

Chapter 5 Education

1.0 MAIN POINTS

This chapter reports the results of the 2015 annual audits 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 2014-15 financial statements of the Teachers' Superannuation Plan, the School Division Tax Loss Compensation Fund, and the Prince of Wales Scholarship Fund are reliable.

Education and its two plans had effective rules and procedures to safeguard public resources except Education needs to prepare an information technology strategic plan.

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.¹

At March 31, 2015, about 293 full-time equivalent positions provided services.²

2.1 Financial Overview

For the year ended March 31, 2015, Education spent \$1.8 billion on its programs and had revenues of \$7.5 million. Information about Education's revenues and expenditures appear in its *2014-15 Annual Report*.³

Figure 1 – Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management Services	\$ 18.9	\$ 19.6
K-12 Education	1,337.8	1,372.0
Early Years	65.6	64.6
Literacy	2.8	2.8
Provincial Library	12.7	12.7

¹ Ministry of Education, *2014-15 Annual Report*, p. 3.

² *Ibid.*, p. 4.

³ *Ibid.*, p. 23.



	Estimates 2014-15	Actual 2014-15
	(in millions)	
Teachers' Pension and Benefits [*]	340.1	335.2
Total Appropriation	<u>1,777.9^d</u>	<u>1,806.9</u>
Capital Asset Acquisitions	(21.1)	(10.1)
Capital Asset Amortization	1.1	0.6
Total Expense	<u>\$ 1,757.9</u>	<u>\$ 1,797.4</u>

Source: Ministry of Education, 2014-15 Annual Report.

^{*}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 2014-15, the audited Summary Financial Statements include additional pension and benefits costs for the Teachers' Superannuation Plan of \$289.9 million.

2.2 Related Special Purpose Funds and Agencies

At March 31, 2015, 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
Funds	
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

^{*} The Teachers' Disability Plan does not have separate financial statements.

Our 2015 Report – Volume 1 includes the audit results of the school divisions and the Teachers' Group Life Insurance Plan for the year ended August 31, 2014. For our audit results of the Teachers' Dental Plan, see Chapter 29. 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 or before June 30, 2015:

- › **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 the Ministry does not have a complete IT strategic plan**

^d The *Estimates* total does not include an additional \$43.3 million authorized through the Saskatchewan Supplementary Estimates.

› **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:**

<i>The Executive Government Administration Act</i>	<i>The Teachers' Life Insurance Regulations</i>
<i>The Education Act, 1995</i>	<i>The Teachers' Superannuation and Disability Benefits Act</i>
<i>The Education Funding Regulations</i>	<i>The Teachers' Superannuation and Disability Benefits Regulations</i>
<i>The Education Regulations, 1986 (sections 95.4 to 95.7)</i>	<i>The Teachers' Dental Plan Act</i>
<i>The School Division Tax Loss Compensation Fund Administration Regulations</i>	<i>The Pension Benefits Act, 1992</i>
<i>The Child Care Act</i>	<i>The Pension Benefits Regulations, 1993</i>
<i>The Child Care Regulations, 2001</i>	<i>The Pension Benefits Standards Regulations, 1985 (Canada)</i>
<i>The Financial Administration Act, 1993</i>	<i>Income Tax Act (Canada) (sections 147.1, 147.2, and 147.3)</i>
<i>The Public Libraries Act, 1996 (sections 64 and 65)</i>	<i>Income Tax Regulations (Canada) (sections 8501-8504, 8512, 8514, 8520)</i>
<i>The Public Libraries Regulations, 1996</i>	<i>The Crown Employment Contracts Act</i>
<i>The Public Service Act, 1998</i>	Orders in Council issued pursuant to the above legislation
<i>The Public Works and Services Act (sections 4 and 8)</i>	
<i>The Social Services Administration Act (section 8)</i>	
<i>The Teachers' Life Insurance (Government Contributory) Act</i>	

We used the control framework published by CPA Canada 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 of Education included assessing the design and effectiveness of Education's control activities relating to grants, which comprise approximately 97% of its total expenses. Our audits of its funds included assessing the accuracy and reasonableness of revenues and appropriateness of expenses. Our audits of its plans included confirming the existence and value of their investments and assessing the reasonableness of their benefit obligations and related benefit payments.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 IT Strategic Plan Needed

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 information technology (IT) strategic plan. Education advised that it intends to have a draft IT strategic plan for Executive Committee approval in January 2016.

An IT strategic plan would help ensure IT resources and IT 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.



4.2 Certain IT Controls Improved

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

Status – Implemented

In 2014-15, Education consistently followed its processes for promptly removing user access to its computer systems from individuals who were no longer in its employ.

We recommended the Ministry of Education monitor the effectiveness 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 – Implemented

In 2014-15, Education received reports from the Ministry of Central Services outlining known security issues including Education IT systems no longer supported by vendors. This information helps Education to make decisions about the security of its information technology systems.

4.3 Pension Contributions Verified

We recommended that the Ministry of Education check the accuracy of its contributions to the Saskatchewan Teachers' Retirement Plan on a periodic basis. (2014 Report – Volume 2; Public Accounts Committee agreement June 18, 2015)

Status – Implemented

Education pays the Government (employer) contributions to the Saskatchewan Teachers' Retirement Plan (STRP) as required by section 43 of *The Teachers Superannuation and Disability Benefits Act* (Act). In 2014-15, Education paid STRP contributions totalling \$85.1 million (2013-14: \$73.5 million) based on monthly billings from the Saskatchewan Teachers' Federation (STF).

In 2014-15, Education, using information STF provided on how it calculated the amounts billed, started performing monthly reasonability analysis of contributions for STRP before Education paid the bill.

4.4 Capital Funding Agreements with School Divisions Improved

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 – Implemented

During 2014-15, Education worked with school divisions and the ministries of Finance and Justice to draft a capital funding agreement template. This agreement template includes sufficient terms and conditions to allow Education and school divisions to properly understand the capital grants and to appropriately account for them in accordance with Canadian generally accepted accounting principles. Education and school divisions began using this new agreement template before the end of 2014-15.

4.5 Shared Ownership Agreements Transferred

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 – Partially Implemented – assets transferred to the Ministry of Central Services

As described in our *2014 Report – Volume 2*, Chapter 6, in our view, the Ministry had not been following Canadian generally accepted accounting principles for the public sector (GAAP) when accounting for assets constructed under the contractual agreements for certain capital projects with seven school divisions. The Ministry refers to these as “shared ownership agreements.”

In 2014-15, construction anticipated under these agreements was completed, and school divisions continued to properly capitalize assets constructed under those agreements. Also in 2014-15, the Ministry transferred to the Ministry of Central Services⁵ almost \$72 million of capital assets based on the amounts it had capitalized for those same assets.

In August 2015, Treasury Board, after consultations with the Ministry of Finance and further consideration of this matter, decided to support school divisions' accounting for these assets to align with the views of their auditors. At August 2015, Treasury Board had not directed the Ministry to change its accounting for these assets. Because the Ministry and school divisions are both part of the Government, how the Ministry

⁵ Per section 7 of *The Public Works and Services Act*, all property within Saskatchewan that has been constructed, and are not assigned to any other minister or ministry by law are to remain under the control of the Minister of Central Services.



accounts for these assets does not affect the accuracy of the Government's Summary Financial Statements.

4.6 Accounting Treatment of Certain Funding for Repayment of Capital Loans Resolved

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 – No Longer Relevant given no impact on the Government's Summary Financial Statements

As described in our *2014 Report – Volume 2*, Chapter 6, we reported that Education had not been following GAAP 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.” In March 2014, the Government changed its financial reporting focus to the Summary Financial Statements and no longer requires the preparation and audit of the General Revenue Fund financial statements. The Government's Summary Financial Statements enable monitoring of the Government's management of the Government's finances, including those related to education. Because Education and school divisions are both part of the Government, how Education accounts for the grants does not affect the accuracy of the Government's Summary Financial Statements.

Under its current funding model, Education decides, each year, the amount of funding for annual principal and interest on school division loans for capital projects to include as part of its estimated grants to school divisions. This estimate forms part of Education's annual appropriation that is included in the *Estimates*. The *Estimates* are prepared consistent with Treasury Board's expectations (as reflected in the *Financial Administration Manual*).

Education records the grants to school divisions on the same basis as it determines amounts in the *Estimates*. For 2014-15, grants to school divisions included about \$21 million for amounts related to annual principal repayments and interest. Recording grants on the same basis as the *Estimates* are determined enables Education to provide comparative financial information (budget to actual) in its annual report.