

## Chapter 18

### Regional Colleges

#### 1.0 MAIN POINTS

This chapter reports the results of our annual 2015 audits of Saskatchewan's seven regional colleges. The 2014-15 financial statements of each of these regional colleges are reliable; and each college complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Five regional colleges had effective rules and procedures to safeguard public resources; Northlands College and Southeast College need to make improvements.

Northlands College needs to regularly evaluate the performance of its employees as its policy requires.

Southeast College needs to require the review and approval of its bank reconciliations, implement a policy for recording journal entries, and require staff that make bank deposits to leave evidence of their involvement.

In 2014-15, North West College improved its information technology (IT) processes, completed its IT strategic plan and disaster recovery plan, and approved and communicated IT policies and procedures. In 2014-15, Northlands College also approved and tested its disaster recovery plan.

#### 2.0 INTRODUCTION

*The Regional Colleges Act (Act)* sets out the roles and responsibilities of the regional colleges. The Act makes Boards responsible for governing the regional colleges. Cabinet, through Orders in Council, appoints the members of the colleges' boards. Regional colleges provide educational services, adult basic education, training programs designed to prepare individuals for careers relating to health or social issues, and programs on behalf of university or technical institutes.

At June 30, 2015, there were seven regional colleges in Saskatchewan. **Figure 1** lists the colleges, the names of their appointed auditors, and their 2014-15 financial highlights.

**Figure 1—2015 Appointed Auditor and Financial Highlights by Regional College**

Regional College	Appointed Auditor at June 30, 2015	2014-15 Revenues	2014-15 Annual Surplus (Deficit)	Net Financial Assets at June 30, 2015	Non-Financial Assets at June 30, 2015
(in millions)					
Carlton Trail	E.J.C. Dudley & Co., Chartered Professional Accountants	\$ 7.5	\$ (0.6)	\$ 1.4	\$ 4.7
Cumberland	NeuPath Group, PC Inc. Chartered Accountants	\$ 6.8	\$ (1.1)	\$ 2.5	\$ 5.9
Great Plains	Stark and Marsh LLP	\$ 11.7	\$ (1.0)	\$ 2.3	\$ 13.7
Northlands	MNP LLP	\$ 20.8	\$ 0.1	\$ 4.1	\$ 4.3
North West	Cameron Odishaw La Cock Chartered Professional Accountants	\$ 13.1	\$ (0.5)	\$ 1.1	\$ 10.3
Parkland	Miller Moar Grodecki Kreklewich & Chorney Chartered Professional Accountants	\$ 24.6	\$ 12.1	\$ 1.4	\$ 19.5
Southeast	Cogent Chartered Professional Accountants LLP	\$ 21.5	\$ 10.7	\$ 1.7	\$ 26.9

Source: Provincial Auditor of Saskatchewan, 2015.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended June 30, 2015:

- › **The financial statements of each regional college are reliable**
- › **Each regional college complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Regional Colleges Act*  
*The Regional Colleges Regulations*  
*The Regional Colleges Programs Designation Regulations*  
*The Regional Colleges Programs and Services Regulations*  
*The Financial Administration Act, 1993*  
*The Executive Government Administration Act*  
*The Income Tax Act, 2000*  
*The Non-profit Corporations Act, 1995*  
*The Non-profit Corporations Regulations, 1997*  
 The Regional Colleges Accounting and Reporting Manual  
 Orders in Council issued pursuant to the above legislation

- › **Each regional college had effective rules and procedures to safeguard public resources except for the matters related to Northlands College and Southeast College described in this chapter.**

To complete our audits, we worked with each of the regional colleges' appointed auditors using the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>1</sup>

<sup>1</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

We used the control framework published by CPA Canada to make our judgments about the effectiveness of each regional colleges' 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 regional college's controls used to administer its revenues, expense, assets, and liabilities. Also, we examined the effectiveness of the controls used to keep reliable financial records, prepare reliable financial statements, and safeguard information technology systems and data.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Northlands College

#### 4.1.1 Performance Evaluations Required

Not all Northlands College employees received regular performance evaluations as required.

Northlands College's policy requires employees to receive performance evaluations at least every two years.

Not carrying out performance evaluations as and when expected increases the risk of employees not understanding the College's expectations of them, and missing employee growth and coaching opportunities.

1. **We recommend that Northlands College follow its policy requiring regular evaluation of the performance of staff.**

#### 4.1.2 IT Disaster Recovery Plan Approved and Tested

We recommended that Northlands College prepare and test a disaster recovery plan for its computer systems and data. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

**Status** – Implemented

During 2014-15, Northlands College approved and tested its disaster recovery plan for its computer systems and data.



## 4.2 Southeast College

### 4.2.1 Independent Review and Approval of Bank Reconciliations Needed

Monthly bank reconciliations were not reviewed or approved.

Southeast College requires staff to prepare bank reconciliations each month. However, it does not require review or approval of these reconciliations.

We found that although staff prepared reconciliations each month, no one reviewed or approved them.

Review and approval of bank reconciliations by a second person provides a check that all charges to bank accounts are proper, and all money received is deposited into the correct bank accounts. It also provides a check on the accuracy and reliability of the accounting records.

- 2. We recommend that Southeast College require the review and approval of bank reconciliations by someone other than the preparer of the reconciliations.**

### 4.2.2 Policy for Recording Journal Entries Needed

Southeast College's records do not always indicate who entered journal entries into its accounting records, and who approved those entries.

The College prepares various journal entries each month. For example, at June 30, 2015, it used journal entries to record in its financial records about \$230 thousand in accounts payables and accrued liabilities and \$274 thousand in receivables.

While it expects staff to review and approve entries, the College does not require the duty of entering the journal entries be assigned to a different person than the duty of approving them.

A second person's review and approval of journal entries checks that the journal entry is appropriate, properly supported, and coded to the correct account. Lack of independent review and approval of journal entries increases the risk of undetected errors in financial records or fraud.

- 3. We recommend that Southeast College implement a policy for recording journal entries in its accounting records that includes review and approval of entries by someone other than the preparer.**

### 4.2.3 Adequate Segregation of Duties Needed

Southeast College staff involved in making bank deposits did not leave evidence of their involvement in the deposit process.

The College recognizes the importance of having two individuals involved in the bank deposit process to reduce the risk of errors and misappropriation of cash. It expects one staff member to prepare a list of items for deposit prior to making the deposit, and a second staff member to prepare the bank deposit. However, it does not require these individuals to leave evidence of their involvement.

Leaving evidence (e.g., initials) helps show who completed each task and demonstrates to supervisors that two individuals were involved in the deposits process. Involvement of two individuals decreases the risk of misappropriation of assets or errors.

**4. We recommend that Southeast College require staff that make bank deposits to leave evidence of their involvement.**

## 4.3 North West College

### 4.3.1 Information Technology Improvements Made

We recommended that North West College (formerly North West Regional College) prepare an information technology strategic plan. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

**Status** – Implemented

We recommended that North West College (formerly North West Regional College) develop written policies and procedures for its information technology systems and data. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

**Status** – Implemented

We recommended that North West College (formerly North West Regional College) prepare and test a disaster recovery plan for its computer systems and data. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

**Status** – Implemented



During 2014-15, North West College prepared an information technology (IT) strategic plan to align its IT initiatives with the College's direction. The College approved IT policies and procedures, and communicated them to staff. The College also approved and tested its disaster recovery plan for its computer systems and data.