

# Chapter 1

## Advanced Education

### 1.0 MAIN POINTS

This chapter reports the results of the 2016-17 annual audits of the Ministry of Advanced Education and its agencies.

The Ministry and its agencies complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2016-17 financial statements of each of the Ministry's agencies are reliable.

The Ministry and its agencies had effective rules and procedures to safeguard public resources except the Ministry needs to follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding under the Strategic Investment Fund. The Ministry also needs to sign an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services.

### 2.0 INTRODUCTION

The Ministry of 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.<sup>1</sup>

### 2.1 Financial Overview

For the year ended March 31, 2017, the Ministry reported expenses of \$815 million for its programs (see **Figure 1** for detail by major program), and revenues of \$74.1 million (including \$73.6 million from the Federal Government for cost-sharing programs). The Ministry's *2016-17 Annual Report* provides further details and reasons for differences between planned and actual results.<sup>2</sup>

See **Section 4.1** for discussion of \$40.7 million overstatement of recorded expenses and revenues.

**Figure 1 – Expenses by Major Program**

	Estimates 2016-17 <sup>A</sup>	Actual 2016-17
	(in millions)	
Central Management and Services	\$ 15.3	\$ 13.2
Student Supports	56.5	63.2
Post-Secondary Education	688.6	738.8 <sup>B</sup>
<b>Total Appropriation</b>	<b>760.4</b>	<b>815.2</b>

<sup>1</sup> Ministry of Advanced Education, *Annual Report for 2016-17*, p. 2.

<sup>2</sup> *Ibid.*, pp. 24-26.



	Estimates 2016-17 <sup>A</sup>	Actual 2016-17
Capital Asset Acquisitions	-	-
Capital Asset Amortization	0.1	0.2
<b>Total Expense</b>	<b>\$ 760.5</b>	<b>\$ 815.4<sup>B</sup></b>

Source: Ministry of Advanced Education, *Annual Report for 2016-17*, p. 24.

<sup>A</sup> The Ministry obtained additional funding through supplementary estimates of \$55.9 million.

<sup>B</sup> See **Section 4.1** for discussion of \$40.7 million overstatement of expenses.

## 2.2 Special Purpose Funds and Agencies

At March 31, 2017, the Ministry was responsible for the following special purpose funds and agencies (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 this audit jointly with KPMG LLP)
June 30	Carlton Trail College
June 30	Cumberland College
June 30	Great Plains College
June 30	Northlands College
June 30	North West College
June 30	Parkland College
June 30	Southeast College

## 3.0 AUDIT CONCLUSIONS

Our Office worked with appointed auditors (see **Appendix 2** of this Report) to carry out the annual integrated audits of the regional colleges. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup>

**In our opinion, for the years ended on or before June 30, 2017:**

- **The Ministry of Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **The Ministry of 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:**

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

<i>The Executive Government Administration Act</i>	<i>The Regional Colleges Programs Designation Regulations</i>
<i>The Ministry of Advanced Education Regulations</i>	<i>The Regional Colleges Programs and Services Regulations</i>
<i>The Post-Secondary Education and Skills Training Act</i>	<i>The Income Tax Act, 2000</i>
<i>The Education Act, 1995 (subsection 3[1])</i>	<i>The Non-profit Corporations Act, 1995</i>
<i>The Graduate Retention Program Act</i>	<i>The Non-profit Corporations Regulations, 1997</i>
<i>The Graduate Retention Program Regulations</i>	<i>The Student Assistance and Student Aid Fund Act, 1985</i>
<i>The Public Service Act, 1998</i>	<i>The Student Assistance and Student Aid Fund Regulations, 2001</i>
<i>The Financial Administration Act, 1993</i>	<i>The Lender-financed Saskatchewan Student Loan Regulations</i>
<i>The Saskatchewan Advantage Grant for Education Savings Act</i>	<i>The Saskatchewan Student Direct Loans Regulations</i>
<i>The Saskatchewan Advantage Grant for Education Savings Regulations</i>	<i>Saskatchewan Risk Sharing Student Loans Agreement</i>
<i>The Degree Authorization Regulations</i>	<i>Canada-Saskatchewan Integration Agreement</i>
<i>The Private Vocational Schools Regulation Act, 1995</i>	<i>The Regional Colleges Accounting and Reporting Manual</i>
<i>The Private Vocational School Regulations, 2014</i>	<i>Orders in Council issued pursuant to the above legislation</i>
<i>The Revenue and Financial Services Act</i>	
<i>The Saskatchewan Polytechnic Act</i>	
<i>The Saskatchewan Polytechnic Regulations</i>	
<i>The Regional Colleges Act</i>	
<i>The Regional Colleges Regulations</i>	

➤ **The financial statements of each agency are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry 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 rules and procedures to safeguard public resources included the following. We evaluated processes related to administering grants (e.g., to post-secondary educational institutions or students), recording revenues, tendering and awarding contracts, processing payroll, and purchasing goods and services. We also assessed the Ministry’s accounting treatment of transfers under the Government of Canada’s Strategic Investment Fund.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

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

### 4.1 Proper Recording of Transfers Related to Strategic Investment Fund Needed

The Ministry has inappropriately accounted for transfers related to the Federal Government’s Post-Secondary Institutions Strategic Investment Fund<sup>4</sup>—it overstated both revenues and expenses by \$40.7 million.

<sup>4</sup> This federal government program provides funding for infrastructure projects at post-secondary institutions to enhance and modernize research and commercialization facilities, as well as industry-relevant training facilities at colleges and polytechnic institutions in Canada. [www.canada.ca/en/innovation-science-economic-development/programs/science-technology-partnerships/investment-fund.html](http://www.canada.ca/en/innovation-science-economic-development/programs/science-technology-partnerships/investment-fund.html) (19 September 2017).



In 2016-17, the Ministry signed an agreement with the Federal Government to receive \$65.8 million under the Strategic Investment Fund. The Ministry subsequently signed parallel accountability agreements with certain post-secondary institutions to provide funds received from the Federal Government under this Fund to those institutions for specific capital projects.

In 2016-17, the Ministry inappropriately recorded the full amount of revenue it expected to earn under the federal-provincial agreement, and the full amount of expenses it expected to incur under its accountability agreements with the post-secondary institutions. As of March 31, 2017, the Ministry had not met the eligibility criteria under the federal-provincial agreement for the full amount, and the Federal Government had not authorized the full amount that it can provide under the agreement—as such, the Ministry had not earned the full amount it had recorded. Rather, the Ministry had earned only \$25.1 million of revenue, and was obligated to provide post-secondary institutions with the same amount.

Canadian public sector accounting standards require the Ministry to recognize revenue and expenses related to government transfers when eligibility criteria have been met and the transfer is authorized.

At March 31, 2017, not following Canadian public sector accounting standards resulted in the Ministry overstating revenues and expenses by \$40.7 million, and not disclosing the related contractual obligation for 2017-18 and 2018-19 of \$40.4 million. The error did not have an impact on the Government of Saskatchewan's Summary Financial Statements annual deficit or net debt.

Inconsistent application of Canadian public sector accounting standards can impact the relevance and reliability of financial reports, and can decrease the public's confidence in the accuracy of the Government's financial reports.

1. **We recommend that the Ministry of Advanced Education follow Canadian generally accepted accounting principles for the public sector to record transfers in its financial records.**

## **4.2 Adequate Agreement on Disaster Recovery Needed**

***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

As of August 2017, the Ministry had not yet signed an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services—about five years after signing the Memorandum of Understanding with Central Services.

During 2011-2012, the Ministry 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).

The Ministry uses Central Services to host its IT systems and data; some of these systems are key to the Ministry's operations and include sensitive information. For example, Central Services hosts a key IT system called One Client Service Model (OCSM)<sup>5</sup> that contains sensitive financial information about post-secondary students and their relatives (e.g., banking information, tax and other income information, social insurance numbers, birth dates).<sup>6</sup> Also, Central Services provides the Ministry with computers and IT network access.

The Ministry expects to complete a service agreement and related schedules on disaster recovery with Central Services by the end of 2017-18.

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

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<sup>5</sup> The Ministry uses OCSM to deliver training and financial assistance services to its clients.

<sup>6</sup> During 2016-17, the Ministry updated the OCSM application hardware and software. The OCSM system is currently vendor supported.

