

## Chapter 34

# Conseil scolaire fransaskois – Financial Management and Governance Practices

### 1.0 MAIN POINTS

The Conseil scolaire fransaskois (CSF; also referred to as Conseil des écoles fransaskois No. 310) is Saskatchewan’s first-language French school system. It operates 14 fransaskois schools which are geographically dispersed across the province.<sup>1</sup>

In our 2014 audit of CSF’s financial management and governance practices, we made 10 recommendations. By September 30, 2016, CSF had implemented all 10 recommendations. It established processes to develop required Board competencies, and to establish governance and financial policies and procedures key to managing its financial operations.

### 2.0 INTRODUCTION

This chapter describes our follow up of management’s actions on the recommendations made in our *2014 Report – Volume 2*, Chapter 31. In that Report, we concluded that CSF did not have effective financial management and governance practices. We made 10 recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate CSF’s progress towards meeting our recommendations, we used the relevant criteria from the 2014 audit. CSF’s management agreed with the criteria in the 2014 audit.

We examined CSF’s policies and procedures relating to financial management and governance practices. We interviewed staff responsible for financial management. We examined Board minutes, budget documents, and financial reports prepared by management. We also examined senior management performance evaluations and the processes used to track completion of conflict-of-interest declaration forms.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2016, and CSF’s actions up to that date. We found that CSF had implemented all 10 recommendations.

<sup>1</sup> <http://ecolefrancophone.com/en/parents/find-a-school> (16 September 2016).



### 3.1 Key Financial Management Policies Approved

We recommended that the Board of Conseil scolaire fransaskois approve a written delegation of authority setting out the authority of each staff involved in procurement decisions. (2014 Report – Volume 2, p. 180; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

We recommended that the Board of Conseil scolaire fransaskois approve written policies for key financial management processes based on its assessment of financial risks. (2014 Report – Volume 2, p. 181; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

The Board of CSF (Board) maintains a *School Board Governance Policy Manual (Manual)* which sets out governance policies for the organization. The Manual includes a delegation of authority policy that includes the Board’s delegation of authority to manage CSF’s operations and staff. The Board delegates this responsibility to the Director of Education and the Co-director General of Business. The delegation of authority policy allows these staff to further delegate responsibilities to staff they supervise. CSF documents further delegations within its purchasing policy, as described below.

The Board approved a purchasing policy and internal control policy in May 2015, with additional revisions approved by the Board in September 2016. These financial management policies address:

- › Budgeting – establishes requirements to prepare the budget in accordance with Public Sector Accounting Standards, alignment with CSF’s strategic plan, and a deadline for the annual budget
- › Financial reporting – establishes requirements to prepare quarterly financial statements and financial projections, guidelines for analysis of variances between financial results and planned results
- › Purchasing – establishes tendering guidelines, purchasing approval requirements (see **Figure 1**), and processes for evaluating suppliers

**Figure 1 – Purchasing Method and Approval Requirements**

Purchasing Threshold	Purchase Method Required	Approval <sup>A</sup>
Less than \$5,000	No tender	Department Budget Manager
Greater than \$5,000 but less than \$20,000	Minimum of three quotes	Co-director General of Business or delegate
Greater than \$20,000	Tender	Co-director General of Business or delegate

Source: CSF Purchasing Policy.

<sup>A</sup> Requirements for purchases associated with capital projects differ from the general purchasing requirements above. The Co-director General of Business or delegate must approve all capital purchases. Capital purchases greater than \$5,000 but less than \$40,000 required a minimum of three quotes, with tenders required for capital purchases greater than \$40,000.

Since our 2014 audit, CSF has also documented written procedures addressing the use of purchasing cards and the independent review and approval of journal entries.

See **Section 3.5** for a description of the risk management processes CSF has implemented since our 2014 audit.

## 3.2 Comprehensive Code of Conduct Implemented

We recommended that the Board of Conseil scolaire fransaskois approve a comprehensive code of conduct and conflict-of-interest policy for Board members, management, and staff. (2014 Report – Volume 2, p. 181; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

We recommended that the Board of Conseil scolaire fransaskois monitor compliance with its code of conduct and conflict-of-interest policy and address identified conflicts of interest and violations of the code. (2014 Report – Volume 2, p. 181; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

In May 2015, the Board approved a code of conduct and conflict-of-interest policy for management and staff. The policy requires management and staff to annually complete a declaration form confirming they do not have any conflicts of interest, and includes processes for how to assess and mitigate potential conflicts of interest. At September 2016, we found that CSF was tracking the completion of management and staff conflict-of-interest declaration forms.

The Board established a code of conduct and conflict-of-interest policy for Board members in October 2011. During our 2014 audit, we found that this policy was not sufficiently comprehensive. The Board policy did not require tracking of possible conflicts of interest, require Board members to periodically (i.e., annually) confirm adherence to the policy, or set out processes to address identified violations.

CPA Canada considers requirements such as asking Board members to annually reconfirm their adherence to the policy and to disclose incidences of known or possible conflicts of interest to be good governance practices.<sup>2</sup> We found Board meeting minutes demonstrate members disclose incidences of known or possible conflicts of interest at Board meetings. In September 2016, the Board approved revisions to its policy to require annual confirmation of Board member's adherence to the policy. Management indicated that Board members are to complete this confirmation, in writing, annually in November of each year.

<sup>2</sup> Canadian Institute of Chartered Accountants, *20 Questions Directors Should Ask About Codes of Conduct*, (2010), p. 13.



### 3.3 Board Development Plan Approved

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We recommended that the Board of Conseil scolaire fransaskois implement a development plan to address gaps between competencies required and those possessed by Board members. (2014 Report – Volume 2, p. 182; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

In 2015-16, Board members completed a competency self-assessment questionnaire to assist in identifying Board training requirements. The questionnaire included the assessment of various competency areas, such as financial literacy, governance and ethics, leadership, and risk management. The Board reviewed the results from the questionnaires in May 2016. At its June 2016 meeting, the Board approved a development plan to address Board competencies over the next two years (i.e., 2016-17 to 2017-18).

### 3.4 Senior Management Performance Evaluated

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We recommended that the Board of Conseil scolaire fransaskois require systematic and regular performance evaluations of senior management. (2014 Report – Volume 2, p. 183; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

The Manual includes a policy on the role of the Board. This policy requires senior management to have annual objectives (i.e., expectations) that will be assessed as part of annual performance evaluations.

For a sample of 2015-16 senior management performance evaluations, we found that the Board had agreed to the employee's expectations, employees had self-assessed their performance, and the Board had reviewed and approved the results.

### 3.5 Risk Management Processes Implemented

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We recommended 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. (2014 Report – Volume 2, p. 187; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

CSF presented a risk assessment to the Finance and Audit Committee in March 2016. The assessment included an evaluation of the organization's key risks and strategies to address the risks. The internal control policy described in **Section 3.1** also includes

some aspects of risk management and the internal controls used by CSF manage its financial risks.

In September 2016, the Board approved a risk management policy that requires CSF to identify, assess, and prioritize risks. The Board also created a new Risk Management Committee in September 2016, to be responsible for monitoring and managing risks to the organization.

### 3.6 Financial Management Processes Improved

We recommended that Conseil scolaire fransaskois document its strategy to manage its net debt for the Board's approval. (2014 Report – Volume 2, p. 186; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

In June 2016, the Board approved a debt management plan that summarized CSF's strategies to manage its net debt. The plan includes strategies such as plans to make payments on outstanding debt every year, continuing to identify efficiencies within the organization, and establishing a debt repayment plan before incurring new debt. See **Figure 2** for CSF's financial results for the last four years, which illustrate that CSF's net debt position has improved since our 2014 audit.

**Figure 2—Actual Financial Results**

	2012-13	2013-14	2014-15	2015-16 (unaudited)
\$ in thousands				
Annual Surplus (Deficit)	\$ 3,584	\$ (1,996)	\$ 1,729	\$ 3,014
Long-Term Debt	\$ 1,537	\$ 1,951	\$ 1,107	\$ 601
Borrowings through Line of Credit	\$ 2,402	\$ 2,469	\$ 932	\$ -
Net (Debt) Surplus	\$ (4,716)	\$ (7,670)	\$ (3,799)	\$ 1,201

Source: CSF's Audited Financial Statements for 2012-13 to 2014-15, and CSF's Unaudited Financial Statements for 2015-16.

We recommended that Conseil scolaire fransaskois maintain accurate and current forecasts of financial information within its financial records. (2014 Report – Volume 2, p. 188; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

During 2015-16, CSF prepared quarterly financial statements that included accruals and agreed to the general ledger. CSF also prepared monthly budget and cash flow forecasts, which included commitments (e.g., transportation contracts) throughout the year. All of CSF's financial reports that we examined were prepared at month-end, rather than at mid-month as we observed in our 2014 audit. CSF also provided its Board with variance analysis, including reasons for differences between budget and actual, to enable Board members to assess CSF's financial condition.



### 3.7 Documented Analysis Supports Decisions

We recommended that the Board of Conseil scolaire fransaskois use documented analysis to support significant decision items, including analysis of financial, strategic, and reputational implications of recommendations and alternative options. (2014 Report – Volume 2, p. 193; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

CSF has a template for Board decision items. The template appropriately requires management to document options, implications (i.e., risks), and recommendations relevant to a Board decision item. For the decision items we examined, decision items presented to the Board included these requirements.