

# Chapter 1

## Advanced Education

### 1.0 MAIN POINTS

This chapter reports the results of the 2018–19 annual audits of the Ministry of Advanced Education and its agencies.

Other than the following two areas, the Ministry had effective rules and procedures to safeguard public resources.

First, the Ministry needs to adequately monitor the consolidated activities of the province's two universities. Without adequate oversight, there is a risk that university subsidiaries could undermine the powers granted to the parent university, which in turn, could result in harm to a university's reputation, or a negative financial impact.

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

The Ministry and its agencies (regional colleges, Saskatchewan Polytechnic, and two funds) complied with the authorities governing their activities related to financial reporting and safeguarding public resources. The 2018–19 financial statements of each of the Ministry of Advanced Education's agencies are reliable. Each of the agencies had effective rules and procedures to safeguard public resources.

### 2.0 INTRODUCTION

The Ministry of 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. The Ministry provides financial supports to students and graduates, as well as leadership and funding to post-secondary institutions.<sup>1</sup>

#### 2.1 Financial Overview

For the year-ended March 31, 2019, the Ministry reported expenses of \$745.3 million for its programs (see **Figure 1** for detail by major program), and revenues of \$1.5 million (including \$0.6 million from the Federal Government for cost-sharing programs). See **Section 4.2** for discussion of \$12.1 million understatement of recorded expenses and revenues. The Ministry of Advanced Education's *Annual Report for 2018–19* provides further details and reasons for differences between planned and actual results.<sup>2</sup>

<sup>1</sup> Ministry of Advanced Education, *Annual Report for 2018–19*, pp. 3–4.

<sup>2</sup> *Ibid.* pp. 26–28.

**Figure 1—Major Programs and Spending**

|                                 | Estimates<br>2018–19 <sup>A</sup> | Actual<br>2018–19           |
|---------------------------------|-----------------------------------|-----------------------------|
|                                 | (in millions)                     |                             |
| Central Management and Services | \$ 14.7                           | \$ 13.0                     |
| Post-Secondary Education        | 676.6                             | 686.6                       |
| Student Supports                | <u>37.6</u>                       | <u>45.5</u>                 |
| <b>Total Appropriation</b>      | <u>728.9</u>                      | <u>745.1</u>                |
| Capital Asset Acquisitions      | -                                 | -                           |
| Capital Asset Amortization      | <u>0.2</u>                        | <u>0.2</u>                  |
| <b>Total Expense</b>            | <u>\$ 729.1</u>                   | <u>\$ 745.3<sup>B</sup></u> |

Source: Ministry of Advanced Education, *Annual Report for 2018–19*, p. 26

<sup>A</sup> The Ministry obtained additional funding through supplementary estimates of \$4.5 million and a special warrant of \$12 million.

<sup>B</sup> See **Section 4.2** for discussion of \$12.1 million understatement of expenses.

## 2.2 Special Purpose Funds and Agencies

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

| Year-End | Agency  |
|----------|---|
| March 31 | Saskatchewan Student Aid Fund   |
| March 31 | Training Completions Fund   |
| June 30  | <b>Saskatchewan Polytechnic</b> (We carried out this audit jointly with KPMG LLP) ( <b>Chapter 14</b> ) |
| June 30  | Carlton Trail College <sup>A</sup>  |
| 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   |

<sup>A</sup> See Chapter 19 – Summary of Implemented Recommendations

## 3.0 AUDIT CONCLUSIONS

Our Office worked with appointed auditors (see **Appendix 2** of this Chapter) 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>

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

In our opinion, for the years ended on or before June 30, 2019:

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

*The Executive Government Administration Act*  
*The Ministry of Advanced Education Regulations*  
*The Graduate Retention Program Regulations*  
*The Public Service Act, 1998*  
*The Financial Administration Act, 1993*  
*The Saskatchewan Advantage Grant for Education Savings (SAGES) Act*  
*The Saskatchewan Advantage Grant for Education Savings (SAGES) Regulations*  
*The Degree Authorization Regulations*  
*The Saskatchewan Polytechnic Act*  
*The Saskatchewan Polytechnic Regulations*  
*The Regional Colleges Act*  
*The Regional Colleges Regulations*  
*The Regional Colleges Programs Designation Regulations*  
*The Regional Colleges Programs and Services Regulations*  
*The Income Tax Act, 2000 (Saskatchewan)*  
*The Post-Secondary Education and Skills Training Act*

*The Education Act, 1995 (subsection 3(1))*  
*The Graduate Retention Program Act*  
*The Non-profit Corporations Act, 1995*  
*The Non-profit Corporations Regulations, 1997*  
*The Student Assistance and Student Aid Fund Act, 1985*  
*The Student Assistance and Student Aid Fund Regulations, 2001*  
*The Lender-financed Saskatchewan Student Loan Regulations*  
*The Saskatchewan Student Direct Loans Regulations*  
 Saskatchewan Risk Sharing Student Loans Agreement  
 Canada-Saskatchewan Integration Agreement  
 The Regional Colleges Accounting and Reporting Manual  
 The Financial Administration Manual  
 Orders in Council issued pursuant to the above legislation

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

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in *COSO's Internal Control—Integrated Framework* to make our judgments about the effectiveness of the Agency's controls.

The audit of the Ministry included evaluating and testing its 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 the Ministry's accounting treatment of transfers under the Government of Canada's Post-Secondary Institutions Strategic Investment Fund.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Better Monitoring of Universities' Subsidiaries Needed

The Ministry inadequately monitors the consolidated activities of the province's two universities—the University of Saskatchewan and the University of Regina.

As part of its responsibility for the post-secondary education sector, the Ministry monitors the activities of each University as follows. For each university, it regularly meets with



university senior officials, and reviews Board of Governors' minutes and meeting packages. In addition, it established certain reporting and approval requirements to assist in its oversight of the Universities (e.g., approval of certain capital projects, approval to borrow) as expected under *The University of Saskatchewan Act, 1995*, and *The University of Regina Act*.

However, the Ministry's monitoring activities are limited to the activities of the Universities themselves, and does not include the activities of the Universities' subsidiaries.

As part of fulfilling the universities' primary role (e.g., providing post-secondary instruction, conducting research), the Universities, on a combined basis, incorporated five subsidiaries. For the year-ended April 30, 2019, the Universities' financial results, on a combined basis, included subsidiary revenues of \$46.8 million, expenses of \$45.6 million, and tangible capital assets of \$51.4 million.<sup>4</sup>

As the subsidiaries are essentially extensions of the Universities, the Ministry's monitoring activities should include activities of the Universities' subsidiaries.

Without adequate oversight, there is a risk that university subsidiaries could undermine the powers granted to the parent university (e.g., *The University of Saskatchewan Act, 1995*, or *The University of Regina Act*). In turn, this could result in harm to a university's reputation, or a negative financial impact.

1. **We recommend the Ministry of Advanced Education adequately monitor the activities of subsidiaries incorporated by the University of Saskatchewan and the University of Regina.**

## 4.2 Proper Recording of Transfers Related to the Strategic Investment Fund Needed

***We recommended 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, p. 18, Recommendation 1; Public Accounts Committee agreement October 3, 2018)

**Status**—Not Implemented

The Ministry continues to inappropriately account for transfers related to the Government of Canada's Post-Secondary Institutions Strategic Investment Fund.<sup>5</sup> This resulted in the Ministry recording certain revenues and expenses (of the same amount) in the wrong fiscal years since 2016–17.

In addition, it continued to miss including related contractual rights and contractual obligations to post-secondary institutions on its listings provided to the Ministry of Finance to assist in the preparation of the Summary Financial Statements.

<sup>4</sup> The Universities consolidate the financial results of subsidiaries into their financial statements.

<sup>5</sup> 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 of 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)) (26 September 2019).

As described in **Figure 2**, this accounting error started in 2016–17 because of how the Ministry accounts for transfers related to the Strategic Investment Fund Agreement. In 2016–17, the Ministry signed an agreement with the Federal Government to receive \$65.8 million under the Strategic Investment Fund. It 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.

**Figure 2—Detail on the Ministry of Advanced Education’s Accounting for Transfers Related to the Post-Secondary Institutions Strategic Fund**

Starting in 2016–17, the Ministry of Advanced Education inappropriately recorded revenues under the Federal-Provincial agreement and related expenses under its accountability agreements with post-secondary institutions. We found the Ministry 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 met eligibility criteria and the transfer is authorized.

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

**In 2018–19, the Ministry met eligibility, and the Federal Government authorized \$12.1 million in funding under the Federal-Provincial agreement. The Ministry received and distributed \$12.1 million during 2018–19.**

In 2018–19, the Ministry understated both revenues and expenses by \$12.1 million (2017–18: understated both revenues and expenses by \$25.6 million). In addition, it did not disclose the contractual obligations and contractual rights of \$2.9 million and \$3 million respectively (2017–18: missed \$15.1 million of contractual rights and \$14.9 million of contractual obligations).<sup>6,7</sup>

Inconsistent application of Canadian public sector accounting standards can affect 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 revenues sources.

<sup>6</sup> 2018 Report – Volume 2, Chapter 1, p. 18.

<sup>7</sup> These errors had no impact on the accuracy of the Government of Saskatchewan’s Summary Financial Statements’ annual deficit or net debt.

