

Chapter 5 School Divisions

1.0 MAIN POINTS

This chapter summarizes the results of the 2018–19 annual audits of the 27 school divisions. The 2018–19 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.

Twenty-four of the 27 school divisions had effective rules and procedures to safeguard public resources. Northern Lights needs to prepare and review financial reports for school-generated funds. Northwest needs to independently review and approve monthly bank reconciliations and journal entries. Sun West needs to test its IT disaster recovery plan.

Also, in 2018–19, Lloydminster Public improved its financial-related controls and implemented previous recommendations.

2.0 INTRODUCTION

Over 186,000 students attend more than 760 provincially funded schools each day.¹ *The Education Act, 1995* and related regulations set out the roles and responsibilities of the Ministry of Education and Saskatchewan's 27 school divisions.

Elected boards of education (school boards), including the Conseil scolaire fransaskois (French language schools), are responsible for administering and managing provincially funded schools (i.e., public, separate, or French language). **Figure 1** provides the combined financial results of the 27 school divisions for 2017–18 and 2018–19.

Figure 1—School Divisions' Combined Financial Results

	2018–19	2017–18
	(in billions)	
Net Financial Assets ^A	\$ 0.2	\$ 0.2
Non-financial Assets ^B	\$ 2.4	\$ 2.4
Grants from the Ministry of Education	\$ 1.9	\$ 1.6
Property Taxes	\$ 0.1	\$ 0.3
Other Revenue (e.g., school generated funds, tuition)	\$ 0.1	\$ 0.2
Total Revenue	\$ 2.1	\$ 2.1
Total Expense	\$ 2.2	\$ 2.2
Annual (Deficit) Surplus	\$ (0.1)	\$ (0.1)

Source: Audited school division financial statements years ending August 31.

^A Net financial assets are financial assets (like cash and receivables) less liabilities (like accounts payable and debt).

^B Non-financial assets includes capital assets such as schools and busses.

¹ publications.saskatchewan.ca/#/products/103519 (17 January 2020); Provincially funded schools do not include schools under the responsibility of First Nations or private schools.



3.0 AUDIT CONCLUSIONS

Our Office worked with appointed auditors to carry out the annual integrated audits of the school divisions. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. See **Appendix 2** for the name of each school division and its appointed auditor.

In our opinion, for the year ended August 31, 2019:

- **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, 2015
The School Division Administration Regulations
The Education Property Tax Act
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: Northern Lights, Northwest, and Sun West**

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in *COSO's Internal Control—Integrated Framework* 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.

As school divisions' expenses consist primarily of payroll and other goods and services, each audit included examining processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services. Also, as each school division uses IT systems to operate, we examined school divisions' processes to safeguard financial-related IT systems and data.

4.0 KEY FINDINGS AND RECOMMENDATIONS BY SCHOOL DIVISION

4.1 Northern Lights School Division No. 113

Financial Reports for School-Generated Funds Not Prepared

During 2018–19, Northern Lights School Division No. 113 did not prepare monthly bank reconciliations and financial reports for all school-generated funds (e.g., student fees,

proceeds from fundraising activities). Audit testing found that one school did not prepare these reconciliations and reports as expected. At August 31, 2019, Northern Lights reported school-generated funds revenue of \$1.0 million and related expenses of \$1.0 million.

Not regularly preparing and reviewing financial reports for school-generated funds increases the risk that money may be misappropriated, inappropriate expenses may be incurred, and revenues recorded in the financial statements may not be complete.

1. **We recommend Northern Lights School Division No. 113 prepare and review monthly bank reconciliations and financial reports for school-generated funds.**

4.2 Northwest School Division No. 203

Independent Review and Approval of Bank Reconciliations Needed

Northwest School Division No. 203 did not independently review and approve monthly bank reconciliations.

Regular reconciliations, and the review and approval of such reconciliations, checks that all charges to bank accounts are proper and all money has been received and deposited into the right accounts. It also checks the accuracy and reliability of the accounting records.

2. **We recommend Northwest School Division No. 203 independently review and approve monthly bank reconciliations.**

Independent Review and Approval of Journal Entries Needed

Northwest did not independently review and approve journal entries. Audit testing identified some journal entries made by staff were not independently reviewed and approved.

Lack of independent review and approval increases the risk of unauthorized entries made into the accounting records which could result in decision-makers using inaccurate financial information.

3. **We recommend Northwest School Division No. 203 independently review and approve journal entries.**

4.3 Sun West School Division No. 207

Disaster Recovery Plan Not Complete

We recommended Sun West School Division No. 207 formally document its IT disaster recovery plan. (2017 Report – Volume 1, p. 22, Recommendation 2; Public Accounts Committee agreement June 12, 2018)

Status—Partially Implemented



In January 2019, Sun West School Division No. 207 finalized and approved a disaster recovery plan. However, Sun West has not yet tested its disaster recovery plan.

Without a tested disaster recovery plan, Sun West does not know if the approved disaster recovery plan works as expected—increasing the risk of not being able to deliver its programs and services if disruption or damage occurred to its IT systems.

5.0 IMPLEMENTED RECOMMENDATIONS BY SCHOOL DIVISION

Figure 2 sets out by school division, past recommendations and highlights key actions taken to implement each of them during 2018–19.

Figure 2—Implemented Recommendations by School Division

Past Recommendation (Initial PAS Report, Date of Agreement of PAC) ^A	Key Actions Taken During 2018–19 to Implement Recommendation
Lloydminster Public School Division No. 99	
We recommended that Lloydminster Public School Division No. 99 independently review and approve monthly bank reconciliations. (<i>2019 Report – Volume 1</i> , p. 17, Recommendation 1; Public Accounts Committee agreement September 25, 2019)	During 2018–19, Lloydminster Public independently reviewed and approved monthly bank reconciliations.
We recommended that Lloydminster Public School Division No. 99 independently review and approve journal entries. (<i>2019 Report – Volume 1</i> , p. 17, Recommendation 2; Public Accounts Committee agreement September 25, 2019)	During 2018–19, Lloydminster Public independently reviewed and approved journal entries.

^A PAS – Provincial Auditor Saskatchewan
PAC – Standing Committee on Public Accounts