

Chapter 4

School Divisions

1.0 MAIN POINTS

This chapter reports the results of the annual audits of the 28 school divisions for the year ended August 31, 2014. The 2013-14 financial statements of each of these school divisions are reliable and each complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Nineteen school divisions had effective rules and procedures to safeguard public resources. We make recommendations for improvements to nine school divisions. Chinook, Northern Lights, and Sun West school divisions need to improve their information technology (IT) security policies and/or implement IT disaster recovery plans. Sun West school division needs to restrict access to the chart of accounts in its accounting software. Conseil scolaire fransaskois needs to adopt adequate policies and procedures to manage its financial operations. Ile-a-la Crosse, Prairie Spirit, and Regina school divisions need to independently review and approve journal entries, purchase card transactions, and/or bank reconciliations. Northern Lights and Regina school divisions need processes to estimate costs related to clean-up of their contaminated sites. Light of Christ needs to better monitor physical assets, document controls over school-generated funds, and prepare regular performance evaluations for management. Horizon School Division also needs to prepare regular performance evaluations for management.

In 2013-14, Living Sky, North East, and Prince Albert Roman Catholic Separate school divisions each improved their internal controls from the prior year. They followed their policies or implemented better ones.

2.0 INTRODUCTION

The Education Act, 1995 and regulations set out the roles and responsibilities of the Ministry of Education (Ministry) and school divisions.

The Ministry is responsible for providing leadership and direction to the Prekindergarten through Grade 12 education sector. This includes providing leadership and coordination for preparing goals, objectives, and educational planning for the present and future growth and development of the educational system.

Boards of education (school boards), including the conseil scolaire (French language schools), govern school divisions. Members of school boards are elected. School boards administer and manage schools whether they are public, separate, or French language schools.

At August 31, 2014, there were 28 school divisions in Saskatchewan (see **Exhibit 5.1**). Over 172,000 students attend more than 700 Saskatchewan schools each day.¹

¹ www.finance.gov.sk.ca/PlanningAndReporting/2013-14/201314EducationAnnualReport p. 3 (23 February 2015).



At August 31, 2014, the school divisions held combined net financial assets of \$205 million (2013 – \$295 million) and non-financial assets of \$1.8 billion² (2013 – \$1.7 billion). For 2013-14, the school divisions had combined revenue totalling \$2.1 billion (2012-13 – \$2.1 billion) including \$1.3 billion (2012-13 – \$1.3 billion) from the Ministry and combined expenses totalling \$2.1 billion (2012-13 – \$1.9 billion).

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with appointed auditors (see **Exhibit 5.1**) to carry out the audits of the school divisions. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.³

In our opinion, for the year ended August 31, 2014:

- **Each school division complied with the following authorities governing its activities related 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 each school division are reliable**
- **Each school division had effective rules and procedures to safeguard public resources except for the matters related to the following school divisions: Chinook, Conseil, Horizon, Ile-a-la Crosse, Light of Christ, Northern Lights, Prairie Spirit, Regina, and Sun West**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of each school division's 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.

We examined the effectiveness of each school division's controls used to administer its revenues, expenses, assets, and liabilities. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial statements. As school divisions' expenses consist of payroll and other goods and services, we examined processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services. We also examined school divisions' processes to safeguard information technology systems and data.

² The majority of the balance of non-financial assets consists of capital assets.

³ See our website at www.auditor.sk.ca.

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 Chinook School Division No. 211

4.1.1 IT Security Policies Needed

We recommended that Chinook School Division No. 211 establish adequate information technology security policies. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

IT security policies help ensure the confidentiality, integrity, and availability of information systems and data. These policies identify the rules that staff need to follow. By August 2014, Chinook School Division No. 211 (Chinook) had not yet established adequate IT security policies.

4.1.2 Approved and Tested IT Disaster Recovery Plans Needed

We recommended that Chinook School Division No. 211 approve and test its information technology disaster recovery plan. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

During our 2014 audit, we found that Chinook had not yet approved and tested an IT disaster recovery plan. Without an approved and tested IT disaster recovery plan, the school division does not know if it could continue to deliver its programs and services if disruption or damage occurred to its IT systems.

4.2 Conseil scolaire fransaskois

4.2.1 Policies and Procedures to Manage Financial Operations Needed

As set out in **Figure 1**, Conseil scolaire fransaskois did not have adequate policies and procedures to manage its financial operations. Adequate policies and procedures set out expectations for the financial operations of an organization, and help staff complete their work accurately and consistently over time, and in the event of key staff leaving the



organization. These findings are consistent with the results of our performance audit of the effectiveness of Conseil scolaire fransaskois' (also referred to as Conseil des écoles fransaskois No. 310) financial management and governance practices for the 12-month period ended August 31, 2014, as reported in our *2014 Report – Volume 2*, Chapter 31. **Figure 1** sets out the related recommendations from that Report to improve controls.

Figure 1 – Findings at August 31, 2014 and Related Recommendations

Findings at August 31, 2014 ^a	Related Recommendation from <i>2014 Report – Volume 2</i> , Chapter 31 ^b
The Conseil scolaire fransaskois does not have a written delegation of authority setting out the authority of each staff involved in the procurement decisions.	We recommend that the Board of Conseil scolaire fransaskois approve a written delegation of authority setting out the authority of each staff involved in procurement decisions. (p. 180)
The Conseil scolaire fransaskois does not have written policies for key financial management processes based on its assessment of financial risks.	We recommend that the Board of Conseil scolaire fransaskois approve written policies for key financial management processes based on its assessment of financial risks. (p. 181)
The Conseil scolaire fransaskois has not implemented a risk management process based on identification and written analysis of financial risks that impact it.	We recommend that the Board of Conseil scolaire fransaskois implement a risk management process that requires the identification and written analysis of financial risks that impact Conseil scolaire fransaskois. (p. 187)
The Conseil scolaire fransaskois does not maintain accurate and current forecasts of financial information within its financial records.	We recommend that Conseil scolaire fransaskois maintain accurate and current forecasts of financial information within its financial records. (p. 188)
The Conseil scolaire fransaskois should require systematic and regular performance evaluations of senior management.	We recommend that the Board of Conseil scolaire fransaskois require systematic and regular performance evaluations of senior management. (p. 183)

Source: ^a Deloitte LLP.

^b Provincial Auditor of Saskatchewan.

4.3 Horizon School Division No. 205

4.3.1 Performance Evaluations for Management Needed

We recommended that Horizon School Division No. 205 prepare regular performance evaluations for management. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

While Horizon School Division No. 205 made changes to key management positions during 2012-13, by August 2014, it had not yet updated its documentation of the job descriptions for these positions. It also did not complete performance evaluations for staff in these positions during the year.

4.4 Ile-a-la Crosse School Division No. 112

4.4.1 Policy for Recording Journal Entries Needed

We recommended 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. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

An agency's financial management policies and procedures should be based on its assessment of risks to the agency. Policies and procedures set out expectations for the financial operations of an agency. Policies and procedures also help staff complete their work accurately and consistently over time, and in the event that key staff leave the organization.

By August 2014, Ile-a-la Crosse School Division No. 112 had not completed a risk assessment to determine the policies and procedures it requires to manage its financial risks. For example, it had not implemented a policy for recording journal entries.

The audit identified instances where journal entries were not independently reviewed and approved. This increases the risk of unauthorized entries being made to the accounting records, which could result in inaccurate financial information being used by decision makers.

4.5 Light of Christ Roman Catholic Separate School Division No. 16

4.5.1 Better Monitoring of Physical Assets Needed

Light of Christ Roman Catholic Separate School Division No. 16 (Light of Christ) did not have processes to periodically verify the existence of its physical assets (i.e., computers and other equipment that, at August 31, 2014, had net book value⁴ of approximately \$379,000). This increases the risk that some of its physical assets may be misappropriated or disposed of without authorization and proper adjustment to the accounting records.

1. We recommend that Light of Christ Roman Catholic Separate School Division No. 16 periodically verify the existence of its physical assets.

⁴ Net book value is the difference between the cost of a physical asset and its accumulated amortization.



4.5.2 Controls Over School-Generated Funds Needed

School-generated funds include student fees and proceeds from fundraising activities. During 2013-14, Light of Christ had school-generated funds revenue of \$876,000 and related expenses of \$887,000. Light of Christ had not documented procedures for school staff to follow for collecting and recording revenues, and for dispersing school generated funds. Without documented procedures to collect, disperse, and record school-generated funds, there is increased risk that money may be misappropriated, inappropriate expenses may be incurred, and revenues recorded in the financial statements may not be complete.

2. We recommend that Light of Christ Roman Catholic Separate School Division No. 16 document procedures for collecting and disbursing school generated funds.

4.5.3 Performance Evaluations for Management Needed

Light of Christ did not formally evaluate the performance of its senior 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.

3. We recommend that Light of Christ Roman Catholic Separate School Division No. 16 prepare regular performance evaluations for management.

4.6 Living Sky School Division No. 202

4.6.1 Adequate IT Security Policies Established

We recommended that Living Sky School Division No. 202 establish adequate information technology security policies. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, we found that Living Sky School Division No. 202 established adequate IT security policies.

4.7 North East School Division No. 200

4.7.1 Complied with Purchasing Policies

We recommended that North East School Division No. 200 follow its purchasing policy. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, North East School Division No. 200 implemented a revised purchasing policy and complied with it.

4.8 Northern Lights School Division No. 113

4.8.1 Estimate Clean-Up Costs for Contaminated Sites

Public sector accounting standards require school divisions to record a liability for the expected costs to clean up contaminated sites that they own⁵ in their financial statements beginning with the fiscal year ending August 31, 2015. The Ministry of Education required school divisions to adopt these accounting standards early for the fiscal year ended August 31, 2014 so that school divisions could provide the required information for preparing the Government's Summary Financial Statements for the year ended March 31, 2015. Guidance was provided by the ministries of Finance and Education to help school divisions prepare in the two years prior to adoption of the accounting standards. Information on the extent of contamination and plans to clean up contaminated sites can take time and resources to gather and analyze.

Northern Lights School Division No. 113 (Northern Lights) had known for many years that it had several sites with fuel contamination. By August 2014, Northern Lights had not obtained the necessary information to estimate the costs to clean up these sites. For example, it did not obtain an environmental assessment to determine whether contamination existed at another site. As a result, unlike almost all other school divisions, Northern Lights was not able to early adopt the accounting standards as the Ministry had expected when preparing its 2013-14 financial statements.

4. We recommend that the Northern Lights School Division No. 113 complete the necessary assessments to estimate the costs to remediate contaminated sites it owns.

⁵ Contamination occurs in air, soil, or water when a chemical or another harmful substance exceeds the maximum acceptable amounts under an environmental standard (Source: Chartered Professional Accountants of Canada, *CPA Canada Public Sector Accounting Handbook: PS 3260 – Liability for contaminated sites*, [2014], p. 278).



4.8.2 Adequate IT Security Policies Needed

We found that Northern Lights did not have adequate IT security policies in place. Northern Lights also did not have formal requirements for changing passwords regularly. Without adequate IT security policies, the school division's systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

- 5. We recommend that Northern Lights School Division No. 113 establish information technology security policies.**

4.8.3 Approved and Tested IT Disaster Recovery Plan Needed

We recommended that Northern Lights School Division No. 113 approve and test its information technology disaster recovery plan. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

By August 2014, we found that Northern Lights had not yet approved and tested an IT disaster recovery plan. Without an approved and tested IT disaster recovery plan, the school division does not know if it could continue to deliver its programs and services if disruption or damage occurred to its IT systems.

4.9 Prairie Spirit School Division No. 206

4.9.1 Independent Review and Approval of Purchase Card Transactions Needed

Prairie Spirit School Division No. 206 (Prairie Spirit) utilizes purchase cards (i.e., credit cards) to pay for certain expenditures. Audit testing of purchases identified that senior management (e.g., superintendents) and school principals had authorization to approve their own purchase card transactions. Further, there was no independent review and approval of their monthly purchases. This increases the risk of inappropriate purchases being made, or misappropriation of assets.

- 6. We recommend that Prairie Spirit School Division No. 206 independently review and approve all purchase card transactions.**

4.9.2 Policy for Recording Journal Entries Needed

Prairie Spirit did not have an adequate process for reviewing and approving amounts entered into its accounting records (i.e., journal entries). Prairie Spirit did not have a policy on preparing, posting, and reviewing journal entries that includes independent review and approval. Audit testing of the journal entry process identified some instances where journal entries were not independently reviewed and approved. This increases the risk of unauthorized entries being made to the accounting records, which could result in inaccurate financial information being used by decision makers.

7. We recommend that Prairie Spirit School Division No. 206 formally document and implement a policy for recording journal entries in its accounting records including independent review and approval.

4.10 Prince Albert Roman Catholic Separate School Division No. 6

4.10.1 Segregated Duties and Complied with Purchasing Policies

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 adequately segregate the duties of staff to reduce the risk of misappropriation of assets or errors. (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 follow its purchasing policy. (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, Prince Albert Roman Catholic Separate School Division No. 6 (Prince Albert) segregated incompatible staff duties to reduce the risk of error or loss, and followed its purchasing policy.



4.10.2 Adequate IT Security Policies Established

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 establish adequate information technology security policies. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, we found that Prince Albert established adequate IT security policies.

4.10.3 IT Disaster Recovery Plan Approved and Tested

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 approve and test its information technology disaster recovery plan. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, Prince Albert approved and tested its IT disaster recovery plan.

4.11 Regina School Division No. 4

4.11.1 Estimate Clean-Up Costs for Contaminated Sites

As discussed in **Section 4.8.1**, public sector accounting standards require school divisions to record a liability in their financial statements beginning with the fiscal year ending August 31, 2015 for the expected costs to clean up contaminated sites they own. The Ministry of Education required school divisions to adopt these accounting standards early for the fiscal year ended August 31, 2014. Regina School Division No. 4 had also known for many years that it had several sites with potential fuel or oil contamination. However, those responsible for financial reporting were not informed of these sites when preparing the school division's financial statements for the year ended August 31, 2014. Therefore, no estimate of the cost to clean up these sites was included in the school division's financial statements as the Ministry expected.

8. We recommend that Regina School Division No. 4 establish financial reporting controls to ensure those responsible for the preparation of financial statements obtain sufficient information to estimate the costs to remediate contaminated sites it owns.

4.11.2 Independent Review and Approval of Bank Reconciliations Needed

Regina School Division No. 4 did not independently review and approve 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.

9. We recommend that Regina School Division No. 4 independently review and approve bank reconciliations.

4.12 Sun West School Division No. 207

4.12.1 Restriction of Access to Chart of Accounts Needed

Sun West School Division No. 207 (Sun West) has not appropriately restricted access to the chart of accounts⁶ in its accounting software. This increases the risk that accounts could be altered, which in turn, may affect the integrity (i.e., accuracy) of the school division's financial records, and financial statements that decision makers use.

10. We recommend that Sun West School Division No. 207 appropriately restrict access to the chart of accounts in its accounting software.

4.12.2 Follow Existing IT Security Policies

Sun West needs to follow its existing IT security policies. Sun West established a monthly schedule for installing security patches (i.e., updates) to its software programs. However, during 2013-14, Sun West was not installing all patches on a monthly basis as expected. Security patches help keep systems secure and minimize the risk of security breaches occurring.

11. We recommend that Sun West School Division No. 207 follow its existing information technology security policies.

⁶ Chart of accounts is a listing of accounts in an accounting system. Each account contains an account number, name and information that controls how an account is classified in the accounting system (e.g., asset, revenue, expense) (Source: help.sap.com/saphelp_470/helpdata/en/c7/a88ab243dd11d182b30000e829fbfe/content.htm [22 March 2015]).



5.0 EXHIBIT

5.1 School Divisions, Appointed Auditors, and Our Participation

This exhibit lists the school divisions, their appointed auditors, and our participation for the year ended August 31, 2014. Our Office works with all of the appointed auditors in the audits of school divisions' financial statements, processes to safeguard public resources, and compliance with authorities, and varies the extent of our involvement as shown below.

School Division	Appointed Auditor (at August 31, 2014)	Participated in Audit
Chinook School Division No. 211	Stark & Marsh LLP	Yes
Christ the Teacher Roman Catholic Separate School Division No. 212	Miller Moar Grodecki Kreklewich & Chorney	Note 1
Conseil des écoles fransaskoises No. 310 (Conseil scolaire fransaskois)	Deloitte LLP	Note 1
Creighton School Division No. 111	Kendall & Pandya	Note 1
Englefeld Protestant Separate School Division No. 132	MNP LLP	Note 1
Good Spirit School Division No. 204	Miller Moar Grodecki Kreklewich & Chorney	Note 1
Holy Family Roman Catholic Separate School Division No. 140	Cogent Business Consulting	Note 1
Holy Trinity Roman Catholic Separate School Division No. 22	Virtus Group LLP	Note 1
Horizon School Division No. 205	MNP LLP	Note 1
Ile-a-la Crosse School Division No. 112	Baert Cameron Odishaw La Cock	Note 1
Light of Christ Roman Catholic Separate School Division No. 16	Baert Cameron Odishaw La Cock	Note 1
Living Sky School Division No. 202	Holm Raiche Oberg	Note 1
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	Yes
Northwest School Division No. 203	Cogent Business Consulting	Note 1
Prairie South School Division No. 210	Stark & Marsh LLP	Note 1
Prairie Spirit School Division No. 206	Deloitte LLP	Yes
Prairie Valley School Division No. 208	MNP LLP	Note 1
Prince Albert Roman Catholic Separate School Division No. 6	MNP LLP	Note 1

School Division	Appointed Auditor (at August 31, 2014)	Participated in Audit
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	Yes
Saskatoon School Division No. 13	KPMG LLP	Yes
South East Cornerstone School Division No. 209	Virtus Group LLP	Yes
St. Paul's Roman Catholic Separate School Division No. 20	Deloitte LLP	Yes
Sun West School Division No. 207	Close Perkins & Huta	Yes

Source: Provincial Auditor of Saskatchewan 2015.

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.

