

Chapter 2

Advanced Education

1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Advanced Education (Advanced Education) (formerly the Ministry of Advanced Education, Employment and Immigration) and its agencies.

Advanced Education and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2013 financial statements of each of Advanced Education's funds and agencies are reliable. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except Advanced Education needs to:

- › Properly record in its financial records the funding provided to post-secondary educational institutions for the repayment of principal and interest due on loans and the related liabilities
- › Sign a complete memorandum of understanding with the Ministry of the Economy to avoid misunderstandings pertaining to shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance
- › Improve information technology (IT) processes for removing user access, sign an adequate agreement with the Information Technology Office of the Ministry of Central Services (ITO)¹ on disaster recovery of computer systems and data, and monitor the effectiveness of ITO's security controls to protect Advanced Education's computer systems and data

2.0 INTRODUCTION

Advanced Education is responsible for the post-secondary education system that supports a growing Saskatchewan and leads to a higher quality of life. Saskatchewan's post-secondary education system is critical to the province's labour force development.²

For the year ended March 31, 2013, Advanced Education utilized 135.3 full-time equivalent positions.³

¹ Effective May 25, 2012, the Information Technology Office became a part of the Ministry of Central Services.

² Ministry of Advanced Education, *2012-13 Annual Report*, p. 3.

³ *Ibid.*, p. 17.



2.1 Financial Overview

For the year ended March 31, 2013, Advanced Education spent \$723 million on its programs and had revenues of \$9.38 million. Information about Advanced Education's revenues and expenditures appears in its *2012-13 Annual Report*.⁴

Figure 1 – Major Programs and Spending

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management Services	\$ 10.2	\$ 10.2
Student Supports	66.9	67.0
Post-Secondary Education	642.1	642.5
Immigration	0.1	0.1
Labour Force Development	3.3	0.2
Total Appropriation	<u>722.6</u>	<u>720.0</u>
Capital Asset Acquisitions	-	(1.4)
Capital Asset Amortization	2.0	1.4
Other*	-	2.8
Total Expense	<u>\$ 724.6**</u>	<u>\$ 722.8</u>

Source: Ministry of Advanced Education, *2012-13 Annual Report*, p. 16-17

* Includes the change in inventory held for use or consumption, the change in prepaid expenses, gains and losses on disposal of capital assets and write-down of capital assets.

** The Ministry received an additional \$4.1 million authorized through the Saskatchewan Supplementary Estimates and statutory adjustments.

2.2 Related Special Purpose Funds and Agencies

At March 31, 2013, Advanced Education was responsible for the following special purpose funds and agencies (agencies) covered by our audits this year:

Year-end	Agency	Appointed Auditor*
March 31	Saskatchewan Student Aid Fund	N/A
March 31	Training Completions Fund	N/A
June 30	Carlton Trail Regional College	E.J.C. Dudley & Co.
June 30	North West Regional College	Baert Cameron Odishaw La Cock Chartered Accountants
June 30	Northlands College	MNP LLP
June 30	Saskatchewan Institute of Applied Science and Technology	We audit jointly with Deloitte LLP

* N/A means not applicable because we do the audit directly

⁴ See www.ae.gov.sk.ca/ministry-plans-annual-reports (30 October 2013).

Our Office worked with the appointed auditors to carry out our audit work. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.⁵

Advanced Education is also responsible for four other colleges (Cumberland, Great Plains, Parkland, Southeast). We audit colleges on a cyclical basis. We require the appointed auditors of the 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 Advanced Education officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditors on these matters. The appointed auditors of the four colleges did not report any significant matters.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ending on or before June 30, 2013:

- › **Advanced Education and its agencies had effective rules and procedures to safeguard public resources except as reported in this chapter**
- › **Advanced Education and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Government Organization Act
The Ministry of Advanced Education Regulations
The Post-Secondary Education and Skills Training Act
The Education Act, 1995 (Section 3(1))
The Graduate Retention Program Act
The Graduation 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
The Tabling of Documents Act, 1991
 Orders in Council issued pursuant to the above legislation

- › **The agencies had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Advanced Education's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Advanced Education's rules and procedures to safeguard public resources includes assessing the design and effectiveness of its control activities relating to grants. Grants amount to approximately 89% of the total Ministry expenditures.

⁵ See our website at www.auditor.sk.ca.



4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

4.1 Funding to Post-Secondary Educational Institutions for Debt Repayment Not Properly Recorded

During our audit, we found that Advanced Education had established a practice of providing post-secondary educational institutions (institutions) with funding to enable them to repay the principal and interest due on loans for their capital projects. Instead of providing funding during the development of the project, Advanced Education decided to let the institutions borrow money from a financial institution and provide the institutions with funding as the principal and interest on these loans comes due. These institutions rely on this source of funding to repay their loans, and Advanced Education has created an expectation or guarantee to the institutions that it will provide them with sufficient funding to do so.

Canadian public sector accounting principles require transactions to be accounted for based on their substance. As such, loans expected to be repaid through future government funding should be accounted for as a liability and expense in the year that the expectation or promise is made.

Advanced Education inappropriately accounted for these funding arrangements on a “pay-as-you-go” basis instead of on an accrual basis. For the year ended March 31, 2013, Advanced Education did not record liabilities of \$99.9 million and the related expense of \$57.1 million in its financial records.

- 1. We recommend that the Ministry of Advanced Education follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding provided to post-secondary educational institutions for the repayment of principal and interest due on loans and the related liabilities.**

4.2 Shared Service Agreement Needed

Advanced Education does not have an adequate shared service agreement with the Ministry of the Economy pertaining to shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance.

The *Financial Administration Manual*, section 3007.08 requires that shared service arrangements between ministries be supported by a memorandum of understanding (MOU). While an MOU was signed between the ministries in June 2013, work continues

on the MOU to address governance and good business practices. A complete MOU is necessary so that both ministries understand their respective roles and responsibilities.

2. **We recommend that the Ministry of Advanced Education sign a complete memorandum of understanding with the Ministry of the Economy that defines all key roles and responsibilities for shared services.**

We recommended that the Ministry of Advanced Education (formerly 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. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented

Advanced Education has now signed an MOU for shared services with the Ministry of Labour Relations and Workplace Safety.

4.3 Governance and Accountability of Regional Colleges Needs Strengthening

In our *2011 Report – Volume 2*, we reported that Advanced Education needed to strengthen governance and accountability processes to ensure regional college boards fulfill their responsibilities under *The Regional Colleges Act*. We reported that Advanced Education’s review processes did not promptly identify significant governance problems at Carlton Trail Regional College.

4.3.1 Governance Recommendations for Advanced Education Met

We recommended that the Ministry of Advanced Education (formerly 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*. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented

Advanced Education has developed a three-year action plan to strengthen governance and accountability in the post-secondary sector. The plan includes reviewing the current state of governance and accountability practices within the sector and developing



sector-specific board governance training and certification. Regional college board members began attending board governance training and certification sessions in 2013.

We recommended that the Ministry of Advanced Education (formerly 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*. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented

Advanced Education has strengthened its monitoring and oversight of board performance through the receipt and review of board meeting packages and minutes. Advanced Education also engaged an external consultant to undertake an assessment of current governance policies and an evaluation of board performance for each regional college. Recommendations have been provided to each regional college as a result of this evaluation. Advanced Education is monitoring the progress made on these recommendations during its regular involvement with each regional college.

4.3.2 Governance Recommendations for Carlton Trail Regional College Met

We recommended 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

(2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented

In our *2012 Report – Volume 2*, we described that motions and decisions have been appropriately restricted to members of the Board, and Board minutes contained adequate documentation of decisions and support for decisions made by the Board. Since then, Board members have begun attending the Board governance training and certification sessions described in **Section 4.3.1** above. The Board has also completed self-assessments and evaluated its performance to identify areas of strength and areas for improvement.

4.4 Great Plains Regional College Restricted Access to its Financial Reporting System

We recommended that Great Plains Regional College develop written policies and procedures to appropriately restrict staff access to its financial reporting system. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

During the year, Great Plains Regional College developed written policies and procedures to restrict access for staff to its financial reporting system.

4.5 Information Technology Controls Need Improvement—Advanced Education

We recommended the Ministry of Advanced Education (formerly the Ministry of Advanced Education and Immigration) follow its established procedures for removing user access to its computer systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

Status – Partially Implemented

In 2012-13, Advanced Education followed its processes for promptly removing user access to its computer systems from individuals who no longer work for the Ministry.

However, Advanced Education continues to provide additional enhanced user access (i.e., local administration rights) to certain individuals. It does not maintain a listing of these individuals and the rationale for why they need this access. Advanced Education does not know if these individuals continue to need this access. Advanced Education has indicated that it has established a protocol with ITO for new requests for enhanced user access. As well, Advanced Education has requested that the ITO identify all users that have enhanced user access. Advanced Education needs to remove unnecessary user access from current employees.

We recommended the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Labour) prepare an information technology strategic plan. (2009 Report – Volume 3; Public Accounts Committee agreement May 12, 2010)

Status – Implemented

Advanced Education has now prepared and approved an IT strategic plan.



We recommended the Ministry of Advanced Education (formerly 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 of the Ministry of Central Services. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – Not Implemented

During 2011-2012, Advanced Education signed an MOU with the ITO. However, the MOU does not adequately address disaster recovery. As a result, neither Advanced Education nor ITO knows whether systems and data can be restored when needed by Advanced Education in the event of a disaster. This could result in Advanced Education not being able to provide timely services to the public.

We recommended the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Labour) monitor the effectiveness of the Information Technology Office of the Ministry of Central Services' security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – Not Implemented

Advanced Education is working with ITO to implement a security plan, including security policy guidance, reporting improvements, employee awareness, better system access controls and security audits. Without a security plan, Advanced Education does not know if ITO is addressing its security needs.

4.6 Information Technology Controls Need Improvement—North West and Northlands Regional Colleges

North West Regional College does not have an IT strategic plan. An IT strategic plan can help management ensure IT initiatives are documented and aligned with the College's direction. It would also help management determine if it has addressed strategic threats and risks to the College's IT security. North West Regional College needs an IT strategic plan to ensure its use of resources supports its strategic objectives.

3. We recommend that North West Regional College prepare an information technology strategic plan.

North West Regional College and Northlands College do not have formal IT disaster recovery plans. A disaster recovery plan can help IT personnel know and understand their responsibilities and tasks that should be performed in an emergency situation. A

plan would establish procedures to restore vital and/or critical technology systems and data in the event of a human, technical, or natural disaster.

4. We recommend that North West Regional College prepare and test a disaster recovery plan for its computer systems and data.

5. We recommend that Northlands College prepare and test a disaster recovery plan for its computer systems and data.

North West Regional College does not have formal, approved policies and procedures in place for its IT systems and data including policies concerning passwords, backups, and granting and removing user access. Documented, up-to-date IT policies and procedures will help ensure the confidentiality and integrity of information systems and data.

6. We recommend that North West Regional College develop written policies and procedures for its information technology systems and data.

