

ADMINISTRATIVE PROCEDURES #3.00.AP

FINANCIAL MANAGEMENT

REFERENCE POLICY TITLE: 3.00 FINANCIAL MANAGEMENT

PREAMBLE

The Board of Education believes that effective financial management systems build upon systemic financial oversight and monitoring routines that are transparent to the public. The District's Foundational Statements contained in Policy #1.00.00 shall guide the Board in providing financial oversight. The Board believes that a clear definition of processes and areas of responsibility will improve system accountability and will increase the educational value derived from the finite resources available.

POLICY

THE BOARD OF EDUCATION, THROUGH THE SUPERINTENDENT OF SCHOOLS AND SECRETARY- TREASURER, SHALL CAUSE THE MAINTENANCE OF RECORDS FOR ALL REVENUES, EXPENDITURES, AND CAPITAL ASSETS IN ACCORDANCE WITH THE SCHOOL ACT AND PUBLIC SECTOR ACCOUNTING STANDARDS. THE BOARD BELIEVES THAT THE MAINTENANCE OF A STRONG FINANCIAL POSITION IS FUNDAMENTAL TO THE DISTRICT'S OVERALL FISCAL STRATEGY, AND AS SUCH, MAY ESTABLISH RESERVE FUNDS TO SUPPORT EXTRAORDINARY NEEDS, THE REPLACEMENT OF DEPRECIATED EQUIPMENT AND FIXED ASSETS, AND TO BALANCE OPERATIONS FROM FISCAL YEAR TO FISCAL YEAR.

THE BOARD OF EDUCATION BELIEVES THAT FINANCIAL AND HUMAN RESOURCES EXPENDED SHOULD SUPPORT THE ACHIEVEMENT OF EDUCATIONAL AND OTHER DISTRICT GOALS. THE BUDGET DEVELOPMENT PROCESS FOR THE OPERATING AND CAPITAL BUDGETS SHALL SUPPORT THE STRATEGIC PLANS OF THE BOARD, AND SHALL BE TRANSPARENT TO THE PUBLIC.

ADMINISTRATIVE PROCEDURES

BUDGET MONITORING & REPORTING

Revenue / Expenditure Statement

1. Through the office of the Secretary-Treasurer, all records of receipts and expenditures will be maintained.
2. The Secretary-Treasurer shall present quarterly summary financial reports to the Board, which shall include projected balances with comparisons made to established budgets, clearly showing the balance of funds available at the end of each reporting period in relation to budget.
3. Along with the annual budget and financial statements, the Secretary-Treasurer will prepare three-year financial projections which will be based on estimates of enrolment, funding and expenditures and contain assumptions that the District will maintain service levels and programs.
4. The Secretary-Treasurer will make known to the Board of Education, the Finance Committee and/or the Audit Sub-Committee any activity that substantially deviates from the Board's budgeted allotments.

Accounting Practices

The Secretary-Treasurer shall implement and maintain a system of accounting for Board funds that is consistent with Public Sector Accounting Standards and conforms with the requirements of the *School Act*. An auditor appointed by the Board shall audit Board accounts and transactions annually.

Financial Controls

The Superintendent may delegate authority and accountability for a budget account to a designated budget officer. No budget officer who is delegated authority and accountability by the Superintendent for an account shall expend funds beyond the budget for that account without the written authorization of the Secretary-Treasurer.

Annual Financial Statements

1. In accordance with the *School Act*, the Secretary-Treasurer shall prepare and submit for Board approval prior to September 30th of each year, financial statements for the preceding school year. Once approved by the Board, a copy of the financial statements, together with the auditor's report, shall be forwarded to the Minister of Education no later than September 30th. The approved financial statements shall be published and made available to the public prior to December 31st of each year.
2. In accordance with the *Financial Information Act*, the Secretary-Treasurer shall prepare a Statement of Financial Information for the previous fiscal year. This information shall be available to the public for inspection or purchase by the dates indicated in the *Financial Information Act*.

ACCUMULATED SURPLUS / CAPITAL RESERVES

Types of Accumulated Operating Surplus

1. Unrestricted Surplus: the accumulated operating surplus built up in the operating fund that has not been designated for specific uses. To support effective planning and to mitigate risk, a reasonable unrestricted surplus as determined by the Board should be established and maintained. An unrestricted surplus can be used to address major emergent operating issues, for one-time and intermittent projects or to offset operating budget shortfalls. During the annual budget process, the decisions on the usage of the unrestricted surplus will be guided by the three-year financial projections and the future financial outlook of the District.
2. Restricted Surplus: the accumulated operating surplus built up in the operating fund that has been designated for specific uses. The following are examples of internally restricted categories:
 - a. Utilities, Equipment and Capital Projects;
 - b. Unforeseen circumstances or unplanned events;
 - c. Emergency Preparedness;
 - d. Professional Learning;
 - e. Student Learning;
 - f. Financial/Administrative Software Transition;
 - g. Strategic Planning/School Reconfiguration;
 - h. Ministry required capital projects falling from the Long Range Facilities Plan;
 - i. Items identified in the Risk Management Risk Registry;
 - j. International Education; and,
 - k. Other budget allocations unspent by June 30th where expenditures will be incurred in a subsequent budget year.
3. Local Capital Reserve: the accumulated local capital reserve is built up in the capital fund to support local capital expenditures as defined in the *School Act*. It is generated from Board allocation by motion and/or is included in the annual budget. It can also be contributed to by the disposition of capital assets acquired with local funds and investment income generated on deposit. The following are examples of local capital categories:
 - a. Vehicle acquisition;
 - b. Technology equipment acquisition;
 - c. District equipment acquisition;
 - d. District funded building capital improvements;
 - e. Other capital initiatives (including future capital cost sharing);
 - f. Capital contingencies; and,
 - g. Reserve for future unanticipated capital expenditures.
4. Restricted Capital Reserve: the accumulated restricted capital reserve built up in the capital fund to support government and Board approved capital expenditures, generated from the disposition of government funded capital assets, surplus bylaw capital on government funded capital projects, and investment income generated on deposit.

Reporting and Communication to Public

1. The annual budget process will include an extensive consultation process including meetings with partner groups, and the public. The annual budget, including a multi-year

plan for the projected changes in the unrestricted surplus balance, will be presented during this consultation process and is to be included in the final presentation of the budget before it is passed by the Board at a public meeting.

2. Accumulated operating surplus and capital reserve balances and changes will be reported in the Annual Financial Statements. Changes in the restricted and local capital reserve balances will be compared to planned usage and prior year balances in the Financial Statement Discussion & Analysis report.

FINANCE COMMITTEE, AUDIT SUB-COMMITTEE & INTERNAL AUDIT

Finance Committee Key Responsibilities

1. The Board of Education and Superintendent recognize that the Finance Committee's role is one of oversight. Management is responsible for financial administration including establishing internal controls and preparing the District's financial statements. The Finance Committee is expected to exercise reasonable care and due diligence but not to provide any expert or special assurances as to the work of others.
2. The Finance Committee is responsible for budget financial allocations through the District's Annual and Amended Budget processes. The Finance Committee shall inform the Audit Sub-Committee of budget decisions.
3. The following responsibilities are guidelines subject to such other requirements or limitations, designated by resolution of the Board from time to time, and to special circumstances:
 - a. Financial Policies and Information
 - i. Internal strategic plans, goals, policies, and budgets related to the financial management and administration of the school district, including:
 - the budget framework, leading to the consolidated district budgets;
 - the appropriateness of accounting policies and financial reporting practices used by the district;
 - any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the district;
 - any new or pending developments in accounting and reporting standards that may affect or impact the district;
 - the revenue framework, government financing, special purpose grants, and school fees;
 - capital expenditures;
 - policies on investment portfolios or portfolio performance;
 - debt acquisition, conditions and management; and,
 - compliance reporting for the Board.
 - ii. banking resolutions, debt financing transactions, and material operational agreements consistent with this policy.
 - b. Financial Accountability and Public Disclosures – The Finance Committee will:
 - i. Review, and report to the Board of Education, the following public disclosure documents:
 - quarterly and annual reports;
 - financial reports;

- budget information; and,
 - other financial reports, as applicable.
- ii. Evaluate annually:
 - its performance in accordance with Board approved documents or direction; and,
 - this mandate and related policies.
 - iii. Receive for information:
 - periodic financial reports sent to the province; and,
 - public bodies report.

Audit Sub-Committee

The following supplemental guidelines shall govern the activities of the Audit Sub-Committee:

1. The Audit Sub-Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:
 - a. With the consent of the Board of Education, retain outside counsel, accountants or others to advise the committee or assist in the conduct of an investigation;
 - b. Seek any information it requires from employees – all of whom are directed to cooperate with the committee’s requests – or external parties; and
 - c. Meet with the Secretary-Treasurer and Superintendent, external auditors or outside counsel, as necessary.
2. The Audit Sub-Committee will meet at least twice a year, with authority to convene additional meetings, as circumstances require.
 - a. All committee members are expected to attend each meeting in person or via teleconference or videoconference.
 - b. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It may hold private meetings with auditors and executive sessions.
 - c. Minutes of meetings will be prepared. Committee reports shall be provided at Private meetings of the Board, unless, in the opinion of the committee chair, public disclosure of such reports would be in the public interest.
3. The Audit Sub-Committee members shall be compensated as follows:
 - a. Elected school trustees as per Board Policy
 - b. Public members \$250 for each full day / \$125 for each half day
4. The Audit Sub-Committee public members shall execute a Confidentiality Agreement in the form attached to this Administrative Procedure.
5. The Audit Sub-Committee will carry out the following responsibilities:
 - a. Financial Statements:
 - i. Review significant accounting and reporting issues, including complex or unusual transactions discovered by auditors or revealed by a whistleblower;
 - ii. Review with management and the auditors the results of the audit, including any difficulties encountered;
 - iii. Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles; and

- iv. Review with management and the auditors all matters required to be communicated to the Board of Education.
- b. Internal Control:
 - i. consider the effectiveness of the school district's internal controls over annual reporting, including information technology security and control; and
 - ii. understand the scope of the auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- c. Audit:
 - i. review annually the auditor's proposed audit scope and approach;
 - ii. review the performance of the auditors, and provide a recommendation to the Board of Education regarding the final approval for the appointment or discharge of the auditors;
 - iii. review and confirm the independence of the auditors by obtaining statements from the auditors on relationships between the auditors and the school district, including non-audit services (e.g. tax compliance or consulting, customs and duties, employee benefits plan audits), discussing the relationship with the auditors; and,
 - iv. on a needs basis, meet separately with the auditors to discuss any matters that the Audit Committee or auditors believe should be discussed privately.
- d. Compliance:
 - i. review the findings of any examinations by regulatory agencies, government ministries and any audit observations; and
 - ii. obtain updates from management and, when required, updates from legal counsel regarding compliance matters.

Internal Audit

1. Internal audit has two primary tasks; first is to review and independently assess the management practices associated with the school district's key financial, administrative and operational activities; and, second is to recommend to management where improvements can be made.
2. The scope of internal audits may include assessing whether:
 - a. Transactions and activities comply with applicable accounting standards, Administrative Procedures, and Board policy.
 - b. Assets are sufficiently safeguarded.
 - c. Money has been expended with due regard to economy and efficiency.
 - d. Cost effectiveness of district activities.
 - e. Satisfactory procedures have been established to measure and report the effectiveness of programs and activities.
3. Audits will be performed on school-based accounting activities as follows;
 - a. Secondary Schools – at once every two years.
 - b. Elementary Schools – at least once every three years.
 - c. The selection of schools will also consider staff turnover at the administrative and head secretary/bookkeeper positions. This would provide a cleaner transition for key positions that oversee finances at the school level.

4. Performance Auditing

- a. Senior Management or the Board may request information on the financial performance of District programs or activities.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS (FSD&A)

Summary of Statement on Recommended Practice 1: Financial statement discussion and analysis recommended practice.

- 1. Qualitative Characteristics: the purpose of the FSD&A is to enhance readers' understanding of the entity's financial position and changes in financial position. To do this, this report should have the following qualitative characteristics:
 - a. information is presented in a way that is understandable to a general audience;
 - b. information presented is relevant for decision-making or assessing accountability;
 - c. information presented is consistent with the financial results contained in the audited financial statements; and
 - d. the current and historical information presented throughout the report is prepared on the same basis to enable comparability.

- 2. Key components of an FSD&A: the FSD&A will provide the following supplementary reporting to enhance readers' understanding of the financial statements:
 - a. a summary of the significant events affecting the financial statements;
 - b. analysis that explains the reasons for significant variances between planned and current year actual results;
 - c. analysis that explains the reasons for significant variances between current and prior year results;
 - d. analysis of significant trends (multi-year analysis) for specific financial statement elements; and
 - e. information on known significant risks to, and uncertainties associated with, the District's financial position and changes to financial position, along with a discussion of the District's approach to managing the identified risks.

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Date Adopted: 2022-02
Date(s) Revised:

Cross References:
Statutory:
Other: