Chapter 1
School Divisions

1.0 MAIN POINTS

This chapter summarizes the results of the 2020–21 annual audits of the 27 school divisions. The 2020–21 financial statements of each school division are reliable, and each complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

School divisions had effective rules and procedures to safeguard public resources other than the following. We found 13 school divisions across the province use an IT system with identified system vulnerabilities, exposing them to increased cybersecurity risks. The Ministry of Education needs to work with the impacted school divisions to improve the school divisions' monitoring of the IT system and its service provider.

We also found Northern Lights and Prairie South need to appropriately restrict user access to their financial systems, and Prairie South needs to formally approve new user access to its financial system. In addition, Sun West requires an updated and tested IT disaster recovery plan. In 2020–21, Regina Public improved its financial-related controls by following its purchasing policy.

2.0 INTRODUCTION

Over 186,000 students attend more than 770 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 des Écoles Fransaskoises No. 310 (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 2019–20 and 2020–21.

Figure 1—School Divisions' Combined Financial Results

	2020–21	2019–20
	(in billions)	
Net Financial Assets[A]	$ 0.3	$ 0.3
Non-financial Assets[B]	2.3	2.3
Grants from the Ministry of Education	1.9	1.9
Other Revenue (e.g., property taxes, school generated funds)	0.5	0.3
Total Revenue	2.4	2.2
Total Expense	2.3	2.2
Annual Surplus (Deficit)	$ 0.1	$ 0.0

Source: Audited school division financial statements years ending August 31.
[A] Net financial assets are financial assets (e.g., cash, receivables) less liabilities (e.g., accounts payable, debt).
[B] Non-financial assets includes capital assets such as schools and busses.

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[1] www.publications.saskatchewan.ca/#/products/103519 (25 January 2022); 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** in this Report for the name of each school division and its appointed auditor.

In our opinion, for the year ended August 31, 2021, we found, in all material respects:

➢ **Each school division had effective rules and procedures to safeguard public resources except for the matters reported in Section 4.0**

➢ **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, 2019
The School Division Administration Regulations
The Government Service Organizations
    (Provincial Sales Tax) Remission 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**

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, audits included examining school divisions' processes to safeguard financial-related IT systems and data.

4.0 KEY FINDINGS AND RECOMMENDATIONS BY AGENCY

4.1 Improved Monitoring of IT Service Provider Needed

School divisions are not adequately monitoring a key financial IT system and the related service provider. Thirteen school divisions across the province use a key financial IT system with identified system vulnerabilities, exposing them to increased cybersecurity risks.[2]

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[2] Cybersecurity risks include risk of loss or theft of confidential information or damage/failure of an IT system. Common threats include ransomware, viruses, worms, spyware, and phishing attacks.

Audit testing performed at several school divisions identified a key IT system with outdated software. Outdated software increases the presence of security vulnerabilities, which makes agencies more susceptible to cyberattacks (e.g., theft of confidential information, ransomware attacks).[3] We found 13 school divisions across the province use this outdated software at August 2021.

A third-party service provider manages the IT system. School divisions remain responsible for managing risks associated with their IT systems and data. Better monitoring of the IT system and the service provider could help school divisions to identify risks (e.g., security vulnerabilities) and know when to work with the service provider to mitigate identified risks.

As almost half of the province's school divisions use this IT system and service provider, there is an opportunity for the Ministry of Education to work with the impacted school divisions to improve the monitoring of the IT system and the service provider (e.g., require standard security monitoring reports from the service provider). Obtaining the necessary information (e.g., end-of-support dates) from the service provider could help the Ministry and each school division to assess the risks to make effective decisions.

> **1. We recommend the Ministry of Education work with impacted school divisions to establish a process to monitor the key financial IT system and the IT service provider.**

4.2 Northern Lights School Division No. 113—User Access Not Appropriately Restricted

Northern Lights School Division No. 113 has not appropriately restricted users' access to its financial system.

Audit testing found that some business users have privileged access (e.g., ability to grant user access and change their own user access) to the financial system. Good practice would assign the responsibility to change business user access to someone independent of financial processes.

Not appropriately restricting privileged access to the financial system increases the risk of staff obtaining inappropriate access (e.g., incompatible purchasing duties) to the financial system and making inappropriate transactions within the financial system.[4]

> **2. We recommend Northern Lights School Division No. 113 appropriately restrict user access to its financial system.**

4.3 Prairie South School Division No. 210—User Access Not Appropriately Restricted or Approved

Prairie South School Division No. 210 has not appropriately restricted users' access to its financial system. Prairie South also does not have a process for approving and granting new user access to its financial system.

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[3] Security vulnerabilities provide hackers the ability to exploit known data bugs or weaknesses to adversely affect programs, data, computers or a network.
[4] Incompatible purchasing duties include initiating purchases, receiving goods or services, approving invoices for payment, and adding suppliers to a financial system.

Audit testing found that some business users have privileged access (e.g., ability to grant user access and change their own user access) to the financial system. Good practice would assign the responsibility to change business user access to someone independent of financial processes.

Not appropriately restricting privileged access to the financial system increases the risk of staff obtaining inappropriate access and making inappropriate transactions.

3. **We recommend Prairie South School Division No. 210 appropriately restrict user access to its financial system.**

Prairie South does not formally document requests and approval for granting new user access to its financial system. Not maintaining documentation to support granting of user access could result in users having inappropriate access to the financial system.

4. **We recommend Prairie South School Division No. 210 document approval for granting new user access to its financial system.**

4.4 Sun West School Division No. 207—Disaster Recovery Plan Requires Updating

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, as of August 2021, Sun West was in the process of significantly changing its IT infrastructure and services, and will need to update and test its disaster recovery plan.

Without an up-to-date and tested disaster recovery plan, Sun West does not know whether it could continue to deliver its programs and services if disruption or damage occurred to its key IT systems (e.g., accounting system, student data system). Regular testing of its disaster recovery plan would confirm the plan's effectiveness, relevance, and identify necessary updates.

5.0 IMPLEMENTED RECOMMENDATION BY SCHOOL DIVISION

Figure 2 sets out, by school division, each past recommendation and key actions taken during 2020–21 to implement it.

Figure 2—Implemented Recommendation by School Division

Past Recommendation (Initial PAS Report, Date of PAC Agreement)[A]	Key Actions Taken During 2020–21 to Implement Recommendations
Regina School Division No. 4	
We recommended Regina School Division No. 4 follow its purchasing policy for its Facilities Department contracts. (*2021 Report – Volume* 1, p. 43, Recommendation 1; Public Accounts Committee agreement January 12, 2022)	During 2020–21, Regina School Division publicly tendered purchases as required by its policy, and properly approved the resulting contracts.

[A] PAS: Provincial Auditor Saskatchewan   PAC: Standing Committee on Public Accounts