

# Alberta Education

---

November 2018

## Summary

- 14 Total Recommendations
- 1 New Recommendation
- 13 Outstanding Recommendations
- 3 Outstanding Recommendations Older than 3 Years
- 2 **READY** for Follow-up Audit
- 12 **NOT READY** for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Education, the Department of Education, the Alberta School Foundation Fund and the Alberta Teachers' Retirement Fund Board.

The Ministry of Education's consolidated financial statements include the Department of Education, the Alberta School Foundation Fund, and the Alberta Teachers' Retirement Fund and 74 Alberta school jurisdictions.

We made one new recommendation to the department to improve the processes to monitor, assess and report on school jurisdictions' accumulated operating reserves—see below.

The department implemented effective processes over tracking and reporting cost obligations for school construction projects—see page 53.

The department has 11 outstanding recommendations, one of which has been outstanding for more than three years.

In May 2017, the *Northland School Division Act* was changed resulting in the Auditor General no longer being the legislated auditor for the division. The board of trustees of the division chooses its external auditor, a process consistent with all other school jurisdictions in the province. The division has two outstanding recommendations on systems to improve student attendance in the division that we will follow up on once implemented.

## Findings

### Department

#### Matters from the current audit

#### Monitoring school jurisdictions' accumulated operating reserves

##### Context

The Minister of Education governs the education of Alberta children through the *School Act*. The Department of Education provides funding to school jurisdictions, which have the flexibility in using the funds to best meet local needs,<sup>1</sup> provided school jurisdictions meet certain general conditions and limitations. For fiscal year 2018, the department granted \$6 billion (2017—\$6 billion) to school jurisdictions to execute the minister's expectations.

<sup>1</sup> 2016/17 *Funding Manual for School Authorities*, April 2016, p. 8. This document is approved by the Minister of Education annually and sets the terms and conditions for the funding provided to school jurisdictions.

The department has identified the amount of accumulated operating reserve as a school jurisdiction's key financial health indicator. Since 2012, total school jurisdictions' accumulated operating reserves have grown by 47 per cent. Although school jurisdictions can accumulate reserves to meet specific future operating or capital needs, high reserve balances may indicate that jurisdictions are not spending all department funds intended to maximize the delivery of quality education and meet current student needs.

In 2016, the department implemented increased reporting requirements on capital and operating reserve balances under which school jurisdictions are required to provide detailed plans on the uses of reserves so that the department could compare spending plans with the implementation in subsequent years.<sup>2</sup>

#### Criteria: the standards of performance and control

The department should have processes to:

- monitor school jurisdictions' accumulated operating reserves to ensure compliance with funding conditions
- define and implement corrective actions for non-compliance
- report results of its monitoring activities

#### Our audit findings

##### Key Finding

The department does not consistently follow its process for monitoring, assessing, and reporting on school jurisdictions' accumulated operating reserves.

We examined the department's processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves for the last complete school year (the fiscal year ended August 31, 2017) and for school jurisdiction budget submissions for the 2017/18 school year.

Having formal documentation of operational processes is important to any organization to clearly articulate what steps in the process must be applied and by whom. This documentation reduces the risks of employees misunderstanding or inconsistently applying operational processes. Documentation also defines the processes' expected desired results.

The department was unable to provide us with complete formal documentation of its process to examine school jurisdictions' accumulated operating reserve balances. As a result, we had to examine supporting documentation and interview the department's staff to identify the process staff were using.

#### Monitoring processes

School jurisdictions submit budget reports to the department by May 31 each year, in advance of school jurisdictions' fiscal year, which starts September 1. By November 30, jurisdictions submit their audited financial statements of the prior fiscal year and updates for their current-year budget submissions. The fall budget updates reflect student head counts as of September 30, compared to head-count estimates made during budget submission. It is important jurisdictions identify these adjustments early in the school year so that they can properly adjust school operational and capital spending for the remainder of the fiscal year.

<sup>2</sup> 2015–16 Education Annual Report, p.15.

The department examines the reasonability of school jurisdictions' accumulated operating reserves<sup>3</sup> by applying a target range of one to five per cent of annual operating expenditures.<sup>4</sup> The department monitors the financial health of school jurisdictions annually and examines financial trends over a five-year period. As part of the budget submissions since 2016, school jurisdictions include a schedule detailing intended uses for unrestricted surplus, operating reserves, and capital reserves for the next three years.<sup>5</sup>

Timely review of budget and reserve balances soon after receiving the information from school jurisdictions is important for the department to identify and communicate follow-up items for school jurisdictions. In December 2017, the department began reviewing the jurisdictions' 2017/18 budget update reports and audited 2016/17 financial statements. We examined a sample of the department's emails requesting jurisdictions to explain reserve balances and deviations from planned use.

We found that, for the majority of our sample, the department did not start its follow-up on reserves falling outside the target range until May 2018. None of our samples had requests made earlier than March 2018. As a result of the department's making requests to school jurisdictions later in the school year, there is increased risk that jurisdictions will be unable to make effective adjustments to their planned use of reserves in the current fiscal year.

Jurisdictions with reserves below one per cent risk incurring accumulating operating deficits. Accumulated operating deficits are not acceptable to the department. School jurisdictions are required to submit deficit-elimination plans when they budget or incur accumulated operating deficits.

While reviewing the jurisdictions' 2016/17 audited financial statements, the department identified two school jurisdictions with accumulated operating deficits. The department did not obtain deficit-elimination plans from these jurisdictions until July 2018. Obtaining these plans earlier would have increased the department's ability to determine whether the jurisdictions' plans to eliminate the accumulated operating deficits were reasonable.

### Assessment process

We examined the department's process to calculate the percentage of accumulated operating reserves out of total operating expenses for each school jurisdiction for the year ended August 31, 2017, and to identify jurisdictions with reserves outside the one-to-five-percent target range that requires follow-up. We found that the department did not apply its target range consistently. Instead, department staff used an upper range amount of six per cent and did not follow up on reserve balances which were below one percent.

Of the 74 school jurisdictions, 42 had reserves above and four below the department's target range. We found that the department did not follow up on 40 per cent of jurisdictions with accumulated operating reserves above the target range. Department staff told us that they did not follow up on school jurisdictions with accumulated

<sup>3</sup> As recommended by the *Education Advisory Task Force Budget Process, Interim Reporting and Financial Monitoring—Part I*, May 2007, p. 12.

<sup>4</sup> Calculated as accumulated operating surplus, plus unrestricted reserve, less school generated funds (SGF). SGFs belong to schools, parents, and students. Because school jurisdictions do not have discretion to spend these funds, they are deducted from the calculation.

<sup>5</sup> Operating reserves are operating surpluses internally restricted by the board of trustees for specific future operating purposes but can be repurposed at the board's discretion. Capital reserves are operating surpluses restricted by the board for the future purchase or replacement of capital assets; however, the repurposing of capital reserves requires the minister's pre-approval.

operating reserves between five and ten per cent as long as reserve balances had decreased compared to the previous year. Department staff indicated the department deviated from its process to follow up on reserve balances outside of the target range due to limited resource capacity and other department priority initiatives.

The department identified 25 school jurisdictions with reserves outside the department's target range which required further follow-up. The department's follow-up process starts with an email requesting the school jurisdiction's secretary treasurer to explain why the accumulated operating reserves are outside the target range and how the jurisdiction intends to use the reserves. Department staff indicated they will follow up with the jurisdiction if the explanation is not acceptable to the department.

We examined a sample of school jurisdictions' responses to the department's requests. We noted variations in the level of detail provided and variances in use of the reserves compared to the jurisdictions' submitted plans. We would have expected to see further follow-up by department staff with the jurisdiction; however, we found that the department did not take any further action. Staff told us they did not follow up further because school jurisdictions have the sole responsibility to determine how to use the funding. While the department may not dictate to jurisdictions where to spend the funds, department staff should have oversight over whether the use of funds complies with the department's grant-funding conditions.

The department has authority under the *Education Grant Regulation*<sup>6</sup> to utilize various mechanisms to reduce accumulated operating reserve balances. Mechanisms include recovering funds from the jurisdictions, directing jurisdictions to apply reserves to targeted areas, or implementing an overall short-term funding reduction to the system. We found that the department has not defined when to apply these mechanisms. Formally documented guidance when to apply a mechanism and what kind to apply would ensure consistency in the department's monitoring process and inform school jurisdictions on when the department may apply such an action.

### Reporting process

Each January, department staff prepare an annual internal report to the deputy minister summarizing the department's review of school jurisdictions' financial information, including information on reserve balances and the department's variance analyses for accumulated operating and capital reserves by jurisdiction.

When examining the report, we were unable to find analyses and conclusions on the financial health of school jurisdictions and whether funding allocations need adjustment. As the timing of the department's follow-up processes on reserves or obtaining deficit elimination plans for fiscal 2016/17 were between March and July 2018, the department's internal report to the deputy minister had incomplete information on the financial health and plans of those school jurisdictions.

External reporting by the department in its 2017–18 annual report includes financial statements for all 74 school jurisdictions, funding amounts the department provided for key programs and initiatives, and the aggregate amount of accumulated operating and capital reserves. In the report's financial highlights, the department states that school jurisdictions are

<sup>6</sup> *Education Grant Regulation 120/2008*, Section 10: the minister may request a repayment of the grant or make a deduction from a grant amount under his or her discretion.

accountable for reserves that appear excessive; jurisdictions must submit plans for the use of reserves and explain variances from the plans.<sup>7</sup> The report also states that the department works with jurisdictions to ensure effective and efficient utilization of the reserves.

The annual report did not identify the number of jurisdictions having excess reserves or the type of accountability measures the department applied. We found no discussion or analysis of the financial health of school jurisdictions and whether school jurisdictions spent department funding as intended. The department's integrated financial and non-financial analyses of reserve balances would help readers understand how jurisdictions and the department are examining reserve balances and how jurisdictions plan to use reserves effectively and efficiently.

We inquired about whether the department has a process to identify what information on school jurisdiction funding Albertans would find desirable to receive through department public reporting, if any. We found no evidence that the department has such a process.

#### **RECOMMENDATION:**

#### **Improve monitoring, assessing, and reporting processes on school jurisdictions' accumulated reserve balances**

We recommend that the Department of Education improve its processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves.

#### **Consequences of not taking action**

Without adequate monitoring and reporting processes over the financial health of school jurisdictions, the department cannot take the actions necessary to ensure funding is appropriately aligned with the changing needs of school jurisdictions, likely resulting in sub-optimal outcomes for students, parents, and teachers.

#### **Matters from prior audits**

#### **Improve capital project financial reporting processes—recommendation implemented**

##### **Context**

The department is responsible for budgeting, tracking and reporting on costs for school construction projects managed by Alberta Infrastructure and school jurisdictions.

In 2017,<sup>8</sup> we recommended the department improve controls over tracking and reporting cost obligations for school construction projects. We found the department did not have adequate processes to ensure cost obligations for school construction projects were reported completely and accurately in department financial statements.

##### **Our audit findings**

During the year the department adjusted its process to track and report school construction projects. We examined the adjusted processes to track and report contractual obligations and substantively tested the contractual obligation disclosures. We conclude that costs and contractual obligations associated with capital projects are appropriately recorded and disclosed.

<sup>7</sup> Alberta Education *Annual Report 2017–18*, page 15.

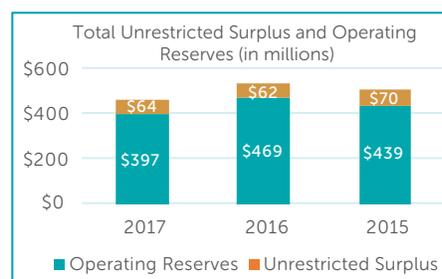
<sup>8</sup> *Report of the Auditor General of Alberta—October 2017*, Financial Statement Auditing, p. 51.

# Summary of results—school jurisdictions’ audited financial statements and management letters

As follows is our Section 19(4)<sup>9</sup> summary of results of school jurisdictions’ audited financial statements and the management letters provided by their auditors for the year ended August 31, 2017. We have also provided comparative results for the fiscal years ended August 31, 2016, and August 31, 2015.

## 1. Summary

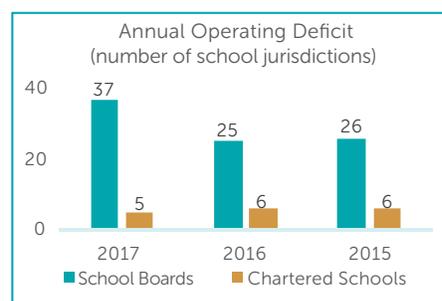
- One school jurisdiction received a qualified audit opinion on its financial statements. This also occurred in 2016 and 2015. The qualified opinion was issued because the auditor could not verify the completeness of gifts, donations, and fundraising revenue.
- The net consolidated accumulated unrestricted operating surplus and operating reserves<sup>10</sup> decreased to \$461 million (2016—\$531 million; 2015—\$509 million). Two jurisdictions have accumulated operating deficits (2016—none; 2015—none).



- Capital reserves<sup>11</sup> increased to \$242 million (2016—\$232 million; 2015—\$199 million).



- The number of school jurisdictions that incurred annual operating deficits increased to 42 (2016—31; 2015—32).



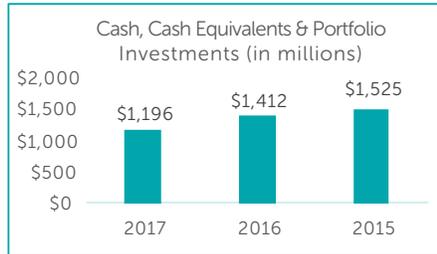
9 Section 19(4) of the *Alberta Auditor General Act* requires the Auditor General to report each fiscal year to the Legislative Assembly the results of examinations by the auditor of a regional authority. The Act defines a regional authority as including “a board under the School Act.”

10 Reserves are an unrestricted surplus that the school trustees have internally restricted for a planned future operating or capital expenditure. The trustees restrict the unrestricted surplus into a reserve (or remove restrictions to increase the unrestricted surplus) at their discretion through an approved board of trustees resolution. Operating reserves also include school-generated funds, which are non-discretionary funds raised by the schools for a specific purpose. School-generated funds in 2017 are \$50 million (2016—\$42 million; 2015—\$41 million).

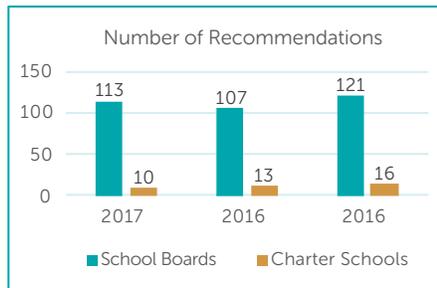
11 Capital reserves are the funds set aside by the board to meet future capital expenditures. Once the capital reserves are established, the funds cannot be spent on operating purposes without ministerial approval.

- The combined net operating deficit of all jurisdictions was \$28 million on a budgeted deficit of \$113 million (2016—\$79 million surplus on a budgeted deficit of 60 million; 2015—\$76 million surplus on a budgeted deficit of \$94 million). Over the past 10 years,<sup>12</sup> jurisdictions incurred a total net operating surplus of \$506 million, compared to the total budgeted deficit of \$811 million.

- The total cash, cash equivalents, and portfolio investments decreased to \$1.2 billion (2016—\$1.4 billion; 2015—\$1.5 billion). The current-year decrease relates to the delay in the construction of school building projects. In 2016, the department implemented a pay-as-you-go payment method by which the department funds school construction projects on a percent-of-completion basis. Due to delays in construction, less funding was provided to school jurisdictions.



- The total number of recommendations made to school jurisdictions by their auditors increased to 123 (2016—120; 2015—137). School jurisdiction trustees should continue to hold their management accountable to improve identified weaknesses.



- 34 jurisdictions had no recommendations (2016—38; 2015—25).

- The types of recommendations made to school jurisdictions are the same as in prior years and are primarily related to the following areas: review of financial information, cash management, implementation of policies and procedures, controls over purchasing, and payroll. At least 82 per cent of jurisdictions have been assessed to have effective controls in each of the areas in which auditors recommended improvements.

<sup>12</sup> In 2008, the combined net operating surplus of all jurisdictions was \$140 million on a budgeted deficit of \$18 million. In 2010, jurisdictions reported a combined net operating deficit of \$14 million on a budgeted deficit of \$124 million.

## 2. Background

We examined the auditors' reports on the financial statements and their management letters for all school jurisdictions. The auditors did not design the audits to assess all key systems of control and accountability. When auditing the financial statements, however, the auditors do report to management those control weaknesses that come to their attention.

The composition of school jurisdictions for 2015, 2016, and 2017 was:

School Board <sup>13</sup>	Chartered School	Total
61	13	74

## 3. Findings

### 3.1 Financial reporting

- Under Section 151 of the *School Act*, school jurisdiction auditors must send management letters, auditors' reports, and audited financial statements to the minister by November 30 of each year.
- **Auditors' reports:** One school jurisdiction received a qualified auditor's report on its fiscal 2017 financial statements (2016—1, 2015—1). The auditor issued a qualified report as he/she was unable to verify the completeness of gifts, donations and fundraising revenue at the jurisdiction.
- **Financial statements:** Thirty-seven school jurisdictions and five charter schools incurred an annual operating deficit (2016—25 school jurisdictions and six charter schools; 2015—26 school jurisdictions and six charter schools). Annual operating deficits are acceptable to the department as long as jurisdictions have sufficient accumulated surpluses available to cover the shortfall.

#### *Annual operating deficits*

School jurisdictions had a combined net annual operating deficit of \$28 million (2016—\$79 million surplus; 2015—\$76 million surplus) compared to the budgeted deficit of \$113 million because they were planning to use operating reserves to offset their current-year operating deficit. Over the past 10 years,<sup>14</sup> jurisdictions incurred a total net operating surplus of \$506 million compared to the total budgeted deficit of \$811 million.

#### *Accumulated deficits from operations*

Accumulated deficits from operations are not acceptable to the department. The department expects school jurisdictions with accumulated deficits from operations to submit a deficit-elimination plan and work with the department to eliminate the deficit. Two school jurisdictions had an accumulated deficit from operations in 2017 (none in 2016 or 2015).

<sup>13</sup> The total number of school boards excludes Alberta Distance Learning (ADL). The Ministry of Education requires ADL to submit a separate set of audited financial statements.

<sup>14</sup> In 2008 the combined net operating surplus of all jurisdictions was \$140 million on a budgeted deficit of \$18 million. In 2010 jurisdictions reported a combined net operating deficit of \$14 million on a budgeted deficit of \$124 million.

### *Accumulated unrestricted surplus and operating reserves*

- The combined accumulated unrestricted surplus and operating reserves decreased to \$461 million (2016—\$531 million; 2015—\$509 million), or six per cent of the total operating expenses for jurisdictions in fiscal 2017.
- The department monitors whether the school jurisdictions' combined accumulated unrestricted surplus and operating reserves,<sup>15</sup> as a percentage of total operating expenses, are within a reasonable range of one to five per cent. Forty-two jurisdictions were above five per cent, and four jurisdictions were below one per cent at August 31, 2017 (2016—44 jurisdictions above five per cent and two below one per cent; 2015—49 jurisdictions above five per cent and one below one per cent). Total accumulated operating surplus decreased due to higher annual deficits and capital reserve balances.

### *Plans to use operating and capital reserves*

- Since 2016, the department requires school jurisdictions to outline their plans for using operating and capital reserves. If the department concludes that school jurisdictions have excessive reserves, the department may apply mechanisms to reduce reserve balances, including recovering funding from individual jurisdictions, directing individual school jurisdictions to apply reserves to targeted areas, or implementing a short-term overall funding reduction to all school jurisdictions.
- During our audit of the department's fiscal 2018 financial statements, we examined the effectiveness of the department's process to monitor school jurisdictions' accumulated operating reserves. We issued a recommendation to the department to improve its processes to monitor, assess, and report on reserve balances.

### *Cash and cash equivalents*

The total cash, cash equivalents, and portfolio investments decreased to \$1.2 billion (2016—\$1.4 billion; 2015—\$1.5 billion). In 2016, the department implemented a pay-as-you-go payment process under which school jurisdictions do not receive advance funding for school construction costs. School jurisdictions' cash and unexpended deferred capital balances<sup>16</sup> have decreased for the second consecutive year since the implementation of the new payment process.

### *Tangible capital assets*

- The net book value of tangible capital assets at school jurisdictions is approximately \$7.6 billion (2016—\$6.6 billion; 2015—\$5.5 billion). School jurisdictions fund these assets through a combination of the jurisdictions' accumulated surpluses, restricted grant funding, and debt. As at August 31, 2017, school jurisdictions funded approximately \$678 million, or nine per cent, of these assets from unrestricted operating surpluses (2016—\$646 million; 2015—\$622 million). School jurisdictions have also set aside capital reserves of \$242 million for future capital expenses (2016—\$232 million; 2015—\$199 million).

<sup>15</sup> For the purposes of this analysis, operating reserves exclude school-generated funds, as school trustees cannot apply discretion in the use of these funds. School-generated funds in 2017 are \$50 million (2016—\$42 million; 2015—\$41 million).

<sup>16</sup> The unexpended deferred capital balance is reported as part of the total deferred revenue line item on page 266 of Alberta Education's *Annual Report 2017–18*. It represents cash paid by the department to fund school jurisdictions' capital-related expenses. As of August 31, 2017, the total unexpended deferred capital balance is \$99 million (2016—\$233 million).

Similar to our last four summary reports<sup>17</sup>, the department does not report analyses of the reasonableness of school jurisdictions' financial information in its annual report for the following:

- the unrestricted surplus and operating reserve balances and the expected future performance improvements at jurisdictions from applying these funds
- cash, cash equivalent, and portfolio investment balances and their correlation with future plans at the school jurisdictions to apply these funds
- surplus amounts and the expected future budgeted operating surplus or deficits at jurisdictions
- capital reserves relative to the department's future capital plans

### 3.2 Management letter recommendations

- There were 123 recommendations made to school jurisdictions for fiscal 2017 (2016—120; 2015—137). Auditors for 34 school jurisdictions did not report any findings and recommendations to management (2016—38; 2015—25). While some school jurisdictions improved in the areas of policy and procedure development and implementation, purchases, and change management, a similar number of school jurisdictions developed weaknesses in these areas. As a result, the net total number of jurisdictions with recommendations in these areas was similar to the past year.
- More school jurisdictions also received recommendations on accounting issues and cash management than in the prior year. Processes related to review of financial information, cash management, purchasing, and payroll continue to pose the most difficulty for school jurisdictions to sustain annually. Despite the weaknesses in processes identified, the most recommendations in any one process area was 13 of 74 school jurisdictions (purchases processes). As a result, at least 82 per cent of school jurisdictions were assessed to have adequate controls in each of the specific process areas.
- In total, 36 recommendations made to various jurisdictions in the prior year were repeated in the current year. We encourage all school jurisdiction trustees to hold management of their respective jurisdictions accountable for implementing all process recommendations identified. The department contacts jurisdictions, where necessary, to encourage them to resolve control weaknesses identified in the management letters, particularly recommendations repeated from prior years.
- The table on page 60 summarizes audit findings and recommendations reported to school jurisdictions for fiscal years ended August 31, 2017, and August 31, 2016. The findings are grouped into three categories:
  - financial reporting and oversight
  - internal control weaknesses
  - information technology management

<sup>17</sup> *Report of the Auditor General of Alberta—October 2017*, page 221, *Report of the Auditor General of Alberta—October 2016*, page 93, *Report of the Auditor General of Alberta—October 2015*, page 84, and *Report of the Auditor General of Alberta—October 2014*, page 122.

- Users of this summary should keep in mind that the audits from which these findings came were not designed to assess all key control and accountability systems. Our summary of the recommendations made to school jurisdictions identifies trends across the sector. The department and school jurisdictions can use this information to work together to rectify identified common control weaknesses. Management of individual school jurisdictions can also use this information to proactively consider the sustainability of their jurisdictions' control environment, particularly where the trend is an increasing number of recommendations. We do not identify the school jurisdictions associated with recommendations, as this information is not necessary in order for the department and school jurisdictions to achieve their desired outcome—establishing sector-wide strong, sustainable internal controls for financial reporting.

	Number of jurisdictions (repeated from prior year)		Recommendations made (repeated from prior year)	
	2017	2016	2017	2016
<b>Financial reporting and oversight recommendations</b>				
<b>Accounting issues</b> —improve accounting treatment in areas including capitalization of expenses, liability recognition, revenue recognition, and leases.	11 (2)	5	15 (2)	5
<b>Board approval</b> —improve appropriate approval of board minutes.	2 (0)	0	2 (0)	0
<b>Board information</b> —improve board receipt of timely financial information to maintain and strengthen overall stewardship.	0 (0)	1	0 (0)	1
<b>Budgetary process</b> —improve overall budgetary processes.	1 (1)	3	1 (1)	3
<b>Review of financial information</b> —improve the review and approval of financial information such as bank reconciliations, journal entries, monthly financial statements, and variances between budget and actual expenditures.	11 (4)	10	14 (5)	15
<b>Timeliness of recording financial information</b> —improve accurate recording of accounting transactions for capital assets and capital grant expenditures, accruals and receivables, and prompt preparation of financial statements.	3 (1)	2	3 (1)	3
<b>Personnel and staff shortages</b> —improve succession plans or cross-training for key financial positions, or review the allocation of staff resources in the accounting function.	2 (0)	4	2 (0)	4
<b>Internal control weaknesses recommendations</b>				
<b>Cash management</b> —improve cash management processes and controls.	10 (6)	8	18 (9)	13
<b>Capital assets</b> —improve the recording and monitoring of capital assets.	3 (0)	5	3 (0)	5
<b>Goods and services tax</b> —improve their processes for charging the appropriate amount of GST and for recording accurately the amount of GST paid and recoverable.	4 (0)	2	4 (0)	3
<b>Payroll</b> —improve controls over the administration of employee payroll information, processing of expense claims, application of vacation pay policies, and regular reviews of payroll expenses.	11 (2)	7	15 (4)	13
<b>Policies and procedures</b> —implement, update, or follow formal procedures and policies.	10 (3)	12	13 (3)	16
<b>Purchases</b> —improve controls over the purchase cycle, such as review and authorization processes over purchases and payments, employee sign-off for goods received, and retention of supporting documentation.	13 (2)	11	15 (3)	18
<b>Segregation of duties</b> —improve segregation of duties over authorization and recording of transactions or custody of and accounting for certain assets.	3 (2)	3	3 (2)	3
<b>School-generated funds</b> —improve the processes used to collect, record, spend, and report school-generated funds.	6 (1)	5	7 (1)	7
<b>Information technology management recommendations</b>				
<b>Computer security</b> —improve computer-security processes by having unique individual usernames and passwords, implementing a mandatory password change policy, having user access restricted for the appropriate information, and backing up data at an offsite location.	5 (2)	4	6 (3)	6
<b>Change management</b> —implement or enhance formal documented policies and procedures for managing and testing changes to system and network software or hardware.	2 (2)	5	2 (2)	5

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT</p> <p><b>MONITORING SCHOOL JURISDICTIONS' ACCUMULATED OPERATING RESERVES:</b></p> <p><b>Improve monitoring, assessing, and reporting processes on school jurisdictions' accumulated reserve balances</b></p> <p>We recommend that the Department of Education improve its processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves.</p>	November 2018, Financial Statement Auditing, p. 53	<b>NEW</b>
<p>DEPARTMENT</p> <p><b>PROCESSES TO MANAGE THE STUDENT CLASS SIZE INITIATIVE:</b></p> <p><b>Develop an action plan and improve monitoring and reporting processes</b></p> <p>We recommend that, if the Department of Education continues the Class Size initiative, the Department should develop an action plan and improve processes to regularly monitor and report on the initiative.</p>	February 2018, p. 47	<b>NOT READY</b>
<p>DEPARTMENT</p> <p><b>ENTERPRISE RISK MANAGEMENT PROCESSES:</b></p> <p><b>Implement an enterprise risk management process</b></p> <p>We recommend that the Department of Education implement an enterprise risk management process.</p>	October 2017, Financial Statement Auditing, p. 50	<b>READY</b>
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE</p> <p><b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b></p> <p><b>Clarify roles and responsibilities</b></p> <p>We recommend that the Department of Education improve its oversight of the school-building program by:</p> <ul style="list-style-type: none"> <li>working with the Department of Infrastructure to clarify the roles and responsibilities of each department and establishing supporting policies and procedures</li> <li>developing clear decision making authorities for the program</li> </ul>	April 2016, no. 1, p. 9	<b>NOT READY</b>
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE</p> <p><b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b></p> <p><b>Improve the planning and approval process</b></p> <p>We recommend that the Department of Education improve project approvals for new schools and modernizations by:</p> <ul style="list-style-type: none"> <li>implementing a gated approval process</li> <li>identifying the approval gates, required deliverables and responsibilities for completion of the deliverables</li> </ul>	April 2016, no. 2, p. 12	<b>NOT READY</b>
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE</p> <p><b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b></p> <p><b>Improve systems to manage and control projects</b></p> <p>We recommend that the Department of Education improve its systems to manage and control school capital projects by:</p> <ul style="list-style-type: none"> <li>agreeing on project expectations promptly with school jurisdictions and Infrastructure, including scope, budget and key milestones</li> <li>developing and implementing change management policies and procedures</li> </ul>	April 2016, no. 3, p. 13	<b>NOT READY</b>

WHAT	WHEN	STATUS
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Improve systems to manage and control projects</b></p> <p>We recommend that the departments of Education and Infrastructure improve the planning process by:</p> <ul style="list-style-type: none"> <li>identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure’s contractors</li> <li>basing oversight of projects managed by school jurisdictions on risk</li> </ul>	<p>April 2016, no. 4, p. 14</p>	<p><b>NOT READY</b></p>
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Improve reporting systems and controls</b></p> <p>We recommend that the Department of Education define and report on the key performance indicators of the school-building program.</p>	<p>April 2016, no. 6, p. 16</p>	<p><b>NOT READY</b></p>
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Improve reporting systems and controls</b></p> <p>We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:</p> <ul style="list-style-type: none"> <li>defining reporting requirements, including measures to assess project performance</li> <li>using a common reporting system that specifies where information will be retained, who will update it and how it will be updated</li> </ul>	<p>April 2016, no. 7, p. 16</p>	<p><b>NOT READY</b></p>
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Match capital funding to project progress</b></p> <p>We recommend that the Department of Education improve its cash flow forecasting systems and ensure capital funding requests are supported by assumptions tied to project progress.</p>	<p>April 2016, no. 8, p. 19</p>	<p><b>NOT READY</b></p>
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Submit revised plan for approval</b></p> <p>We recommend if Treasury Board adjusts the Department of Education’s funding request, the Department of Education should submit its revised school-building program plan to the Treasury Board for approval. The revised plan should align with the approved funding and should clearly identify the impact on project progress.</p>	<p>April 2016, no. 9, p. 19</p>	<p><b>NOT READY</b></p>
<p>DEPARTMENT  <b>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</b>  <b>Oversight by the department</b></p> <p>We recommend that the Department of Education exercise oversight of Northland School Division by ensuring:</p> <ul style="list-style-type: none"> <li>the division develops and executes an operational plan to improve student attendance</li> <li>the operational plan identifies the resources needed and how results will be measured, reported and analyzed</li> </ul>	<p>March 2015, no. 2, p. 23</p>	<p><b>NOT READY</b></p>

WHAT	WHEN	STATUS
<p>NORTHLAND SCHOOL DIVISION NO. 61  <b>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</b>  <b>Develop plan to improve student attendance</b></p> <p>We recommend that Northland School Division develop an operational plan with short- and long-term targets to improve student attendance. The operational plan should include:</p> <ul style="list-style-type: none"> <li>• measurable results and responsibilities</li> <li>• a prioritized list of student-centred strategies, initiatives and programs</li> <li>• documentation of the costs and resources required to action the strategies, initiatives and programs</li> <li>• a specific timeline for implementation</li> <li>• reporting on progress and accountability for improved attendance results</li> </ul>	<p>March 2015, no. 1, p. 23</p>	<p>READY</p>
<p>NORTHLAND SCHOOL DIVISION NO. 61  <b>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</b>  <b>Monitor and enforce student attendance</b></p> <p>We recommend that Northland School Division improve its guidance and procedures for schools to:</p> <ul style="list-style-type: none"> <li>• consistently record and monitor student attendance</li> <li>• benchmark acceptable attendance levels</li> <li>• manage and follow up on non-attendance</li> </ul>	<p>March 2015, no. 3, p. 30</p>	<p>NOT READY</p>