

**COUNCIL OF NOVA SCOTIA UNIVERSITY
PRESIDENTS (CONSUP)**

REMARKS TO

**STANDING COMMITTEE on PUBLIC
ACCOUNTS**

Wednesday, February 4, 2004

Presented by:

**Dr. Sean Riley, Chair, Council of Nova Scotia University Presidents
(CONSUP)**

CHECK AGAINST DELIVERY

Good morning Mr. Chair and members of the Public Accounts Committee.

My name is Sean Riley. I am Chair of the Council of Nova Scotia University Presidents – CONSUP.

Joining me this morning are, from my right, your left: André Roberge, Recteur, Université-Sainte Anne – Collège de l'Acadie; Bryan Mason, Vice president, Finance and Administration, Dalhousie University; Larry Corrigan, Vice president, Finance, Saint Mary's University; and Gordon MacInnis, Vice president, Finance and Administration, University College of Cape Breton and CONSUP's Executive Director, Peter Halpin.

On behalf of CONSUP, I wish to thank the Public Accounts Committee for providing us this opportunity to share our views on the 2003 Auditor General's Report, specifically on Section 6 of the Report concerning Universities - Internal Control and Financial Management. And, of course, to answer your questions. We look forward to that discussion.

Mr. Chair, if I may, I would like to make a few opening remarks on behalf of CONSUP.

Our universities make a vital contribution to Nova Scotia' economic prosperity and quality of life.

We think it is important that Committee members be made fully aware of both the depth and breadth of the university sector's contribution to a

successful Nova Scotia. By doing so, an important foundation of understanding will be established for this morning's discussion.

First, it is important for you to know that the province's university sector is a \$1 billion industry!

Nova Scotia's university sector is among the province's leading employers, providing over 7,500 high quality, high paying jobs.



Additionally, Universities in Nova Scotia sustain more than 17,000 indirect jobs across this province.

Our universities lead research and development activities in Nova Scotia. Annually, Nova Scotia universities attract more than \$100 million in research and development monies to the province. Approximately 60% of R&D in the province is conducted by our faculty and students; Nova Scotia's private sector contributes 16%. We also believe that collaborative efforts with private sector research and development will add to the strength of Nova Scotia's economy through greater commercialization possibilities.

Our universities are advancing the province's innovation and technology agenda, playing a critical role in creating the knowledge economy, so vital to helping build a prosperous Nova Scotia.

Atlantic Universities are now hard at work trying to double the research output across our campuses. In concert with universities throughout the country, we are striving toward the goal of tripling national commercialization activities. This will be achieved by creating an R&D network that focuses on increased information sharing, collaboration and cooperation among all institutions, government and the private sector.

In short, Nova Scotia's university sector is truly a cornerstone for the long-term wealth and health of our province.

Young Nova Scotians recognize the national competitiveness and high quality of our province's universities by enrolling in record numbers.

In 2003, a Maritime Province's Higher Education Commission study indicated that participation in university education is greatest among Nova Scotia residents – 26.4 per cent – compared to residents of the other Maritime provinces.

Statistics Canada 2001, Census of Population, shows that close to 25 percent of our local population 18 years of age or older hold a Bachelor's degree or higher.

High participation rates and retention of university graduates, has created Canada's most educated workforce – right here in Nova Scotia.

This has become a truly unique selling proposition for Nova Scotia when marketing and promoting our province. It makes Nova Scotia extraordinarily attractive to business and industry looking to either expand or build their enterprises in our province.

A highly educated workforce is critical to helping build a strong and vibrant 21st century economy in Nova Scotia.

We are here this morning to answer the Committee's questions about the 2003 audit on Universities concerning Internal Control and Financial Management, undertaken by Nova Scotia's Office of the Auditor General.

Before answering your questions, we think it is important to re-familiarize the Committee with the Summary of Audit Objectives as well as a few of the Auditor General's key findings and conclusions.

The Auditor General set out to determine if those universities audited had:

- **Adequate systems to provide for budgeting, internal financial reporting and monitoring;**
- **To determine if sufficient, appropriate information from management and the auditor was received by Senior management and the Board to fulfill their stewardship responsibilities;**
- **To determine if adequate internal controls over operating revenues and expenditures were in-place;**

- **To determine if adequate policies and systems to control inventory of personal computers and related equipment were in-place;**
- **To determine if there was compliance with government's procurement policy and,**
- **To determine if there were adequate systems and practices to collect and report reliable enrolment data to the Province, MPHEC and Statistics Canada.**

The auditor's review of university internal controls and financial management policies and practices was exhaustive. Detailed on-site fieldwork was conducted from March 2003 to early October 2003 – a period of seven months.

The Principal observations from this audit:

- identified no significant control weaknesses;**
- confirmed all university financial statements were in compliance with Generally Accepted Accounting Practices (GAAP);**
- that generally, procurement transactions were in compliance with applicable procurement policies and that processes and**

procedures for the collection and reporting of enrolment data are generally good.

Most importantly and to quote directly from the Auditor General's Report:

“Overall, our testing and other audit procedures, including review of external auditors' working paper files, did not reveal any significant weaknesses in the financial management and internal controls of the universities.”

The Auditor General's conclusion regarding the quality of financial management and internal controls within our universities further confirms the strength and integrity of our respective Boards of Governors.

Our universities have strong Boards, with legislated powers and fiduciary duties. These Boards include Government appointees and are an important part of our accountability system.

However, the Auditor General's Report did identify a few select areas in which his office felt there was room for improvement.

In the Report's Results section, the Auditor General states that:

“There is a need at all universities to enhance business planning processes by preparing annual operational or business plans.”

More specifically, the Auditor General, in Recommendation 6.4 says:

“We recommend that universities prepare annual business plans which are linked to strategic plans.

Business plans should set out operational priorities for the year and related financial information...”

There are a number of key points to be made about this recommendation.

First and foremost, Nova Scotia’s universities are in compliance with the recommended principle of annual business plans. We fully-respect and agree with the Auditor General’s observations about their critical importance to a well-managed organization.

However, there may be a gap between the business plan template currently being used by provincial government departments and crown agencies and the planning models utilized within our member institutions.

To that end, we believe all of our universities have made great strides towards fulfilling this recommendation.

It is noteworthy, however, that in the Report, a direct linkage is made between Recommendation 6.4 and Recommendation 6.5.

Specifically, in Recommendation 6.5, the Auditor General indicates:

“...that the Department of Education formally notify universities of its annual funding contribution prior to beginning of the fiscal year and that the Department strive to establish a longer-term funding commitment.”

In terms of Business Planning and Budgeting Processes, the Auditor General says in paragraph 6.32 of the Report:

“We recognize that it is difficult to prepare annual and longer-term plans with any certainty prior to knowing the amount of Provincial funding. Provincial funding is a key assumption in the development of any university budget...”

We are in full agreement with the Auditor General’s recommendation and the direct linkage he makes between annual business plans with operational priorities and the need for key financial information.

I am pleased to report that the Government of Nova Scotia has initiated discussions with representatives of CONSUP to establish a longer-term funding commitment.

That process is now underway and CONSUP is eager to advance those discussions in the most expeditious manner possible in order to maximize the benefits to students, government and universities.

The Auditor General, in Recommendation 6.7, says:

“We recommend that universities in Nova Scotia strive to implement common accounting practices. This would increase the comparability of financial information.”

Before addressing this recommendation specifically, it is important that committee members understand the commitments of our universities to gaining efficiencies and effectiveness by eliminating duplication of services. The foremost example of these efforts was our creation of Interuniversity Services Inc. (ISI) 20 years ago. ISI provides selected administrative services to the region's universities. It has helped significantly reduce our overall operating costs, improving services and providing a framework for ongoing co-operation and collaboration among all universities in the region.

Specific to the Auditor General's recommendation concerning common accounting practices, the Canadian Institute of Chartered Accountants (CICA) sets the rules for Generally Accepted

Accounting Principles (GAAP). As the Auditor General notes in his Results section of the Report, “*all university financial statements currently comply with GAAP*”.

GAAP allows for differences in recognition of different circumstances and requirements in individual entities. Each of our universities have determined which “accounting practice” best meets the needs of their respective organizations.

Finally, all universities in Nova Scotia have positive, audit reports prepared by independent auditing firms.

My final comment, before turning this session over to Committee Members, is this.

Nova Scotia's universities take the Auditor General's Report seriously. Its findings and recommendations are being communicated to the senior executive teams, audit committees and Boards of Governors of all our institutions.

Our universities recognize the absolute importance of accountability to all key stakeholders, especially the Province of Nova Scotia.

In summary, I wish to re-emphasize the relevancy of a strong, competitive university sector to Nova Scotia's future prosperity and quality of life; our recognized commitment to responsible management practices and our responsiveness to the Auditor General's Report.

At this point, my colleagues and I would be most happy to answer any questions you may have about the Auditor General's Report on Internal Control and Financial Management at our universities.

Thank you for your attention and interest.