations, 1986 (sections 95.4 to 95.7)*  
*The School Division Tax Loss Compensation Fund Administration Regulations*  
*The Child Care Act*  
*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 Public Works and Services Act (sections 4 and 8)*  
*The Department of Social Services Act (section 8)*  
*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*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Tabling of Documents Act, 1991*  
*The Crown Employment Contracts Act*  
*The 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

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

Our audit included assessing the design and effectiveness of Education's control activities related to grants, which comprise approximately 97% of total Ministry expenditures.

### 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.



## 4.1 Verification of Pension Contributions Needed

Education does not know whether it pays the correct amount of contributions to the Saskatchewan Teachers' Retirement Plan (STRP).<sup>4</sup>

Education pays the Government (employer) contributions to STRP as required by section 43 of *The Teachers Superannuation and Disability Benefits Act* (Act). Education paid STRP contributions totalling \$73.5 million for 2013-14 (\$58.0 million: 2012-13).

Each month, Education receives a bill from the Saskatchewan Teachers' Federation (STF) for STRP, as well as support for how STF calculates the amount billed.

STF determines the amount billed for STRP contributions by taking a percentage of employee contributions that school divisions have remitted to STF since it last billed Education. It attaches supporting details including a copy of its cash mail record for the billing period. However, the support does not summarize the total amount remitted by each school division in the billing period.

School divisions remit employee contributions for STRP to STF at various times each month, and divisions make multiple remittances because of adjustments related to changes in staffing (e.g., number of participating employees, change in employees' salaries). For example, in the March billing periods, STF received about 15,000 different remittances of employees' contributions for STRP from the various school divisions.

Once a year, STF provides Education with its final billing for STRP along with its supporting calculations. STF calculates the final billing based on the difference between the amount it has invoiced Education and the actual amount of contributions due for STRP. STF provides similar support as its monthly billings. Education reviewed the STRP bills and supporting documents, but it did not adequately check that STF's calculations were accurate or reasonable.

Without processes to assess the accuracy of amounts paid for STRP contributions, Education could be contributing more or less than required by the Act.

- 1. We recommend the Ministry of Education check the accuracy of its contributions to the Saskatchewan Teachers' Retirement Plan on a periodic basis.**

<sup>4</sup> The Saskatchewan Teachers' Retirement Plan provides retirement benefits to all teachers new to teaching in the Saskatchewan provincial PreK-12 system since July 1, 1980. The plan is administered by the Saskatchewan Teachers' Federation.

## 4.2 Accounting for Shared Ownership Agreements and Certain Funding for Repayment of Capital Loans Under Review

We recommended that the Ministry of Education follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements. (2013 Report – Volume 2; Public Accounts Committee agreement June 17, 2014)

**Status** – Under Review

We recommended that the Ministry of Education properly record capital grants to school divisions in its financial records. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2014)

**Status** – Under Review

Since our Office made these recommendations, in March of 2014 the Government, appropriately, decided to change its financial reporting focus to the Summary Financial Statements. Because Education and school divisions are both part of the Government, how Education accounts for the above items does not affect the accuracy of the Government's Summary Financial Statements.<sup>5</sup>

As described in our *2013 Report – Volume 2*, Chapter 6, in our view, Education has not been following Canadian generally accepted accounting principles for the public sector (GAAP) in two areas:

- › When accounting for assets constructed under the seven contractual agreements for certain capital projects with seven school divisions. Education refers to these as “shared ownership agreements.”
- › When accounting for funding provided to school divisions to enable them to repay the principal and interest due on certain loans for capital projects. Our Office refers to these as “constructive obligations.”

We have raised similar concerns for the Ministry of Health (for both areas) and for the Ministry of Advanced Education (for accounting for constructive obligations).

The Standing Committee on Public Accounts (PAC) has discussed the accounting for these areas at various hearings.<sup>6</sup> On January 13, 2014, in its discussion of these areas, it made the following motion: “Recognizing the difference of professional interpretations the Standing Committee on Public Accounts recommends that the Minister of Finance have his officials continue to examine this issue and discuss it further with the Provincial

<sup>5</sup> That is, financial activities between government entities are eliminated in preparation of the Summary Financial Statements.

<sup>6</sup> January 13, 2014 hearing on Ministry of Finance, March 26, 2014 hearing on Regional Health Authorities, May 14, 2014 hearing on Ministry of Advanced Education, June 17, 2014 hearing on the Ministry of Education, September 9, 2014 hearing on Ministry of Health.



Auditor.” At September 30, 2014, the Ministry of Finance was continuing to evaluate the accounting for these matters and plans to meet with our Office.

### 4.3 Capital Funding 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** – Partially Implemented

In 2013-14, as a temporary measure, Education entered into Memorandums of Understanding with applicable school divisions to set out some terms and conditions for current portions of multi-year major capital construction projects. In 2014-15, Education expects to use capital funding agreements to communicate to school divisions complete terms and conditions associated with capital grants.

Formal funding agreements would help Education and school divisions have a clear understanding of the terms and conditions of capital funding and expectations about the management of capital projects.

### 4.4 Some Improvement in Information Technology Controls

We recommended the Ministry of Education (formerly the Department of Learning) sign a service level agreement with the Information Technology Division of the Ministry of Central Services. (2006 Report – Volume 3; Public Accounts Committee agreement March 31, 2007)

**Status** – Implemented

During 2013-14, Education and the Information Technology Division of the Ministry of Central Services (ITD) completed appendices to the memorandum they signed in 2011-12. These appendices related to the significant outstanding requirements (i.e., service, disaster recovery, and reporting requirements).

We recommended that the Ministry of Education (formerly the 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** – Partially Implemented

As in prior years, Education did not consistently follow its processes for promptly removing user access to its computer systems from individuals who were no longer in its employment. In 2013-14, we found 6 out of 17 individuals tested did not have their access removed promptly. For example, in one instance, access was not removed until 42 days after the employment ended.

Not removing access of individuals who are no longer in its employ increases the risk of inappropriate access to Education's computer systems and data.

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

**Status – Not Implemented**

ITD provides Education with computers and network access, and acts as custodian for Education's information systems and data. ITD hosts a number of computer systems that are critical to Education's operations. For example, ITD hosts the Student Data System, a key computer system that compiles student data used to calculate grants to school divisions, as well as administer and report grade 10-12 student demographics, enrolment, registration, and marks.

During the year, consistent with prior years, Education received standard reports from ITD. However, these reports continued to not contain sufficient information to enable Education to assess the effectiveness of ITD's security controls. For example, they did not include information about how security weaknesses at ITD impact Education's IT systems and data (e.g., patch management). Also, Education's Information Technology Management Committee, which is responsible for oversight of Education's IT governance (e.g., strategy, policies, service level agreements), did not meet regularly during 2013-14 to oversee and discuss services ITD provides or related security concerns. The Committee resumed regular meetings in March 2014.

Education must ensure it obtains adequate information from ITD about its computer systems and data and takes prompt action to address any significant deficiencies identified. This information may include whether ITD applies current security updates (i.e., patches) in a timely manner to key servers and operating systems and properly restricts access to key servers. Documentation of critical systems and data, their key risks, and existing or required controls (including any IT and non-IT controls at Education) may help Education determine what information it requires to monitor the security of its systems and data.

Without sufficient information, Education cannot know if ITD is addressing Education's security needs and whether ITD is keeping Education's computer systems and data secure.



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

**Status** – Partially Implemented

Education continues to work on developing an IT strategic plan. Education advised that it intends to seek the advice of ITD when developing the plan. It has not yet established a deadline for completion of its IT strategic plan.

An IT strategic plan would help ensure IT resources and initiatives appropriately support Education's strategic direction. Also, it would help management determine if it has addressed the threats and risks to Education's computer systems and data.