

Innovation and Advanced Education— Post-secondary Institution Non-credit Programs Follow-up

SUMMARY

In 2008 we recommended that the Department of Innovation and Advanced Education clarify its standards and expectations, and monitoring of non-credit programs at post-secondary institutions.¹

The department has implemented our recommendations by:

- annually communicating its expectation that institutions recover at least the total direct cost of delivering their non-credit programs, allowing the rate of cost recovery to vary for each program
- obtaining financial reports approved by each institution's vice president of finance, performing improved reconciliation processes and analysis of this information, and following up with institutions when they do not recover the total direct costs for non-credit programs

Why this is important to Albertans

The department provides operating grants for credit programs. A lack of clear policies and guidelines for institutions for non-credit programs may result in them using department operating grants to support non-credit programs.

AUDIT OBJECTIVES AND SCOPE

Our objective was to determine if the department had implemented the recommendations we made in 2008. To perform the audit, we:

- interviewed management and staff to learn what actions they took in response to our recommendations
- tested the department's policies, systems and processes to monitor institutions' delivery of non-credit programs
- examined samples of the department's monitoring processes

Our field work was completed in November 2013. We substantially completed our audit on December 17, 2013. We conducted our audit in accordance with the *Auditor General Act* and the Canadian Institute of Chartered Accountants' standards for assurance engagements.

BACKGROUND

Institutions offering credit programs that can lead to a degree or diploma may also offer non-credit programs that are open to the public or specific organizations. The department does not fund non-credit programs and expects institutions to recover the direct costs of delivery from user fees.

¹ Report of the Auditor General of Alberta—April 2008, pages 22 and 23.

FINDINGS

Clarify standards and expectations – implemented

Background

In 2008 we recommended that the Department of Innovation and Advanced Education:

- clarify its standards and expectations for non-credit programs and clearly communicate them to public post-secondary institutions
- work with institutions to improve the consistency of information that institutions report to the department²

Our audit findings

The department communicates annually in operating grant letters its expectation that institutions recover all direct instructional costs and variable indirect costs of non-credit programs from user fees. Any net surplus revenue from non-credit programs must be applied to offset the institution's overhead costs. The department also clarified this extends to non-credit programs delivered off-campus, including international operations.

Institutions report information about non-credit programs as a subset of financial and non-financial information reported to the department. The department's manual for financial reporting now defines costs, including direct and indirect overhead costs, and reporting requirements for allocation of overhead costs. The department and institutions have recently formed a committee to standardize presentation and disclosure of annual financial reporting among institutions that includes classification of expenses and non-credit program information. This committee will have an ongoing role in ensuring future reporting consistency.

Monitoring Institution's non-credit programs – implemented

Background

In 2008 we recommended that the department implement effective processes to:

- monitor whether institutions report information consistent with its expectations
- investigate and resolve cases where an institution's program delivery is inconsistent with the department's standards and expectations³

Our audit findings

The department implemented our recommendation by updating the review checklists staff use in reconciling and analyzing information that institutions provide for the department's financial information reporting system. We examined information submitted by a sample of institutions and found evidence that the department:

- reviewed the information for instances where institutions were not recovering direct costs
- where applicable, investigated the reason for the variance
- resolved the issue before obtaining the final approval from the institution's vice president of finance

Processes at institutions

The department's improvements to clarifying standards and expectations of non-credit programs and reporting consistency have mitigated the risk that department operating grants fund non-credit programs. However, a sample of institutions we examined as part of our audit still require improvements to non-credit program policies, processes and controls to make them more effective. We plan to follow up on improvements at these institutions in our 2014 financial statement audits.

² Report of the Auditor General of Alberta—April 2008, no. 1, page 22.

³ Report of the Auditor General of Alberta—April 2008, no. 2, page 23.