

Chapter 1

Advanced Education

1.0 MAIN POINTS

This chapter reports the results of the 2017-18 annual audits of the Ministry of Advanced Education and its agencies. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except Advanced Education needs to follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding under the Strategic Investment Fund. Advanced Education and its agencies complied with the authorities governing its activities related to financial reporting and safeguarding public resources. The 2017-18 financial statements of each of the Ministry's agencies are reliable.

2.0 INTRODUCTION

Advanced Education is responsible for the post-secondary education system in Saskatchewan. The post-secondary education system develops a skilled and educated workforce for the Saskatchewan labour market. Advanced Education provides financial supports to students and graduates, as well as leadership and funding to post-secondary institutions.¹

2.1 Financial Overview

For the year ended March 31, 2018, Advanced Education reported expenses of \$735.8 million for its programs (see **Figure 1** for detail by major program), and revenues of \$9.9 million (including \$9.7 million from the Federal Government for cost-sharing programs). See **Section 4.1** for discussion of \$25.6 million understatement of recorded expenses and revenues.

Figure 1 – Expenses by Major Program

	Estimates 2017-18 ^A	Actual 2017-18
	(in millions)	
Central Management and Services	\$ 14.7	\$ 12.8
Post-Secondary Education	651.8	668.9
Student Supports	<u>48.7</u>	<u>53.9</u>
Total Appropriation	<u>\$ 716.2</u>	<u>\$ 735.6</u>
Capital Asset Acquisitions	-	-
Capital Asset Amortization	<u>0.2</u>	<u>0.2</u>
Total Expense	<u>\$ 716.4</u>	<u>\$ 735.8</u>

Source: Adapted from Ministry of Advanced Education, *Annual Report for 2017-18*, p. 25.

^A Advanced Education obtained additional funding through supplementary estimates of \$20 million.

¹ Ministry of Advanced Education, *Annual Report for 2017-18*, pp. 2-3.



Advanced Education's *Annual Report for 2017-18* provides further details and reasons for differences between planned and actual results.²

2.2 Special Purpose Funds and Agencies

We have reported the results of our audits of agencies in **blue font** in the chapter identified. This chapter reports the results of our audits of Advanced Education, and the remaining nine agencies.

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 (Chapter 2)
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*.³

In our opinion, for the years ended on or before June 30, 2018:

- **Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the matter 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:**

² Ministry of Advanced Education, *Annual Report for 2017-18*, pp. 25-26.

³ See our website at www.auditor.sk.ca.

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

The audit of the Ministry included evaluating and testing Advanced Education’s processes for administering grants (e.g., to post-secondary education institutions or students), recording revenues, tendering and awarding contracts, processing payroll, and purchasing goods and services. It also included assessing Advanced Education’s accounting treatment of transfers under the Government of Canada’s Strategic Investment Fund.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Proper Recording of Transfers related to Strategic Investment Fund Needed

We recommended that the Ministry of Advanced Education follow Canadian generally accepted accounting principles for the public sector to record transfers in its financial records. (2017 Report – Volume 2; Public Accounts Committee agreement October 3, 2018)

Status – Not Implemented



Advanced Education inappropriately accounted for transfers related to the Federal Government's Post-Secondary Institutions Strategic Investment Fund.^{4,5} This is resulting in Advanced Education recording revenues and expenses (of the same amount) in the wrong fiscal years. In addition, it missed identifying contractual rights and contractual obligations related to post-secondary institutions.

In 2017-18, it understated both revenues and expenses by \$25.6 million (2016-17: overstated both revenues and expenses by \$40.7 million).^{6,7} Also, in 2017-18, it missed identifying 2018-19 contractual rights of \$15.1 million and contractual obligations of \$14.9 million (2016-17: missed \$40.4 million for contractual obligations).⁸

Starting in 2016-17, Advanced Education inappropriately recorded revenues under the three-year federal-provincial agreement and related expenses under its accountability agreements with post-secondary institutions. We found Advanced Education did not follow Canadian public sector accounting standards for recording these revenues and expenses. Canadian public sector accounting standards require agencies to recognize revenue and expenses related to government transfers only when they have met eligibility criteria and the transfer is authorized.

In our view, in 2016-17, it recorded revenues before it earned them, and expenses before it was liable to pay them. We found that Advanced Education had not met eligibility under the federal-provincial agreement for the full amount it had recorded, and the Federal Government had not authorized that amount.

We determined that, in 2017-18, Advanced Education earned \$25.6 million of the amount it had recorded as revenues in the prior year, and was liable to pay \$25.6 million of the amount it had recorded as expense in the prior year.

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. This also affects management's ability to accurately track its future obligations and related revenue sources.

4.2 Adequate Disaster Recovery Agreement in Place

We recommended that 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 – Implemented

⁴ This Federal Government program called the Post-Secondary Institutions Strategic Investment Fund provides federal 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.ic.gc.ca/eic/site/051.nsf/eng/home (23 October 2018).

⁵ In 2016-17, Advanced Education signed a three-year agreement with the Federal Government to receive \$65.8 million under the Strategic Investment Fund. Advanced Education 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.

⁶ 2017 Report—Volume 2, Chapter 1, p. 17.

⁷ These errors had no impact on the accuracy of the Government of Saskatchewan's Summary Financial Statements' annual deficit or net debt.

⁸ On April 1, 2017, the Government adopted PS 3380 *Contractual Rights*, a new standard defining and establishing guidance on disclosure requirements for contractual rights.

During 2017-18, Advanced Education signed an adequate agreement with the Ministry of Central Services for disaster recovery related to the One Client Service Model system.

The One Client Service Model system delivers key post-secondary services of Advanced Education, certain post-secondary institutions, and the Ministry of Immigration and Career Training. Services include student financial assistance, training programs, registration services, and employment-related counselling. This system 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).

Advanced Education 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 like the One Client Service Model System.⁹ Also, Central Services provides Advanced Education with computers and IT network access.

Effective February 15, 2018, Advanced Education amended its Memorandum of Understanding with Central Services to require Central Services to provide disaster recovery services related to the One Client Service Model system. The amended Memorandum includes a schedule that outlines the roles and responsibilities of Advanced Education, Central Services, and the disaster recovery service provider.

In turn, Central Services contracted with a third party to deliver these disaster recovery services. The disaster recovery service provider completed a successful test of the disaster recovery plan in May 2018.

⁹ During 2016-17, Advanced Education updated the One Client Service Model application hardware and software. At March 31, 2018, the system was vendor supported, which means that the vendor will provide technical support and updates to fix known security problems or vulnerabilities.

