

Financial Management in Ontario Universities

I'd like to talk to you about our audit of **Financial Management in Ontario Universities**.

Our audit examined four universities:

- Algoma University,
- Nipissing University,
- Ontario Tech University and
- the University of Windsor.

These universities were selected because

- they all performed below the 2020/21 provincial average in 4 of 7 financial health indicators established by the Ministry of Colleges and Universities, and
- they are all small to medium-sized institutions.

The four universities audited offer undergraduate and graduate degrees to about 32,400 students in a wide variety of fields, and employ about 1,240 full-time faculty members and academic support staff. Collectively, they receive about \$220 million dollars in provincial funding each year.

This audit was conducted after Sudbury-based Laurentian Universities filed for creditor protection under the *Companies' Creditors Arrangement Act*. Mismanagement, weak board oversight and questionable decision-making at Laurentian led to the elimination of academic programs, affecting students, professors and staff.

Our audit of the four universities assessed whether any of the operational, financial or oversight issues that contributed to Laurentian University's financial decline may be affecting these universities.

Our audit concluded that only one of the four universities, Algoma, has had a consistent annual surplus for the last five years, but all four universities had positive net assets as of the end of the 2020/21 fiscal year.

Although the universities were in a positive financial position at the time of our audit, if left unaddressed, weaknesses in the universities' financial management practices could put the future financial sustainability of the universities at risk.

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.

The impact of the reduction and tuition freeze on domestic tuition in Ontario has resulted in universities increasing their focus on revenue from international student tuition.

Rapidly increasing international enrolment raises the risk of a steep drop in revenues should political or socio-economic changes occur, particularly when those students come from few geographic regions.

In 2021/22, the geographic composition of international students for the four universities was significantly reliant on India, representing 85% of international students at Algoma University and about 60% of international students at the University of Windsor.

While attracting more post-secondary students to Ontario is positive, universities need to adjust recruitment strategies by diversifying the populations targeted to lessen the inherent risks.

We also found deficiencies in the Ministry's procedures to monitor universities' financial conditions.

For instance, the Ministry does not have a formal process that fully utilizes the financial health information it collects from universities each year. Even if it does discover financial conditions are poor or deteriorating, the Ministry does not have the legislated authority to intervene unilaterally in the operation of a publicly assisted university.

Our report contains 21 recommendations. Key recommendations to the Ministry of Colleges and Universities include:

- developing a strategic plan for the post-secondary sector in Ontario;
- assisting universities to develop risk mitigation plans to promote financial sustainability while reducing financial dependence on international student tuition;
- revising its International Postsecondary Education strategy to include measurable targets and goals for levels of international student enrolment to reduce the risk to universities of overreliance on international students from a single or few geographic regions; and
- developing criteria to assign a risk rating to each university annually and proactively monitor identified high-risk universities.

To read this report, you can visit our website at www.auditor.on.ca