



Information Release

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Topic: Deloitte Report and Budget Update - FAQ

Langley School District held meetings Wednesday, Sept. 9, with administrators, partner groups, staff and the media to release the Deloitte report, which examines a \$4.8 million operating deficit discovered in the 2008-09 central budgets and a further \$3.5 million that has been discovered in the 2008-2009 financial audit to be presented to the Board Sept. 22. Following are questions and answers with regard to the financial position of Langley School District.

When did the Board and Senior Management know the district was in deficit?

The deficit spending was not a result of decisions by the Board. The Board produced what it believed was a balance budget based on projections and information it received from the Finance Department. In February and March Senior Management detected errors in the budget, which indicated a significant deficit.

How could this happen?

A detailed analysis of how a \$4.8 million of the 2008-09 deficit occurred in centralized budgets is contained in the Deloitte report, which is a public document. More information will be available when the Board receives its 2008-09 audited financial statements, which will detail a further \$3.5 million in actual, district-wide spending. The deficit examined in the Deloitte report occurred mainly because of budget and procedural errors that were made in centralized accounts by the Finance Department. The additional \$3.5 million, which will show up in the financial audit, is tied to cost pressures in providing support for students and services to schools. These cost pressures were tied to leaves and absences at schools, equipment and services to students and staff that came in at higher than budgeted levels.

What steps has the district taken to ensure it won't happen again?

When the district detected in February and March of 2009 that it might be in a deficit position, and that its budget projections might not be reliable, it launched an internal review to determine the extent of the problem. When it became clear the situation was grave, the accounting firm Deloitte was hired to conduct an independent review. That review includes recommendations to improve the budget process in Langley School District. The Board and senior staff will carefully consider those recommendations as well as recommendations from Secretary Treasurer Wayne Braun.

How could a deficit of this magnitude go undetected?

The Board of Education and Senior Management rely upon the financial information presented to them by the Finance Department in making budget decisions and in monitoring expenditures. Because certain cost calculations (particularly in the area of teacher costs) were not accurate, and some transactions were erroneously entered, the budget projections did not match actual expenditures. Nor was there sufficient or timely monitoring and reporting of actual expenditures at the district and school level for the Board to be aware of the growing deficit and adjust expenditures accordingly.

Who was responsible for the errors and what disciplinary action will be taken?

Those directly responsible for the accounting errors that led to the deficit are no longer in positions where they can make similar decisions. Langley's Board of Education, in keeping with accepted organizational practice throughout BC, does not publicly discuss personnel matters.

What will the impact of this deficit be on students and staff?

Langley's Board of Education, in taking initial steps to eliminate the structural deficit going into 2009-10, insisted that reductions be made as much as possible to operational areas other than services and programs to students. In dealing with the \$8.3 million debt, preserving direct services and programs to students will remain the Board's priority, and savings will be sought as much as possible in other areas of the district's operations. The district will immediately seek a meeting with the Ministry of Education to work out a repayment plan that minimizes the impact on students and staff.

Where did the \$8.3 million go?

Langley School District spent more than it should or had budgeted on operations. The money was allocated for legitimate priorities in the district and was used mostly for hiring staff to provide direct programs and services to students. The reality is the district could not afford to be providing as many programs and services as it did in 2008-09 and to some degree in 2007-08, and should have reduced spending before a deficit was incurred.

Langley School District has closed and reconfigured schools. Wasn't that supposed to make the school district's operations sustainable?

The current problem would be worse if Langley School District had not moved to address declining enrolment issues in its schools. The only way to sustain high levels of programs and services to students during a period of declining enrollment and constrained funding is to consolidate programs and services to make better use of financial, physical and human resources.

We started with a projected surplus, which we have seen disappear, only to be replaced with a deficit that keeps getting bigger. How can we be certain this figure will not grow again?

The 2008-09 financial audit identifies definitively the scope of the district's 2008-09 deficit, based on actual revenues and expenditures. Previous to the actual audit district staff were working with budgeted figures in specific areas of expenditure. Budget figures are projections; the audited statements are an accurate and comprehensive 'snapshot' of the district's financial position. The district believes the full scope of the deficit has been detailed in the 2008-09 financial audit and that the structural deficit that occurred in 2008-09 has been eliminated.

Can a deficit situation recur?

The district must constantly adjust expenditures to changing economic and funding circumstances to avoid going into deficit. Recent events such as the cancellation of the Annual Facilities Grant affect the financial position of the district and need to be factored into its operational budget. Public confidence in the district's financial management has been shaken by the large deficit incurred in 2008-09. The Finance Department, Senior Management and the Board will be especially vigilant in the future to ensure no deficit is incurred.