



Office of the Auditor General of Ontario

Value-for-Money Audit:
Financial
Management in
Ontario Universities



November 2022

Ministry of Colleges and Universities

Algoma University

Nipissing University

Ontario Tech University

University of Windsor

Financial Management in Ontario Universities

1.0 Summary

Ontario's 23 universities offer post-secondary undergraduate and graduate degrees to about 540,000 students in a wide variety of fields, and employ approximately 17,000 full-time faculty members. University education is a critical part of preparing Ontario students for their future. It provides individuals the opportunity to obtain a high-quality education and the necessary skills and knowledge to succeed and contribute to societal advancement. Universities are also able to supply Ontario's businesses with the talent and workforce they require to grow and prosper. They seek to advance society through research conducted and to deliver to students the state-of-the-art content in their field of study. According to Statistics Canada data on employment rates by educational attainment, 71% of Ontarians with a university degree were employed in 2020.

When a university is negatively impacted by administrative and financial issues, however, its ability to fulfill those roles is diminished, putting the education of its students, employment of its staff, and contributions to the economy of the Province at risk. This audit was conducted in the wake of the filing for creditor protection under the *Companies' Creditors Arrangement*

Act by Sudbury-based Laurentian University. Mismanagement, weak board oversight and questionable decision-making at Laurentian led to the elimination of academic programs, affecting students, professors and staff.

We assessed key operations and governance structures at four Ontario universities: Algoma University, Nipissing University, Ontario Tech University, and the University of Windsor. These publicly funded institutions were chosen based on their past financial performance vis-à-vis the Ministry of Colleges and Universities (Ministry) financial-health indicators and for comparative purposes; they are small or medium-sized universities. In 2020/21, all four universities performed below the provincial average in four of seven key financial indicators (primary reserve, viability ratio, in-year surplus and expendable net assets).

Ontario universities have faced several uncontrollable challenges over the past five years, including a 10% province-wide tuition reduction and freeze, and disruptions as a result of the COVID-19 pandemic. Only one, Algoma, had an annual surplus consistently throughout the five-year period 2016/17 to 2020/21. Nonetheless, all four universities we audited had positive net assets as of the end of fiscal year 2020/21. Although the universities we audited were in a positive financial position at the time of our audit, some issues,

if left unaddressed, could put the future financial sustainability of the universities at risk. For example:

- The impact of the domestic student tuition reduction and freeze in Ontario has resulted in universities increasing their focus on international student tuition fees. A high reliance on international student enrolment by universities poses risks outside of the Ministry's and the universities' control, such as the potential loss of a large number of students if individuals from one country were to suddenly not be able to obtain study permits (visas) or otherwise be restricted from entering Canada. In 2021/22, three of the four (Algoma, Nipissing, and Windsor) selected universities relied significantly on one country (India) for their international students.
- Weaknesses in universities' financial management practices, such as not establishing or adhering to policies limiting external borrowing and debt servicing costs, despite carrying significant long-term debt; not preparing budgets and cash flows that are complete and accurate to control spending and make better financial decisions; not analyzing the profitability of academic programming and adjusting offerings where appropriate to improve financial sustainability; and failing to assess the financial feasibility of major capital projects before proceeding with them.

An evolving challenge for the Ministry is that it has operated without a clear strategy or long-term vision for the post-secondary education sector that clearly 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 now overlap. This has created confusion in differentiating between these two types of institutions, and could impact their ability to sustain themselves in the long term.

A further challenge for the Ministry is that it does not have the legislative authority to intervene

unilaterally in the operation of publicly funded universities, even if it is aware of an institution's worsening financial condition. Our audit confirmed that it does not have clear and strong processes in place to proactively work with and assist universities to improve their financial situation if required.

The following is a summary of some of our specific findings for each of the four universities we audited:

Algoma University

Established as a university in 2008, and located on the former site of the Shingwauk Indian Residential School in Sault Ste. Marie, Algoma has a special mission to provide cross-cultural learning between Indigenous communities and other communities in Northern Ontario. It offers programs in liberal arts, sciences, and business, primarily at the undergraduate level.

In 2021/22, 3,500 students attended Algoma University. The university employed 236 full-time employees consisting of 81 (34.3%) faculty and academic support staff and 155 (65.7%) full-time administrative staff.

In 2020/21, the most recently available information, the university received \$23.5 million in tuition revenue (54% of total revenue) and \$20 million in government funding (46% of total revenue) including a \$5.3 million COVID-19 relief grant. It had an in-year surplus of \$7.5 million.

Specific findings for Algoma University include:

- **Revenue is largely driven by international students from India enrolled at the Brampton campus.** In 2018, Algoma expanded its campus in Brampton, Ontario. As of 2021/22, the Brampton campus generated 65% of the university's revenue and 51% of the university's total enrolment; 90% of Brampton's enrolment are international students. Algoma had in-year surpluses throughout the 2016/17–2020/21 period and increased revenue by 34% during the period, with the largest contributor being international student tuition. The majority of Algoma's enrolment growth was at the School of Business and Economics on the Brampton

- campus. As a result, international students accounted for 76% of Algoma's tuition revenue for all campuses combined in 2020/21.
- **The university does not prepare and present to its Board its projected cash flows.** Algoma does not prepare and present to the Board the impact of the university's projected cash flows from operations, financing and capital purchasing activities to inform senior management and the Board of the extent to which each contributes to or draws on the university's resources.
 - **The university commingled externally restricted funds with cash from operations.** However, Algoma managed and maintained endowments and externally restricted funds using separate ledgers and held separate investment accounts for endowment funds. It also had sufficient cash and short-term investments at the end of fiscal 2020/21 to cover externally restricted funds and endowments.
 - **Retroactive application of its 2021 capital debt policy shows the university was becoming overburdened by debt in 2016/17.** As of the university's year-end on April 30, 2021, Algoma University had \$11.3 million in debt. Since inception of its capital debt policy in March 2021, Algoma has been compliant with the policy. Applying the capital debt policy retroactively to 2016/17 shows that prior to 2020/21 it would not have met target levels for the viability ratio. That meant the university was becoming overburdened by debt in comparison to the amount of expendable assets available to cover the debt.
 - **Overall profitability of ancillary services is not reviewed and monitored.** Even though the amount of revenue earned through ancillary sources is not large (5%) relative to total revenues, there are opportunities to maximize the profitability of these services. Algoma prepared a consolidated budget for ancillary operations that it presented to its Board. However, it did not prepare a profitability analysis for each ancillary service in 2019/20, 2020/21 and 2021/22.
 - **Based on its analysis, Algoma demonstrated a profit from academic programming for the 2020/21 year.** The university did not regularly assess the financial contribution of its academic programming up to 2020/21. However, Algoma completed an analysis of the profitability of academic departments as a one-time exercise in 2020/21. The analysis considered only tuition revenue and the cost of instruction, but no overhead costs. Furthermore, the analysis did not look at the profitability of each of the Sault Ste. Marie, Timmins and Brampton campuses separately.
 - **The university did not always assess the financial feasibility of major capital projects before proceeding with them.** One of four projects reviewed did not include a financial assessment—the proposed construction of an Indigenous cultural centre (Mukwa Waakaa'igan), originally expected to cost \$16 million. A business case was presented to the Board in November 2019 that included the rationale for this project. However, it did not include a financial analysis to justify the cost of the capital expenditure.
 - **The university does not track graduating international students to see if they stayed in its region and contributed to the economy.** Algoma does not actively maintain an up-to-date record of international student post-graduate progress or location. Doing so could help the university adjust its program offerings, improve its recruitment efforts and help in promoting the university.
 - **Current compensation practices for international recruiting agents incentivize them to recruit more students, but not necessarily more qualified students.** Agents are compensated based on a percentage of the base tuition. The university also paid in-country recruiting services a fixed monthly fee plus expenses incurred. This compensation structure may incentivize recruiting agents to recruit a large number of students who may not ultimately

become successful graduates because the students are meeting only minimum admission requirements, but may be missing an opportunity to apply contractual incentives to motivate recruiting agents to not only meet but exceed admission requirements in their pursuit of prospects. Algoma's international undergraduate student graduation rate for 2022 was 55%.

- **The large size and composition of the Board are not aligned with best practices.** Having an 18-member Board has resulted in establishment of an executive committee that has authority to make decisions on behalf of the Board, meaning the committee could act as a “board within a board.” The term limit for Board members at Algoma is six years compared to the best practice of nine years. The benefit of longer-term limits is that they provide members with enough time to gain experience with and knowledge of the university, to better enable them to become proficient on committees and move into senior oversight positions, such as Board vice-chair and Board chair.
- **The Board has an emergency succession plan in place for an interim president, if required.** Algoma had an emergency succession plan in place for the president that identifies an individual who can serve as an interim president if necessary. A succession plan for a permanent replacement was not in place.
- **Members of the Board did not possess critical competencies required to provide effective governance.** Five core competencies for a university board include finance, accounting, executive management, risk management and cybersecurity. Algoma did not track the competency level of two of the five critical skills—risk management and cybersecurity. Further, about half of the Board members had little or no financial literacy expertise or experience, where near-to-all members of a board should be competent in this area to be able to question management accordingly.

- **Key internal oversight functions for effective governance were absent.** Algoma did not have any of the expected oversight functions in place, including risk management, compliance and internal audit. These processes help an organization identify risk, implement internal controls to mitigate the risk, evaluate adherence to policy, law and regulations, and provide independent assurance that internal control processes are operating effectively.

Nipissing University

Nipissing University College was formed in 1967 as an affiliate of Laurentian University. Nipissing University received its charter as an independent university in 1992, and was established in North Bay to address the specific needs of Northern Ontario. Nipissing is primarily an undergraduate university with a particular focus on teacher education and nursing.

In 2021/22, 6,200 students attended Nipissing University. The university employed 478 full-time employees consisting of 188 (39.3%) faculty and academic support staff and 290 (60.6%) full-time administrative staff.

In 2021/22, the university received \$31.3 million in tuition revenue and was provided with \$35.5 million in government funding (44% of total revenue). It had an in-year operating deficit of \$4.5 million.

Specific findings for Nipissing University include:

- **Financial sustainability is weakening with declining revenues and consistent annual losses.** Nipissing accumulated \$9.4 million in net losses from 2016/17 to 2020/21, which contributed to drawing down its net assets from \$25.2 million in 2016/17 to \$16.1 million for the year ending 2020/21, along with other adjustments for external contributions and employee benefits. Nipissing has not actively engaged in international recruitment, with only 1% of enrolment being international students. Therefore, it is primarily reliant on domestic tuition and government grants.

- **The university does not prepare and present to its Board its projected cash flows.** Nipissing does not prepare and present to the Board the impact of the university's projected cash flows from operations, financing and capital purchasing activities to inform senior management and the Board of the extent to which each contributes to or draws on the university's resources.
- **Deficits were continuously budgeted for, with no plan on how the university will become profitable.** Nipissing's annual operating budgets for each year from 2016/17 to 2021/22 were presented to its Board in a deficit position, but did not contain formal strategies for returning to a surplus position. Nipissing does not prepare a capital budget, and its annual budget does not take capital spending impacts into consideration.
- **The university commingled externally restricted funds with cash from operations.** However, Nipissing managed and maintained endowments and externally restricted funds using separate ledgers and held separate investment accounts for endowment funds. It also had sufficient cash and short-term investments at the end of fiscal 2020/21 to cover externally restricted funds and endowments.
- **Retroactive application of its 2021 capital debt policy showed the university was overburdened by debt.** As of its year-end on April 30, 2021, Nipissing University had \$34.7 million in debt from various undertakings, including the construction of residence buildings and a research innovation centre. Nipissing developed a capital debt policy for the first time in November 2021. The university has not breached its capital debt policy since its inception. However, if the measures were retroactively applied for five years beginning in 2016/17, it would have breached its interest burden ratio in two of the five years, and its debt per full-time-equivalent (FTE) student ratio also in two of the five years.
- **Over the five-year period from 2016/17 to 2020/21, Nipissing has realized a net profit of \$2.1 million in its ancillary services.** However, it does not review or monitor the profitability of individual ancillary services. This is a missed opportunity for the university to determine which services are generating a profit and which are not, in order to take any necessary corrective actions to maximize profits.
- **The university had not adjusted program offerings to improve financial sustainability, despite financial losses in its academic programming.** Over the five-year period from 2017/18 to 2021/22, Nipissing's academic programming was not profitable in three of the years, 2018/19, 2020/21 and 2021/22. For the 2021/22 year, only six of its 22 departments had a positive profit margin. The overall loss for all programs was about \$4.3 million. However, the university had not adjusted or restructured its program offerings to improve financial sustainability.
- **The university did not assess the financial feasibility of major capital projects before proceeding with them.** None of the four capital projects we reviewed were supported by a business case or a financial feasibility assessment. For example, the largest project was an expansion of the university's Athletic Centre in 2015 at a cost of \$23.1 million, of which \$8.5 million was funded through external debt. Despite the significant cost of the project and the use of external financing (37% of total project costs), the university had not completed a business case that contained the feasibility of the project to present to the Board for review and approval.
- **The university does not track graduating international students to see if they stayed in its region and contributed to the economy.** Nipissing does not actively maintain an up-to-date record of international student post-graduate progress or location. Doing so could help the university adjust its program offerings, improve its recruitment efforts and help in promoting the university.

- **Current compensation practices for international recruiting agents incentivize them to recruit more students, but not necessarily more qualified students.** Agents are compensated based on a percentage of the base tuition. This compensation structure may incentivize recruiting agents to recruit a large number of students who may not ultimately become successful graduates because the students are meeting only minimum admission requirements, but may be missing an opportunity to apply contractual incentives to motivate recruiting agents to not only meet but exceed admission requirements in their pursuit of prospects. Having said this, Nipissing’s international undergraduate student graduation rate was 92% for 2022.
- **Large size and composition of the Board are not aligned with best practices.** Having a 26-member Board has resulted in the establishment of an executive committee that has the authority to make decisions on behalf of the Board, meaning the committee could act as a “board within a board.” The term limit for Board members at Nipissing is six years compared to the best practice of nine years. The benefit of longer term limits is that they provide members with enough time to gain experience with and knowledge of the university, to better enable them to become proficient on committees and move into senior oversight positions, such as Board vice-chair and Board chair.
- **The university’s Board has not conducted presidential succession planning.** Nipissing does not have an emergency succession plan for the president, including identification of an interim president if an unplanned replacement of the president is required, nor does it have a permanent plan for presidential succession.
- **Members of the university Board did not possess critical competencies required to provide effective governance.** Nipissing did not track the competency level of two of five critical skills for a university board—executive management and cybersecurity. Further, about half of

the Board members had little or no financial literacy expertise or experience, where near-to-all members of a board should be competent in this area to be able to question management accordingly.

- **Key internal oversight functions for effective governance were absent.** Nipissing did not have any of the expected oversight functions in place, including risk management, compliance, and internal audit. These processes help an organization identify risk, implement internal controls to mitigate the risk, evaluate adherence to policy, law, and regulations, and to provide independent assurance that internal control processes are operating effectively.

Ontario Tech University

Ontario Tech University, founded in 2002 as the University of Ontario Institute of Technology, has two campus locations in Oshawa, one in the north end and one in the downtown core. Ontario Tech offers undergraduate, college-to-university transfer, and graduate programs across seven different faculties, with primary focus in the areas of science, technology, engineering and math.

In 2021/22, 11,000 students attended Ontario Tech University. The university employed 858 full-time employees consisting of 341 (39.7%) faculty and academic support staff and 517 (60.3%) full-time administrative staff.

In 2021/22, the university received \$87.1 million in tuition revenue and was provided with \$75.2 million in government funding (33% of total revenue), and had an in-year surplus of \$12.4 million.

Specific findings for Ontario Tech University include:

- **Ontario Tech achieved in-year surpluses in four of the last five years partly due to increased international student enrolment.** Throughout the five-year period from 2016/17 to 2020/21, Ontario Tech had four in-year surpluses, experiencing only one in-year deficit, in 2019/20. Ontario Tech’s total revenue was 6% higher in 2020/21 than in 2016/17. Similarly, Ontario Tech’s full-time-equivalent international

student enrolment was 23% higher in 2020/21 than in 2016/17.

- **Ontario Tech has established debt guidelines, but does not have a formal capital debt policy.**

As of the university's year-end on March 31, 2021, Ontario Tech's debt totalled \$188 million. Instead of a formal capital debt policy, Ontario Tech developed debt guidelines in January 2020.

- **The university does not present a budget to its Board that includes individual ancillary services or large capital expenditures.** Ontario Tech prepares a budget where ancillary streams are separated; however, it presents only an aggregate version to the Board. It also provides its Board with a combined budget for operations and capital projects costing less than \$5 million. Capital projects costing more than \$5 million, are approved by the Board individually, but no separate capital budget is prepared, nor is this information included in the combined budget.
- **The university does not present to its Board its projected cash flows.** Ontario Tech does not present to the Board the impact of the university's projected cash flows from operations, financing and capital purchasing activities to inform senior management and the Board of the extent to which each contributes to or draws on the university's resources.
- **Ontario Tech maintained separate bank accounts for externally restricted funds and endowments.** The university also had sufficient cash and short-term investments at the end of fiscal year 2020/21 to cover externally restricted funds and endowments, according to its audited financial statements.
- **The university has avoided overreliance on international student enrolment from a single country, or few countries.** International students were most represented by individuals from India at Ontario Tech, but at 20% in 2021/22, a much lower proportion than at other universities audited. The university has also established an internal benchmark where no single country is

to comprise more than 30% of total undergraduate international student enrolment, and has adhered to this for at least the past five years ending 2021/22.

- **The university does not track graduating international students to see if they stayed in their region and contributed to the economy.** Ontario Tech does not actively maintain an up-to-date record of international student post-graduate progress or location. Doing so could help the university adjust its program offerings, improve its recruitment efforts and help in promoting the university.
- **Current compensation practices for international recruiting agents incentivize them to recruit more students, but not necessarily more qualified students.** Agents are compensated based on a percentage of the base tuition. The university also paid in-country recruiting services a fixed monthly fee plus expenses incurred. This compensation structure may incentivize recruiting agents to recruit a large number of students who may not ultimately become successful graduates because the students are meeting only minimum admission requirements, but may be missing an opportunity to apply contractual incentives to motivate recruiting agents to not only meet but exceed admission requirements in their pursuit of prospects. Ontario Tech's international undergraduate student graduation rate for 2022 was 42%.
- **Some faculties are not profitable; however, Ontario Tech has restructured programs to improve overall financial sustainability.** Ontario Tech's analysis of the financial contribution of academic programming showed it had an overall positive contribution margin in each of the five years from 2017/18 to 2021/22 for all academic programming combined. However, only two of its seven faculties had a positive contribution margin in each year. Ontario Tech is the only university of the four audited that used

the analysis as a part of the basis to restructure a faculty in which consistent deficits were being experienced.

- **The university did not assess the financial feasibility of a major capital project before proceeding with it.** One of three major capital projects we reviewed did not include a financial feasibility assessment. For the largest project reviewed (\$46.6 million, completed in 2021), a business case was presented to and approved by the Board, but it did not include a rigorous cost/benefit analysis that would be expected for a project of this magnitude. Over half of the project was funded by external debt (54%), making a feasibility assessment even more important to ensure the project was positioned to benefit the university through, for example, revenue growth by attracting more students, or creating a competitive advantage. Also, the project proceeded without a sound funding plan and ended up being financed significantly by external debt.
- **Large size and composition of the Board are not aligned with best practices.** The large 24-member Board has resulted in the establishment of an executive committee that has the authority to make decisions on behalf of the Board, meaning the committee could act as a “board within a board.” The term limit for Board members is six years, compared to the best practice of nine years. The benefit of longer term limits is that they provide Board members with the opportunity to become proficient on committees and move into senior oversight roles, such as Board chair and vice-chair.
- **The university’s Board has not conducted presidential succession planning.** Ontario Tech does not have an emergency succession plan for the president, including identification of

an interim president if an unplanned replacement of the president is required, nor does it have a permanent plan for presidential succession.

- **Members of the university Board did not possess critical competencies required to provide effective oversight.** Ontario Tech did not track the competency level of two of five critical skills for a university Board—risk management and cybersecurity. Further, over a third of Board members had little or no financial literacy expertise or experience, where near-to-all members of a board should be competent in this area.
- **A key internal oversight function for effective governance was absent.** Although Ontario Tech had the expected oversight functions of risk management and compliance in place, it did not have an internal audit function. Having an internal audit function would provide independent assurance that internal controls are operating effectively.

University of Windsor

Established in 1963 as an independent university, the University of Windsor is a medium-sized university, offering a comprehensive suite of more than 200 undergraduate and graduate degree programs, including programs in law, business, engineering, education, nursing, human kinetics and social work.

In 2021/22, 20,400 students attended the University of Windsor. The university employed 1,547 full-time employees consisting of 631 (40.7%) faculty and academic support staff and 916 (59.3%) full-time administrative staff.

In 2021/22, the university received \$222.3 million in tuition revenue and was provided with \$96.9 million in government funding (24% of total revenue), and had an in-year surplus of \$14.6 million.

The university is located next to one of Canada’s busiest border crossings with the United States, across

from Detroit, Michigan, and maintains close ties with major auto companies and suppliers through its Centre for Automotive Research and Education.

Specific findings for the University of Windsor include:

- **Windsor achieved in-year surpluses in three of the last five years, partly due to increased international student enrolment.** Throughout the five-year period from 2016/17 to 2020/21, Windsor had three in-year surpluses, experiencing in-year deficits in 2018/19 and 2019/20. During this period, Windsor maintained a positive net asset balance of over \$100 million in each year. During the five-year time frame, Windsor increased its total revenue by 13%, partly by increasing its full-time-equivalent international student enrolment by 33%. From 2016/17 to 2020/21, the proportion of total revenues from international tuition doubled from 9.6% to 20.9%.
 - **Despite having the third-highest debt per student ratio among 19 Ontario universities, Windsor does not have a policy in place limiting the level of external financing.** At the end of 2020/21, the university had \$234.3 million in debt, primarily comprising debentures maturing in 2043 or later. Despite this high debt, Windsor does not have a capital debt policy in place to provide a framework for all borrowings to manage overall risks and minimize borrowing costs.
 - **The university does not prepare and present to its Board its projected cash flows.** Windsor does not prepare and present to the Board the impact of the university's projected cash flows from operations, financing and capital purchasing activities to inform senior management and the Board of the extent to which each contributes to or draws on the university's resources.
 - **The university commingled externally restricted funds with cash from operations.** However, Windsor managed and maintained endowments and externally restricted funds using separate ledgers and held separate investment accounts for endowment funds. It also had sufficient cash and short-term investments
- at the end of fiscal 2020/21 to cover externally restricted funds and endowments.
 - **The university is significantly reliant on enrolment of international students from India.** In 2020/21, 60% of international students at Windsor were from India and 12% from China. Overreliance on a few geographic regions increases the risk that external factors, such as a global economic downturn or foreign policy shift, could significantly impact a university's financial health.
 - **The university did not track graduating international students to see if they stayed in their region and contributed to the economy.** Windsor did not actively maintain an up-to-date record of international student post-graduate progress or location. Doing so could help the university adjust its program offerings, improve its recruitment efforts and help in promoting the university.
 - **Current compensation practices for international recruiting agents incentivize them to recruit more students, but not necessarily more qualified students.** Agents are compensated based on a fixed rate for each recruited student, with some variation based on a student's program of choice. The university also paid in-country recruiting services a fixed monthly fee plus expenses incurred. This compensation structure may incentivize agents to push for quantity, with students satisfying only minimum admission requirements, but may be missing an opportunity to apply contractual incentives to motivate recruiting agents to not only meet but exceed admission requirements in their pursuit of prospects. Windsor's international undergraduate student graduation rate for 2022 was 69%.
 - **In the two most recent years, 2020/21 and 2021/22, the university's academic programs had negative contribution margins.** Some faculties were not profitable. According to the university's assessment of profitability of its faculties, four of its eight faculties

have continuously had negative contribution margins in each of the five years from 2017/18 to 2021/22. Windsor's academic programming overall was profitable in three of the last five years. However, the university had not adjusted or restructured its program offerings to improve financial sustainability.

- **The university did not assess the financial feasibility of a major capital project before proceeding with it.** Although a business plan was presented to the Board for each of four major capital projects we reviewed, for one of the projects expected to be completed in February 2023, the business case was not supported by a financial cost/benefit analysis to justify the cost of the investment and did not include estimates of future operating and financing costs and the university's ability to pay for those costs. This would be expected of a project mainly funded by debt (73%).
- **Large size and composition of the Board are not aligned with best practices.** The large 32-member Board has resulted in the establishment of an executive committee that has the authority to make decisions on behalf of the Board, meaning the committee could act as a "board within a board." The number of internal members of the Board also exceeded best practice recommendations to be fully effective, as did the number of committees of the Board.
- **The Board has an emergency succession plan in place for an interim president, if required.** Windsor had an emergency succession plan for the president, including identification of an interim president in the event of an unplanned replacement of the president is required, but did not have a permanent plan for succession in place.
- **Members of the university Board did not possess critical competencies required to provide effective governance.** Windsor did not track the competency level of one of five critical skills of a university board, cybersecurity.

Further, a third of Board members had little or no financial literacy expertise or experience, where near-to-all members of a board should be competent in this area.

Overall Conclusion

Our audit concluded that although all but one of the universities (Algoma) have had in-year financial deficits during the 2016/17–2020/21 period, they are currently financially sustainable, with all four having a positive net asset balance as of the end of 2020/21. Nipissing has experienced an in-year deficit in four of the five years, drawing down its net assets by \$9.4 million, but still maintains a positive net asset balance.

The impact of the reduction and freeze on domestic tuition in Ontario appears to have contributed to universities becoming financially dependent on international student enrolment and tuition revenue. In most cases, that enrolment is dependent on students from India.

All four universities can improve their financial management practices. For instance, Ontario Tech and Windsor did not have a formal debt management policy, despite being among the most indebted universities in the province, on a per student basis. To promote sustainable financial operations, all Ontario universities need to ensure they have capital debt policies, and monitor and adhere to debt limits outlined in those policies to minimize external borrowing and debt servicing costs. As well, comprehensive business cases need to be consistently prepared for all major capital projects to inform boards on whether a project warrants its financial investment.

The effectiveness of governance practices at the selected universities can be improved as the Boards are too large, requiring authority for decision-making to be granted to executive committees, rather than the Board as a whole. As well, there are too many committees and internal members to be fully effective, compared to best practices. The competencies of members in core areas,

particularly financial literacy, need to be increased, and key oversight functions, such as risk management and internal audit, should be established in many cases.

While universities are competing for both domestic and international students for sustainability, the Ministry has not evaluated the sector as a whole to rationalize how many universities are needed, what is a reasonable amount of provincial funding, and what are reasonable tuition rates for both domestic and international students. This has resulted in an “every university for itself” mentality, rather than working toward what is best for the post-secondary system in Ontario as a whole.

The Ministry has not established a formal process that fully utilizes information it collects on the financial-health indicators to monitor the financial condition of universities each year. The Ministry also does not have the legislative authority to intervene unilaterally in the operation of publicly assisted universities even if it is aware of a university’s poor or worsening financial condition.

Algoma University

By expanding its Brampton campus without significant capital investments, Algoma University is managing to financially sustain its overall operations. It has managed to avoid increasing its level of debt by leasing space. However, Algoma has become economically dependent on international student tuition revenue from students from India. It properly segregates its endowment and research funds from normal operations and it has sufficient cash and short-term investments to cover externally restricted funds. Between 2016 and 2021, Algoma did not always prepare a financial feasibility study before undertaking large capital projects. It also did not always conduct an analysis of the profitability of its academic programming. A one-time analysis that it did conduct in 2020/21 did not look at each of the Sault Ste. Marie, Brampton and Timmins campuses separately and did not consider relevant costs, such as for physical space, administration or maintenance. Algoma does not prepare and present to the Board projected cash flows to inform senior management and the Board of

the extent to which each of operations, financing and capital purchasing activities contributes to or draws on the university’s resources. It also does not track graduating international students to see if they stayed in their region after graduation and contributed to the economy. A smaller Board of Governors would better align with governance best practices. About half of the members of the Board did not possess critical competencies required to provide effective oversight. Also, key internal oversight functions for effective governance, including risk management, compliance and internal audit, were absent.

Nipissing University

Between 2016 and 2021, Nipissing University has consistently recorded annual losses, drawing down on its net assets. Nipissing’s operating budgets for these years that it presented to its Board reported deficits without a strategy for how it would return to a surplus position. Nipissing is financially dependent on domestic tuition revenue and provincial grants. Nipissing does not prepare projected cash flows to inform senior management and the Board of the extent to which each of operations, financing and capital purchasing activities contributes to or draws on the university’s resources. It properly segregates its endowment and research funds from normal operations and it has sufficient cash and short-term investments to cover externally restricted funds. Over the five-year period from 2017/18 to 2021/22, the university’s academic programming has not been profitable in three of the years, but it has not adjusted program offerings to improve its overall financial sustainability. The university also did not assess the financial feasibility of major capital projects completed in the past before proceeding with them. Nipissing has international students, but to a lesser extent. For those that it has, it does not track graduating international students to see if they stayed in its region and contributed to the economy. A smaller size and composition of the Board and longer term limits of Board members would better align with best practices. Also, about half of the members of the Board did not possess critical competencies required to provide effective oversight. Key internal oversight functions for

effective governance, including risk management, compliance and internal audit, were absent.

Ontario Tech University

Between 2016 and 2021, Ontario Tech achieved in-year surpluses in four of the five years, partly due to increased international student enrolment. During this period, full-time-equivalent (FTE) international student enrolment increased 23%. However, the university has avoided overreliance on international student enrolment from a single country by establishing and adhering to an internal benchmark where no single country is to comprise more than 30% of total undergraduate international student enrolment. Ontario Tech has established debt guidelines, but does not have a formal capital debt policy. It properly segregates its endowment and research funds from normal operations and it has sufficient cash and short-term investments to cover externally restricted funds. The university did not assess the financial feasibility of a major capital project completed in 2021 before proceeding with it. While some of its faculties are not profitable, Ontario Tech is the only university of the four audited that has restructured programs to improve its financial sustainability. The university does not present projected cash flows to inform the Board of the extent to which each of operations, financing and capital purchasing activities contributes to or draws on the university's resources. The university also did not track graduating international students to see if they stayed in its region and contributed to the economy. Its large 24-member Board could better align in size with governance best practices with a reduced size. Over a third of Board members had little or no financial literacy expertise or experience, where near-to-all members of a board should be competent in this area. While Ontario Tech had oversight functions of risk management and compliance, it did not have an internal audit function that could provide independent assurance that systems and internal controls are operating effectively.

University of Windsor

The University of Windsor achieved in-year surpluses in three of the last five years partly due to increased international student tuition revenue. Between 2016 and 2021, Windsor increased its full-time-equivalent (FTE) international student enrolment by 33%, with 60% of its international students being from India. Reliance on one country increases the risk that external factors, such as a global economic downturn or foreign policy shift, could significantly impact the university's financial health if enrolment from India dropped. Windsor has the third-highest debt per student ratio among Ontario universities, but does not have a capital debt policy in place to manage overall borrowing risks and minimize debt service costs. The university also does not prepare projected cash flows from operations, financing and capital purchasing activities to inform senior management and the Board of the extent to which each contributes to or draws on the university's resources. It properly segregates its endowment and research funds from normal operations and it has sufficient cash and short-term investments to cover externally restricted funds. While some of its faculties are not profitable, Windsor has not assessed programs to see if it can improve its financial sustainability. It also did not assess the financial feasibility of a major capital project, expected to be completed in February 2023, before proceeding with it. Its large 32-member Board can better align with governance best practices with a reduced size. Over a third of Board members had little or no financial literacy expertise or experience, where near-to-all members of a board should be competent in this area.

To address our audit findings, this report contains 21 recommendations, with 16 action items directed to the Ministry of Colleges and Universities and between 21 and 32 action items directed to each of the universities we audited. While some recommendations within our report are directed specifically to the four universities we audited, we encourage all universities to implement the recommendations that may be applicable to them.

Appendix 1 provides an overview of the applicability of this report's recommendations to each of the selected universities. **Appendix 2** looks at the applicability of audit observations to each selected university. Audit observations pertaining to the Ministry of Colleges and Universities are presented in **Section 9.0**.

OVERALL MINISTRY RESPONSE

The Ministry of Colleges and Universities (Ministry) appreciates the work of the Auditor General and her staff and thanks them for their collaborative approach to undertaking this audit.

Ontario's 23 publicly-assisted universities play a key role in delivering high-quality education and engaging in research across Ontario, supporting the communities they are located in and supporting the province as a whole. Publicly-assisted universities in Ontario have significant autonomy in their operations, and are established under their own legislation. The province looks to universities to support the education of students – both domestic and international students – in key areas, including medicine, law, engineering, among others – and to support research and innovation. As the province recovers from the impacts of COVID-19, all postsecondary education institutions – including universities – have a key role in the province's economic recovery and success.

The Ministry acknowledges the issues and concerns raised in this audit and is committed to working with publicly-assisted universities to address the issues raised in this report. The Ministry's role is to support the postsecondary education sector as a whole, including funding publicly-assisted institutions and providing policy direction, among other things.

The Ministry will assess the recommendations and proposed actions, and take action where able. In particular, the Ministry intends to work to address concerns about the monitoring of the financial health of Ontario's publicly-assisted universities and to commit to putting in place actions to address financial health challenges.

OVERALL ALGOMA UNIVERSITY RESPONSE

Algoma University (Algoma) appreciates the work of the Auditor General and her staff and thanks them for their collaborative approach to undertaking this audit. As one of Ontario's youngest Universities, Algoma had its beginning in the small, Northern city of Sault Ste Marie. From 1965 to June 18, 2008, Algoma was an affiliate of another university. In 2008, Algoma gained independence as Ontario's 21st public university, signaling its intent to forge a new path forward. Rooted in a Special Mission, and located on the site of a former residential school, Algoma understands it has a special and unique responsibility for supporting Indigenous survivors, their families and communities in the work of truth telling and healing. Ministry policy decisions, however, particularly the 10% reduction followed by a freeze on tuition fees, has challenged our university in carrying out this important work. Today, Algoma University is proud to be developing leadership in cross-cultural and global education (delivering programming to students from over 60 countries across the globe).

Algoma is preparing for significant growth through the expansion of its third campus in Brampton. We are having an increasingly significant economic, social and cultural impact on the communities we serve and we have worked hard in the past five years to prepare the University for the next chapter of its evolution. With that, we thank the Auditor General for her timely recommendations, and will work toward their implementation. We continue our focus on policy, procedure and process that will best support student success, quality program delivery, good governance practice, risk management, international and domestic enrolment growth, graduate programming, continuing education, new infrastructure, capital commitments, and so much more. It is an exciting time for Algoma as we move into a new phase of strategic planning and we share our gratitude to all who are helping us along this exciting journey.

OVERALL NIPISSING UNIVERSITY RESPONSE

Nipissing University recognizes the importance of a partnership with the Province of Ontario in the service of providing the highest quality, sustainable model of public education. We are grateful for the review and value-for-money audit conducted by the Office of the Auditor General of Ontario. We are pleased to receive the recommendations which identify areas of improvement, and we pledge our commitment to act upon these recommendations as soon as possible. We have initiated many changes in our operations and many of the improvements that have been recommended in the audit. We have paid particular attention, for example, to Board financial and operational reporting, to program review, and to the planning, development, and operationalization of alternative revenue streams and to international recruitment to place us on track for a sustainable future.

As a proud Northern, primarily undergraduate institution, with a tremendous regional responsibility and economic impact, the cost of educating students is significantly higher than for our larger, colleague institutions in Southern Ontario. As the data clearly demonstrates, our revenues in total are 90% dependent upon government grants and student tuition. Consequently, shifts in policy can, and have had, a unique impact upon our university over time, in comparison to other universities in Ontario. The 10% cut in tuition and the freeze on tuition has had a devastating impact on our financial position, in addition to unintended consequences of the province's funding model, both affecting our capacity to return balanced budgets annually for these audited years. And, finally, our financial circumstances were negatively impacted by the pandemic.

Nipissing University is fully invested in creating a sustainable future. We have been working hard to address sustainability on all fronts, we will soon implement the recommendations provided by the Auditor General through this audit, and we look forward to finding solutions and working

as partners with the government of the Province of Ontario.

OVERALL ONTARIO TECH UNIVERSITY RESPONSE

Ontario Tech applauds the focus on continuous improvement provided by the Auditor General's comprehensive review of *Financial Management in Ontario Universities*. The observations and recommendations presented within this report support our ongoing efforts to become the destination of choice for students seeking innovative programs, employees seeking professional fulfillment and world class faculty looking to further the frontiers of research and teaching.

As a publicly funded institution, we fully welcomed the value-for-money audit to help identify areas of success and areas requiring improvement. The university is committed to creating a long-term sustainable future and will undertake work in the areas identified in this report. These actions will enhance the University's existing governance practices and provide for performance improvements as it relates to financial reporting.

Ontario Tech recognizes the integral role of the Province of Ontario in supporting a world-class post-secondary landscape that is financially sustainable. Ministry policy decisions, including a "freeze" on the sectors' two main revenue levers (tuition and grant), directly impact universities' ability to manage costs of day-to-day operations. Best practices in governance and financial management, which we are committed to, do not, alone, address the fundamental sustainability issue facing a publicly-funded sector. The university will continue to make difficult and prudent choices on what operations to fund, and how to continue to expand alternative sources of revenues guided by our vision.

Through these recommendations, Ontario Tech will strengthen its vision of embracing technology with a conscience to advance knowledge through our differentiated research and program offerings that play to the strengths of the Durham Region.

OVERALL UNIVERSITY OF WINDSOR RESPONSE

The University of Windsor would like to thank the Auditor General of Ontario for their thorough review and resulting recommendations as part of their value-for-money audit. As a publicly funded institution, we fully welcomed the opportunity to help identify areas where we are most successful and areas requiring improvement through their comprehensive examination.

The University is fully committed to acting upon these recommendations in a timely manner, and we have already embarked on a number of policy and process changes and initiatives that allow for greater transparency, accountability and performance as it relates to our governance structure, financial reporting and diversification of our international student recruitment complement.

However, the University of Windsor, like other post-secondary institutions, have faced a 10% reduction in tuition fees, imposed by the Ontario government in 2019, and a freeze of these fees in subsequent years that remains today.

This has forced universities to pivot towards increased international student enrolment and alternative sources of revenue to offset growing operating costs to ensure the continued delivery of exceptional post-secondary education. For the University of Windsor, this reduction and tuition freeze has represented a \$32 million base budget impact that required an innovative strategy to ensure the sustainability of academic and research excellence. The University welcomes further discussions across the sector and with our partners at the Ministry of Colleges and Universities to develop appropriate solutions to mitigate this impact without sacrificing quality research, teaching and student experiences.

The Auditor General's findings allow us to better strengthen our position as a regionally focused, globally relevant, post-secondary institution, with a continued focus on academic and research excellence and exceptional student experiences. We look forward to continuing to build upon the recommendations to be a post-secondary institution of choice for the learners of tomorrow.

2.0 Background

2.1 Overview

The goal of the Ministry of Colleges and Universities (Ministry) is for Ontario's post-secondary system to help people get a high-quality education and the skills needed to get good jobs, and to provide Ontario's businesses with a skilled workforce and the talent they need to thrive and prosper.

The successful completion of studies beyond post-secondary education both increases employment opportunities and generally results in higher earnings. According to Statistics Canada, Ontarians at least 25 years of age and with a university degree had a 71% employment rate in 2020, compared with 51% of those who had only a high school education. In addition, a 2019 Statistics Canada study shows that for every additional year of post-secondary education completed, annual earnings increase by 7% to 15%. Better health outcomes and lower divorce rates are also associated with higher levels of education.

The Ministry establishes provincial objectives for post-secondary education and accordingly subsidizes universities with operating and capital grants. The Ministry is also responsible for ensuring that high-quality post-secondary education is accessible to all qualified candidates. It manages this by setting tuition policies, providing low-income students with financial assistance, and funding specific initiatives.

Universities are institutions that are part of the broader public sector and that offer undergraduate and graduate degrees in a wide variety of fields, and generally have unrestricted authority to grant degrees and establish programs. Most of the 23 public universities in Ontario were created under an individual Act of the Ontario Legislature. The provisions in most university statutes are generally similar, with the Acts of most universities detailing policies and guidelines on governance structure, frameworks for establishing courses, student enrolment, funding and borrowing policy, and management of property.

Each university sets its own admission standards; these vary depending on the type of degree, program and personal situation of the applicant (for example,

Figure 1: Background Information on the Four Ontario Universities Selected for Audit

Prepared by the Office of the Auditor General of Ontario

	Algoma	Nipissing	Ontario Tech	Windsor	
Date Created/Established	May 29, 2008	Dec 10, 1992	Jun 27, 2002	Dec 19, 1962	
Region	North	North	GTA	South West	
Location – Main Campus	Sault Ste. Marie	North Bay	Oshawa	Windsor	
Number of Campuses	3 ¹	1	2 ²	2 ³	
Full-Time Equivalent Enrolment, 5-year avg ⁴	1,496	4,305	9,043	15,588	
Ministry Funding Grants, 5-year avg (\$ million) ⁴	16.0	36.7	74.6	99.1	
Number of Faculties	5	2	6	8	
Number of Undergraduate Programs	23	35	66	86	
Number of Graduate Programs	0	7	35	45	
Average Domestic Tuition (2020/21)	Undergrad (\$)	5,865	6,290	7,426	8,327
	Graduate (\$)	n/a ⁵	9,012	7,770	9,210
Average International Tuition (2020/21)	Undergrad (\$)	20,923	19,325	24,872	29,734
	Graduate (\$)	n/a ⁵	18,375	21,057	16,535
Fiscal year	May 1–Apr 30	May 1–Apr 30	Apr 1–Mar 31	May 1–Apr 30	

1. Two campuses are located in Northern Ontario (Sault Ste. Marie and Timmins) and the third is in Brampton.

2. Both campuses are in Oshawa (one in North Oshawa and the other in the downtown area).

3. Both campuses are located in Windsor (main campus and downtown campus).

4. 2016/17–2020/21.

5. Graduate programs not offered at Algoma.

grades and enrolling in a program for the first time versus applying as a mature student).

As of March 31, 2022, Ontario's 23 universities offered undergraduate and graduate degrees to about 540,000 students in a wide variety of fields, while they employed approximately 17,000 full-time faculty members. Faculty include tenured staff who have both teaching and research responsibilities, teaching staff who generally have no research responsibilities, and part-time sessional instructors who are under contract to teach one or more courses.

Figure 1 contains foundational information about the four universities that we audited. For 2023 *Maclean's* university rankings and the latest available enrolment information at the time of our audit for all publicly funded Ontario universities, see **Appendix 3**.

2.1.1 Organizational Structure and Operations of Universities

Almost all universities (including the four selected for this audit) are governed by bicameral bodies,

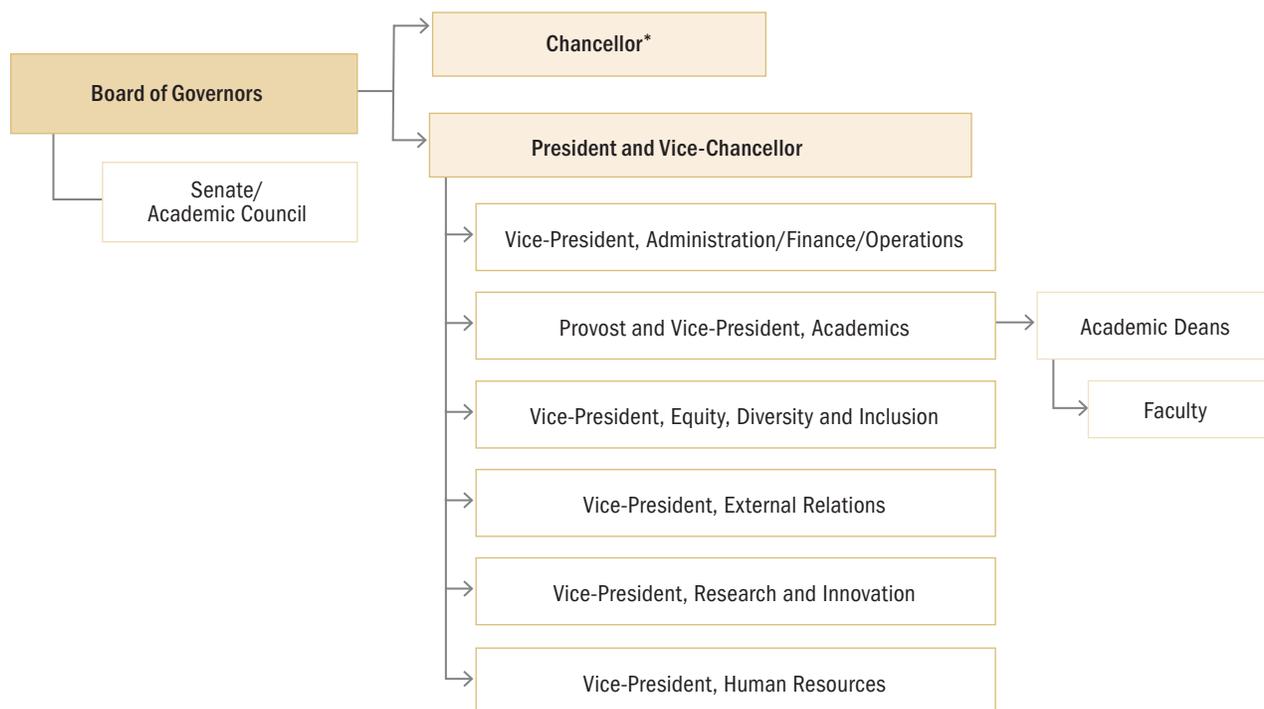
consisting of a Board of Governors or Trustees, and a Senate or Academic Council. The board and the university president generally have powers over the operational and financial management of the university, whereas the senate is responsible for decisions with respect to educational policy, such as adding or removing programs. The Board of Governors is considered the corporate and/or legal entity with authority to make bylaws, resolutions or regulations with respect to the management and control of property, revenues, expenses, business and other operations. The senate is responsible for the academic programming. **Figure 2** displays the typical organizational structure of an Ontario university, and **Figure 3** shows the number of full-time employees by employment group for the four universities we audited.

Board of Governor Composition and Appointment Process

The composition of each university's board is determined by the institution's legislation. University boards in Ontario generally are made up of internal

Figure 2: Typical Governance Structure of an Ontario University

Prepared by the Office of the Auditor General of Ontario



* The Chancellor serves as the nominal head of the university, presides over all major ceremonies, confers all degrees of the university, and is an ex officio member of the Board of Governors and/or the Senate.

Figure 3: Number of Full-Time Employees by Employment Group,¹ 2021/2022

Source of data: Universities selected for audit

Employment Group	Algoma	Nipissing	Ontario Tech	Windsor
Administrative support	145	275	500	890
Faculty and academic support	81	188	341	631
Senior administration ²	9	10	9	17
Deans	1	5	7 ³	9
Total	236	478	857	1,547

1. Information based on payroll and human resources data provided by each university.

2. Senior administration includes the president, vice-presidents, associate or assistant vice-presidents, chief of staff, registrar, university librarian, provost, university secretary and general counsel.

3. Six faculty deans and one dean for the School of Graduate and Postdoctoral Studies.

stakeholders (such as administrators, faculty and students), and external stakeholders (such as alumni, employees of affiliated universities, municipalities and/or Indigenous council). The board can also include ex officio members (for example, the president of the university) or honorary members, such as individuals who have made significant contributions to the university.

The board includes elected members chosen by the board or by another stakeholder group, such as the student body electing their own representative for the board. Board members can also be appointed by the Senate and through the provincial appointment process by the Lieutenant Governor in Council (LGIC).

- A board will also have sub-committees to address specific issues (e.g., audit, finance, capital). Committees can include members that are not on the board. We calculated that, on average, each university board in Ontario consists of 29 board members, of which one-third are internal stakeholders and two-thirds external stakeholders. For the four universities selected for this audit, the size of their boards ranged from 18 to 32 members.
- compliance with relevant transfer payment agreements, or equivalent, for individual grant programs to determine funding use and achievement of any associated measurable outcomes; and
- executive compensation for compliance with the *Broader Public Sector Executive Compensation Act, 2014*.

Senate Composition and Operations

The senate's powers include the ability to create and set policy and requirements for faculties, departments, and courses of instruction, although the financial implications of those decisions require board approval. The senate can also create regulations for the admission of students, courses of study and requirements for graduation.

Senates vary in size and composition, and include appointed and elected members, including ex officio members. The ex officio positions commonly include the university's president, deans and heads of affiliated colleges, senior administrators, students, public members, and other staff. There are no LGIC appointments on a senate. The size of the senate for the four universities selected for audit ranged from 43 to 85 members.

See **Figure 4** for a summary of the governance structure of the four universities selected for audit.

2.2 Ministry Oversight and University Reporting of Key Performance Metrics

The Ministry's general oversight activities include monitoring of:

- enrolment data reported each semester and compliance with the government's tuition fee for domestic students, which in 2019/20 was reduced by 10% and has since remained frozen;
- financial-health performance indicators compared to internal Ministry benchmarks;

2.2.1 Strategic Mandate Agreements

Each university has a Strategic Mandate Agreement (SMA) with the Ministry, which includes the government's accountability and transparency objectives, as well as each university's priorities for the applicable period. In September 2020, the third iteration of Strategic Mandate Agreements (SMA3s) were signed with all publicly assisted universities. The Province has similar agreements with all 24 publicly assisted colleges. Unlike the previous two rounds of agreements that had three-year terms, the most recent agreements have five-year terms (2020–2025) and introduce a new performance-based funding model.

The new model includes a grant that is based on a university's performance of 10 metrics against targets established for each university. These metrics are aligned with government priorities, such as skills and job outcomes, and economic and community impact. The Ministry originally planned to allocate 60% of the operating funding it provides to each university by 2024/25 based on the university meeting those 10 performance metric targets. In 2020, the Ministry delayed the implementation of performance-based funding for the first two years of the agreement in response to the COVID-19 pandemic. In February 2022, it again announced performance-based funding was delayed for one additional year until 2023/24. In 2023/24, only 10% of operating funding will be based on meeting performance targets, increasing to 25% in 2024/25.

See **Appendix 4** for the description of each measure included in the SMA3, the most recent results for the selected universities, and the average results for the 2021/22 school year.

Figure 4: Governance Structure Comparison for the Universities Selected for Audit, 2021/22

Prepared by the Office of the Auditor General of Ontario

Member Type	Algoma	Nipissing	Ontario Tech	Windsor
Board of Governors				
Alumni	1	1	0	2
Ex officio	2	4	2	1
Faculty	1	2	2	0
Indigenous education representative	0	1	0	0
Lieutenant Governor in Council	3	6	3	4
Non-teaching employees	1	2	1	0
Other	0	0	0	6 ¹
Public	19	6	16	15
Senate	1	2	0	4
Student	2	2	1	0
Maximum allowable size per Act²	30	26	25	32
Current Board membership	17	25	24	30
Vacancies	1	1	0	2
Total current Board of Governors size	18	26	24	32
Senate³				
Alumni	0	1	0	1
Board of Governors	1	2	1	2
Ex officio	6	9	16	23
Faculty	30	39	25	45
Indigenous education representative	1	1	0	1
Non-teaching employees	1	0	1	1
Faculty union	0	0	0	1
Council of Ontario Universities	0	0	1	1
Student	4	6	6	11
Maximum allowable size per Act²	43	58	50	86
Current Senate membership	41	54	45	82
Vacancies	2	4	5	4
Total current Senate size	43	58	50	86

1. The University of Windsor is required to have six members of its Board of Governors appointed by affiliated Assumption University's Board of Governors.

2. Differences in maximum allowable Board or Senate size and current membership size may be due to vacancies or the allowance for a range in the number of members representing a particular group.

3. Ontario Tech University's academic decision-making body is referred to as the Academic Council.

2.2.2 Ministry Key Performance Indicators

The Ministry has been publishing key performance indicators for Ontario universities since 1998. According to the Ministry, the performance indicators are collected for informational purposes to support institutional planning, program development and marketing; to support prospective students in making decisions about their post-secondary pathway; and to support institutions to market themselves to international students. The current group of key performance indicators are shown in **Appendix 5**. Three of the performance indicator groups feed into the current Strategic Mandate Agreement (SMA3) metrics mentioned in **Section 2.2.1**, namely, graduation rate, graduate employment rate and job relatedness.

Data for most of the indicators are collected by a third party under contract with the Ministry that surveys graduates six months and two years after graduation. The results for the other indicators are based on data collected directly by the Ministry or universities.

2.2.3 Financial-Health Indicators

Since 2014/15, the Ministry has collected information on seven measures of financial sustainability, referred to as the financial-health indicators. These indicators are not part of the SMA3. Refer to **Appendix 6** for more data on financial-health indicators.

Based on an assessment of the financial-health indicators, the Ministry assigns a risk category of high, medium or low to each university. A summary of achievement of the financial-health indicators and the risk assessment for the period 2016/17–2020/21 is provided in **Appendix 7** for all Ontario universities (excluding l’Ontario français for which indicators were not calculated).

2.2.4 Council of Ontario Universities (COU)

The COU is a group representing 20 publicly supported Ontario universities (not including Hearst, Northern Ontario School of Medicine, and l’Ontario français) and one associate member, the Royal Military College. The main objective of the COU is to advocate for

common goals shared by its members, and to facilitate co-operation and collaboration between members and with the Ontario government. The COU has three executive personnel, including the president and CEO who is registered with the Integrity Commission of Ontario as a lobbyist.

2.3 Funding and Financial Information

2.3.1 University Revenues and Expenses

Universities receive revenue from many sources, such as provincial ministries, federal and municipal governments, tuition and other student fees, donations, research funds, contractual and other fees for service, and ancillary and other revenue. This information is available from the Council of Ontario Finance Officers (COFO), an affiliate of the Council of Ontario Universities (COU), which collects and compiles financial information from submissions prepared by each university. According to the latest available information, total revenues in 2020/21 for all universities was \$17.6 billion. Ministry grants and domestic tuition fees, whose rates are set by the Ministry, represented 23% and 20%, respectively, of the total operating revenues of universities in 2020/21. Total expenditures for all universities for the same fiscal year totalled \$15.3 billion, and salaries and benefits accounted for 64% of all expenditures. **Appendix 8** provides the breakdown of total revenues and expenditures for the four selected universities. **Appendices 8a, 8b, 8c** and **8d** provide a breakdown of the financial position of each university selected for audit for the five-year period 2016/17 to 2020/21.

2.3.2 Ministry Operating and Capital Funding

The Ministry provides two types of funding to post-secondary institutions in Ontario: operating funding and capital funding. **Figure 5** shows the operating and capital funding from the Ministry to all universities, and the four selected for audit, from 2016/17 to 2020/21.

Operating funding is reduced based on the number of international students enrolled. Because Ontario

Figure 5: Ministry Grants for University Operating and Capital Costs, 2016/17–2020/21 (\$ million)

Source data: Ministry of Colleges and Universities

University	2016/17	2017/18	2018/19	2019/20	2020/21	5-year avg	5-year % +/-
Operating^{1,2}							
Algoma	14.8	14.7	14.6	14.5	18.5	15.4	25
Nipissing	36.5	35.2	34.0	37.9	35.1	35.7	(4)
Ontario Tech	69.9	72.2	72.5	74.0	77.2	73.2	10
Windsor	93.2	94.8	93.9	94.7	101.4	95.6	9
All universities	3,540.1	3,592.0	3,587.0	3,612.2	3,636.8	3,593.6	3
Capital Grants							
Algoma	0.2	0.7	0.3	0.3	1.5	0.6	650
Nipissing	0.6	1.5	0.5	0.4	1.6	0.9	167
Ontario Tech	1.1	2.2	1.3	0.8	2.0	1.5	82
Windsor	2.7	7.2	3.1	1.6	3.1	3.5	15
All universities	132.1	263.4	130.5	53.4	90.0	133.9	(32)

1. The amount of operating funding from the Ministry is primarily based on domestic enrolment and programs. Changes in enrolment of less than 3% do not result in changes in funding in subsequent years.

2. Amounts presented are net of the \$750 International Student Recovery fee per international student.

universities can charge substantially more to international students, the International Student Recovery was implemented in 2013/14 to target institutions with access to significant international enrolment. The Ministry withholds \$750 in operating grant funding for each non-PhD international full-time equivalent (FTE) student in publicly funded universities.

Capital funding is used largely for equipment and facilities construction or renewal, and to support deferred maintenance. The Ministry provides this through individual funding agreements with each university.

2.3.3 Ministry Funding to Universities to Assist with Impact of COVID-19

In March 2020, the Ministry provided \$10.3 million in additional funding to 22 universities (an average of \$460,000 to each). An additional \$44 million was provided in March 2021 to 10 universities. The additional funding was to compensate universities for costs associated with pivoting to technology and virtual classrooms, providing career and mental health counselling for students, deep-cleaning fees, and adopting health and safety measures such as supplying personal protective equipment. In addition to the funding

received to assist with the impact of COVID-19, in 2021 the Ministry provided an additional \$2.8 million to universities to aid institutions with the conversion of their career services to a virtual environment.

In total, Algoma received \$5.3 million; Nipissing \$3.6 million; Ontario Tech \$5.2 million; and Windsor \$8 million.

3.0 Audit Objective and Scope

Our audit objective was to assess whether selected publicly assisted universities in Ontario have effective systems, processes and governance practices in place to ensure that:

- academic programs are delivered and resources, including capital, are acquired economically and efficiently to enable long-term financial sustainability;
- relevant legislation, regulations, agreements and policies are in place and adhered to; and
- operational effectiveness is measured, assessed and publicly reported on in compliance with legislation and best practices.

In addition, our audit assessed whether the Ministry of Colleges and Universities (Ministry) had effective oversight procedures in place to identify and provide proactive support to universities having financial difficulty.

We conducted this audit in response to Laurentian University entering the *Companies' Creditors Arrangement Act* (CCAA) process. Our objective was to assess whether operational and financial processes and decisions that led to the financial decline of Laurentian in the 2010–20 period were common in other Ontario universities. This audit complements the findings and recommendations tabled in the *2022 Special Report on Laurentian University*.

In planning for our work, we identified the criteria we would use to address our audit objectives. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management at the Ministry and at the universities selected for audit reviewed and agreed to our audit objectives and related criteria, as listed in **Appendix 9**.

We conducted our audit from January to September 2022, and obtained written representation from the Ministry and the four universities audited that, effective November 24, 2022, they have provided us with all the information it was aware of that could significantly affect the findings or the conclusion of this report.

We selected the following universities for audit: Algoma University, Nipissing University, Ontario Tech University, and the University of Windsor. We assessed key operations and governance structures at these four universities to determine whether they facilitated the delivery of academic programming in a financially sustainable manner. We also assessed whether the Ministry had meaningful performance measures and targets to identify universities with performance or financial sustainability concerns, and whether the Ministry acted to address concerns identified at the four selected universities. Our audit did not examine the quality of academic programming provided by the universities selected for our audit.

The four universities were selected for audit based on their performance vis-à-vis the Ministry's

performance indicators for financial health, and for comparative purposes because they were small or medium-size Ontario post-secondary institutions. All four universities performed below the provincial average, in 2020/21, in four of the seven indicators.

We visited the main campus of each of the four universities, and met with members of the senior management team, board of governors and faculty unions.

We met with staff of the Council of Ontario Universities to discuss reasons for operating academic programs with low enrolment and negative profit contributions, and about standard university processes for assessing and monitoring facility condition and deferred maintenance. We spoke with the Ontario Confederation of University Faculty Associations regarding the existence and use of redundancy and redeployment clauses in collective bargaining agreements. We also met with other stakeholders to gain an understanding and different perspectives regarding university operations, including Ontario's largest university, the University of Toronto.

We engaged the use of two experts to provide input and insights into our audit plan and/or to assess the areas of university governance structures and practices, academic and corporate partnerships and collaborations, and international student recruitment. We also researched the funding-accountability mechanisms and levels of oversight of universities in other Canadian provinces, and the performance indicators they use to measure results.

4.0 Detailed Audit Observations

4.1 Financial Sustainability

Ontario universities have faced several challenges over the past five years. In 2019 the provincial government implemented a 10% province-wide tuition reduction and a tuition freeze for domestic students, in the years that followed (see **Section 4.2.1**), which the Council of Ontario Universities estimated reduced universities' revenue by \$1.2 billion for the three-year period from 2019 to 2021. In March 2020, the COVID-19

pandemic forced universities to shut down in-person classes and implement online learning. These challenges led universities to cut costs and take other approaches to revenue generation.

Unlike tuition rates for domestic students, tuition rates for international students are not set by the Province and can be increased by each institution. In 2020/21, the average tuition for a domestic undergrad student in Ontario was \$7,938 compared to \$40,525 for international students in an undergrad program. That meant that even after including the average amount of provincial funding per domestic student, an Ontario university would still earn more than double (109%) from an international student. See **Section 4.2** for further discussion of international students.

4.1.1 Most of the Selected Universities Began to Generate Financial Surpluses Primarily Attributed to International Student Revenue

All four universities we audited had an accumulated surplus as of the end of fiscal 2020/21, as shown in **Appendix 8**. However, when we reviewed their financial statements for the period 2016/17 to 2020/21, we noted that only one, Algoma, has been able to generate an in-year surplus consistently through the

five-year period. The other three universities experienced an in-year deficit in at least one year during this period. Nipissing experienced an in-year deficit in four of the five years, as shown in **Figure 6**. See **Appendices 8a, 8b, 8c, and 8d** for the financial position of each of the four universities for the five-year period 2016/17–2020/21.

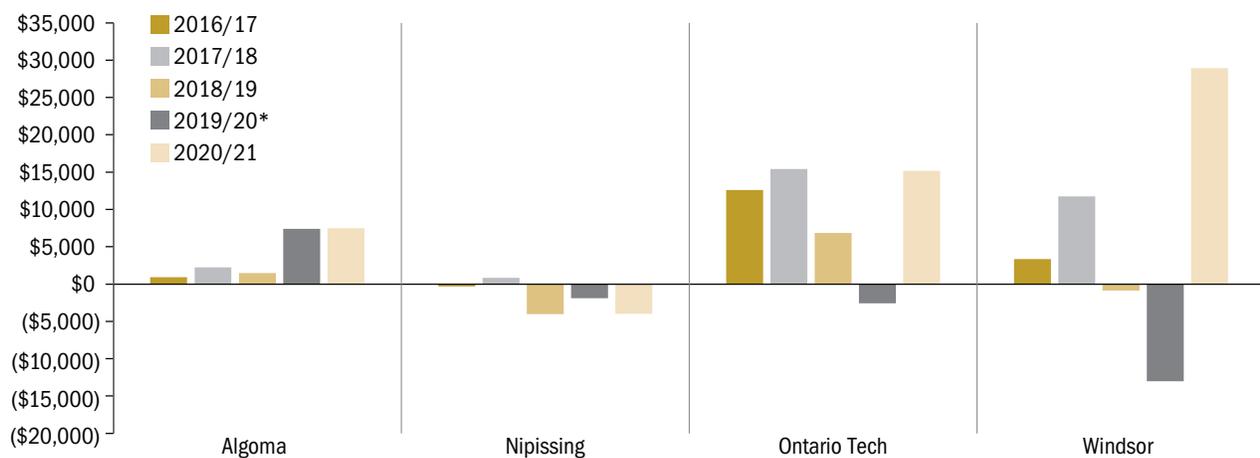
4.1.2 Despite Significant Long-Term Debt, Policies Limiting External Financing Are Not Always Established or Followed

The amount of debt universities carry and the way they manage their debt are increasingly important as institutions become more leveraged and interest rates rise. Our analysis of debt per full-time-equivalent (FTE) student at 19 universities in Ontario showed that two of the universities we selected for this audit were among the most indebted in the province. Ontario Tech had the highest debt per student ratio and Windsor ranked third (while Nipissing ranked ninth and Algoma 16th). Refer to **Appendix 10** for the debt per FTE student for each Ontario university.

In 2020/21, Ontario Tech paid \$12.9 million in interest and Windsor paid over \$10.8 million, which represents 7% and 3% of total expenses, respectively.

Figure 6: Annual Deficit/Surplus for Selected Universities, 2016/17–2020/21 (\$ 000)

Source of data: Universities' financial statements



* Steep declines in 2019/20 can be attributed to lost revenue during the COVID-19 pandemic.

In contrast, in 2020/21 interest costs paid by Nipissing and Algoma were \$991,000 and \$307,500, respectively, representing only 1% of total expenses for each university, as shown in **Appendix 8**.

Based on their liquidity, there is no indication the selected universities have been unable to service their debts or are at risk of default on any payments. A review of the financial statements of each of the four universities has shown that none of the four selected universities have breached external debt covenants. Nonetheless, having a formal debt management policy is important. It allows an institution to provide a

framework for all borrowing in order to manage overall risks and minimize borrowing costs.

Our audit found both Ontario Tech and Windsor did not have formal debt policies, whereas Nipissing and Algoma did. However, in the latter two cases, debt limits were exceeded, or would have been exceeded if the new debt policies were applied retroactively.

Figure 7 shows the metrics, targets, and results under the capital debt policy of each of the four universities. We calculated each metric, even where the university did not itself have the metric in place. Although the capital debt policies have not been in

Figure 7: Achievement of Debt Policy Metrics, 2016/17–2020/21

Prepared by the Office of the Auditor General of Ontario

Debt Policy Metric	Algoma		Nipissing		Ontario Tech		Windsor		
	Target	Metric ¹	Target	Metric ¹	Target	Metric	Target	Metric	
Interest Burden Ratio (%)									
The percentage of total expenses used to cover the university's cost of servicing its debt	2016/17	< 4.0	3.73	< 2.0	2.14	< 5.0	3.27	n/a ²	2.55
	2017/18	< 4.0	3.70	< 2.0	2.09	< 5.0	2.96	n/a	2.84
	2018/19	< 4.0	3.55	< 2.0	1.31	< 5.0	2.76	n/a	2.63
	2019/20	< 4.0	2.83	< 2.0	1.23	< 5.0	2.59	n/a	2.58
	2020/21	< 4.0	3.33	< 2.0	1.29	< 5.0	2.68	n/a	3.10
Debt per Student FTE (\$)									
The proportion of total debt attributed to each full-time equivalent student	2016/17	n/a	12,158	< 8,500	7,332	Show continuous improvement ³	24,702	n/a	10,267
	2017/18	n/a	12,518	< 8,500	9,066		23,360	n/a	12,408
	2018/19	n/a	10,939	< 8,500	8,797		22,680	n/a	11,863
	2019/20	n/a	6,087	< 8,500	8,122		21,796	n/a	11,415
	2020/21	n/a	5,842	< 8,500	7,815		19,898	n/a	14,321
Ratio of Debt to Total Revenues (%)									
Compares how much is owed each month to how much is earned, which provides an indication of ability to service debt	2016/17	n/a	45.54	< 48.0	38.54	n/a	108.97	n/a	44.03
	2017/18	n/a	43.64	< 48.0	46.12	n/a	98.39	n/a	52.25
	2018/19	n/a	37.78	< 48.0	44.86	n/a	95.99	n/a	48.28
	2019/20	n/a	25.41	< 48.0	43.34	n/a	93.82	n/a	48.06
	2020/21	n/a	26.24	< 48.0	45.55	n/a	87.90	n/a	60.57
Viability Ratio (%)									
Measures the assets available to pay a university's long-term debt obligations	2016/17	> 125.0	17.86	n/a	26.97	n/a	9.97	n/a	31.77
	2017/18	> 125.0	17.09	n/a	34.48	n/a	14.09	n/a	32.69
	2018/19	> 125.0	47.66	n/a	27.49	n/a	17.93	n/a	18.57
	2019/20	> 125.0	105.94	n/a	29.74	n/a	11.75	n/a	12.96
	2020/21	> 125.0	209.17	n/a	26.80	n/a	11.90	n/a	22.30

1.  Shaded boxes indicate university-specific targets not met.

2. n/a denotes that the university does not track this metric, therefore does not have a target.

3. Ontario Tech's target for this metric was to "show continuous improvement" in all years.

existence for five years in all cases, we calculated whether the metrics would have been retroactively met for the 2016/17–2020/21 period for each of the four universities.

4.1.3 Greater Efforts Are Needed to Increase Revenue from Ancillary Services

Universities generate revenue from ancillary services that include food services, campus book stores, print shops, parking, catering and conference services, and residences. These funds typically make up a small percentage of the universities' total revenue. For the selected universities, the percentage of revenue earned through ancillary services in 2020/21 was: Algoma 5%; Nipissing 3%; Ontario Tech 2%; and Windsor 2%. The Council of Ontario Universities reported the average ancillary revenue at all universities as a percentage of total revenue was 7% from 2016/17 to 2019/20, and decreased to 2% in 2020/21, because of COVID-19. Even though the amount of revenue earned through ancillary sources is not large relative to total revenues, there could be opportunities to maximize the profitability of these services.

4.1.4 The Selected Universities Applied Appropriate Controls for Segregation of Restricted Funds

Certain contributions received by a university will have restrictions imposed by the contributor on how the funds are to be used. The funds represent a liability on the balance sheet until they are spent for the designated

purpose, at which point they are recognized as revenue in the year with the related expenses. Some examples of externally restricted funds include restricted grants, donations, contributions and investment income.

Endowment funds are a type of restricted fund received by the university from donors; the initial donation is required to remain intact (unspent) but the investment income earned can be spent in accordance with the endowment agreement.

It is best practice for externally restricted funds and endowments to have separate bank/investment accounts to ensure the funds are not commingled with funds available for operations.

We reviewed the selected universities' financial statements, ledgers and bank/investment accounts to determine whether endowments and externally restricted funds are managed and maintained separately from regular operating funds. In addition, we assessed whether each of the selected universities held sufficient cash and investments to cover externally restricted and endowment funds as of the end of 2020/21. Our review (see also **Figure 8**) found:

- All four selected universities managed and maintained endowments and externally restricted funds using separate ledgers.
- All four universities held separate investment accounts for endowment funds.
- Ontario Tech maintained separate bank accounts for externally restricted funds, whereas Windsor, Nipissing and Algoma commingled externally restricted funds with cash from operations.
- Based on audited financial statements, all four selected universities had sufficient cash and

Figure 8: Endowments and Restricted Funds at Universities Audited

Prepared by the Office of the Auditor General of Ontario

	Externally Restricted Funds and Deferred Contributions (\$ million)	Separate Ledgers for Externally Restricted Funds	Separate Bank Accounts for Externally Restricted Funds	Sufficient Cash and Investments to Cover Total External Restrictions	External Investment Accounts for Endowment Funds
Algoma	3.8	20.6	✓	×	✓
Nipissing	12.1	13.2	✓	✓	✓
Ontario Tech	24.3	161.0	✓	✓	✓
Windsor	142.4	44.7	✓	×	✓

short-term investments at the end of fiscal 2020/21 to cover externally restricted funds and endowments.

In addition to externally imposed restrictions, universities also internally restrict some funds. Internally restricted funds are those generated by surpluses and assigned by the board for specific purposes such as infrastructure upgrades, scholarships funds, and capital projects. Re-purposing or increasing internally restricted funds requires board approval.

We asked the selected universities whether they perform an analysis to determine whether they held sufficient cash to cover externally restricted funds and endowments, in addition to internally restricted funds. Of the four selected universities, Ontario Tech was the only one that had consistently prepared this analysis for the five-year period we reviewed (2016/17–2020/21). Windsor began to perform an analysis in 2019/20. Our own calculations showed that all four universities had enough cash and short-term investments at year-end 2020/21 to cover all restricted funds, both external and internal, as well as endowments.

4.1.5 Universities' Budgeting Practices Need Improvement

Typically, universities will have an operating, ancillary and capital budget. Operating budgets reflect the anticipated annual revenues and expenses from the universities' primary operations of providing academic programming to students. Ancillary budgets reflect the anticipated annual revenues and expenses from the universities' non-primary operations such as student residences, campus bookstores, print shops, food services, and parking services (see **Section 4.1.3**). Capital budgets reflect the planned capital expenditures for the year and corresponding funds allocated to support capital expenditures. Each of these budgets impact each other and together provide a complete picture of the university's financial path and aid in decision-making.

Preparing budgets that are as complete and accurate as possible provides a mechanism to control spending, track expenses, make better financial

decisions, and stay focused on long-term financial goals. We reviewed the budgets of the four selected universities to assess their budgeting practices and found inconsistencies across the universities' operating, ancillary and capital budgets.

Budgeting Models and Processes

We noted that all four universities had a model in place for development of the budget. However, Nipissing did not have a documented process for how to apply its model or the assumptions to be used. We found that a documented budget process provided guidance, consistency and transparency to the other selected universities.

Budgeting a Deficit

We noted that three of the four universities, excluding Windsor, had at least one budget in a deficit position approved during the period 2016/17–2021/22. Also, only two of the three universities with an approved budgeted deficit in any of the last five fiscal years included in their budgets strategic initiatives or plans on how they would return to a surplus position. The exception was Nipissing whose budget was presented in a deficit position for all five fiscal years, but did not include a formal strategy on how the university would return to a surplus position.

Budgeting for Ancillary and Capital Revenues and Expenses

Of the four universities, only Nipissing did not prepare a budget for ancillary services by revenue stream (service offered). Further, Nipissing and Ontario Tech were the only universities that did not prepare a capital budget. Nipissing also did not consider capital expenditures in its budgets presented to and approved by the Board.

Analysis of Budgeted to Actual Revenue and Expenditures

We also reviewed the comparison of budget-to-actual expenditures from 2016/17 to 2020/21 for each of the four universities. We noted that Nipissing does not perform an analysis comparing its annual budget

to annual actual revenue and expenditures. Algoma, Ontario Tech and Windsor prepared this analysis, although Windsor does not present it to the Board for review.

4.2 Reliance on International Student Tuition for Sustainability

International students play an important role in Ontario universities. They increase the social and cultural diversity of campus life and programs, and contribute to the local economy, and may potentially end up working in Ontario or obtaining permanent residency after graduation. However, overreliance on international tuition opens universities to the risk of a steep drop in revenues and program enrolment in the event of political or socio-economic changes.

As noted in our 2021 value-for-money audit report Public Colleges Oversight, changes to the federal government's policies governing study and work permits play a role in the upward trend of international enrolment. Since June 2014, international students holding a study permit can work up to 20 hours a week off-campus without applying for a separate work permit, while there are no limits to how many hours they can work on campus. For those needing a work permit after graduation, the length of a student's work permit depends on the length of the program. If the program is between eight months and two years, the student is eligible for a work permit of equal length. If the program is two years or more, the student is eligible for a three-year-maximum work permit. On October 7, 2022, in response to challenges employers were facing in finding and retaining workers, the federal government announced that from November 15, 2022 until December 31, 2023, international students who are in Canada and who have off-campus work authorization on their study permit will not be restricted by the 20-hour-per-week rule. The federal government also allowed an opportunity for those with expired or expiring post-graduation work permits to obtain an additional 18-month open work permit.

In 2018, the federal government introduced the Student Direct Stream program, which provides a

faster permitting process for students from 14 countries. In addition, the federal Post-Graduation Work Permit program allows international students to stay in Canada after graduation to seek employment. This program is intended to help international graduates accumulate work experience that would strengthen their permanent residency application.

However, as cited in a September 2022 report by RBC Economics, given tight labour markets in many sectors, Canada could consider setting targets for the number of international students and provide guidance on work-study programs that more closely align with the skills needed by provincial governments and employers. The country's recent health-care staff shortage is an example of where immigration policies could be used to leverage and expand the international student pool, particularly in needed job areas.

4.2.1 International Student Enrolment Has Increased in the Last Five Years, Decreasing the Proportion of Domestic Students

Across all Ontario universities over the five-year period from 2016/17 to 2020/21, total FTE enrolment increased by 11%. But the number of international student FTEs increased at a faster rate than domestic student FTEs: 49% and 6%, respectively. In 2020/21, international students represented 17% of total enrolment and 45% of tuition revenue, compared with 13% of total enrolment and 29% of tuition revenue in 2016/17.

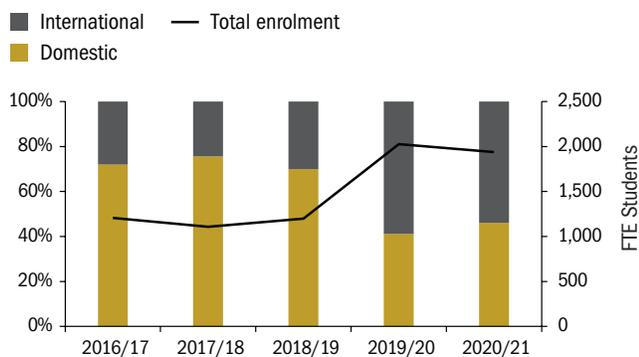
At two of the four universities we audited, the proportion of international enrolment has increased over the same 2016/17–2020/21 period, with the exception of Nipissing and Ontario Tech, which have remained constant at about 1% and 8% respectively (see **Figure 9**). Most notably, the proportion of international enrolment has increased significantly at Algoma, in particular at its Brampton campus, where in 2020/21 83% of the students were international.

According to data obtained through the Council of Ontario Finance Officers (COFO), all four universities have increased their proportion of total revenues from international tuition. At both Algoma (16.8% to

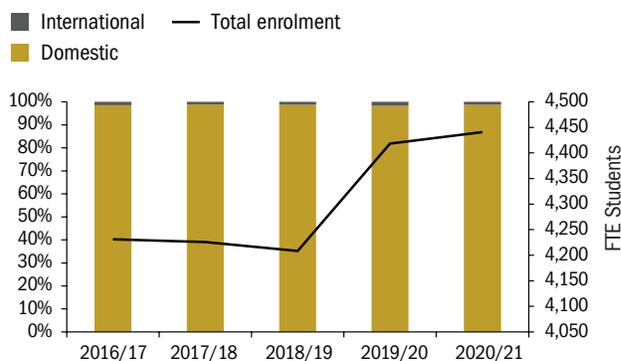
Figure 9: Total Enrolment and Breakdown of Domestic and International Students for Selected Universities (FTE), 2016/17–2020/21

Source of data: Ministry of Colleges and Universities

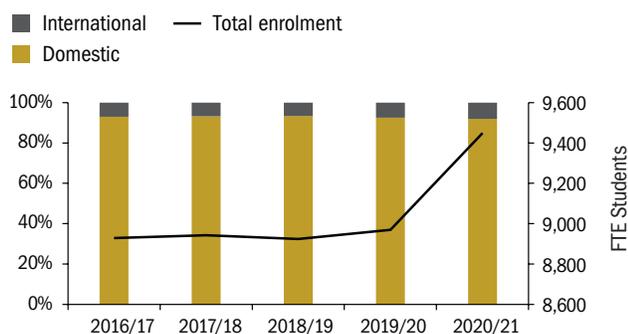
Algoma



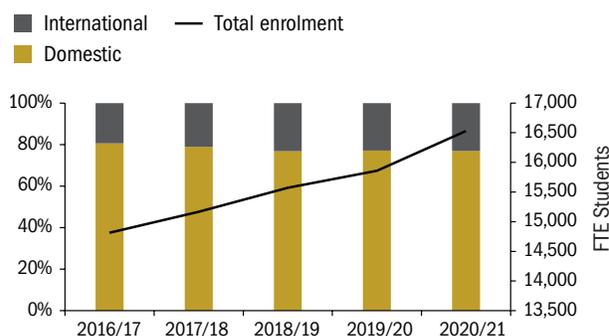
Nipissing



Ontario Tech



Windsor



32.2%) and Windsor (9.6% to 20.9%), the proportion approximately doubled from 2016/17 to 2020/21.

We reviewed whether the universities accepted only international students who met admission criteria. Our review included applicants to undergraduate-degree programs from India, China and Nigeria, the three most dominant countries for international student enrolment (see **Section 4.2.2**) who had not attended an Ontario high school. We found that:

- The four universities each do their own transcript assessments, which are based on grade-conversion charts developed in-house, based on their own experience over the years of admitting students from the different countries and the patterns they have seen, as opposed to requiring students to submit assessments from third-party foreign transcript evaluation services, which would provide for more consistency and objectivity to the process.

At Algoma University, we found instances where an international student applicant was accepted to the university even though their transcript did not meet admission requirements. In 8% of our sample for Algoma, the university granted admission to students who did not have the required prerequisites for their program of study. The university admitted the students without the condition that they complete the required courses in their first year. However, the university remediated the situation eventually by requiring the students to complete the required prerequisites in a subsequent year. We also compared the grades that would be equivalent to 70% in the Ontario secondary school system from India, China and Nigeria, based on the conversion charts of each of these universities. We found that the grade conversion of a student educated in those countries differed across

these universities. For example, to be considered to have a 70% average by Ontario standards, Algoma and Ontario Tech would require a 60% average from India, Nipissing requires a minimum of 50%, and Windsor requires a minimum of 70%.

- Similarly, we found inconsistencies regarding exemptions for English proficiency between the four universities. For example, Nipissing and Windsor waive the English proficiency requirement for students from Nigeria, as students are educated in English there. However, Algoma requires either a minimum high-school English score or proficiency test, and Ontario Tech requires a proficiency test or proof of education in English for students from Nigeria. We also noted significant differences in the length of full-time studies in English required to be exempt from English proficiency requirements, ranging from three semesters at Algoma to three years at Nipissing and Ontario Tech. These differences are based solely on the discretion of the universities.

4.2.2 Ontario Universities Risk Overreliance on International Students from Few Geographic Regions

As more countries recognize that international students represent an important source of revenue and human capital, and more people can afford to study abroad, the sector has become increasingly important and competitive for universities.

At all four universities selected in our audit, the proportion of international student enrolment has been driven largely by students from India, and to a lesser extent China. As noted in our 2021 audit Public Colleges Oversight, the large increase in the percentage of international students from India is due to several factors, including:

- English is widely used in India, and many students have sufficient English fluency to be accepted into and complete an Ontario college program.

- India has the world's second-largest population, with about 60% under the age of 30.
- India's middle class is among the fastest growing in the world.
- Entry into India's labour market is increasingly difficult for a growing number of young school graduates.

All four selected universities noted a decline in students from China between 2017/18 and 2021/22. This is largely because China is growing the capacity and quality of its own education system and its universities now rank among the world's best. Although India and China play an important part in enrolment for Ontario universities, attracting students from a wider range of countries and regions could be important to foster sustainable growth of the international education sector and to mitigate the risk of changing global circumstances. Overreliance on a few geographic regions increases the risk that external factors, such as a global economic downturn or foreign policy shift, could significantly impact a university's financial health. This was seen at Ontario Tech after Canada–Saudi Arabia relations deteriorated in 2018, leading to the Saudi government recalling its scholarship-funded students from Canada. That led to an estimated \$3 million loss in expected tuition fee revenue for Ontario Tech. To mitigate the risk of dependence on a few regions for international tuition revenue, it is beneficial for Ontario universities to diversify their international recruitment strategies.

The government of Canada's International Education Strategy 2019–2024 aims to draw students from around the world to universities across Canada. The strategy, which aims to diversify the education sector, boost Canada's innovation capacity, and promote global ties, prioritizes targeting students from countries including Brazil, Colombia, France, Indonesia, Mexico, Morocco, the Philippines, Thailand, Turkey, Ukraine and Vietnam. These countries were chosen as they are seen by the government of Canada to offer opportunity to foster specialized knowledge and develop new economic ties with these regions for the Canadian workforce. Many of these countries also had strong projections for future growth and important

cultural and business ties with Canada. With the exception of Ontario Tech, we noted the enrolment and/or internationalization plans for the four universities generally were not focused on the priority countries noted.

In 2018, the Ministry released Ontario's International Postsecondary Education Strategy with the vision of making Ontario's post-secondary system a world-class destination for international students. One of the main goals of the strategy is to achieve balanced international growth across the province, which would reduce the risk presented by overreliance on a single or few geographic regions. However, there are no measurable targets or goals in the strategy for levels of international student enrolment, nor does the strategy provide guidance on global markets to target or how to mitigate risks of becoming overreliant on one country or reliant on international students in general.

4.2.3 Selected Universities Do Not Track Graduating International Students to Understand How They Contribute to the Regional Economy

Data regarding student entry into the job market following graduation are valuable indicators that determine a university's impact upon its region. Information regarding international students who have graduated from an Ontario university in particular can offer insight into the important contributions they make to the demographic diversity and economic growth of a region. While the retention of international graduates can provide a local pool of skilled labour and retention of knowledge and research gained within Ontario's post-secondary institutions, international students can also be valuable ambassadors for the school and the Province if they decide to migrate to other parts of the world.

The university leaders we spoke to recognized the benefits of knowing where international students settle following graduation. Yet we found that none of the four selected universities actively maintained data or information regarding students' mobility following graduation. In addition to the benefits noted, tracking this information could also help universities adjust

their program offerings and improve their recruitment efforts. In addition, tracking post-graduate activity would aid government when it comes to aligning investment in skills development and enhancing the labour pool.

All four universities expressed the importance of engaging with alumni and maintaining current and reliable information regarding alumni around the world. Each university has established opportunities for alumni to engage with their alma mater, such as online networking platforms. Both Nipissing and Windsor maintain a subscription to Live Alumni, a platform that connects the universities to alumni through their LinkedIn profiles. These methods of digital engagement offer the universities the means to let graduates know what's going on at the institution, stay up to date on their professional endeavours, as well as provide the university with information on graduates' movements around the world.

Although the platforms for alumni connections are in place, none of the universities utilized these resources to maintain an up-to-date record of international student post-graduate progress or location. Senior administration at Windsor noted that international students have been very transient and much more difficult to track than domestic students.

In June 2021, Statistics Canada, in collaboration with Immigration, Refugees and Citizenship Canada, released a report that studied the retention of international students in their province of study. The study found that less than half of all international students who graduated from a Canadian post-secondary institution between 2010 and 2016 remained in their province of study in the year following graduation, compared with 80% of domestic students. Five years after graduation, this rate decreased to 36% for international students, compared with about 75% for domestic students.

The study also found that while 45% of all international students who graduated in Canada between 2010 and 2016 graduated from an Ontario institution, they were less likely to remain in the province, compared to other provinces. Ontario's retention of international student graduates ranked fourth among

all provinces at 50%, behind Alberta (60%), Manitoba (59%), and Saskatchewan (55%).

4.2.4 Compensation Structures Incentivize International Recruiting Agents to Recruit More, but Not Necessarily More Qualified Students

All four universities use agencies to recruit international students. Although terms may vary, the typical recruiting services contracted include functions such as marketing and promoting the university's brand; generating inquiries and applications from bona fide applicants; pre-screening applicants; and monitoring applications from submission to confirmation. The agencies also may be responsible for recruiting and managing agents within specific geographic regions, or establishing international offices for agents to operate from.

The compensation structures for third-party recruiting services are multi-faceted and distinct to each of the selected universities. The terms within contracts generated by the same service provider may even differ across the universities reviewed. However, we found a common characteristic in the agreements across all selected universities is that terms of payment invariably promote increasing the quantity of students, without any inducement toward the recruitment of the highest-performing prospects.

At three of four selected universities, agencies were compensated based on a percentage of the base tuition, following successful admission of an international student into one of the university's programs. The common commission structure among those service

providers contracted at the fourth university, Windsor, is a fixed-rate of compensation for each recruited student, with some variation based on a student's program of choice. In addition, three of the universities (Algoma, Windsor and Ontario Tech) also paid in-country recruiting services a fixed monthly fee plus expenses incurred.

We analyzed the amount of compensation paid to recruiting agents by the selected universities in comparison to the number of international students recruited for the period 2017/18 to 2021/22. As can be seen in **Figure 10**, Windsor spent the most in the last five years on compensation to agents for recruiting international students (\$17.1 million), but also recruited the most international students (10,998) compared with the other three universities.

Based on the number of students recruited through agents, the average compensation per student was the highest at Algoma (\$4,459 per student). Nipissing spent the least overall (\$360,000) and on a per student basis (\$778 per student).

All four universities seemed to have missed an opportunity to apply contractual incentives that could motivate a recruiting agent to pursue prospects who not only meet but exceed admission requirements. For example, the motivation structure for agents in fixed-rate contracts entered into by Windsor are built upon recruiting more students (higher fixed rates based on successfully attaining specified threshold numbers of registered students). This could have unintended consequences as agents push for numbers in quantity, satisfying minimal requirements, rather than looking

Figure 10: Compensation Paid and International Students Recruited at Selected Universities, 2017/18–2021/22

Prepared by the Office of the Auditor General of Ontario

	Algoma	Nipissing	Ontario Tech	Windsor
Number of Agents Paid Commission	27	3	61	126
Commissions Paid (\$ million)	9.8	0.4	0.6	15.8
Annual Fees for Territorial Representation (\$ million)	0.4	n/a	0.6	1.3
Total Annual Compensation Paid (\$ million)	10.2	0.4	1.2	17.1
Number of Recruited International Students	2,198	463	338	10,998
Average Compensation per Student (\$)	4,641	864	3,550	1,555

toward exceeding the minimum requirements with incentives to attract the best-prepared applicants.

One example of an incentive based on student qualifications is offering a fixed rate or percentage top-up for registrants who possess higher than the minimum required English-language proficiency scores. Another example is offering a compensation structure that includes a bonus to agents who successfully recruit students who registered and later attained a scholastic achievement, as determined by the university. Either example could increase the overall preparedness of entering international students. This could in turn enhance the classroom experience for the international students, as well as faculty, and may also reduce the need for English language tutorials for students who may otherwise be struggling.

In considering the preparedness and likelihood of success of admitted international students, we compared the graduation rates of international students to their domestic counterparts for the years 2019/20 to 2021/22. Universities measure graduation rate as those who graduate within seven years of starting their program of study. We found the graduation rates of international students at two of the four universities were consistently lower than the rates for domestic students—by over 20 percentage points at Ontario Tech, and 10 percentage points at Windsor, as seen in **Figure 11**. Fluctuating results for Nipissing may be explained in part by the low number of international

students enrolled at the university. For example, the international student graduating classes for 2020/21 and 2021/22 had a class size of nine and 13 respectively, and graduating students were five and 12 respectively.

One university (Windsor) told us that undergraduate international students, when compared to domestic students, may graduate at a lower rate and may not see their studies through to graduation while studying abroad for many reasons, such as being distanced from their personal support network, financial hardship, or language and culture barriers. The other three universities did not provide an explanation for why this is occurring. The lower graduation rates among international students underscore the importance of universities' recruiting efforts.

4.3 Financial Contribution of Academic Programming

Because universities offer a diverse learning environment, it is understood that not all academic programs will necessarily be profitable. There are reasons beyond profitability to offer academic courses. For example, they may be mandated by a university's Act, or seen by a university to be essential to the overall academic experience. However, for a university to maintain operations and continue providing academic services, its academic programs, after accounting for Ministry

Figure 11: Domestic and International Undergraduate Student Graduation Rates at Selected Universities, 2019/20–2021/22 (%)¹

Prepared by the Office of the Auditor General with data provided by selected universities

	Algoma		Nipissing ²		Ontario Tech		Windsor	
	International	Domestic	International	Domestic	International	Domestic	International	Domestic
1st year was 2013/14; graduated by 2019/20	64	41	50	70	44	67	58	75
1st year was 2014/15; graduated by 2020/21	52	52	56	68	37	69	68	75
1st year was 2015/16; graduated by 2021/22	55	56	92	67	42	66	69	76
Average	57	50	66	68	41	67	65	75

1. Graduation rates do not capture students who transfer to other universities.

2. Fluctuating results for Nipissing may be explained in part by the low number of international students enrolled at the university. For example, the international student graduating classes for 2020/21 and 2021/22 had a class size of nine and 13 respectively, and graduating students were five and 12 respectively.

operating grant funding, must be financially sustainable overall. In the absence of additional external support, such as from government or private benefactors, the profits from courses that generate higher revenue must compensate for those that run losses.

4.3.1 Universities Had Not Adjusted or Restructured Academic Programs to Improve Financial Sustainability, Despite Losses Experienced

A university's academic structure typically includes faculties, which contain departments, which in turn offer programs. For example, the Faculty of Arts, Humanities and Social Sciences at the University of Windsor has 12 departments, one of which (Political Science) offers five degree programs.

Each of the four universities performed an analysis of the financial contribution of each of its faculties, and in some cases performed the analysis at the department level, but none completed that analysis at the program level. Despite certain faculties or departments that had experienced losses, only Ontario Tech had adjusted or restructured its program offerings to improve financial sustainability.

The universities told us they performed the analysis for the purpose of guiding resource-allocation decisions, such as whether a department needs to hire additional faculty, purchase new equipment or expand facilities, but not to determine the financial sustainability of the faculties or departments. Refer to **Appendix 11** for the academic profitability of the selected universities by faculty for the five years from 2017/18 to 2021/22, as calculated by the individual universities. Although the analyses completed by each university are not prepared using the same methodology, within a university, the results are comparable from one year to the next and provide insight into the contributions of each of their faculties.

The universities told us one reason they continue to offer certain unprofitable courses or programs is because they have important societal, local or regional benefits. One example is the Indigenous program offered at Algoma. Algoma continues to offer a suite

of Indigenous programs to meet the local needs of its community and to align with its special mission of being a teaching-oriented university with a particular focus on the needs of Northern Ontario.

4.4 Capital Planning

4.4.1 Universities Did Not Always Assess the Financial Feasibility of Major Capital Projects Before Proceeding with Them

When making decisions to invest significant funds in capital, universities should carry out a financial cost/benefit analysis to determine whether a project would warrant the financial investment. While a formal business case may not be practical or needed for every capital project, we would expect such an analysis for major projects. See **Appendix 12** for major capital projects undertaken between 2016/17 and 2020/21, including sources of financing.

At the universities we visited, we reviewed a sample of major capital projects, as seen in **Figure 12**, to determine whether universities completed a business case that included a financial feasibility assessment to help them make decisions on capital investments before moving forward with the project. We found that although business cases were typically prepared, financial feasibility assessments were not consistently performed.

4.5 Board Governance

4.5.1 University Boards' Size, Composition and Term Limits Pose Risks to Effective Governance

Board Size and Composition

At each of the universities, we found that the size of the board is considered large without a compelling reason for a board to be this large in size. We spoke with board members from each of the universities and were told in a number of instances that their board was large, and the reason was simply "legacy," meaning that this has always been the case as there are internal and external members.

Figure 12: Sample of Major Capital Projects Reviewed at Selected Universities

Prepared by the Office of the Auditor General of Ontario

Project Name	Year Completed	Total Costs (\$ million)	Business Case	Financial Feasibility Assessment
Nipissing University				
Athletic Centre	2015	23.1	×	×
Turf Field	2019	2.4	×	×
Teaching Hub	2021	0.4	×	n/a ¹
Immersive Classroom	2021	0.2	×	n/a ¹
Total		26.1		
Ontario Tech				
Software and Informatics Research Centre	2017	31.2	✓	✓
Shawenjigewining Hall	2021	46.6	✓	×
Automotive Centre of Excellence – Moving Ground Plane	2022	19.3	✓	✓
Total		97.1		
University of Windsor				
Human Kinetics Greenhouse Gas Reductions	2019	7.7	✓	n/a ¹
Lancer Sport and Recreation Centre	2022	73.0	✓	✓
Innovation Hub, 300 Ouellette	2022 ²	8.1	✓	✓
Transforming Windsor Law	2023 ²	35.0	✓	×
Total		123.8		
Algoma University				
Shingwauk Hall Renewal	2018	5.4	✓	n/a ¹
Brampton Campus Leasehold Renewals	2022	5.3	✓	✓
Online Learning Platform	2024 ²	9.8	✓	n/a ¹
Mukwa Waakaa'igan	2024 ²	26.0	✓	×
Total		46.5		

1. Projects not expected to have a financial feasibility analysis due to nature (for example, deferred maintenance) and/or small size of the project.
2. Expected year of completion.

Outside of the university context, a board typically has 14 to 16 members at most. The university context would support also having a small number (no more than three or four) of members internal to the university, including the president. Also, typically, an ideal number of committees should not normally exceed four or five. However, each of the universities selected for audit had board sizes and board members internal to the university larger than this. The number of committees at three of the universities also exceeded four or five (see **Figure 13**).

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.

The board of each university we audited had an executive committee because of the large size of the boards, and each executive committee had some form of authority to act as a board, meaning the committee could act as a “board within a board.” The executive committees had been granted powers, which should typically be performed by a board as a whole. Executive committees had the authority to oversee the president (i.e., establish and assess remuneration, review performance, approve the president’s contract), approve

Figure 13: Comparison of University Boards' Size, Composition and Term Limits to Best Practices

Prepared by the Office of the Auditor General of Ontario

	Best Practice	Algoma	Nipissing	Ontario Tech	Windsor
# of board members	14-16	18	26	24	32
# of internal board members	3-4	7	11	6	12
# of board committees	4-5	7*	6	4	7
term limits (years)	9	6	6	6	9

□ Shaded items do not meet best practices.

* Algoma had five committees and two sub-committees.

operating budgets, recommend the strategic plan to the board, and develop agenda or recommend agenda matters for board meetings.

According to an October 2020 report by the Auditor General of Manitoba on Oversight of Post-Secondary Institutions, one of the key criticisms of an executive committee if not managed appropriately is that it can create two tiers of board members, and even become the de-facto decision-making body (sometimes called the shadow board), which thereby relegates the full board to simply ratifying pre-made decisions. Such a situation can significantly hamper governance effectiveness and can lead to deterioration in the overall board fully performing its decision-making role.

Some other key risks of having a large board are that it could become difficult for all board members to have an equitable voice and input given the competition for airtime during meetings, and without an upper limit, management may populate a board (and committees) with internal board members to provide undue counterbalance to external board members.

Board Member Term Limits

At three universities we audited, we also found term limits for board members to be lower than the best practice as seen in **Figure 13**. Each of the three university boards had a term limit of six years. However, term limits of nine (or slightly more) years are more common for board members.

One impact of low term limits is that the choice of vice-chair (and ultimately chair) may by necessity be made two or three years into a term, before board members have had enough time to become proficient on a number of committees, including chairing such

committees. Other risks of having low term limits for board members have also been noted:

- An effective board member may be compelled to plan to resign and plan for succession four to five years into their board term, when that board member is stepping into or becoming proficient in a key leadership role, such as a vice-chair or chair, or is ready for a leadership role as they are entering the upper limit of their term.
- Management may not necessarily advocate for longer term limits because a board (or board leader) in continuous stages of rotation results in less accountability and institutional knowledge. Also, a board may be less incentivized to act on any underperformance by a board member because that person's term ends in the near future.

4.5.2 University Boards Not Adequately Conducting Presidential Succession Planning

An important role of a university board is the succession of the president to ensure the board is prepared when it is time for a change in leadership, and that strong leadership for the university is continuously in place. Key to accomplishing this is having permanent and emergency succession plans in place for the president.

An effective succession plan for the president should include relevant senior management members' profiles, their strengths, challenges they have experienced, developmental needs and plans, as well as a time frame to become president-ready. Further, university boards should have emergency succession

plans for the president, including the identification of an interim president in the event of an unplanned replacement of the incumbent president due to health reasons, or because of an accident, death, retirement or termination.

We found that none of the boards of the universities selected for audit had a permanent plan for presidential succession it reviewed and approved, and only two had emergency succession plans in place.

A notable benefit of a permanent presidential succession plan is that it compels the board along with the incumbent president to take all reasonable steps to develop, groom and mentor, as the case may be, an internal candidate or candidates to ensure that they are “president-ready.”

4.5.3 University Boards Require Stronger Competencies Critical to Performing Effective Oversight

University boards are responsible for ensuring that they have the required skills, knowledge and competencies needed to effectively perform their duties and achieve their universities’ strategic and organizational objectives.

At each university we audited, we reviewed the processes the board had in place to identify and track the skills and competencies of its members, and to ensure they align with the suite of abilities required for the board to make fully informed decisions. At all

universities audited, we found board members did not possess sufficient competencies in critical areas required to provide effective governance, and there was an opportunity for improvement so that essential competencies are identified, prioritized, and tracked for succession planning purposes.

University Boards Did Not Identify Core Competencies Required by Board Members

A competency matrix is a tool used to map the required skills and abilities of a board. It helps a board understand the required skills, what skills its members possess, and where it could use more skills training, education and/or expertise.

Although all four universities we audited had a competency matrix in place, we found the matrix of each university board had over a dozen competencies listed, as seen in **Figure 14**. According to best practice, to be effective, priority or core competencies should be identified and be limited to five at most. However, none of the four university boards had identified or prioritized competencies that it considered the most important for its board members to possess.

University Boards’ Members Did Not Possess Critical Competencies Required to Provide Effective Governance

Not all competencies are equally important. Five core competencies for a board include finance, accounting, executive management, risk management and

Figure 14: Proportion of Board Members with Limited or No Skill and Experience in Core Competencies¹

Source of data: Universities selected for audit

Core Competency/Skill	Algoma	Nipissing	Ontario Tech ²	Windsor
Accounting (%)	44	52	36 ³	30
Finance (%)	50	39		23
Executive Management (%)	31	n/a ⁴	50	17
Risk Management (%)	n/a ⁴	43	n/a ⁴	33
Cybersecurity (%)	n/a ⁴	n/a ⁴	n/a ⁴	n/a ⁴
Information Technology (%)	44	52	71	60
Total Competencies (#)	21	19	37	16

1. Results are from competency assessments that are based on self-reporting by board members.
2. Ontario Tech’s board has 24 board members; however, 10 of them were missing competency ratings.
3. Ontario Tech combines accounting and finance as one competency, whereas the other universities separate them into two distinct areas.
4. Not identified as a competency on the university board’s competency matrix.

cybersecurity. However, as seen in **Figure 14**, we found that all four universities we audited were missing at least one of the identified core competencies on their matrix. Competency in cybersecurity was missing at all four. Although each university board had information technology as a competency, information technology is too broad and general a category to constitute an effective competency.

We also examined the competency matrix of each university board to determine the level of knowledge and experience university boards possessed for each of the five core competencies noted and to ascertain if any gaps in these skills existed. Across all universities, we found a lack of emphasis on financial literacy. At each university we found several board members that had little or no expertise or experience in financial literacy and in finance, as seen in **Figure 14**.

Because boards are ultimately responsible for overseeing universities' financial operations and results, including reviewing and approving operating budgets, capital expenditures, debt/financing and financial statements, the majority or near-to-all board members should be financially literate to a certain extent (meaning they have the skills, knowledge and abilities to oversee and assess their universities' financial decision-making) either at the time of appointment or through training to acquire financial literacy within a year of appointment.

Although a high level of skill and experience may not be needed by all or even most board members in other core areas, we found that there was a lack of

competency particularly in information technology, including cybersecurity.

4.5.4 Key Oversight Functions for Effective Governance Were Absent

Oversight functions include risk management, compliance, and internal audit. Risk management helps organizations determine their risks and define the level of risk they are willing to assume to accomplish their long- and short-term goals. More specifically, risk management is the process of identifying and documenting an organization's risks (financial and non-financial) in its critical business processes, and the internal controls within each process to mitigate those risks. A compliance function monitors and evaluates adherence with relevant organizational policies, laws, and regulations. The role of internal audit is to provide independent assurance that an organization's risk management, compliance and internal control processes are operating effectively.

However, we found that one or more internal oversight functions—risk management, compliance and internal audit—were absent from each of the universities we audited as seen in **Figure 15**.

Furthermore, only one of the universities we audited had developed a written risk appetite framework for the board to review and approve. Such a framework should include the material financial and non-financial risks to the university, the internal controls mitigating each risk, and independent assurance that the controls are working as intended.

Figure 15: Existence of Key Internal Oversight Functions

Prepared by the Office of the Auditor General of Ontario

Key Oversight Functions	Algoma	Nipissing	Ontario Tech	Windsor
Risk Management	x	x	✓	✓
Compliance	x	x	✓	x
Internal Audit	x	x	x	✓

4.6 University Partnerships and Collaborations

4.6.1 Some Partnerships Have Been Beneficial for Universities, While Others Have Exposed Them to Risk

Universities partner with government entities, corporate organizations and other universities or colleges to leverage research capabilities, attract funding and access a larger pool of talented staff and students. Partnerships may also increase access to equipment and expertise, as well as increase revenue and economic advancement. The partnerships can also enhance a university's brand, which may improve its ability to attract the best students and faculty.

We reviewed some significant partnerships and collaborations at the four universities selected for this audit to determine their effectiveness and the extent to which the terms of the partnership agreement provided a benefit to the university. We found examples of best practices by other universities that could be leveraged in future partnerships, and examples where the partnership agreement needed improvement. These are explained in the particular university sections.

5.0 Algoma University

5.1 Financial Sustainability

5.1.1 Financial Activity

Algoma University generated in-year surpluses throughout the 2016/17–2020/21 period, and in the two most recent years generated surpluses of \$7.5 million and \$7.4 million. Algoma increased revenue by 34% during that period, with the largest contributor to this increase, and ultimately its surplus, being international student tuition. Algoma more than tripled its international enrolment from 337 to 1,046 full-time-equivalent (FTE) students during this time. See **Appendix 8a** for the financial position of Algoma for the five-year period 2016/17–2020/21.

The majority of Algoma's enrolment growth was at the School of Business and Economics on the Brampton campus. As a result, international students accounted for 76% of Algoma's tuition revenue for its Brampton and Sault St. Marie campuses combined in 2020/21. By 2021/22, the Brampton campus generated 65% of the university's revenue, and 51% of the university's total enrolment of which 90% were international students. According to data from the Council of Ontario Finance Officers (an affiliate of the Council of Ontario Universities), between 2016/17 and 2020/21, the proportion of revenue from international students increased from 16.8% to 32.2%.

5.1.2 Long-Term Debt Policies

As of the university's year-end on April 30, 2021, Algoma University had \$11.3 million in debt. The university established a debt management policy in March 2021, which is reviewed annually by its Board of Governors (Board) and can be amended every three years as needed.

Since inception of its debt policy, Algoma has been compliant with its metrics. However, applying the policy retroactively to 2016/17 shows that prior to 2020/21, it would not have met target levels for the viability ratio. That meant the university was becoming overburdened by debt in comparison to the amount of expendable assets available to cover the debt.

There is no recommendation in this area.

5.1.3 Ancillary Services

Prior to 2019/20, Algoma presented an unaudited schedule of ancillary operations in its audited financial statements with the surplus or deficit of each service. However, senior management noted that the schedule did not incorporate overhead costs. Only directly attributed costs were included in expenses, which does not provide a complete representation of the profitability of each revenue stream. Algoma did not prepare a profitability analysis for 2019/20, 2020/21 or 2021/22.

RECOMMENDATION 2

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

- review and monitor the profitability of its ancillary services on a consolidated basis and for each ancillary service separately; and
- develop strategies to maximize the profitability of its ancillary services where necessary.

5.1.4 Restricted Funds

We reviewed Algoma University's financial statements, ledgers and bank/investment accounts to determine whether endowments and externally restricted funds are managed and maintained separately from regular operating funds. In addition, we assessed whether the university held sufficient cash and investments to cover externally restricted and endowment funds as of the end of 2020/21. We found that Algoma commingled externally restricted funds with cash from operations, contrary to best practices (see also **Figure 8**). However, in accordance with best practices, the university:

- managed and maintained endowments and externally restricted funds using separate ledgers;
- held separate investment accounts for endowment funds; and
- had sufficient cash and short-term investments at the end of fiscal 2020/21 to cover externally restricted funds and endowments, according to its audited financial statements.

With regard to internally restricted funds, we found that the university did not perform an analysis to determine whether it had sufficient cash on hand to cover internally restricted funds, in addition to externally restricted funds and endowments. Our own calculation showed that the university had enough cash and short-term investments at year-end 2020/21 to cover all restricted funds, both internal and external, as well as endowments.

RECOMMENDATION 3

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

- maintain separate bank accounts for externally restricted funds; and
- 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.

5.1.5 Budgeting Practices

We reviewed the budgets Algoma University prepared for the fiscal years 2016/17–2021/22 and noted that the university budgeted for a deficit only once during that period, in 2018/19. The budgeted deficit was \$1.9 million, and included sufficient analysis and support to explain the reasoning. It also included a plan to get out of the deficit position, which was presented to the Board. For example, the budget proposed strategies such as a 3% reduction in non-salary expense items, and increasing international tuition fees by 2%.

Algoma prepares a separate budget for ancillary operations, separated by type of service. Additionally, the university prepares a separate capital budget for its Board along with its operating budget.

Prior to 2018/19, Algoma did not prepare budget-to-actual comparisons. Based on our review of variance analyses performed for 2019/20 and 2020/21, variances were adequately explained and presented to its Board. However, Algoma does not prepare and present to the 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 4

We recommend that Algoma University, as part of its budget, present to its 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.

5.2 International Students

5.2.1 Admission Criteria for International Students

The proportion of international enrolment at Algoma University has increased from 28% to 54% from 2016/17 to 2020/21, as seen in **Figure 9**.

We reviewed whether Algoma University accepted only international students who met admission criteria. Our review included applicants to undergraduate-degree programs from India, China and Nigeria, the three most dominant countries for international student enrolment (see **Section 4.2.2**) who had not attended an Ontario high school. We noted that Algoma does its own transcript assessments, which are based on grade-conversion charts developed in-house, as no provincial conversion standards have been established by the Ministry. The university also does not require students to submit assessments from third-party foreign transcript evaluation services. Our testing found that 8% of our sample of international student applicants that were accepted for admission did not have the required prerequisites for their program of study.

We also compared the grades given in India, China and Nigeria that the universities we audited considered equivalent to 70% in the Ontario secondary school system, based on the conversion chart developed by the university. Algoma developed the equivalency based on its experience over the years of admitting students from different countries and the patterns it has seen. The Ministry does not provide guidance in this area. We found that Algoma considered a 60% average from India equivalent to a 70% from Ontario.

The grade-conversion equivalent to a 70% in Ontario at the other universities audited ranged from 50% at Nipissing to 70% at Windsor. See **Section 9.1.4** for a recommendation to the Ministry to develop a standard grade-conversion chart.

5.2.2 Reliance on International Students

Algoma University is significantly reliant on international student enrolment, particularly students from India. We found that 85% of international students at Algoma in 2021/22 were from India. This was significantly driven by enrolment at the Brampton campus at which 90% of all enrolment was international students with 92% of the international students from India. Algoma has recognized this as a risk, and in its 2022 Strategic Enrolment Plan set a goal to ensure international students from one country do not comprise more than 50% of its international student body by 2025/26. The university's international student plan states that its aim is to diversify international enrolment by targeting Southeast Asia (Nepal, Sri Lanka, Bangladesh, Pakistan, Nigeria, Kenya, Philippines, and Vietnam), and Africa (Nigeria, Ghana, Kenya). However, these targeted countries are only partially aligned with the federal government's International Education Strategy 2019–2024, which prioritizes targeting students from countries including Brazil, Colombia, France, Mexico, Morocco, Turkey and Ukraine, as well as students from Indonesia, the Philippines, Thailand and Vietnam.

RECOMMENDATION 5

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

- regularly complete a financial sensitivity analysis of the impact of the loss of students from various regions; and
- focus on recruiting students from priority countries identified in the government of Canada's International Education Strategy, 2019–2024.

5.2.3 Tracking International Students

We found that Algoma University did not actively maintain an up-to-date record of international student post-graduate progress or location. Tracking this information could help the university adjust its program offerings, improve its recruitment efforts and help in promoting the university.

RECOMMENDATION 6

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

- collect relevant data on the location and careers of international alumni; and
- use this data to better inform programming and recruitment decisions.

5.2.4 Compensation Structure for International Recruiters

Algoma University uses 27 agencies to recruit international students. Recruiting services contracted with the agency that provided 82% of all recruited international students during the period 2017/18 to 2021/22 include functions such as marketing and promoting the university's brand; generating inquiries and applications from bona fide applicants; pre-screening applicants; and monitoring applications from submission to confirmation. The agency is also responsible for recruiting and managing agents within specific geographic regions, or establishing international offices for agents to operate from.

At Algoma, recruitment agencies were compensated based on a percentage of the base tuition, following successful admission of an international student into one of the university's programs. In addition, Algoma paid in-country recruiting services a fixed monthly fee plus expenses incurred. Such compensation methods

do not incentivize recruiting agents to pursue prospects that exceed admission requirements. One example of incentive-based compensation is offering a fixed rate or percentage top-up for registrants who possess higher than the minimum required English-language proficiency scores. Another example is offering a compensation structure that includes a bonus to agents who successfully recruit students who registered and later attained a certain scholastic achievement, as determined by the university. Both approaches should increase the overall preparedness of entering international students and their likelihood of graduating from their programs.

We noted that over the five-year period 2017/18 to 2021/22, Algoma paid recruiting agencies \$10.2 million for almost 2,200 international students. Average compensation on a per student basis was \$4,641, the highest among the four universities audited.

In considering the preparedness and likelihood of success of admitted international students, we compared the graduation rates of international students to their domestic counterparts at Algoma for the years 2019/20 to 2021/22. We found the graduation rate of international students to domestic students at Algoma to be comparable or better, as seen in **Figure 11**. In comparison to the other universities audited that had consistently lower graduation rates for international than domestic students, Algoma's graduation rate for international students was higher than Ontario Tech's but lower than Windsor's and Nipissing's.

RECOMMENDATION 7

To promote and incentivize student recruiting agents to find the most highly prepared international students, we recommend that Algoma 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.

5.3 Profitability of Academic Programming

Algoma completed an analysis of the profitability of academic departments as a one-time exercise in 2020/21 (see **Appendix 11**). The analysis was done at the department level (not at the program level) and took into consideration tuition revenue and cost of instruction for each student enrolled in each specific department. However, the analysis did not take into consideration any other related costs such as for physical space, administration or maintenance. Therefore, a more comprehensive assessment of profitability was not available. The analysis that was performed did not look at each of the Sault Ste. Marie, Timmins and Brampton campuses' performance separately. Based on its analysis, Algoma demonstrated a profit from academic programming for the 2020/21 year.

RECOMMENDATION 8

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 Algoma University:

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

5.4 Capital Planning

We reviewed four major capital projects undertaken at Algoma between 2016/17 and 2020/21, as seen in **Appendix 12**. We found that a financial assessment for large-scale projects was not always conducted to

determine the financial feasibility of undertaking such projects. For example, for the proposed construction of an Indigenous cultural centre (Mukwa Waakaa'igan) originally expected to cost \$16 million, a business case was presented to the Board in November 2019. The business case included the rationale for the project; however, it did not include a financial assessment of the impact of the project on Algoma's overall revenue to justify the cost of the investment.

In November 2019, the Board gave management approval to proceed with an application for a portion of the funding from the federal government's Investing in Canada Infrastructure Program. In April 2021, management proceeded with a request for proposal for an architect to provide design, specifications, and construction tender documents for the facility, and in September 2021 the Board approved the university to enter into an agreement with the successful bidder. At that time, the estimated cost to complete the project had increased to \$18 million.

However, by April 2022 the anticipated budget required for the new facility was increased to \$26 million, according to the five-year capital plan presented to the Board at that time. University management attributed the increase in the project cost to rising construction costs and adjustments in the scope of the project to include a third floor, which will be a medical school focused on research and training in mental health and addiction. Management also told us that the project would not proceed without Board approval of the revised budget, scope and financial plan, which was expected in the fall of 2022. At the time of our audit, the federal and provincial governments had committed \$13 million to this project (with the federal contribution at \$7 million, and the Province's at \$6 million).

In contrast, when the university was deciding whether to expand its programming/operations in Brampton, it conducted a 10-year financial forecast in 2019 that contained reasonable assumptions and demonstrated the expansion would be profitable.

RECOMMENDATION 9

To determine whether major capital projects are financially feasible, we recommend that Algoma

University 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.

5.5 Board Governance

5.5.1 Size, Composition and Term Limits of Board of Governors

We found that the size of Algoma’s Board of Governors is considered large without a compelling reason. The Board includes 18 members—11 external to the university and seven internal to the university. A typical non-university board should have 14 to 16 board members at most. The specific context of a university would also support having only a small minority (no more than three or four board members) internal to the university, including the president. Also, typically, the ideal number of board committees should not exceed four or five. Algoma had five committees and two additional sub-committees (see **Figure 13**).

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. Algoma had an Executive Committee of seven members that had the authority to oversee the president (i.e., develop annual performance objectives for the president and review progress), recommend the long-term campus development strategy to the Board, and develop agenda or recommend agenda matters for Board meetings.

We also noted that term limits for Board members at Algoma were of shorter duration than best practice, as seen in **Figure 13**. The term limit for Board members at Algoma is six years compared to the private-sector board best practice of nine years. The benefit of longer term limits is that they provide members with enough time to gain experience with and knowledge of the university, to better enable them to become proficient on committees and move into senior oversight roles, such as vice-chair and chair of the Board of Governors.

RECOMMENDATION 10

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

- reduce and limit the size of the Board, including the number of internal members;
- reduce the number of committees to accommodate a smaller Board size; and
- increase the term limits of Board members, including current members.

5.5.2 Presidential Succession Planning

We found that the Board of Algoma University did not have a permanent plan for presidential succession that is regularly reviewed and approved in order to ensure strong leadership is continuously in place when the president’s term expires. It did, however, have an emergency succession plan that identified an interim president in the event of an unplanned replacement of the incumbent president, due, for example, to health reasons, an accident, termination or sudden death.

Although a Board may choose an external candidate, notwithstanding this, a benefit of a permanent presidential succession plan is that it compels a board along with the incumbent president to take all reasonable steps to develop, groom and mentor, as the case may be, an internal candidate or candidates to ensure that they will be “president-ready” when needed.

RECOMMENDATION 11

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

5.5.3 Board Competencies

We reviewed the processes Algoma’s Board had in place to identify and track the skills and competencies of its Board members, and to ensure they align with

the suite of abilities required for the Board to make fully informed decisions. We found that Algoma had a competency matrix in place, with 21 competencies listed. However, it had not prioritized the list to identify core competencies. To be effective, priority or core competencies should be identified and be limited to five at most.

Five core competencies for a university board include finance, accounting, executive management, risk management and cybersecurity. However, as seen in **Figure 14**, Algoma's competency matrix did not consider its Board members' competency in the areas of risk management and cybersecurity. Although information technology was identified as a competency by Algoma, it is a broad area of knowledge and does not necessarily include knowledge of cybersecurity in the depth required to be proficient and able to question management accordingly.

We also examined the competency matrix of Algoma's Board to determine the level of knowledge and experience the Board already possessed in each of the five core competencies, and to ascertain if any gaps in these skills existed. At Algoma, we found that many Board members had limited or no financial literacy expertise or experience, as seen in **Figure 14**. Specifically, 50% of Board members had limited or no competency in the area of finance, and 44% had little or no experience in accounting.

Because boards are responsible for overseeing universities' financial operations including reviewing and approving operating budgets, capital expenditures, debt/financing, and financial statements, the majority or near-to-all board members should be financially literate at least to the extent they understand university finances and have the ability to read and understand university financial statements, either at the time of appointment or through training within a year of appointment.

RECOMMENDATION 12

To have a Board with essential skills and competencies for effective oversight, and to promote effective

Board member succession planning, we recommend that the Board of Algoma University:

- prioritize and track competencies using competency matrices and other competency tracking tools;
- confirm the Board and its committees possess demonstrably requisite competencies, in order to fulfill its terms of reference; and
- 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.

5.5.4 Key Oversight Functions

Key internal oversight functions for effective governance include risk management, compliance and internal audit.

Risk management helps organizations determine their risks and define the level of risk they are willing to assume to accomplish their long- and short-term goals. More specifically, risk management is the process of identifying and documenting an organization's risks (financial and non-financial) in its critical business processes, and the internal controls within each process to mitigate those risks. A compliance function monitors and evaluates adherence with relevant organizational policies, laws, and regulations. The role of internal audit is to provide independent assurance that an organization's risk management, compliance and internal control processes are operating effectively.

We found that Algoma University did not have all three key internal oversight functions—risk management, compliance and internal audit, as seen in **Figure 15**. It also had not developed a written risk appetite framework for the Board to review and approve. Such a framework outlines the material financial and non-financial risks to an organization, the internal controls mitigating each risk, and independent assurance that the financial and operational controls of an organization are working as intended.

RECOMMENDATION 13

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

- implement internal oversight functions (i.e., risk management, compliance and internal audit) and have them report regularly to the Board; and
- 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.

5.5.5 Senate

As noted in **Section 2.1.1**, Algoma University uses a bicameral governing model. The Board of Governors is accountable for the overall operation of the university, while the Senate oversees the university's academic programming and teaching quality. The Senate is responsible for academic matters such as the composition of degrees and programs offered by the university and for decisions such as adding or removing programs.

The financial sustainability of a university is strongly dependent on the effective relationship between these two governing bodies. In order for the Senate to make well-informed decisions that consider both the academic program offerings and the financial sustainability of the university, it needs to be provided with the appropriate information on the profitability and eventual sustainability of the university's program offerings. However, we found that the Senate was not provided with regular or routine costing information to assess the financial sustainability of the individual program offerings. As noted in **Section 5.3**, Algoma University had only recently completed an analysis of the profitability of its academic departments in 2020/21, but not at the program level. This analysis was not shared with the Senate. Information such

as this would help the senate in making decisions on program changes, adjustments and restructuring.

RECOMMENDATION 14

To enable the Senate at Algoma 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 be provided with regular costing information on the financial contribution of individual program offerings, by campus and the university as a whole.

5.6 Partnerships and Collaborations

We noted that Algoma University has established mutually beneficial partnerships with its host city of Brampton and community organizations:

- **Municipal partnership for campus expansion:** In 2018, Algoma introduced its School of Business and Economics at its existing Brampton campus. In March 2019, Algoma made a presentation to Brampton City Council requesting funding to support the expansion. Algoma formed a beneficial partnership with the City of Brampton effective September 1, 2019 through December 31, 2022, for the expansion of enrolment and programming at its campus in that city. Instead of making an unfunded large investment in permanent capital, the university rents space in downtown Brampton with the support of the city. The university has received \$7.8 million in grants from the city to make improvements to leased space, and has rapidly expanded its offerings in the city. The university conducted a 10-year financial forecast in 2018, which predicted an overall net profit of \$10 million for the university as a whole, based on a student enrolment ratio of 70% domestic and 30% international students. At the time of our audit, Algoma had exceeded its annual enrolment and profit forecasts each year.

- **Non-profit organization partnership for community programs:** Algoma also has entered into agreements and arrangements with local organizations in the City of Brampton to provide students with ancillary services. For example, an agreement was entered into with the local YMCA in 2013, so students could access their recreational programs (gym, pool and conditioning floor). Similarly, Algoma has an informal arrangement in support of student services with the Brampton Public Library for students to use the library with a floor dedicated as study space.

We also noted an example of an academic collaboration that provides students with some benefits, such as access to Algoma's student support services, but did not entirely keep the best interests of students in mind. In April 2022, Algoma began an academic collaboration with Yorkville University, a private for-profit university founded in 2004 through New Brunswick's *Degree Authorization Act*. Yorkville University is located in Fredericton, New Brunswick, with campuses in Fredericton, Toronto and Vancouver, and is owned by Yorkville Education Company Inc., which is equally owned by two family trusts. Degree programs offered by Yorkville in Ontario are approved by the Minister of Colleges and Universities through the Postsecondary Education Quality Assessment Board (PEQAB). It currently offers three degree programs in Ontario—Bachelor of Business Administration (Project Management), Bachelor of Creative Arts, and Bachelor of Interior Design.

Algoma offers a four-term (two-year) post-graduate certificate in project management at its Brampton campus through Yorkville University. Algoma admits students and provides the learning space and student and administrative supports for a maximum of 2,000 students, and grants the certificate. Yorkville University provides the course curricula (approved by Algoma) and faculty on a net revenue-sharing basis, 45% to Algoma and 55% to Yorkville.

However, a clause in the agreement constrains students from transferring out of the program into other programs at Algoma, and does not allow them to transfer credits until they have fully completed the program

and obtained the certificate. This limits students from taking other programs offered at Algoma that may be better aligned with their interests and skills.

The *Post-Secondary Education Choice and Excellence Act, 2000* regulates authority over degrees in Ontario. Under the Act, all organizations—Ontario or out-of-province, public or private for-profit, or not-for-profit—require either an Act of the Legislative Assembly of Ontario or the consent of the Minister of Colleges and Universities to, among other things, grant a degree, provide a post-secondary program leading to a degree, or operate or maintain a university. However, the offering of certificate programs does not require ministerial consent. At the time of our audit, six private for-profit universities, including Yorkville, had been approved by the Minister of Colleges and Universities to offer degree programs.

RECOMMENDATION 15

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 Algoma University:

- set goals for the type of relationships it plans and then enters into, such as revenue-generating academic relationships;
- have such arrangements approved by its Board and/or Senate; and
- ensure that arrangements will be and continue to be aligned with the academic and financial interests of students.

6.0 Nipissing University

6.1. Financial Sustainability

6.1.1 Financial Activity

Nipissing University accumulated \$9.4 million in net losses from 2016/17 to 2020/21, which reduced its net assets from \$25.2 million in 2016/17 to \$16.1 million for the year ending 2020/21. Total net assets also included adjustments for external contributions

and employee benefits. The change in the university's annual revenue during that time decreased by 5% (or \$4.3 million) and its expenses decreased by \$1.5 million. The reduction in revenue can mostly be attributed to a decrease in ancillary services revenue of \$3.2 million, much of it because of shutdowns during the COVID-19 pandemic. The university received \$3.6 million in COVID-19 relief funding from the Province. See **Appendix 8b** for the financial position of Nipissing for the five-year period 2016/17–2020/21.

Unlike the other three universities in this audit, Nipissing did not actively engage in international recruitment during that time frame. In any one year, Nipissing had at most 75 full-time-equivalent international students. In contrast, Algoma, Ontario Tech and Windsor have focused on international recruitment and utilized international tuition fees to increase revenues and subsidize their bottom lines, as discussed in **Section 4.2**. As a result, Nipissing is not economically dependent on international students for its tuition revenue and operations.

6.1.2 Long-Term Debt Policies

As of the university's year-end on April 30, 2021, Nipissing University had \$34.7 million in debt from various undertakings, including the construction of residence buildings and a research innovation centre. The debt comprises four unsecured Toronto-Dominion Bank loans that all mature in 2027. In addition to its own debt, the university is also the guarantor of a \$6.5 million loan made to the Nipissing University Student Union for a new student centre.

Nipissing developed a capital debt policy in November 2021 for the first time; however, approval of the policy was not obtained from the Board. We calculated that the university has not breached its capital debt policy since its inception in November 2021. However, if the measures were retroactively applied for five years beginning in 2016/17, it would have breached its interest burden ratio in two of the five years, 2016/17 and 2017/18, and its debt per student FTE also in two of the five years, 2017/18 and 2018/19.

RECOMMENDATION 1

So that Nipissing 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 debt policy;
- monitor and adhere to the debt limits outlined in its policy; and
- report semi-annually to the Board on the status of debt maintained and its continuing compliance with its capital debt policy.

6.1.3 Ancillary Services

Over the five-year period 2016/17–2020/21, Nipissing University realized profits from its ancillary services in the three years 2017/18–2019/20, of between \$1 million and \$1.5 million, and losses in both 2016/17 (\$0.2 million) and 2020/21 (\$1.3 million), resulting in a net profit of \$2.1 million over the five-year period. However, we found that the university does not review or monitor the profitability of individual ancillary services. This is a missed opportunity for Nipissing to determine which services are generating a profit and which are not, in order to take any necessary corrective actions.

RECOMMENDATION 2

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

- review and monitor the profitability of its ancillary services on a consolidated basis and for each ancillary service separately; and
- develop strategies to maximize the profitability of its ancillary services where necessary.

6.1.4 Restricted Funds

We reviewed Nipissing University's financial statements, ledgers and bank/investment accounts to determine whether endowments and externally

restricted funds are managed and maintained separately from regular operating funds. In addition, we assessed whether the university held sufficient cash and investments to cover externally restricted and endowment funds as of the end of 2020/21. We found that Nipissing commingled externally restricted funds with cash from operations, contrary to best practices (see also **Figure 8**). However, in accordance with best practices, the university:

- managed and maintained endowments and externally restricted funds using separate ledgers;
- held separate investment accounts for endowment funds; and
- had sufficient cash and short-term investments at the end of fiscal 2020/21 to cover externally restricted funds and endowments, according to its audited financial statements.

With regard to internally restricted funds, we found that the university did not perform an analysis to determine whether it had sufficient cash on hand to cover internally restricted funds, in addition to externally restricted funds and endowments. However, our own calculation showed that the university had enough cash and short-term investments at year-end 2020/21 to cover all restricted funds, both internal and external, as well as endowments.

RECOMMENDATION 3

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

- maintain separate bank accounts for externally restricted funds; and
- 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.

6.1.5 Budgeting Practices

Nipissing University had a model in place for development of its budget; however, it did not have a

documented process for how to apply its model or the assumptions to be used. Nipissing University's operating budget for each year from 2016/17 to 2021/22 was presented in a deficit position, with no plan on how it would return to a surplus position. The university's 2021/22 budget indicated a 5% reduction in total expenses, including a 15% decrease in operating expenses, but did not have a formal or detailed cost-cutting strategy for how it would achieve this. This is unlike other universities, where we saw detailed plans and strategies developed and presented to the Board along with deficit budgets.

We also noted that Nipissing does not prepare an ancillary budget broken down by revenue stream, nor does it have a capital budget or take capital into consideration when preparing budgets and presenting them to its Board.

Nipissing was also unable to provide analysis comparing its annual budget to annual actual revenue and expenditures. Some in-year comparisons were completed; however, these compared nine-month revenues and expenses to amounts budgeted for a full 12 months. No variances of year-over-year amounts were conducted, therefore the analysis completed was of limited usefulness. For example, the analysis at December 31, 2021, compared revenues and expenses for nine months compared to the budgeted amount for the year. However, for this analysis to be useful, the university should have prorated the budgeted amount for nine months and compared it to the actual nine-month spending.

Nipissing also does not prepare and present to the 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 4

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 Nipissing University:

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

- develop a separate budget for all capital investments, and present it to the Board for approval;
- develop a separate budget for ancillary services by revenue stream, and present it to the Board for approval;
- consolidate the capital budget, the operating budget and the ancillary budget, and present the consolidated budget to the Board for approval;
- 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; and
- 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.

6.2 International Students

6.2.1 Admission Criteria for International Students

The proportion of international enrolment at Nipissing University remained constant from 2016/17 to 2020/21 at 1%, as seen in **Figure 9**.

We reviewed whether Nipissing University accepted only international students who met admission criteria. Our review included applicants to undergraduate-degree programs from India, China and Nigeria, the three most dominant countries for international student enrolment (see **Section 4.2.2**) who had not attended an Ontario high school. We noted that Nipissing does its own transcript assessments, which are based on grade-conversion charts developed in-house, as no provincial conversion standards have been established by the Ministry. The university does not require students to submit high school transcripts for assessment from third-party foreign transcript evaluation services.

We also compared the grades among the universities we audited that would be equivalent to 70% in the Ontario secondary school system from India, China and Nigeria, based on the conversion chart developed

by the university. Nipissing developed the equivalency based on its experience over the years of admitting students from the different countries and the patterns it has seen. The Ministry does not provide guidance in this area. We found that Nipissing considered a 50% average from India equivalent to a 70% from Ontario. The grade-conversion equivalent to a 70% in Ontario at the other universities audited ranged from 60% at Algoma to 70% at Windsor. See **Section 9.1.4** for a recommendation to the Ministry to develop a standard grade-conversion chart.

6.2.2 Reliance on International Students

Nipissing University had relatively few international students with 94 in total for 2021/22. About half (55%) of the international students were from India, with 9% from Nigeria and 5% from China. Nipissing was aware of the risk of a lack of diversification in its international student base, as evidenced in its Strategic Enrolment Plan 2022–2027, which includes a short-term goal to increase the number of recruiting agents so that it can attract students from different markets. Its long-term goal is to increase recruitment of highly qualified international students to 10% of the total student population, from its current level of 1%. Nipissing's Internationalization Plan 2021–2026 describes that its aim is to create a presence in different markets including Latin America, Europe, Africa and Southeast Asia. However, there is no mention of the specific priority countries established by the federal government, nor did it have a formal action plan to achieve its goal.

RECOMMENDATION 5

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

- regularly complete a financial sensitivity analysis of the impact of the loss of students from various regions; and
- focus on recruiting students from priority countries identified in the government of Canada's International Education Strategy, 2019–2024.

6.2.3 Tracking International Students

We found that Nipissing University did not actively maintain an up-to-date record of international student post-graduate progress or location. Tracking this information could help the university adjust its program offerings, improve its recruitment efforts and help in promoting the university.

RECOMMENDATION 6

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

- collect relevant data on the location and careers of international alumni; and
- use this data to better inform programming and recruitment decisions.

6.2.4 Compensation Structure for International Recruiters

Nipissing University uses three agencies to recruit international students. Recruiting services contracted include functions such as marketing and promoting the university's brand; generating inquiries and applications from bona fide applicants; pre-screening applicants; and monitoring applications from submission to confirmation. The agencies are also responsible for recruiting and managing agents within specific geographic regions, or establishing international offices for agents to operate from.

At Nipissing, recruitment agencies were compensated based on a percentage of the base tuition, following successful admission of an international student into one of the university's programs. Such a compensation method does not incentivize recruiting agents to pursue prospects that exceed admission requirements. One example of incentive-based compensation is offering a fixed rate or percentage top-up for registrants who possess higher than the minimum required English-language proficiency scores. Another example is offering a compensation structure that

includes a bonus to agents who successfully recruit students who registered and later attained a certain scholastic achievement, as determined by the university. Both approaches should increase the overall preparedness of entering international students and their likelihood of graduating from their programs.

We noted that over the five-year period 2017/18–2021/22, Nipissing paid recruiting agencies \$360,000 for 463 international students. Average compensation on a per student basis was \$778, the lowest among the four universities audited.

Given the small number of international students that attend and graduate from the university on an annual basis, a useful comparison of graduation rates between international students and domestic students was not possible, as noted in **Figure 11**.

RECOMMENDATION 7

To promote and incentivize student recruiting agents to find the most highly prepared international students, we recommend that Nipissing 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.

6.3 Profitability of Academic Programming

Nipissing completed a retroactive profit margin analysis of its academic departments for the first time in 2021/22, covering the period 2017/18–2021/22 (see **Appendix 11**). The university did not complete an analysis of profitability at the academic program level. Over the five-year period, Nipissing's analysis showed that on an overall basis its academic programming was unprofitable in three of the years, 2018/19, 2020/21 and 2021/22. It is fair to attribute some of the reason for losses in 2020/21 to revenue reductions due to COVID-19-related lockdowns and school closures. However, the analysis showed the suite of academic programming was losing money prior to COVID-19 as well, in 2018/19. For the 2021/22 year, only six of its

21 departments had a positive profit margin, resulting in an overall loss for all programs of about \$4.3 million.

Although Nipissing did not complete an analysis at the program level, it is the only university of the four we audited that had developed a model to be able to determine the profitability of programs within a faculty or department. Not having this model limits the other three universities' knowledge when allocating resources or adjusting the structure of programming to support sustainability.

RECOMMENDATION 8

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 Nipissing University:

- complete an analysis of profitability at the academic program level;
- 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; and
- reduce or restructure program offerings based on the results of its program profitability analysis and academic needs, in consultation with its academic departments and with the approval of its Board and Senate.

6.4 Capital Planning

None of the four projects at Nipissing we reviewed were supported by a business case or a financial feasibility assessment. The largest of the projects completed by the university in the past five years, a \$2.4 million reconstruction of a playing/turf field, was almost entirely financed through external debt. We noted that this project had not been approved by the Board. The university's approval policy for capital construction projects requires that all capital construction projects be approved in advance by the Board, irrespective of the amount. However, the policy does not provide a definition of what constitutes a capital construction

project. Senior management at the university told us they consider capital construction projects to include only a new building or an addition or expansion to a building. They interpreted a renovation, modification or transformation to an existing space as work that would not constitute a capital construction project, regardless of the expected costs, and as a consequence senior management did not seek or receive Board approval for this project.

We examined another project that fit the university's definition of a "major project" that was completed prior to 2016/17. Nipissing expanded its Athletic Centre at a cost of \$23.1 million, of which \$8.5 million was funded through external debt. This project was completed in three phases between 2012 and 2015. Despite the significant value of the project and the use of external financing (37% of total project costs), the university had not completed a business case or feasibility assessment to evaluate the project.

Instead, it provided us with a project proposal it had submitted to the Northern Ontario Heritage Fund Corporation to secure funding for Phase 1 of the project. The proposal identified some benefits such as jobs that would be created to operate the facility and appropriate space to support research and teaching in the physical and health education program. It also noted that the project was not meant to generate revenue. However, there was no analysis or assessment of future operating and maintenance costs, or how the investment would impact the finances of the university. The Board approved the construction of Phase I of the expansion in the amount of \$10.2 million. The Board also approved a motion to proceed to tender Phase 2 and Phase 3 of the athletic facility, but the university had already moved forward with procuring the remaining two phases before Phases 2 and 3 were approved by the Board. See **Appendix 12** for major capital projects undertaken by Nipissing between 2016/17 and 2020/21.

RECOMMENDATION 9

To determine whether major capital projects are financially feasible and beneficial, we recommend that Nipissing 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;
- 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; and
- obtain Board approval on major capital investments before moving forward with planned projects.

6.5 Board Governance

6.5.1 Size, Composition and Term Limits of Board of Governors

We found that the size of Nipissing’s Board of Governors is considered large without a compelling reason. The Board includes 26 members—15 external to the university and 11 internal to the university. A typical non-university board should have 14 to 16 members at most. The specific context of a university would also support having only a small minority (no more than three or four board members) internal to the university, including the president. Also, typically, the ideal number of board committees should not exceed four or five. Nipissing slightly exceeded the ideal number of committees, by having six committees (see **Figure 13**).

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. Nipissing had an executive committee of eight members that had the authority to oversee the president (i.e., establish and assess remuneration, review performance, approve the president’s contract), and develop the agenda for Board meetings.

We also noted that term limits for Board members at Nipissing were of shorter duration than best practice, as seen in **Figure 13**. The term limit for Board members at Nipissing is six years compared to the best practice of nine years. The benefit of longer term limits is that they

provide members with enough time to gain experience with and knowledge of the university, to better enable them to become proficient on committees and move into senior oversight roles, such as vice-chair and chair of the Board of Governors.

RECOMMENDATION 10

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

- reduce and limit the size of the Board, including the number of internal members;
- reduce the number of committees to accommodate a smaller Board size; and
- increase the term limits of Board members, including current members.

6.5.2 Presidential Succession Planning

We found that the Board of Nipissing University did not have a permanent plan for presidential succession that is regularly reviewed and approved in order to ensure strong leadership is continuously in place, when the president’s term expires. Although a board may choose an external candidate, notwithstanding this, a benefit of a permanent presidential succession plan is that it compels a board along with the incumbent president to take all reasonable steps to develop, groom and mentor, as the case may be, an internal candidate or candidates to ensure that they will be “president-ready” when needed. The university also did not have an emergency succession plan that identified an interim president in the event of an unplanned replacement of the incumbent president due, for example, to health reasons, an accident, termination or sudden death.

RECOMMENDATION 11

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

6.5.3 Board Competencies

We reviewed the processes Nipissing’s Board had in place to identify and track the skills and competencies of its Board members, and to ensure they align with the suite of abilities required for the Board to make fully informed decisions. We found that Nipissing had a competency matrix in place, with 19 competencies listed. However, it had not prioritized the list to identify core competencies. To be effective, priority or core competencies should be identified and be limited to five at most.

Five core competencies for a university board include finance, accounting, executive management, risk management and cybersecurity. However, as seen in **Figure 14**, Nipissing’s competency matrix did not consider board members’ competency in the areas of executive management and cybersecurity. Although information technology was identified as a competency by Nipissing, it is a broad area of knowledge and does not necessarily include knowledge of cybersecurity in the depth required to be proficient and able to question management accordingly.

We also examined the competency matrix of Nipissing’s Board to determine the level of knowledge and experience the Board already possessed in each of the five core competencies, and to ascertain if any gaps in these skills existed. At Nipissing, we found that many Board members had limited or no financial literacy expertise or experience, as seen in **Figure 14**. Specifically, 39% of Board members had limited or no competency in the area of finance, and 52% had little or no experience in accounting. Because boards are responsible for overseeing universities’ financial operations, including reviewing and approving operating budgets, capital expenditures, debt/financing, and financial statements, the majority or near-to-all members on a board should be financially literate at least to the extent they understand university finances and have the ability to read and understand university financial statements, either at the time of appointment or through training within a year of appointment.

RECOMMENDATION 12

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 Nipissing University:

- prioritize and track competencies using competency matrices and other competency tracking tools;
- confirm the Board and its committees possess demonstrably requisite competencies, in order to fulfill its terms of reference; and
- 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.

6.5.4 Key Oversight Functions

Key internal oversight functions for effective governance include risk management, compliance and internal audit.

Risk management helps organizations determine their risks and define the level of risk they are willing to assume to accomplish their long and short-term goals. More specifically, risk management is the process of identifying and documenting an organization’s risks (financial and non-financial) in its critical business processes, and the internal controls within each process to mitigate those risks. A compliance function monitors and evaluates adherence with relevant organizational policies, laws and regulations. The role of internal audit is to provide independent assurance that an organization’s risk management, compliance and internal control processes are operating effectively.

We found that Nipissing University did not have all three key internal oversight functions—risk management, compliance and internal audit, as seen in **Figure 15**. It also has not developed a written risk appetite framework for the Board to review and approve. Such a framework outlines the material

financial and non-financial risks to an organization, the internal controls mitigating each risk, and independent assurance that the financial and operational controls of an organization are working as intended.

RECOMMENDATION 13

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

- implement internal oversight functions (i.e., risk management, compliance and internal audit) and have them report regularly to the Board; and
- 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.

6.5.5 Senate

As noted in **Section 2.1.1**, Nipissing University uses a bicameral governing model. The Board of Governors is accountable for the overall operation of the university, while the Senate oversees the university's academic programming and teaching quality. The Senate is responsible for academic matters such as the composition of degrees and programs offered by the university and for decisions such as adding or removing programs.

The financial sustainability of a university is strongly dependent on the effective relationship between these two governing bodies. In order for the Senate to make well-informed decisions that consider both the academic program offerings and the financial sustainability of the university, it needs to be provided with the appropriate information on the profitability and eventual sustainability of the university's program offerings. However, we found that the Senate was not provided with regular or routine costing information to assess the financial

sustainability of the university's individual program offerings. As noted in **Section 6.3**, in 2021/22 Nipissing University completed a retroactive profit margin analysis of its academic departments for the first time, covering the period 2017/18 to 2021/22, but did not provide this analysis to the Senate. The analysis for 2021/22 showed an overall loss for all programs of about \$4.3 million, with only six of its 21 departments having positive profit margins. Information such as this would help the senate in making decisions on program changes, adjustments and restructuring.

RECOMMENDATION 14

To enable the Senate at Nipissing 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 be provided with regular costing information on the financial contribution of individual program offerings and the university as a whole.

6.6 Partnerships and Collaborations

We noted that Nipissing University had partnered with employers for a joint work and study program for its students. Specifically, Nipissing has partnered with health-care facilities in 420 locations across the province to deliver its Blended Nursing program, which enables Registered Practical Nurses (who have a diploma in Practical Nursing) to study part-time toward a Nursing degree while continuing to work. The program is delivered through online theory-based courses, while practicum-based courses are offered within one of the partnered health-care facilities across the province, or the facility where the student is employed. Under this arrangement, the university does not obtain revenues from the employers, but it allows for an increase in the number of Registered Practical Nurses in Ontario, while also increasing enrolment for the university.

There is no recommendation in this area.

7.0 Ontario Tech University

7.1 Financial Sustainability

7.1.1 Financial Activity

Throughout the five-year period 2016/17–2020/21, Ontario Tech University had four in-year surpluses, experiencing only one in-year deficit in 2019/20. Both revenue and expenses fluctuated during the period but overall the university was able to increase its total revenue more than total expenses. During the same period, 2016/17–2020/21, Ontario Tech increased full-time equivalent (FTE) international student enrolment by 23% (or 141 FTE students). According to data from the Council of Ontario Finance Officers, between 2016/17 and 2020/21, Ontario Tech's proportion of revenue from international students increased from 6.2% to 7.7%. Further, the proportion of revenue from domestic students decreased from 30.7% to 27.2% during the same five-year period. See **Appendix 8c** for the financial position of Ontario Tech for the five-year period 2016/17–2020/21.

7.1.2 Long-Term Debt Policies

As of the university's year-end on March 31, 2021, Ontario Tech's debt comprised a \$151.5 million debenture maturing in 2034, \$36.2 million in obligations under capital leases, and \$300,000 in unsecured loans from third parties. In addition, Ontario Tech has provided a guarantee of as much as \$3.5 million for a loan taken out by the Ontario Tech Student Union. In January 2021, the university entered into a new \$25 million loan to finance the construction of Shawenjigewining Hall, a new building for the Faculty of Health Sciences, Office of Student Life, Continuous Learning and the Student Union.

Ontario Tech's largest debt, the 30-year debenture, was incurred in 2004, shortly after the university was first established in 2002. According to a business plan for the university from 2001, the initial capital costs associated with establishing the university were to be funded by the government. However, the government

changed following the October 2003 election, and the new government decided that it would not provide funding to finance the initial capital costs.

In response, Ontario Tech completed a \$220 million debenture offering in October 2004, repayable over 30 years, at an interest rate of 6.35%, to construct three academic buildings, a library and related infrastructure. The debenture was secured by the assets of the university that were being constructed and guaranteed by Durham College, with which it shares a campus. In August 2011, the Province agreed to pay the university a \$13.5 million grant annually until maturity in 2034 to cover about 80% of the annual principal and interest payments (\$16.5 million). Over the life of the debenture, the Ministry grant will total \$324 million. The outstanding balance on the debenture as of March 31, 2022 was \$144.6 million.

As noted, Ontario Tech did not have a formal debt policy. Instead it developed debt guidelines in January 2020 focused on minimizing risk and reducing its cost of capital. Guidelines included all external debt for capital projects having to be approved by the Board of Governors, all new debt complying with outstanding debt covenants, an interest burden ratio of less than 5%, after adjusting for the Ministry contribution to the debenture, which indicates the percentage of expenses used to cover the cost of servicing debt, and a downward trending debt per FTE student ratio. Ontario Tech had met all debt guidelines since their inception and retroactively to 2016/17.

RECOMMENDATION 1

So that Ontario Tech University assumes debt only at levels that continue to promote sustainable financial operations, we recommend that the university establish a formal capital debt policy approved by the Board.

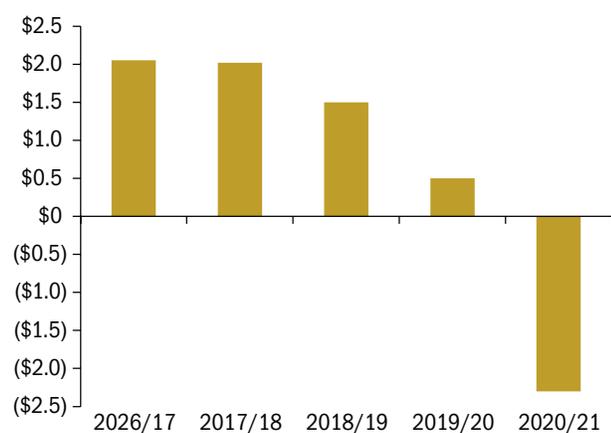
7.1.3 Ancillary Services

Ontario Tech University assessed its ancillary profitability by looking at each of its seven revenue streams. In total, its ancillary operations generated a profit in each year from 2016/17 to 2019/20, but declined

drastically in 2020/21, as seen in **Figure 16**. The university experienced a \$2.3 million in-year deficit in 2020/21, as six of its seven ancillary revenue streams were not profitable due to COVID-19. However, some ancillary services were also unprofitable in years prior to the pandemic. These included day care in each year from 2016/17 to 2019/20, camp in 2016/17, the bookstore in 2018/19, and the Regent Theatre (rental revenue), the Automotive Centre of Excellence (rental revenue), and food services in 2019/20. The university received \$5.2 million in COVID-19 relief funding from the Province.

Figure 16: Ontario Tech University Consolidated Ancillary Profit/(Loss), 2016/17–2020/21 (\$ million)

Source of data: Ontario Tech University



RECOMMENDATION 2

To manage and maximize the profitability of its ancillary services, we recommend that Ontario Tech University develop strategies to maximize the profitability of its ancillary services where necessary.

7.1.4 Restricted Funds

We reviewed Ontario Tech University's financial statements, ledgers and bank/investment accounts to determine whether endowments and externally restricted funds are managed and maintained

separately from regular operating funds. In addition, we assessed whether the university held sufficient cash and investments to cover externally restricted and endowment funds as of the end of 2020/21. As shown in **Figure 8**, we found that Ontario Tech:

- managed and maintained endowments and externally restricted funds using separate ledgers;
- held separate investment accounts for endowment funds;
- maintained separate bank accounts for externally restricted funds; and
- had sufficient cash and short-term investments at the end of fiscal 2020/21 to cover externally restricted funds and endowments, according to its audited financial statements.

In addition, for the five-year period we reviewed (2016/17–2020/21), Ontario Tech performed an analysis to determine whether it had sufficient cash on hand to cover internally restricted funds, in addition to externally restricted funds and endowments. Its analysis showed it had enough cash on hand to cover these amounts.

There is no recommendation in this area.

7.1.5 Budgeting Practices

Ontario Tech's Board approved a deficit budget for 2020/21. However, in order to take measures to return to a surplus position, the university included a 6.6% reduction of the total operating budget for all departments (excluding those funded by student ancillary fees). The operating budget document also included strategic discussion for positioning the university for the future.

Ontario Tech also prepares a budget for its ancillary services in which the revenue streams are separated; however, it presents only an aggregate version to the Board. It would be beneficial for decision-making purposes for the Board to receive the breakdown to have a better understanding of which ancillary services were and were not profitable.

Ontario Tech prepares a combined budget for operations and capital projects costing less than \$5 million. However, capital projects costing more than \$5 million are approved separately, but no separate capital budget is prepared, nor is this information included in the combined budget. Having a separate capital budget that includes all capital expenditures, and that is then included in the overall budget package, would be useful to provide a complete picture of all budgeted expenditures.

We also noted that Ontario Tech reviews and compares its operating budget to actual results quarterly and at year-end. In our review of meeting minutes of both the Board and the Audit and Finance Committee, we found there was sufficient discussion among the members regarding variances to provide an understanding of the reasonability and management of revenue and expenditures. Additionally, Ontario Tech prepares the impact of the university's projected cash flows from operations, financing and capital purchasing activities; however, this information is not presented to the Board to inform them of the extent to which each contributes to or draws on the university's resources.

RECOMMENDATION 4

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 Ontario Tech University:

- develop a separate budget for all capital investments, and present it to the Board for approval;
- consolidate the capital budget, the operating budget and the ancillary budget, and present the consolidated budget to the Board for approval; and
- 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.

7.2 International Students

7.2.1 Admission Criteria for International Students

The proportion of international enrolment at Ontario Tech University has increased slightly from 7% to 8% from 2016/17 to 2020/21, as seen in **Figure 9**.

We reviewed whether Ontario Tech accepted only international students who met admission criteria. Our review included applicants to undergraduate-degree programs from India, China and Nigeria, the three most dominant countries for international student enrolment (see **Section 4.2.2**) who had not attended an Ontario high school. We noted that Ontario Tech does its own transcript assessments, which are based on grade-conversion charts developed in-house, as no provincial conversion standards have been established by the Ministry. The university also does not require students to submit assessments from third-party foreign transcript evaluation services. Our sample testing of international student applicants that were accepted for admission found that all had the required prerequisites for their program of study.

We also compared the grades among the universities we audited that would be equivalent to 70% in the Ontario secondary school system from India, China, and Nigeria, based on the conversion chart developed by the university. Ontario Tech developed the equivalency based on its experience over the years of admitting students from the different countries and the patterns it has seen. The Ministry does not provide guidance in this area. We found that Ontario Tech considered a 60% average from India equivalent to a 70% from Ontario. The grade-conversion equivalent to a 70% in Ontario at the other universities audited ranged from 50% at Nipissing to 70% at Windsor. See **Section 9.1.4** for a recommendation to the Ministry to develop a standard grade-conversion chart.

7.2.2 Reliance on International Students

In 2018, Ontario Tech University suffered an estimated loss of \$3 million when relations between Canada and

Saudi Arabia deteriorated and Saudi students studying in Canada were recalled home. Ontario Tech updated an International Strategy in 2022, and although not in the strategy, established an internal benchmark where no single country is to generate more than 30% of total undergraduate enrolment. Ontario Tech has met this benchmark in the last five years, with the highest representation of international enrolment being from India in 2021/22, representing only 20% of all international students at the university—a much lower proportion than other universities selected for audit. Ontario Tech’s International Strategy describes focusing on recruitment from five major geographic areas: North Asia, Southeast Asia, the Middle East, Africa and Latin America, which include five of the priority countries mentioned in Canada’s strategy. There is no recommendation in this area.

7.2.3 Tracking International Students

We found that Ontario Tech University did not actively maintain an up-to-date record of international student post-graduate progress or the location of its alumni after graduation. Tracking this information could help the university adjust its program offerings, improve its recruitment efforts and help in promoting the university.

RECOMMENDATION 6

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

- collect relevant data on the location and careers of international alumni; and
- use this data to better inform programming and recruitment decisions.

7.2.4 Compensation Structure for International Recruiters

Ontario Tech University uses 61 agencies to recruit international students. Recruiting services contracted

include functions such as representing the university by participating in educational fairs and other promotional activities; generating inquiries and applications from bona fide applicants; pre-screening applicants; and overseeing the collection and facilitating the remittance of all application and registration materials to the university for each student recruited. The agencies are also responsible for recruiting and managing agents, presented to and approved by the university within specific geographic regions.

At Ontario Tech, recruitment agencies were compensated based on a percentage of the base tuition, following successful admission of an international student into one of the university’s programs. In addition, Ontario Tech paid in-country recruiting services a fixed monthly fee plus expenses incurred. Such compensation methods do not incentivize recruiting agents to pursue prospects that exceed admission requirements. One example of incentive-based compensation is offering a fixed rate or percentage top-up for registrants who possess higher than the minimum required English-language proficiency scores. Another example is offering a compensation structure that includes a bonus to agents who successfully recruit students who registered and later attained a certain scholastic achievement, as determined by the university. Both approaches should increase the overall preparedness of entering international students and their likelihood of graduating from their programs.

We noted that over the five-year period 2017/18 to 2021/22, Ontario Tech paid recruiting agencies \$1.2 million for 338 international students. Average compensation on a per student basis was \$3,550, the second highest among the four universities audited.

In considering the preparedness and likelihood of success of admitted international students, we compared the graduation rates of international students to their domestic counterparts at Ontario Tech for the years 2019/20–2021/22. We found the graduation rate of international students to be significantly lower than that of domestic students at Ontario Tech and also lower than the graduate rate for international students at the other three universities we audited, as seen in **Figure 11**.

RECOMMENDATION 7

To promote and incentivize student recruiting agents to find the most highly prepared international students, we recommend that Ontario Tech 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.

7.3 Profitability of Academic Programming

Overall, Ontario Tech had a positive contribution margin in each of the past five years from 2017/18 to 2021/22 for all academic programming combined (see **Appendix 11**). Although overall the university's academic programming had positive contribution margins, individual faculties at the institution were not able to cover allocated expenses. It is fair to attribute some of the reason for losses in 2020/21 to revenue reductions due to COVID-19. However, only two of its seven faculties, the Faculty of Business and Information Technology and the Faculty of Engineering and Applied Science, had a positive contribution margin in each year. The university did not complete an analysis of profitability at the academic program level.

Ontario Tech is the only university of the four we audited that used financial analysis as support to restructure a faculty. The analysis (completed prior to our audit) showed that the Faculty of Energy Systems and Nuclear Science had been continuously operating at a deficit since at least 2017/18, when this data began to be collected. Beginning in 2022/23, this faculty was restructured as a department under the Faculty of Engineering and Applied Science in order to achieve efficiencies, such as through sharing administration.

RECOMMENDATION 8

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 Ontario Tech University:

- complete an analysis of profitability at the academic program level;
- 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; and
- reduce or restructure program offerings based on the results of its program profitability analysis and academic needs, in consultation with its academic departments and with the approval of its Board and Academic Council.

7.4 Capital Planning

We examined three major capital projects the university undertook between 2016/17 and 2020/21, as seen in **Appendix 12**. The largest project, a new building for the Faculty of Health Sciences, Office of Student Life, Continuous Learning and the Student Union, cost \$46.6 million and was completed in 2021. Although a business case was presented to and approved by the Board, it lacked a rigorous cost/benefit analysis that would be expected for a project of this magnitude. There was no analysis of whether the project was expected to generate any revenues, or any future financial projections for the project, such as a net-present-value analysis. Also, the project proceeded without a detailed and sound funding plan and ended up being financed significantly by external debt instead of internal reserves, as originally planned.

In contrast, the other two projects we examined were supported by a financial assessment. For example, for a new building completed in 2017 with a cost of \$31.2 million, Ontario Tech performed several financial analyses and reviewed seven alternative building designs to evaluate the project's feasibility. Those analyses led to its decision to move forward with a four-floor building. Financial analysis included calculating the following for each alternative:

- Net present value—the present value of future cash flows compared with the initial investment.

- Internal rate of return—the expected compound annual rate of return that will be earned on a project or investment. Generally speaking, the higher an internal rate of return, the more desirable an investment is to undertake.
- Payback period—the amount of time it takes to recover the cost of an investment.

RECOMMENDATION 9

To determine whether major capital projects are financially feasible and beneficial, we recommend that Ontario Tech University prepare a business case for each capital project that includes a financial feasibility assessment to help management and then the Board make decisions on major capital expenditures prior to approval.

7.5 Board Governance

7.5.1 Size, Composition and Term Limits of Board of Governors

We found that the size of Ontario Tech’s Board of Governors is considered large without a compelling reason. The Board includes 24 members—18 external to the university and six internal to the university. A typical non-university board should have 14 to 16 directors at most. The specific context of a university would also support having only a small minority (no more than three or four board members) be internal to the university, including the president. Ontario Tech had four board committees, which is within the ideal number according to best practice; see **Figure 13**.

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. Ontario Tech had an executive committee of five members that had the authority to perform duties that should be completed by the Board as a whole, such as overseeing the president (i.e., establish and assess remuneration, and review performance).

We also noted that term limits for Board members at Ontario Tech were of shorter duration than best practice, as seen in **Figure 13**. The term limit for Board members at Ontario Tech is six years compared to the best practice of nine years. The benefit of longer term limits is that they provide members with enough time to gain experience with and knowledge of the university, to better enable them to become proficient on committees and move into senior oversight roles, such as vice-chair and chair of the Board of Governors.

RECOMMENDATION 10

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

- reduce and limit the size of the Board, including the number of internal members; and
- increase the term limits of Board members, including current members.

7.5.2 Presidential Succession Planning

We found that the Board of Ontario Tech University did not have a permanent plan for presidential succession that is regularly reviewed and approved in order to ensure strong leadership is continuously in place, when the president’s term expires. Although a board may choose an external candidate, notwithstanding this, a benefit of a permanent presidential succession plan is that it compels a board, along with the incumbent president, to take all reasonable steps to develop, groom and mentor, as the case may be, an internal candidate or candidates to ensure that they will be “president-ready” when needed. The university also did not have an emergency succession plan that identified an interim president in the event of an unplanned replacement of the incumbent president due, for example, to health reasons, an accident, termination or sudden death.

RECOMMENDATION 11

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

7.5.3 Board Competencies

We reviewed the processes Ontario Tech's Board had in place to identify and track the skills and competencies of its board members, and to ensure they align with the suite of abilities required for the Board to make fully informed decisions. We found that Ontario Tech had a competency matrix in place, with 37 competencies listed. However, it had not prioritized the list to identify core competencies. To be effective, priority or core competencies should be identified and be limited to five at most.

Five core competencies for a university board include finance, accounting, executive management, risk management and cybersecurity. However, as seen in **Figure 14**, Ontario Tech's competency matrix did not consider board members' competency in the areas of risk management and cybersecurity. Although information technology was identified as a competency by Ontario Tech, it is a broad area of knowledge and does not necessarily include knowledge of cybersecurity in the depth required to be proficient and able to question management accordingly.

We also examined the competency matrix of Ontario Tech's Board to determine the level of knowledge and experience the Board already possessed in each of the five core competencies, and to ascertain if any gaps in these skills existed. At Ontario Tech, we found that 36% of Board members had limited or no expertise in accounting or finance, as seen in **Figure 14**. Because boards are responsible for overseeing universities' financial operations, including reviewing and approving operating budgets, capital expenditures, debt/financing and financial statements, the majority or near-to-all board members should be financially literate, at least to the extent they understand university finances and have the ability to read

and understand university financial statements, either at the time of appointment or through training within a year of appointment.

RECOMMENDATION 12

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

- prioritize and track competencies using competency matrices and other competency tracking tools;
- confirm that the Board and its committees possess demonstrably requisite competencies, in order to fulfill its terms of reference; and
- 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.

7.5.4 Key Oversight Functions

Key internal oversight functions for effective governance include risk management, compliance and internal audit.

Risk management helps organizations determine their risks and define the level of risk they are willing to assume to accomplish their long- and short-term goals. More specifically, risk management is the process of identifying and documenting an organization's risks (financial and non-financial) in its critical business processes, and the internal controls within each process to mitigate those risks. A compliance function monitors and evaluates adherence with relevant organizational policies, laws and regulations. The role of internal audit is to provide independent assurance that an organization's risk management, compliance and internal control processes are operating effectively.

We found that Ontario Tech University had risk management and compliance functions but did not have an internal audit function, as seen in **Figure 15**. It also had not developed a written risk appetite framework for the Board to review and approve. Such

a framework outlines the material financial and non-financial risks to an organization, the internal controls mitigating each risk, and independent assurance that the financial and operational controls of an organization are working as intended.

RECOMMENDATION 13

To have and promote effective oversight of the university's finances and operations, we recommend that the Board of Ontario Tech 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; and
- 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.

7.5.5 Academic Council

As noted in **Section 2.1.1**, Ontario Tech University uses a bicameral governing model. The Board of Governors is accountable for the overall operation of the university, while the Academic Council oversees the university's academic programming and teaching quality. The Academic Council is responsible for academic matters such as the composition of degrees and programs offered by the university and for decisions such as adding or removing programs.

The financial sustainability of a university is strongly dependent on the effective relationship between these two governing bodies. In order for the Academic Council to make well-informed decisions that consider both the academic program offerings and the financial sustainability of the university, it needs to be provided with the appropriate information on the profitability and eventual sustainability of the university's program offerings. However, we found that the Academic Council was not provided with regular or routine costing information to assess the financial sustainability of individual program offerings. As noted in **Section 7.3**, Ontario Tech University

prepared a profitability analysis of its academic faculties for the past five years (2017/18–2021/22), but not at the program level. Although overall the university's academic programming had positive profit margins, two of the seven faculties had persistent negative profit margins over the five years. Nevertheless, the analysis completed was not shared with the Academic Council. Information such as this would help the Council make decisions on program changes, adjustments, and restructuring.

RECOMMENDATION 14

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

7.6 Partnerships and Collaborations

We noted agreements in which Ontario Tech University had established mutually beneficial partnerships with local industry. Ontario Tech has been able to form mutually beneficial partnerships by leveraging its Automotive Centre of Excellence (ACE) research centre. ACE provides testing facilities for the auto sector and other industries to test their products' ability to withstand all kinds of extreme weather. One high-profile ACE collaborator is General Motors, which gets access to the ACE facilities for up to 1,840 hours per year in exchange for financial support that was associated with the creation of ACE. As part of the agreement, General Motors provides its expertise to the university in the areas of automotive product design, development and engineering, and the auto maker supports collaboration between the university and industry-based researchers in developing new applications for the Canadian automotive industry. There is no recommendation in this area.

8.0 University of Windsor

8.1 Financial Sustainability

8.1.1 Financial Activity

The University of Windsor experienced two in-year deficits during 2016/17–2020/21; however, in the most recent year-end 2020/21 it had an in-year surplus of \$28.9 million. The university increased both international student enrolment and revenues between 2016/17 and 2020/21. Windsor increased international enrolment by 33% (or 952 full-time equivalent [FTE] students), and according to data from the Council of Ontario Finance Officers, between 2016/17 and 2020/21, its proportion of revenue from international students increased from 9.6% to 20.9%. See **Appendix 8d** for the financial position of the university for the five-year period 2016/17–2020/21.

8.1.2 Long-Term Debt Policies

As of the university's year-end on April 30, 2021, the University of Windsor had \$236.7 million in debt, comprising:

- three unsecured debentures (that is, fixed-rate loans with fixed interest payments that companies use to raise money) totalling \$175.2 million and maturing from 2046 to 2060, to build new facilities;
- two Toronto-Dominion Bank loans totalling \$60 million that mature in 2043 and 2044; and
- one Bank of Montreal loan for \$1.5 million that matures in 2023.

The largest debenture of \$108.3 million has a corresponding external sinking fund of \$32.1 million (as of April 30, 2021). The sinking fund was a one-time contribution by the university, which is locked in for 30 years through which the university plans to eventually pay the debentures when it matures. The university also has established internally restricted endowments to have funds set aside for the future repayment of the principal at maturity for the other two debentures.

Contributions to these endowment funds are received annually. As of April 30, 2021, the funds had balances of \$3,044,447 and \$747,610.

The university does not have a capital debt policy, although it does monitor aggregate debt levels using the Ministry-prescribed financial-health indicators, which include the interest burden ratio and viability ratio specific to measuring the debt level. The results of the financial health indicators are presented to the Board for its review.

RECOMMENDATION 1

So that the University of Windsor assumes debt only at a sustainable level, we recommend that the university:

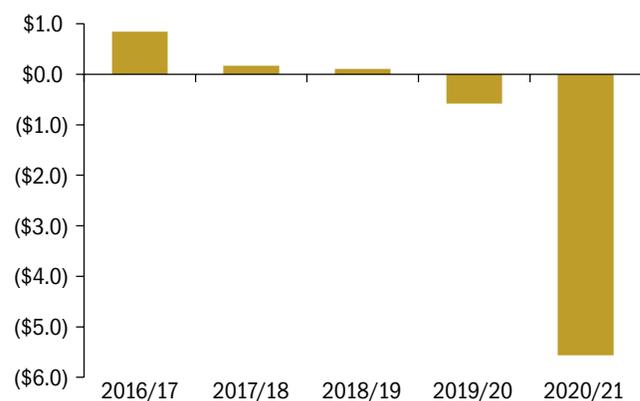
- establish a formal capital debt policy approved by the Board; and
- monitor and adhere to the debt limits outlined in its policy.

8.1.3 Ancillary Services

As seen in **Figure 17**, the University of Windsor had a profit for all ancillary services combined in the three years prior to COVID-19 (2016/17–2018/19), but not in 2019/20 or 2020/21. For the three fiscal years prior to the pandemic, on average five of the eight ancillary services were profitable.

Figure 17: University of Windsor Consolidated Ancillary Profit/(Loss), 2016/17–2020/21 (\$ million)

Source of data: University of Windsor



In fiscal 2020/21, seven ancillary services incurred a loss of \$5.6 million for the university, which it absorbed through its operating funds. We noted that the university outlined a strategy for each of its ancillary operations in its 2022/23 budget to the Board, including a 4.5% increase in meal-plan prices and contracting with a third-party food operator to reduce its exposure to future losses.

There is no recommendation in this area.

8.1.4 Restricted Funds

We reviewed the University of Windsor's financial statements, ledgers and bank/investment accounts to determine whether endowments and externally restricted funds are managed and maintained separately from regular operating funds. In addition, we assessed whether the university held sufficient cash and investments to cover externally restricted and endowment funds as of the end of 2020/21. We found that Windsor commingled externally restricted funds with cash from operations, contrary to best practices (see **Figure 8**). However, in accordance with best practices, we found that it:

- managed and maintained endowments and externally restricted funds using separate ledgers;
- held separate investment accounts for endowment funds; and
- had sufficient cash and short-term investments at the end of fiscal 2020/21 to cover externally restricted funds and endowments.

In addition, since 2019/20 the University of Windsor has annually performed an analysis to ensure that it had sufficient cash on hand to cover internally restricted funds, in addition to externally restricted funds and endowments. Our own calculation confirmed that the university had sufficient cash and short-term investments at the 2020/21 year-end to cover these amounts.

RECOMMENDATION 3

To help ensure the university continues to have sufficient funds on hand to cover restricted funds and endowments, we recommend that the University of Windsor maintain separate bank accounts for externally restricted funds.

8.1.5 Budgeting Practices

Our review of the University of Windsor's budgets dating back to 2016/17 noted that senior management provided sufficient financial analysis to the Board of Governors (Board) for decision-making purposes. For example, the 2021/22 budget explained the financial impact that the 10% tuition freeze would have on tuition revenue and provided enrolment projections by domestic, international, and undergraduate or graduate student categories. Over the last five fiscal years, the Board has never approved a deficit budget. However, in 2021/22 the university projected an operating deficit of \$3.6 million, which it offset against prior year reserves.

The university breaks down its ancillary budget into revenue streams so its Board can easily identify which ancillary services are expected to contribute to the overall bottom line.

Prior to fiscal 2022/23, it did not present an annual capital budget to the Board. Major capital projects (of more than \$2.5 million) were approved separately by the Board, during regular Board meetings.

The University of Windsor reviews its operating budget to actual-to-date results three times per year (at six, nine and 12 months). However, the 12-month variance analysis is not presented to the Board.

The University of Windsor also does not prepare and present to the 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 4

We recommend that the University of Windsor, 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.

8.2 International Students

8.2.1 Admission Criteria for International Students

The proportion of international students enrolled at University of Windsor has increased from 19% to 23% from 2016/17 to 2020/21, as seen in **Figure 9**.

We reviewed whether the university accepted only international students who met admission criteria. We reviewed applications to undergraduate-degree programs of students from India, China and Nigeria, the three most dominant countries for international student enrolment (see **Section 4.2.2**) who had not attended an Ontario high school. We noted that the University of Windsor completes its own transcript assessments, which are based on grade-conversion charts developed in-house, as no provincial conversion standards have been established by the Ministry. The university also does not require students to submit assessments from third-party foreign transcript evaluation services. Our sample testing of international student applicants that were accepted for admission found that all had the required prerequisites for their program of study.

We also compared the grades among the universities we audited that would be equivalent to 70% in the Ontario secondary school system from India, China and Nigeria, based on the conversion chart developed by each university. Windsor developed the equivalency based on its experience over the years of admitting students from the different countries and the patterns it has seen. The Ministry does not provide guidance in this area. We found that the University of Windsor considered a 70% average from India equivalent to a 70%

from Ontario. The grade-conversion equivalent to a 70% in Ontario at the other universities audited ranged from 50% at Nipissing to 60% at Ontario Tech. See **Section 9.1.4** for a recommendation to the Ministry to develop a standard grade-conversion chart.

8.2.2 Reliance on International Students

The University of Windsor has experienced an increase in international students over the years 2016/17–2021/22, with 60% from India and 12% from China in 2021/22. The university recognized the risk of being overreliant on one country or region in its public Enrolment Goals Report (2017–2021), in which it acknowledged that it needed to invest in new enrolment strategies—for example, international partnerships with other institutions; streamlining its admission process; and improving its marketing through student ambassadors, social media and its annual publication of programming. The federal government's International Education Strategy 2019–2024 prioritizes targeting students from countries including Brazil, Colombia, France, Mexico, Morocco, Turkey and Ukraine, as well as students from Indonesia, the Philippines, Thailand and Vietnam. The university's enrolment report did not include specific countries to target for future student recruitment.

RECOMMENDATION 5

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

- regularly complete a financial sensitivity analysis of the impact of the loss of students from various regions;
- develop and apply strategies to diversify recruitment of international students from different geographic regions; and
- focus on recruiting students from priority countries identified in the government of Canada's International Education Strategy, 2019–2024.

8.2.3 Tracking International Students

We found that the University of Windsor did not actively maintain an up-to-date record of international student post-graduate progress or location. Tracking this information could help the university adjust its program offerings, improve its recruitment efforts and help in promoting the university.

RECOMMENDATION 6

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 of Windsor:

- collect relevant data on the location and careers of international alumni; and
- use this data to better inform programming and recruitment decisions.

8.2.4 Compensation Structure for International Recruiters

The University of Windsor uses 126 agencies to recruit international students. Recruiting services contracted include functions such as marketing and promoting the university's brand; generating inquiries and applications from bona fide applicants; pre-screening applicants; and monitoring applications from submission to confirmation. The agencies are also responsible for recruiting and managing agents within specific geographic regions, or establishing international offices for agents to operate from.

Recruitment agencies contracted by the university were provided with a fixed rate of compensation for each recruited student, with some variation based on a student's program of choice. In addition, the university paid in-country recruiting services a fixed monthly fee plus expenses incurred. Such compensation methods do not incentivize recruiting agents to pursue prospective students that exceed admission requirements. One example of incentive-based compensation is offering a fixed rate or percentage top-up for registrants who possess higher than the minimum required

English-language proficiency scores. Another example is offering a compensation structure that includes a bonus to agents who successfully recruit students who registered and later attained a certain scholastic achievement, as determined by the university. Both approaches should increase the overall preparedness of international students and their likelihood of graduating from their programs.

We noted that over the five-year period 2017/18 to 2021/22, Windsor paid recruiting agencies \$17.1 million for almost 11,000 international students. Average compensation on a per student basis was \$1,555.

In considering the preparedness and likelihood of success of admitted international students, we compared the graduation rates of international students to their domestic counterparts at the University of Windsor for the years 2019/20 to 2021/22. We found the graduation rate of international students to be consistently lower than domestic students and generally higher than the graduation rates of international students at the other universities we audited, as seen in **Figure 11**.

RECOMMENDATION 7

To promote and incentivize student recruiting agents to find the most highly prepared international students, we recommend that the University of Windsor 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.

8.3 Profitability of Academic Programming

Prior to 2021/22, the University of Windsor's method for determining profitability of academic programming did not include provincial operating grants as part of faculty revenues. Nor were faculty costs, such as academic and student services, administrative services, athletics and recreation services, and other overhead expenses, allocated to the various faculties.

In 2021/22, the university began to assess profitability of its faculties through its budgeting model, which allocates grants to faculties based on enrolment, and overhead expenses based on related cost drivers such as proportional student enrolment, faculty and staff. The university did not complete an analysis of profitability at the academic program level.

According to the University of Windsor's profitability analysis, the university overall was profitable in three of the last five years, but in the two most recent years, 2020/21 and 2021/22, it had negative profit margins. In addition, over that five-year period only the Faculty of Engineering had a positive profit margin in each year, with the Odette School of Business and Faculty of Law having positive profit margins in four of the last five years. Four of the eight faculties have continuously had negative profit margins in each of the last five years. These were the faculties of Arts, Humanities and Social Science; Human Kinetics; Nursing; and Science. It is fair to attribute some of the reason for losses in 2020/21 to revenue reductions due to COVID-19-related lockdowns and school closures.

RECOMMENDATION 8

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 of Windsor:

- complete an analysis of profitability at the academic program level;
- 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; and
- reduce or restructure program offerings based on the results of its program profitability analysis and academic needs, in consultation with its academic departments and with the approval of its Board and Senate.

8.4 Capital Planning

We reviewed four major capital projects undertaken over the past five years at the University of Windsor, as seen in **Appendix 12**, and found that projects were not always supported by a financial cost/benefit analysis to justify the capital expenditures.

Although a business plan was presented to the Board for each of the four projects we reviewed, for one of the four projects reviewed, the renovation of the university's law school at a total expected cost of \$35 million, the business plan prepared by management and approved by the Board was not supported by a financial cost/benefit analysis to justify the costs of the investment. For instance, the analysis did not consider whether the investment was expected to generate any revenues to cover the costs. Nor did it include estimates of future facility operating and financing costs and the university's ability to pay for those costs, which would be expected considering the majority of the project is being funded by debt (73%). The analysis also did not consider how taking on additional debt would impact the university's financial position in both the shorter and longer term.

In another capital investment, the university purchased an existing building as part of a planned campus expansion into Windsor's downtown at an expected cost of \$8.1 million. We found that a financial feasibility analysis was conducted in 2021. However, information presented to the Board did not consider when it would be reasonable to expect the investment to become profitable. Specifically, the business plan presented to the Board identified that the investment would break even in the third year of operations (2024/25). However, that was referring only to the potential profit/loss from academic programming at the Faculty of Science. According to the financial modelling conducted, the investment from the entire operation wasn't expected to break even until 2029/30, but this information was not presented to the Board. This was a significant omission of information of which the Board should have been made aware.

RECOMMENDATION 9

To determine whether major capital projects are financially feasible and beneficial, we recommend that the University of Windsor prepare a business case for each capital project that includes a financial feasibility assessment to help management and then the Board make decisions on major capital expenditures prior to approval.

8.5 Board Governance

8.5.1 Size, Composition and Term Limits of Board of Governors

We found that the size of the University of Windsor's Board of Governors is considered large without a compelling reason. The Board includes 32 members—20 external to the university and 12 internal to the university. A typical non-university board should have 14 to 16 members at most. The specific context of a university would also support having only a small minority (no more than three or four board members) be internal to the university, including the president. Typically, the ideal number of board committees should not exceed four or five. The University of Windsor had seven committees; see **Figure 13**.

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. The University of Windsor had an executive committee of seven members that had the authority to perform duties that should be completed by the Board as a whole—for example, to oversee the president (i.e., establish remuneration and approve the president's contract).

We noted that the term limit of nine years for Board members at the university was in line with best practices, as seen in **Figure 13**.

RECOMMENDATION 10

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 of Windsor:

- reduce and limit the size of the Board, including the number of internal members; and
- reduce the number of committees to accommodate a smaller Board size.

8.5.2 Presidential Succession Planning

We found that the Board of the University of Windsor did not have a permanent plan for presidential succession that is regularly reviewed and approved in order to ensure strong leadership is continuously in place when the president's term expires. It did, however, have an emergency succession plan that identified an interim president in the event of an unplanned replacement of the incumbent president, due, for example, to health reasons, an accident, termination or sudden death.

Although a board may choose an external candidate, notwithstanding this, a benefit of a permanent presidential succession plan is that it compels a board along with the incumbent president to take all reasonable steps to develop, groom and mentor, as the case may be, an internal candidate or candidates to ensure that they will be “president-ready” when needed.

RECOMMENDATION 11

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

8.5.3 Board Competencies

We reviewed the processes the University of Windsor's Board had in place to identify and track the skills and competencies of its Board members, and to ensure they align with the suite of abilities required for the Board to make fully informed decisions. We found that the University of Windsor had a competency matrix in place, with 16 competencies listed. However, it had not prioritized the list to identify core competencies. To be

effective, priority or core competencies should be identified and be limited to five at most.

Five core competencies for a university board include finance, accounting, executive management, risk management and cybersecurity. However, as seen in **Figure 14**, the University of Windsor's competency matrix did not consider Board members' competency in the area of cybersecurity. Although information technology was identified as a competency by the university, it is a broad area of knowledge and does not necessarily include knowledge of cybersecurity in the depth required to be proficient and be able to question management accordingly.

We also examined the competency matrix of the University of Windsor's Board to determine the level of knowledge and experience the Board already possessed in each of the five core competencies, and to ascertain if any gaps in these skills existed. At the University of Windsor, we found that many Board members had limited or no financial literacy expertise or experience, as seen in **Figure 14**. Specifically, 23% of Board members had limited or no competency in the area of finance, and 30% had little or no experience in accounting. Because boards are responsible for overseeing universities' financial operations, including reviewing and approving operating budgets, capital expenditures, debt/financing and financial statements, the majority or near-to-all board members should be financially literate at least to the extent they understand university finances and have the ability to read and understand university financial statements, either at the time of appointment or through training within a year of appointment.

RECOMMENDATION 12

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

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

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

8.5.4 Key Oversight Functions

Key internal oversight functions for effective governance include risk management, compliance and internal audit.

Risk management helps organizations determine their risks and define the level of risk they are willing to assume to accomplish their long and short-term goals. More specifically, risk management is the process of identifying and documenting an organization's risks (financial and non-financial) in its critical business processes, and the internal controls within each process to mitigate those risks. A compliance function monitors and evaluates adherence with relevant organizational policies, laws and regulations. The role of internal audit is to provide independent assurance that an organization's risk management, compliance and internal control processes are operating effectively.

We found that the University of Windsor had risk management and internal audit functions, but did not have a compliance function, as seen in **Figure 15**. In September 2021, the University of Windsor, aided by a consultant, developed a risk management framework for the Board to review and approve. The risk framework was updated by the university in November 2022. Such a framework outlines the material financial and non-financial risks to the university, and next steps to mitigate each risk.

RECOMMENDATION 13

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

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

8.5.5 Senate

As noted in **Section 2.1.1**, the University of Windsor uses a bicameral governing model. The Board of Governors is accountable for the overall operation of the university, while the Senate oversees the university's academic programming and teaching quality. The Senate is responsible for academic matters such as the composition of degrees and programs offered by the university, and for decisions such as adding or removing programs.

The financial sustainability of a university is strongly dependent on the effective relationship between these two governing bodies. In order for the Senate to make well-informed decisions that consider both the academic program offerings and the financial sustainability of the university, it needs to be provided with the appropriate information on the profitability and eventual sustainability of the university's program offerings. As noted in **Section 8.3**, the university prepared a profitability analysis of academic faculties for the past five years (2017/18–2021/22), which it shared with the Senate. However, the analysis was not completed at the program level. According to the university's profitability analysis, four of the eight faculties have continuously had negative profit margins in each of the five years.

RECOMMENDATION 14

To enable the Senate of the University of Windsor make well-informed decisions with regard to academic programming, and that consider the financial sustainability of the university, we recommend that the Senate be provided with regular costing information on the financial contribution of individual program offerings.

8.6 Partnerships and Collaborations

We noted that the University of Windsor had established mutually beneficial partnerships with its host city, local health unit and other partners:

- **Municipal partnership for community recreational programs:** The University of Windsor partnered with the City of Windsor to help build the university's new athletic centre. The city provided the university with a \$3 million grant and agreed to almost \$200,000 in annual fees for 10 years, beginning in the summer of 2022, in exchange for access to the swimming pool for delivery of municipal programming.
- **University partnership for delivery of academic programming:** The University of Windsor partnered with Western University's Schulich School of Medicine & Dentistry to create the Windsor Program, which provides undergraduate medical education and post-graduate training in Windsor. The site is located in the University of Windsor's Medical Education Building and admits up to 38 students annually. The building, constructed in 2012, cost the university \$23.6 million, \$16 million of which was funded through external debt. Western University maintains all academic accreditations through a shared governance committee that oversees operations. Western University collects tuition and academic fees and maintains responsibility for admissions, the academic programming and curriculum for all offerings in the program. It also issues degrees to medical students once they successfully complete their studies. The University of Windsor manages the day-to-day operation of the building, with proportionate costs of operating the building and direct expenses of the program charged to Western University. Western also provides an average of \$623,000 per year to contribute to paying the University of Windsor's debt for construction of the building and for contingency funding for building maintenance and equipment replacement.

- **Landlord-tenant agreement for shared use of space and activities:** In August 2022, University of Windsor entered into a landlord-tenant agreement with the Windsor-Essex County Health Unit to rent an unused residence building after it is retrofitted. This space will support the requirements of the health unit's operations, including expanded office and clinic space. The agreement is a positive example of two parties maximizing the university's properties for mutual benefit, including the opportunity for the University and the health unit to collaborate on future activities, such as research, teaching, experiential learning and community services.

We also noted one partnership arrangement that was unfavourable to the university's reputation. In July 2021, the University of Windsor signed a five-year agreement with Sechenov University, a Russian medical university, to collaborate on joint research projects, educational events and short-term exchanges of students, researchers and teaching staff. At the time of this audit, there had been no initiatives undertaken between the two signatories. This agreement may present reputational risk to the university given the current conflict in Ukraine as well as cybersecurity risk to its intellectual property. Exposure to risk through entering such agreements was expressed in February 2021 by the director of the Canadian Security Intelligence Service (CSIS), who 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

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 of Windsor:

- set goals for the type of relationships it plans and then enters into, such as revenue-generating academic relationships;
- have such arrangements approved by its Board and/or Senate; and
- consult national security agencies such as the Canadian Security Intelligence Service for information, advice or support before engaging in international collaborations and partnerships.

9.0 Ministry of Colleges and Universities

9.1 Government Strategy for Post-Secondary Education

9.1.1 The Ministry Does Not Have a Strategy or Long-Term Vision for the Post-Secondary Sector

The Ministry of Colleges and Universities (Ministry) does not have a clearly documented strategy or long-term vision for the post-secondary education sector that distinguishes between the programming at public and private colleges and universities.

The Ministry recognized the importance of providing a vision and priorities for post-secondary education through Ontario's 2013 Differentiation Policy Framework for Postsecondary Education. Although the Ministry stated it no longer actively applies this framework to its work, the overriding goals of the framework are sensible: build on the well-established strengths of each type of institution to enable them to operate as complementary parts of the post-secondary system, and give students affordable access to the full continuum of vocational and academic educational opportunities that are required. The framework also promoted collaboration among institutions to increase options for students and maximize existing resources, while avoiding duplication in programming between universities and colleges.

9.1.2 Overlapping Program Offerings and Qualifications Has Resulted in a Loss of Distinction of the Roles and Purposes of Universities and Colleges

Traditionally, universities and colleges were created to co-exist with distinct functions. Colleges were intended to be more directly career-oriented than universities, meaning they would offer practical or hands-on training, typically through a certificate program of one year or less, or a diploma program of two or three years. Colleges also offer pre-trades and apprenticeship training, language training and skills upgrading. Universities were intended to provide higher learning and be a repository and generator of knowledge through research and offering undergraduate degree programs (typically three or four years) and graduate (master's and doctoral) programs. Many universities also offer professional programs, such as engineering, medicine, dentistry and law. See **Figure 18** for an overview of the current characteristics of colleges and universities in Ontario.

However, the distinction between the two types of institution has started to blur as colleges have been approved to offer degree programs while universities are offering short-term certificate programs. Although this increases access to programs for students, it can also create confusion in differentiating between these two types of institutions and duplication in programming. Furthermore, it could impact the institutions' ability to sustain themselves in the long term due to higher competition and potential lower student enrolment in programs offered by both types of institution.

In 2002, the Ministry began to allow publicly funded colleges to offer four-year applied degree programs. An applied degree blends theory or academic studies with hands-on experience. College degree programs were to include an integrated work component. The Ministry's stated purpose for allowing colleges to grant degrees was to provide more educational choices and access to students to attain post-secondary degrees. At that time, 34 degrees were approved to be issued by 18 colleges; by August 2022, there were 174

Figure 18: Overview of Characteristics of Publicly Funded Colleges and Universities in Ontario

Prepared by the Office of the Auditor General with data provided by selected universities

	College	University
Institutions	24	23
Core purpose	To provide career-oriented education and training to help students gain employment, meet the needs of employers, and support the social and economic development of communities	To provide higher learning to equip graduates for viable employment, and to generate and disseminate knowledge through research for the advancement of society
Legislation	<i>Ontario Colleges of Applied Arts and Technology Act, 2002</i>	Individual Act for each university
Offerings	<ul style="list-style-type: none"> • Undergraduate degrees • Diploma • Certificate • Apprenticeship 	<ul style="list-style-type: none"> • Undergraduate degrees • Graduate degrees • Co-op programs • Professional programs
Program lengths	<ul style="list-style-type: none"> • Diploma – 2 to 3 years • Certificate – 1 year or less 	<ul style="list-style-type: none"> • Undergraduate degree – 3 to 4 years • Graduate degree – dependent on graduate program; requires completion of undergraduate program
Program approvals	Ministry approval	Autonomous degree-granting unless otherwise stated by the Province in the university's legislation
Average tuition fees (2020/21)	<ul style="list-style-type: none"> • Domestic – \$3,228 • International – \$14,306 	<ul style="list-style-type: none"> • Domestic (undergraduate) – \$7,938 • International (undergraduate) – \$40,525

approved four-year degrees that could be attained at, and issued by, 20 colleges. The Ministry also implemented thresholds in order to monitor college degree program activity. Colleges categorized as Institutes of Technology and Advanced Learning (Conestoga, George Brown, Humber, Seneca and Sheridan) could offer degrees as 15% of all program activity, while all other colleges had this limit set at 5%. In April 2022, the Ministry announced that the degree thresholds had been increased by an additional 5% for each college and that they could also offer three-year degree programs. The degree cap limit for Institutes of Technology and Advanced Learning is 20% and for all other colleges it is 10%. As of August 2022, no college had breached the thresholds within at least the prior five years.

As part of the criteria for assessment of three-year college degree programs, the Ministry's Postsecondary Education Quality Assessment Board, which is tasked with conducting independent quality reviews of degree programs for Ministry approval, was given direction about criteria to be used when assessing three-year degree applications. These criteria include considering duplication of programs normally offered by universities in Ontario, considering both program content and delivery. No similar standard exists for four-year degree programs offered by colleges, although, as part of their program proposals, colleges are required to submit information on whether they perceive any duplication with existing degrees at universities.

By increasing the options of the degrees colleges may offer, the Ministry itself is contradicting its goal of not creating unnecessary duplication between colleges and universities, as set out in its 2013 Differentiation Policy Framework for Post-secondary Education. This decision also further increases direct competition for enrolment, as students may be more inclined to study at colleges for degrees with lower tuition fees and granted after three years instead of four, rather than attending a university program. The Ministry itself acknowledged these concerns in a 2022 Ministry document, noting that if Durham College in Oshawa expanded its degrees, this may improve its enrolment,

but possibly to the detriment of Ontario Tech University, which is also in Oshawa.

As of August 2022, applications from three colleges for three-year degrees had been received. This includes a Bachelor of Business Administration degree approved to begin receiving applications for admission in the 2022/23 year from Cambrian College, which is in Greater Sudbury and in close proximity to Laurentian University, which offers four-year Bachelor of Business Administration degrees with several specialties.

As an example of overlap between college and university offerings, St. Clair College is located near the University of Windsor. The University of Windsor offers a four-year Bachelor of Commerce in Business and Computer Science, while the Windsor campus of St. Clair College offers a four-year Bachelor of Business Administration in Information Communication Technology. These two programs are quite similar, and therefore students may choose between the two based on cost. University of Windsor administrators told us they believe the new four-year degree-granting programs compete directly with Ontario universities, especially in business administration, health care, computer science and automotive programs. Senior administration also stated that their student enrolment is also being impacted by four-year business degree programs offered by other colleges in the Greater Toronto and Hamilton area, and mid-western Ontario, as it noted there are five colleges in these regions that offer a four-year Bachelor of Business Administration and Commerce program with a co-op option, as well as specializations in areas of study identical to those taught at the University of Windsor.

Senior administration from all four of the universities we audited told us that the Ministry's decision to allow colleges to offer three-year degrees will bring increased competition with existing university programming. The impact on their student enrolment has not yet been experienced, since colleges' ability to offer three-year degrees was implemented only in April 2022.

Similarly, universities often offer certificates and diplomas for specialist programs in various areas. At the four universities we audited, several certificates

and diplomas were offered both as standalone certification or as an add-on for graduates to further specialize in their field of study. We reviewed publicly available information on these programs for each of these universities to determine whether their programs were similar to diploma or certificate programs offered at nearby colleges. We noted that although they were not directly comparable due to length of study and/or number of courses, offerings at all four universities have similarities to college programming. Universities and colleges tend to give different names to their programs, however. For example:

- The University of Windsor offers a one-year honours certificate in Civil Engineering, while St. Clair College, located close by, offers a three-year diploma in Civil Engineering Technology.
- Nipissing University offers a post-baccalaureate certificate in General Management, while Canadore College, located on the same campus as Nipissing, offers a post-graduate certificate in Business Management as well as a one-year certificate in Business Fundamentals.
- Algoma University offers a one-year certificate in Mobile Software Development, and Sault College offers a one-year certificate in Mobile Applications Design.
- The University of Windsor offers a certificate titled Organizational Management, whereas St. Clair College offers a graduate certificate called Human Resource Management. Both programs have similar lengths and prepare students for the designation of Certified Human Resources Professional.

RECOMMENDATION 16

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;

- establish an implementation timeline for the actions;
- monitor the implementation of the actions and the achievement of the strategic plan over a defined period of time; and
- modify or update the strategic plan and actions as needed.

MINISTRY RESPONSE

The Ministry will work with stakeholders, including publicly assisted universities and colleges, as it works toward the development of a longer-term vision and strategic plan for the post-secondary education sector, with corresponding actions. This will include whatever actions are appropriate for a strategic plan that supports the financial and operational sustainability of post-secondary education institutions and an implementation timeline for these actions.

9.1.3 Ontario's Domestic Tuition Freeze and Relatively Low per-Student Funding Have Necessitated the Increased Dependence on International Students

In 2017, the government of Ontario introduced major program changes to the Ontario Student Assistance Program (OSAP) for the 2017/18 academic year, to make post-secondary education more accessible and affordable. For example, the Ministry provided a larger percentage of aid in non-repayable grants rather than repayable loans, made tuition free for students whose annual family income was less than \$50,000, and made more graduate students eligible for OSAP.

In 2018, the government reversed the 2017 decision to increase financial support to students, and on January 17, 2019, it announced a 10% reduction in post-secondary tuition rates, which would remain frozen at that level for 2019/20 and 2020/21. On March 23, 2022, the government extended the tuition freeze for universities and colleges by an additional year until 2022/23. In 2021, the Ministry completed an analysis to estimate the number of institutions likely to be in a surplus/deficit position with a

Figure 19: Average Domestic and International Tuition Fees by Level of Study for All Ontario Universities, 2017/18–2021/22

Source of data: Statistics Canada

	2017/18 (\$)	2018/19 (\$)	2019/20 (\$)	2020/21 (\$)	2021/22 (\$)	5-Year Change (%)
Domestic – Undergraduate	8,519	8,793	7,931	7,938	7,938	(6.8)
International – Undergraduate	32,380	35,029	38,108	40,525	42,185	30.3
Domestic – Graduate	9,785	10,454	9,601	9,739	9,765	(0.2)
International – Graduate	22,226	22,527	23,828	25,521	26,236	18.0

Figure 20: Funding per Full-Time Equivalent (FTE) Student at Selected Universities, 2020/21

Source of data: Ministry of Colleges and Universities

	Algoma	Nipissing	Ontario Tech	Windsor	All Universities
Operating Grants					
Enrolment (\$ million)	3.6	19.1	43.2	63.8	2,523.7
Differentiation (\$ million)	2.6	8.9	12.9	29.3	890.8
Special Purpose (\$ million)	13.1	7.1	21.5	11.1	282.6
Total Operating Grants (\$ million)	19.3	35.1	77.6	104.2	3,697.1
Less: International Student Recovery (\$ million)	0.8	0.04	0.5	2.7	60.3
Operating Grants net of Recovery (A) (\$ million)	18.5	35.1	77.1	101.5	3,636.8
Domestic FTE Enrolment (B)	892	4,384	8,686	12,709	447,032
Avg Funding/Domestic FTE (A÷B) (\$)	20,740	8,006	8,876	7,986	8,135
Capital Grants ¹ (\$ million)	1.5	1.6	2.0	3.1	90.0
Net Funding Grant² (\$ million)	20.0	36.7	79.1	104.6	3,726.8

1. Capital grants provided to the four selected universities were only for facilities renewal, not for major capital support.

2. Net of operating grants, capital grants, and the international student recovery fee.

continued tuition freeze in 2022/23 and 2023/24. The Ministry's analysis projected that eight of 22 universities (excluding Laurentian) would have a deficit in 2022/23 and that this would increase to 12 of 22 universities in 2023/24.

If the 10% tuition reduction and the tuition freezes had not taken place, the universities would have been able to continue increasing tuition rates by 3% annually according to Ministry policy. Had they been able to do so, that would have translated into additional revenues in each fiscal year from 2019/20 to 2022/23. For example, we estimated that in 2020/21 Algoma University and the University of Windsor could have received additional revenues ranging from \$935,000 for Algoma to \$18.7 million for Windsor.

The tuition reduction and tuition freezes did not apply to international students. As seen in **Figure 19**, the impact of the reduction and tuition freeze on domestic tuition in Ontario has resulted in universities making up for the pressure on their finances by rapidly increasing international student tuition. For international students, 2021/22 tuition fees averaged \$42,185 per undergraduate student, a 30.3% increase over the average in 2017/18. In comparison, in the five years from 2018 to 2022, inflation has increased 14.9%, according to data from the Bank of Canada.

According to data from Statistics Canada, Ontario on average has provided less government funding per student than other provinces over the period 2009/10 to 2020/21. In 2020/21, Ministry operating funding averaged \$8,135 per full-time-equivalent

(FTE) student, and ranged from \$7,986 to \$20,740 per FTE for the four universities we audited, as seen in **Figure 20**. Algoma University's average funding per student is significantly higher than other universities because it has been receiving an ongoing special purpose grant of \$5.5 million since 2008/09 to support its transition to an independent degree-granting university.

Ontario universities must rely more heavily on tuition fees, particularly those charged to international students, to meet their capital and operating obligations. For this reason, Ontario charges one of the highest levels of tuition for both domestic and international students of all provinces in Canada. **Figure 21** shows the average domestic undergraduate tuition fees by province, and **Figure 22** shows the average international student tuition by province.

Despite the high fees, Canadian institutions are still competitively priced in the international student market, according to Higher Education Strategy Associates, a research organization that provides advice to higher education policy makers and institutions.

RECOMMENDATION 17

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

Figure 21: Average Domestic Undergraduate Tuition and Student Fees by Province, 2020/21 (\$ 000)

Source of data: Higher Education Strategy Associates

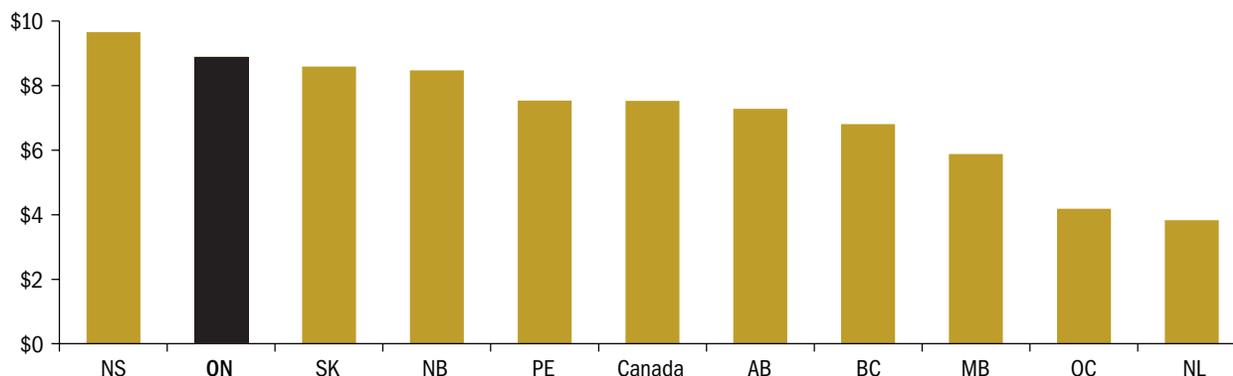
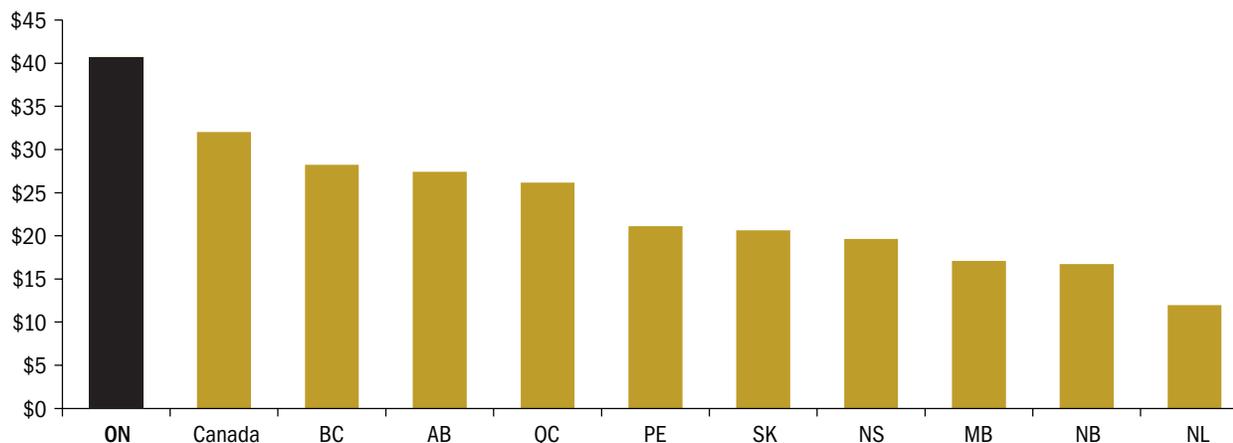


Figure 22: Average International Student Tuition by Province, Canadian Universities, 2020/21 (\$ 000)

Source of data: Higher Education Strategy Associates



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

MINISTRY RESPONSE

The Ministry is committed to addressing issues related to financial sustainability. As part of this work, the Ministry will assess current funding levels, as well as continue to engage with post-secondary institutions in relation to financial health.

The Ministry will work with institutions experiencing financial challenges and will ensure appropriate mitigation plans are in place, issues are identified in a timely manner and proactive steps are taken to appropriately address concerns of financial sustainability.

Given the size and complexity of the post-secondary education sector, the Ministry plans work in the months ahead that will particularly focus on the financial sustainability of institutions and work the Ministry can undertake to support a healthy and vibrant post-secondary education sector.

9.1.4 International Students

In 2018, the Ministry released Ontario's International Postsecondary Education Strategy with the vision of making Ontario's post-secondary system a world-class destination for international students. One of the main goals of the strategy is to achieve balanced international growth across the province, which would reduce the risk presented by overreliance on a single or few geographic regions. However, there are no measurable targets or goals in the strategy for levels of international student enrolment, nor does the strategy provide guidance on global markets to target or how to mitigate risks of becoming over-reliant on one country or reliant on international students in general.

The Ministry has not provided guidance or developed policy to the university sector regarding international student recruitment, to regulate the number of students from a single region. As noted in **Sections 5.2.2, 6.2.2, 7.2.2, and 8.2.2**, with the exception of Ontario Tech, the universities audited were

dependent on students from India for international tuition revenue. Moreover, in making decisions on whether to admit international students, universities convert grades obtained in other jurisdictions to their equivalent in the Ontario system using conversion charts developed separately in-house by each university. In our review of the admission process for international students, we found significant differences in the conversion standards between the universities audited (see **Sections 5.2.1, 6.2.1, 7.2.1, and 8.2.1**). For example, the grade-conversion equivalent to a 70% in Ontario for students educated in India ranged from 50% at Nipissing to 70% at Windsor. The Ministry does not provide universities with any guidance or a standard conversion to apply. Doing so would increase the consistency and objectivity of the process.

The Ministry has also not established a policy relating to the amount of tuition charged to international students, which would help to ensure that Ontario remains an attractive and affordable destination for international students. As described in **Section 9.1.3**, the average international tuition in Ontario has increased more than 30% during the five years from 2017/18 to 2021/22.

RECOMMENDATION 18

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

- 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.

MINISTRY RESPONSE

The Ministry will commit to assessing its current approach to decision-making and policy related to international education. In its assessment, the Ministry will consider issues such as levels of international student enrolment including the use of measurable goals and targets, international student recruitment, tuition fees for international students and diversification of source countries for international students coming to Ontario.

9.2 Ministry Oversight of Universities' Financial Health

9.2.1 Deficiencies in the Way the Ministry Oversees the Financial Sustainability of Universities

Since 2014/15, the Ministry has calculated and reported seven measures on universities' financial health and sustainability (referred to as financial health indicators), and assigned a risk level to each university (see **Section 2.2.3**). However, the Ministry has not established a formal process that fully utilizes the financial-health indicators to monitor the financial condition of universities each year. We would expect a comprehensive risk-based process to include:

- standard reporting timelines and requirements by universities;
- mutually agreed-upon indicators and thresholds by the university sector and the Ministry, against which a university's financial health is evaluated;
- objective risk rating criteria for assigned risk levels;
- methods to prioritize universities that require greater oversight, support or intervention; and
- clear steps and actions to be taken by the Ministry and university when further oversight, support or intervention is warranted.

As noted in past Strategic Mandate Agreements, the Ministry has taken the view that each university's Board and senior administrators have the responsibility to identify, track and address financial pressures and sustainability issues. Meanwhile, the Ministry's main role is financial stewardship, including providing operating and capital grants, and setting policies and funding mechanisms, for example tuition fee policies and funding approval for programs.

Universities do not submit financial information directly to the Ministry. Instead, Ministry staff calculate the financial-health indicators based on information in the audited financial statements universities publish on their websites each year. The Ministry has established performance benchmarks for each indicator. After the financial-health indicators are calculated, Ministry staff identify instances where each university failed to meet the benchmark. Based on the calculated indicators and benchmark review, the Ministry assigns each university a risk level of high, medium or low. However, the Ministry has not established a formal process to determine the risk levels; instead, the Ministry assigns the risk level based on judgment using performance trends. Furthermore, the Ministry does not use the risk levels as a basis for formally engaging with the universities to provide oversight, intervention, or support. See **Figure 23** for analysis of the number of times in the last five fiscal years the universities we audited did not meet specific benchmarks. Refer to **Appendix 6** for an explanation of each indicator and the associated Ministry benchmark.

9.2.2 Ministry Does Not Take Proactive Action When Financial-Health Indicators Show a Pattern of Poor Results

A challenge for the Ministry is that it does not have the legislative authority to intervene unilaterally in the operation of publicly funded universities, even if it is aware of a university's poor or worsening financial condition. It also is clear from existing legislation that the Ministry is not expected to be involved in the day-to-day operations of any university. However, we believe that the public would expect the Ministry to perform sufficient oversight to confirm that a university

Figure 23: Number of Times Financial-Health Indicators Not Achieved by Selected Universities, 2016/17–2020/21

Source of data: Ministry of Colleges and Universities

Financial Health Indicator	University			
	Algoma	Nipissing	Ontario Tech	Windsor
Net Income/Loss Ratio	0	5	1	3
Net Operating Revenues Ratio	1	3	0	3
Primary Reserve (Liquidity Measure)	3	0	0	1
Interest Burden Ratio (Leverage Measure)	0	0	5	1
Viability Ratio (Leverage Measure)	3	4	5	3
In-Year Surplus	0	5	1	2
Expendable Net Assets	5	5	5	3
Total (max 35 = 7×5)	12	22	17	16
Ministry Risk Level 2021	Medium	High	Medium	Medium

has strong governance and financial sustainability to continue to deliver programs to students when it receives substantial taxpayer funding.

In practice, while the Ministry typically has not been pro-active in addressing financial problems at universities, it has offered its assistance when asked for help. This occurred in 2014, when Nipissing reached out to the Ministry following consecutive Board-approved deficit budgets. At that time, Nipissing was failing to meet six out of the seven financial sustainability metrics.

Ministry officials met with Nipissing's senior administration and requested that a third-party external financial review be conducted to obtain an independent evaluation of the university's finances and operating processes, as well as to provide a detailed financial plan. The Ministry commissioned a \$508,500 review in 2015. The review identified strategies for financial sustainability and savings consistent with Nipissing's strategic mandate and core values, such as:

- refinancing its debt to reduce annual interest costs;
- selling its campuses outside of North Bay to raise funds and reduce losses; and
- reducing the size of management and support staff.

The Ministry provided further grants totalling \$4.5 million to support the implementation of the measures that were recommended as a result of the Ministry-commissioned review. In return for the

Ministry's financial support, Nipissing agreed to provide unrestricted access to all the data and documents required for a robust financial and operational analysis.

In another instance, Ontario Tech was notified during a credit agency review in January 2012 that its capital lease of downtown Oshawa Campus buildings would breach the university's founding debenture agreement, which prohibited it from incurring additional capital debt until at least \$50 million of the original \$220 million principal was repaid. Ontario Tech contacted the Ministry and, in turn, the Ontario Financing Authority (OFA) for advice. To avert the risk of default, the OFA provided an emergency loan of \$28 million to Ontario Tech so that it could bring the total principal paid at that time to \$50 million, as required for it to be in compliance with the agreement of its debenture. The emergency loan was fully repaid to OFA in October 2017.

9.2.3 Performance-Based Metrics in Strategic Mandate Agreements Do Not Incentivize Continuous Improvement

The Ministry entered into Strategic Mandate Agreements (SMAs) with universities in the province for the period 2020–25, as discussed in **Section 2.2.1**. By 2024/25, the Ministry plans to allocate 25% of the operating funding it provides to each university based

on the university's achievement of 10 performance metric targets.

In the first year of the agreements (2020/21), the Ministry did a theoretical calculation of how funding would have been reallocated had the process (which was delayed due to the COVID-19 pandemic) been activated that year, based on six of the 10 metrics available at that time. Even though targets were missed in many cases, funding would not have been affected significantly enough to encourage the universities to meet or exceed their targeted performance, as illustrated in **Figure 24**. Similarly, in the second year of the agreements (2021/22), the Ministry once again calculated the theoretical reallocation using 2021/22 metric results, this time for nine of the 10 performance metrics and, like the prior year, the reallocated funding would not have been significantly impacted.

The same process and agreements are used by the Ministry in the college sector. The following findings from our 2021 audit of public colleges also apply to the university sector:

- **Performance targets can be set lower than the previous year's actual performance.** The method for establishing targets can result in universities exceeding their own performance target in one year, and then having a lower target set in the following year, because the Ministry's model determines the target based on the three most recent annual data points, and not whether the target was met or recent levels of achievement. Where the university met the 2020/21 target, we would expect the target for the following year (2021/22) to be the same or higher than the previous year in order to promote continuous improvement in the post-secondary sector. We found that for Algoma University, Ontario Tech and the University of Windsor, some targets were set lower in 2021/22 despite achievement of the targets in 2020/21. Additionally, for the 2021/22 targets, there were six instances in which a target was not achieved at Algoma University, Nipissing University and Ontario Tech. Yet, rather than maintain the same target level, targets for five of the six metrics were lowered, making it more achievable rather than encouraging the universities to meet the original target. For example, while Algoma University's actual graduation rate for 2021/22 was 51.1%, and the target was 55.3%, the 2022/23 target was lowered to 52.7%.
- **The metric that gauges graduate employment rate in a related field is dependent on external factors.** As reported in our 2021 audit of Public Colleges Oversight, performance on this metric is not entirely within the control of universities. Because it is also dependent on the overall economy, the metric is not a true indicator of a university's performance in this area.
- **One of the metrics encourages dependence on international student enrolment, despite the risks associated with such dependence.** The "community/local impact of student enrolment" metric is defined as the total number of students enrolled (full- and part-time; domestic

Figure 24: Theoretical Reallocation of Funding Based on Performance, at Selected Universities

Source of data: Ministry of Colleges and Universities

University	2020/21 Performance Metrics Targets Missed*	Theoretical Reallocation of Funding (\$)	Theoretical Change in Funding (%)	2021/22 Performance Metrics Targets Missed*	Theoretical Reallocation of Funding (\$)	Theoretical Change in Funding (%)
Algoma	3	(20,361)	(0.4)	4	(107,736)	(1.7)
Nipissing	1	2,665	0.01	1	(25,525)	(0.1)
Ontario Tech	1	(13,837)	(0.02)	1	73,708	0.1
Windsor	2	(161,071)	(0.2)	0	13,950	0.01

* The Ministry's theoretical reallocation analysis for 2020/21 is based on six metrics; the 2021/22 analysis is based on nine metrics.

and international) divided by the population of 15- to 64-year-old individuals in the same region as the university, according to the 2016 census. A portion of a university's operating grant is based on domestic students only, whereby a range is established within which domestic enrolment must fall with 3%, up or down, in order to receive funding. Domestic enrolment above the highest level of the range will result in no additional funding to a university. Hence, while an increase in domestic enrolment will contribute to improve performance on this metric, it may not result in any additional Ministry funding. However, an increase in international enrolment will have the greatest impact in achieving the target for this metric, in terms of receiving the full funding allowed for by this metric and maximizing overall revenue.

The Higher Education Quality Council of Ontario (HEQCO) is a provincial agency established to provide evidence-based research for the continued improvement of the post-secondary education system in Ontario. As part of its mandate, HEQCO is to evaluate the post-secondary sector and provide policy recommendations to the Ministry to enhance the access, quality and accountability of Ontario's colleges and universities. HEQCO published a report in 2019 proposing a framework for measuring performance in higher education. The report noted that current methodologies used in the SMAs could be replaced to provide a complete and more accurate picture of the outcomes. For example, to measure whether students graduate with the skills needed and are successful in the labour market, HEQCO recommended the Ministry replace usage of the cohort-based graduation rate with Ontario student number data and begin tracking student mobility between institutions and programs. HEQCO also recommended replacing the use of the graduate employment survey with income tax data linked to administrative records.

RECOMMENDATION 19

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

MINISTRY RESPONSE

The Ministry agrees that it is important to foster and support continuous improvement of public university performance through the Strategic Mandate Agreements and will work to address this recommendation in collaboration with universities when developing future Strategic Mandate Agreements.

The ten performance metrics were selected to align with government priorities for the public university sector, and were selected in consultation with the sector, from sources that allow for improvements in data quality. Metrics were also selected with the goal of recognizing the individual strengths and mandate of Ontario's universities. The ministry will reassess metrics in future Strategic Mandate Agreements, and modify them if determined to be necessary.

The target-setting methodology, developed in consultation with the college and university sector, is meant to support continuous improvement aligned with institutional performance history, taking into account the differentiated performance strengths of the university system, as well as year-over-year performance fluctuations. The ministry

will work with universities to ensure that targets are not set lower than prior year targets and actuals achieved.

The Ministry agrees that it is important to use data-driven measures for the Strategic Mandate Agreements metrics, and continues to work with universities (and colleges) on transitioning to the Ontario Education Number (OEN)-Enabled Graduation Rate, to better track students and, in particular, transfers between institutions.

9.2.4 Ministry and Universities Have Not Agreed on Which Indicators, Benchmarks and Thresholds Should Be Used to Evaluate Financial Health

In 2015/16, the Ministry and the university sector, through the Council of Ontario Universities (COU), agreed to use five financial-health indicators in the funding agreements in place at that time (SMA2, 2017–2020). However, the COU disagreed with the inclusion of two other indicators that the Ministry tracks. These were “in-year surplus,” which measures the total amount by which revenue exceeds expenses, and “expendable net assets,” which is the amount of assets a university can access quickly and spend to meet operating and capital requirements.

According to the COU, it found the two metrics to be duplicative and not relevant to universities of varying size. Also, at that time, the COU had not agreed to the use of benchmark levels of achievement for the financial-health indicators established by the Ministry. The COU considers the benchmarks to be inappropriate for the sector because they compare universities without taking into consideration significant differences such as their size and geographic location.

In 2020 and 2021, the Ministry and COU held discussions to find common ground on the use of the indicators as a means to identify and assess the risk of institutions in a financially vulnerable position.

In 2022, the Ministry hired an external consultant to set up a financial oversight framework that would provide it with an early warning that an institution was at risk of financial insolvency, so that it could intervene

early. The framework is intended to standardize the collection and use of financial data and establish a set of financial performance ratios from the universities’ annual audited financial statements. The Ministry expects to have a framework in place by the end of 2022, and fully implemented by April 2023.

Financial-health indicators are not part of the 2020–2025 funding agreements (SMA3), nor do they require universities to operate in a financially sustainable manner. The new performance-based funding model—which is to begin to be implemented in 2023/24 and which will distribute 25% of funding based on a university’s performance against 10 metrics by 2024/25—does not include any financial performance metrics that might motivate and require financial sustainability at universities. See **Appendix 4** for the description of each measure included in the SMA3.

The Province typically enters into funding arrangements with broader public sector organizations and recipients external to government through transfer payment agreements. In comparison to those agreements, Strategic Mandate Agreements do not include elements that can be used to provide the Ministry with comfort that value for money is being achieved with provincial funding. For instance, Strategic Mandate Agreements do not include:

- a clause to allow the Ministry or authorized auditors to enter the institution to review the progress on projects using funding, and the allocation and expenditures of funds, by inspecting records and documents 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; and
- a mechanism to allow the Ministry to take control of any operation if the institution fails to comply with the SMA requirements.

During our audit, the Ministry did not offer a clear reason why operating funding to universities is not provided through transfer payment agreements. It told us that the provision of funding is based on the relationship between the Ministry and the universities sector.

RECOMMENDATION 20

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.

MINISTRY RESPONSE

The policy objectives of Strategic Mandate Agreements are different and broader in scope from standalone transfer payment agreements and have been designed to promote government's accountability and transparency objectives. The Ministry will, however, assess the benefits of using transfer payment agreements as the funding mechanism for universities.

9.2.5 Reviewing Credit Ratings Would Improve the Ministry's Financial Oversight of Universities

As acknowledged by the COU, credit rating reports are effective and objective indicators of the overall creditworthiness and future financial outlook of an institution.

In 2021, the Special Advisor to the Minister on the Long-Term Financial Sustainability of Laurentian University recommended the government make annual credit ratings mandatory for all universities. The Special Advisor noted that credit ratings along with the financial-health indicators, put the government in a much better position to identify a university that is in financial difficulty. The advisor analyzed universities' financial-health indicators and credit rating (where available), and found there was a correlation between the number of times a university recorded a financial-health indicator below the benchmark and the strength of the universities credit rating. As a result, the advisor noted credit ratings substantiated the usefulness of the financial-health indicators. The Special Advisor noted that of the 20 Ontario universities he reviewed, 14 received a credit rating report each year.

At the time of our audit, the Ministry did not use credit-rating information to assess the financial health of universities. As part of a financial oversight framework expected to be implemented in April 2023, the Ministry will request each university to obtain a credit rating report, along with other financial health metrics, to be used to measure the financial health risk of institutions.

Nipissing University, Ontario Tech University and the University of Windsor had recent credit ratings. See **Figure 25** for the most recent ratings. At the time of our audit, Algoma University had begun the tendering process for a credit rating agency to assess the university and provide a credit rating, with results expected in early 2023. The ratings are typically supported by factors such as academic profile, enrolment growth, track record of financial management and operating results, and environmental, social and governance risk factors.

9.2.6 No Legislated Requirements on University Debt Levels, Borrowing or Major Capital Expenditures

All provinces except Ontario, New Brunswick, Nova Scotia and Quebec have legislated limits on university deficits, borrowing and/or major capital expenditures. For example, British Columbia, which has 11 publicly funded universities, has legislation that requires that universities:

- are limited to short-term borrowing that can be repaid out of current revenues;
- obtain Ministerial approval to borrow money for the purpose of acquiring land or erecting, repairing, adding to, furnishing or equipping any building or structure for the use of the university; and
- obtain Ministerial approval of its budget to run a financial deficit in any fiscal year.

See **Appendix 13** for a comparison of the legislated restrictions pertaining to universities' debt, deficit and major capital legislated restrictions for all provinces.

Figure 25: Most Recent Credit Ratings of Selected Universities

Prepared by the Office of the Auditor General of Ontario

University	Date	Rater	Rating	Rating definition
Nipissing	Mar 17, 2022	DBRS Morningstar	BBB (high)	Adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.
Windsor	Feb 28, 2022	Moody's Investor Service	Aa3	Obligations are judged to be of high quality and are subject to very low credit risk .
	May 10, 2022	DBRS Morningstar	A	Good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable.
Ontario Tech	Nov 30, 2021	DBRS Morningstar	A (low)	Good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable.
	Mar 2, 2022	Moody's Investor Service	A1	Obligations are judged to be upper-medium grade and are subject to low credit risk .
Algoma	n/a			

Applying British Columbia's legislated requirements historically for the five-year period 2017/18–2021/22 to the four universities we audited demonstrates that Nipissing would have required Ministerial approval for all five of its budgets during those years; Ontario Tech would have required approval for its 2020/21 budget; and Algoma University would have required ministerial approval in 2018/19. Further, as seen in **Appendix 12**, Nipissing University, Ontario Tech University and the University of Windsor obtained external debt for the purpose of constructing or acquiring capital over the five-year period, and under the British Columbia legislation would have had to obtain Ministerial approval prior to borrowing the funds.

RECOMMENDATION 21

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; and
- proactively monitor identified high-risk universities.

MINISTRY RESPONSE

The Ministry is implementing a new Financial Accountability Framework which includes financial ratio/metrics and target thresholds, risk ratings and actions to be taken based on risk rating. The framework will incorporate the use of credit ratings as part of the evaluation. The framework is going to be implemented in collaboration with the sector, will serve as an effective tool in identifying institutions experiencing financial challenges and allow for proactive corrective actions before significant financial sustainability risks emerge.

Appendix 1: Report Recommendations—Financial Management in Ontario Universities

Prepared by the Office of the Auditor General of Ontario

Recommendation	To Whom Recommendation Applies			
	Algoma	Nipissing	Ontario Tech	Windsor
Financial Sustainability (Sections 5.1, 6.1, 7.1, 8.1)				
1. Obtain board approval of the university's debt policy.		✓		
1. Establish a formal capital debt policy approved by the board.			✓	✓
1. Monitor and adhere to the debt limits outlined in its policy.		✓		✓
1. Report semi-annually to the Board on the status of debt maintained by the university and its continuing compliance with its capital debt policy.		✓		
2. Review and monitor the profitability of ancillary services on a consolidated basis and for each ancillary service separately.	✓	✓		
2. Develop strategies to maximize the profitability of ancillary services where necessary.	✓	✓	✓	
3. Maintain separate bank accounts for externally restricted funds.	✓	✓		✓
3. 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.	✓	✓		
4. Document processes on how its budgets are developed, reviewed and approved.		✓		
4. Develop a separate budget for all capital investments, and present it to the Board for approval.		✓	✓	
4. Develop a separate budget for ancillary services, by revenue stream, and present it to the Board for approval.		✓		
4. Consolidate the capital budget, the operating budget and the ancillary budget, and present the consolidated budget to the Board for approval.		✓	✓	
4. 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.	✓	✓	✓	✓
4. 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.		✓		

Recommendation	To Whom Recommendation Applies			
	Algoma	Nipissing	Ontario Tech	Windsor
Reliance on International Students (Sections 5.2, 6.2, 7.2, 8.2)				
5. Regularly complete a financial sensitivity analysis of the impact of the loss of students from various regions.	✓	✓		✓
5. Develop and apply strategies to diversify recruitment of international students from different geographic regions.				✓
5. Focus on recruiting from priority countries identified in the government of Canada's <i>International Education Strategy, 2019-2024</i> .	✓	✓		✓
6. Collect relevant data on the location and careers of international alumni.	✓	✓	✓	✓
6. Use this data to better inform programming and recruitment decisions.	✓	✓	✓	✓
Compensation Structures for International Student Recruiting (Sections 5.2, 6.2, 7.2, 8.2)				
7. 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.	✓	✓	✓	✓
Financial Contribution of Academic Programming (Sections 5.3, 6.3, 7.3, 8.3)				
8. Complete an analysis of profitability at the academic program level.	✓	✓	✓	✓
8. 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.	✓	✓	✓	✓
8. 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.	✓	✓	✓	✓
Capital Planning (Sections 5.4, 6.4, 7.4, 8.4)				
9. 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.		✓		
9. Prepare a business case for each capital project that includes a financial feasibility assessment to help management and then the Board make decisions on major capital expenditures prior to approval.	✓	✓	✓	✓
9. Obtain board approval on major capital investments before moving forward with planned projects.		✓		

Recommendation	To Whom Recommendation Applies			
	Algoma	Nipissing	Ontario Tech	Windsor
Board Governance (Sections 5.5, 6.5, 7.5, 8.5)				
10. Reduce and limit the size of the Board including the number of internal Board members.	✓	✓	✓	✓
10. Reduce the number of committees to accommodate a smaller Board size.	✓	✓		✓
10. Increase the term limits of Board members, including current members.	✓	✓	✓	
11. Develop, and annually review and approve both permanent and emergency presidential succession plans.	✓	✓	✓	✓
12. Prioritize and track competencies using competency matrixes and other competency tracking tools.	✓	✓	✓	✓
12. Confirm the Board and its committees possess demonstrably requisite competencies, in order to fulfill its terms of reference.	✓	✓	✓	✓
12. 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.	✓	✓	✓	✓
13. 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.	✓	✓	✓	✓
13. Annually review and approve a written risk appetite framework that includes identification and defining of material financial and non-financial risks, and independent assurance of internal controls to mitigate each of these risks.	✓	✓	✓	
14. Senate/Academic Council be provided with regular costing information on the financial contribution of individual program offerings and the university as a whole.	✓	✓	✓	✓
University Partnerships and Collaborations (Sections 5.6, 6.6, 7.6, 8.6)				
15. Set goals for the type of relationships it plans and then enters into, such as revenue-generating academic relationships.	✓			✓
15. Have such arrangements approved by its Board and/or Senate.	✓			✓
15. Ensure arrangements will be and continue to be aligned with the academic and financial interest of students.	✓			
15. Consult national security agencies such as the Canadian Security Intelligence Service for information, advice or support before engaging in international collaborations and partnerships.				✓

Appendix 2: Applicability of Audit Observations to Each University Audited

Prepared by the Office of the Auditor General of Ontario

Observation	Algoma	Nipissing	Ontario Tech	Windsor
Financial Sustainability (Sections 4.1, 5.1, 6.1, 7.1, 8.1)				
University experienced an in-year operating deficit in at least one year during 2016/17 and 2020/21.		✓	✓	✓
University focused on international recruitment and utilized international tuition fees to increase revenues and subsidize the bottom line.	✓		✓	✓
University had been able to service debts and had not breached external debt covenants.	✓	✓	✓	✓
Despite having a high debt per FTE student, the university did not have a formal debt management policy to provide a framework for all borrowing in order to manage the overall risks to the university, as well as minimize borrowing costs.			✓	✓
University had a formal debt policy in place; however, debt limits were exceeded, or would have been exceeded if the new debt policies had been applied retroactively between 2016/17 and 2020/21.	✓	✓		
University did not review or monitor the profitability of its ancillary services on a consolidated basis and for each ancillary service separately.	✓	✓		
University did not develop strategies to maximize the profitability of its ancillary services where necessary.	✓	✓	✓	
University managed and maintained endowments and externally restricted funds using separate ledgers.	✓	✓	✓	✓
University held separate investment accounts for endowment funds.	✓	✓	✓	✓
University commingled in the same bank account externally restricted funds with cash from operations.	✓	✓		✓
University had enough cash and short-term investments at the end of fiscal 2020/21 to cover externally restricted funds and endowments, as well as internally restricted funds.	✓	✓	✓	✓
University did not consistently perform an analysis to determine if it held sufficient cash to cover externally restricted funds and endowments, in addition to internally restricted funds.	✓	✓		
University did not have a documented budget process on how budgets are developed, reviewed and approved.		✓		
University consistently presented its operating budget in a deficit position without a formal strategy on how the university would return to a surplus position.		✓		
University did not prepare a separate ancillary budget broken down by revenue stream (service offered).		✓		
University did not prepare a separate capital budget that it presented to the Board for approval.		✓	✓	
University did not conduct an analysis comparing its annual budget to annual actual revenue and expenses that it presented to the Board for review.		✓		✓
University did not present to the 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.	✓	✓	✓	✓

Observation	Algoma	Nipissing	Ontario Tech	Windsor
Reliance on International Students (Sections 4.2, 5.2, 6.2, 7.2, 8.2)				
International student enrolment has increased in the last five years from 2016/17 to 2020/21, decreasing the proportion of domestic students.	✓			✓
University has increased the proportion of total revenues from international students during the period 2016/17 to 2020/21.	✓	✓	✓	✓
International student applicants were accepted by the university even though their transcripts did not meet admission requirements.	✓			
The proportion of international student enrolment has been driven largely by students from India and to a lesser extent by students from China. Overreliance on a few geographic regions increases the risk that external factors, such as a global economic downturn or foreign policy shift, could significantly impact a university's financial health.	✓	✓		✓
University enrolment and/or internationalization plans did not focus on priority countries identified in the government of Canada's International Education Strategy 2019–2024.	✓	✓		✓
University did not actively maintain data or information regarding international students' mobility following graduation. Tracking this information could help the university adjust its program offerings, improve its recruitment efforts, help in promoting the university, and offer insight into the important contributions these students make to the demographic diversity and economic growth of a region.	✓	✓	✓	✓
Compensation Structures for International Student Recruiting (Sections 4.2, 5.2, 6.2, 7.2, 8.2)				
Payment terms in university's agreements with international student recruitment agencies invariably promote increasing the quantity of students, without any inducement for recruiting the highest performing prospects.	✓	✓	✓	✓
Graduation rate of international students was consistently lower than that of domestic students, which underscores the importance of university's recruiting efforts.			✓	✓
Financial Contribution of Academic Programming (Sections 4.3, 5.3, 6.3, 7.3, 8.3)				
University performed a financial contribution analysis of each of its 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.	✓	✓	✓	✓
University 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.	✓	✓	✓	✓
University's financial contribution analysis of faculties/departments was a one-time exercise, only completed in 2020/21, and did not look at each campus's performance separately.	✓			
University did not consider overhead costs such as for physical space, administration, or maintenance in its financial contribution analysis, and therefore a true determination of the profitability was not possible.	✓			
University had not adjusted or restructured programs to improve financial sustainability, despite certain faculties or departments that had experienced losses	✓	✓		✓

Observation	Algoma	Nipissing	Ontario Tech	Windsor
Capital Planning (Sections 4.4, 5.4, 6.4, 7.4, 8.4)				
Major capital projects were not always supported by a comprehensive business case presented to the Board 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.	✓	✓	✓	✓
Major capital projects proceeded without a detailed and sound funding plan.			✓	
Board Governance (Sections 4.5, 5.5, 6.5, 7.5, 8.5)				
Size of university Board was large, which poses risks to effective governance.	✓	✓	✓	✓
University had Board size larger than the best practice.	✓	✓	✓	✓
Number of committees of university Board exceeded the ideal number.	✓	✓		✓
University Board had an Executive Committee because of the large size of the Board with some form of authority to act as a board, meaning the committee could act as a “board within a board.”	✓	✓	✓	✓
Executive committees had been granted powers that should typically be performed by the Board as a whole for, e.g., authority to approve operating budgets.	✓	✓	✓	✓
Term limits for Board members were lower than the best practice.	✓	✓	✓	
University Board did not have a permanent plan for presidential succession that it reviewed and approved.	✓	✓	✓	✓
University Board did not have emergency succession plan in place for the president in the event of an unplanned replacement.		✓	✓	
University Board had not identified or prioritized competencies that it considered most critical for Board members to possess.	✓	✓	✓	✓
University Board members did not possess competencies in critical areas required to provide effective governance. Board was missing at least one of five competencies on its competency matrix essential for a university board (i.e., finance, accounting, executive management, risk management and cybersecurity).	✓	✓	✓	✓
University Board demonstrated a lack of emphasis on financial literacy. Several Board members had little or no expertise or experience in financial literacy and in finance. The majority or near-to-all Board members should be financially literate to a certain extent because they are ultimately responsible for overseeing the university’s financial operations.	✓	✓	✓	✓
One or more internal oversight functions—risk management, compliance and internal audit—were absent at the university.	✓	✓	✓	✓
University did not have an internal audit function.	✓	✓	✓	
University had not developed a written risk appetite framework for the Board to review and approve that includes material financial and non-financial risks to the university, the internal controls to mitigate each risk, and independent assurance that controls are working as intended.	✓	✓	✓	
University Senate/Academic Council was not provided with regular or routine costing information to assess the financial sustainability of individual academic program offerings. Information such as this would help the Senate/Academic Council in making decisions on program changes, adjustments and restructuring.	✓	✓	✓	✓

Observation	Algoma	Nipissing	Ontario Tech	Windsor
University Partnerships and Collaborations (Sections 4.6, 5.6, 6.6, 7.6, 8.6)				
University had established mutually beneficial partnerships with its host city, local health units or other partners and organizations.	✓	✓	✓	✓
University had established partnerships that were unfavourable to the university's reputation and/or did not act in the best interests of its students.	✓			✓

Appendix 3: Full-Time Equivalent Enrolment and Ranking of Ontario Universities

Source of data: Ministry of Colleges and Universities, and *Maclean's 2023 Rankings*

University	Location	2020/21 Enrolment ¹			Total	Maclean's Ranking ² 2023
		Domestic	International	International (%)		
Maclean's – Undergraduate (UG – out of 19)						
Trent	Peterborough	9,962	1,122	10	11,084	4-UG
Ontario Tech	Oshawa	8,686	763	8	9,449	9-UG
Lakehead	Thunder Bay	7,099	1,348	16	8,447	10-UG
Laurentian	Sudbury	7,484	569	7	8,053	15-UG
Nipissing	North Bay	4,384	57	1	4,441	18-UG
Maclean's – Comprehensive (C – out of 15)						
Waterloo	Waterloo	32,127	9,577	23	41,704	3-C
Guelph	Guelph	26,920	1,746	6	28,666	4-C
Carleton	Ottawa	24,421	4,356	15	28,777	5-C (tie)
York	Toronto	41,328	10,195	20	51,523	5-C (tie)
Ryerson ³	Toronto	39,085	3,788	9	42,873	8-C
Wilfrid Laurier	Waterloo	18,831	1,473	7	20,304	10-C
Brock	St. Catharines	15,838	2,445	13	18,283	13-C
Windsor	Windsor	12,709	3,820	23	16,529	14-C
Maclean's – Medical Doctoral (M – out of 15)						
Toronto	Toronto	68,141	24,929	27	93,070	2-M
McMaster	Hamilton	29,181	5,615	16	34,796	4-M
Ottawa	Ottawa	33,951	8,587	20	42,538	6-M
Queen's	Kingston	27,884	3,484	11	31,368	8-M
Western	London	34,502	6,294	15	40,796	11-M
Maclean's – Not ranked						
Algoma	Sault Ste. Marie	892	1,046	54	1,938	n/a
Hearst	Hearst	70	130	65	200	n/a
NOSM	Thunder Bay	457	NA	0	457	n/a
OCAD	Toronto	3,080	1,110	26	4,190	n/a
Total⁴		447,032	92,454	17	539,486	

Note: Universities selected for this audit are shaded.

- Enrolment represents the full-time-equivalent (FTE) number of students for the 2020/21 academic year.
- Maclean's* magazine places Canadian universities in one of three categories for ranking purposes: Undergraduate, Comprehensive and "Medical Doctoral." This is done in order to recognize differences in types of institutions, levels of research funding, diversity of offerings, and breadth and depth of graduate and professional programs. The table presents the ranking in Canada, along with one of the three categories:
 - Undergraduate universities (UG) tend to be smaller in size and have fewer graduate programs and graduate students.
 - Those in the Comprehensive category (C) have a significant degree of research activity and a wide range of programs at the undergraduate and graduate levels, including professional degrees.
 - Medical Doctoral universities (M) offer a broad range of Ph.D programs and research; all universities in this category have medical schools.
- Renamed Toronto Metropolitan University in April 2022.
- Université de l'Ontario français (Toronto) is not included in this list because 2021/22 was the first academic year it submitted enrolment data to the Ministry.

Appendix 4: Strategic Mandate Agreement Metric Definitions, Targets and Results for Selected Universities, 2021/22

Source of data: Ministry of Colleges and Universities

Metric and Description	Algoma		Nipissing		Ontario Tech		Windsor		Provincial	
	Actual	Target ¹	Actual	Target	Actual	Target	Actual	Target	Avg	Target
<p>1. Graduate Employment Earnings (\$) Median employment earnings of university graduates, two years after graduation. Source: Educational and Labour Market Longitudinal Platform, Statistics Canada</p>	44,700	33,607	51,095	41,890	52,943	44,827	48,669	43,678	51,863	45,613
<p>2. Experiential Learning (%) Number and proportion of graduates in programs who participated in at least one course with required Experiential Learning component(s). Source: Provided by universities</p>	16.9	22.9	62.4	65.9	70.4	69.4	70.5	34.4	67.9	59.4
<p>3. Skills and Competencies Institution specific metric to be determined by each university.</p>	Metric reporting to begin 2022/23.									
<p>4. Graduate Employment Rate in a Related Field (%) Proportion of graduates of undergraduate (bachelor or first professional degree) programs employed full-time who consider their jobs either “closely” or “somewhat” related to the skills they developed in their university program, two years after graduation. Source: Ministry of Colleges and Universities – Ontario University Graduate Survey</p>	85.9	85.4	95.9	90.8	89.6	87.1	88.9	84.8	89.9	87.4

Metric and Description	Algoma		Nipissing		Ontario Tech		Windsor		Provincial	
	Actual	Target ¹	Actual	Target	Actual	Target	Actual	Target	Avg	Target
<p>5. Institutional Strength/Focus (%) Proportion of enrolment in an institution's program area(s) of strength. Source: Ministry of Colleges and Universities – University Statistical and Enrolment Report</p>	39	39.6	22.9	21.5	36.5	33.9	34.8	30.6	41.5	38.5
<p>6. Graduation Rate (%) Proportion of all new, full-time year one university students of undergraduate (bachelor or first professional degree) programs who commenced their study in a given fall term and graduated from the same institution within seven years. Source: Ministry of Colleges and Universities data collection from universities</p>	51.1	55.3	84	82.4	65.5	65.9	74	73.3	73.8	72.5
<p>7. Research Funding and Capacity: Federal Tri-Agency Funding Secured (%) Amount and proportion of funding received by institution from federal research granting agencies (Social Sciences and Humanities Research Council, Natural Sciences and Engineering Research Council, Canadian Institutes of Health Research). Source: Tri-Agency Institutional Programs Secretariat</p>	0.04	0.04	0.1	0.1	0.6	0.6	1.3	1.3	5	4.8

Metric and Description	Algoma		Nipissing		Ontario Tech		Windsor		Provincial	
	Actual	Target ¹	Actual	Target	Actual	Target	Actual	Target	Avg	Target
<p>8. Research Revenue Attracted from Private Sector Sources (\$) Research revenue attracted from private-sector and not-for-profit sources. Source: Council of Ontario Finance Officers</p>	131,000	149,475	144,220	56,307	3,557,667	957,928	5,846,333	4,649,625	58,278,278	51,629,595
<p>9. Community/Local Impact of Student Population (%) Institutional enrolments' share of the population of the city (cities) or town (towns) in which the institution is located. Source: The University Statistical Enrolment Report, Ministry of Colleges and Universities, Census Data, Statistics Canada</p>	2.1	1.9	15.3	14.3	10	9.6	11.8	11.2	13.6	12.8

Metric and Description	Algoma		Nipissing		Ontario Tech		Windsor		Provincial	
	Actual	Target ¹	Actual	Target	Actual	Target	Actual	Target	Avg	Target
<p>10. Economic Impact (Institution-specific)²</p> <p>Algoma – International Student Enrollment:</p> <p>Definition: Impact of Fiscal Full Time Equivalent International Enrollment.</p> <p>Source: Algoma University Enrollment Data Collection; Statistics Canada/Global Affairs Economic Impact Multiplier</p> <p>Nipissing – Economic impact of students enrolled at Nipissing from outside North Bay:</p> <p>Definition: Based on the following Ontario average household expenditures: food, rent and public transportation.</p> <p>Source: PFIS-University and Statistical Enrollment Reporting, Ontario Universities' Application Centre, Statistics Canada)</p> <p>Ontario Tech – Student placement contributions to local economic activity:</p> <p>Definition: The number of assessment-based student work related placements placed in Durham/ Northumberland Region.</p> <p>Source: Institutional Experiential Learning Database</p> <p>Windsor – Non-Local Student Spending in the Windsor-Essex Region.</p> <p>Definition: The economic impact of non-local students as a result of expenditures in the local economy.</p> <p>Source: KPMG Study</p>	\$38,202,480	\$10,514,800	\$45,970,920	\$35,950,837	309	265.1	\$161,031,550	\$138,382,344	n/a	n/a

1. Target used is the Allowable Performance Target, equal to Target minus annual Band of Tolerance.

2. The metric used and unit of measurement vary by institution. In some instances, an institution's values will be represented by a whole number, others by a percentage or a dollar amount. Even where institutions use the same unit of measurement, they will refer to diverse measures. Therefore, for this metric, analysis and comparison should only compare an institution to its own historical data, not the data of other institutions. Consult each institution's agreement for its chosen metric and definition.

Appendix 5: Ministry Performance Indicator Results for Selected Universities¹

Source of data: Ministry of Colleges and Universities

Key Performance Indicator	Algoma	Nipissing	Ontario Tech	Windsor	Provincial Average
Graduation Rate² (%)	51.1	84.0	65.5	74.0	77.5
Graduate Employment Rate (Full and Part Time)					
6 months (%)	85.1	96.0	87.7	89.4	91.2
2 years (%)	89.8	96.8	92.1	93.4	92.7
Job Relatedness (Full and Part Time)					
Skills Match³					
6 months (%)	82.0	90.0	84.0	80.0	82.0
2 years (%)	82.0	94.0	86.0	85.0	87.0
Subject Matter Match⁴					
6 months (%)	72.0	85.0	75.0	74.0	72.0
2 years (%)	73.0	90.0	79.0	78.0	77.0
Average Annual Salaries of Graduates					
Full Time					
6 months (\$)	38,603	45,702	48,090	42,684	47,124
2 years (\$)	47,109	52,434	56,050	51,437	56,972
Graduate Occupations					
Occupations in education, law and social, community and government services (%)	34.7	46.3	22.8	38.8	27.2
Business, finance and administration occupations (%)	37.3	14.5	17.7	13.3	23.2
Natural and applied sciences and related occupations (%)	10.7	2.0	17.2	12.5	14.6
Health occupations (%)	1.3	25.3	19.9	14.9	13.2
Sales and service occupations (%)	8.0	6.3	12.3	10.5	10.4
Other (e.g., management, art/culture, sport/rec, trades, transport, manufacturing) (%)	8.0	5.7	10.0	10.1	11.5
OSAP loan default rate⁵	5.1	2.5	2.8	3.7	2.7

1. Performance indicators that exceed the provincial average are **bolded**. There are no associated targets.
2. For individuals who started university in 2013 and graduated within seven years (i.e. by 2020).
3. Percentage of graduates who said their work is closely or somewhat related to the skills developed at university (such as critical thinking, problem solving).
4. Percentage of graduates who said their work is closely or somewhat related to the program of study they completed.
5. 2020 rates.

Appendix 6: Ministry's Financial Health Indicators—Calculation, Definition, and Benchmark

Source of data: Ministry of Colleges and Universities

Financial Health Indicator	Calculation	Explanation/Purpose	Ministry Benchmark
Financial Performance Measures			
1. Net Income / (Loss) Ratio ¹	$(\text{Total Revenue} - \text{Total Expense}) \div (\text{Total Revenue})$	Measures the percentage of an institution's revenues that contribute to net assets: a negative value indicates that revenues are not covering expenses	1.5% or above
2. Net Operating Revenues Ratio ¹	$(\text{Cash Flow from Op. Activities}) \div (\text{Total Revenue})$	Cash flow from operating activities as a proportion of revenues	5% or above ²
Liquidity Measures			
3. Primary Reserve (# of Days) ¹	$(\text{Expendable Net Assets}) \div (\text{Total Expenses} \times 365 \text{ days})$	The number of days an institution could function using its unrestricted assets (reserves), assuming there are no other sources of revenues	30 Days or above
Leverage Measures			
4. Interest Burden Ratio ¹	$(\text{Interest Expense}) \div (\text{Total Expense} - \text{Depreciation})$	The proportion of total expenses supporting the annual cost of servicing debt	3% or below ³
5. Viability Ratio ¹	$(\text{Expendable Net Assets}) \div (\text{Long-Term Debt})$	The proportion of long-term debt that could be settled using unrestricted assets	30% or above
Other Measures			
6. In-Year Surplus ⁴	$(\text{Total Revenue}) - (\text{Total Expense})$	A university's "bottom line" from the audited financial statements	\$0 or above
7. Expendable Net Assets ⁴	The value is derived from data in the Statement of Changes in Net Assets and the Notes to Financial Statements	Expendable net assets are assets an entity can access quickly and spend to meet its operating and capital requirements and are not constrained to internal or external restrictions	\$50 million or above

1. Financial health indicator agreed to by both the Ministry and the Council of Ontario Universities (COU).

2. The COU is proposing a minimum threshold of 2%.

3. The COU is proposing a maximum threshold of 5%.

4. Financial health indicator proposed by Ministry but not agreed to by the COU.

Appendix 7: University Financial Health Indicator Achievement and Ministry Risk Assessment, 2016/17–2020/21

Source of data: Ministry of Colleges and Universities

Number of Times in the Last Five Years an Annual Financial Health Indicator Was Not Met

Region/ University	Financial Health Indicator							Sum
	Net Income/ Loss Ratio	Net Operating Revenues Ratio	Primary Reserve (Liquidity Measure)	Interest Burden Ratio (Leverage Measure)	Viability Ratio (Leverage Measure)	In-Year Surplus	Expendable Net Assets	
Central								
Brock	0	0	0	1	0	0	2	3
Guelph	2	1	0	0	0	2	0	5
McMaster	0	0	0	0	0	0	0	0
Trent	0	1	1	0	4	0	5	11
Waterloo	0	1	0	0	n/a ¹	0	0	1
Wilfrid Laurier	2	2	0	0	1	2	0	7
East								
Carleton	0	1	0	0	0	0	0	1
Ottawa	1	1	0	0	0	1	0	3
Queen's	0	0	0	0	0	0	0	0
GTA								
OCAD	3	4	3	0	3	3	5	21
Ontario Tech	1	0	0	5	5	1	5	17
Toronto Metropolitan	2	1	0	0	0	1	0	4
Toronto	0	0	0	0	0	0	0	0
York	0	1	0	0	0	0	0	1
North								
Algoma	0	1	3	0	3	0	5	12
Hearst	2	1	0	0	0	1	5	9
Lakehead	2	1	0	3	0	1	4	11
Laurentian ²	5	5	5	1	5	4	5	30
Nipissing	5	3	0	0	4	5	5	22
NOSM	3	5	0	0	n/a ¹	2	5	15
South West								
Western	0	0	0	0	0	0	0	0
Windsor	3	3	1	1	3	2	3	16

Note: Universities selected for this audit are **bold**.

- Indicator could not be calculated because university did not report any debt under liabilities.
- Excludes 2020-21 data because it was not yet calculated due to insolvency proceedings.

Ministry's Annual Financial Health Risk Assessment Rating by Ontario University³

Region/University	2016/17	2017/18	2018/19	2019/20	2020/21
Central					
Brock	Low	Low	Low	Low	Low
Guelph	Low	Low	Low	Low	Low
McMaster	Low	Low	Low	Low	Low
Trent	Medium	Medium	Medium	Medium	Medium
Waterloo	Low	Low	Low	Low	Low
Wilfrid Laurier	Low	Low	Low	Medium	Medium
East					
Carleton	Low	Low	Low	Low	Low
Ottawa	Low	Low	Low	Low	Low
Queen's	Low	Low	Low	Low	Low
GTA					
OCAD	High	High	High	Medium	Medium
Ontario Tech	Medium	Medium	Medium	Medium	Medium
Toronto Metropolitan	Low	Low	Low	Low	Low
Toronto	Low	Low	Low	Low	Low
York	Low	Low	Low	Low	Low
North					
Algoma	High	High	High	High	Medium
Hearst ⁴	High	High	High	High	Medium-High
Lakehead	Medium	Medium	Medium	Medium	Low
Laurentian	High	High	High	High	High
Nipissing	High	High	High	High	High
NOSM ⁴	Medium	Low	Low	High	High
South West					
Western	Low	Low	Low	Low	Low
Windsor	Medium	Low	Low	Medium	Medium

Note: Universities selected for this audit are **bold**.

3. The Ministry did not implement these risk assessments until 2018/19. The assessments were completed in fall 2019 and calculated retroactively. A new framework was put in place in November 2022.

4. These universities were part of Laurentian University until April 1, 2022.

Appendix 8: Audited Financial Position of Universities, 2020/21 (\$ 000)

Prepared by the Office of the Auditor General of Ontario based on university audited financial statements

Revenue Source	Algoma		Nipissing		Ontario Tech		Windsor	
	\$	%	\$	%	\$	%	\$	%
Grants and Contracts	13,745	31.9	38,840	51.0	93,358	43.6	143,855	36.8
Student Fees	23,514	54.5	29,709	39.0	79,533	37.2	205,349	52.6
Donations and Non-Government Grants and Contracts	285	0.7	81	0.1	2,809	1.3	3,048	0.8
Other Student Fees and Ancillary Revenue and Contracts	1,575	3.6	2,515	3.3	11,973	5.6	6,607	1.7
Amortization of deferred capital contributions	1,418	3.3	1,532	2.0	9,612	4.5	9,023	2.3
Investment Revenue	-	-	1,643	2.2	1,132	0.5	13,470	3.4
Other ¹	2,606	6.0	1,864	2.4	15,481	7.3	9,418	2.4
Total Revenue	43,143	100	76,184	100	213,898	100	390,770	100
Salaries and Benefits	24,883	69.8	57,071	71.2	113,243	57.0	258,888	71.5
Operating and research expenses	10,300	28.9	14,046	17.5	36,255	18.2	58,102	16.1
Amortization of capital assets	2,578	7.2	3,563	4.5	23,090	11.6	23,298	6.4
Scholarships, Bursaries, etc.	3,243	9.1	4,481	5.6	12,720	6.4	19,163	5.3
Interest	307	0.9	991	1.2	12,930	6.5	10,767	3.0
Other ²	(5,660) ³	(15.9)	0	0.0	518	0.3	(8,377)	(2.3)
Total Expenses	35,651	100	80,152	100	198,756	100	361,841	100
Surplus ÷ (Deficit)	7,492		(3,968)		15,142		28,929	
Net Assets – Opening Balance ⁴	16,806		19,169		84,802		104,285	
External Contributions	-		120		679		1,447	
Employment benefit remeasurement	3,190		750		2,155		48,158	
Net Investment gain	-		-		-		15,741	
Net Assets – Ending Balance	27,488		16,071		102,778		198,560	

1. Includes non-credit course tuition fees, miscellaneous fees, borrowing, sales of services and products, endowments, other investment income and miscellaneous investment income.

2. Includes miscellaneous fees, gains/losses of capital assets and other investments and changes in fair value interest swaps.

3. Algoma included a \$5.3 million government COVID-19 relief grant as an offset to expenses. All other universities classified this as revenue.

4. Net assets includes unrestricted assets, internally restricted assets and endowments. The university's accumulated surplus/(deficit) is included in unrestricted and internally restricted assets.

Appendix 8a: Audited Financial Position of Algoma, 2016/17–2020/21 (\$ 000)

Prepared by the Office of the Auditor General of Ontario based on university audited financial statements

Revenue Source	2016/17		2017/18		2018/19		2019/2020		2020/21	
	\$	%	\$	%	\$	%	\$	%	\$	%
Grants and contracts	14,272	44.4	15,109	47.5	15,391	44.3	13,668	28.1	13,745	31.9
Student fees	10,205	31.7	9,219	29.0	8,873	25.5	26,706	55.0	23,514	54.5
Donations and non-government grants and contracts	425	1.3	48	0.1	407	1.2	619	1.3	285	0.7
Other student fees and ancillary revenue and contracts	2,165	6.8	2,221	7.0	2,182	6.3	3,063	6.3	1,575	3.6
Amortization of deferred capital contributions	1,234	3.8	1,191	3.7	1,136	3.3	1,274	2.6	1,418	3.3
Investment revenue	-	-	-	-	-	-	-	-	-	-
Other ¹	3,869	12.0	4,024	12.7	6,760	19.4	3,232	6.7	2,606	6.0
Total Revenue	32,170	100	31,812	100	34,749	100	48,562	100	43,143	100
Salaries and benefits	16,755	53.6	17,116	57.9	17,391	52.3	24,172	58.7	24,883	69.8
Operating and research expenses	12,533	40.1	12,339	41.7	14,046	42.2	13,742	33.4	10,300	28.9
Amortization of capital assets	1,962	6.3	1,847	6.2	2,116	6.3	2,269	5.5	2,578	7.2
Scholarships, bursaries, etc.	-	-	-	-	-	-	660	1.6	3,243	9.1
Interest	-	-	-	-	-	-	333	0.8	307	0.9
Other ²	-	-	(1,719)	(5.8)	(281)	(0.8)	(1)	(0.0)	(5,660) ³	(15.9)
Total Expenses	31,250	100	29,583	100	33,272	100	41,175	100	35,651	100
Surplus ÷ (Deficit)	920		2,229		1,477		7,387		7,492	
Net Assets – Opening Balance	4,029		7,707		7,320		11,670		16,806	
Prior period adjustment to opening net assets	-		-		-		(844)		-	
External contributions	560		(1,611)		85		-		-	
Employment benefit remeasurement	2,198		(1,005)		2,788		(1,407)		3,190	
Net investment gain	-		-		-		-		-	
Net Assets – Ending Balance	7,707		7,320		11,670		16,806		27,488	

1. Includes non-credit course tuition fees, miscellaneous fees, other investment income and miscellaneous investment income.

2. Includes gains/(loss) of investments.

3. Algoma included a \$5.3 million government COVID-19 relief grant as an offset to expenses.

Appendix 8b: Audited Financial Position of Nipissing, 2016/17–2020/21 (\$ 000)

Prepared by the Office of the Auditor General of Ontario based on university audited financial statements

Revenue Source	2016/17		2017/18		2018/19		2019/2020		2020/21	
	\$	%	\$	%	\$	%	\$	%	\$	%
Grants and contracts	40,519	50.3	42,107	50.7	40,341	48.9	42,051	50.8	38,840	51.0
Student fees	27,929	34.7	28,652	34.5	29,095	35.3	28,826	34.8	29,709	39.0
Donations and non-government grants and contracts	297	0.4	483	0.5	717	0.9	585	0.7	81	0.1
Other student fees and ancillary revenue and contracts	5,683	7.1	5,673	6.8	6,053	7.3	5,809	7.0	2,515	3.3
Amortization of deferred capital contributions	2,038	2.5	1,887	2.3	1,532	1.8	1,519	1.8	1,532	2.0
Investment revenue	1,196	1.5	1,122	1.4	1,408	1.7	1,250	1.5	1,643	2.2
Other ¹	2,841	3.5	3,132	3.8	3,389	4.1	2,756	3.4	1,864	2.4
Total Revenue	80,503	100	83,056	100	82,535	100	82,796	100	76,184	100
Salaries and benefits	52,855	65.4	56,254	68.4	57,720	66.7	58,494	69.1	57,071	71.2
Operating and research expenses	18,906	23.4	19,130	23.3	19,691	22.7	16,877	19.9	14,046	17.5
Amortization of capital assets	3,837	4.7	3,975	4.8	3,606	4.2	3,595	4.2	3,563	4.5
Scholarships, bursaries, etc.	4,448	5.5	4,432	5.4	4,497	5.2	4,736	5.6	4,481	5.6
Interest	1,667	2.1	1,705	2.1	1,085	1.2	999	1.2	991	1.2
Other ²	(901)	(1.1)	(3,293)	(4.0)	(19)	(0)	-	-	-	-
Total Expenses	80,812	100	82,203	100	86,580	100	84,701	100	80,152	100
Surplus ÷ (Deficit)	(309)		853		(4,045)		(1,905)		(3,968)	
Net Assets – Opening Balance	25,233		24,178		25,218		21,355		19,169	
External contributions	24		(44)		263		108		120	
Employment benefit remeasurement	(770)		231		(81)		(389)		750	
Net investment gain	-		-		-		-		-	
Net Assets – Ending Balance	24,178		25,218		21,355		19,169		16,071	

1. Includes miscellaneous fees.

2. Includes gains/(loss) of capital assets and other investments and changes in fair value interest swaps.

Appendix 8c: Audited Financial Position of Ontario Tech, 2016/17–2020/21 (\$ 000)

Prepared by the Office of the Auditor General of Ontario based on university audited financial statements

Revenue Source	2016/17		2017/18		2018/19		2019/2020		2020/21	
	\$	%	\$	%	\$	%	\$	%	\$	%
Grants and contracts	83,291	41.1	85,753	40.4	87,711	41.6	88,792	42.6	93,358	43.6
Student fees	74,817	37.0	78,266	36.9	80,152	38.0	77,110	37.0	79,533	37.2
Donations and non-government grants and contracts	1,090	0.5	1,934	0.9	1,573	0.8	1,865	0.9	2,809	1.3
Other student fees and ancillary revenue and contracts	17,767	8.8	17,067	8.0	16,279	7.7	17,720	8.5	11,973	5.6
Amortization of deferred capital contributions	8,796	4.4	9,036	4.3	9,238	4.4	9,559	4.6	9,612	4.5
Investment revenue	865	0.4	1,166	0.5	1,520	0.7	1,586	0.8	1,132	0.5
Other ¹	15,791	7.8	19,107	9.0	14,394	6.8	11,737	5.6	15,481	7.3
Total Revenue	202,417	100	212,329	100	210,867	100	208,369	100	213,898	100
Salaries and benefits	96,519	50.9	97,530	49.5	106,246	52.1	114,363	54.2	113,243	57.0
Operating and research expenses	53,612	28.2	49,876	25.3	48,479	23.8	46,452	22.0	36,255	18.2
Amortization of capital assets	24,859	13.1	23,730	12.1	23,676	11.6	23,752	11.3	23,090	11.6
Scholarships, bursaries, etc.	-	-	11,478	5.8	12,479	6.1	12,839	6.1	12,720	6.4
Interest	14,823	7.8	14,317	7.3	13,862	6.8	13,443	6.4	12,930	6.5
Other ²	-	-	-	-	(742)	(0.4)	78	0.0	518	0.3
Total Expenses	189,813	100	196,931	100	204,000	100	210,927	100	198,756	100
Surplus ÷ (Deficit)	12,604		15,398		6,867		(2,558)		15,142	
Net Assets – Opening Balance	47,300		61,349		78,171		85,841		84,802	
External Contributions	1,445		1,424		803		1,519		679	
Employment benefit remeasurement	-		-		-		-		2,155	
Net investment gain	-		-		-		-		-	
Net Assets – Ending Balance	61,349		78,171		85,841		84,802		102,778	

1. Includes miscellaneous fees, other income and unrealized gain/(loss) on investments.

2. Includes miscellaneous fees, other losses and gains/(loss) of capital assets and other investment.

Appendix 8d: Audited Financial Position of Windsor, 2016/17– 2020/21 (\$ 000)

Prepared by the Office of the Auditor General of Ontario based on university audited financial statements

Revenue Source	2016/17		2017/18		2018/19		2019/2020		2020/21	
	\$	%	\$	%	\$	%	\$	%	\$	%
Grants and contracts	129,211	37.4	131,338	36.5	134,954	35.3	135,323	35.9	143,855	36.8
Student fees	165,548	47.9	181,911	50.5	194,840	50.9	193,536	51.4	205,349	52.6
Donations and non-government grants and contracts	2,332	0.7	1,582	0.4	1,707	0.4	1,818	0.5	3,048	0.8
Other student fees and ancillary revenue and contracts	20,172	5.8	20,423	5.7	20,661	5.5	18,745	5.0	6,607	1.7
Amortization of deferred capital contributions	7,756	2.3	7,749	2.1	8,084	2.1	8,499	2.3	9,023	2.3
Investment revenue	11,111	3.2	8,305	2.3	12,341	3.2	7,625	2.0	13,470	3.4
Other ¹	9,242	2.7	8,912	2.5	9,972	2.6	11,168	2.9	9,418	2.4
Total Revenue	345,372	100	360,220	100	382,559	100	376,714	100	390,770	100
Salaries and benefits	229,786	67.2	236,779	67.9	252,327	65.8	254,316	65.3	258,888	71.5
Operating and research expenses	66,516	19.4	69,487	19.9	79,216	20.7	75,044	19.3	58,102	16.1
Amortization of capital assets	21,227	6.2	20,254	5.8	21,053	5.5	22,646	5.8	23,298	6.4
Scholarships, bursaries, etc.	17,361	5.1	18,027	5.2	18,539	4.8	19,616	5.0	19,163	5.3
Interest	8,191	2.4	9,315	2.7	9,535	2.5	9,458	2.4	10,767	3.0
Other ²	(1,065)	(0.3)	(5,399)	(1.5)	2,743	0.7	8,649	2.2	(8,377)	(2.3)
Total Expenses	342,016	100	348,463	100	383,413	100	389,729	100	361,841	100
Surplus ÷ (Deficit)	3,356		11,757		(854)		(13,015)		28,929	
Net Assets – Opening Balance	101,684		142,288		121,603		136,138		104,285	
Related party transactions	-		-		-		5,630		-	
External contributions	1,323		2,002		2,925		2,858		1,447	
Employment benefit remeasurement	26,725		(33,473)		10,519		(21,605)		48,158	
Net investment gain	9,200		(971)		1,945		(5,721)		15,741	
Net Assets – Ending Balance	142,288		121,603		136,138		104,285		198,560	

1. Includes miscellaneous fees, rebates, sales of services and products and other income.

2. Includes changes in fair value of interest rate swaps.

Appendix 9: Financial Management and Governance in Ontario Universities—Audit Criteria

Prepared by the Office of the Auditor General of Ontario

Audit Criteria—Universities

1. (International Students) Recruitment and enrolment processes are in place to ensure that entry requirements for domestic and international students are comparable; international students entering university have met standards for English proficiency; the fee schedule is applied consistently to all international students in the same program; agreements with recruiters are designed to attract the best international student candidates; and there exists an appropriate mix between domestic and international students.
2. (Collaborations and Partnerships) Effective academic and corporate collaborations and partnerships are in place that provide a positive benefit to the university.
3. (Academic Programming) The suite of graduate and undergraduate programs and course offerings are decided upon with due regard for the financial sustainability of the institution and its mandate.
4. (Recruitment) Recruitment policies are fair and transparent resulting in only qualified candidates being hired, and achieve the right balance between faculty and staff. Compensation is in accordance with Government of Ontario directives and that of comparable institutions.
5. (Restricted Funds) Processes and procedures ensure restricted funds are appropriately segregated and used only for the purposes intended.
6. (Capital) A robust capital planning process exists and significant capital expenditures are approved following a thorough cost-benefit analysis that takes into consideration an estimate of all associated revenues and costs. Capital projects are procured in accordance with policies and best practices to ensure value-for-money.
7. (Governance) The Board collectively has the skills and knowledge, and is provided sufficient and timely information to effectively oversee operations of the university.
8. (Financial Reporting) There is regular internal reporting on financial operations, including cash flow, and audited financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP).
9. (Performance Indicators) Meaningful performance measures and targets are established, monitored and compared against actual results and publicly reported to ensure that the intended outcomes are achieved and corrective actions are taken on a timely basis when issues are identified.

Audit Criteria—Ministry of Colleges and Universities

10. The Ministry has established effective funding agreements that include meaningful performance measures and targets to identify universities with performance or financial sustainability concerns, and acts to address concerns identified.
11. Where performance or financial sustainability concerns exist, the Ministry intervenes when necessary to correct identified concerns.

Appendix 10: Debt per Full-Time Equivalent (FTE) Student for Selected* Ontario Universities, 2020/21

Prepared by the Office of the Auditor General of Ontario based on university audited financial statements

University	Total Debt (\$ 000)	Number of FTE Students	Debt per FTE Student (\$)
Ontario Tech University	188,019	9,449	19,898
University of Ottawa	661,874	42,538	15,560
University of Windsor	236,706	16,529	14,321
Lakehead University	109,347	8,447	12,945
Queen's University	385,354	31,368	12,285
York University	597,649	51,523	11,600
Wilfrid Laurier University	211,900	20,304	10,436
University of Western Ontario	344,609	40,797	8,447
Nipissing University	34,705	4,441	7,815
McMaster University	268,391	34,796	7,713
University of Toronto	709,000	93,070	7,618
University of Guelph	192,921	28,666	6,730
OCAD University	27,474	4,189	6,558
Trent University	71,000	11,083	6,406
Toronto Metropolitan University	271,155	42,873	6,325
Algoma University	11,322	1,938	5,842
Brock University	47,295	18,283	2,587
Carleton University	59,307	28,777	2,061
University of Waterloo	-	41,704	-
Average	233,054	27,936	8,692

* Universities selected for this audit are **bold**. Laurentian University, which entered the *Companies' Creditors Arrangement Act* (CCAA) process in 2021 and its previously affiliated universities, Northern Ontario School of Medicine, and Université de Hearst, have been excluded. The Université de l'Ontario français, established in 2018, has also been excluded.

Appendix 11: Summary of Profitability Analysis by Faculty at Selected Universities, 2017/18–2021/22

Prepared by the Office of the Auditor General of Ontario

Faculty	2017/18	2018/19	2019/20	2020/21	2021/22
University of Windsor¹					
Faculty of Arts, Humanities & Social Science	(10,728,142)	(10,817,138)	(11,825,360)	(16,475,610)	(9,791,193)
Odette School of Business	1,308,773	1,376,534	179,416	(1,774,636)	1,189,519
Faculty of Education	304,952	491,081	(599,758)	(36,041)	(729,365)
Faculty of Engineering	5,829,493	10,035,547	11,639,710	6,996,357	10,239,935
Faculty of Human Kinetics	(613,481)	(700,242)	(1,210,432)	(1,872,397)	(54,095)
Faculty of Law	4,017,511	3,161,567	2,610,062	927,543	(2,714,050)
Faculty of Nursing	(572,159)	(1,084,401)	(1,321,587)	(1,837,900)	(396,323)
Faculty of Science	(2,578,207)	(1,630,410)	(393,376)	(1,019,541)	(1,374,427)
Academic Total	(3,031,260)	832,538	(921,325)	(15,092,225)	(3,629,999)
Non-faculty Units	6,620,674	9,489,512	7,789,469	11,894,265	3,003,300
Institution Total	3,589,414	10,322,050	6,868,144	(3,197,960)	(626,699)
# of faculties in loss	4	4	5	6	6
Ontario Tech²					
Faculty of Business and Information Technology	2,717,725	2,366,117	1,621,402	5,265,508	3,612,904
Faculty of Education	(2,452,401)	(2,531,615)	(1,380,491)	(2,003,389)	(2,128,055)
Faculty of Energy Systems and Nuclear Science	(3,151,874)	(3,503,016)	(2,395,714)	(2,598,196)	(2,372,078)
Faculty of Engineering and Applied Science	4,630,881	6,406,572	1,015,320	3,182,892	5,452,912
Faculty of Health Sciences	3,194,740	3,465,717	8,076,672	(450,835)	34,610
Faculty of Science	(1,402,377)	(2,525,032)	(1,480,707)	(403,920)	599,708
Faculty of Social Science and Humanities	1,008,561	854,914	(1,791,136)	(1,290,658)	(1,336,940)
Total	4,545,255	4,533,657	3,665,346	1,701,402	3,863,061
# of faculties in loss	3	3	4	5	3

Faculty	2017/18	2018/19	2019/20	2020/21	2021/22
Nipissing University³					
Faculty of Arts & Science	(1,839,154)	(4,676,117)	(5,214,550)	(6,388,563)	(6,986,486)
Faculty of Education & Professional Studies	6,271,310	2,274,050	5,260,204	4,644,500	2,676,210
Total	4,432,156	(2,402,067)	45,654	(1,744,063)	(4,310,276)
# of faculties in loss	1	1	1	1	1
Algoma University⁴					
Faculty of Business and Economics				5,000,825	
Faculty of Social Sciences & Humanities				(282,486)	
Faculty of Sciences				2,502,727	
Total				7,221,066	
# of faculties in loss				1	

1. University of Windsor calculated profitability at the faculty level by using only tuition fees and direct faculty costs, prior to 2021/22. Beginning in 2021/22, it also allocated grants to faculties based on enrolment, and overhead expenses based on related cost drivers such as proportional student enrolment, faculty and staff.
2. Ontario Tech calculated profitability at the faculty level by allocating to its faculties both tuition revenue and Ontario grants each generates, and total budgeted operating expenses based on various drivers including the proportion of FTE students, proportion of FTE faculty, and proportion of space utilized.
3. Nipissing University calculated profitability at the department level based on an allocation of revenues from Ontario grants and the actual amount of tuition fees generated by the department, and deducting direct expenses, salaries and benefits of faculty, and an allocation of administrative expenses based on proportional enrolment. Nipissing completed a profit margin analysis of its academic departments for the first time in 2021/22. However, the university used historical data to complete the analysis for prior fiscal years.
4. Algoma University calculates profitability at the department level and only takes into consideration the tuition revenue and cost of instruction for each student enrolled in each specific department. One-time analysis done in 2020/21.

Appendix 12: Major Capital Projects and Source of Funding, 2016/17–2020/21 (\$ million)

Prepared by the Office of the Auditor General of Ontario

Nipissing University Major Capital Projects and Source of Funding, 2016/17–2020/21 (\$ million)

Year Completed	Capital Project ¹	Source of Funding				Total Project Costs
		External Funds			Internal Funds	
		Government	Donations	External Debt	Prior and In-Year Operating Surplus	
2012–2015	Athletic Centre^{2,3}	9.5	-	8.5	5.1	23.1
2018	Education Centre HVAC Renewal and Roofing Replacement	1.0	-	-	0.3	1.3
2019	Turf Field³	-	0.05	2.3	-	2.4
2019	Education Centre Greenhouse Gas Retrofits	0.9	-	-	-	0.9
2021	Teaching Hub	-	0.4	-	-	0.4
2021	Immersive Classroom	0.2	-	-	-	0.2
Total		11.6	0.5	10.8	5.4	28.3

1. We selected the bolded projects for our review.
2. University did not consider the projects completed in the last five years major capital construction projects because they were not a new building or an addition or expansion to an existing building. We therefore selected this project for review outside of the five-year audit time frame.
3. The university did not have detailed records to support the breakdown of how projects were funded i.e. source of funding.

Ontario Tech University Major Capital Projects and Source of Funding, 2016/17–2020/21 (\$ million)

Year completed	Capital Project ¹	Source of Funding					Total Project Costs
		External Funds				Internal Funds	
		Government	Donations	External Debt	Student Union	Prior and In-Year Operating Surplus	
2017	Software and Informatics Research Centre	13.0	2.1	-	-	16.1	31.2
2021	Shawenjigewining Hall	-	3.3 ²	25.0	5.0 ³	13.3	46.6
2022	Automotive Centre of Excellence – Moving Ground Plane	13.5	1.3	-	-	4.5	19.3
Total		26.5	6.7	25.0	5.0	33.9	97.1

1. We selected all projects for our review.
2. Donations include \$125,529 from an insurance claim.
3. Student Union contribution was financed by external debt, of which Ontario Tech guaranteed \$3.5 million.

University of Windsor Major Capital Projects and Source of Funding, 2016/17–2020/21 (\$ million)

Year Completed	Capital Project ¹	Source of Funding					Total Project Costs
		External Funds				Internal Funds	
		Government	Donations	External Debt	LSRC Corp. ²	Prior and In-Year Operating Surplus	
2016–2018	Campus Master Plan	2.4	0.5	1.4	–	4.0	8.3
2018	School of Creative Arts (Tunnel Bar-B-Q)/Alan Wildeman Centre for Creative Arts	–	–	12.1	–	1.4	13.5
2018	School of Creative Arts (Armouries)	25.0	0.9	5.8	–	11.4	43.1
2018	Science Research and Innovation Facility, Essex Core	17.4	–	12.8	–	0.8	31.0
2018	UWinsite (Campus Wide Information System)	–	–	–	–	29.5	29.5
2019	Human Kinetics Greenhouse Gas Reductions	4.5	–	–	–	3.2	7.7
May 2022³	Lancer Sport and Recreation Centre	–	6.8	11.4	54.8	–	73.0⁵
Oct 2022⁴	Innovation Hub, 300 Ouellette	–	–	8.1	–	–	8.1⁵
Jan 2023 ⁴	Centre for Engineering and Innovation Charge Lab	–	–	–	–	5.3	5.3 ⁵
Feb 2023⁴	Transforming Windsor Law	–	5.7	25.5	–	3.8	35.0⁵
Oct 2023 ⁴	Chiller Replacement Project	–	–	–	–	7.2	7.2 ⁵
Total		49.3	13.9	77.1	54.8	66.6	261.7

1. We selected the bolded projects for our review.

2. LSRC Corp. is a taxable corporation established under the *Ontario Business Corporation Act* and was incorporated on April 25, 2019. The University of Windsor is a 25% shareholder of LSRC Corp. along with the university's three student unions (University of Windsor Student Alliance (UWSA); Graduate Student Society (GSS); Organization of Part-time University Students (OPUS)), which also each own 25% of the corporation. LSRC Corp. is a special purpose project company for the purpose of constructing, financing, and maintaining the new Lancer Sports and Recreation Centre (LSRC). The corporation owns the LSRC and has taken on \$54.8 million in debt used to finance its construction. Debt payments are to be covered by student fees over the 30-year term of the loan starting August 2022. The University of Windsor has accounted for its share in LSRC Corp. as an investment using the equity method in its audited financial statements.

3. Date project substantially complete.

4. Date project expected to be substantially completed.

5. Total project costs expected upon completion.

Algoma University Major Capital Projects and Source of Funding, 2016/17–2020/21 (\$ million)

Year Completed	Capital Project ^{1,2}	Source of Funding			Total Project Costs
		External Funds		Internal Funds	
		Government	Student Union	Restricted Funds and In-Year Operating Surplus	
2018	Shingwauk Hall Renewal	2.8	-	2.6	5.4
2019	Greenhouse Gas Retrofit	0.5	-	-	0.5
2021	Computer Science Renovations	1.6	-	-	1.6
2021	Speakeasy – Student Bar	-	0.8	-	0.8
2022	Brampton Campus Leasehold Improvements	4.2	-	1.1	5.3
2024³	Online Learning Platform	3.0	-	6.8	9.8⁴
Ongoing	Sault Ste. Marie Campus Master Plan	-	-	0.8	0.8
Total		12.1	0.8	11.3	24.2

1. We selected the bolded projects for our review.

2. Does not include major capital project selected for review for the construction of a new Indigenous cultural centre (Mukwa Waakaa'igan). No costs for this project were incurred prior to April 30, 2021. Costs incurred in 2022 for architectural services amounted to \$215,000.

3. Year project expected to be completed.

4. Total project costs expected upon completion.

Appendix 13: Provincial Comparison of Universities' Debt, Deficit and Major Capital Legislated Restrictions

Prepared by the Office of the Auditor General of Ontario

Province	Debt, Deficit and Major Capital Legislated Restrictions
British Columbia	<ul style="list-style-type: none"> Limited to borrowing funds that can be repaid out of current revenues Ministerial approval required for borrowing money for the purpose of acquiring land or erecting, repairing, adding to, furnishing or equipping any building or structure for the use of the university Ministerial approval required to run a financial deficit in any fiscal year
Alberta	<ul style="list-style-type: none"> Limited to borrowing funds that can be repaid out of current revenues and prohibiting the use of high interest borrowing (for example, lines of credit) Ministerial approval required for long-term borrowing May not run a deficit unless the Board has written approval from the Minister
Saskatchewan	<ul style="list-style-type: none"> Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds Minister approval required for borrowing or expenditures over \$100,000 on purchasing lands or constructing buildings; Lieutenant Governor in Council approval required for expenditures over \$500,000 on purchasing lands or constructing buildings Minister approval required for any liabilities or expenditures that would, in the opinion of the Minister, impair the financial status of the university Appointment of a university controller to serve as the chief accounting and business officer of the university
Manitoba	<ul style="list-style-type: none"> Limited to borrowing funds that can be repaid out of current revenues Lieutenant Governor in Council approval required to borrow money for any purposes other than ordinary expenditures of the university
Prince Edward Island	<ul style="list-style-type: none"> Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds Lieutenant Governor in Council approval required for all borrowing for or expenditures on lands and buildings
Newfoundland and Labrador	<ul style="list-style-type: none"> Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds Lieutenant Governor in Council approval required for all expenditures on lands and buildings Approval required to run an annual deficit beyond 0.25% of total government grants and estimated revenues from other sources Limiting expenditures to avoid annual deficit

Note: Legislation governing universities in the provinces of New Brunswick, Nova Scotia, and Quebec do not impose restrictions with respect to universities' debt, deficit and major capital.



Office of the Auditor General of Ontario

20 Dundas Street West, Suite 1530
Toronto, Ontario
M5G 2C2
www.auditor.on.ca