

# Board Governance: Oversight of Financial Reports

JANUARY 2024



# Introduction



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**Director of Corporate Services**

- Public practice
- Tax
- Oil and gas
- Financial services
- Telecommunications
- Government

# Outline

- Financial components
- Financial and reporting cycle
- Budgets
- Financial reporting/Forecasts
- Financial statements
- Audits

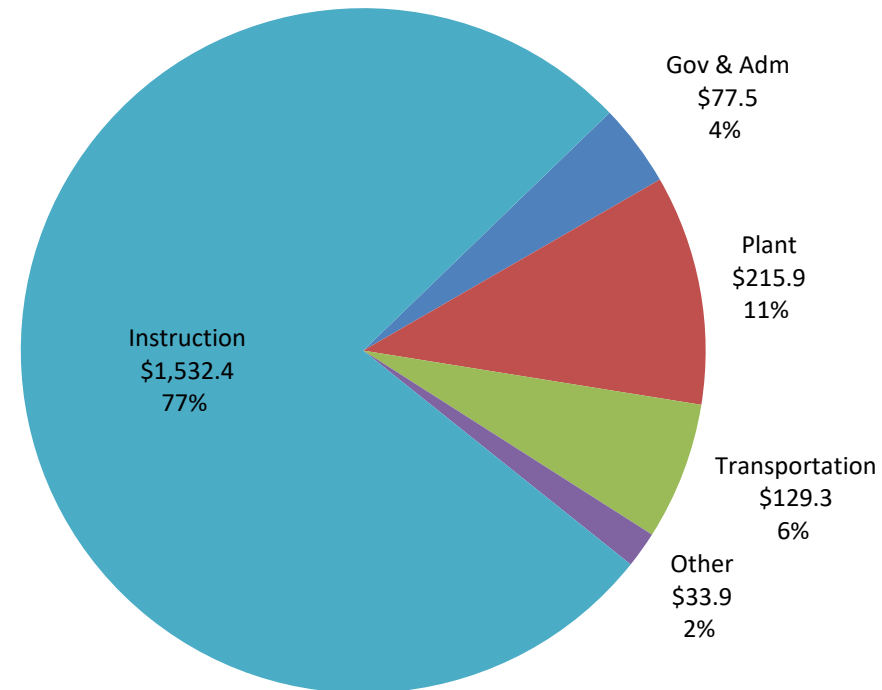
# Financial Components

- Assets
- Liabilities
- Net Assets or Accumulated Surplus/Deficit
  - Reserves – unrestricted, internally restricted, externally restricted
  
- Revenue
- Operating Expense (OpEx)
- Capital Expense (CapEx)
  
- PMR (Preventative, Maintenance, Renewal)

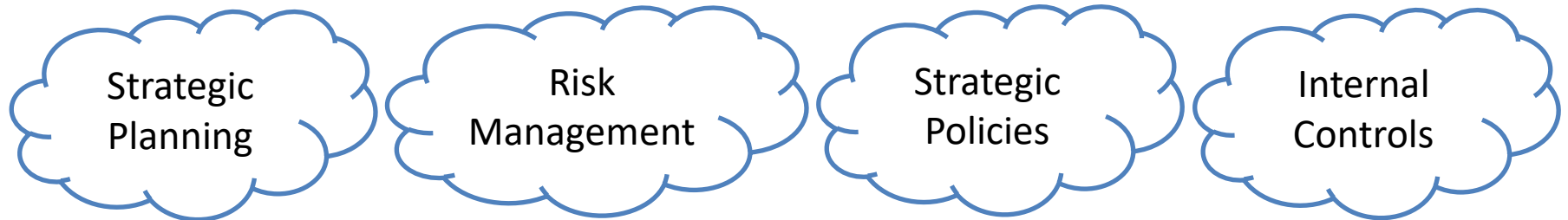
# Financial Components

## Saskatchewan Financial Reporting Categories:

- Governance
- Administration
- Instruction
- Plant (Operations and Maintenance)
- Transportation
- Tuition and Related Fees
- School Generated Funds
- Complementary Services
- External Services



# Financial and Reporting Cycle



# Financial and Reporting Cycle



# Budgets

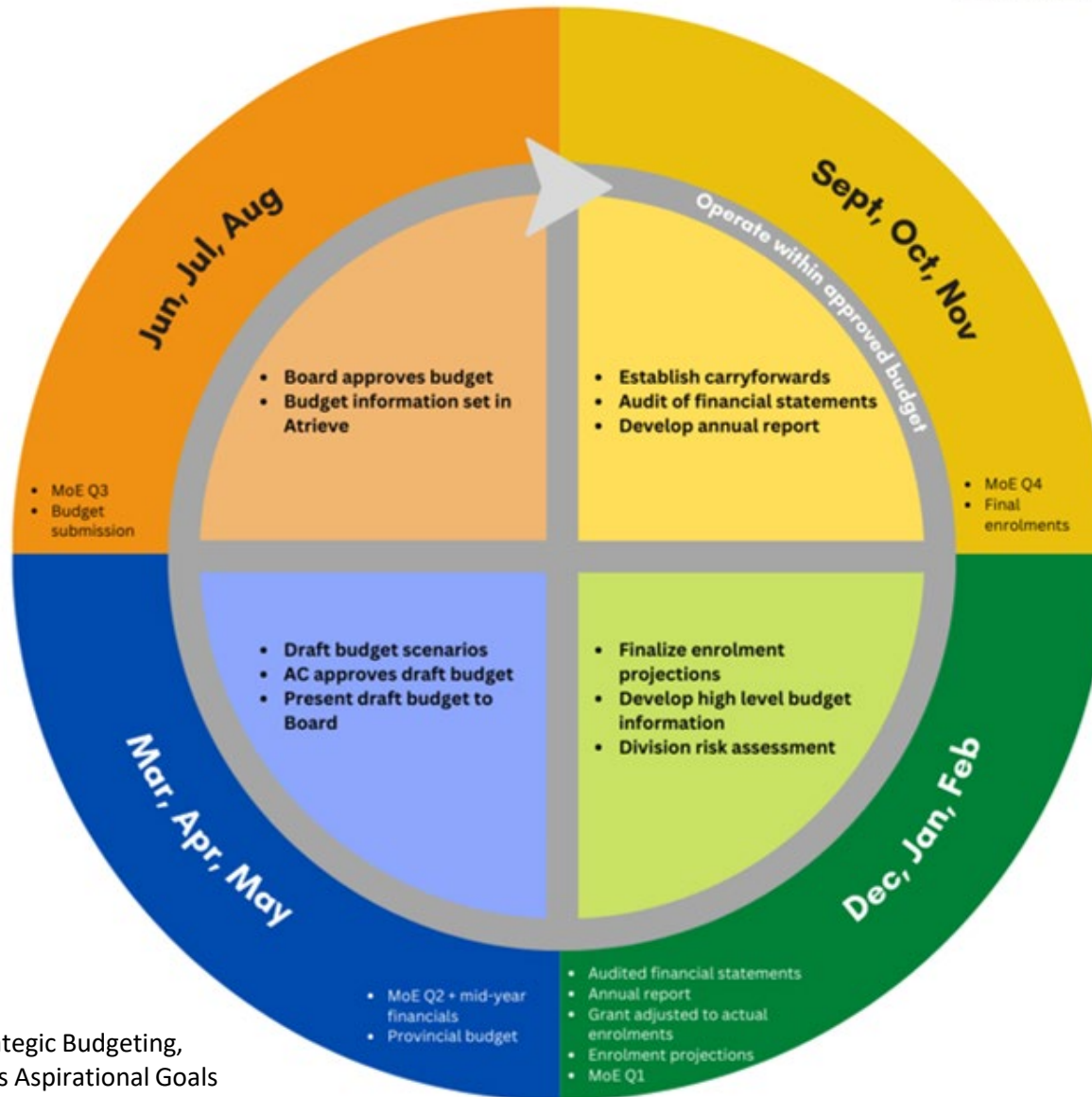
- Budget preparation is about planning the Board's "to do" list for the coming year, then putting resources in place to do them.
- The budget and financial plan is the primary tool to achieve the strategic priorities of the School Division.





# BUDGET DEVELOPMENT PLAN

DETAILED



Courtesy of LEADS - Strategic Budgeting,  
Mitigating Risks Towards Aspirational Goals

# Budgets

Good governance means:

- Write policies describing the results you want to achieve and the priorities you have established,
- **Allocate resources to support your goals and priorities**
- Monitor progress to ensure the desired results are being achieved
- Hold the Director of Education responsible for achieving the desired results

Does not mean:

- Detailed line-item by line-item check



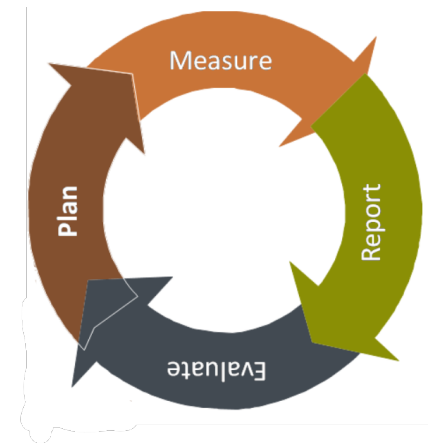
# Budgets

- Is this budget reasonable?
- Is it plausible that this proposed allocation of resources matches up with and can achieve the strategic plan?
- Would this expenditure of money be consistent with our core beliefs and values?
- Would this expenditure of money be consistent with the outcomes we want to achieve?
  
- What do we do when we receive unanticipated funding?
- What do we do when we don't receive enough funding?
  
- Where in the budget do we see the financial impacts of [new program]/[old program]?
- Why does the budget change from prior year?
- How does the budget compare to current forecast/actuals for the prior year?

# Financial Reporting

Good governance means:

- Write policies describing the results you want to achieve and the priorities you have established,
- Allocate resources to support your goals and priorities
- **Monitor progress to ensure the desired results are being achieved**
- Hold the Director of Education responsible for achieving the desired results

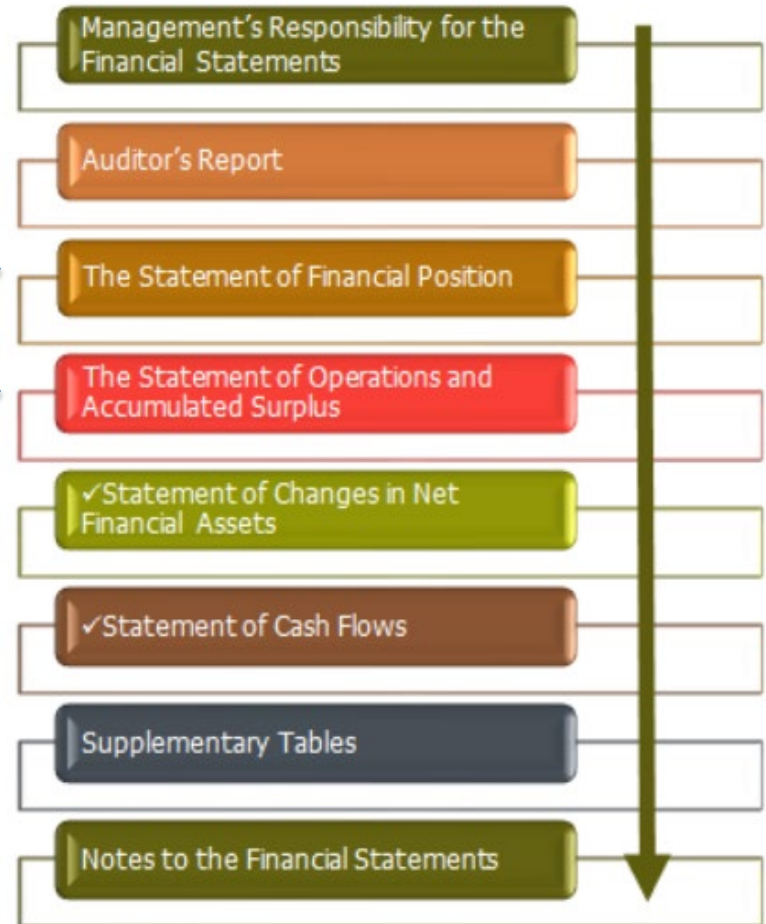


# Financial Reporting

Interim Reporting  
(Monthly or Quarterly)



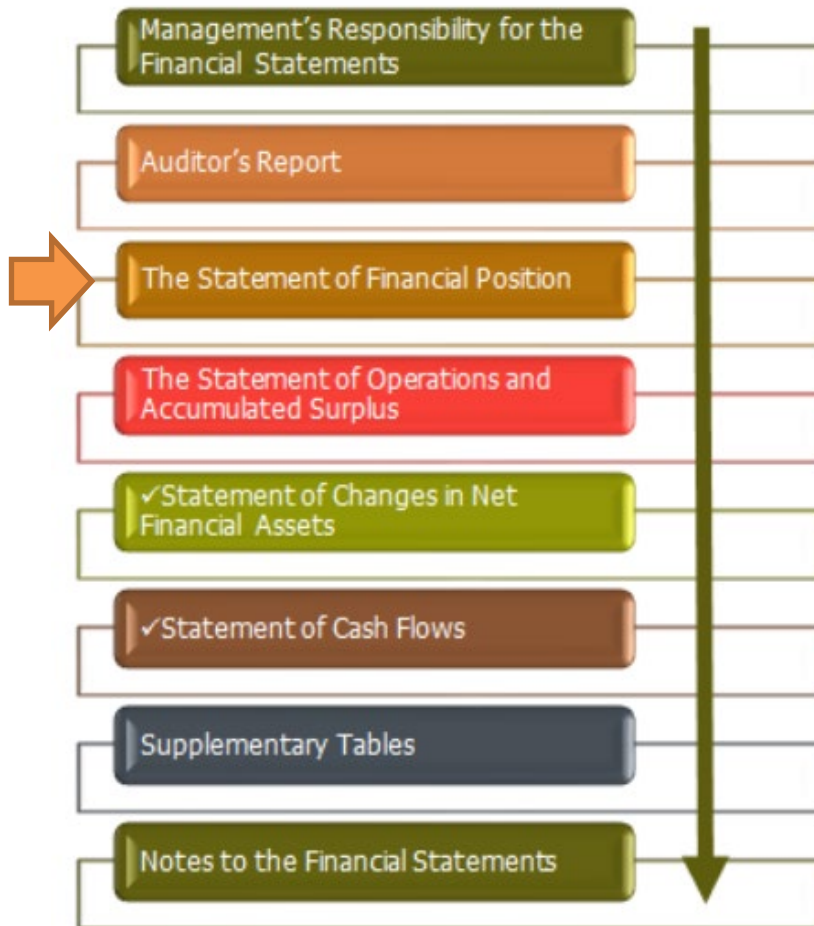
Annual Year-End Reporting



# Financial Reporting

- Is this forecast reasonable?
- Is this forecast adhering to the approved budget?
- Is there a change in the strategic plan or priorities?
- Is there a change needed to the budgeted allocation of resources?
  - What do we do when we receive unanticipated funding/expenditures?
- Do we have any mis-matches between cash inflows and cash out flows? How do we manage those?
- What haven't we spent? Is the remaining unspent amounts sufficient?

# Financial Reporting



The Statement of Financial Position (formerly the “Balance Sheet”):

Assets: what the School Board owns, you receive future economic value, and

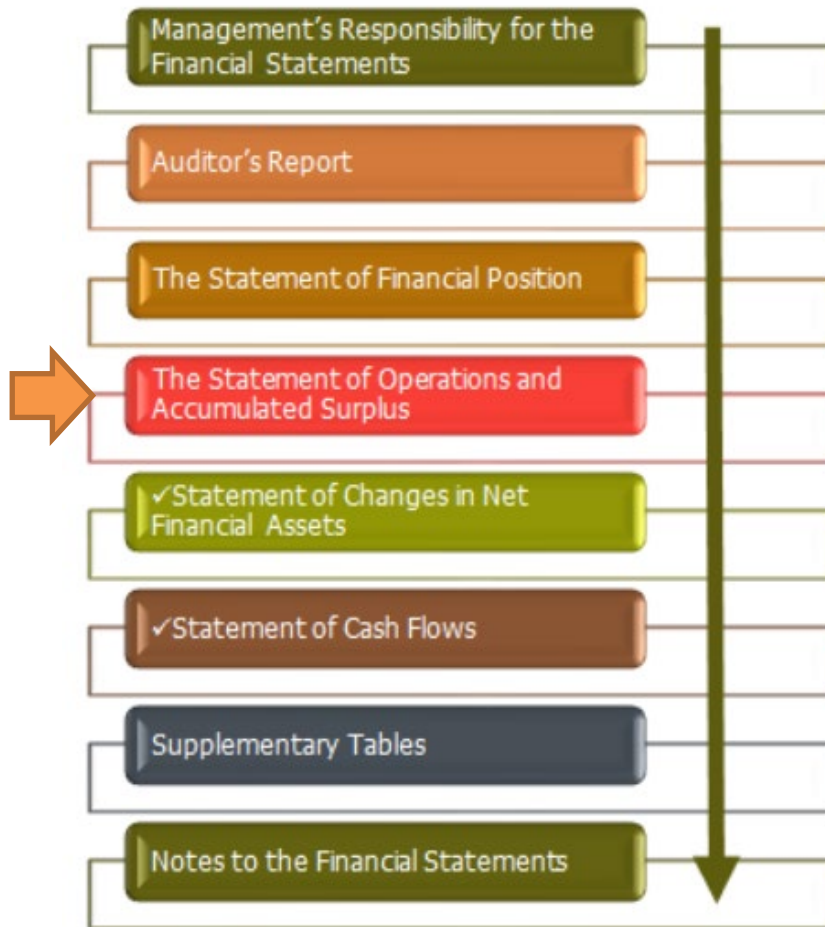
Liabilities: what the School Board owes, you deliver future economic value, and the difference between these: “Net Assets” or “Accumulated Surplus” (which is equivalent to owner’s equity in the private sector).

# Financial Statements

	2022	2021
	\$	\$
<b>Financial Assets</b>		(Restated - Note 2J(i))
Cash and Cash Equivalents	25,613,495	29,769,460
Accounts Receivable (Note 7)	788,993	439,163
Portfolio Investments (Note 3)	2,000,000	1,000,000
<b>Total Financial Assets</b>	<b>28,402,488</b>	<b>31,208,623</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 8)	5,981,334	6,960,593
Liability for Employee Future Benefits (Note 5)	3,221,600	3,178,400
Deferred Revenue (Note 9)	195,611	1,047,781
<b>Total Liabilities</b>	<b>9,398,545</b>	<b>11,186,774</b>
<b>Net Financial Assets</b>	<b>19,003,943</b>	<b>20,021,849</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Schedule C)	58,314,979	62,768,547
Inventory of Supplies Held for Consumption	137,828	141,036
Prepaid Expenses	700,857	660,782
<b>Total Non-Financial Assets</b>	<b>59,153,664</b>	<b>63,570,365</b>
<b>Accumulated Surplus (Note 12)</b>	<b>78,157,607</b>	<b>83,592,214</b>



# Financial Reporting



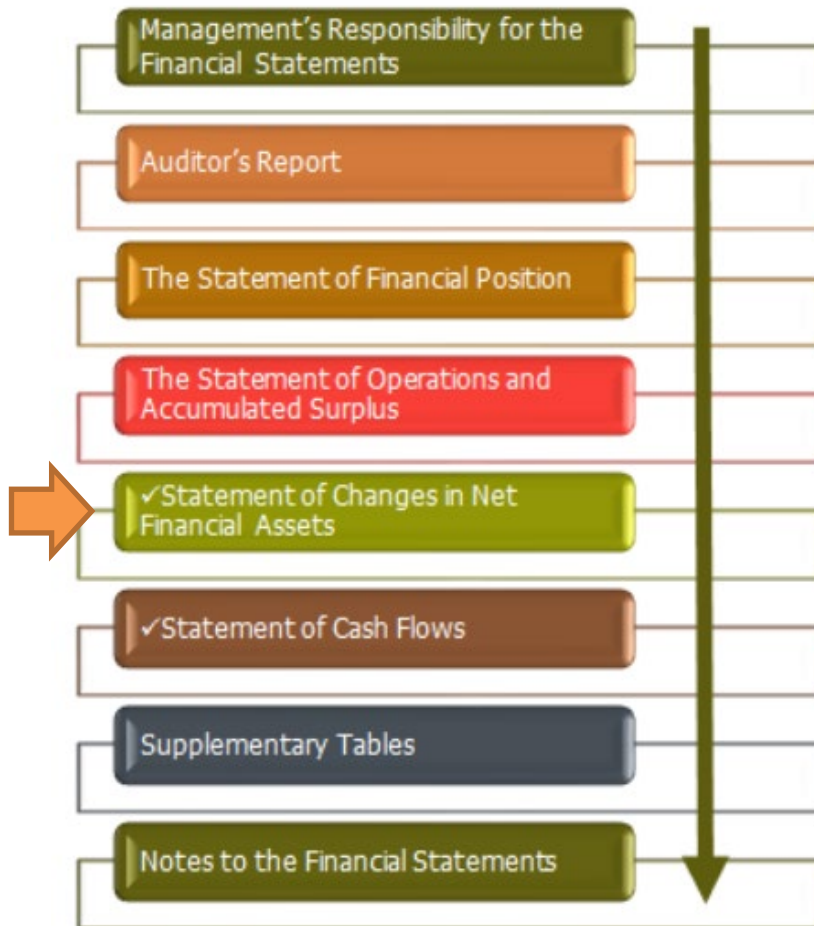
The Statement of Operations and Accumulated Surplus (formerly the “Profit and Loss”)

Revenues: you earned for delivering economic value this year, and

Expenses: you incurred in order to deliver economic value this year, generally following the same line items and order as the budget and funding outlined earlier.

	2022 Budget	2022 Actual	2021 Actual
	\$ (Note 13)	\$	\$ (Restated - Note 2J(I))
<b>REVENUES</b>			
Property Taxes and Other Related Grants	-	-	118,651
Tuition and Related Fees	90,987,788	97,912,425	99,237,912
School Generated Funds	2,596,213	2,607,242	2,299,631
Complementary Services (Note 10)	2,280,000	2,304,343	1,318,469
External Services (Note 11)	1,611,542	1,923,808	1,866,543
Other	4,011,354	2,528,426	4,400,276
	1,031,742	1,374,167	1,308,917
<b>Total Revenues (Schedule A)</b>	<b>102,518,639</b>	<b>108,650,411</b>	<b>110,550,399</b>
<b>EXPENSES</b>			
Governance	507,962	440,426	506,339
Administration	3,315,166	3,375,752	3,211,947
Instruction	74,211,913	77,711,891	74,893,185
Plant Operation & Maintenance	15,914,133	15,560,368	18,160,839
Student Transportation	7,226,063	7,405,430	6,684,752
Tuition and Related Fees	69,072	81,100	81,800
School Generated Funds	2,305,000	2,351,613	1,389,831
Complementary Services (Note 10)	1,707,630	1,906,312	1,944,291
External Services (Note 11)	4,070,122	5,251,526	4,261,749
Other	500	600	-
<b>Total Expenses (Schedule B)</b>	<b>109,327,561</b>	<b>114,085,018</b>	<b>111,134,733</b>
<b>Operating Deficit for the Year</b>	<b>(6,808,922)</b>	<b>(5,434,607)</b>	<b>(584,334)</b>
<b>Accumulated Surplus from Operations, Beginning of Year</b>	<b>83,592,214</b>	<b>83,592,214</b>	<b>84,176,548</b>
<b>Accumulated Surplus from Operations, End of Year</b>	<b>76,783,292</b>	<b>78,157,607</b>	<b>83,592,214</b>

# Financial Reporting

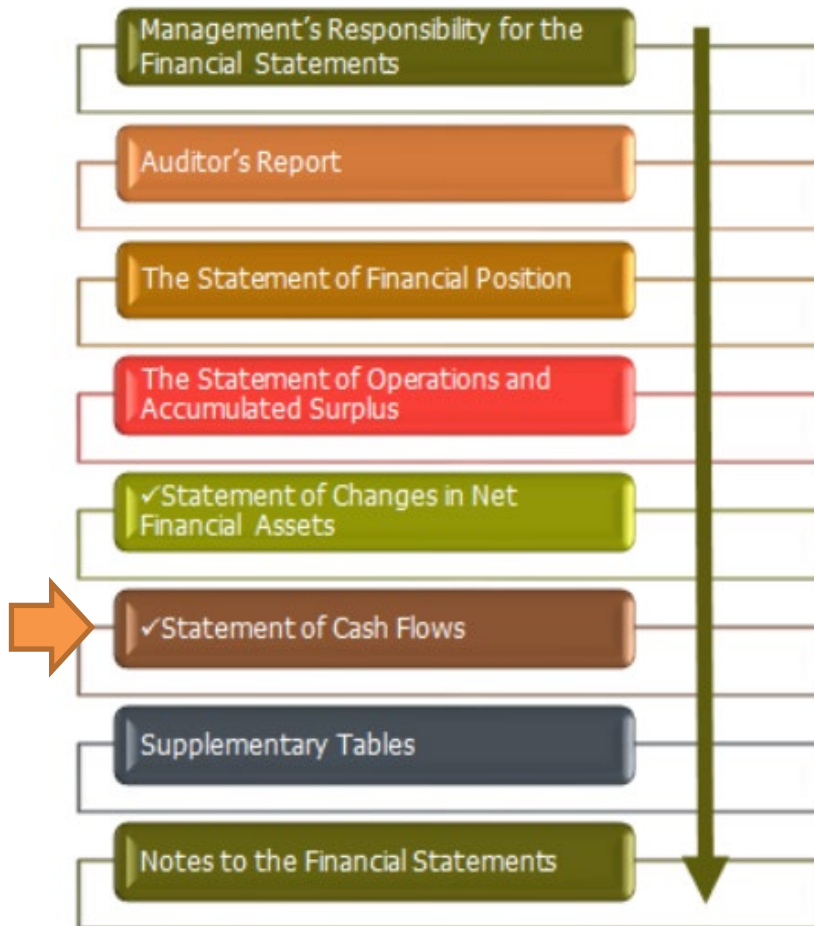


## Statement of Changes in Net Financial Assets

Outlines the difference between the annual surplus or deficit and the change in net financial assets (debt).

	2022 Budget	2022 Actual	2021 Actual
	\$ (Note 13)	\$	\$ (Restated - Note 2J(i))
<b>Net Financial Assets , Beginning of Year</b>	20,021,849	20,021,849	17,045,470
<b>Changes During the Year</b>			
Operating Deficit for the Year	(6,808,922)	(5,434,607)	(584,334)
Acquisition of Tangible Capital Assets (Schedule C)	(817,600)	(491,692)	(1,668,119)
Proceeds on Disposal of Tangible Capital Assets (Schedule C)	10,000	237,925	169,590
Net Gain on Disposal of Capital Assets (Schedule C)	-	(93,702)	(62,324)
Amortization of Tangible Capital Assets (Schedule C)	5,526,500	4,801,037	5,146,736
Net Acquisition of Inventory of Supplies	-	3,208	(3,633)
Net Change in Other Non-Financial Assets	-	(40,075)	(21,537)
<b>Change in Net Financial Assets</b>	<b>(2,090,022)</b>	<b>(1,017,906)</b>	<b>2,976,379</b>
<b>Net Financial Assets, End of Year</b>	<b>17,931,827</b>	<b>19,003,943</b>	<b>20,021,849</b>

# Financial Reporting



## Statement of Cash Flows:

Summarizes the amount of cash (and cash equivalents) entering and leaving an organization.

Shows how money moved in or out in the following categories:

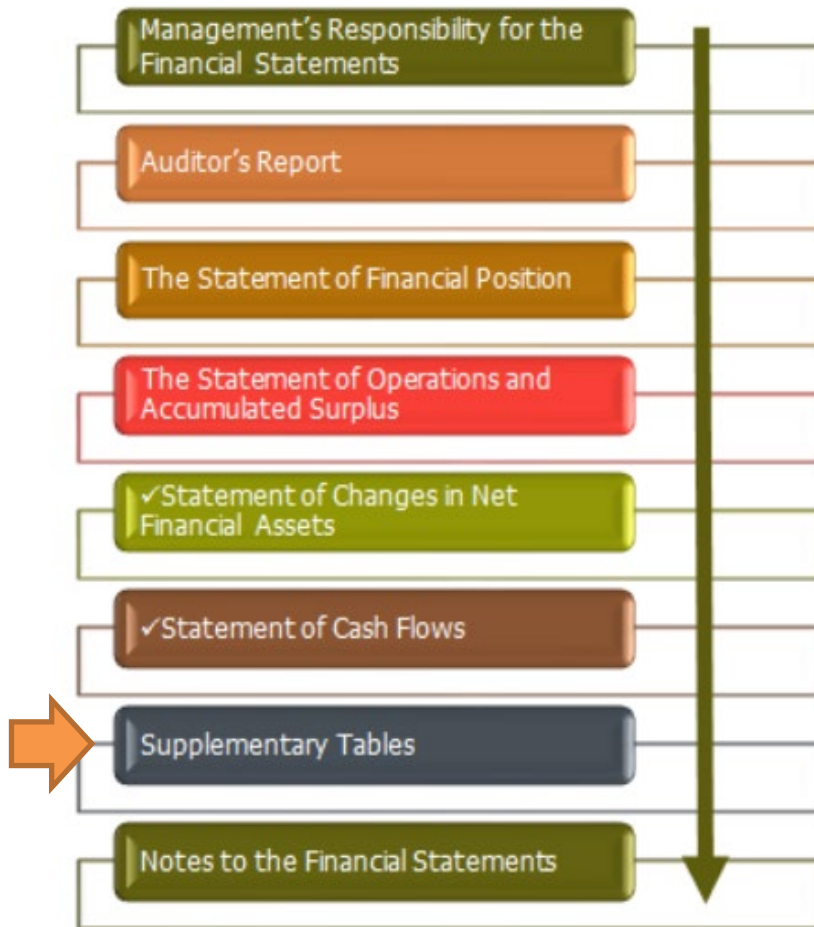
- Operating activities
- Investing activities
- Financing activities

An organization's understanding of its cash inflows and outflows is critical for meeting its short-term and long-term obligations to its suppliers, employees, and lenders.

	2022	2021
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Operating Deficit for the Year	(5,434,607)	(584,334)
Add Non-Cash Items Included in Deficit (Schedule D)	4,707,335	5,084,412
Net Change in Non-Cash Operating Activities (Schedule E)	(2,177,266)	25,609
<b>Cash Provided (Used) by Operating Activities</b>	<b>(2,904,538)</b>	<b>4,525,687</b>
<b>CAPITAL ACTIVITIES</b>		
Cash Used to Acquire Tangible Capital Assets	(489,352)	(830,918)
Proceeds on Disposal of Tangible Capital Assets	237,925	169,590
<b>Cash (Used) by Capital Activities</b>	<b>(251,427)</b>	<b>(661,328)</b>
<b>INVESTING ACTIVITIES</b>		
Cash Used to Acquire Portfolio Investments	(2,000,000)	(1,000,000)
Proceeds on Disposal of Portfolio Investments	1,000,000	5,000,000
<b>Cash Provided (Used) by Investing Activities</b>	<b>(1,000,000)</b>	<b>4,000,000</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,155,965)</b>	<b>7,864,359</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>29,769,460</b>	<b>21,905,101</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>25,613,495</b>	<b>29,769,460</b>



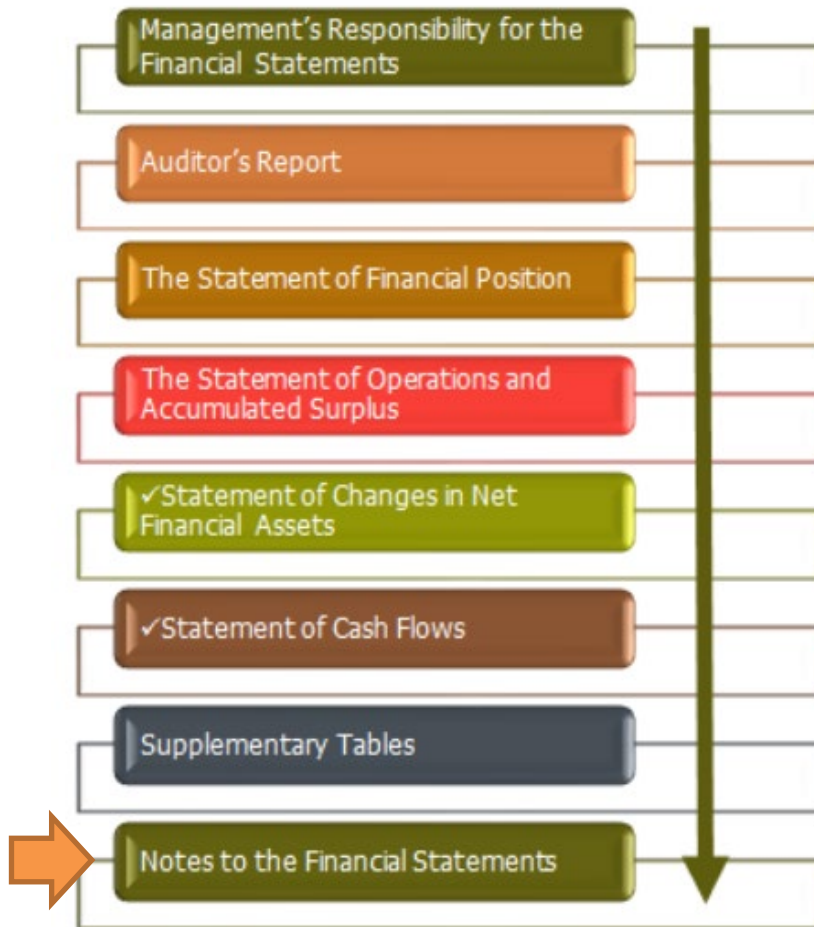
# Financial Reporting



## Supplementary Tables

Provides more detail for Revenues, Expenses, Tangible Capital Assets and Non-Cash items,

# Financial Reporting



Notes to the financial statements:

These are probably the most informative parts of the financial statements, and where you will want to focus your time in preparing and asking questions of management and the auditors.



# Audits

An audit is an unbiased examination and evaluation of the financial statements of an organization.

Audits are designed to provide reasonable assurance, not perfect assurance.

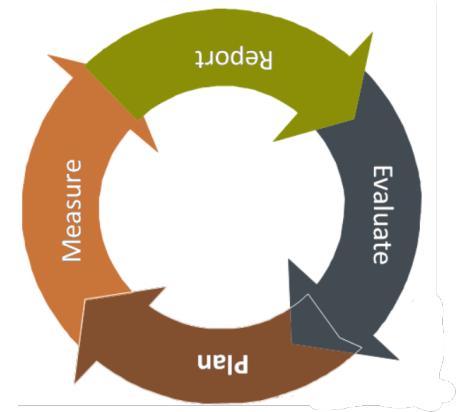


“Having audited your accounts, we can’t find anything at all suspicious. Which makes us very suspicious.”

# Audits

Good governance means:

- Write policies describing the results you want to achieve and the priorities you have established,
- Allocate resources to support your goals and priorities
- **Monitor progress to ensure the desired results are being achieved**
- **Hold the Director of Education responsible for achieving the desired results**



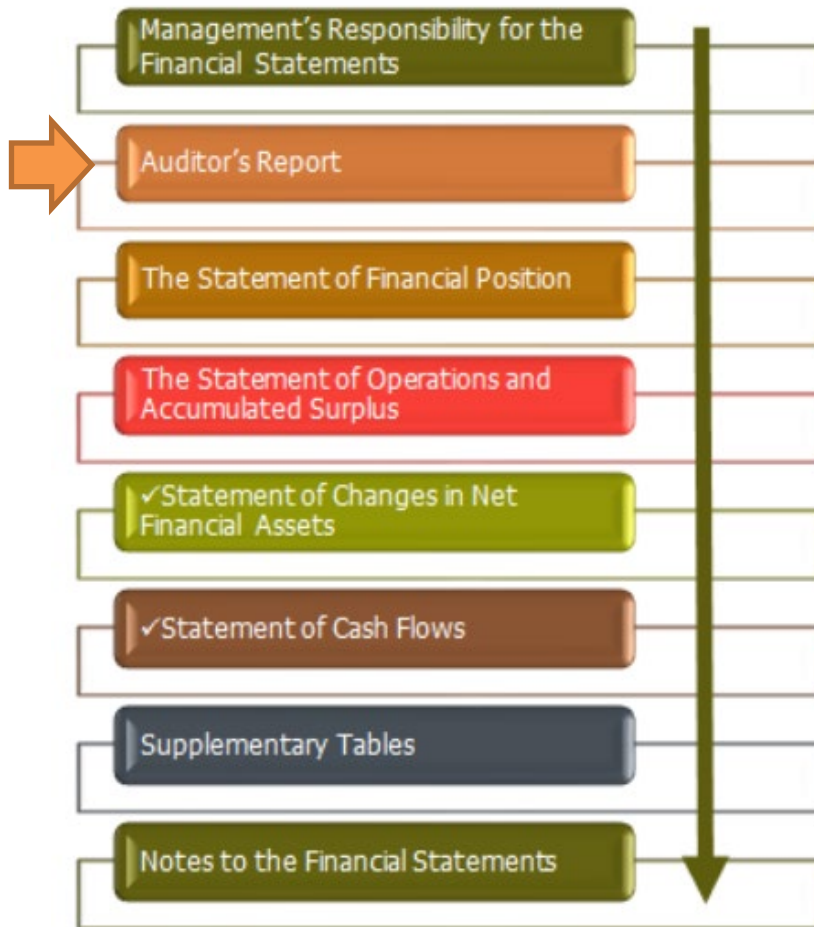
# Financial Reporting



Management's Responsibility for the Financial Statements:

Outlines the different responsibilities of management, board and auditors, and is signed by the CFO, Director of Education and a Board Member (typically the Chair)

# Financial Reporting



## Auditor's Report:

Outlines the auditor's responsibility and work, and their audit opinion, and is signed and dated by your external auditor.

You will want to ask if there were any exceptions or qualifications to the audit opinion, and any outstanding or unresolved issues, whether these are in the auditors' management report or not.

There should not be a significant gap between the audit date and your meeting date to approve these.

# External audit and approval of financial statements

## Assets, Liabilities & Surplus

- Are there any new assets or liabilities?
  - If yes, why have they been added and do they make sense?
- Do balances make sense?
  - Are cash balances too low or too high?
  - Are accounts receivable growing? And do we have a collectability issue?
  - Do liabilities make sense?
- Surplus
  - What are the components of surplus – Total Capital Assets vs Operating Surplus
  - Do our internal reserves make sense?
  - How much working capital do we really have?

# External audit and approval of financial statements

## Revenues & Expenses

- Am I surprised?
- Are there any new accounts?
  - If yes, why have they been added and do they make sense?
- Do the types of revenues/expenses make sense to my knowledge of the School Division's operations?
  - Why has an account increased or decreased significantly compared to prior year and/or budget?
  - Percentage of Expenses Ratio's – Where is the School Division spending its money? Is this consistent with the School Division's strategic plan?
- What is significant?
  - Is there anything that will change how the School Division operates in the future?

# External audit and approval of financial statements

## Accounting policies and disclosures

- Are you satisfied that the disclosures are complete and appropriate?
- Are there any complex matters disclosed in a way that is unclear, or prevents transparency?
- Is the revenue recognition disclosure adequate to ensure stakeholder understanding?
- Are all significant commitments disclosed? (for example: lease agreements, possible results of litigation, loan agreements...)
- Are the major accounting policy matters identified?
- Do they provide relevant and reliable information to the user?
- Are all transactions accounted for to allow comparability?

# External audit and approval of financial statements

## Other questions to ask

- Did you receive full cooperation and open access from management?
  - Good governance practice includes an in camera or closed session with the auditors.
- What was the cause of the errors identified, if any?
- What was the resolution of the work done around risks identified in the planning process?
- Specific questions on financial reporting and internal control?
- Is there good cooperation and planning between the external auditor?
- Does your audit firm plan any significant changes in the scope of the audit compared to last year?



# External audit and approval of financial statements

## Other questions to ask

- Which areas of the School Division's operations does your audit firm believe are particularly susceptible to fraud, how has the firm modified its audit approach to address this risk and how does it determine whether any illegal payments are being made?
- How is your audit firm addressing IT risks in your audit approach and how would the firm rate our IT controls?
- In what areas is your audit firm maximizing collaboration with our internal auditors to fully utilize their knowledge of our risk and operating environments?
- How would your audit firm characterize the School Division's accounting policies compared to its peers (aggressive or conservative)?

# Internal controls

- Were significant weaknesses in internal controls identified?
- Are internal controls sufficient to deter fraudulent activities?
- What improvements can be to internal controls to reduce the risk of fraud?
- Does the control structure of the organization consist primarily of preventative or detective controls?



# Internal controls

Accountability questions to ask:

- Are there sufficient safeguards against conflicts of interest?
- Are the procurement processes appropriate?
- What are the requirements for transparency and reporting in the public sector?
- Do the audit findings or errors detected by the external auditors, in conducting their audits, support or contradict management's conclusion on the effectiveness of internal control?
- How can the Board of Education continually improve their communications with the external auditor and management?

# Recap

- Financial components
- Financial and reporting cycle
- Budgets
- Financial reporting/Forecasts
- Financial statements
- Audits

# Additional Resources

- SSBA Governance Handbook  
<https://ssbagovernancehandbook.ca/section-3/board-and-audit-finance-committee-role-1-budgeting/>
- SSBA Risk Framework  
<https://saskschoolboards.ca/wp-content/uploads/ERM-Framework.pdf>
- SSBA ERM Users Guide  
<https://saskschoolboards.ca/wp-content/uploads/ERM-User-Guide.pdf>
- Funding Manuals, Provincial Budgets, Component Summaries  
<https://publications.saskatchewan.ca/#/categories/2304>

# Thank you!



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