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## MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES

### 4.13—Accountability Framework for University Funding

(Follow-up to VFM Section 3.13, 1999 Annual Report)

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#### BACKGROUND

Ontario has the largest university system in Canada with 17 universities and the Ontario College of Art and Design. In the fall of 2000, these institutions had a combined full-time enrolment estimated at about 243,000 students (actual of 237,000 for 1999). In the year ended April 30, 2000, they had revenues of approximately \$5.8 billion (\$4.8 billion in 1999), of which \$2.1 billion (\$1.6 billion in 1999) was provided by the Ministry of Training, Colleges and Universities. That same year, universities also received provincial grants for research and capital expenditures that totalled \$278 million (\$193 million in 1999).

Universities derive their autonomy and academic freedom from their incorporating statutes. The Ministry has no direct authority over university operations or academic affairs. However, the Ministry can and does exercise significant indirect authority over universities by attaching conditions to the funding it provides.

In 1999, we audited the Universities Branch of the Ministry and visited five universities that had volunteered to allow us to assess the extent to which the Ministry's accountability framework for university funding promotes the achievement of objectives including:

- program quality;
- access;
- responsiveness to changing educational needs;
- cost effectiveness in the delivery of programs and services; and
- sound financial management.

#### CURRENT STATUS OF RECOMMENDATIONS

All of our recommendations were still in the process of implementation as of May 2001. The Ministry had drafted a new accountability framework that had not yet been finalized with the university community. That framework, if fully implemented, would address a number of our recommendations for strengthening university accountability.

In September 2000, the Minister appointed a Task Force on Investing in Students that released its report in February 2001. The report, *Portals and Pathways—A Review of Postsecondary Education in Ontario*, included 33 recommendations. Several of the recommendations are aimed at strengthening accountability and are similar to the recommendations we made in 1999. The Ministry had not yet announced the actions it intends to take on the Task Force recommendations.

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On May 9, 2001, the government tabled Bill 46, the Public Sector Accountability Act, which, if passed by the Legislative Assembly, would include universities in new accountability requirements that are consistent with our 1999 recommendations.

The status of each of our 1999 recommendations is set out below.

## **UNIVERSITY GOVERNANCE AND ACCOUNTABILITY PROCESSES**

### **University Processes**

#### **Recommendation**

*In order to be satisfied that universities have the governance and accountability processes required to ensure they meet provincial postsecondary education objectives, the Ministry should:*

- *establish, in consultation with universities, expectations for university governance and accountability and encourage universities to report publicly on their governance and accountability processes;*
- *ensure that each university is periodically assessed against these expectations and where weaknesses are identified, confirm that the necessary corrective action has been taken; and*
- *notify other institutions of any best practices identified and encourage their implementation across the system.*

#### **Current Status**

The first two aspects of this recommendation were being addressed as follows. The draft of the new accountability framework specified that each university governing board is expected to undertake a review of its effectiveness every three years and indicate in its university's annual report that the review took place. If the board considers the review unnecessary, it would be expected to submit an explanation to the Ministry.

The proposed Public Sector Accountability Act will require that each university prepare an annual business plan that includes a description of the governance and management structures of the organization; a comprehensive statement of purpose, addressing major functions and operations; a statement of the goals and objectives to be achieved with respect to each major activity; and a description of the actions the organization will take to achieve them. Each university would also be required to prepare an annual report that includes a description of the extent to which the institution achieved its goals and objectives as set out in the business plan.

With respect to the third aspect of our recommendation, the terms of reference for the Task Force on Investing in Students included identifying best practices in the administration and governance of higher education. The Task Force published a separate resource document, *Best Practices in Ontario and Other Jurisdictions*, containing the results of its research into best practices for 12 administrative functions, including financial management and reporting, benchmarking, and governance. The Ministry's approach to encouraging implementation of the identified best practices across the system had not yet been determined.

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## **SETTING MEASURABLE OBJECTIVES**

### **Measuring and Reporting Program Quality**

#### **Recommendation**

*In order to obtain assurance that publicly funded programs are of appropriate quality, the Ministry should:*

- *work with universities to establish clear expectations for program quality, including an agreed-upon definition of quality that facilitates comparisons;*
- *identify its requirements regarding independent quality assurance processes and incorporate them into an agreement with the Council of Ontario Universities; and*
- *ensure that universities summarize and report publicly on their internal quality assurance processes, activities and results, and on the results of external reviews.*

#### **Current Status**

The draft of the new accountability framework clarifies the Ministry's objectives and goals for the postsecondary education system. However, it does not address all aspects of this recommendation. The document describes existing program quality assurance processes and contains proposals for universities to include in their published annual reports a listing of the programs for which external quality reviews had been conducted in the previous year.

An independent Post-secondary Education Quality Assessment Board was established in 2000. However, the Board had not been given any mandate to monitor the quality of existing programs. It will only advise the Minister on the quality of new degree programs proposed by colleges and new private universities.

In summary, the Ministry did not yet have assurance that program quality is consistently evaluated and compared, to the extent possible, to other universities, or that the results are reported to all interested stakeholders.

### **Access**

#### **Recommendation**

*In order to ensure that the university system is meeting provincial and student needs, the Ministry should:*

- *develop indicators that measure the extent to which its universities program has met its accessibility objectives;*
- *obtain the information necessary to reliably forecast capacity and spending requirements;*
- *monitor universities' efforts to reallocate capacity to meet changes in demand and take appropriate action where they are unsatisfactory; and*
- *encourage and monitor universities' efforts to deliver programs in ways that lessen the need for students to rely on financial assistance programs and reduce the time and cost required for students to achieve their educational objectives.*

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## Current Status

Specific indicators of progress towards the Ministry's accessibility goal were still being worked on according to the draft framework document. The Ministry reiterated its accessibility goal in its *2000/01 Business Plan* and in the draft framework document, and its immediate focus has been on ensuring that there will be sufficient postsecondary capacity to handle the peak enrolment years created by demographic trends and the elimination of grade 13 in 2003.

In August 2000, all universities provided institutional plans that included five-year enrolment growth forecasts. The Ministry has since summarized and compared them to ministry projections based on demographic trends. The plans were also to address such issues as: changes in student demand; specialization; faculty renewal; quality improvement; university-college collaboration; alternative modes of delivery (for example, distance education); and operational efficiencies.

## **MONITORING THE FINANCIAL HEALTH OF UNIVERSITIES**

### Recommendation

*In order to ensure that Ontario's universities are and remain financially sound, the Ministry should establish clear policies and obtain the resources and information needed to effectively monitor the financial condition of universities at risk and to take any necessary corrective action.*

### Current Status

The draft framework document describes the process that the Ministry has used for several years to monitor the financial condition of universities. New indicators of financial condition were still being developed and a new Performance and Accountability Unit was being established to improve monitoring of the universities. Timeliness of financial reporting was also still problematic. As the Task Force on Investing in Students concluded:

The timeliness of the data prevents an analysis of the most current financial position of each institution. This is a major weakness in the Ontario institutional data set because it means that important decisions must be made with outdated data and the problems might be masked or fail to be incorporated into assessments of comparative institutional performance. In addition, members of governing boards and the administrators at each institution are at a disadvantage when reporting on the activities of the current year due to the absence of comparative data from competing institutions.

In conclusion, the Ministry's arrangements to ensure institutions provide reliable financial information on a timely basis had not yet been satisfactorily addressed.

## **UNIVERSITY PERFORMANCE REPORTING**

### Monitoring Economy and Efficiency

#### Recommendation

*In order to assist the Ministry and governing bodies in assessing institutional performance, the Ministry should encourage universities to develop and report*

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*measurable objectives and appropriate indicators of the economy, efficiency, and effectiveness with which they meet them.*

### **Current Status**

The Ministry continues to require universities to publish for each of their programs: the graduation rate; graduate employment rate; and the Ontario Student Assistance Program loan default rate.

The draft framework document proposed that universities develop institution-specific indicators for ministry review and that these indicators focus on achievement of previously stated goals. Only some institutions have begun to report such information and not all of those publish it.

No additional common indicators had so far been proposed. The report of the Task Force on Investing in Students reiterated the need for “a common set of performance indicators and benchmarks of best practice to provide reliable information and a consistent set of measures on the performance of the higher education sector.”

Bill 46, the Public Sector Accountability Act, would, if passed by the Legislature, require universities to publish annual reports that include a business plan for the following year and a description of the extent to which the university achieved its goals and objectives for the year, as set out in that year’s business plan. The Ministry believes that such reporting would be sufficient for the Ministry to monitor and assess universities’ performances.

## **FUNDING UNIVERSITY EDUCATION**

### **Recommendation**

*In order to help ensure that the funding system meets the needs of students and the province, the Ministry should establish funding approaches that link funding to the achievement of the Ministry’s postsecondary education objectives.*

### **Current Status**

The Ministry articulated two major objectives in the draft accountability framework document:

- that institutions demonstrate responsiveness to the choices made by willing and qualified students about which programs they wish to study and which institutions they want to attend; and
- that institutions demonstrably provide an excellent education experience, based on agreed-upon criteria.

Funding links to these two objectives had not been established, although limited funding linked to performance or provincial goals was introduced since our audit. For instance, in 2000, the Ministry established a performance fund of \$16.5 million to be allocated to institutions based on their performance regarding three outcome indicators: their graduation rates and their graduate employment rates six months and two years after graduation. For the 2001/02 fiscal year, the fund was increased to \$23.2 million and the allocation method refined to address concerns over fairness expressed by the universities. Also, special purpose funding had been introduced to assist universities to respond to the increasing demand for graduates of high-technology, nursing, medicine, and teaching programs. To increase accessibility, in 2000, the Ministry introduced funding of \$16.5 million that is tied to a university’s ability to attract new students. This accessibility fund was increased to \$25.8 million in the 2001/02 fiscal year.