

Post-Secondary Education and Skills Training

12

Executive summary	298
Introduction.....	299
Understanding the Department.....	299
Role of the Department and its goals.....	299
Related special purpose funds and agencies	300
Department spending.....	301
Risks the Department faced	302
Audit conclusions and findings	303
Detailed findings for the Department	305
Clarifying accountability relationships.....	305
Developing a sector-wide plan and reporting on performance.....	306
Improving annual reports (performance reporting)	307
Detailed findings for the Student Aid Fund.....	308
Verifying critical information	309
Financial reporting to Trustees.....	310
Loan processing and distribution.....	311
Detailed findings for the Regional Colleges	312
Improving performance management and reporting.....	312
Detailed findings for the Saskatchewan Communications Network Corporation	313
Annual report needs improvement	313

Executive summary

In this chapter, we continue to stress the importance of the public receiving good information on what the Department, its agencies, and funds plan to do and the extent to which they are achieving their plans.

We note progress and the need for further work. The Department had taken the lead and successfully worked with others in the post-secondary sector to develop a five-year sector strategic plan. In late 2001, Cabinet approved this Plan. During 2001-2002, the Department continued to work with key agencies, such as the universities and SIAST, to better define how they are accountable to the Department and for what. In addition, it worked with these key agencies on the processes to implement the Sector Plan.

At March 31, 2002, this important work was still in progress. Effective April 1, 2002, Cabinet discontinued the Department of Post-Secondary Education and Skills Training. It amalgamated the Department's post-secondary education, training, and student support programs and activities with the Department of Education to form the Department of Learning. The Department of Social Services assumed responsibility for the Department's employment programs, such as Work Placement and Community Works. We recognize that with the restructure, certain aspects of the Sector Plan may change. Regardless, we look forward to the Department of Learning continuing to move the post-secondary sector forward towards publicly reporting on the achievement of the sector strategic plan.

In June 2001, the Department and the Federal Government agreed to integrate the Canada and Saskatchewan student loans programs. The agreement requires the Federal Government to process loans and pay money to students. At March 31, 2002, the Department did not have sufficient procedures to ensure that the Federal Government processed loans and paid students accurately. In addition, we continue to report that the Department does not verify all critical information on student loan applications. As a result, students may receive more money than the law allows.

Introduction

In this chapter, we set out:

- ◆ a brief overview of the Department of Post-Secondary Education and Skills Training's role, goals and its key risks; and
- ◆ the results of our 2002 audit 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, its risks, and the key control systems needed to manage those risks. This helps them to assess better the Department's performance.

Role of the Department and its goals

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

The Department had overall responsibility for the post-secondary education and skills training system. The post-secondary system includes universities, regional colleges, SIAST, other private and federal vocational schools, the Apprenticeship and Trade Certification Commission, and the career and employment services. The system also includes student financial assistance programs like student loans and bursaries.

The responsibilities of the Department included:

- ◆ developing and implementing quality training and employment programs;
- ◆ developing and implementing policies for post-secondary education and skills training;

- ♦ advancing the goals of the sector by working collaboratively with key members of the sector;
- ♦ overseeing the development and operations of the provincial network of Canada-Saskatchewan Career and Employment Services;
- ♦ regulating the operation of private vocational schools; and
- ♦ administering post-secondary student assistance (e.g., loans, grants, bursaries).

Related special purpose funds and agencies

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

	<u>Year end</u>
Student Aid Fund	March 31
Training Completions Fund	March 31
Saskatchewan Communications Network Corporation (SCN)	March 31
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 (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Southeast Regional College	June 30
University of Regina	April 30
University of Saskatchewan	April 30

Department spending

In 2002, the Department received \$508.9 million (2001 - \$528.4 million) from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$55.2 million (2001 - \$55.1 million) of revenue. Of these revenues, 98% (2001 - 97%) are from the Federal Government. *The Public Accounts 2001-2002: Volume 2: Details of Revenue and Expenditure* (2001-2002 Public Accounts – Volume 2) reports information about the Department's revenue and expenses (to view a copy of this report, see <http://www.gov.sk.ca/finance/paccts>).

The following is a list of major programs and spending reported in the 2001-2002 Public Accounts – Volume 2:

	<u>Original Estimates</u>	<u>Actual</u>
	(In millions of dollars)	
Administration	\$ 3.6	\$ 3.8
Accommodation & central services	4.7	4.0
Saskatchewan Communications Network	7.5	7.5
Career and employment services	32.1	33.5
Training programs	49.9	47.5
Student support	73.3	71.1
Post-secondary education	<u>340.4</u>	<u>341.5</u>
	<u>\$ 511.5</u>	<u>\$ 508.9</u>

Each special purpose fund and regional college gives the Legislative Assembly (Assembly) separate financial statements each year. Each agency, other than regional colleges, also give the Assembly an annual report each year that contains its audited financial statements.

The following table 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	2002 Total revenues	2001 Total revenues	2002 Total assets held	2001 Total assets held
(Actual in millions of dollars)				
Regional Colleges (combined)	\$ 45.7	\$ 46.8	\$ 27.8	\$ 26.4
SATCC	9.8	12.2	1.0	1.0
SCN	8.4	8.0	2.7	2.1
SIAST	131.8	129.4	43.8	51.4
Student Aid Fund	35.3	46.1	99.3	62.2
Training Completions Fund	0.08	0.09	0.4	0.3
University of Regina	132.0	125.0	186.5	176.0
University of Saskatchewan	522.0	505.0	933.0	818.0

Source: audited financial statements

For the year ended April 30, 2002, \$62 million (2001 - \$65 million) of the University of Regina's revenues came from the Department and \$239 million (2001 - \$244 million) of the University of Saskatchewan's revenues came from primarily the Department and the Department of Health.

For the year ended June 30, 2002, \$91.8 million (2001 - \$90.2 million) of SIAST's revenues came from the Department and \$9.6 million (2001 - \$9.1 million) of SATCC's revenues came from the Department.

Effective April 1, 2002, most of the Department was amalgamated with the Department of Education to form the Department of Learning.

Risks the Department faced

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

To be successful, the Department needed to:

- ◆ coordinate 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.

The Department, working with others in the post-secondary sector, had developed a five-year strategic plan for the sector that includes four broad goals¹:

- ◆ The province has a sustainable high quality post-secondary education, training, and employment services sector.
- ◆ The sector meets the needs of individuals and communities.
- ◆ The sector meets the needs of employers and industry, and contributes to economic growth.
- ◆ The sector contributes to the discovery, integration, application, and transfer of knowledge.

We encourage legislators 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/succeed/info/special.html>.

For further discussion of the Department's role, goals, risks, and opportunities, 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 2002 audits of the Department, SATCC, SCN, and SIAST, its two funds – Student Aid Fund and Training Completions Fund, and of three of its eight regional colleges – North West, Parkland, and Southeast.

For SIAST, our Office carries out the audit jointly with KPMG LLP. We also worked with the appointed auditors of the following colleges and

¹ *A Progress Report on University Revitalization*, Department of Post-Secondary Education and Skills Training, November 2001.

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 web site at <http://www.auditor.sk.ca/rrd.html>).

Crown agency	Appointed auditor
SCN	Virtus Group Chartered Accountants & Business Advisors LLP
North West Regional College	Downie Johnson Svenkeson, Chartered Accountants
Parkland Regional College	Skilnick Robertson Besler Miller & Co., Chartered Accountants
Southeast Regional College	EPR Certified General Accountants

Since 1998-99, we audit regional colleges on a cyclical basis. Exhibit 1 sets out our current involvement and its basis.

Exhibit 1 – Audit involvement in regional colleges

Based on the following factors, we work more directly with three colleges and their auditors 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 2002, we worked more directly with North West, Parkland, and Southeast regional colleges. In 2002, the auditors of the other colleges did not report any new matters for the colleges that they audited.

In our opinion:

- ◆ **the 2002 financial statements of ATCC, SCN, SIAST, Student Aid Fund, Training Completion Fund, and of North West, Parkland, and Southeast Regional Colleges are reliable;**
- ◆ **the Department and the above agencies had adequate rules and procedures to safeguard and control their assets except for the matters reported otherwise in this chapter;**
- ◆ **the Department and the above agencies complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported otherwise in this chapter.**

Detailed findings for the Department

In this section, we identify key activities that the Department has undertaken to move towards compliance with three previously reported recommendations for improvement that are of continued relevance. The Standing Committee on Public Accounts has previously discussed and agreed with these recommendations.

Clarifying accountability relationships

The post-secondary system is comprised of many different agencies. A number of the key post-secondary institutions are funded primarily through public money. It continues to be important that the legislators and public understand who is responsible for what within this system and that the Department fulfils its role in helping hold these institutions accountable.

The Department published various reports and publications (e.g., *Saskatchewan Training Strategy*, *Public Interest & Revitalization of Saskatchewan's Universities*) that highlight the Department's

responsibility to ensure that the key institutions are accountable for the moneys and privileges granted to them. It also highlights that the success of these institutions is integral to the success of the post-secondary system.

We note that the Department's continued sector-wide planning activities included work on clarifying key accountability relationships. In addition during the year, the Department published a progress report on its and the universities' key accomplishments in response to the 1996 MacKay *Report of the Minister's Special Representative on University Revitalization*. One stated purpose of the progress report was "To contribute to public understanding of the roles of the universities in Saskatchewan."²

Although the Department has made progress, further work is still necessary. We continue to recommend that legislators and the public receive a clear concise description of the accountability relationships between the Department and the key provincial post-secondary institutions.

Developing a sector-wide plan and reporting on performance

In late 2001, the Cabinet approved a five-year strategic plan for the post-secondary sector called the Post-Secondary Education and Skills Training Sector Strategic Plan. Although the Department has not publicly released the details of this Plan, it has included the Plan's goals in recent publications (e.g., *A Progress Report on University Revitalization*).

Also during 2001-2002, the Department continued to work with those in the sector to set processes to implement the Sector Plan. It clearly expects key provincial post-secondary institutions such as the universities, SIAST, regional colleges, and SATCC to assist in meeting this Plan.

Department officials advised us that the amalgamation of the Department with the Department of Education to form the Department of Learning effective April 1, 2002 may result in revisions to the Plan. The Department expects to report publicly on its progress in achieving this Plan when the

² *A Progress Report on University Revitalization*, Department of Post-Secondary Education and Skills Training, November 2001.

Government decides to change public performance reporting as part of the Government's accountability initiative.

We continue to recommend that the Department have Cabinet approve a post-secondary sector-wide plan and report publicly against the approved plan.

Improving annual reports (performance reporting)

We reviewed the Department's 2000-2001 annual report. We assessed the adequacy of the information contained in the report against the principles for performance reporting set out in Chapter 1—*Towards a better public accountability system* of our 2000 Spring Report. We note further improvements are necessary.

To assess performance of a public agency, legislators and the public need adequate information about the agency's plans and the achievement of those plans. Annual reports can provide this information. Annual reports should describe the public agency's mission, goals, and objectives. Also, they should describe how well the public agency has performed in achieving its objectives. In addition, annual reports should be written clearly and be available promptly after the agency's year end.

The 2000-2001 annual report outlines the vision, goals, and objectives of the Department and describes its related activities. Future reports should:

- ◆ Set out what the Department achieved in the year. For example, the report could include a comparison of key performance measures and targets to actual results and explain significant differences.
- ◆ Describe the key risks that the Department faces in achieving its objectives as well as the actions it takes to reduce these risks to acceptable levels.
- ◆ Explain management's responsibility for the adequacy of controls to safeguard and control the Department's resources and to comply with legislation and other authorities. As well, the reports should state management's responsibility for the financial information presented in the reports.
- ◆ Include key financial information (e.g., financial statements).

We continue to recommend the Department improve its future annual reports. The Department of Learning expects to make further changes to annual reports on the post-secondary sector in concert with changes expected for public performance reporting as part of the Government's accountability initiative.

Detailed findings for the Student Aid Fund

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

During 2001-2002, the Department changed the student assistance program significantly. In June 2001, the Department agreed with the Federal Government to integrate the Canada and Saskatchewan student loans programs. As part of the integration, the Department introduced three new student assistance benefits: Enhanced Interest Relief, Permanent Disability, and Debt Reduction in Repayment. Also during the year, the Department began lending money to students because its agreement with the Royal Bank expired (previously the Royal Bank financed student loans).

These changes to the program required a significant amount of effort by the Department. This included working closely with the Federal Government to agree on how to integrate the programs and to set out the responsibilities of both parties. In addition, the resulting changes made it necessary for the Department to change how it controls, accounts for, and reports its financial activities regarding the student assistance program.

In 2002, the Fund had revenues of \$35.3 million including \$31.8 million from the General Revenue Fund and had expenditures of \$44.1 million. At March 31, 2002, the Fund held net assets of \$16.7 million.

In this section, we provide an update on the status of two previous recommendations and make one new recommendation.

Verifying critical information

The Department needs to verify critical information on student loans applications.

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

The Department does not yet verify all critical information on student loan applications. By not verifying all critical information, the Department may incur unnecessary costs and may not comply with the law.

During 2001-2002, the Department approved approximately 18,000 student loans (2001 - 17,000 loans) for approximately \$60 million (2001 - \$59 million). In addition, during the year, the Department paid debt reduction benefits to students and incurred other costs of \$35 million (2001 - \$39 million). Debt reduction benefits and other costs depend on the amount of loans awarded to students. When the Department approves loans to students in excess of the amounts to which they are entitled, debt reduction benefits 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*, *The Saskatchewan Student Direct Loan Regulations*, *The Student Assistance and Student Aid Fund Regulations, 1990*, or *The Student Assistance and Student Aid Fund Regulations, 2001*.

In addition, during 2001-2002, the Department adopted a new program for permanent disability benefits. Under this program, the Department pays benefits to students with loans if those students became disabled while attending school or within six months of completing school. During the year, the Department paid disability benefits of \$724,000. We found that the Department did not adequately verify eligibility for benefits for this program. The Department paid benefits to all students that the Federal Government indicated had received permanent disability benefits under

the Federal program. The Department did not carry out additional procedures to verify that the students listed by the Federal Government met the eligibility criteria for the benefit.

Critical information which the Department does not yet sufficiently verify includes information on: the number of dependants, single parent status, receipt of daycare allowances, amount of scholarship funds, the value and existence of vehicles, residency of applicant, and amount of permanent disability benefits.

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

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 (PAC) concurred with the above recommendation. PAC previously concurred with the same recommendation in April 1999 and in December 1996.

The Department advised us that it continues to take steps to verify additional application information. We note that the Department is currently developing a new computer system. The Department informs us that this system will link with systems at the Canada Customs and Revenue Agency to verify parental income and with Saskatchewan Government Insurance to ensure that students correctly report their vehicles.

Financial reporting to Trustees

The Trustees of the Fund need timely quarterly financial reports.

The Trustees are responsible for administering the Fund. This includes overseeing the operation of the student assistance programs. To do this effectively, the Trustees should periodically review the Fund's financial and operational results. Periodic reviews of results help to ensure the identification of issues and appropriate corrective action in a timely manner.

During the 2001-2002, the Department did not provide timely quarterly financial reports to the Trustees for their review. Trustees received quarterly financial reports three or four months after the period to which they related. We reported this matter in Chapter 15 of our 2001 Fall Report – Volume 2. In February 2002, the Standing Committee on Public Accounts concurred with our recommendation.

We continue to recommend that the Department provide the Trustees with timely quarterly financial statements.

Loan processing and distribution

The Department needs to ensure that student loans are awarded only to eligible students and in the correct amounts.

The Department is responsible for assessing the amount of loans to award to students. Under the integrated loan agreement, the Federal Government processes the loans and pays the students. The Federal Government engaged two service providers to carry out these responsibilities. The Federal Government engaged an independent auditor to provide it with assurance (i.e., audit opinion) on whether the service providers had adequate internal controls to satisfy specified internal control objectives over loan processing. The Federal Government agreed to share the results of the audit with the Department.

In 2002, the auditor reported that one of the service providers did not have adequate controls to ensure all approved loans were processed accurately, completely, and only once. This service provider handled approximately \$5.9 million of student loans. To assess the extent that the Federal Government properly processed the loans, the Department monitored student inquiries and concluded that the loans had been properly processed for 2001-2002.

If in future years, this service provider continues to operate without adequate controls to ensure that all approved loans are processed accurately, completely, and only once, the Department is exposed to the risk that the service provider may pay ineligible students and that incorrect amounts of money could be paid to eligible students. To reduce this risk, the Department should require the service provider to improve its processes. Until the Department has evidence that the service provider

has improved its processes, the Department should carry out procedures to ensure students are paid correctly.

- 1. We recommend that the Department ensure that loans are awarded only to approved students and in the correct amounts.**

Detailed findings for the Regional Colleges

In this section, we set out our findings related to the audits of North West, Parkland, and Southeast Regional Colleges. We note that the appointed auditors of other colleges report similar findings.

Improving performance management and reporting

Since 1996, our Office has reported on the boards' need for better performance information. In February 1998, the Standing Committee on Public Accounts 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 North West, Parkland, and Southeast 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 Colleges expect 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.

During the year, the Colleges worked with the Department to revise their business plans to include key performance measures. They also are in the process of revising the contents of future annual reports to improve reporting on performance including reporting on progress made on the post-secondary education sector plan.

Detailed findings for the Saskatchewan Communications Network Corporation

The Saskatchewan Communications Network Corporation (SCN) operates under the authority of *The Communications Network Corporation Act*. Through its interrelated networks, SCN provides the people of Saskatchewan with educational, informational, and cultural programming and training opportunities.

As set out in table 1, SCN's 2002 financial statements show that SCN had revenues of \$8.4 million and held assets of \$2.7 million.

Annual report needs improvement

SCN's annual report needs improvement.

We assessed the adequacy of the information in SCN's 2002 Annual Report against the principles for performance reporting that we set out in Chapter 1 – *Towards a better public accountability system* of our 2000 Spring Report.

To assess the performance of public sector agencies, legislators and the public need adequate information about the agency's plans and the achievement of those plans. An annual report should provide this information. Annual reports should describe the agency's mission, vision, goals and objectives, as well as how it has performed in achieving its objectives. In addition, annual reports should set out the key risks the agency faces in achieving its objectives.

SCN's 2002 Annual Report provides some of the information that annual reports should include. For example, it outlines SCN's goals and describes many activities it has carried out. Also, the Report contains a complete set of audited financial statements prepared in accordance with Canadian generally accepted accounting principles. However, further improvements are needed. SCN's future annual reports should:

- ◆ include a description of its mission, vision, objectives, and the key strategies used to achieve its objectives.

The Report does not include SCN's objectives related to its reported goals or the actions planned to achieve them. It would be easier to understand SCN's plan if the Report discussed its objectives and clearly linked its planned actions to the goals and objectives.

- ◆ explain how the corporation has performed.

The Report lists accomplishments, but does not indicate the extent to which the goals were achieved. This makes it difficult for readers to assess performance (operational and financial). Including a comparison of its actual operational and financial results to key targets along with explanations of significant differences helps readers assess performance.

- ◆ describe the key risks that the corporation faces in achieving its objectives as well as the actions that it takes to reduce these risks to acceptable levels.

The Report does not set out SCN's key risks.

2. We recommend that SCN improve its future annual reports.