

# Advanced Education, Employment and Immigration

# 2

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## Main points

The Ministry of Advanced Education, Employment and Immigration (Ministry) and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The exception to this revolves around issues concerning Carlton Trail Regional College. Carlton Trail Regional College did not obtain the approval of the Minister for Chief Executive Officer remuneration and terms and conditions of employment.

The financial statements of the Ministry's funds and agencies are reliable. The Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the following:

- ◆ the Board of Carlton Trail Regional College needs to fulfill its governance obligations and its responsibilities under *The Regional Colleges Act* by:
  - ensuring that Board motions and decisions are restricted to members of the Board
  - documenting Board decisions and support for decisions
  - having or obtaining through Board training appropriate knowledge and skills
  - regularly evaluating its performance
- ◆ the Board of Carlton Trail Regional College needs to formalize its rights and obligations in written agreements when it enters into financial arrangements with other agencies
- ◆ the Ministry needs to ensure regional college boards are trained and regularly evaluated to ensure they fulfill their governance responsibilities and their responsibilities under *The Regional Colleges Act*
- ◆ the Ministry needs to sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety to avoid misunderstandings

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Introduction

The mandate of the Ministry of Advanced Education, Employment and Immigration (Ministry) is to foster the attraction, development and retention of an educated, skilled and productive workforce to meet the needs of a growing and innovative economy.<sup>1</sup> Its responsibilities are set out primarily in *The Post-Secondary Education and Skills Training Act*.

### Financial overview

The following is a list of major programs and spending for the year ended March 31, 2011:

	Estimates 2010-11 <sup>2</sup> (in millions of dollars)	Actual 2010-11
Central Management and Services	\$ 19.4	\$ 18.1
Student Support Programs	101.5	98.5
Post-Secondary Education	591.9	687.7
Immigration	12.8	11.9
Labour Force Development	102.9	103.1
Major Capital Asset Acquisitions	7.6	2.3
	836.1	921.6
Capital Asset Acquisitions	(7.6)	(2.8)
Capital Asset Amortization	2.0	2.3
Total Expense	\$ 830.5	\$ 921.1

In 2010-11, the Ministry had revenues of \$95.7 million of which 87% came from the Federal Government primarily for federal-provincial cost sharing programs.

The Ministry's *2010-11 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates ([www.aeel.gov.sk.ca](http://www.aeel.gov.sk.ca)).

<sup>1</sup> *Ministry of Advanced Education, Employment and Immigration, 2010- 2011 Annual Report*, p. 5.

<sup>2</sup> Saskatchewan Finance, *2010-11 Saskatchewan Estimates*. The Estimates total does not include the additional \$89.3 million authorized through the *Saskatchewan Supplementary Estimates* and \$15.6 million transferred to the Ministry of Labour Relations and Workplace Safety and Social Services under Orders in Council 397/2010 and 471/2010.

## Related special purpose funds and agencies

At March 31, 2011, the Ministry was responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
Saskatchewan Student Aid Fund	March 31
Training Completions Fund	March 31
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Great Plains College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Southeast Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIASST)	June 30

## Audit conclusion and findings

This section reports the results of our 2011 audits of the Ministry, the Saskatchewan Student Aid Fund, the Training Completions Fund, three of seven regional colleges (i.e., Carlton, Cumberland, and Parkland), SATCC, and SIASST.

**In our opinion, for the fiscal years ending on or before June 30, 2011:**

- ◆ **the Ministry and the agencies listed in this section had adequate rules and procedures to safeguard public resources except as reported in this chapter**
- ◆ **the Ministry and the agencies listed in this section complied with the authorities set out in Exhibit 4 governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as reported in this chapter**

- ◆ **the financial statements of the agencies listed in this section are reliable**

Exhibit 1 sets out the appointed auditor of each agency that we audited in 2011. We use the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup>

**Exhibit 1—Appointed auditor of agencies audited in 2011**

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP
Carlton Regional College	E.J.C. Dudley & Co.
Cumberland Regional College	NeuPath Group, PC Inc.
Parkland Regional College	Skilnick Miller Moar Grodecki & Kreklewich

We audit colleges on a cyclical basis. We work with the appointed auditor of each of these colleges to carry out the audits. We require the appointed auditors of the other four colleges that are not in the current cycle to provide us with reports that set out the results of their audits. We review these reports and have discussions with related Ministry officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditor on these matters. The auditors of the other four colleges did not report any new matters for the colleges they audited. For SIAST, we carry out the audit jointly with the appointed auditor.

Also, the chapter provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

**Shared service agreement needed**

The Ministry needs to sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety.

The Ministry provides various services to the Ministry of Labour Relations and Workplace Safety. The services provided include payment processing, revenue processing, cash handling, and support services.

<sup>3</sup> To view this report, see our website at [www.auditor.sk.ca/rrd.html](http://www.auditor.sk.ca/rrd.html).

The *Financial Administration Manual* section 3007.08 requires shared service arrangements between ministries be supported by a memorandum of understanding to avoid misunderstanding. At March 31, 2011, the Ministry did not have such a memorandum.

- 1. We recommend that the Ministry of Advanced Education, Employment and Immigration sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety.**

## **Governance and accountability of regional colleges needs strengthening**

The Ministry needs to strengthen governance and accountability of regional college boards to ensure they fulfill their responsibilities under *The Regional Colleges Act*.

Typically, the Ministry requests and reviews key information (e.g., annual business plans, budgets, financial statements, annual reports) of each regional college to determine whether colleges are operating as it expects. Initially, the Ministry's review processes did not promptly identify significant governance problems at Carlton Trail Regional College. However, the Ministry, once aware of problems, appointed an administrator for Carlton Trail Regional College and initiated a number of reviews after significant governance problems were identified.

### ***Background—Carlton Trail Regional College***

Carlton Trail Regional College (Carlton Trail) was established under *The Regional Colleges Act*. Section 5 of this Act allows Carlton Trail to provide:

- ◆ university and technical institute courses by way of a contract between the college and a university or technical institute
- ◆ training programs that prepare individuals for a career or provide education with respect to health or social issues
- ◆ training programs paid wholly or partly by private businesses, non-profit groups or government agencies
- ◆ career services
- ◆ adult basic education, literacy, and upgrading programs

- ◆ any other educational activities that the Lieutenant Governor in Council may prescribe in the regulations

In 2010-11, Carlton Trail had revenues of \$6.8 million and expenses of \$6.7 million. At June 30, 2011, Carlton Trail's net assets were \$6.2 million. Carlton Trail's financial statements are in Carlton Trail's *2010-11 Annual Report* at [www.ctr.sk.ca](http://www.ctr.sk.ca).

Carlton Trail has historically worked with St. Peter's College (St. Peter's). St. Peter's is an affiliate of the University of Saskatchewan and offers first and second-year University of Saskatchewan courses.

Carlton Trail had a partnership agreement with St. Peter's. This agreement provided for sharing information between the colleges. Under the agreement, Carlton Trail agreed to provide St. Peter's with an annual grant "for delivery of a business diploma program using a variety of delivery mechanisms."

### ***Governance and financial issues noted at Carlton Trail Regional College***

Carlton Trail's 2010-11 Business Plan and Budget, approved by the Minister on August 17, 2010, outlined a proposed merger of Carlton Trail with St. Peter's College and described ongoing consultations with the Ministry in this regard. The business plan reported that the Board had agreed to collaborative governance and management with St. Peter's.

In 2010, the Boards of Carlton Trail and St. Peter's started to meet jointly even though the two organizations were not legally one entity. In particular, the Board of Carlton Trail did not follow appropriate governance practices. For example:

- ◆ individuals not on the Carlton Trail Board participated in decisions of the Carlton Trail Board
- ◆ motions at Carlton Trail Board meetings were made and seconded by individuals who were not on the Carlton Trail Board, including the Chief Executive Officer (CEO)
- ◆ a Carlton Trail Board minute for a meeting where key decisions were made was signed only by a non-Carlton Trail Board member

The meetings involving inappropriate governance practices included approval of Carlton Trail's 2010 financial statements and an in camera discussion and subsequent authorization of payments totalling \$175,000 to St. Peter's. These payments did not have documented support. Carlton Trail management was unable to find written agreements setting out the terms and conditions for these payments.

On February 23, 2010, the Carlton Trail Board appointed the CEO of St. Peter's as CEO for Carlton Trail. Section 10 of *The Regional Colleges Act* requires regional colleges to obtain the approval of the Minister for CEO remuneration and terms and conditions of employment. Carlton Trail sought the Minister's approval for a CEO contract but did not receive it. Nevertheless, the CEO of St. Peter's continued to function as the CEO for Carlton Trail. Carlton Trail paid St. Peter's for these CEO services.

In June 2010 Carlton Trail provided the Ministry with a formal merger proposal. On November 12, 2010, the Ministry announced that it had hired a consulting firm to conduct an analysis regarding the proposed amalgamation. The report recommended that the Minister not approve the proposed merger.<sup>4</sup>

Citing concerns that had arisen regarding governance and leadership at the two institutions, the Minister, in March 2011, requested that Carlton Trail place its CEO on administrative leave. The Board subsequently cancelled the services agreement with the CEO. St. Peter's billed Carlton Trail \$124,395 for CEO services from April 2010 until the CEO's Carlton Trail services were terminated in March 2011. At June 30, 2011, Carlton Trail had paid \$61,566 of this amount to St. Peter's.

In March 2011, the Minister replaced the Board of Carlton Trail with an administrator, as permitted under section 28(1)(c) of *The Regional Colleges Act*.<sup>5</sup> The Minister also hired consulting firms to more fully investigate allegations involving senior management at Carlton Trail and St. Peter's. Reports of these investigations are available at <http://www.aeei.gov.sk.ca/St. Peter's-ctrc-updates>.

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<sup>4</sup> Meyers Norris Penny LLP, *Summary Report on the Proposed Merger between Carlton Trail Regional College and St. Peter's College*, February 15, 2011, p. 21.

<sup>5</sup> Cabinet appointed a new Board for Carlton Trail effective September 29, 2011 by Order in Council 566/2011.



In addition, Carlton Trail is contributing along with two school divisions to the cost of construction of the Humboldt Collegiate Institute without a formal agreement regarding their access to and use of the property. Without a formal agreement, there is increased risk of misunderstandings about current and future rights and obligations.

Without adequate governance and accountability processes there is an increased risk that regional colleges will not properly fulfill their responsibilities under *The Regional Colleges Act*.

**Recommendations for the Board of Carlton Trail Regional College**

- 2. We recommend that the Board of Carlton Trail Regional College fulfill its governance obligations and its responsibilities under *The Regional Colleges Act* by:**
  - ◆ ensuring that Board motions and decisions are restricted to members of the Board
  - ◆ documenting Board decisions and support for decisions
  - ◆ having or obtaining through Board training appropriate knowledge and skills
  - ◆ regularly evaluating its performance
  
- 3. We recommend that the Board of Carlton Trail Regional College obtain the Minister’s approval for its chief executive officer’s duties, remuneration, term of office and other terms and conditions of appointment as required under *The Regional Colleges Act*.**
  
- 4. We recommend that the Board of Carlton Trail Regional College formalize its rights and obligations in written agreements when it enters into financial arrangements with other agencies.**

**Recommendations for the Ministry**

5. **We recommend that the Ministry of Advanced Education, Employment and Immigration ensure that boards of regional colleges are trained to fulfill their governance responsibilities and their responsibilities under *The Regional Colleges Act*.**
  
6. **We recommend that the Ministry of Advanced Education, Employment and Immigration regularly evaluate whether boards of regional colleges are fulfilling their governance responsibilities and their responsibilities under *The Regional Colleges Act*.**
  
7. **We recommend that the Ministry of Advanced Education, Employment and Immigration ensure that boards of regional colleges obtain the Minister’s approval for chief executive officer duties, remuneration, terms of office, and other terms and conditions of appointment as required under *The Regional Colleges Act*.**

**Implementation of past recommendations needed**

In Exhibit 2, we set out our past recommendations, actions the Ministry took during 2010-11, and the status of these recommendations at March 31, 2011.

**Exhibit 2—Status of past recommendations**

Past recommendation (initial report)	Public Accounts Committee (PAC)	Actions Ministry took in 2010-11	Status of recommendation at March 31, 2011
<p><b><i>We recommend the Ministry of Advanced Education and Immigration follow its established procedures for removing user access to its computer systems and data.</i></b></p> <p><i>(2010 Report – Volume 2 – Chapter 2)</i></p>	<p>PAC agreed with this recommendation on January 20, 2011.</p>	<p>During the audit, we found that the Ministry did not remove MIDAS<sup>6</sup> access for 2 terminated employees and network access for 4 terminated employees on a timely basis.</p>	<p><b>Not implemented</b> – we continue to make this recommendation.</p>

<sup>6</sup> Multi-informational Database Applications system.

Past recommendation (initial report)	Public Accounts Committee (PAC)	Actions Ministry took in 2010-11	Status of recommendation at March 31, 2011
<p><b><i>We recommend the Ministry of Advanced Education and Labour prepare an information technology strategic plan.</i></b></p> <p><i>(2009 Report – Volume 3 – Chapter 2)</i></p>	<p>PAC agreed with this recommendation on May 12, 2010.</p>	<p>The Ministry has approved a three-year IT plan and is in the preliminary stages of developing an information technology strategic plan.</p>	<p><b>Partially implemented</b> – we continue to make this recommendation.</p>
<p><b><i>We recommend that the Ministry of Advanced Education, Employment and Labour develop a human resource plan.</i></b></p> <p><i>(2007 Report – Volume 3 – Chapter 2)</i></p>	<p>PAC agreed with this recommendation on January 8, 2008.</p>	<p>The Ministry has completed an organizational review and is developing an updated Human Resource Plan.</p>	<p><b>Partially implemented</b> – we continue to make this recommendation.</p>
<p><b><i>We recommend the Ministry of Advanced Education, Employment and Labour sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office.</i></b></p> <p><i>(2008 Report – Volume 3 – Chapter 2)</i></p>	<p>PAC agreed with this recommendation on December 9, 2008.</p>	<p>The Ministry is still working with ITO to develop a new Service Level Agreement, which will include disaster recovery requirements.</p>	<p><b>Partially implemented</b> – we continue to make this recommendation.</p>
<p><b><i>We recommend the Ministry of Advanced Education, Employment and Labour monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.</i></b></p> <p><i>(2008 Report – Volume 3 – Chapter 2)</i></p>	<p>PAC agreed with this recommendation on December 9, 2008.</p>	<p>The Ministry is still working with the ITO to implement a security plan, including:</p> <ul style="list-style-type: none"> <li>– security policy guidance</li> <li>– reporting improvements</li> <li>– employee awareness</li> <li>– better system access controls</li> <li>– security audits</li> </ul>	<p><b>Partially implemented</b> – we continue to make this recommendation.</p>

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented.<sup>7</sup> Our intent is to follow up outstanding recommendations in upcoming reports.

**Exhibit 3**

PAC REPORT YEAR <sup>8</sup>	OUTSTANDING RECOMMENDATION	STATUS at March 31, 2011 unless noted otherwise
<b>Ministry of Advanced Education, Employment and Immigration – Construction projects</b> (2004 Report – Volume 1)		
2005	13-2 that the Ministry of Learning should document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risk on approved capital projects.	<b>Partially implemented</b>  Management told us the Ministry is working with its partners to strengthen governance and accountability in the post-secondary system.
<b>Ministry of Advanced Education, Employment and Immigration – Welfare to Work</b> (2004 Report – Volume 3)		
2005	4-2 that the Department of Community Resources and Employment should select additional performance measures that directly assess its progress in moving people from welfare to work.	<b>Partially implemented</b> (as at March 31, 2010).  There have been numerous changes since our 2006 follow up of “Welfare to Work”. When this was first reported, the program was in the Department of Community Resources and Employment. Employment programs now reside in the Ministry. The Ministry is assessing how to respond to the recommendations under the new Ministry structure.
2005	4-3 that the Department of Community Resources and Employment should establish baseline results and targets for each measure.	
2005	4-4 that the Department of Community Resources and Employment should communicate to employees its measures, baseline results, and targets.	
2005	4-5 that the Department of Community Resources and Employment should collect relevant and reliable information related to its performance measures.	

<sup>7</sup> For definitions of the Key Terms used in the Exhibit, see Chapter 27 – Standing Committee on Public Accounts.

<sup>8</sup> PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

<b>PAC REPORT YEAR<sup>8</sup></b>	<b>OUTSTANDING RECOMMENDATION</b>	<b>STATUS at March 31, 2011 unless noted otherwise</b>
2005	4-6 that the Department of Community Resources and Employment should establish policies and procedures for evaluating data to assess its progress in moving people from welfare to work.	See above.
2005	4-7 that the Department of Community Resources and Employment should prepare reports that show its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work.	<b>Not implemented</b> (as at March 31, 2010).  See above.
<b>Saskatchewan Institute of Applied Science and Technology – Human Resource Capacity</b> (2006 Report – Volume 1)		
2007	3-7 that Saskatchewan Institute of Applied Science and Technology's Board should work with management to identify the content and frequency of reports necessary to monitor human resource risks and evaluate progress towards its human capacity objectives.	<b>Partially implemented</b> (as at February 28, 2010).
<b>Saskatchewan Institute of Applied Science and Technology – Risk Management</b> (2008 Report – Volume 3)		
2009	2-5 that the Saskatchewan Institute of Applied Science and Technology's Board use more comprehensive risk management policies and procedures that:  - define key terms and processes - assign roles and responsibilities for risk management - require risks be identified in relation to strategic objectives - require analysis of risk likelihood and impact including timeframes - set criteria to evaluate risk tolerance - outline guidance to treat key risks	<b>Partially implemented</b> (as at August 31, 2010).
2009	2-6 that the Saskatchewan Institute of Applied Science and Technology's Board require that the written risk management reports it receives include analysis of risks and outcomes of risk management.	<b>Partially implemented</b> (as at August 31, 2010).

**Exhibit 4—Legislation**

*The Government Organization Act*  
*The Ministry of Advanced Education, Employment and Immigration Regulations*  
*The Training Allowance Regulations*  
*The Employment Program Regulations*  
*The Skills Training Benefit Regulations*  
*The Post-Secondary Education and Skills Training Act*  
*The Training Program Regulations*  
*The Education Act, 1995 (section 3(1))*  
*The Apprenticeship and Trade Certification Act, 1999*  
*The Apprenticeship and Trade Certification Regulations, 2003*  
*The Graduate Retention Program Act*  
*The Graduate Retention Program Regulations*  
*The Private Vocational Schools Regulation Act, 1995*  
*The Private Vocational Schools Regulation, 1995*  
*The Public Service Act, 1998*  
*The Regional Colleges Act*  
*The Regional Colleges Regulations*  
*The Regional Colleges Program Designation Regulations*  
*The Regional Colleges Programs and Services Regulations, 1997*  
*The Financial Administration Act, 1993*  
*The Saskatchewan Institute of Applied Science and Technology Act*  
*The Student Assistance and Student Aid Fund Act, 1985*  
*The Lender-financed Saskatchewan Student Loan Regulations*  
*The Student Assistance and Student Aid Fund Regulations, 2001*  
*The Saskatchewan Student Direct Loans Regulations*  
Orders in Council issued pursuant to the above legislation