

# Chapter 1

## Advanced Education

### 1.0 MAIN POINTS

This chapter reports the results of the 2019–20 annual audits of the Ministry of Advanced Education and eight of its agencies. Each of those agencies had reliable financial statements, and complied with governing authorities. Other than the following two areas related to the Ministry, the Ministry and those agencies had effective rules and procedures to safeguard public resources.

First, the Ministry continues to not adequately oversee the activities of the province's two universities as it does not monitor the activities of their subsidiaries. This increases the risk of university subsidiaries undermining the powers granted to the parent university (e.g., borrowing without proper authority), which in turn, could potentially harm a university's reputation, or negatively impact its finances.

Second, since 2016–17, the Ministry does not follow Canadian public sector accounting standards to record, in its financial records, revenues and expenses of the Strategic Investment Fund. It records them in the incorrect year. 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.

### 2.0 INTRODUCTION

The Ministry of Advanced Education is responsible for a post-secondary education sector that supports a growing Saskatchewan and leads to a higher quality of life. The post-secondary education system develops a skilled and educated workforce for the Saskatchewan labour market. The Ministry provides leadership and resources to foster a high-quality advanced education and training system that responds to the needs of Saskatchewan's people and economy.<sup>1</sup>

#### 2.1 Financial Overview

For the year-ended March 31, 2020, the Ministry reported expenses of \$735.5 million for its programs (see **Figure 1** for detail by major program), and revenues of \$2.5 million (including \$0.6 million from the Federal Government for cost-sharing programs). The Ministry's *Annual Report for 2019–20* 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 2019–20*, p.5.

<sup>2</sup> *Ibid.*, p. 31–32.

**Figure 1—Major Programs and Spending**

	Estimates 2019–20 <sup>A</sup>	Actuals 2019–20
	(in millions)	
Central Management and Services	\$ 15.3	\$ 13.6
Post-Secondary Education	678.4	677.3
Student Supports	41.9	44.4
<b>Total Appropriation</b>	<b>\$ 735.6</b>	<b>\$ 735.3</b>
Capital Asset Acquisitions	-	-
Capital Asset Amortization	0.2	0.2
<b>Total Expense</b>	<b>\$ 735.8</b>	<b>\$ 735.5<sup>B</sup></b>

Source: Ministry of Advanced Education, *Annual Report for 2019–20*, p. 31.

<sup>A</sup> The Ministry obtained additional funding through a special warrant of \$8 million.

<sup>B</sup> See **Section 4.2** for discussion of the \$2.9 million understatement of expenses.

This chapter includes the results of our audits of the eight agencies listed in **Figure 2** in addition to the results of the Ministry.

**Figure 2—Ministry Special Purpose Funds and Agencies With Audit Results Reported in this Chapter**

Year-End	Agency
March 31	Saskatchewan Student Aid Fund
March 31	Training Completions Fund
June 30	Carlton Trail College
June 30	Cumberland College
June 30	Great Plains College
June 30	North West College
June 30	Parkland College
June 30	Southeast College

We separately report the results of audits of two other agencies—Saskatchewan Polytechnic, (Chapter 14) and Northlands College (Chapter 10).

### 3.0 AUDIT CONCLUSIONS

Our Office worked with appointed auditors (see **Appendix 2**) 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, 2020, we found, in all material respects:**

- **The Ministry of Advanced Education and each agency listed in Figure 2 had effective rules and procedures to safeguard public resources except for the matters described in this chapter**

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

- **The Ministry of Advanced Education and each agency listed in Figure 2 complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

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

- **The financial statements of each agency listed in Figure 2 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 Ministry's 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 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 Strategic Investment Fund.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Better Monitoring of Universities' Subsidiaries Needed

***We recommended the Ministry of Advanced Education adequately monitor the activities of subsidiaries incorporated by the University of Saskatchewan and the University of Regina.*** (2019 Report – Volume 2, p. 20, Recommendation 1, Public Accounts Committee has not yet considered this recommendation as of November 2, 2020)

**Status**—Not Implemented



The Ministry of Advanced Education continues to not adequately monitor the consolidated activities of the province's two Universities—the University of Saskatchewan and the University of Regina. The Ministry monitors universities as part of its responsibility for the post-secondary education sector.<sup>4</sup>

The Ministry limits its monitoring to the activities of the Universities themselves, and does not monitor the activities of the subsidiaries of the Universities. The Universities, on a combined basis, incorporated five subsidiaries as part of fulfilling their primary role (e.g., providing post-secondary instruction, conducting research). The subsidiaries are essentially extensions of the Universities.

For the year-ended April 30, 2020, the Universities' financial results, on a combined basis, included subsidiary revenues of \$49.1 million, expenses of \$48.9 million, and tangible capital assets of \$55.8 million (2018–19: revenues of \$46.8 million, expenses of \$45.6 million, and tangible capital assets of \$51.4 million).<sup>5</sup>

Adequate Ministry oversight of the activities of the Universities' subsidiaries would decrease the risk of university subsidiaries undermining the powers granted to the parent university (e.g., *The University of Saskatchewan Act, 1995* or *The University of Regina Act*), and potentially harming the university's reputation, or having a negative financial impact.

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

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***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

In our view, since 2016–17, the Ministry of Advanced Education does not follow Canadian public sector accounting standards for recording transfers related to the Federal Government's Post-Secondary Institutions Strategic Investment Fund because of an accounting error initially made in 2016–17.<sup>6</sup>

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 2016–17 audit, we found the Ministry had not met eligibility criteria under the Federal-Provincial agreement for the full amount it recorded in 2016–17 and the Federal

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<sup>4</sup> To monitor, the Ministry meets regularly with university senior officials and reviews minutes and meeting packages of each University's Board of Governors.

<sup>5</sup> The Universities consolidate the financial results of subsidiaries into their financial statements.

<sup>6</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 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) (14 August 2020).

Government had not authorized that amount. We found the Ministry recorded these transfers before it earned them, and expensed before it was liable to pay them. That is, the Ministry overstated both its 2016–17 transfer revenues and expenses by \$65.8 million. See **Figure 3**.

In each of the following fiscal years, the Ministry has understated both its revenues and expenses by the amount it earned for that fiscal year. In 2019–20, the Ministry understated both revenues and expenses by \$2.9 million (2018–19: understated both revenues and expenses by \$12.1 million).<sup>7,8</sup>

**Figure 3—Detail on Ministry’s Accounting for Transfers Related to the Post-Secondary Institutions Strategic Investment Fund**

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 for specific capital projects. The agreements expired March 31, 2019. The Federal Government agreed the Ministry met eligibility and authorized final payments in April 2019.

Starting in 2016–17, the Ministry inappropriately recorded revenues under the Federal-Provincial Agreement and related expenses under its accountability agreements with post-secondary institutions.

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 2019–20, the Ministry met eligibility, and the Federal Government authorized \$2.9 million in funding under the Federal-Provincial agreement. The Ministry received and distributed \$2.9 million during 2019–20.**

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 revenue sources.

<sup>7</sup> 2019 Report – Volume 2, Chapter 1, p. 21.

<sup>8</sup> These errors had no impact on the accuracy of the Government of Saskatchewan’s Summary Financial Statements’ annual deficit or net debt.

