



# Public Colleges Oversight 2021 Value-for-Money Audit

## Why we did this audit

- The Ministry of Colleges and Universities provided \$1.6 billion grant-based funding to public colleges in 2020/21, or 31% of colleges' total revenue.
- Public colleges provide career-focused and skills-based education and will play an important role in the economic recovery from the COVID-19 pandemic.

## Why it matters

- Concerns have been raised about the financial sustainability of public colleges given declining domestic student enrolment, and the Ministry implementing a 10% tuition reduction (2019/20) and tuition freezes (2020/21; 2021/22) for domestic students.
- An increase in international students is occurring as Canada is viewed as an attractive destination to study in and enrolling in Canadian public post-secondary institutions is a pathway for immigration.

## What we found

### High Financial Dependency on International Student Recruitment, Enrolment and Fees

- In 2018/19, Ontario provided less than \$10,000 of funding on a per full-time equivalent student basis; the lowest level of government funding for public colleges compared to other provinces.
- Between 2012/13 and 2020/21, domestic enrolments declined 15%, while international enrolments grew 342%.
  - 62% of international students came from one country (India) in 2020/21.
- Public colleges increasingly rely on tuition fees from international students to remain financially sustainable.
  - In 2020/21, 68% of total tuition fee revenue came from international students.
  - International student enrolment represented 30% of total enrolment.
- There is limited college oversight of international student recruitment agencies. Of the four colleges we reviewed, none have established a formal policy to guide the selection and removal of recruitment agencies.
- The Ministry does not have a strategic plan for the college sector to mitigate the risk of high reliance on international students for financial sustainability.
- Five of the six public colleges with private college partnerships, established prior to December 2019, could have incurred operating deficits had they not received a share of international student tuition partnership revenue in 2019/20.

### RECOMMENDATIONS 1-4

### Limited Oversight of Public-Private College Partnerships

- The Ministry took no action when certain public colleges exceeded Minister-directed enrolment limits at their private college partnership campuses, and has not established non-compliance measures.
- Most public-private career college partnerships and their programs have not yet been subject to an independent quality assurance audit.

### RECOMMENDATIONS 5-9

### Performance-based Funding Targets Lowered

- The four colleges we reviewed in-depth achieved their targets on most metrics but eight performance-based targets used to allocate Ministry funding were set lower than the previous year's targets, even though the colleges had actually exceeded the targets in the prior year.

### RECOMMENDATIONS 10-12

### **COVID and Capital Ministry Funding Needs Review**

- \$62.4 million of COVID-19 funding was provided to public colleges based on projected revenue decreases due to the pandemic, but two colleges that received funding actually saw an increase in revenue and annual surplus.
- Ministry's allocation of capital funding to public colleges does not consider level of deferred maintenance and state of repair needs of the facilities.

#### **RECOMMENDATION 13, 14**

### **Delayed Program Approvals and Outdated Program Standards**

- Delays in the Ministry's program approvals have negatively impacted colleges' ability to respond quickly to market needs.
- Ministry standards for public college non-degree programs are either outdated or non-existent.

#### **RECOMMENDATIONS 15, 16**

### **Board Governance Practices Can Be Enhanced**

- Governance oversight practices can be strengthened by improving training, conflict of interest processes and performance evaluations.

#### **RECOMMENDATIONS 17-21**

### **Lack of Transparency and Timeliness in Financial Statements**

- Some public colleges did not meet Ministry requirements on submitting their audited financial statements and annual reports in a timely manner.
- Public college financial statements are prepared in accordance with Canadian public sector accounting standards, however their financial statements can be improved to increase transparency of their contractual arrangements with private career colleges.

#### **RECOMMENDATIONS 22-26**

## **Conclusions**

- Most public college programs are aligned with Ontario's projected job market needs. From 2016/17 to 2019/20, depending on the public college attended, 59.2% to 88.5% of graduates found employment in a related field six months after graduation. However, significant delays in Ministry program approvals have negatively impacted the colleges' ability to launch programs in a timely manner to attract student enrolment.
- According to the most recent quality assurance audits of the 24 public colleges, all of them met or partially met quality assurance standards established by the Ontario College Quality Assurance Service.
- The Ministry has established a comprehensive policy framework for the public college sector, but does not have sufficient oversight to confirm colleges comply with the enrolment requirements of the Public College-Private Partnerships Directive. It also does not require that these arrangements undergo quality assurance audits in a timely manner.
- The Ministry lacks a formal and comprehensive long-term strategy and action plan to sufficiently mitigate the long-term financial sustainability risks that the high reliance on international student enrolment poses to the sector.

Read the report at [www.auditor.on.ca](http://www.auditor.on.ca)