

Chapter 1

Advanced Education

1.0 MAIN POINTS

This chapter reports the results of the 2015 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 2015 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 Advanced Education needs to sign an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services.

2.0 INTRODUCTION

Advanced Education is responsible for the post-secondary education system that supports a growing Saskatchewan and that 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, 2015, Advanced Education utilized 132.6 full-time equivalent positions.¹

2.1 Financial Overview

For the year ended March 31, 2015, Advanced Education spent \$822 million on its programs. Information about Advanced Education's expenditures appears in its *2014-15 Annual Report*.²

Figure 1 – Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management and Services	\$ 14.9	\$ 13.0
Student Supports	82.0	90.1
Post-Secondary Education	720.6	718.7
Total Appropriation	817.5 ³	821.8
Capital Asset Amortization	0.3	0.3
Total Expense	<u>\$ 817.8</u>	<u>\$ 822.1</u>

Source: Ministry of Advanced Education, *2014-15 Annual Report*, p. 22.

¹ Ministry of Advanced Education, *2014-15 Annual Report*, p. 21.

² See www.finance.gov.sk.ca/PlanningAndReporting/2014-15/2014-15AEAnnualReport.pdf (15 October 2015).

³ The Estimates total does not included an additional \$5.4 million authorized through the Saskatchewan Supplementary Estimates.



2.2 Special Purpose Funds and Agencies

At March 31, 2015, Advanced Education was responsible for seven regional colleges each with year ends of June 30, 2015. We report the results of our audits of the regional colleges separately in Chapter 18. Advanced Education was also responsible for the following special purpose funds and agency (agencies) reported in this chapter:

Year-End	Agency
March 31	Saskatchewan Student Aid Fund
March 31	Training Completions Fund
June 30	Saskatchewan Polytechnic (We carried out the audit jointly with KPMG LLP)

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended on or before June 30, 2015:

- › **Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for Advanced Education needs an adequate agreement on disaster recovery of computer systems and data**
- › **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 Executive Government Administration 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 Financial Administration Act, 1993

The Saskatchewan Polytechnic Act
The Saskatchewan Polytechnic Regulations
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

- › **The financial statements of each agency are reliable**

We used the control framework published by CPA Canada 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 the following. We evaluated their processes related to administering grants (e.g., to post-secondary educational institutions or students), recording revenues, tendering and awarding contracts, payroll, and purchasing goods and services. We also assessed Advanced Education's processes for estimating amounts due to graduates under the Graduate Retention Program and the Saskatchewan Advantage Grant for Education Savings Program.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Shared Service Agreement Completed

We recommended that the Ministry of Advanced Education sign a complete memorandum of understanding with the Ministry of the Economy that defines all roles and responsibilities for shared services. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

Status – Implemented

By March 2015, Advanced Education had a complete Memorandum of Understanding with the Ministry of the Economy. The Memorandum defines all roles and responsibilities for 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.

4.2 Funding to Post-Secondary Educational Institutions for Debt Repayment

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 – Implemented

As last described in our *2014 Report – Volume 2*, Chapter 1, we reported that Advanced Education has not been following Canadian generally accepted accounting principles for the public sector (GAAP) when accounting for funding provided to universities to enable them to repay the principal and interest due on certain loans for capital projects.

During 2014-15, Advanced Education provided post-secondary institutions with approximately \$720.6 million in operating and other funding. During 2014-15, universities incurred approximately \$20 million in principal repayments and interest.

Since March 2014, Advanced Education's communications to the universities have clarified the Government's position and intentions regarding providing ongoing grants for repayment of principal and interest on their loans. They note that the Government has not guaranteed the repayment of universities' borrowings, and these borrowings are the universities' financial obligations. Advanced Education's communications clearly note it makes decisions on the amount that it funds the universities on an annual basis, and its grants do not include specific amounts to fund repayment of principal and interest on universities' loans. Rather it gives universities discretion on how to use the operating grants they receive from Advanced Education. Its communications emphasize



universities must prudently manage their financial resources to maintain on-going operations while meeting their financial obligations.

4.3 Information Technology Controls Need Improvement

We recommended the Ministry of Advanced Education sign an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – Partially Implemented

Advanced Education uses the Ministry of Central Services (Central Services) to host its information systems and data. For example, Central Services hosts key applications Advanced Education uses 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, Central Services provides Advanced Education with computers and network access.

During 2011-2012, Advanced Education signed a Memorandum of Understanding with Central Services. The Memorandum expected the Ministry and Central Services to reach agreement on various aspects including disaster recovery at a later date (i.e., develop schedules to augment the Memorandum).

Advanced Education started a project to address security issues with OCSM during summer 2015. It expects to complete the schedules on disaster recovery by the end of the project in 2016-17.

Without an agreement on disaster recovery services, neither Advanced Education nor Central Services knows whether Central Services can restore Advanced Education's systems and data in the event of a disaster. Unavailable key systems, like OCSM, could result in Advanced Education not being able to provide timely services to the public.

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

Status – Implemented

In 2014-15, Advanced Education received reports from Central Services outlining known security issues including Advanced Education applications that are no longer supported by vendors. This information helped Advanced Education to make decisions about the security of its information technology systems.