

NIPISSING

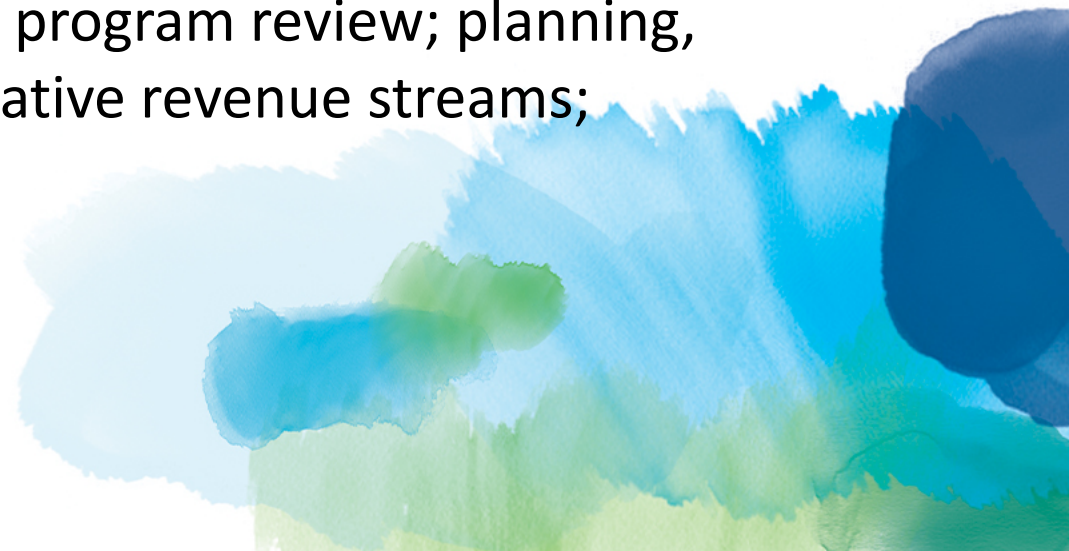
U N I V E R S I T Y

Auditor General Report Update
University Community
December 5, 2022

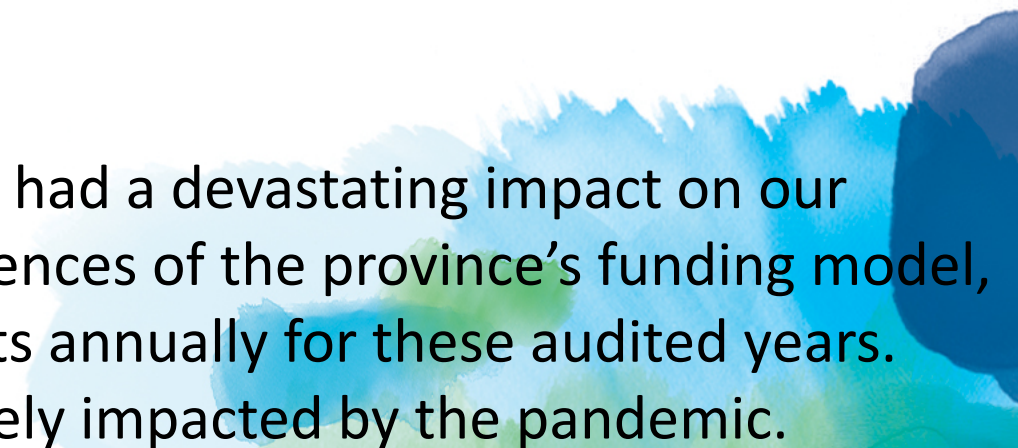


Introduction

- We are pleased to receive the recommendations which identify areas of improvement and pledge our commitment to act upon these recommendations as soon as possible.
- We have already initiated many changes in our operations and many of the improvements that have been recommended in the audit to place us on track for a sustainable future.
 - i.e., board financial and operational reporting; program review; planning, development, and operationalization of alternative revenue streams; international recruitment.



Introduction

- Cost of educating students is significantly higher than for larger institutions in southern Ontario.
 - Our revenues are on average 85% dependent upon government grants and student tuition.
 - 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.
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Introduction

- We are fully invested in creating a sustainable future. We have already set the foundation for sustainability on all fronts.
- We will soon implement the recommendations provided by the Auditor General through this audit and look forward to finding solutions and working as partners with the government of the Province of Ontario.



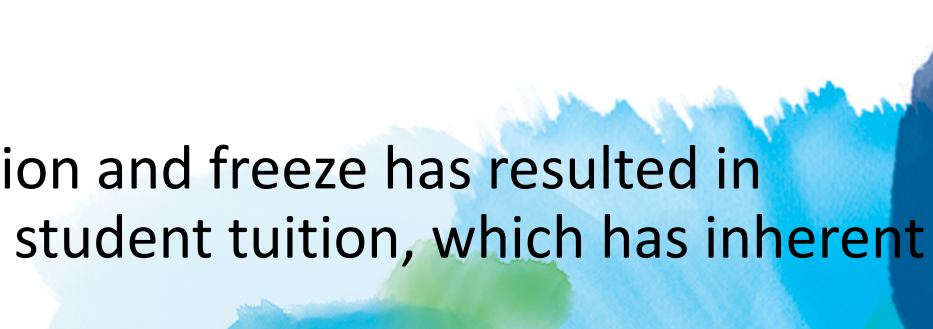
Audit Scope

- Value-for-Money Audits are conducted each year on a variety of topics and entities. This audit is an independent, objective and systematic assessment of how ministries and entities are managing their activities, responsibilities and resources.
- The universities selected were Algoma, Nipissing, Ontario Tech and Windsor. They were selected because they all performed below the 2020/21 provincial average in four of seven financial health indicators established by the Ministry of Colleges and Universities, and they are all small to medium-sized institutions for comparative purposes.



Conclusions

Ontario universities have faced several challenges over the past five years, including a Province-imposed 10% tuition reduction and freeze beginning in 2019 and disruptions from the COVID-19 pandemic.

- While all four universities were in a positive financial position at the time of the audit, some issues if left unaddressed, such as weaknesses in universities' financial management practices, could put the future financial sustainability of the universities at risk.
 - The impact of the domestic student tuition reduction and freeze has resulted in universities increasing their focus on international student tuition, which has inherent risk.
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Conclusions

- The effectiveness of governance practices at the universities could also be improved as the Boards are too large and members of the Board did not possess critical competencies required to provide effective governance.
- The Ministry has not established a formal process that fully utilizes information that it collects on the financial health indicators to monitor the financial condition of universities each year. The Ministry also does not have the legislated authority to intervene in the operation of publicly assisted universities, even if it is aware of a university's poor or worsening financial condition.



University Sector Recommendations

- Six core themes:
 - Financial Sustainability
 - International
 - Academic Programming
 - Capital Planning
 - Board Governance
 - University Partnerships and Collaborations



Nipissing University Recommendations

#1 (Cheryl/Renee)

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
 - Debt Policy complete - will bring forward for approval at next Board meeting.
- monitor and adhere to the debt limits outlined in its policy
 - Debt limits will be reported on as part of semester close ratio calculations.
- report semi-annually to the Board on the status of debt maintained and its continuing compliance with its capital debt policy.
 - Compliance with Policy will be added to the Audit & Finance workplan - to be reported on at the Fall Semester close and year end.



Nipissing University Recommendations

#2 (Cheryl/Renee)

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
 - Work has started and is ongoing. More work will be done in the upcoming budget cycle.
- develop strategies to maximize the profitability of its ancillary services where necessary.
 - Work has started and is ongoing. Increased summer accommodations, corporate events, food services and Extended Learning revenues.

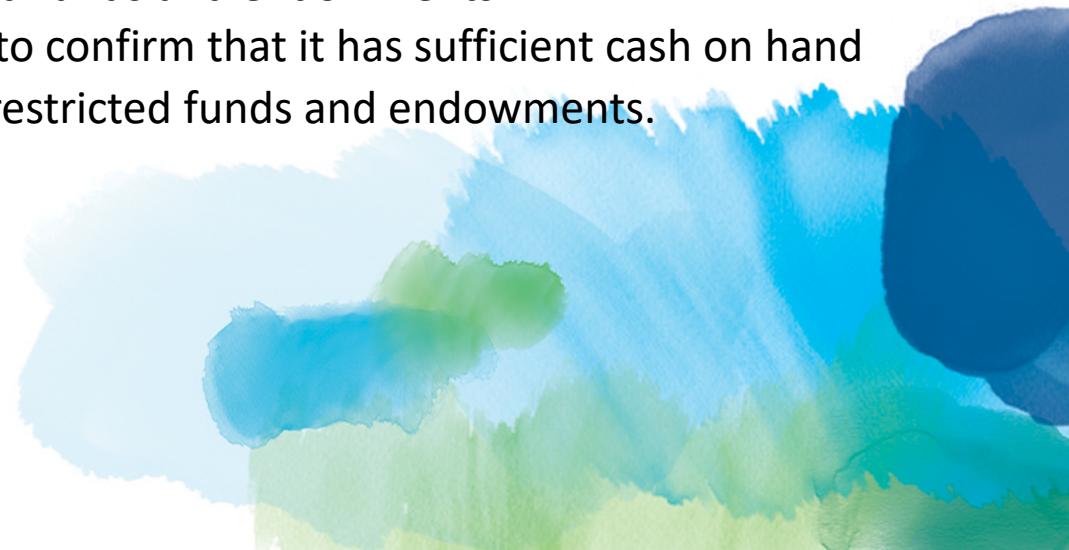


Nipissing University Recommendations

#3 (Renee)

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
 - The Finance Office will ensure that externally restricted funds are maintained in separate bank accounts.
- Nipissing University 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.
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Nipissing University Recommendations

#4 (Renee)

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:

**Work has started for all aspects of this recommendation. Finance Office will need to be adequately resourced to complete this work.

- 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;
- 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.

Nipissing University Recommendations

#5 (Carole)

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;
 - As we expand our recruitment efforts for International students and will include this analysis in our decision-making processes.
- focus on recruiting students from priority countries identified in the government of Canada's International Education Strategy, 2019–2024.



Nipissing University Recommendations

#6 (Carole)

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;
 - Through our work in the Advancement Department, we will survey international alumni for this information.
- use this data to better inform programming and recruitment decisions
 - We will consider this data in future decisions.


#7 (Carole)

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.

- As we expand our International recruitment network, we will consider these recommendations in the negotiation of future contract.

Nipissing University Recommendations

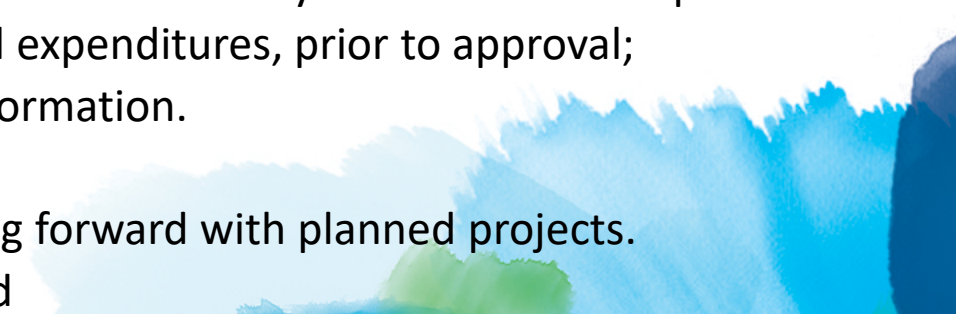
#8 (Stephen/Carole)

- complete an analysis of profitability at the academic program level;
 - Work has already begun in this area and will continue to be refined.
 - 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;
 - Preliminary discussions have already begun and we are working on determining the data points that will assist in these decisions.
 - 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.
 - Same as above.
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Nipissing University Recommendations

#9 (Cheryl/Renee)

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;
 - Approval Authority Policy will be amended to require this information.
 - 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;
 - Approval Authority Policy will be amended to require this information.
 - obtain Board approval on major capital investments before moving forward with planned projects.
 - Will ensure all capital investments are approved by the Board
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Nipissing University Recommendations

#10 (Kevin)

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 the number of committees to accommodate a smaller Board size;
 - Reduction of the size of the Board will require the opening of the “Nipissing University Act”. This will be a long term objective requiring significant internal and external consultation.
- reduce the number of committees to accommodate a smaller Board size.
- increase the term limits of Board members, including current members.



Nipissing University Recommendations

#11 (Kevin)

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.

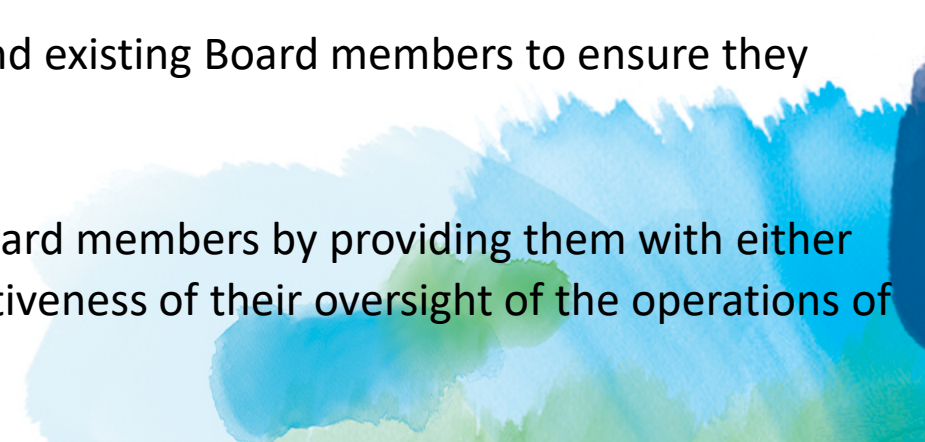
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Nipissing University Recommendations

#12 (Kevin/Marianne)

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;
 - Will ensure that the current competency matrix and tracking reflect best practices.
 - confirm the Board and its committees possess demonstrably requisite competencies, in order to fulfill its terms of reference;
 - Will ensure annual training takes place for both incoming and existing Board members to ensure they have the competencies to lead the University.
 - 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.
 - Same as above.
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Nipissing University Recommendations

#13 (Cheryl)

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) where they do not exist, and have them report regularly to the Board;
 - With the addition of resources within the Finance Office, these functions will be implemented.
- 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.
 - Same as above.



Nipissing University Recommendations


#14 (Kevin)

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

- Preliminary discussions have already begun and we are working on determining the data points that will assist in these decisions and how best to bring this information to Senate.



Next Steps

- The Auditor General applauded us for our direct approach in 2014, when we went to the Ministry with a “CLEAR ASK”. We have and will continue to meet with the Ministry to obtain additional funding;
 - We will increase our revenue through increased enrolment (domestic and international) and our ancillary and fundraising activities;
 - We will offer a sustainable slate of academic programs; and
 - Ensure best practices and efficiencies in all of our administrative functions.
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Questions?

