Follow-Up on the 2022 Performance Audit:

Ministry of Colleges and Universities
Algoma University
Nipissing University
Ontario Tech University
University of Windsor

Financial Management in Ontario Universities

// Overall Conclusion

57 Recommended Actions

41% (23.58)
Fully Implemented

9% (5.25)
In the Process of Being Implemented

44% (24.84)
Little or No Progress

6% (3.33)
Will Not Be Implemented

We recommended 57 actions as a result of our 2022 audit of **Financial Management in Ontario Universities**. Of those, 40 recommended actions were directed at four universities – Algoma University in Ste. Sault Marie, Nipissing University in North Bay, Ontario Tech University in Oshawa and the University of Windsor in Windsor, Ontario. The remaining 17 recommended actions were directed at the Ministry of Colleges and Universities.

As of November 4, 2024, the four universities we audited and the Ministry of Colleges and Universities have collectively fully implemented 41% of the actions we recommended, have made progress in implementing an additional 9% of the recommended actions, made little or no progress on 44% of the recommended actions, and will not be implementing 6% of our recommended actions.

Algoma University has fully implemented 33% of recommended actions, made progress in implementing an additional 30% of recommended actions, made little or no progress on 33% of recommended actions, and will not be implementing 4% of our recommended actions. We continue to support the implementation of all recommended actions.

Nipissing University has fully implemented 32% of recommended actions, made progress in implementing an additional 12% of recommended actions, made little or no progress on 53% of recommended actions, and will not be implementing 3% of our recommended actions. We continue to support the implementation of all recommended actions.

Ontario Tech University has fully implemented 48% of recommended actions, and made little or no progress on 52% of recommended actions.

Windsor University has fully implemented 40% of recommended actions, made progress in implementing an additional 12% of recommended actions, little or no progress on 40% of recommendations, and will not be implementing 8% of our recommended actions. We continue to support the implementation of all recommended actions.

Where applicable, the universities have fully implemented our recommended actions to monitor and adhere to the debt limits outlined in their respective policies; review and monitor the profitability of their ancillary services on a consolidated basis and for each ancillary service separately; and develop a separate budget for all capital investments, and present it to their Boards for approval.

Where applicable, the universities have made little or no progress on our recommended action to reduce or restructure program offerings based on the results of their program profitability analyses and academic needs, in consultation with their academic departments and with the approval of their respective Board and Senate/Academic Council.

The Ministry of Colleges and Universities has fully implemented only 29% of recommended actions, made little or no progress on 59% of recommended actions, and will not be implementing 12% of our recommended actions. We continue to support the implementation of all recommended actions.

Examples of recommended actions implemented by the Ministry include developing criteria to assign a risk rating to each university annually, proactively monitoring high-risk universities, and assisting them in developing risk mitigation plans. Examples of recommended actions where the Ministry has made little or no progress include completing an assessment of the cost of instruction and operations of universities, and reassessing future performance metrics and modifying them so that the metrics are within the control of the universities and do not increase dependency on international enrolment. The Ministry will not be implementing our recommendations to assess the methods and use of international student recruitments to determine whether any policies are

needed, such as developing a standard grade-conversion chart for the admission of international students; or to use Transfer Payment Agreements as the funding agreement for universities in place of Strategic Mandate Agreements (SMAs).

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and September 2024. We obtained written representation from Algoma University, Nipissing University, Ontario Tech University, the University of Windsor and the Ministry of Colleges and Universities that effective November 4, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

The implementation status of recommended actions is provided only for the university to which the action was applicable.

1. Financial Sustainability

Our 2022 audit found that universities' financial sustainability could be at risk if weaknesses in their financial management practices are not addressed. Although all four universities audited had positive net assets as of the end of the 2020/21 fiscal year, only one (Algoma) had a consistent annual surplus for the five years from 2016/17 to 2020/21. As well, two universities (Ontario Tech and Windsor) did not have formal debt management policies, despite having the highest and third-highest debt to student ratio, respectively, among 19 Ontario universities; another two universities (Algoma and Nipissing) did not review or monitor the profitability of the ancillary services they provided; three universities (Algoma, Nipissing and Windsor) comingled the endowment funds and externally restricted funds with cash from operations; and universities did not prepare and present to their respective Board the impact of the university's projected cash flows from operations, financing and capital purchasing activities to inform the Board of the extent to which each contributes to or draws on the university's resources.

Recommendation 1: Action Items 1, 2, 3 and 4

So that the university assumes debt only at levels that continue to promote sustainable financial operations, we recommend that senior management of the university:

- obtain Board approval of the university's policy;

Status: Nipissing University – Fully implemented.

- establish a formal capital debt policy approved by the Board;

Status: Ontario Tech University & University of Windsor – Fully implemented.

- monitor and adhere to the debt limits outlined in its policy;

Status: Nipissing University & University of Windsor – Fully implemented.

- report semi-annually to the Board on the status of debt maintained and its continuing compliance with its capital debt policy.

Status: Nipissing University – Fully implemented.

Details

In our follow-up, we found:

Nipissing University: The university obtained Board approval for its capital debt policy in June 2023. Nipissing had also monitored adherence to its established debt limits for each year from 2020 to 2022. In this regard, we noted that the university was in compliance with its various debt ratios for each of the three years monitored. We also noted that compliance with the university's capital debt policy was discussed at the Audit and Finance Committee of the Board meeting in January 2024.

Ontario Tech University: The university established a formal debt management policy which was approved by its Board in April 2024. The policy sets out the general philosophy for use of debt by the university and introduces specific financial metrics to assess overall debt capacity and debt affordability.

University of Windsor: The university established a policy, as of June 2023, that contained select debt-related ratios using the same targets set by the Ministry of Colleges and Universities for its financial health indicators, to support the Board in evaluating the university's borrowing capacity and compliance with the policy. The ratios included: viability ratio (expendable net assets/long-term debt), interest burden ratio (total interest expense/total operating expenses), and debt per full-time-equivalent (FTE) student. According to the policy, the targets for the ratios would be reviewed after the first year and on a three-year rolling basis after that. The policy was approved by the Board in June 2023.

In September 2023, the university reported results on the three debt-related ratios to the Joint Audit and Resource Allocation Committee of the Board.

Recommendation 2: Action Items 1 and 2

To manage and maximize the profitability of its ancillary services, we recommend that the university:

- review and monitor the profitability of its ancillary services on a consolidated basis and for each ancillary service separately;

Status: Algoma University & Nipissing University – Fully implemented.

- develop strategies to maximize the profitability of its ancillary services where necessary.

Status: Algoma University, Nipissing University & Ontario Tech University – Little or no progress.

Details

In our follow-up, we found:

Algoma University: The university had analyzed revenues and expenses by ancillary service for the year ending April 30, 2023. Its analysis showed that half of its ancillary services were unprofitable, with most losses generated by its varsity operations. In addition, on a consolidated basis, Algoma's ancillary services generated a loss.

We noted that Algoma University has not created a formal plan with strategies to maximize the profitability of its ancillary services. Instead it told us that strategies to maximize the profitability of ancillary services included increasing student/membership fees annually by the cost-of-living adjustment plus 1%. The university was also targeting to increase varsity revenue by $100,000 through fundraising, however, this increase would not be enough to cover the $1.3 million deficit incurred in 2022/23 from varsity.

Nipissing University: The university had analyzed revenues and expenses by ancillary service for the year ending April 30, 2023. On a consolidated basis, ancillary services were profitable, but three of its ancillary service groupings were unprofitable.

Nipissing University informed us that it was exploring possible strategies to maximize the profitability of its ancillary services.

Ontario Tech University: In 2023, the university budgeted for losses for three of its five ancillary activities for the period 2023/24–2026/27. Those activities that were budgeted to lose money were food services, regent, and campus fieldhouse and ice centre. In its budget document, Ontario Tech stated that it would work with each ancillary operation over the course of the next year to create a longer-term business case. At the time of our follow-up, the university had not developed a business case with strategies to maximize the profitability of individual ancillary services.

Recommendation 3: Action Items 1 and 2

To help ensure that the university continues to have sufficient funds on hand to cover restricted funds and endowments, we recommend that the university:

- maintain separate bank accounts for externally restricted funds;

Status: **Algoma University – Fully implemented.**

Nipissing University – Will not be implemented. The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

University of Windsor – Little or no progress.

- on a quarterly basis, perform an analysis to confirm that it has sufficient cash on hand to cover internally restricted funds, in addition to externally restricted funds and endowments.

Status: **Algoma University & Nipissing University – Fully implemented.**

Details

In our follow-up, we found:

Algoma University: The university had established separate bank accounts for its endowment funds (externally restricted) and advancement funds (internally restricted funds used to provide scholarships to students).

We also noted that Algoma University was performing a restricted cash analysis on a quarterly basis to ensure there was enough cash on hand to cover internally and externally restricted funds. The university told us that it plans to perform the reconciliation on a monthly basis.

Nipissing University: The university continues to comingle externally restricted funds with funds from operations in the same bank account. The university informed us that it did not feel separate bank accounts were needed, because it performs cash reconciliations on a periodic basis to ensure there are sufficient unrestricted funds to cover restricted obligations.

During our follow-up, we noted that since our audit, the university had begun to reconcile restricted and unrestricted funds semi-annually to the amount of cash on hand.

University of Windsor: The university was continuing to commingle externally restricted funds with cash from operations in the same bank account. The university also continued to reconcile its total cash balances against restricted funds on a monthly basis to ensure liquid cash exceeds restricted fund balances. The university informed us that it was considering an internal audit in 2025 to determine assurance over this control.

Recommendation 4: Action Items 1, 2, 3, 4, 5 and 6

To improve budgeting processes and practices and conduct a complete analysis of the impact from all operations and capital investments and how each will contribute to or draw on the university's resources, we recommend that the university:

- have documented processes on how its budget is developed, reviewed and approved;

Status: Nipissing University – In process of being implemented by December 2024.

- develop a separate budget for all capital investments, and present it to the Board for approval;

Status: Nipissing University & Ontario Tech University – Fully implemented.

- develop a separate budget for ancillary services by revenue stream, and present it to the Board for approval;

Status: Nipissing University – Fully implemented.

- consolidate the capital budget, the operating budget and the ancillary budget, and present the consolidated budget to the Board for approval;

Status: Nipissing University & Ontario Tech University – Fully implemented.

- as part of its budget, present to the Board the university's projected cash flows from operations, financing and capital purchasing activities to inform the Board on the impact of each activity on the university's resources;

Status: Algoma University, Ontario Tech University & University of Windsor – Fully implemented.
Nipissing University – Little or no progress.

- complete a comparison of the annual consolidated budget to annual actual revenue and expenditures, and cash flows, and present it to the Board for review.

Status: Nipissing University – Little or no progress.

Details

In our follow-up, we found:

Algoma University: The university included in each of its 2023/24 and 2024/25 budgets to the Board, a cash flow analysis which separately showed the contributions of each of the following activities – operations, financing and investing. The budget document also showed cash flows from capital reserves separately.

Nipissing University: In September 2024, the university prepared a draft document of its budgeting process, which it expected to present to its board and have approved by December 2024. We also found that Nipissing University had included in its 2023/24 and 2024/25 Budget Reports, a capital budget listing both the sources of funding and planned expenditures by type, specifically, campus infrastructure, renovations and equipment (Action 2). These budget reports also contained a draft budget for ancillary services by revenue stream (Action 3).

Further, we found that the university had prepared a consolidated budget which showed total revenues and total expenses for each major activity or revenue generating source (for example, operations, ancillary, capital) both separately and combined (Action 4).

However, the university had taken little action on:

- including in its budget to the Board, the university's projected cash flows from operations, financing and capital purchasing activities to inform the Board on the impact of each activity on the university's resources (Action 5); and

- completing a comparison of the annual consolidated budget to annual actual revenue and expenditures, and cash flows, and presenting it to the Board for review (Action 6).

Ontario Tech University: The university had included in its 2023-2026 Multi-Year Rolling Budget:

- a listing of each capital project related to campus infrastructure, information technology and equipment;
- a detailed consolidated budget for 2023/24, along with a breakdown consisting of, among other things, the operating budget, ancillary fee budget, and infrastructure capital budget; and
- a cash flow forecast from all activities for 2023/24.

University of Windsor: The university had prepared for its Board, a Cash Flow Budget for 2023/24 and 2024/25 that separately showed cash flow forecasts from operating, financing and investing activities.

2. Reliance on International Students

Our 2022 audit found that the impact of a Province-imposed 10% tuition reduction and freeze for domestic students beginning in 2019 has resulted in universities increasing their focus on international student tuition. In most cases, enrolment is dependent on students from one or two countries. Overreliance on a few countries increases the risk that external factors, such as a global economic downturn or foreign policy shift, could significantly impact a university's financial health if enrolment from these countries drops.

Recommendation 5: Action Items 1, 2 and 3

To mitigate the risk associated with overreliance on a single or few geographic regions for international student tuition revenue, we recommend that universities:

- regularly complete a financial sensitivity analysis of the impact of the loss of students from various regions;

Status: Algoma University, Nipissing University & University of Windsor – Little or no progress.

- develop and apply strategies to diversify recruitment of international students from different geographic regions;

Status: University of Windsor – Fully implemented.

- focus on recruiting students from priority countries identified in the government of Canada's International Education Strategy, 2019–2024.

Status: **Algoma University & Nipissing University – Little or no progress.**

University of Windsor – Fully implemented.

Details

In our follow-up, we found:

Algoma University: The university had recently began conducting a financial sensitivity analysis to better understand the impact of the loss of international students from various regions. The analysis, provided to us during our follow-up, identified only 1,750 international students from the top 10 countries enrolled in its degree programs. This analysis did not include an additional 8,360 international students enrolled in non-degree programs (for example, undergraduate and graduate diploma or certificate programs in Brampton and at the Centre of Project Management). Nonetheless, the analysis showed that Algoma continues to rely heavily on international students from a few countries—almost 90% of international students in degree programs were from India (77%) and Nepal (12%). The 2024/25 budget also identified that a high percentage of students at the various campuses were international students—100% at the Centre of Project Management, 95% at the Brampton campus, and 63% at the Sault Ste. Marie campus.

We also found that, since our 2022 audit, Algoma University signed multiple contracts with recruitment representatives to recruit students from more than 30 countries, some of which are priority countries identified in the government of Canada's International Education Strategy. However, the impact of these recruitment arrangements has yet to materialize. Over the last two academic years (2022/23 and 2023/24) combined, Algoma recruited only 95 students from priority countries, representing 0.4% of all international students that it recruited. Seventy-five percent of all international students recruited in 2023/24 were from India, and the number of students recruited from India almost tripled from about 4,900 in 2022/23 to about 11,700 in 2023/24.

Nipissing University: The university had taken little action to regularly analyze the financial impact of the loss of students from various regions.

We also found that the university had started discussions on possibly recruiting students from priority countries identified in the federal strategy, but had not yet drafted a detailed plan that includes specific actions to be undertaken and timelines for implementation.

University of Windsor: The university had done a financial sensitivity analysis. However, the sensitivity analysis performed did not cover the loss of all students from a single country and/or across all levels of programs. To illustrate, the university analyzed the breakdown of international students by country of origin for three Masters programs only—engineering, science and business.

As of fall 2023, students from India represented 75% of international students in the Masters of Engineering program, 69% of international students in the Masters of Science program and 24% of international students in the Masters of Business program. The sensitivity analysis looked only at scenarios where the university achieved 60%–90% of its anticipated enrolment.

In 2023, the university issued a Request for Proposal and subsequently engaged a third party for in-country recruitment services. Physical locations for in-country recruiters were established in additional regions including Mexico, Latin America (for example, Colombia, Bolivia), East and West Africa (for example, Kenya, Nigeria), North Africa (for example, Egypt), the Middle East (for example, United Arab Emirates), India, Asia and Southeast Asia (for example, Vietnam, Philippines). The university assigned specific territories to approximately 250 recruiters. It also had in-country recruiters put in place recruitment plans, and it approved a scholarship program for students from targeted countries.

Recommendation 6: Action Items 1 and 2

To better understand the contribution of international students to the Canadian workforce/economy after graduation and help inform future recruitment decisions, we recommend that the university:

- collect relevant data on the location and careers of international alumni;

Status: **Algoma University – In the process of being implemented by March 2026.**
Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.

- use this data to better inform programming and recruitment decisions.

Status: **Algoma University – In the process of being implemented by March 2026.**
Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.

Details

In our follow-up, we found:

Algoma University: The university had purchased a system to carry out data collection on the location and careers of international alumni, and was in the process of hiring and training personnel on the use of the system and collection of information. During our follow-up, the university informed us that this new system would have to be integrated with the existing student information system. The university has set a goal that more than 75% of graduated alumni is tracked in terms of employability.

Further, the university was in the process of establishing an office of institutional planning to help with data analysis, once the data becomes available. According to the university's development plan, the data analysis and research is expected to be fully functional by March 2026.

Nipissing University: The university informed us that it has taken little action on this recommendation due to financial constraints.

Ontario Tech University: The university was working on developing an enhanced graduate survey.

University of Windsor: The university had taken little action on this recommendation.

Recommendation 7: Action Item 1

To promote and incentivize student recruiting agents to find the most highly prepared international students, we recommend that the university apply a fee structure in future contracts that encourages recruiters to target students with higher scholastic achievement, such as applying bonuses for higher student performance as they progress through their university studies.

Status:
- **Algoma University – In the process of being implemented by December 2025.**
- **Nipissing University & Ontario Tech University – Little or no progress.**
- **University of Windsor - Will not be implemented. The office of the Auditor general of Ontario continues to support the implementation of this recommendation.**

Details

In our follow-up, we found:

Algoma University: The university started to revise its contracts with recruiters as they came up for renewal in 2024. The revised contracts include a $250 bonus for the recruiter for each student who meets the eligibility criteria for an entrance scholarship to the university. Since its contracts with recruiters typically have a two-year term, all contracts should be revised by the end of December 2025.

Nipissing University: The university informed us that, as of September 2024, it had developed a new template agreement for recruiters of international students, which indicated that recruiters would be paid 83% of their fees in the first year of a student's studies, and the remaining 17% at the time the student graduates. At the time of our follow-up, the university had not yet re-signed existing recruiters using the new agreement, but told us that it would use the new template agreement with new recruiters.

Ontario Tech University: According to the latest contract with a recruiter, the university pays the recruiter the recruitment fee in two equal instalments, as early as 20 days after the start of the first and second semesters. This does not necessarily incentivize recruiting agents to pursue prospective students that exceed admission requirements and/or are likely to graduate from the university.

University of Windsor: The university informed us that it would not be implementing our recommendation because students' success at a university is determined by a broad range of factors, and entering grades is only one of them. It further stated that providing a trailing commission to recruiting agents over four years is neither practical nor appropriate, as agents cannot fully control whether students will be successful after their first year. The university told us that it will continue to provide student support services, academic advising and engagement programs to help all students succeed.

3. Financial Contribution of Academic Programming

Our 2022 audit found that universities performed a financial contribution analysis of each of their faculties/departments, but it was not done to determine the financial sustainability of each faculty/department—rather, it was for the purpose of guiding resource-allocation decisions, such as whether a department needs to hire additional faculty, purchase new equipment or expand facilities. As well, the audit found that universities did not perform a financial contribution analysis at the program level, which limits the university's knowledge when allocating resources or adjusting the structure of programming to support sustainability. Moreover, most universities audited had not adjusted or restructured programs to improve financial sustainability, despite certain faculties or departments that had experienced losses.

Recommendation 8: Action Items 1, 2 and 3

To have a comprehensive picture of the financial contribution of programs in order to offer a sustainable suite of programs, we recommend that as part of its programming considerations the university:

- complete an analysis of profitability at the academic program level;

Status: **Algoma University – Fully implemented.**

Nipissing University & Ontario Tech University – Little or no progress.

University of Windsor – In the process of being implemented by November 2025.

- determine whether there are programs that can be reduced or restructured to provide a better financial contribution to the university while still retaining overall academic credibility with department course offerings;

Status: **Algoma University – In the process of being implemented by February 2028.**
Nipissing University – In the process of being implemented by February 2026.
Ontario Tech University & University of Windsor – Little or no progress.

- reduce or restructure program offerings based on the results of its program profitability analysis and academic need, in consultation with its academic departments and with the approval of its Board and Senate/Academic Council.

Status: **Algoma University, Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university completed an analysis of profitability at the program level, for the year ended April 2023. The analysis showed that about 20% (seven of 32) of the university's academic programs were unprofitable. At the time of our follow-up, we were told a similar analysis for the year ended April 2024 was still underway and therefore was not available for our review.

The university informed us that three unprofitable programs (Music, Visual Arts and Anishnaabemowin) were undergoing various stages of a cyclical program review; these reviews are multi-phased and long-term in nature. In addition, in early 2023, the university contracted a third-party consulting firm to provide market research/analysis to review existing programs as well as determine the feasibility of introducing new programs, courses or curricula, as determined by the university from time to time. This contract is for a maximum of five years and is expected to inform the university on the viability and possible options for restructuring by February 2028.

The university told us that the decision to reduce or restructure program offerings would be taken in the future, once action 1 and action 2 of this recommendation were addressed.

Nipissing University: The university was in the process of developing a program review template. One area of assessment under the review is the economic viability of each program. However, we noted that the assessment of economic viability does not explicitly assess program profitability, but rather enrolment levels. Profitability would involve looking at both enrolment, from the perspective of the amount of revenue generated, and the costs of delivering a program. In addition, the university told us that it was considering conducting a financial analysis at the faculty level, instead of the program level.

As well, the university informed us that, in December 2023, it had developed suspension guidelines that allow it to temporarily suspend admissions to programs with fewer than six incoming students declaring themselves a major in the program, for every one student that graduated from the program. The purpose of the suspension guidelines is to allow the university time to retool the program and ensure sustainability. The university told us that it had temporarily suspended admission into three programs due to low enrolment – Ancient Studies, Economics and Religions & Culture. At the time of our follow-up, the university was still determining what data will be used to make decisions on program changes, for example, if the university will be weighing profitability versus academic need for programming. According to the minutes of a committee of the Board, work was still underway in this area. However, the university told us that it expected to refine its academic program review process, to identify programs that could be reduced and restructured, by February 2026. The decision to reduce or restructure program offerings would be taken in the future, once Action 1 and Action 2 of this recommendation were addressed.

Ontario Tech University: The university had taken little action to address any of the recommended actions in this recommendation.

University of Windsor: The university was in the process of establishing an advisory committee to develop an academic program profitability scorecard. Once developed, the university is expecting to pilot the scorecard on the largest faculties—namely Arts, Humanities, and Social Sciences in the 2024/25 fiscal year. The university stated that it expects to have all academic programs evaluated before November 2025.

4. Capital Planning

Our 2022 audit found that universities did not always prepare and present to the Board a comprehensive business case for major capital projects that included a financial feasibility assessment, to help the Board make decisions on whether capital investments would be beneficial, before approving the project to move forward.

Recommendation 9: Action Items 1, 2 and 3

To determine whether major capital projects are financially feasible and beneficial, we recommend that the university:

- update its capital approval policy to clearly define the nature and cost of projects that will require Board approval before financial expenditure commitments are in place;

Status: ◉ **Nipissing University – Fully implemented.**

- prepare a business case for each capital project that includes a financial feasibility assessment to help both management and then the Board make decisions on major capital expenditures, prior to approval;

Status: **Algoma University – Little or no progress.**

Nipissing University, Ontario Tech University & University of Windsor– Fully implemented.

- obtain Board approval on major capital investments before moving forward with planned projects.

Status: **Nipissing University – Fully implemented.**

Details

In our follow-up, we found:

Algoma University: The university was in the early stages of developing a capital project policy which it expects will include the requirement for a business case for all major capital projects, defined as large capital projects with a cost over $25 million.

Nipissing University: In February 2023, the university updated its signing authority policy to require the Board of Governors to provide prior approval for capital projects in excess of $1 million. The policy also outlines which and how many senior members of management could enter into capital construction and renovation contracts on behalf of the university.

Since our 2022 audit, the university had undertaken one capital project. The university had prepared a business case for this project, which included a list of project costs and funding sources. In addition, the Board approved funding for the project prior to the design and construction phase.

Ontario Tech University: The university implemented a new Capital Projects Policy in April 2024, which requires construction and renovation projects budgeted to cost $4 million or more to have a business case that would include, among other things, an assessment of risks and a cost-benefit analysis, sign-off by the university Vice President and approval by the Board of Governors.

University of Windsor: In January 2023, the university implemented a new standard template for the approval by the Board of Governors, of major capital projects over $2.5 million. The university informed us that two major capital projects were submitted for approval since our 2022 audit. For both projects, we noted that the new template was completed to obtain Board approval.

5. Board Governance

During our audit, we found that the size of the board of governors at each of the universities we audited was large, since the boards included members both internal and external to the university as well as administrative and academic staff. A risk to having a large board is the likelihood that an executive (or other) committee becomes a "board within a board," where decisions are made in the committee and are brought to a board for ratification only, rather than inclusive review, discussion and decision. We also found that universities had shorter than ideal term limits for their board members; universities were missing one or more internal oversight functions (i.e., risk management, compliance and internal audit); boards were missing at least one of five competencies essential for a university board (i.e., finance, accounting, executive management, risk management and cybersecurity); and universities did not have a permanent plan for presidential succession, and in some cases did not have an emergency succession plan in place for the president in the event of an unplanned replacement.

Recommendation 10: Action Items 1, 2 and 3

To improve Board effectiveness and minimize the risks posed by large Board sizes and low term limits for Board members, we recommend that the university:

- reduce and limit the size of the Board, including the number of internal members;

Status: **Algoma University – Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation to avoid the likelihood of an executive (or other) committee becoming a "board within a board" that makes decisions and brings them to a board for ratification only.**

Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.

- reduce the number of committees to accommodate a smaller Board size;

Status: **Algoma University – Fully implemented.**

Nipissing University & University of Windsor – Little or no progress.

- increase the term limits of Board members, including current members.

Status: **Algoma University, Nipissing University & Ontario Tech University – Little or no progress.**

Details

In our follow-up, we found:

Algoma University: The university's Governance Committee prepared a position paper to address our 2022 audit recommendations, where it recommended to its Board of Governors that it:

- reduce the size of the Board from 18 to 15 members, comprised of four internal members (President, teaching staff, non-teaching employee and student) and 11 external members (three legislated through Order-in-Council and seven selected by the Board);
- reduce the number of standing committees from seven to six – namely, risk and finance, governance, audit, board-senate liaison, human resources and ad-hoc board executive.
- increase Board term limits from six to nine years, and the student member be elected to serve for two years instead of one;

In fall 2024, we were informed that the size of the Board would not be reduced, as the Governance Committee determined that the internal member perspectives were critical to the bi-cameral model of governance and special mission of the university. In addition, we noted that the number of board committees and subcommittees was reduced from seven to five; but the term limits of board members and students serving on the Board would not be increased.

Nipissing University: The university had not taken any steps to implement any of our three recommended actions.

Ontario Tech University: The university told us that it would review best practices and processes as they relate to governance within the sector and then determine if a change is warranted.

University of Windsor: The university told us that it would be performing a cost-benefit analysis to weigh the benefits of implementing the first two recommended actions against both the complexities and needed competencies of the Board, as well as considerations and priorities related to Equity, Diversity, Inclusion, and Indigeneity.

Also, in March 2024, the Ministry of Colleges and Universities, through the *Less Red Tape, More Common Sense Act, 2023*, amended the respecting Acts of Algoma, Nipissing and Ontario Tech universities, to permit only the Chair of the Board to serve up to eight years; all other Board members were still limited to serve a maximum of six years. However, as noted in our 2022 audit report, longer term limits are desirable for other Board members as well, to permit them enough time to become proficient on a number of committees and to have them keep senior management accountable.

Recommendation 11: Action Item 1

To provide for an effective future transition of the university president position, we recommend that the Board of the university develop, and annually review and approve, both permanent and emergency presidential succession plans.

Status: **Algoma University – In the process of being implemented by December 2024.**

Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.

Details

In our follow-up, we found:

Algoma University: The university had drafted steps to develop a succession plan. This involved identifying potential candidates within the university for the permanent replacement of a president by assessing their knowledge, skills, qualifications and personal qualities against a competency profile; creating a development plan for each potential successor to address any competency gaps identified; and implementing the development plans for each potential successor, monitoring their progress and revising development plans as needed. The university informed us that a Presidential Succession Planning Framework and associated procedures, as well as an Interim and Acting Delegation of Authority for the President, were under review by the Board's Human Resources Committee and expected to be approved by December 2024.

Nipissing University: The university has put in place an emergency succession plan that identifies an interim president in the event of an unplanned replacement, but has no plans for a permanent presidential succession plan.

Ontario Tech University: The university had identified a successor who would replace the President on a short-term basis and developed a presidential search process. However, the university had no plans to put in place a permanent presidential succession plan.

University of Windsor: The university had taken little action on this recommendation.

Recommendation 12: Action Items 1, 2 and 3

To have a Board with essential skills and competencies for effective oversight, and to promote effective Board member succession planning, we recommend the Board of the university:

- prioritize and track competencies using competency matrices and other competency tracking tools;

Status: **Algoma University, Ontario Tech University & University of Windsor– Fully implemented.**
Nipissing University – In the process of being implemented by December 2024.

- confirm the Board and its committees possess demonstrably requisite competencies, in order to fulfill its terms of reference;

Status: **Algoma University, Ontario Tech University & University of Windsor – Fully implemented.**
Nipissing University – In the process of being implemented by December 2024.

- strengthen university financial and accounting literacy among Board members by providing them with either an internal or external training opportunity to increase the effectiveness of their oversight of the operations of the university.

Status: **Algoma University, Ontario Tech University & University of Windsor – Fully implemented.**
Nipissing University – Little or no progress.

Details

In our follow-up, we found:

Algoma University: The university has reduced the number of competencies required for its board members from 21 to seven. Among the seven revised competencies, the university added the skills of executive management, risk management and cybersecurity.

In addition, Board members at Algoma University performed a self-assessment of their competencies in March 2023 and March 2024. Based on the self-assessment of the core competencies, we noted improvement in three board core competencies—finance, executive management and risk management. More than half of the Board members rated themselves as having at least a high level of knowledge or experience in these three areas.

Since our 2022 audit, Algoma University arranged for an accounting firm to deliver two training sessions to its Board of Governors. The sessions included a component on understanding financial statements; best practices in financial management, including a review of the Ministry of Colleges

and Universities' financial health indicators for universities; board governance; risk management; and internal controls.

Nipissing University: The university developed a skills/knowledge matrix and in fall 2024 surveyed its Board members to determine their knowledge/experience gaps. At the time of our follow-up, the university was still compiling the results of the survey. The university expected to have the results complied by December 2024.

In September 2023, the Board received a presentation on very basic financial terminology and a description of the funds the university holds. At the time of our follow-up, the university told us that it had not yet contracted with an accounting firm to deliver training, as it was reviewing what other universities have in place.

Ontario Tech University: In April 2023, the university revised the list of competencies required of its board members from 37 to 16. Among the 16 revised competencies, the university added the skills of "risk management" and "cybersecurity," which it did not have at the time of our 2022 audit. Soon after, Board members were asked to self-assess themselves on a scale of 1–4 in each competency.

On average, Board members scored themselves below 3 on their knowledge of accounting and cybersecurity. The university recognizes that, as a whole, the Board of Governors would also benefit from additional accounting education, but noted that scores for the Audit and Finance Committee were significantly higher at 3.6/4, demonstrating a higher level of strength in this skill on the Committee.

Also, in May 2023, the university had an accounting firm deliver a financial literacy course to Board members titled, *Understanding the Financial Reporting Process.*

University of Windsor: The university has highlighted 10 core competencies required of the Board of Governors, these being the five core competencies we recommended during our 2022 audit (namely, accounting, finance, executive management, risk management and cybersecurity), plus an additional five competencies (i.e., governance, human resources, legal and regulatory, real estate development and facilities management, and strategic planning). In May 2024, each Board member was asked to assess themselves on a scale of 1–4 in each competency.

On average, Board members scored themselves below 3 on four of the five core competencies we recommended—accounting, finance, risk management and cybersecurity. However, the university considers the board and committees of the board to have the required competencies and skills if one-third of Board members and half of committee members, respectively, rated themselves as a 3 or 4. Based on this benchmark, the university considers that the Board as a whole has the required competencies, except in the area of cybersecurity (core competency) and real estate/facility management/environmental sustainability. As well, each committee as a whole had the required competencies.

Since our audit, the university has offered three training sessions on financial literacy for Board and committee members, and staff in senior administration positions. As of February 2024, 88% of Board members had attended a session on financial literacy. The university indicated that the financial literacy training would be offered again, over the next few months, for those who were unable to attend and those who wanted a refresher.

Recommendation 13: Action Items 1 and 2

To have and promote effective oversight of the university's finances and operations, we recommend that the Board of the university:

- implement internal oversight functions (i.e., risk management, compliance and internal audit) where they do not exist, and have them report regularly to the Board;

Status: **Algoma University & Nipissing University – Little or no progress.**
Ontario Tech University – Fully implemented.
University of Windsor – In the process of being implemented by March 2025.

- annually review and approve a written risk appetite framework, which includes identification and defining of material financial and non-financial risks, and independent assurance of internal controls to mitigate each of these risks.

Status: **Algoma University & Nipissing University – Little or no progress.**
Ontario Tech University – Fully implemented.

Details

In our follow-up, we found:

Algoma University: The university hired a Manager of Enterprise Risk, Policies and Insurance in May 2023, and informed us that it also plans to hire a Chief Risk Officer. The university had not taken action to implement a compliance function and internal audit function.

Although at the time of our 2022 audit, Algoma University had developed a draft Risk Appetite Statement, it did not include a list of all material financial and non-financial risks to the university. Since our audit, the university has periodically prepared an Emerging Risks Update. However, the updates do not consistently report on all risks and do not include solid mitigation plans for each risk.

Nipissing University: The university informed us that it has not taken steps to implement risk management, compliance and internal audit functions.

Also, the university had not taken action to identify and mitigate material financial and non-financial risks.

Ontario Tech University: The university contracted with an external accounting firm to perform the internal audit functions for the university for the period April 1, 2024 to March 31, 2027. It also had both a risk management and a compliance function at the time of our audit.

In addition, the university had developed a risk register describing various risks to the university, as well as their causes, consequences, likelihood and mitigation strategies.

University of Windsor: The university was in the process of implementing a compliance function. The university's Human Resources group identified related legislative requirements impacting human resources functions and subsequently, in October 2023, reported on its compliance with those requirements. The university informed us that its legal services team was in the process of identifying and consolidating other legislative obligations centrally as well as identifying the current responsible entity and person for each requirement. It expects to complete the checklist and reporting schedule (for non-Human Resources legislative requirements) by the end of October 2024, and to develop a process for updating and monitoring changes to legislative and regulatory requirements by March 2025. The university had both a risk management and internal audit function at the time of our 2022 audit.

Recommendation 14: Action Item 1

To enable the Senate/Academic Council at the university to make well-informed decisions with regard to academic programming, and that consider the financial sustainability of the university, we recommend that the Senate/Academic Council be provided with regular costing information on the financial contribution of individual program offerings, by campus and the university as a whole.

Status: **Algoma University – In the process of being implemented by September 2025.**

Nipissing University, Ontario Tech University & University of Windsor – Little or no progress.

Details

In our follow-up, we found:

Algoma University: At the time of our follow-up, the university was providing the Senate with profitability information (revenue and expenditures) by program and faculty, but not by campus. The university contracted with a third-party technology company to implement a new information system for the 2024/25 academic year which would allow for tuition reporting by both program

and by campus. The university informed us that it expects profitability reporting by program and campus to be in place by September 2025.

Nipissing University: The university informed us that it had not taken any action on this recommended action.

Ontario Tech University: The university had not taken any action to implement this recommended action. The university informed us that it did not believe such an analysis would be useful due to the small size of the institution and the interdisciplinary nature of its programs.

University of Windsor: The university informed us that it would try to address this recommended action following the development and testing of an academic program profitability scorecard, as noted in **Recommendation 8: Action Item 1**.

6. University Partnerships and Collaborations

Our 2022 audit identified examples of mutually beneficial partnerships the universities we audited had entered into with either their host city, local health units or other partners and organizations. However, we also noted examples of partnerships that were unfavourable to the reputation of a university and/or did not act in the best interest of the students. Our report also noted that the Canadian Security Intelligence Service (CSIS) warned that since the onset of the pandemic, Canadian universities are among those facing an elevated level of risk to their cybersecurity. CSIS noted that adversaries have increased interest in intellectual property and advanced research held on computer systems in small start-ups, corporate boardrooms or university labs across the country.

Recommendation 15: Action Items 1, 2, 3 and 4

To only form academic partnerships that are both beneficial to the university's reputation and in the best interests of students and/or researchers, we recommend that the university:

- set goals for the type of relationships it plans and then enters into, such as revenue-generating academic relationships;

Status: **Algoma University – In the process of being implemented by December 2024.**

University of Windsor – In the process of being implemented by December 2024.

- have such arrangements approved by its Board and/or Senate;

Status: **Algoma University – In the process of being implemented by December 2024.**

University of Windsor Will not be implemented. The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

- ensure that arrangements will be and continue to be aligned with the academic and financial interests of students;

Status: **Algoma University – Little or no progress.**

- consult national security agencies such as the Canadian Security Intelligence Service for information, advice or support before engaging in international collaborations and partnerships.

Status: **University of Windsor – Fully implemented.**

Details

In our follow-up, we found:

Algoma University: The university created a guideline to outline the possible goals of academic agreements related to collaborations or partnerships with third parties. The university also developed a partnership qualification checklist to, among other things, consider how well the partnership aligns with the university's strategic goals and priorities; identify potential risks associated with the partnership, including financial, reputational and operational risks; and consider what metrics or benchmarks will be used to evaluate the success of the partnership. In addition, the university's draft Signature Authority Policy requires that all contracts for partnerships have a risk assessment done and be signed/approved by the Vice President, the university President and/or the Board of Governors, depending on the value of the contract and its duration. Academic agreements for research partnerships would also require approval by the Senate. The guideline and checklist are expected to come into effect in December 2024.

University of Windsor: The university had prepared an initial summary of the types of academic partnerships it has in place, and provided details as to how the risks associated with each type of partnership would be managed and mitigated. Windsor expected to finalize the document by the end of 2024.

Also, we were informed that the university will not require partnership agreements be approved by the Board and/or Senate due to the volume. Although various members of the senior leadership team are involved in reviewing the various types of agreements, final approval will remain with the

Vice President of Research and Innovation for research agreements, the Director of Legal Services for international student recruitment agreements, and the university President for all other types of academic partnerships.

The university told us that it shared with CSIS, the document described above which summarizes the types of academic partnerships in place, as well as the associated risks and methods used to manage and mitigate the risks. The university told us that CSIS reviewed the document and provided verbal input at a high level on the assurance processes the university has put into place for its academic and research partnerships. The university had not documented what was discussed and the advice provided by the federal agency.

7. Ministry of Colleges and Universities

Our 2022 audit found that the Ministry of Colleges and Universities has been operating without a clear strategy or long-term vision for the post-secondary education sector that distinguishes programming between colleges and universities. Some colleges offer degree programs and some universities offer certificate programs to generate more revenue, and over time the originally intended purposes of Ontario's post-secondary institutions have blurred and overlapped. This has created confusion in differentiating between these two types of institutions, and could impact their ability to sustain themselves in the long term.

We also found that universities convert grades obtained in other jurisdictions to their equivalent in the Ontario system using conversion charts developed separately in-house by each university. As a result, we found significant differences in the conversion standards between the universities audited.

In addition, we reported that SMAs, which the Ministry uses to fund universities, do not include elements that can be used to provide the Ministry with comfort that value for money is being achieved. For instance, SMAs do not include: a clause that allows the Ministry or authorized auditors to enter the institution to review the progress on projects using funding and the allocation and expenditure of funds, by inspecting records and documentations or conducting an audit or investigation in respect of expenditures of the funds; a clause that allows the Ministry to request additional information outside of reporting the SMA metrics; or a mechanism that allows the Ministry to take control of any operation if the institution fails to comply with the SMA requirements.

Recommendation 16: Action Items 1, 2, 3 and 4

To support the financial and operational sustainability of post-secondary educational institutions in Ontario and to provide clarity for Ontarians about university and college

programming within the context of a long-term vision for the post-secondary sector, we recommend that the Ministry of Colleges and Universities:

- develop a strategic plan and actions to be taken to achieve it;

Status: Little or no progress.

- establish an implementation timeline for the actions;

Status: Little or no progress.

- monitor the implementation of the actions and the achievement of the strategic plan over a defined period of time; and

Status: Little or no progress.

- modify or update the strategic plan and actions as needed.

Status: Little or no progress.

Details

We found that in March 2023, the Ministry of Colleges and Universities (Ministry) announced the creation of a blue-ribbon panel of experts to review and provide advice and recommendations in key areas to ensure Ontario's post-secondary sector is financially sustainable over the long run. The blue-ribbon panel released its report in November 2023, and recommended encouraging differentiation within the post-secondary sector and maintaining the difference between colleges and universities wherever and whenever mandates are distinctive. The recommendations of the panel did not provide further clarity with regard to university and college programming.

Other key recommendations of the panel were to:

- to increase government funding per student and increasing tuition rates;
- phase in, at a slower pace, previously announced changes in government funding of postsecondary institutions from enrolment-based to performance-based;
- increase the Northern Ontario Grant for universities;
- review the Ontario Student Assistance Program to increase grants for low-income students;
- ensure each institution's Board members follow best practices in governance, including requiring financial literacy training for newly appointed board members; and

- instruct the board of each Ontario university to review its own financial sustainability score relative to every other Ontario university.

At the time of our follow-up, the government was continuing to evaluate the blue-ribbon panel's advice.

Recommendation 17: Action Item 1

To promote financial sustainability while reducing financial dependence on international student tuition, we recommend that the Ministry of Colleges and Universities:

- complete an assessment of the cost of instruction and operation of universities;

Status: Little or no progress.

Details

We found that the Ministry has no plans to complete an assessment of the cost of instruction and operation of universities. Instead, in February 2024 it announced $1.3 billion in new funding to the post-secondary sector over three years (2024/25–2027/28); of which $704 million is for the university sector. Funding to universities is to be provided through various initiatives, the most significant being:

- an increase to each institution's operating funding (excluding special purpose funding) of 3% in 2024/25 and an additional 2% in each of 2025/26 and 2026/27 ($520 million in total);
- $159 million in top-up funding to medium- and high-risk universities of 10% and 15% respectively in 2024/25, and an unconfirmed top up in each of 2025/26 and 2026/27; and
- $84.5 million in capital repairs through a 5% increase in Facilities Renewal Program Funding, and extending the time-limited funding through the Training Equipment and Renewal Fund.

The Ministry is also providing universities with $5 million in total through the Efficiency and Accountability Fund for 2024/25 to support third-party reviews to identify actions institutions can take to drive long-term cost savings and positive outcomes for students. The total amount of funding available to universities for the following two fiscal years had not been determined at the time of our follow-up. The Ministry told us that it expects these reviews to target both structural issues (such as, reviewing effective financial governance and academic program offerings) and operational policies (such as, IT systems, space utilization and procurement) to improve sustainability and student experiences.

Recommendation 17: Action Item 2

- determine whether universities will be financially sustainable at current funding levels and under the domestic tuition fee reduction and current freeze;

Status: Fully implemented.

Details

The Ministry informed us that it would continue to monitor the financial health of the sector through a new University Financial Accountability Framework developed jointly with the Council of Ontario Universities and implemented in April 2023. The framework requires that universities be assessed on their liquidity, sustainability, performance and credit ratings. During our follow-up, the Ministry informed us that it had received and reviewed the financial health information for all Ontario universities for 2022/23, and had identified two universities at high risk. This information is based on universities' financial statements and credit rating, but does not include forward-looking information on the universities' health (e.g., budget information, projected enrolment). These universities will be required to develop an action plan to return to financial sustainability, as discussed further in **Recommendation 21: Action Item 2**.

According to a document the Ministry prepared in February 2024, it presented decision-makers with the cumulative annual loss of revenue for institutions since the freeze and noted that institutions' financial health is expected to decline further if international student enrolment declines. The information presented to decision-makers did not include a forward-looking assessment of the impact of the tuition freeze on institutions or assess the variation of impacts across universities to highlight those most vulnerable to the freeze in the sector. Since then, the federal government announced the cap on study permits for undergraduate international students, which is likely to decrease international enrolment in Ontario universities.

We encourage the Ministry to provide decision-makers with a forward-looking assessment of the impact of the tuition freeze on institutions and assess the variation of the impacts across universities to highlight those most vulnerable to freezes in the sector.

Recommendation 17: Action Item 3

- assist universities in developing risk mitigation plans, where necessary.

Status: Fully implemented.

Details

According to the University Financial Accountability Framework, a university that receives a high action plan rating in any of the four areas previously listed, is responsible for procuring an independent advisor to help it develop a recovery plan. In such cases, the framework states that the university may seek Ministry support for the cost of the third-party review. This funding would come from the Efficiency and Accountability Fund mentioned in **Recommendation 17: Action Item 1**.

Recommendation 18: Action Item 1

To reduce the risk to universities of overreliance on international students from a single or few geographic regions, and to determine whether there is a need for guidance on the recruitment and education of international students, we recommend that the Ministry of Colleges and Universities revise its International Postsecondary Education Strategy to:

- include measurable targets and goals for levels of international student enrolment;

Status: Fully implemented.

Details

In January 2024, the federal government imposed a two-year cap on study permits for undergraduate international students in universities, colleges and private institutions. The new federal cap is expected to result in approximately 360,000 study permit approvals for Canada as a whole, a decrease of 35% from 2023 levels. Ontario's allocation was 235,000 study permit applications for 2024; this is down from approximately 352,000 study permit applications from Ontario submitted to the federal government in 2022. In allocating study permit applications to institutions, the Ministry prioritized programs in high-demand areas, including skilled trades, health human resources, and STEM (science, technology, engineering, mathematics); ensured total applications per institution did not exceed its 2023 levels; and limited the ratio of estimated international permits to no more than 55% (exclusive of high-demand areas) of an institution's 2023 first-year total enrolment.

Recommendation 18: Action Item 2

- assess the status of tuition fees for international students to determine whether any policies are needed;

Status: Little or no progress.

Details

We found that the Ministry would not be considering policies related to international tuition at this time because universities are autonomous institutions with the responsibility to set international tuition levels based on their ability to attract international students, the cost to deliver programming, and other considerations. The Ministry informed us that it would continue to monitor international student enrolments and tuition and assess if any policies are required.

Recommendation 18: Action Item 3

- assess the methods and use of international student recruitments to determine whether any policies are needed such as developing a standard grade-conversion chart for the admission of international students;

Status: **Will not be implemented. The Office of the Auditor General of Ontario continues to support this recommendation, to prevent differences in conversion standards between Ontario universities when converting grades obtained by international students in other jurisdictions who are applying to study in Ontario.**

Details

At the time of our follow-up, the Ministry told us that universities are autonomous with respect to academic decisions, such as admissions, as outlined in their individual founding Acts of the Legislature, and therefore it does not plan to intervene in academic matters, which are overseen by university Senates.

Recommendation 18: Action Item 4

- provide guidance on global markets to target or on how to mitigate the risks of becoming over-reliant on one country or reliant on international students in general.

Status: **Little or no progress.**

Details

We found that the Ministry had taken little action action on implementing this recommended action. The Ministry informed us that it continues to assess the impact of the federal government's cap on the number of international student study permit applications over the next two years. As part of its permit allocation, the Ministry limited the ratio of international permits to no more than 55% (exclusive of high-demand areas) of an institution's 2023 first-year enrolment.

Recommendation 19: Action Items 1 and 2

To foster and support continuous improvement of university performance under future Strategic Mandate Agreements, we recommend that the Ministry of Colleges and Universities:

- reassess future performance metrics and modify them so that the metrics are within the control of universities and do not further increase dependency on international enrolments without a longer-term strategy to address the risks of this approach for financial sustainability;

Status: Little or no progress.

- work with universities to reassess their performance target-setting formulas in future Strategic Management Agreements so that targets are not set lower than the prior year's target and/or actual performance achieved;

Status: Little or no progress.

Details

The Ministry informed us that it has launched consultations on the next round of Strategic Management Agreements (SMAs) and would consider these recommendations as part of the design of the metrics and model.

Recommendation 19: Action Item 3

- use data-driven measures, such as tracking student graduation by student number to assess students' educational pathway to graduation and the labour-market contribution and return they realize following graduation.

Status: Little or no progress.

Details

We found that the Ministry has made little progress in implementing this recommended action. The Ministry informed us that it was working on a tool that tracks student graduation by using the student's individual Ontario Education Number. The Ministry informed us that the new tool would be ready for implementation for the 2025/26 fiscal year.

Recommendation 20: Action Item 1

To provide for a mechanism of greater oversight and accountability of universities, we recommend the Ministry of Colleges and Universities use Transfer Payment Agreements as the funding agreement for universities in place of Strategic Mandate Agreements.

Status: **Will not be implemented. The Office of the Auditor General of Ontario continues to support this recommendation. As noted in our 2022 audit report, SMAs do not include elements that can be used to provide the Ministry with comfort that value for money is being achieved.**

Details

The Ministry informed us that it will continue to fund universities through SMAs. The Ministry noted that Transfer Payment Agreements would impose an additional administrative burden for institutions.

Recommendation 21: Action Item 1

To provide the Ministry of Colleges and Universities (Ministry) with the tools and authority it needs to ensure the financial viability of universities approved under legislation to deliver post-secondary education in Ontario, we recommend that the Ministry:

- develop criteria to assign a risk rating to each university annually;

Status: **Fully implemented.**

Details

We found that the Ministry released the University Accountability Framework in September 2023 that included eight financial metrics against which to assess a university's financial viability. These included primary reserve days, working capital ratio, viability ratio, debt ratio, debt-to revenue ratio, interest burden ratio, surplus ratio and net operating ratio. The framework also included the requirement for a third-party credit rating from select prominent credit rating agencies.

Recommendation 21: Action Item 2

- proactively monitor identified high-risk universities.

Status: Fully implemented.

Details

In May 2024, the Ministry had completed a financial health risk assessment on Ontario universities for the 2022/23 fiscal year, using the metrics described in **Recommendation 21: Action Item 1**. Two universities were rated high risk and, as a result, are required to develop a recovery plan within three months (end of August 2024) to take corrective action.

The recovery plan is expected to include: multi-year budgets and cash flow projections, an in-depth explanation and analysis of the causes of the financial metric results, and the steps to be taken by the university to improve results to restore the elevated financial health metrics to an acceptable level.

The universities rated as high risk are also required to provide status reports to the Ministry every six months over a three-year period, or until all financial health categories are not in the high action bands.

// Appendix

Recommendation Status Overview

	# of Action Items	Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	4	4				
Recommendation 2	2	1		1		
Recommendation 3	2	1.34		0.33	0.33	
Recommendation 4	6	3.75	1	1.25		
Recommendation 5	3	1.33		1.67		
Recommendation 6	2		0.5	1.5		
Recommendation 7	1		0.25	0.5	0.25	
Recommendation 8	3	0.25	0.75	2		
Recommendation 9	3	2.75		0.25		
Recommendation 10	3	0.33		2.42	0.25	
Recommendation 11	1		0.25	0.75		
Recommendation 12	3	2.25	0.5	0.25		
Recommendation 13	2	0.58	0.25	1.17		
Recommendation 14	1		0.25	0.75		
Recommendation 15	4	1	1.5	1	0.5	
Recommendation 16	4			4		
Recommendation 17	3	2		1		
Recommendation 18	4	1		2	1	
Recommendation 19	3			3		
Recommendation 20	1				1	
Recommendation 21	2	2				
Total	**57**	**23.58**	**5.25**	**24.84**	**3.33**	**0**
%	100	41	9	44	6	0