

**Post-Secondary Education and Skills  
Training**

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## Executive summary

In this chapter, we report on the Department of Post-Secondary Education and Skills Training and on eight agencies for which it is responsible. We report that the 2001 financial statements of each of these agencies are reliable.

In addition, we make two new recommendations and give an update on the status of our previous recommendations. These recommendations are intended to help improve the Department's controls to safeguard and control public money and to comply with the law.

The first new recommendation relates to the graduate tax credit program. This was the first year of the program since it came into effect for the 2000 calendar year. During 2000-01, the Department issued tax credits worth over \$3 million to about 10,000 students. We found that the Department did not verify all of the critical information to ensure only eligible students received the tax credits. We recommend that it do so.

The second new recommendation relates to ensuring the Trustees of the Student Aid Fund receive timely financial information throughout the year. The Trustees are responsible for administering the Fund. Receipt of timely financial information will assist the Trustees in monitoring the Fund.

With respect to previous recommendations, we note that the Department is making good progress. It continued its work with others in the sector to refine its goals and those of the sector. The strategic plan for the post-secondary education and skills training sector was nearing finalization. The Department intends to report on its performance against the plan in the near future.

We look forward to continued efforts of the Department to improve management and reporting to the public.

## Introduction

In this chapter, we set out:

- ◆ a brief overview of the Department's role, goals, and the key risks that it faces; and
- ◆ the results of our 2001 audits of the Department and the various funds and agencies for which it is responsible.

## Understanding the Department

It is important that legislators and the public understand the role of the Department, the risks it faces, and the key control systems needed to manage those risks. This understanding helps them to assess better the Department's performance.

### Role of the Department and its goals

The Department is continued under *The Department of Post-Secondary Education and Skills Training Act, 2001*. This Act came into effect on September 1, 2001.

The Department has overall responsibility for the post-secondary education and skills training system. The post-secondary system includes universities, regional colleges, SIAST, other privately- and federally-funded institutions, and career and employment services. The system also includes student financial assistance programs like student loans and bursaries and apprenticeship and trade certification.

The Department is responsible for developing and implementing policies for post-secondary education and skills training. This responsibility includes overseeing the operations of the institutions that deliver post-secondary education and skills training to ensure they meet public policy objectives. It also includes administering and regulating training and apprenticeship programs.

During the year, the Department continued to work with others in the post-secondary sector to refine its goals and those of the sector.

We encourage Members of the Legislative Assembly and the public to obtain more detailed information about the Department. Publications are available from the Department or on the Internet at <http://www.sasked.gov.sk.ca/P/departamental>.

### **Related special purpose funds and agencies**

The Department is responsible for the following special purpose funds and agencies:

	<u>Year end</u>
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission	June 30
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Southeast Regional College	June 30
Student Aid Fund	March 31
Training Completions Fund	March 31

Also, the Department has certain responsibilities for the University of Saskatchewan and the University of Regina. The universities have an April 30 year-end.

### **Department spending**

In 2001, the Department received \$528.4 million (2000 - \$463.3 million) from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$55.1 million (2000 - \$52.5 million) of revenue. Of these revenues, 97% is from the Federal Government. The Department's annual report 2000-2001 and the *Public Accounts 2000-2001: Volume 2: Details of Revenue and Expenditure* (2000-2001 Public Accounts – Volume 2) report information about the Department's revenue and expenses (to view a copy of these reports, see <http://www.sasked.gov.sk.ca/P/departamental/> and <http://www.gov.sk.ca/finance/paccts/>).

The following is a list of major programs and spending as reported in 2000-2001 Public Accounts – Volume 2:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Administration & shared services	\$ 3.5	\$ 3.7
Accommodation & central services	3.8	3.7
Student support	72.7	80.7
Post-secondary education	324.4	352.3
Training programs	48.9	47.3
Career and employment services	33.5	33.1
Saskatchewan Communications Network	7.3	7.6
	<u>\$ 494.1</u>	<u>\$ 528.4</u>

Each special purpose fund tables separate financial statements in the Legislative Assembly each year. Each agency tables an annual report each year that contains its audited financial statements.

The following summarizes the revenues and assets held by the special purpose funds and agencies. The revenues include money provided by the Department.

**Table 1**

Fund or agency	2001 Total revenues	2000 Total revenues	2001 Total assets held	2000 Total assets held
	(Actual in millions of dollars)			
Regional Colleges (combined) <sup>1</sup>	\$ 46.8	\$ 52.3	\$26.4	\$ 29.6
Saskatchewan Apprenticeship Trade Certification Commission <sup>2</sup>	12.2	5.9	1.0	2.0
Saskatchewan Communications Network Corporation	8.0	8.1	2.1	2.6
SIAST	129.4	121.7	51.4	42.2
Student Aid Fund	45.6	29.0	62.2	53.9
Training Completions Fund	0.09	0.08	0.3	0.2

Source: audited financial statements

<sup>1</sup> For 2001, total revenues and assets held no longer include the Saskatchewan Indian Regional College because it is no longer a crown agency.

<sup>2</sup> The Commission was established in 1999 and operated for nine months for the period ending June 30, 2000.

The University of Regina for its year ended April 30, 2001 held assets of \$176 million (2000 - \$129 million) and raised revenues of \$125 million (2000 - \$113 million) of which about \$65 million (2000 - \$56 million) came from the Department. The University of Saskatchewan for its year ended April 30, 2001 held assets of \$818 million (2000 - \$640 million) and raised revenues of \$524 million (2000 - \$428 million) of which about \$244 million (2000 - \$198 million) came primarily from the Department and the Department of Health.

## **Risks the Department faces**

The environment in which the Department and post-secondary institutions operate is changing. These changes present the Department with risks and challenges.

To reduce the risks and challenges it faces, the Department needs to:

- ◆ Co-ordinate the efforts of the key post-secondary institutions to deliver post-secondary education and skills training effectively and efficiently;
- ◆ Ensure post-secondary education and skills training responds to the needs of the public and of employers; and
- ◆ Ensure reasonable access to quality education and training opportunities.

For further discussion of the Department's role, goals, and the above key risks and challenges, see Chapter 4 of our 1998 Fall Report – Volume 2.

## **Audit conclusions and findings**

In this chapter, we report the audit conclusions and findings for the 2001 audits of the Department, of the Saskatchewan Apprenticeship and Trade Certification Commission, of the Saskatchewan Communications Network Corporation (SCN), of SIAST, of its two funds – Student Aid Fund and Training Completions Fund, and of three of its eight regional colleges – Cumberland, Cypress Hills, and Prairie West.

For SIAST, our Office carried out the audit jointly with KPMG. We also worked with the appointed auditors of the following colleges and SCN using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at <http://www.auditor.sk.ca/rrd.html>).

<u>Crown agency</u>	<u>Appointed auditor</u>
SCN	Hill McKillop Orr & Company
Cumberland Regional College	Neumann & Neumann
Cypress Hills Regional College	Meyers Norris Penney LLP
Prairie West Regional College	Gilchrist & Co.

Since 1998-99, we audit regional colleges on a cyclical basis. In 2001, we audited three colleges. They were Cumberland, Cypress Hills, and Prairie West. Exhibit 1 sets out our current involvement and its basis.

**Exhibit 1 – Audit involvement in regional colleges**

Based on the following factors, we select three out of eight colleges for audit on a cyclical basis each year. The factors are that:

- ◆ the colleges generally operate in a common environment and face similar issues.
- ◆ we have had few disagreements with the government-appointed auditors in the audits of the colleges.
- ◆ the financial accounting control systems at each college have improved over time.
- ◆ the Department helps the colleges strengthen their financial planning and reporting systems. This includes active involvement with the colleges in the implementation of the Saskatchewan Training Strategy, including the development of an accountability framework.

Also, we continue to require all College-appointed auditors to provide us with their reports. We review these reports to determine if new significant matters are identified for that College. If so, we work with the related appointed auditor on these matters.

**In our opinion and in the opinion of the appointed auditors:**

- ◆ **the 2001 financial statements of the Apprenticeship Trade and Certification Commission, SCN, SIAST, Student Aid Fund, Training Completion Fund, and Cumberland, Cypress Hills, and Prairie West Regional Colleges are reliable;**
- ◆ **the Department and the agencies had adequate controls to safeguard and control public money and comply with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing, except for the matters described in this chapter; and**
- ◆ **the Department and the above agencies complied with the authorities governing their activities and those of the above Funds except for the matters described in this chapter.**

## **Detailed findings for the Department**

In this section, we make one new recommendation and provide an update on the status of three previous recommendations. The Standing Committee on Public Accounts has previously discussed and concurred with the previous recommendations.

### **Verifying graduate tax credits**

The Department needs to verify critical information on graduate tax credit applications.

The graduate tax credit program came into effect for the 2000 calendar year. The Department administers the graduate tax credits. In February 2001, the Department issued tax credits worth over \$3 million to about 10,000 students. Students can apply these tax credits against provincial income tax payable.

*The Graduate Tax Credit Act*, along with related regulations, set out the criteria that students must meet to be eligible to qualify for a tax credit. To receive a tax credit, students can either apply themselves or have their



educational institution apply on their behalf. Most students use the latter option.

Educational institutions identify students who meet the eligibility criteria and provide the Department with their names. The Department issues tax credits to those students.

For students who apply directly to the Department, the Department requires these students to provide some information to help it verify their eligibility (e.g., original transcripts).

Verification of critical information on tax credit applications ensures only eligible students receive the tax credits in the correct amount. Sufficient and timely verification of critical information reduces the Department's risk of issuing tax credits to ineligible students.

When the program started, the Department worked with the institutions to ensure they were aware of the program's parameters. However, the Department did not have adequate processes to ensure educational institutions provided complete and accurate information. It did not carry out additional procedures to verify the accuracy of the information provided (e.g. verifying student transcripts to ensure the qualifications for graduation were met.)

The Department does not know if only eligible students received tax credits and received them in the correct amount because the Department has not verified the information provided. Also, we are unable to determine if the Department issued graduate tax credits to only eligible students because the Department has not carried out appropriate procedures.

- 1. We recommend that the Department verify critical information on graduate tax credit applications.**

### **Status of previous recommendations**

In this section, we set out previously reported recommendations that are not yet complied with and are of continued relevance. We then identify key activities that the Department has undertaken to move towards compliance with these recommendations.

We continue to recommend that the Department should:

- ◆ provide legislators and the public with a clearer description of the accountability relationships between the Department and the key provincial post-secondary institutions.
- ◆ have Cabinet approve its sector-wide plan, and then report publicly against this plan.
- ◆ continue to improve its annual reports.

***Clarifying accountability relationships***

*An Accountability Framework for the Saskatchewan Training Strategy* (December 1999) is a publicly available report from the Department. This report clearly sets out an accountability framework for the post-secondary education and skills training system. The framework applies to the goals established within the Saskatchewan Training Strategy. The report describes the Department's work to date and work necessary to implement the framework. In October 2000, the Department completed the final report of the Saskatchewan Training Strategy. It reports on the implementation of the Training Strategy.

We think the implementation of this framework will greatly assist the Department in developing a clearer description of its key accountability relationships.

We also note that the Department's planning includes work on clarifying key accountability relationships set out in the framework. This work is underway and not yet complete.

***Developing a sector-wide plan and reporting on performance***

During the year, the Department continued to work with its key post-secondary institutions to finalize a sector strategic plan and to set processes to implement it. At July 2001, the plan was draft and not yet publicly available. The Department advises us that once the plan is finalized, it intends to report publicly against it.

### ***Improving annual reports***

In prior years, we reported that the Department needed to improve the contents of its annual report to make it a better report on its performance.

We reviewed the Department's 2000 annual report. We noted that the Department made a number of improvements. The Report now includes a summary of achievements. These achievements relate to various goals and objectives of the Provincial Training Strategy. The Report does not, as yet, set out the Department's goals for its other sectors, such as student financial assistance and report on the results achieved for them.

We recognize that the Department is still in the process of developing its and the sector's plan. We look forward to further improvements in the Department's reporting on performance as its planning process and performance measurement process evolves.

## **Detailed findings for the Student Aid Fund**

The Department uses the Student Aid Fund (Fund) to help students finance their education. The Fund provides students with grants, bursaries, and loans in combination with Canada Student Loans.

In 2001, the Fund had revenues of \$45.6 million, including a \$42.1 million transfer from the General Revenue Fund, and had expenditures of \$39.6 million. At March 31, 2001, the Fund held net assets of \$25.5 million.

In this section, we make one recommendation relating to the Fund and provide an update on the status of a previous recommendation.

### **Financial reporting to Trustees**

The Trustees of the Fund (Trustees) need timely quarterly financial reports from the Department.

The Trustees are responsible for administering the Fund. To effectively monitor the activities of the Fund, the Trustees need to receive timely financial information. Timely information helps to ensure that issues are identified and appropriate corrective action can be taken in a timely manner when necessary.

The quality of the financial information the Department provided to the Trustees is adequate. However, the Department did not provide the Trustees with this information in a timely manner during the year. For the first three quarters of the year, the Trustees received the quarterly financial statements four to five months after the period to which they relate. We note the Trustees received the draft annual financial statements for the year on a timely basis.

**2. We recommend that the Department provide the Trustees with timely quarterly financial statements.**

**Status of previous recommendation on verifying critical information**

We continue to recommend that the Department verify critical information on student loan applications.

We have reported this matter for several years. In March 2001, the Standing Committee on Public Accounts (Committee) concurred with the above recommendation. The Committee previously concurred with the same recommendation in April 1999 and in December 1996.

The Department does not yet verify all critical information on student loan applications. By not verifying all critical information, the Department is at risk of incurring unnecessary costs and of not complying with the law.

During the year, the Department approved approximately 17,000 student loans (2000: 17,000 loans) for approximately \$129 million (2000: \$128 million). This includes \$59 million of Saskatchewan Student Loans and \$70 million of Canada Student Loans. In addition, during the year, the Department paid grants to students and incurred other costs of \$38 million (2000: \$34 million). These grants and other costs depend on the amount of loans awarded to students. When the Department approves loans to students in excess of the amount they are entitled, these grants and other costs also increase.

The Department must decide which applicant information to verify before approving loans and which information to verify at a later date. Sufficient and timely verification of critical information reduces the Department's risk of incurring significant additional costs and of not complying with the

provisions of *The Lender-Financed Saskatchewan Student Loans Regulations*.

Verifying critical information on student loan applications ensures only eligible students receive aid and for the correct amounts. The Department must balance its costs to verify applicant information with the need to provide students with timely financial assistance.

During the audit, we noted some progress on this matter. For example, the Department audited all private vocational schools that had not been audited in the previous 12 months to verify attendance records to ensure applicants were meeting the requirement of attending 90% of their classes.

Critical information that the Department does not yet sufficiently verify includes information on: the number of dependants, single parent status, receipt of day-care allowances, amount of scholarship funds, the value and existence of vehicles, whether the applicant is a resident of the province and whether the applicant continues to meet enrolment requirements.

Because the Department does not yet sufficiently verify the above information and it is not practical for us to do so, we are unable to report the extent to which students received incorrect amounts of aid.

The Department advised us that it continues to take steps to verify additional applicant information. For the 2001-2002 school year, the Department expects to have a system in place that will enable it to confirm whether applicants continue to be enrolled with the Saskatchewan universities and SIAST.

## **Detailed finding for the Regional Colleges**

In this section, we set out our finding relating to the audits of the Cumberland, Cypress Hills, and Prairie West Regional Colleges. We note that appointed auditors of other colleges report similar findings.

## **Status of previous recommendation on performance reporting**

Since 1996, our Office has reported on the boards' need for better performance information. In February 1998, PAC concurred with our recommendation. We continue to recommend that the colleges improve the performance reports used by the boards of directors to monitor the colleges' performance. We note that Cumberland, Cypress Hills and Prairie West Regional Colleges need to continue to improve how they measure and report on their performance.

To measure and report on performance, the Colleges must set performance measures and targets for each of their objectives. These measures and targets should quantify what the College is to achieve and when. Once the Colleges have set these measures and targets, they should ensure they have adequate systems to track their performance against the targets. They should also report their results to their Boards, the Department, the Legislative Assembly, and the public. These performance reports should show a comparison of the targets to the actual results and explain any significant differences between planned and actual results.

We note the Colleges continue to work on identifying key performance measures and targets. This will enable the Colleges to provide their boards, the Department, the Assembly, and the public with information necessary to judge their performance.