Chapter 24
Advanced Education—Approving Capital Projects

1.0 MAIN POINTS

This chapter describes the results of the Ministry of Advanced Education's (Ministry) processes to approve post-secondary capital projects. These capital projects are government investments in infrastructure at Saskatchewan universities, Saskatchewan Polytechnic, and regional colleges. The Ministry co-ordinates infrastructure planning for the post-secondary sector with SaskBuilds, who is the lead agency for the Government's centralized long-term infrastructure planning.

For the 12-month period ended August 15, 2016, the Ministry had, other than the following, effective processes to approve post-secondary capital projects. The Ministry needs to give post-secondary institutions timely feedback about their capital project requests that were not approved.

2.0 INTRODUCTION

Strategic priorities from the *Saskatchewan Plan for Growth* and the *International Education Strategy*, as they pertain to the Ministry, are investing in infrastructure and planning for growth; improving educational outcomes; increasing immigration and engaging the world.[1]

The *Ministry of Advanced Education Plan for 2016-17* describes its mandate as being responsible for a post-secondary education system that supports a growing Saskatchewan and that leads to a higher quality of life.[2]

One of the Ministry's strategies is that physical infrastructure supports Ministry and sector goals.[3] As set out in **Figure 1**, its related key actions include providing capital funding for post-secondary institutions, and developing and implementing a sector-wide capital plan. In Saskatchewan, post-secondary institutions include the University of Saskatchewan, University of Regina, Saskatchewan Polytechnic, seven regional colleges[4] and other institutions.[5]

Figure 1—Extract from Ministry of Advanced Education's 2016-17 Plan

Strategy: Physical infrastructure supports Ministry and sector goals

Key Actions:
❭ Provide operational and capital funding for post-secondary institutions
❭ Provide capital funding including support for major capital projects as well as repairs and maintenance (i.e. Preventative Maintenance and Renewal)
❭ Develop and implement a sector-wide capital plan
❭ Work with institutions to develop a consistent definition of deferred maintenance and current replacement value
❭ Work with the public post-secondary institutions to inventory the deferred maintenance backlog

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[1] *Ministry of Advanced Education Plan for 2016-17*, pp. 3, 5-6.
[2] Ibid., p. 3.
[3] Ibid., p. 8.
[4] Regional colleges include Carlton Trail, Cumberland, Parkland, North West, Northlands, Southeast, and Great Plains.
[5] Includes institutions such as the Saskatchewan Indian Institute of Technology.

2.1   Post-Secondary Capital

Between 2010-11 and 2014-15, enrolments at Saskatchewan's post-secondary institutions increased by 7.8%.[6] Post-secondary institutions need suitable physical infrastructure to meet growing demand.

Part of the Ministry's mandate is to meet the needs of students, and to provide opportunities for all students to prepare them to live, work, and learn in Saskatchewan.[7] One of its goals is to, by 2020, increase the number of international students studying in Saskatchewan by 75%.[8] Having modern, functional infrastructure helps Saskatchewan post-secondary institutions attract top students, faculty, and staff from around the world. Infrastructure can include buildings and significant components of buildings (e.g., heating systems).

Capital projects are investments institutions make to construct, expand, renovate, or replace existing infrastructure. **Figure 2** shows that the amount that post-secondary institutions have spent since 2010-11 on infrastructure fluctuates significantly.

Figure 2—Infrastructure Purchases[A]

Institution	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	(in thousands)					
University of Regina	$ 17,995	$ 8,325	$ 8,746	$ 40,514	$ 42,236	$ 19,858
University of Saskatchewan	161,095	101,604	60,329	326,258	14,574	30,320
Saskatchewan Polytechnic[B]	18,777[C]	5,482	2,694	1,838	2,216	1,450
Regional Colleges	- [D]	- [D]	335	717	2,991	17,220

Source: Adapted from information provided by the University of Regina, University of Saskatchewan, Saskatchewan Polytechnic, and regional colleges.
[A] Purchases include land acquisitions, building additions, site improvement additions and leasehold improvement additions.
[B] Formerly Saskatchewan Institute of Applied Science and Technology
[C] Detailed information on specific capital asset purchases was not available for 2010-11. Balance shown is total capital asset additions for the year, which would include items such as furniture, computers, and office equipment.
[D] Purchases not disclosed in the regional colleges' annual reports.

The Government indirectly manages the capital projects of Saskatchewan post-secondary institutions through a variety of mechanisms. These include:

❭   Directly approving certain capital projects—legislation governing Saskatchewan post-secondary institutions gives the Ministry approval authority for certain capital projects for universities,[9] technical[10] and regional colleges.[11]

❭   Controlling access to financing—legislation governing Saskatchewan post-secondary institutions requires them to obtain prior approval from either the Minister of Advanced Education (Minister) (Saskatchewan Polytechnic, regional colleges) or the Lieutenant Governor in Council (universities) of borrowings used to purchase land/buildings or construct buildings.[12,13]

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[6] *Ministry of Advanced Education Annual Report for 2015-16,* p. 8.
[7] *Ministry of Advanced Education Plan for 2016-17*, p. 3.
[8] Ibid., p. 4.
[9] *The University of Saskatchewan Act*, section 49(1)(c), and *The University of Regina Act*, section 62(b).
[10] *The Saskatchewan Polytechnic Act,* section 18.
[11] *The Regional Colleges Act,* section 14(f) and section 15.
[12] *The University of Saskatchewan Act,* section 95, and *The University of Regina Act*, section 71.
[13] *The Saskatchewan Polytechnic Act*, section 23 and *The Regional Colleges Act*, section 21.

〉 Approving purchase of land or the construction of buildings—legislation governing Saskatchewan post-secondary institutions requires them to obtain the approval of either the Minister, or the Lieutenant Governor in Council to acquire land or construct buildings.[14,15]

〉 Deciding on the nature and extent of funding for operations, research and capital—legislation governing Saskatchewan's universities prohibits them from incurring any liabilities or making any expenditures that would impair the financial status of the institution unless the Minister has first approved an estimate in writing.[16] Because Saskatchewan post-secondary institutions rely on transfers from the Provincial Government (grants) as a key source of revenue, the amount of grants the Ministry provides them each year can impact the amount of resources they have available for undertaking capital projects.

As shown in **Figure 3**, for the last six years, Ministry capital grants to post-secondary institutions have fluctuated significantly.

Figure 3—Advanced Education Post-Secondary Capital Grants

Institution	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16[A]
	(in thousands)					
University of Regina	$ 13,133	$ -	$ 7,253	$ 4,059	$ 4,976	$ 5,368
University of Saskatchewan	83,622	-	2,866	14,594	16,575	13,226
Saskatchewan Polytechnic	5,006	-	103	968	1,091	1,208
Regional Colleges	2,961	-	1,694	2,493	6,113	15,665

Source: Unless otherwise stated, *Public Accounts Volume 2*, Vote 31, Subvote AE02. Includes funding provided for preventative maintenance and renewal projects.
[A] Source: Ministry of Advanced Education financial records

2.2 Ministry's Relationship with SaskBuilds

The Ministry is required to work with SaskBuilds who is the lead agency for the Government's centralized long-term infrastructure planning.

SaskBuilds is responsible for co-ordinating long-term infrastructure planning across the Government, including the Government's significant public-private partnership projects.[17,18] It leads the development of the Government's integrated long-term infrastructure plan; it updates this plan annually to inform the development of the Government's summary budget.[19] In addition, it provides a forum to share knowledge and best practices on capital planning.[20]

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[14] *The University of Saskatchewan Act*, section 92 requires approval for purchase of land/buildings; *The University of Regina Act,* sections 67, and 67.1 requires approval for purchase of land/buildings or construction of buildings.
[15] *The Saskatchewan Polytechnic Act*, section 14 and *The Regional Colleges Act*, section 14(f) and section 15.
[16] *The University of Saskatchewan Act,* section 93*,* and *The University of Regina Act,* section 63.
[17] *SaskBuilds 2015-16 Annual Report,* p. 4.
[18] The Provincial Government established SaskBuilds Corporation (SaskBuilds) as a Treasury Board Crown Corporation in October 2012.
[19] www.saskbuilds.ca/infrastructure-planning/ (29 September 2016).
[20] *SaskBuilds 2015-16 Annual Report*, p. 6.

The Ministry co-ordinates its infrastructure planning with SaskBuilds, and seeks its approval on significant post-secondary capital projects prior to proceeding and seeking Treasury Board's approval.

Effective approval processes for capital projects are necessary so that allocation of Ministry resources to the post-secondary sector is effective and efficient. Without effective capital project approval processes, the Ministry may be less likely to select projects that provide the most benefits to the post-secondary sector, and the public.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Ministry of Advanced Education's processes, for the 12-month period ending August 15, 2016, to approve post-secondary capital projects.

For the purposes of this audit, capital projects are considered to be post-secondary infrastructure that includes property, facilities, etc., where there is significant and long-term investment. They do not include research projects where a portion of the research grant may be used to purchase equipment or other types of capital.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature. **Section 5.0** includes the primary sources for these criteria. Ministry management agreed with the criteria (see **Figure 4**).

We discussed processes with key management, reviewed guidelines related to the Ministry's capital asset processes, and examined information the Ministry used to analyze capital projects submitted by post-secondary institutions.

Figure 4—Audit Criteria

> **Processes to:**
> 1. **Set framework for approval of capital projects**
>   1.1 Establish capital project submission requirements
>   1.2 Develop assessment criteria to prioritize capital projects
>   1.3 Communicate requirements to institutions (e.g., timing, requirements, criteria)
> 2. **Select capital projects**
>   2.1 Prioritize capital project submissions against criteria
>   2.2 Approve capital projects
>   2.3 Communicate capital project decisions
> 3. **Review selection process**
>   3.1 Assess capital project approval process effectiveness (e.g., timing, capacity utilization)
>   3.2 Adjust framework as necessary
>   3.3 Communicate adjustments (e.g., institutions, senior management)

We concluded that for the 12-month period ending August 15, 2016, the Ministry of Advanced Education had, except in the following area, effective processes to approve post-secondary capital projects. The Ministry needs to give post-secondary institutions timely feedback about capital project requests that are not approved.

4.O KEY FINDINGS AND RECOMMENDATION

In this section, we set out the criteria (expectations) in italics, and our key findings along with the related recommendation.

4.1 Framework for Approval of Capital Projects Established

We expected that the Ministry would establish capital project submission requirements. We expected the Ministry to develop assessment criteria to prioritize capital projects. We also expected that the Ministry would communicate requirements and the adjustments to requirements to institutions (e.g., timing, criteria).

### 4.1.1 Clear Capital Project Submission Requirements and Criteria Established

The Ministry is responsible for co-ordinating the long-term planning for the post-secondary sector. As previously noted, the Ministry must work with SaskBuilds on its post-secondary capital planning.

As shown in **Figure 5**, SaskBuilds expects the Ministry to collect and co-ordinate the capital project submissions from post-secondary institutions for submission to SaskBuilds for its consideration.

SaskBuilds has capital planning frameworks, manuals and other tools to assist ministries and other government agencies in their capital planning processes. SaskBuilds requires ministries and other government agencies to use its standardized forms and templates when assessing capital projects to submit for consideration, and providing it information on capital project requests. For example, the Ministry must use SaskBuilds' assessment templates to assess capital project submissions from post-secondary institutions. SaskBuilds updates the criteria reflected in these templates through consultation with stakeholders through the Community of Practice annually.[21]

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[21] Community of Practice is a community of senior officials in ministries with capital budgets or a strong interest in provincial capital spending. The group is co-led by SaskBuilds and the Ministry of Finance.

Figure 5—Post-Secondary Capital Planning Process
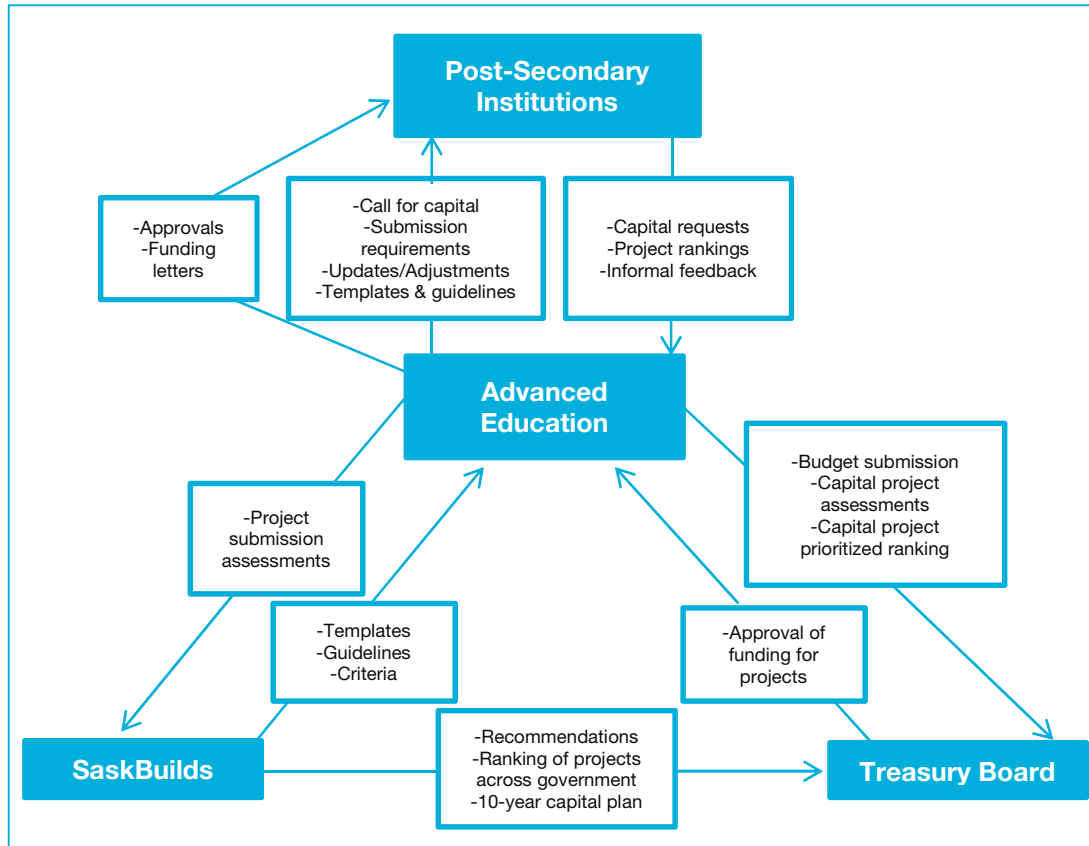
Source: Adapted from information provided by the Ministry.

We found that the Ministry has adopted the SaskBuilds' capital planning processes including its forms and templates.

For example, the Ministry:

❯ Requires post-secondary institutions to use the SaskBuilds' guidelines and templates (e.g., needs assessment template) when making capital project requests of the Ministry. We found that the Ministry's capital project submission requirements outlined in the templates align with the strategic goals in the Ministry's *2015-16 Plan* and the Government's *Saskatchewan Plan for Growth: Vision 2020 and Beyond*.

❯ Uses SaskBuilds' established assessment criteria (e.g., condition of existing assets) for assessing post-secondary capital projects. We found the criteria used by the Ministry to assess post-secondary projects are current and aligned with Ministry and Government strategic goals.

❯ Requires capital project submissions from post-secondary institutions to include costs and financial information. The financial information includes estimated total project costs, Ministry's share of the costs, yearly funding requests from the Ministry, and whether the institution is planning to borrow money for the project.

Using the same process as SaskBuilds helps the Ministry ensure the post-secondary education capital project submissions meet all of SaskBuilds' requirements.

## 4.1.2 Clear Timelines Established for Submission Requirements

Each year, the Ministry sends out communications outlining the capital submission requirements (call for capital) to post-secondary institutions in December. The call includes the Ministry's initial requirements for making capital project requests for the upcoming year (e.g., project proposal template).

The Ministry makes this call before it receives SaskBuilds' draft submission requirements (e.g., needs assessment template). The Ministry typically receives the draft requirements from SaskBuilds in January, and final requirements in February. The Ministry has decided to send out its call in December to give institutions additional time to decide upon and prepare their capital project submissions to enable them to meet the Ministry deadline.

We found that the Ministry communicated changes in submission requirements to post-secondary institutions as it received them from SaskBuilds. Institutions indicated they did not find receiving changes in requirements during the process caused problems in their submission preparation process.

The Ministry typically requires institutions to submit their capital requests for the upcoming year to the Ministry by March. Setting a March deadline for post-secondary institutions' submissions gives the Ministry time to assess the post-secondary capital requests and prepare its submission to SaskBuilds. SaskBuilds requires the Ministry to submit capital projects requests by the end of May (see **Figure 6**).

Figure 6—Capital Project Submission Timelines
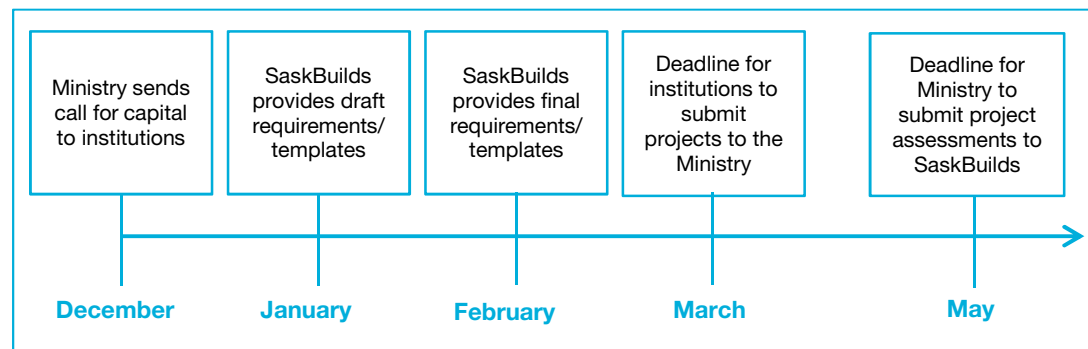
Source: Adapted from information provided by the Ministry.

4.2 Consistent Process Used to Assess Capital Project Submissions

We expected the Ministry to prioritize capital project submissions against criteria. We expected the Ministry to approve capital projects. We also expected the Ministry to communicate capital project decisions.

4.2.1 Capital Project Submissions Assessed and Prioritized

The Ministry tracks receipt of capital project submissions from post-secondary institutions. It routinely reminds institutions of the deadline. Where it has not received any submissions prior to the deadline, the Ministry asks the institutions whether the institution plans to make any requests.

The Ministry uses established assessment criteria (e.g., scope of economic impact [community, region, provincial], social impact [improving quality of life]) to assess each capital project submission on a consistent basis.

We found its assessment criteria did not include consideration of institutions' proposed financing plans for submitted capital projects. Rather it reviewed the reasonability of the financing costs in the submission, and assessed whether the proposed financing would adversely affect the financial viability of the institution.

The Ministry uses scores from its assessments to prioritize (rank) capital project submissions. We found that senior Ministry officials (e.g., Assistant Deputy Minister, Deputy Minister) reviewed and approved completed assessments and priority rankings prior to submission of the assessments to SaskBuilds[22] and preparation of the Ministry's annual budget submission to Treasury Board. As shown in **Figure 6**, there is six months between the Ministry's call for capital and its submission of projects to SaskBuilds.

The Ministry does not determine individual institutions' financing for capital projects or make the final financing decisions or capital funding decisions. Rather once the Ministry assesses and prioritizes a project for inclusion in its annual submission, the project is subject to Treasury Board's annual budget cycle, and the individual institution's legislative requirements for capital projects.

In the preparation of its annual budget submission (which is prepared in the fall), the Ministry decides which projects to include in the submission. We found the Ministry used the results of its assessments and ranking to prepare its annual budget submission.

The Ministry's annual budget submission to Treasury Board contained its capital project assessments and priority rankings. In addition, for the selected projects, it included financing information that it collected as part of the institution's capital submission.

We were advised that Treasury Board makes funding decisions considering both the Ministry and SaskBuilds priority rankings. Treasury Board communicates decisions to the Ministry before the Government's budget release, which is typically the following March (for 2016, this was in June), which is 15 months after the initial call for capital by the Ministry.

The Ministry obtains Treasury Board's decisions before it seeks its Minister's approval of post-secondary capital projects and aligns its request for Minister approval of capital projects with that of Treasury Board.

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[22] SaskBuilds completes its own assessment of projects with a government-wide view and communicates its priorities to Treasury Board.

4.2.2 Feedback on Unapproved Capital Projects Needed

The Ministry used various means to advise institutions which capital projects requests were approved (such as funding letters, approval letters from the Minister and Orders in Council [if required by law]). Communications coincide with the Government's budget release, which is typically in March (for 2016, this was in June). We found its communications included project approvals, funding information, and additional relevant information regarding the project (e.g., timing of funding payments).

We found that the Ministry communicated more informally when project requests were not approved. However, it does not tell institutions why their project requests were not approved. Such feedback would provide institutions insight on what to change when making future requests, and advice on next steps (e.g., resubmit proposal, find alternative solutions).

1. **We recommend that the Ministry of Advanced Education give post-secondary institutions timely feedback about capital project requests that are not approved.**

4.3   Feedback on Capital Project Approval Process Obtained

We expected the Ministry to assess its capital project approval process effectiveness and adjust its framework as necessary. We also expected the Ministry to communicate adjustments to its process (e.g., to institutions and senior management).

The Ministry routinely gathers feedback on its capital project approval process. Because it has modelled its process on SaskBuilds' process, it leverages SaskBuilds' best practice process to evaluate its own process. For example, it participates in best practice discussions with SaskBuilds' Community of Practice, and seeks advice from SaskBuilds officials. As discussed in **Section 4.1.2**, we found that the Ministry communicated adjustments to the process (i.e., changes in submission requirements) to post-secondary institutions.

In addition, the Ministry seeks input from the post-secondary sector. It discusses its practices with other areas within the Ministry. The Ministry met with officials from Saskatchewan's three largest post-secondary institutions (i.e., University of Saskatchewan, University of Regina, Saskatchewan Polytechnic) on a regular basis. It also met informally with officials from regional colleges.

5.0 SELECTED REFERENCES

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