



# News Release

For Immediate Release

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## **Questionable Decisions, Weak and Non-Transparent Oversight, Poor Labour Relations, and an Overdependence on External Advisors Led Laurentian Down the Path to Filing for Creditor Protection**

(TORONTO) An overdependence on external legal and financial advisors led to the unsuitable and damaging choice by Laurentian University to seek creditor protection using a legal process designed for private sector entities, Auditor General Bonnie Lysyk said in a *Special Report*. That decision was made because the taxpayer-funded University was in a perilous financial position, resulting largely from a series of questionable strategic decisions made by senior administration and a lack of competent financial oversight and transparency from the Board of Governors.

“Laurentian’s leaders made a bad situation worse by declining government assistance, circumventing obligations to work with faculty and staff, and opting to file for court protection under the *Companies’ Creditors Arrangement Act*,” Lysyk said in the Report tabled today in the Ontario Legislature. “A succession of oversight failures allowed the University’s financial health to decline so precipitously that the academic careers of 932 students were short-circuited, 341 jobs were lost and millions of dollars were wasted.”

The primary responsibility for Laurentian’s financial deterioration falls to the University’s senior administrators, who undertook capital expenditures without fully considering how the related debt would be repaid:

- Since at least 2007, Laurentian had been using restricted funds on capital projects.
- In 2010, Laurentian weakened its Capital Debt Policy, allowing it to take on more debt.
- By 2012/13, Laurentian no longer had sufficient cash and investments on hand to cover its deferred contributions, primarily research grants.
- In 2013, the Board approved a proposal by senior administration to delay the elimination of Laurentian’s accumulated deficit, then rewarded the executive who came up with the plan.
- In 2016, when its main lender refused to issue it more debt, Laurentian obtained a line of credit that it became dependent on for sustaining its cash flow.

The situation was allowed to progress because of weak oversight from Laurentian’s Board and its committees, which lacked key strategic, operational and governance practices and expertise. For its part, the Ministry of Colleges and Universities, which was limited by existing legislation and funding agreements, did not proactively intervene in a timely manner to help Laurentian slow its financial decline. Public universities in Ontario do not have legislated requirements to operate sustainably and prevent insolvency.

As Laurentian’s situation became increasingly dire, senior administrators and the Board were significantly influenced by external legal and financial advisors to pursue a corporate-style restructuring. Using CCAA allowed Laurentian to bypass provisions in its collective labour agreements, clear a number of long-standing union grievances, and operate under even less transparency.

“Our audit found that, under the guidance of external counsel, senior administration and the Board of Governors were more focused on pushing Laurentian into the CCAA process, and less on working transparently and cooperatively with the Ministry, and faculty and staff labour unions,” Lysyk said. “Quite frankly, one has to question whether paying more than \$30 million and counting for external legal and financial advisors would not have been better spent on educating students.”

The Office of the Auditor General faced unprecedented restrictions from Laurentian and a challenge to the *Auditor General Act* that restricted its direct and unfettered access to information and people. Through the work and the request of the Standing Committee on Public Accounts, the Legislative Assembly of Ontario voted unanimously on December 9, 2021 to approve the issuance of rarely used Speaker’s Warrants to obtain the information requested by the Committee, which was provided to the Office of the Auditor General.

“I’d like to thank the members of the Standing Committee on Public Accounts for their support of our work on their behalf to examine what happened to lead Laurentian University to enter the CCAA process, to bring transparency to the situation, and to identify lessons learned,” Lysyk stated.

“I am also appreciative to all Members of the Legislative Assembly of Ontario for their support of the work of the Office of the Auditor General and for taking action to obtain information that facilitated the completion of our work for the Standing Committee on Public Accounts,” Lysyk said. “For many decades, the Office of the Auditor General has routinely obtained direct, unfettered access to information and people from auditees needed to complete its work on behalf of the Legislative Assembly and the people of Ontario without the necessity for the Committee or the Legislative Assembly to have to take such significant actions.”

The finalization of this Report was also made possible with the cooperation of Jeff Bangs, who is now Chair of Laurentian’s Board of Governors, as well as current Board Members, and the Ministry of Colleges and Universities.

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