

- There were a number of issues relating to the lack of documentation required by the *Regulations*. For example, tender files did not always contain evidence of the time and date that a bid was received and whether two people were present when the tenders were opened.

The Board has purchased equipment through financing arrangements totalling \$273,355 without obtaining the prior approval of the Minister of Education as required by the *Schools Act, 1997*.

2.10 Labrador School District

District #1 Labrador School Board, for the 2002-03 school year, provided an educational program to 4,970 students in 19 schools located throughout Labrador.

The Board does not always operate within its budget as evidenced by the fact that the Board has incurred operating deficits in four of the six fiscal years since it was created. As at 30 June 2002, the Board had an accumulated deficit of \$6.5 million. The Board has never received the prior approval of the Minister of Education to incur these deficits as required by the *Schools Act, 1997*.

At 30 June 2002, the Board had a \$1.0 million bank loan and had also borrowed approximately \$71,000 to purchase two vehicles. The Board did not receive the approval of the Minister of Education prior to incurring this debt as required by the *Schools Act, 1997*.

The Board is not complying with the *Public Tender Act*. Thirty-two purchases totalling \$835,647 were made without the required public tender call.

The Board has no documented policies relating to either the acquisition of goods and services or other expenditures such as travel. We found that existing controls in this area were not adequate. For example: purchase orders were not always used; invoices were not always stamped as paid; amounts charged on invoices were not always checked to quoted prices before payment; travel claims were not always approved by the next level of management; and officials could not demonstrate whether all amounts paid relating to the use of Board credit cards were for Board business.

The Board has no documented policies relating to capital assets, which at 30 June 2002 amounted to approximately \$42 million. Controls over capital assets were not adequate in that there was no capital asset ledger and assets were not tagged or periodically accounted for.

2.11 Monitoring School Boards

In 1996 the school system in the Province was reorganized with the dissolution of 27 church run school boards and the creation of 10 new English language school boards and one French language school board. As at 31 December 1996, there were approximately 445 schools in the Province with a total enrolment of 110,450 students. There were 317 schools in the Province for the 2002-03 school year with a total enrolment of 84,268 students.

As part of our audit work, we continue to monitor the financial position and annual operating results of the 11 school boards.

The combined financial position of the 11 school boards at 30 June 2003 shows a total accumulated deficit of \$134.899 million, a 7% increase from the \$126.467 million reported at 30 June 2002. All 11 boards reported increases in accumulated deficits for 2003. These accumulated deficits will eventually have to be funded by Government.

Provincial funding has increased from \$528.188 million in 2002 to \$554.381 million in 2003 and during this period, annual operating deficits have increased from \$2.048 million to \$7.247 million. Although 10 boards reported an annual operating deficit during the year, only District 7 had a deficit which was less than that reported in 2002.

At 30 June 2003, 6 of the 11 boards were in contravention of the *Schools Act, 1997* in that they incurred operating deficits, other than related to the accrual of severance and leave, without the approval of the Minister of Education.

2.12 Direct Equity Tax Credit Program

The Direct Equity Tax Credit Program was developed to encourage private investment in new or expanding small businesses as a means