

# Chapter 1

## Advanced Education

### 1.0 MAIN POINTS

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

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

The 2014 financial statements of each of Advanced Education's agencies are reliable. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the following. Advanced Education needs to:

- › 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
- › Sign an adequate agreement with the Information Technology Division of the Ministry of Central Services (ITD) on disaster recovery of computer systems and data, and monitor the effectiveness of ITD's security controls to protect Advanced Education's computer systems and data

Also, North West Regional College and Northlands Regional College need to do more to protect their information technology 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 system provides support to the province's labour force development. For the year ended March 31, 2014, Advanced Education utilized 132.5 full-time equivalent positions.<sup>1</sup>

### 2.1 Financial Overview

For the year ended March 31, 2014, Advanced Education spent \$785 million on its programs. Information about Advanced Education's expenditures appears in its *2013-14 Annual Report*.<sup>2</sup>

<sup>1</sup> Ministry of Advanced Education, *2013-14 Annual Report*, p. 17.

<sup>2</sup> See [www.ae.gov.sk.ca/ministry-plans-annual-reports](http://www.ae.gov.sk.ca/ministry-plans-annual-reports) (17 October 2014).

**Figure 1 – Major Programs and Spending**

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 13.8	\$ 12.4
Student Supports	77.5	81.2
Post-Secondary Education	<u>695.6</u>	<u>691.0</u>
<b>Total Appropriation</b>	<u>786.9</u>	<u>784.6</u>
Capital Asset Acquisitions	-	-
Capital Asset Amortization	0.8	0.7
<b>Total Expense</b>	<u>\$ 787.7</u>	<u>\$ 785.3</u>

Source: Ministry of Advanced Education, 2013-14 Annual Report, p. 19.

## 2.2 Special Purpose Funds and Agencies

At March 31, 2014, 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	Cumberland Regional College	NeuPath Group, PC Inc.
June 30	Great Plains Regional College	Stark & Marsh LLP
June 30	Parkland Regional College	Miller Moar Grodecki Kreklewich & Chorney
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.

\*\* Effective September 24, 2014, the agency is now known as Saskatchewan Polytechnic.

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*.<sup>3</sup>

Advanced Education is also responsible for four other colleges (Carlton Trail, North West, Northlands, 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 to identify if significant matters exist for these colleges. If so, we work with the appointed auditors on these matters.

<sup>3</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ending on or before June 30, 2014:

- › **Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- › **Advanced Education and its agencies complied with the following authorities governing their activities related 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 to make our judgments about the effectiveness of Advanced Education's and its agencies' controls. The control framework 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 and its agencies' rules and procedures to safeguard public resources included assessing the design and effectiveness of its controls related to administering grants to post-secondary educational institutions, which are approximately 88% of total expenditures. We also examined Advanced Education's processes for estimating amounts payable related to the Graduate Retention Program and the Saskatchewan Advantage Grant for Education Savings Program.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

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



## 4.1 Accounting for Funding to Post-Secondary Educational Institutions for Debt Repayment Under Review

We recommended 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 related liabilities. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

**Status** – Under Review

Since our Office made this recommendation, in March of 2014 the Government, appropriately, decided to change its financial reporting focus to the Summary Financial Statements. How Advanced Education accounts for the funding provided to post-secondary institutions for repayment of principal and interest does not affect the accuracy of the Government's Summary Financial Statements for those institutions that are part of the Government. That is, financial activities between government entities are eliminated in preparation of the Summary Financial Statements. Such funding provided to the universities, who are not part of the Government, does not result in a material error to the Summary Financial Statements.

As described in our *2013 Report – Volume 2*, Chapter 2, in our view, Advanced Education has not been following Canadian generally accepted accounting principles for the public sector (GAAP) when accounting for funding provided to certain post-secondary educational institutions to enable them to repay the principal and interest due on certain loans for capital projects. Our Office refers to these as “constructive obligations.” We have raised similar concerns for the Ministry of Health and for the Ministry of Education.

The Standing Committee on Public Accounts (PAC) has discussed the accounting for this matter at various hearings.<sup>4</sup> At its January 13, 2014 meeting, in its discussion, it made the following motion: “Recognizing the difference of professional interpretations the Standing Committee on Public Accounts recommends that the Minister of Finance have his officials continue to examine this issue and discuss it further with the Provincial Auditor.” At September 30, 2014, the Ministry of Finance was continuing to evaluate the accounting for these matters and plans to meet with our Office.

<sup>4</sup> January 13, 2014 hearing on Ministry of Finance, March 26, 2014 hearing on Regional Health Authorities, May 14, 2014 hearing on Ministry of Advanced Education, June 17, 2014 hearing on the Ministry of Education, September 9, 2014 hearing on Ministry of Health.

## 4.2 Shared Service Agreement Needed

We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

**Status** – Not Implemented

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). The appendices of the MOU, signed between the ministries in June 2013, require the ministries to define the operations of each of the shared services. Advanced Education had not completed this additional step by September 2014. Without completing this step, it does not have an adequate shared service agreement.

Not having an adequate MOU increases the risk that each ministry may not clearly understand their respective roles and responsibilities and Advanced Education may not be able to hold the Ministry of the Economy accountable for the shared services.

## 4.3 Information Technology Controls Need Improvement

### 4.3.1 Key Findings for Advanced Education

We recommended that 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** – Implemented

Advanced Education followed its processes for promptly removing user access to its computer systems from individuals who no longer work for Advanced Education.

Advanced Education has removed additional enhanced user access it had previously granted to certain individuals that is not required to perform their daily duties. Advanced Education has established a process to justify and record any decisions to grant additional enhanced user access.



We recommended that the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Labour) monitor the effectiveness of the Information Technology Division 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** – Partially Implemented

Advanced Education uses the Information Technology Division of the Ministry of Central Services (ITD) to host its information systems and data. For example, ITD hosts key applications used by Advanced Education such as the One Client Service Model (OCSM). Advanced Education uses OCSM to deliver training and financial assistance services to its clients. OCSM includes sensitive financial information about post-secondary students and their relatives (e.g., banking information, tax and other income information, social insurance numbers, birth dates). Also, ITD provides Advanced Education with computers and network access.

We expected Advanced Education to monitor whether the security provided by ITD is adequate. We expected Advanced Education to use information such as documentation of critical systems and data, their key risks, and existing or required controls (including any information technology (IT) and non-IT controls at Advanced Education) to determine what information it requires from ITD to monitor the security of its systems and data. This information may include assurance from ITD that current security updates (i.e., patches) are applied in a timely manner to key servers and operating systems and access is properly restricted to key servers. It may also include timely notifications of breaches affecting Advanced Education's systems and data, if any. We expected Advanced Education to use this information about its computer systems and data to identify and take prompt action to address any significant deficiencies identified.

In 2013-14, Advanced Education started to draft IT security procedures with ITD that will set out security principles, roles, responsibilities, risk areas, mitigation procedures, and reporting requirements. Also in 2013-14, Advanced Education requested from ITD information in addition to the standard reports<sup>5</sup> previously received. It is starting to use this additional information to help it assess risks to its systems and data and to assist with completion of its IT security procedures document.

Advanced Education did not have sufficient information to know if ITD was addressing its security needs. Completion of its IT security procedures should help Advanced Education obtain sufficient information to assess the adequacy of security controls to protect its computer systems and data, and to take action if deficiencies are identified. If its systems and data are not adequately secured, Advanced Education risks unauthorized access to the system. For example, unauthorized access to OCSM could result in making inappropriate student loan payments (e.g., fraud) or disclosing confidential financial information.

<sup>5</sup> The standard reports from ITD are not adequate for Advanced Education to monitor the effectiveness of ITD's security controls. For example, they did not include information about how security weaknesses at ITD impact Advanced Education's IT systems and data (e.g., patch management).

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

**Status** – Not Implemented

By September 2014, Advanced Education had not completed the additional steps to outline its disaster recovery needs as required under the schedules to the MOU it signed in 2011-12 with ITD. As a result, neither Advanced Education nor ITD 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.

### 4.3.2 Key Findings for Regional Colleges

We recommended that North West Regional College prepare an information technology strategic plan. (2013 Report – Volume 2; [Public Accounts Committee agreement May 14, 2014](#))

**Status** – Not Implemented

North West Regional College has not prepared an IT strategic plan.

North West Regional College needs to prepare an IT strategic plan to help management document and align IT initiatives with the College's direction. An IT strategic plan would also help management determine if the College has addressed all the threats and risks to its IT security. Also, an IT strategic plan helps ensure the use of resources supports strategic objectives.

We recommended that North West Regional College develop written policies and procedures for its information technology systems and data. (2013 Report – Volume 2; [Public Accounts Committee agreement May 14, 2014](#))

**Status** – Partially Implemented

In 2013-14, North West Regional College developed written policies and procedures for IT. However, the policies and procedures need to be approved and communicated to staff. Documented, up-to-date IT policies and procedures will help ensure the confidentiality and integrity of information systems and data.



We recommended that North West Regional College prepare and test a disaster recovery plan for its computer systems and data. (2013 Report – Volume 2; **Public Accounts Committee agreement May 14, 2014**)

**Status** – Partially Implemented

We recommended that Northlands College prepare and test a disaster recovery plan for its computer systems and data. (2013 Report – Volume 2; **Public Accounts Committee agreement May 14, 2014**)

**Status** – Partially Implemented

In 2013-14, North West Regional College developed a disaster recovery plan for its computer systems and data; however, management had not approved or tested the plan. In 2013-14, Northlands College started to develop a disaster recovery plan for its computer systems and data.

A disaster recovery plan establishes procedures to restore vital and/or critical technology systems and data in the event of a human, technical, or natural disaster. A disaster recovery plan can help IT personnel know and understand their responsibilities and tasks that should be performed in an emergency situation. For example, North West Regional College uses Microsoft Dynamics Navision for all financial aspects. If this information is not available, payroll or other expenses may not be paid in a timely manner.