

Chapter 31

Immigration and Career Training – Working Towards Establishing Outcomes-Based Contracts

1.0 MAIN POINTS

By February 2019, the Ministry of Immigration and Career Training implemented one of the three recommendations we made in our 2017 audit of its processes to establish outcomes-based contracts for the delivery of its Adult Basic Education – Essential Skills for the Workplace Program.

The Ministry has made progress in using outcomes that are clearly defined and measurable. However, the Ministry has not made progress in using financial incentives nor aligning payment terms to the achievement of outcomes. Using financial incentives and aligning payment to achievement of outcomes are key to obtaining overall better value, better performance, and lower costs for contracted services.

2.0 INTRODUCTION

2.1 Background

The Ministry is responsible for increasing employment opportunities for Saskatchewan people. Under *The Ministry of Immigration and Career Training Regulations* (formerly *The Ministry of the Economy Regulations*), the Ministry is to co-ordinate, develop, promote, and implement policies and programs related to:

- Training and career-related services
- Increasing participation in the labour market
- Support for employers in meeting their labour market needs

The Ministry administers programs designed to develop skills of those under-represented in the labour market. For example, its Adult Basic Education programs assist adults in furthering their education and acquiring essential workplace skills. The Ministry defined essential skills for the workplace to include reading, document use, numeracy, writing, oral communication, working with others, thinking, computer use, and continuous learning.¹

The purpose of the Adult Basic Education – Essential Skills for the Workplace Program is to help low-skill job seekers to acquire the essential skills required to work in local businesses, and to assist employers to hire and retain workers. This Program provides general and job-specific programs at a basic level for learners with low levels of literacy and numeracy to prepare them for entry-level jobs.

¹ abclifeliteracy.ca/nine-essential-skills (4 March 2019).



In 2015-16, the former Ministry of the Economy started to use a form of outcomes-based contracts for its labour market services programs including the Adult Basic Education—Essential Skills for the Workplace Program.

The Ministry states that the primary purpose of using outcomes-based contracting is to improve client outcomes in the most efficient and effective manner. The Ministry includes specific outcomes directly in contracts. The Ministry does not prescribe how the supplier achieves the outcomes. Suppliers use their expertise to determine the services they will provide to achieve the outcomes. In addition, the Ministry expects to measure a supplier's performance based on how well the supplier achieved those outcomes.²

At February 2019, the Ministry had about 25 outcomes-based contracts in effect for the Adult Basic Education—Essential Skills for the Workplace Program. In 2018-19, the Ministry expects to spend about \$2.3 million on this Program (2017-18 actual: \$1.1 million).

2.2 Focus of Follow-Up Audit

This chapter describes our follow-up of management's actions on the recommendations we made in 2017.

In 2017, we assessed the Ministry of Immigration and Training's (formerly the Ministry of the Economy) processes to establish outcomes-based contracts. Our *2017 Report – Volume 1*, Chapter 3 concluded that the Ministry had, other than the areas of our three recommendations, effective processes for establishing its form of outcomes-based contracts for delivery of its Adult Basic Education—Essential Skills for the Workplace Program.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance (CSAE 3001)*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

During our follow-up audit, we interviewed Ministry staff to discuss key actions that management has taken since our 2017 audit to implement the outstanding recommendations. We reviewed supporting documentation, policies, and contracts, and tested a sample of contracts in place during the audit period (for the 12-months ending February 28, 2019).

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at February 28, 2019, and the Ministry's actions up to that date.

² Ministry of the Economy, *Outcomes-based Contract Management—Supplier Handbook*, (2015), p. 3.

3.1 Consistent Use of Measurable Outcomes in Contracts

We recommended that the Ministry of Immigration and Career Training (formerly the Ministry of the Economy) use clearly defined and measurable outcomes to know whether quantifiable improvements are made for program participants (clients). (2017 Report – Volume 1, p. 35, Recommendation 1; Public Accounts Committee has not yet considered this recommendation as of April 25, 2019)

Status – Implemented

Since our 2017 audit, the Ministry revised contracts to make contracted outcomes more clearly defined and measurable.

In the four contracts with its suppliers to deliver its Adult Basic Education—Essential Skills for the Workplace Program that we tested:

- For the contracted outcome related to the participants accessing a work experience, the updated contracts specify the expected duration of the work placement. For example, one contract indicated that the program will include 60 hours of work placement/job shadow per participant.
- For measuring the contracted outcomes related to participants completing an introduction to water and wastewater technician course, an updated contract assessed whether 70% of participants received level 1 certification and relevant safety tickets.

Having clear definitions for expected outcomes set out in contracts allows for measuring the extent of achievement of the agreed-upon outcome. Clear definitions foster consistent interpretation of expectations between the Ministry and the supplier on the minimum performance that is acceptable. It helps ensure suppliers clearly understand what they are responsible for achieving and how the Ministry plans to measure their performance.

3.2 Payment Terms of Outcomes-Based Contracts Not Tied to Achievement of Desired Outcomes

We recommended that the Ministry of Immigration and Career Training (formerly the Ministry of the Economy) reconsider the use of financial incentives in its outcomes-based contracting. (2017 Report – Volume 1, p. 37, Recommendation 2; Public Accounts Committee has not yet considered this recommendation as of April 25, 2019)

Status – Not Implemented



We recommended that the Ministry of Immigration and Career Training (formerly the Ministry of the Economy) align contracted terms of payment with the suppliers' achievement of outcomes for its outcomes-based contracting. (2017 Report – Volume 1, p. 38, Recommendation 3;

Public Accounts Committee has not yet considered this recommendation as April 25, 2019)

Status – Not Implemented

Management indicated that they have not further assessed the use of financial incentives in its outcomes-based contracting for the Adult Basic Education—Essential Skills for the Workplace Program. In addition, the Ministry has not changed the contracted terms of payments to align with whether suppliers achieve contracted outcomes.

For all four signed contracts we tested, the payment terms did not align with the achievement of the outcomes specified in the contract. Consistent with our 2017 audit, the payment terms include three different types of payments through the life of the contract:

- Partial payment upon signing the contract
- Interim payment based on receipt of a progress monitoring report and verification of project expenditures
- Final payment upon receipt of final progress monitoring report and verification of all expenditures

None of the above payments depend upon the achievement of the outcomes specified in the contract.

While a supplier may not achieve all of the agreed-upon outcomes, not including incentives and not linking amounts paid under the Program contracts to the achievement of at least a portion of those agreed-upon outcomes seems contrary to the Ministry's objective of using outcomes-based contracting and to the defining features of outcomes-based contracting.