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Report of the
**Auditor General
of Canada**
to the House of Commons

MAY

Chapter 2
Federal Loans and Grants
for Post-Secondary Education—
Human Resources and Social Development Canada
and Canada Millennium Scholarship Foundation



Office of the Auditor General of Canada

The May 2007 Report of the Auditor General of Canada comprises A Message from the Auditor General of Canada, Main Points—Chapters 1 to 7, and seven chapters. The main table of contents for the Report is found at the end of this publication.

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Chapter

2

**Federal Loans and Grants for
Post-Secondary Education**

Human Resources and Social
Development Canada and Canada
Millennium Scholarship Foundation

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Table of Contents

Main Points	1
Introduction	3
The Canada Student Loans Program	3
The Millennium Bursary and Access Bursary programs	7
Focus of the audit	8
Observations and Recommendations	8
Control framework—Canada Student Loans Program	8
Program risks are assessed	9
Roles, responsibilities, and federal requirements are clearly defined and communicated	9
HRSDC obtains reasonable assurance that third parties are fulfilling their responsibilities	10
Information on controls for eligibility and needs assessments is not well documented	11
A formal approach to monitoring collection procedures is needed	12
HRSDC cannot assess whether its criteria for Canada Study Grants are being met	15
Control framework—The Canada Millennium Scholarship Foundation	16
The Foundation is assessing the risks of its bursary programs	17
Responsibilities and requirements are clearly defined	17
Controls for eligibility assessments and disbursements are appropriate	17
Performance management—Canada Student Loans Program	18
HRSDC is taking steps to increase awareness of the Program	18
Client satisfaction with the Program is near target	19
The Program’s Portfolio Management Strategy is well managed and achieving results	20
HRSDC needs to measure the Program’s performance on access	21
Parliament does not have a full picture of the Program’s performance	22
Performance management—Canada Millennium Scholarship Foundation	24
The Foundation collects and uses performance information	24
The Foundation provides the required information to Parliament	26
Consultation between HRSDC and the Foundation	26
HRSDC and the Foundation need to improve arrangements for consulting together	26
Conclusion	28
About the Audit	30
Appendix	
List of recommendations	32



Federal Loans and Grants for Post-Secondary Education

Human Resources and Social Development Canada and Canada Millennium Scholarship Foundation

Main Points

What we examined

The Canada Student Loans Program of Human Resources and Social Development Canada (HRSDC) provides loans, Canada Access Grants, and Canada Study Grants to qualified students who need financial assistance for post-secondary education. The grants and the Millennium Bursary and Access Bursary programs of the Canada Millennium Scholarship Foundation are designed to help limit the amount of debt that recipients accumulate.

We examined whether the Department and the Foundation have appropriate controls to ensure that they manage their responsibilities with due care and in compliance with legislation and other requirements. We looked at the controls that the Canada Revenue Agency has in place to ensure that the collection of defaulted Canada Student Loans complies with requirements. We also examined whether the Department and the Foundation ensure that information on the programs is easy to find and understand and that services are accessible and convenient. We examined how they measure their programs' performance and report results. We did not examine the activities of the other partners in delivering the loan, grant, and bursary programs—the provinces and territories, and two private sector service providers contracted by HRSDC to handle most day-to-day operations of the Canada Student Loans Program.

Why it's important

The federal government has said that Canada's international competitiveness depends on having an educated and skilled labour force. To improve access to higher education is the main objective of both the Canada Student Loans Program and the Foundation. To this end, HRSDC loaned \$1.9 billion to some 350,000 post-secondary students in 2005–06 and awarded 78,500 grants amounting to about \$129 million. In 2006 the Foundation awarded about \$298 million in Millennium Bursaries to some 100,000 students and over \$40 million in Access Bursaries to more than 20,000 students.

What we found

- With a few exceptions, the Canada Student Loans Program is well managed. The Department has the necessary controls in place for disbursing loans and grants; it also obtains reasonable assurance

that its partners in delivering the Program are fulfilling their responsibilities. However, it does not have a clear strategy for measuring whether the Program has improved access to post-secondary education. Further, the Department has postponed completing its evaluation of the Program from 2006 to 2011.

- The Foundation's bursary programs are well managed. The Foundation has the necessary controls in place to ensure that eligibility for bursaries is assessed correctly and that payments are issued in the right amounts to the right people. It also obtains reasonable assurance that the provinces and territories are fulfilling their responsibilities in delivering the programs. The Foundation collects adequate information to report its achievements against objectives, and it meets its obligation to report the results of its activities to Parliament.
- The Department and the Foundation are taking steps to make prospective post-secondary students and their families more aware of the financial assistance available to them. The Department has also improved its communication to students about measures available to help manage their debts.
- The Canada Revenue Agency monitors the performance of private collection agencies, and Human Resources and Social Development Canada monitors the consistency of the information the agencies provide. However, neither organization adequately monitors the agencies' compliance with key collection requirements of the Canada Student Loans Program. The Canada Revenue Agency has contracted with private collection agencies to handle about \$450 million of the \$800 million in defaulted loans owed to HRSDC (at 31 March 2006); it handles the remaining \$350 million itself.
- HRSDC and the Foundation have developed a good research relationship with one another. However, they do not have adequate arrangements for consulting each other to achieve their shared objective of improved access to post-secondary education.

Human Resources and Social Development Canada, the Canada Revenue Agency, and the Canada Millennium Scholarship Foundation have responded. The Department, Agency, and Foundation have agreed with each of our recommendations and have committed to taking action. Their responses are included throughout the chapter.

Introduction

2.1 In its budgets of 2004, 2005, and 2006 the federal government observed that a more educated and skilled labour force is essential to Canada's current and future international competitiveness. The government sees investments in education and training as critical to productivity and economic growth. Although education falls within the legislative jurisdiction of the provinces and territories, the federal government manages or contributes to several programs that provide financial support for post-secondary education.

2.2 Our audit looked at the Canada Student Loans Program (CSLP) of Human Resources and Social Development Canada (HRSDC) and at the Millennium Bursary and Access Bursary programs of the Canada Millennium Scholarship Foundation. These programs provide direct financial support to students. The CSLP and the Foundation's programs share the same objective: to improve access to post-secondary education for students in financial need. Other federal programs supporting post-secondary education that are not part of this audit include education savings programs, research funding, tax incentive measures, programs to support Aboriginal post-secondary education, and the [Canada Social Transfer](#).

Canada Social Transfer—A federal block transfer of funds to provinces and territories in support of post-secondary education, social assistance, and social services.

The Canada Student Loans Program

2.3 The Government of Canada established the Canada Student Loans Program in 1964 as a statutory spending program under the *Canada Student Loans Act*. In 1994, the *Canada Student Financial Assistance Act* came into force: it governs the provision of loans and other forms of financial assistance to students. The Program provides loans and/or grants to qualified students attending post-secondary institutions. The loans and grants are based on financial need, regardless of province or territory of residence. Since 2000, the federal government has delivered loans directly; previously it did so through financial institutions. In 2005–06, HRSDC loaned \$1.9 billion to some 350,000 post-secondary students. For direct loans, there is currently an outstanding debt of about \$8.2 billion borrowed by 990,000 students.

2.4 Quebec, the Northwest Territories, and Nunavut have chosen not to participate in the Program. Instead, under the *Canada Student Financial Assistance Act*, they receive transfer payments from the federal government (a total of about \$160 million for 2005–06).

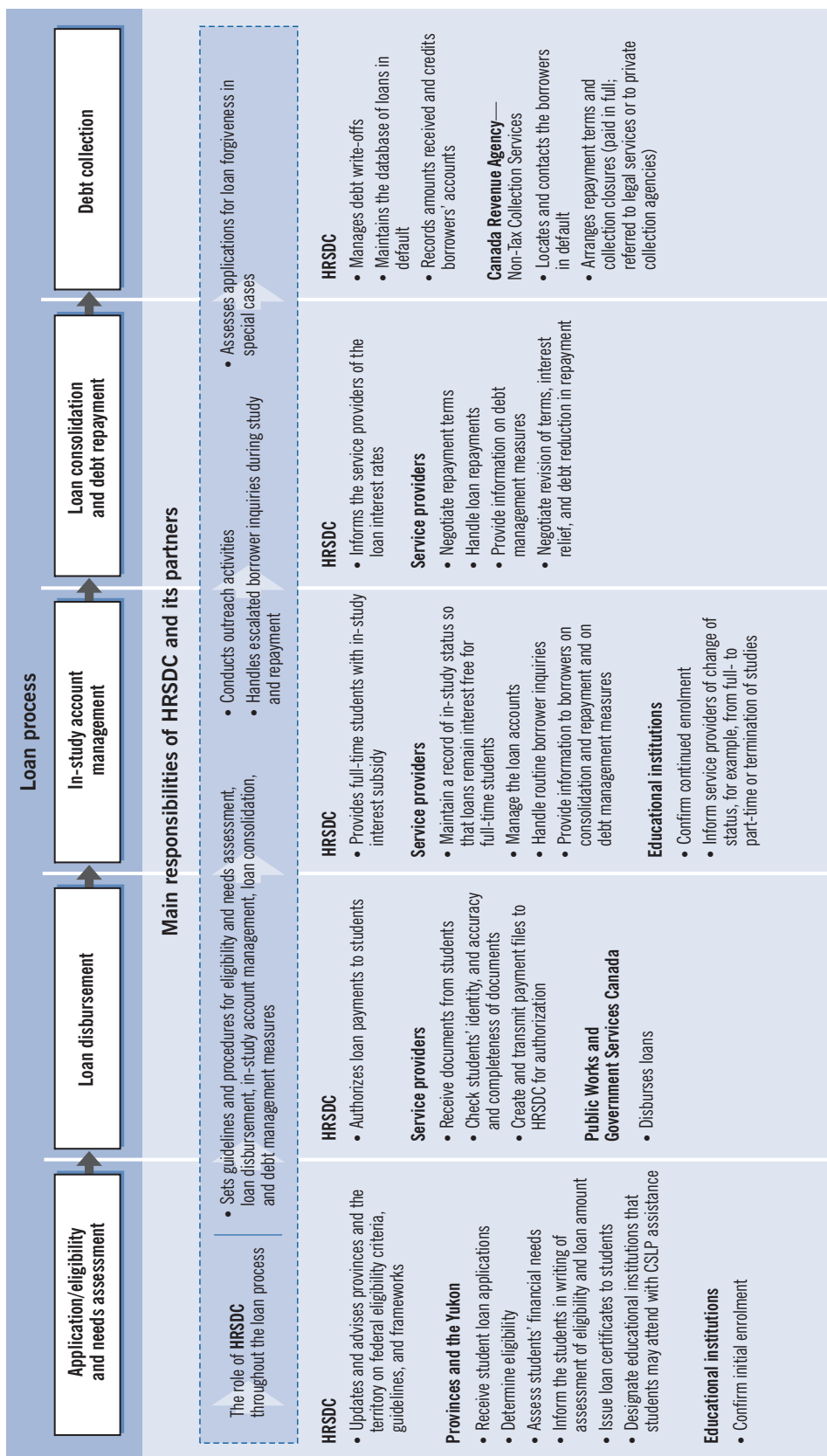
2.5 Human Resources and Social Development Canada works directly with several partners (Exhibit 2.1) to deliver the Canada Student Loans Program: the participating provinces and territory, the Canada Revenue Agency, Public Works and Government Services Canada (PWGSC), and two private-sector service providers it has contracted to administer most of the day-to-day operations for the Program. The Learning Branch of HRSDC is responsible for developing and implementing the policies, regulations, procedures, and criteria for determining student eligibility for loans under the Program.

2.6 Under the *Canada Student Financial Assistance Act*, the Minister of Human Resources and Social Development has designated the Ministry of Education (or higher education) in each participating province or territory as the appropriate authority to administer parts of the Act and the Canada Student Financial Assistance Regulations. The Minister has also entered into an administrative fees arrangement with each participating province and territory for the eligibility assessment services it provides. In 2005–06, the total amount in administrative fees paid by the federal government was about \$14 million.

2.7 Students apply for both a federal loan and a provincial or territorial loan at the same time. Eligibility for a federal loan is assessed in conjunction with the provincial and territorial loan application. The federal part of a student loan usually makes up about 60 percent of the loan total. The provincial or territorial authorities serve as a student's single point of contact in applying for a loan and having it assessed.

2.8 HRSDC contracts two private-sector service providers to perform most of the day-to-day operations for the Canada Student Loans Program. One service provider serves students attending public educational institutions and the other serves students in private institutions. They process the loan documents received from the participating provinces and territory (Yukon) and send transactions for final authorization to HRSDC. The Department then forwards approved transactions to PWGSC to issue and disburse the federal loan payments. The service providers are responsible for managing accounts from disbursement of the loan to repayment and for maintaining account information. They also administer the National Student Loans Service Centre, which deals with most student telephone enquiries or complaints. In 2005–06, HRSDC paid \$50 million in administration fees to the service providers. The Department's current contracts with the service providers expire at the end of March 2008. During our audit, the Department was reviewing responses to its request for proposals to find a single service provider. A contract has since been awarded, and the transition will occur in mid-March 2008.

Exhibit 2.1 The main responsibilities of Human Resources and Social Development Canada (HRSDC) and its partners in delivering the Canada Student Loans Program (CSLP)



2.9 Students are to begin repaying their loans no later than six months after their studies end. For full-time students, no interest accrues during their studies; for part-time students, interest accrues and is payable during their studies. For some provinces and the Yukon, the service providers process repayments of only the federal student loans. A student must repay the province or territory separately for its portion of the loan. However, HRSDC has signed integration agreements with four provinces, accounting for 60 percent of CSLP borrowers. Under these agreements, the service providers are a single point of contact for repaying both the federal and provincial portions of a loan. These integration agreements also create common disbursement processes and debt management programs.

2.10 Under the Canada Student Loans Program, HRSDC also awards Canada Access Grants and Canada Study Grants. A student may be eligible to receive a combination of Access and Study Grants. A student receiving an Access or Study Grant receives less money in the form of a repayable loan, thus reducing debt. In most cases, provinces and the territory assess eligibility for Access and Study Grants when a student applies for a Canada Student Loan. In 2005–06, HRSDC awarded \$55 million in Access Grants to over 29,000 students and \$74 million in Study Grants to 49,500 students.

2.11 The Canada Student Loans Program also provides assistance to students facing repayment difficulties: Students may have the terms of their loan revised; interest relief is available for up to 54 months, during which time no interest accrues to the student and no payments are required; and debt reduction in repayment is available to certain borrowers who experience exceptional difficulties in meeting their loan obligations. If a student's loan is in arrears for 270 days, the Canada Revenue Agency's Non-Tax Collection Services will start collection.

2.12 In its 2005–06 Departmental Performance Report, HRSDC states that its costs and fees for the Canada Student Loans Program (direct loans) were \$993 million for the year. This includes a **bad debt expense** of just over \$310 million. The interest revenue was \$316 million.

Bad debt expense—An allowance for the cost to the Canada Student Loans Program of future defaulted loans and debt relief measures.

The Millennium Bursary and Access Bursary programs

2.13 The *Budget Implementation Act, 1998*, established the Canada Millennium Scholarship Foundation to provide assistance to students in financial need. The Minister of Human Resources and Social Development tables the Foundation's annual report (including audited financial statements) in Parliament. However, unlike the Department, the Foundation is not answerable to Parliament through the Minister.

Conditional grant—A transfer payment that is approved by Parliament and made available to an organization as a lump sum, paid up front, to cover expenses over a number of years. The Treasury Board requires the sponsoring department to report on the organization's results within its annual departmental performance report and situate these results within the overall plans and priorities of the department.

2.14 The federal government provided the Canada Millennium Scholarship Foundation with a **conditional grant** of \$2.5 billion in 1998 under a funding agreement signed by the Minister of Human Resources Development (the title at that time) and the Minister of Finance. This agreement is a legally binding contract that places obligations on both departments and the Foundation. The Foundation's enabling legislation also structures how the Foundation is to administer its funds and award its bursaries.

2.15 Under the Millennium Bursary and Access Bursary programs, the Foundation provides bursaries to undergraduate students based on financial need. In most provinces, a bursary is applied to the loan to reduce the debt; in some provinces and the territories, it is added, or part of it is added, to the amount of the student loan.

2.16 Students may be considered for a Millennium Bursary when they apply for student financial assistance from their province or territory of residence. In some jurisdictions, they must indicate on the student assistance application that they wish to be considered for the bursary; in others, they are considered automatically. Every year, beginning in 1999–2000 and ending in 2008–09, the Foundation expects to provide about 90,000 eligible students with about \$3,000 each. At 31 December 2006, the cumulative value of Millennium Bursaries was almost \$2 billion, including just over \$298 million paid in 2006 to about 100,000 students across Canada.

2.17 In 2005, the Foundation introduced Millennium Access Bursaries to reach specifically targeted populations. Beginning in 2005–06 and ending in 2008–09, the Foundation expects to provide about 25,000 eligible students with up to a total of \$50 million a year in Access Bursaries. In 2006, it awarded over \$40 million in Access Bursaries to more than 20,000 students.

2.18 Provinces and territories carry out the eligibility assessment for the Foundation's bursaries, as they do for the federal portion of student loans. The Foundation has a separate agreement with each of the 10 provinces and the 3 territories to process its bursaries.

It pays administration fees for the eligibility assessment services they provide; in 2006, the fees were about \$2.8 million.

Focus of the audit

2.19 Our objective was to determine whether federal loan and debt reduction programs for post-secondary students are managed to improve access to post-secondary education while ensuring that the necessary controls are in place.

2.20 The audit focused on how HRSDC and the Canada Millennium Scholarship Foundation ensure that

- they have adequate controls to manage the loan, bursary, and grant programs with due care and in compliance with legislation and other requirements;
- their efforts to increase awareness and use of the programs are effective;
- their services to clients are accessible and convenient;
- they have satisfactory procedures to collect performance information, and decision makers use this information to achieve program objectives; and
- they provide meaningful reports to Parliament as required.

2.21 We also examined how the Canada Revenue Agency ensures that controls are in place for collecting defaulted loans according to agreements and other requirements.

2.22 More details on the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations and Recommendations

Control framework—Canada Student Loans Program

2.23 Each organization involved in the Canada Student Loans Program is responsible for implementing its own controls to ensure compliance with federal requirements in processing loans and grants. Human Resources and Social Development Canada (HRSDC) has an oversight role to ensure that all third parties, that is, organizations outside the federal government, are exercising due care in fulfilling their responsibilities. For collection of defaulted loans, the Canada Revenue Agency also has an oversight role.

2.24 Therefore, for each phase of the loan and grant life cycle, we expected HRSDC and the Canada Revenue Agency to have implemented control structures that include the following elements:

- risk assessments, so that controls are designed and adapted based on key risks;
- clear roles and responsibilities;
- clear communication of federal requirements, including policies and procedures; and
- a means to provide HRSDC and the Canada Revenue Agency with reasonable assurance that third parties are fulfilling their responsibilities.

2.25 The delivery structure and controls for the Canada Study Grants are different from those for the Canada Student Loans and Access Grants. Thus, we report separately on the Study Grants later in the chapter.

Program risks are assessed

2.26 Management of the Canada Student Loans Program conducts annual risk assessments of the Program. In 2006, the assessments were extended to include the Canada Access Grants. A joint federal/provincial/territorial risk assessment of measures used for determining loan eligibility was conducted in 2004. As a result of these risk assessments, the Department has taken initiatives aimed at strengthening controls for processing the loans and grants, such as developing additional policies and procedures and expanding its audits of service providers.

Roles, responsibilities, and federal requirements are clearly defined and communicated

2.27 We found that HRSDC has clearly defined the roles and responsibilities of the organizations involved in delivering the Canada Student Loans and Access Grants. It has also developed appropriate policies and procedures to support the administration of the loans and grants, from assessing eligibility to reimbursing loans. These are updated periodically as risks emerge and issues are identified.

Designation—The process by which post-secondary education institutions obtain the recognition from the provincial and territorial governments that allows their students to be eligible for student loans.

2.28 HRSDC has delegated responsibility to the Ministry of Education (or higher education) in the nine participating provinces and the Yukon for

- **designating** educational institutions,
- determining students' eligibility and financial needs, and
- issuing loan and grant certificates.

2.29 The ministries' roles and responsibilities in these areas are defined in the *Canada Student Financial Assistance Act* and Regulations. HRSDC has provided the participating provinces and territory with policies and procedures that further define the federal requirements set out in the Act and Regulations for assessing students' eligibility and financial needs.

2.30 The Department's contracts with the service providers clearly establish their roles and responsibilities. They set out in detail the procedures for managing the loans and grants, such as initiating the loan and grant disbursements, processing loan reimbursements, and maintaining the master student files. The Department has also developed additional guidelines on federal requirements in specific areas, such as use of debt reduction measures.

HRSDC obtains reasonable assurance that third parties are fulfilling their responsibilities

2.31 Audits and reviews. HRSDC conducts periodic audits and reviews of how the service providers are managing the loan and grant process. We found that it has conducted these audits and reviews appropriately and used their results to improve the controls for processing the loans and grants.

2.32 Over the years, HRSDC has adapted the audit and review process to meet new requirements and address emerging risks. For example, it expanded the scope of the audits and reviews to include the Canada Access Grants, and it added certain audit criteria and removed others to better focus on risks.

2.33 HRSDC also examines reports by provincial auditors general on student financial assistance programs, as independent sources of information on whether the provinces use adequate processes to assess students' eligibility and needs. We found that management of the Program reviews the observations arising from these reports to determine whether the Department needs to take action.

Reconciliation—A comparison between two sets of data to determine if they agree and to account for any differences.

2.34 The provinces, territory, and service providers handle most of the delivery of the loans and grants. HRSDC is responsible for disbursing the funds and maintaining the database on loans in default. To ensure that the loan and grant information it processes is accurate, HRSDC periodically **reconciles** its own financial information with the information of the service providers and PWGSC. We found that it does this properly.

2.35 Joint committees and working groups. The *Canada Student Financial Assistance Act* gives the Minister of Human Resources and Social Development the authority to enter into agreements with provincial and territorial governments and to give them binding directives. However, there are no formal agreements for administering the eligibility and needs assessments for Canada Student Loans and Access Grants (apart from certain clauses in one of the integration agreements). Instead, HRSDC uses joint committees and working groups with the provinces and territory to share best practices and improve the consistency and adequacy of processes and controls for assessments of students' eligibility and financial needs. This collaboration has led to such key initiatives as

- establishing minimum criteria to designate educational institutions as eligible for government financial assistance programs for post-secondary students;
- completing joint audits with several provinces to assess, among other things, how prepared an educational institution is to comply with the designation requirements, and planning for systematic audits of educational institutions starting in 2008; and
- developing a draft framework to standardize measures for verifying loan eligibility—for example, validating students' identity and income with third parties.

Information on controls for eligibility and needs assessments is not well documented

2.36 Through the federal/provincial/territorial committees and working groups, as well as its review of the provincial auditor generals' reports, HRSDC is informed of risks, challenges, and controls related to eligibility and needs assessments carried out by the provinces and territory. Program officials told us that they consider these risks, challenges, and controls in determining what action, if any, is needed. However, we found little documentation on whether they concluded that the controls were adequate or on what, if any, related action was taken. For example, the Department developed an inventory of

Integrity—Assurance that the right Canada Student Loans Program client receives the right benefit or service at the right time and for the intended purpose, while client information is safeguarded and public confidence is maintained.

provincial **integrity** measures in 2004, but there was no record of whether it considered the measures to be satisfactory. Nor has the inventory been updated even though some of the measures have since been changed.

2.37 As a good management practice and to minimize the risk that the Department may lose important knowledge when employees leave, a formal process is needed to manage this information.

2.38 Recommendation. To ensure that the knowledge acquired about the provinces' and the territory's processes for eligibility and needs assessments is available for managing the Canada Student Loans Program, Human Resources and Social Development Canada should document its conclusions on the adequacy of controls and any related action taken.

Human Resources and Social Development Canada's response. The Department agrees that the Canada Student Loans Program would benefit from better documentation of provincial and territorial processes for eligibility and needs assessment. Program officials already meet regularly with officials from participating jurisdictions to share information on their respective controls of these processes. The Department will institute procedures to ensure that its conclusions on the adequacy of the Program's controls for eligibility and needs assessments are documented.

A formal approach to monitoring collection procedures is needed

2.39 In August 2005, the responsibility for collecting debts owed to various HRSDC programs, including student loans in default, was transferred from the Department to the Canada Revenue Agency (CRA), together with the personnel assigned to these activities. The Department and the Agency signed agreements specifying the roles and responsibilities of each party. HRSDC continues to maintain the database on student loans in default, and it remains responsible for recording the amounts recovered and applying them to the correct borrower account. With the transfer, the CRA has continued to move forward with an extensive modernization strategy, begun by HRSDC, to improve the recovery of debts owed.

2.40 The CRA's Non-Tax Collection Services, which operates separately from its Tax Collection Services, carries out the collection activities in two regional offices (Belleville, Ontario and Vancouver, British Columbia). The CRA also has contracts with 12 private collection agencies. Of the \$800 million in direct student loans in

default at 31 March 2006, about \$450 million was handled by the private collection agencies. The CRA's regional offices handled the remaining \$350 million.

2.41 Monitoring compliance of CRA staff with collection procedures. As part of our audit, we visited the Belleville regional office, which handles about 60 percent of all the student loan accounts newly in default. The regional offices initiate collection and pass on the more difficult cases to the private collection agencies.

2.42 The collection activities of the regional offices have undergone significant changes over the past few years as part of the modernization strategy. The CRA has trained its regional staff in student loan collection procedures, but we found that there are various procedure manuals in circulation that have not been consolidated. The Agency has also started a project to integrate its Tax and Non-Tax collection services: As part of this project, it plans to consolidate policies and procedures for the Canada Student Loans Program.

2.43 We found that the Belleville regional office does a satisfactory job of monitoring the performance of collections officers to ensure that they comply with procedures. However, while the CRA headquarters discusses operational issues with its two regional offices, we noted that it does not verify whether monitoring is done properly and consistently in both regions. The monitoring relationship between the CRA headquarters and the regional offices is not clearly defined. The Agency informed us that it is currently designing a formal monitoring program for Canada Student Loans collection activities.

2.44 Recommendation. The Canada Revenue Agency should develop and implement a formal quality assurance program to monitor whether collection procedures for the Canada Student Loans Program are followed properly in its regional offices.

The Canada Revenue Agency's response. The Agency agrees with this recommendation. As noted by the Office of the Auditor General, the Agency has continued to move forward with an extensive modernization strategy to improve the recovery of debts owed since it assumed responsibility for the collection of defaulted Canada Student Loans in August 2005. The strategy already provides for resources to be dedicated to the monitoring of collection procedures and performance of the Agency's staff dedicated to this activity. The Agency has completed the necessary procedural and operational requirements to fully implement a formal monitoring framework, commencing the first quarter of the 2007–08 fiscal year.

2.45 Monitoring contractors' compliance with collection requirements. The CRA's contracts with the private collection agencies set out their roles and responsibilities. The CRA has also developed directives to further define the procedures that collection agencies must follow.

2.46 The CRA and HRSDC have a responsibility to monitor the contractors' compliance with collection requirements in the directives and certain clauses of the contracts. We found that the CRA assesses the contractors' performance periodically by looking at amounts collected and measures of client service. We also found that HRSDC performs periodic reconciliations to ensure that the remittances and the account information it receives from the private collection agencies match.

2.47 However, neither the CRA nor HRSDC adequately monitor whether the collection activities, including the handling of remittances, comply with collection requirements. For example, the contracts require annual audits (by audit firms hired by the collection agencies) of the adequacy of the agencies' financial and managerial controls for the funds collected. Although these audits would examine issues important to the responsibilities of both HRSDC and the CRA, we found that neither organization has been reviewing them.

2.48 Recommendation. The Canada Revenue Agency and Human Resources and Social Development Canada should strengthen the monitoring of private collection agencies to ensure their compliance with contractual and administrative requirements of the Canada Student Loans Program.

Human Resources and Social Development Canada's response. The Department agrees with the recommendation.

The Canada Revenue Agency (CRA) assumed responsibility for the collection of defaulted Canada Student Loans starting in August 2005, and thus it is responsible for private collection agencies' compliance with the collection directives.

Human Resources and Social Development Canada (HRSDC)/Service Canada maintained responsibility for establishing overpayments, reporting on the outstanding debt for HRSDC clients, recording the payments received from the private collection agencies, and ensuring client accounts are reconciled. HRSDC/Service Canada will leverage the CRA's efforts toward strengthening the monitoring of the private collection agencies and ensure compliance with administrative requirements.

With respect to the Office of the Auditor General's observation of the private collection agencies' handling and remittance of accounts, HRSDC/Service Canada implemented the Single System of Record on 19 January 2007. Payments are now received directly by HRSDC/Service Canada, thus reducing the risk of non-reconciliation of account information. HRSDC/Service Canada will closely monitor any exceptional payments made to private collection agencies to ensure accuracy between remittances and account information.

The Canada Revenue Agency's response. The Agency agrees with this recommendation. As noted by the Office of the Auditor General, the Agency has continued to move forward with an extensive modernization strategy to improve the recovery of debts owed since it assumed responsibility for the collection of defaulted Canada Student Loans in August 2005. The strategy provides for the monitoring of private collection agencies in respect of their performance and compliance with contractual and administrative requirements. The Agency has completed the necessary procedural and operational requirements to fully implement a formalized monitoring framework, commencing the first quarter of the 2007–08 fiscal year.

HRSDC cannot assess whether its criteria for Canada Study Grants are being met

2.49 The regulatory environment. HRSDC has delegated the delivery of the Canada Study Grants to the nine provinces and one territory participating in the Canada Student Loans Program. They are responsible for assessing students' eligibility, determining the grant amount, and disbursing the grants. HRSDC makes annual payments to each of the participating governments based on the grant amounts each has issued over the three previous years.

2.50 The Canada Study Grants are governed by the *Canada Student Financial Assistance Act* and Regulations. The Regulations specify the eligibility criteria for each type of Study Grant and the maximum amount that can be paid to a qualifying student. The Regulations also require general reporting for accountability purposes when HRSDC has delegated another party to disburse the grants.

2.51 Control structure for the Canada Study Grants. HRSDC's payments to the provinces and territory for Canada Study Grants meet the definition of "other transfer payments" as defined in the Treasury Board Policy on Transfer Payments. Therefore, we expected HRSDC to meet the policy's objective of ensuring that there is sound management, control, and accountability of the transfer payments.

2.52 As it has done for Canada Student Loans and Canada Access Grants, HRSDC has developed policies and procedures for processing the Study Grants and has communicated them to the participating jurisdictions. However, the Department currently requires them to report only the total amount paid for Study Grants and the number of students receiving each type of Study Grant. HRSDC uses this information to allocate the funds for the next fiscal year. Some jurisdictions provide more details on grant recipients than others, but the data sets are not always complete and the Department cannot assess their accuracy. As a result, although the Department can account for the payments transferred to the provinces and the territory, it cannot assess whether those jurisdictions are awarding the correct amounts to the right students.

2.53 Recommendation. Human Resources and Social Development Canada should take appropriate measures to strengthen the control structure for the Canada Study Grants to obtain reasonable assurance that its grant eligibility criteria are being met.

Human Resources and Social Development Canada's response. The Department agrees that the Canada Student Loans Program would benefit from receiving more complete data and information to verify that the participating provinces and the Yukon are properly applying the eligibility criteria for Canada Study Grants on behalf of the federal government. To improve the accuracy of the control structure for the Study Grants, HRSDC will change the conditions that the participating provinces and the Yukon must meet in order to be eligible for payment of funds awarded as Study Grants. Effective for the 2007–08 loan year, the participating provinces and the Yukon will have to provide basic personal information (Social Insurance Number-level data) for each student awarded a Canada Study Grant in order to receive payment. Before the Department approves these payments, it will verify the data and will approve payments to the jurisdictions for those awards that meet the eligibility criteria. HRSDC recognizes that not all provinces have the same degree of preparedness with respect to their data systems and will work with each jurisdiction to set reasonable timelines for efforts to improve the data.

Control framework—The Canada Millennium Scholarship Foundation

2.54 The Canada Millennium Scholarship Foundation has delegated the responsibilities to both assess eligibility for its Millennium Bursaries and Access Bursaries and distribute them to the provinces and territories. Each province and territory is responsible for implementing controls to ensure compliance with the Foundation's requirements. The Foundation has an oversight role.

2.55 Therefore, we expected the Foundation to have implemented a control structure that includes

- risk assessments, so that controls are designed and adapted based on key risks;
- clear roles and responsibilities;
- clear communication of the Foundation's requirements, including policies and procedures; and
- a means to provide the Foundation with reasonable assurance that all parties are complying with its requirements.

The Foundation is assessing the risks of its bursary programs

2.56 As permitted by its enabling legislation, the Foundation has entered into a separate agreement with each provincial and territorial government. It conducts periodic reviews of the provinces' and territories' compliance with the requirements in the agreements. We found that these reviews provide it with sufficient information to identify the risks in the process for assessing eligibility and that the Foundation takes action on these risks.

Responsibilities and requirements are clearly defined

2.57 The Foundation's agreements with the provinces and territories clearly outline the roles and responsibilities of each party and the eligibility requirements that students must meet pursuant to the Foundation's enabling legislation. Detailed procedures on specific matters, such as data transfers, have also been developed.

Controls for eligibility assessments and disbursements are appropriate

2.58 Eligibility. We found that the Foundation has implemented adequate controls to ensure that eligibility for Millennium Bursaries and Access Bursaries is assessed correctly.

2.59 To be eligible for a bursary, students must first be approved for financial assistance by their province or territory of residence and then meet the Foundation's additional criteria. The Foundation's periodic reviews examine compliance with these criteria. (Quebec is an exception: It provides the Foundation with the provincial Auditor General's annual report, which includes information on whether that province is complying with the terms of its agreement.) To date, all provinces have been reviewed at least once. The results of these reviews are presented to the Foundation's Audit Committee and sent

by the Foundation to the Deputy Minister of Education of each province and territory.

2.60 The Foundation has also implemented controls to validate the information it receives from each province and territory in order to process the bursaries. These controls provide reasonable assurance that the information is complete, accurate, and valid.

2.61 Disbursements. The Foundation is responsible for approving, disbursing, and recording the bursaries. It issues the cheques directly to students in the Yukon, Northwest Territories, and Ontario. The Foundation sends the other provinces and Nunavut lump sums in trust for the bursary recipients to be paid directly to the students or applied to reduce their outstanding debt. We found that the Foundation has implemented key controls to ensure that the disbursement process is correct: It validates and reconciles the data for disbursements to ensure that it is complete and accurate, and its Board of Directors approves all payments.

Performance management— Canada Student Loans Program

2.62 The Canada Student Loans Program is intended to promote access to post-secondary education for students in financial need. To achieve this, the Program has set four goals:

- increase awareness;
- make the loan experience a positive one;
- ensure performance, integrity, and accountability; and
- maintain the government's commitment to access.

2.63 We expected Human Resources and Social Development Canada to have satisfactory procedures in place to

- collect the information necessary for measuring performance against the Program's goals;
- make the information available for decision makers to use for improving results; and
- report against objectives, including clear performance expectations, key results against expectations, and clear explanations for results that fall short of expectations.

HRSDC is taking steps to increase awareness of the Program

2.64 The first goal of the Canada Student Loans Program is to increase awareness of the Program. We found that HRSDC has gathered information that has enabled it to identify gaps in awareness

of the Program among potential post-secondary students and their families. We also found that the Department has acted on its findings.

2.65 Specifically, HRSDC conducted research and surveys between 2004 and 2006 that indicated a lack of awareness about the federal financial assistance programs for post-secondary students. The Department now works with the provinces and the territory to promote the Program. Examples of its efforts include the following:

- a pan-Canadian five-year communication campaign, begun in 2005, to encourage parents to plan and save for their children's education;
- an upgrade to the "CanLearn" website, which explains how to apply for, maintain, and repay federal and provincial or territorial student loans; and
- a pilot project (2005–06) in one province for the Canada Student Loans Program to test peer-to-peer communication. In the project, students were trained to make presentations at high schools; the Department plans to expand the project to another province in 2007.

2.66 HRSDC also conducted qualitative research to refine its communication material and media approach for the Program. As a result, it designed a more concise version of its information guide.

Client satisfaction with the Program is near target

2.67 The second goal of the Canada Student Loans Program is to make the loan experience a positive one.

2.68 HRSDC conducts annual surveys of borrowers to measure their satisfaction with the Program's service delivery. According to these surveys, satisfaction levels have ranged between 63 percent and 75 percent since 2002. For 2006–07, the Department has set a target of 76 percent.

2.69 HRSDC offers a payment incentive to the service providers based in part on survey results that exceed set performance thresholds. In the 2004 to 2006 surveys, overall borrower satisfaction ratings met or exceeded these thresholds. Borrowers gave higher ratings to the service providers on several elements of client service, such as accuracy of information, courteousness, and receipt of communications in the official language of choice. However, they gave lower ratings to the service providers for the time callers were waiting on the telephone for service and the extent to which problems were resolved to the

borrowers' satisfaction. HRSDC's new contract with a single service provider contains some new service incentives, including a shorter standard response time from the call centres and a flexible incentive scheme that can be fine-tuned as part of a process that is renewed annually.

The Program's Portfolio Management Strategy is well managed and achieving results

2.70 The third goal of the Canada Student Loans Program is to ensure the Program's performance, integrity, and accountability.

2.71 As already noted (see paragraph 2.35), HRSDC uses a number of ways to ensure program integrity and accountability. Reducing the number of defaulted loans is another important part of achieving the Program's third goal. Early in the shift to providing loans directly instead of through financial institutions, HRSDC developed its Portfolio Management Strategy as a response to what it perceived as high default rates. The strategy's main goals are to reduce loan default rates and improve program integrity through sound debt management and good communication with borrowers.

2.72 Program officials meet monthly with the service providers to discuss the performance and integrity of the portfolio and to identify trends and emerging challenges. HRSDC regularly reviews reports from the service providers about the portfolio, and about their performance against contract obligations and use of debt management measures.

2.73 The Department has improved communication with Program borrowers who are repaying their loans, and it continues to work with service providers to improve their communication with high-risk borrowers. It has implemented measures proposed by the service providers, based on their experience in loan management. These measures include conducting risk profiles of borrowers, maintaining regular contact with borrowers, and enhancing the tracing of delinquent borrowers. The Department measures the results of these initiatives through the monthly performance reports it receives from the service providers. **Annual default rates** decreased from around 22 percent to 9 percent between 2002 and 2006.

Annual default rate—The percentage of loans in repayment that are turned over to the Canada Revenue Agency for collection during a year.

2.74 Despite improvements in the default rate, the Department's analysis shows that students lack awareness about the Program's debt management measures. HRSDC has conducted studies to find out more about borrowers who have defaulted and about those who use interest relief. In 2005, it set up focus groups on interest relief; in 2006,

together with Statistics Canada, it published a study on the use of the Interest Relief Program. The study noted that this program was used by only 45 percent of eligible borrowers in the repayment phase. To increase the use of debt management measures, the Department has drafted a communication plan and raised the income threshold for interest relief eligibility; it is also considering other actions.

HRSDC needs to measure the Program's performance on access

2.75 The fourth goal of the Program is to maintain the government's commitment to making post-secondary education more accessible to Canadians.

2.76 We found that HRSDC does not have a sound performance measurement strategy for access—that is, a means to select and develop measures for ongoing use in decision making. Without a clear strategy, it cannot effectively and consistently measure and report on whether the Program is achieving the access goal.

2.77 In 2003, HRSDC identified a number of performance indicators on access. However, it has not developed a systematic approach to collecting appropriate information and putting it to use.

2.78 The Department collects some performance data from its program partners. However, they often submit the data in different formats, with different elements, and at different times. The Department told us that the information is insufficient to meet its needs and that it is working to harmonize and simplify the systems and practices to fix this. Even where the Department does have provisions for exchanging data with provinces—for example, as part of the integration agreements (see paragraph 2.9)—these provisions are not used. Moreover, HRSDC has no single repository for the data that it collects and no business process rules for managing the data.

Summative evaluation—An examination of the impacts of a program in order to make a decision about its effectiveness. This examination is typically undertaken at the end of a specified program cycle when intermediate and longer-term outcomes begin to be realized, and it focuses on the extent to which the program has contributed to the achievement of outcomes.

2.79 In 2001, HRSDC committed to completing a **summative evaluation** of the Canada Student Loans Program in 2006. The Department began planning the evaluation in 2006, approaching it as a series of studies to be completed by 2011. Officials told us that this approach would be included in the departmental five-year evaluation plan, which was scheduled for approval early in 2007. At the time of the audit, plans had been clearly defined for only the first two years and consisted mainly of feasibility and concept studies. Without a more precise framework, the evaluation risks losing focus while being further delayed.

2.80 Recommendation. Human Resources and Social Development Canada should develop a sound performance measurement strategy for the Canada Student Loans Program's goal to make post-secondary education more accessible to Canadians.

Human Resources and Social Development Canada's response.

The Department has a performance measurement strategy for the Canada Student Loans Program and reports on the goal of making post-secondary education more accessible to Canadians. It reports on program performance through the Program's Annual Report, the Departmental Performance Report, the Report on Plans and Priorities, and its website. The Department will better articulate this performance measurement strategy in a single framework document.

2.81 Recommendation. Human Resources and Social Development Canada should complete a summative evaluation that focuses on program impacts and outcomes and should do so within the five years specified in its plans.

Human Resources and Social Development Canada's response.

Departmental management has adopted a five-year phased approach to the summative evaluation of the impacts and outcomes of the Canada Student Loans Program. The evaluation is under way, with the first synthesis report of the evaluative work available in 2006–07. Annual synthesis reports will be produced, culminating in a final summary report on program outcomes, which will be available in 2011.

Parliament does not have a full picture of the Program's performance

2.82 We found that the Department's reporting on program results is fragmented; some significant matters are reported in the Departmental Performance Report and others are stated in the Canada Student Loans Program Annual Report.

2.83 In its 2005–06 Departmental Performance Report, HRSDC reported on three indicators for the Canada Student Loans Program: the client satisfaction level, the **three-year loan default rate**, and the number of students receiving federal loans for post-secondary education. However, these indicators were not clearly linked to the Program's strategic goals. Moreover, the Department did not report on whether it had increased awareness of the Program or had improved access to post-secondary education. In part, this reflects the absence of a sound performance measurement strategy for the access goal (see paragraph 2.76).

Three-year loan default rate—The percentage of loans for which repayment is due to begin in a particular year and that are turned over to the Canada Revenue Agency for collection within three years.

2.84 The *Canada Student Financial Assistance Act* requires the Department to table an annual report to Parliament on the Canada Student Loans Program. The 2003–04 Annual Report gives details on program activities and outputs—for example, the number of student loans given in each province and territory. However, it does not report against targets or specify whether the Program is meeting its goals. Further, the Department tabled the Program’s 2003–04 Annual Report in August 2006; at the time of our audit, it had not yet tabled the 2004–05 Annual Report.

2.85 We noted that in its 2006–07 Report on Plans and Priorities, the Department set expectations for only two of its four strategic goals—making the loan experience a positive one and improving performance, integrity, and accountability. It did not set targets for increasing awareness of the Program or improving access to post-secondary education.

2.86 Through the arrangement for conditional grants, HRSDC is required to include in its Report on Plans and Priorities and Departmental Performance Report significant expected results from the Canada Millennium Scholarship Foundation and to situate these within the Department’s overall results. Its 2004–05 Departmental Performance Report provided timely information on the Foundation’s activities and outputs but did not explain how they related to the Department’s own results. The 2005–06 Departmental Performance Report has minimal information about the Foundation.

2.87 Recommendation. In its Departmental Performance Report, Human Resources and Social Development Canada should consolidate and improve its reporting on key indicators of progress toward the strategic goals of the Canada Student Loans Program and clarify how the activities of the Canada Millennium Scholarship Foundation relate to its own activities and goals. It should also provide for timelier tabling of the Canada Student Loans Program Annual Report.

Human Resources and Social Development Canada’s response. As noted in the Department’s response to recommendation 2.80, the Department will articulate its performance measurement strategy for the Canada Student Loans Program in one framework document. This will consolidate all existing and potential key indicators for reporting on the progress of the Program. It should be noted that availability of data for the potential indicators is a challenge as not all provinces have the same degree of preparedness for their data systems. However, the Department will work to ensure that these key indicators will continue

to be monitored appropriately and results will be reported when available through future departmental performance reports. Furthermore, the Department will report on the relationship between the Canada Millennium Scholarship Foundation's activities and its own through its departmental performance reports, while recognizing the arms-length status of the Foundation. HRSDC will improve the time frame within which it tables the Canada Student Loans Program Annual Report each year.

Performance management— Canada Millennium Scholarship Foundation

2.88 The Foundation's main objective is to improve access to post-secondary education. It is committed to

- increasing the visibility of its programs,
- delivering bursaries to eligible students, and
- improving its understanding of issues related to access.

2.89 We expected the Foundation to have satisfactory procedures in place to

- collect the information necessary for measuring performance against objectives;
- make the information available for decision makers to use in improving results; and
- report against objectives, including clear performance expectations, key results against expectations, and clear explanations for results that fall short of expectations.

The Foundation collects and uses performance information

2.90 Visibility of the programs. We found that the Foundation has been gathering relevant information on awareness of its programs. It is using this information to increase their visibility.

2.91 For example, the Foundation conducted a series of surveys between 2001 and 2003 on financial assistance programs for post-secondary education, and in 2004 it held broad-based consultations with students, parents, and education professionals. These surveys and consultations showed that the Foundation lacked visibility. During our audit, the Foundation was conducting a survey on awareness of its own programs and planned to publish the results early in 2007. It was also seeking to collaborate with HRSDC and the provinces and territories to produce a new pamphlet with specific information on its Millennium and Access Bursaries.

2.92 The Foundation's research showed that awareness efforts should focus on high school students who often get information about financial assistance through peers, parents, teachers, counsellors, and others. Therefore, the Foundation has launched three pilot projects in high schools to increase awareness of and participation in post-secondary education. It is also targeting information to parents and others who interact with high school students.

2.93 Perceptions of services in delivering bursaries. The Foundation has little interaction with recipients of the Millennium and Access Bursaries and currently has limited information about their perceptions of its services. To fill this gap, the survey on awareness also sought Millennium Bursary recipients' perception of the Foundation's services.

2.94 Understanding of access issues. The Foundation needs to gather and assess data from provinces and territories to measure its programs' results and impacts. The Foundation's agreements with provinces and territories specify what data they are to provide about award recipients and when they should send the data. We found that the Foundation's systems and practices are adequate to ensure that it collects good-quality data in a timely manner.

2.95 The Foundation's research program provides additional information about the results of its bursary programs. The research aims to enhance understanding of barriers to post-secondary education and to provide data and analysis to monitor the impact of the Foundation's bursary programs. Research reports are shared with decision makers and the public.

2.96 From research and its 2004 consultations, the Foundation found that certain groups were under-represented in the post-secondary student population and that it needed to expand its program coverage. In 2005 it created its Access Bursary program to encourage low-income, rural, and Aboriginal students to continue their education. At the time of the audit, it was conducting an initial assessment of this program. The Foundation plans to complete an evaluation of its awareness efforts and Access Bursary program by 2009.

2.97 The Foundation's enabling legislation stipulates that it is to grant scholarships in a manner that complements provincial and territorial financial assistance programs for post-secondary students. When the Foundation initiated its Millennium Bursary program in 1999, it conducted assessments of the provincial and territorial programs. It did

so again in 2004 and most recently in November 2006. It has also done further assessments of provinces' and territories' programs as needed. The Foundation has concluded that its own program complements those of the provinces and territories.

The Foundation provides the required information to Parliament

2.98 The Foundation's enabling legislation requires it to provide the Minister of Human Resources and Social Development with an annual report on its performance, including audited financial statements. The government also requires (in Budget 2003 commitments) that the Foundation provide summaries of its corporate plans to Parliament. We found that the Foundation is meeting these requirements. While its past reports only described activities, its more recent annual reports (2004 and 2005) provide additional details about the Foundation's impact on reducing student debt and increasing student funds.

Consultation between HRSDC and the Foundation

HRSDC and the Foundation need to improve arrangements for consulting together

2.99 Human Resources and Social Development Canada and the Canada Millennium Scholarship Foundation are working toward the same public policy objective—improved access to post-secondary education. In our 2005 February Status Report, Chapter 4, Accountability of Foundations, we said that strategic monitoring of foundations by sponsoring departments, in the form of contact and consultations, is a good practice for sound delivery of shared public policy. In this audit, we found that HRSDC and the Foundation could improve their exchange of information on issues of mutual interest, which would help achieve their shared objective.

2.100 For example, they do not always exchange information that would be useful for the delivery of shared public policy. Under its agreements with provinces and the territories, the Foundation conducts regular reviews in most jurisdictions to verify that its eligibility criteria for bursaries have been met. Although these reviews focus on the Foundation's criteria, HRSDC's loan and grant programs share some of the same criteria. For example, recipients of both the Foundation's and the Department's bursaries, grants, and loans must be permanent residents of Canada. However, we found that audit findings that would be of interest to HRSDC are not necessarily shared.

2.101 In another case, the Department and the Foundation communicated on program issues, but the exchange was not well documented. Responding to research findings that some

populations were not being reached by federal, provincial, and territorial student financial assistance programs, HRSDC set up the Canada Access Grant program and the Foundation set up its Access Bursary program. The eligibility criteria of these programs are similar. To avoid duplication or overlap, officials from both organizations communicated informally before implementing the programs. The Department's and the Foundation's programs are now complementary. However, little of the content of these consultations and their outcomes was documented. It is important that the two organizations improve their arrangements for consulting on any future program changes to ensure that they continue to be well coordinated. It is also important to document these exchanges to aid future decision making.

2.102 We found that HRSDC and the Foundation have developed a good research relationship. They co-fund a number of research projects aimed at gaining a better understanding of student financial assistance and its impacts on access to post-secondary education. The Department told us that over the last year, there have been more frequent discussions of research and improved consultations with the Foundation on program and policy issues.

2.103 Recommendation. Human Resources and Social Development Canada and the Canada Millennium Scholarship Foundation should improve their arrangements for consulting one another on issues of mutual interest in order to achieve their shared objective. The two organizations should document their consultations and the outcomes to aid future decision making.

Human Resources and Social Development Canada's response. Officials of the Canada Student Loans Program consult with officials of the Canada Millennium Scholarship Foundation regularly on areas of shared program objectives while recognizing the arms-length status of the Foundation. The Department will institute procedures to ensure that results of key discussions with the Foundation are recorded to aid future decision making for areas of shared program outcomes or policy development interests. In support of improved consultation, HRSDC has invited the Foundation to join the National Advisory Group on Student Financial Assistance, which will meet twice annually starting in March 2007. The results of the National Advisory Group's consultations are documented in formal minutes and records of decision.

The Canada Millennium Scholarship Foundation's response. The Canada Millennium Scholarship Foundation looks forward to continuing its consultation with Human Resources and Social

Development Canada (HRSDC) in the future and will document exchanges of information when appropriate. Where improved arrangements are required, it is the Foundation's view that these arrangements acknowledge the importance of both organizations consulting not only each other but also the provinces and territories. In this regard, the Foundation welcomes HRSDC's recent invitation to join the National Advisory Group on Student Financial Assistance, a group that includes among its members both the federal and the provincial co-chairs of the Intergovernmental Consultative Committee on Student Financial Assistance. The Committee serves as the federal-provincial multilateral forum for consultation on policy and program development on student assistance. The Foundation will send a representative to meetings of the National Advisory Group beginning in the spring of 2007. In addition, the Foundation believes it would be useful to be invited periodically to attend meetings of the Intergovernmental Consultative Committee. The Foundation would welcome the opportunity to appear before the Committee annually or biannually to present an update on its operations and plans, to review issues raised in audits and other reviews, and to consult with its federal, provincial, and territorial colleagues on issues of mutual interest.

Conclusion

2.104 With a few exceptions, the Canada Student Loans and the Canada Access Grant programs are well managed and have the necessary controls in place.

2.105 HRSDC has appropriate controls in place to ensure that its partners in the delivery of Canada Student Loans and Access Grants are exercising due care in their responsibilities. However, the Department has not clearly documented the information that it gathers on the adequacy of controls for assessing eligibility for its loans and Access Grants. HRSDC's control structure for the Canada Study Grants does not provide the Department with adequate assurance that its eligibility criteria are being met.

2.106 The Canada Revenue Agency monitors the performance of private collection agencies, and Human Resources and Social Development Canada monitors the consistency of information provided by the agencies. However, neither organization adequately monitors other key collection requirements of the Canada Student Loans Program.

2.107 HRSDC is taking steps to enhance awareness of its loan and grant programs and of the measures available to help students manage debt. However, lack of a clear performance measurement strategy has contributed to incomplete reporting of the results of the Canada Student Loans Program. The Department has postponed the program evaluation that it had committed to doing by 2006. It has not yet fully defined the framework for the evaluation, thus risking further delays. Consequently, it has not yet given Parliament a full picture of the Program's performance.

2.108 The Canada Millennium Scholarship Foundation's bursary programs are well managed. The Foundation has the necessary controls in place to ensure that bursaries are distributed correctly. It also obtains reasonable assurance that the provinces and territories are fulfilling their responsibilities in delivering the programs.

2.109 The Foundation is taking steps to improve general awareness of its Millennium Bursaries. It collects adequate performance information and meets its obligation to report the results of its activities to Parliament. It has used this information together with its research findings to try to reach more students through its Access Bursaries.

2.110 HRSDC and the Foundation are both working to improve access to post-secondary education. Improving their arrangements for consulting on issues of mutual interest would help achieve this shared objective.

About the Audit

Objective

The audit objective was to determine whether federal loan and debt reduction programs for post-secondary students are managed to improve access to post-secondary education while ensuring that the necessary controls are in place.

Scope and approach

The scope of the audit included

- the Canada Student Loans Program—the loans program under the direct loans regime, and the Canada Access and Study Grants; and
- the Millennium Bursary and Millennium Access Bursary programs of the Canada Millennium Scholarship Foundation.

The main entities involved in the audit were Human Resources and Social Development Canada, the Canada Revenue Agency (CRA), and the Canada Millennium Scholarship Foundation. We examined practices at the national headquarters of each organization and visited one of the two CRA regional offices responsible for loan collections.

We conducted interviews, document reviews, data analyses, and procedural walk-throughs to assess whether the entities were meeting our audit criteria. We also reviewed documents prepared by audit firms engaged by HRSDC and the Foundation and interviewed some of the firms' personnel to ensure that we could use their work as key controls.

In addition, we reviewed documents of other federal organizations that contribute to delivering federal post-secondary loan and grant programs: the Department of Finance, Public Works and Government Services Canada, and the Treasury Board Secretariat.

We conducted audit work on the current program of direct loans but not on repayments due under the former program arrangements under which private-sector financial institutions gave loans to students.

We did not audit any other federal programs that support post-secondary education; nor did we conduct audit work in provinces and territories or at any of the private sector agencies that provide program services.

We did not audit the Foundation's merit awards programs or its research activities.

In the contracts signed between parties involved in the loan and grant programs, we examined only the terms that were relevant to delivering the programs and ensuring that the necessary controls are in place. We did not examine how the contracts were awarded or managed.

Criteria

The criteria for the audit were based on

- the results management framework for the Government of Canada,
- the Treasury Board Secretariat's guides for performance evaluation and reporting,
- our Office's recent reports on results measurement and reporting,
- the Treasury Board Policy on Transfer Payments, and
- recognized standards of sound business and financial practices.

The criteria were the following:

- Appropriate controls are in place to ensure that programs are delivered in compliance with legislation, policy, agreements, and contracts.
- Information on programs is easy to find and understand, and services are provided in ways that are accessible and convenient.
- Satisfactory procedures are in place to collect and use performance information to manage programs and to report on program results.

Audit work completed

Audit work for this chapter was substantially completed on 30 November 2006.

Audit team

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Appendix List of recommendations

The following is a list of recommendations found in Chapter 2. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Control framework—Canada Student Loans Program	
<p>2.38 To ensure that the knowledge acquired about the provinces' and the territory's processes for eligibility and needs assessments is available for managing the Canada Student Loans Program, Human Resources and Social Development Canada should document its conclusions on the adequacy of controls and any related action taken. (2.36–2.37)</p>	<p>The Department agrees that the Canada Student Loans Program would benefit from better documentation of provincial and territorial processes for eligibility and needs assessment. Program officials already meet regularly with officials from participating jurisdictions to share information on their respective controls of these processes. The Department will institute procedures to ensure that its conclusions on the adequacy of the Program's controls for eligibility and needs assessments are documented.</p>
<p>2.44 The Canada Revenue Agency should develop and implement a formal quality assurance program to monitor whether collection procedures for the Canada Student Loans Program are followed properly in its regional offices. (2.39–2.43)</p>	<p>The Agency agrees with this recommendation. As noted by the Office of the Auditor General, the Agency has continued to move forward with an extensive modernization strategy to improve the recovery of debts owed since it assumed responsibility for the collection of defaulted Canada Student Loans in August 2005. The strategy already provides for resources to be dedicated to the monitoring of collection procedures and performance of the Agency's staff dedicated to this activity. The Agency has completed the necessary procedural and operational requirements to fully implement a formal monitoring framework, commencing the first quarter of the 2007–08 fiscal year.</p>

Recommendation	Response
<p>2.48 The Canada Revenue Agency and Human Resources and Social Development Canada should strengthen the monitoring of private collection agencies to ensure their compliance with contractual and administrative requirements of the Canada Student Loans Program. (2.45–2.47)</p>	<p>Human Resources and Social Development Canada’s response. The Department agrees with the recommendation.</p> <p>The Canada Revenue Agency (CRA) assumed responsibility for the collection of defaulted Canada Student Loans starting in August 2005, and thus it is responsible for private collection agencies’ compliance with the collection directives.</p> <p>Human Resources and Social Development Canada (HRSDC)/Service Canada maintained responsibility for establishing overpayments, reporting on the outstanding debt for HRSDC clients, recording the payments received from the private collection agencies, and ensuring client accounts are reconciled. HRSDC/Service Canada will leverage the CRA’s efforts toward strengthening the monitoring of the private collection agencies and ensure compliance with administrative requirements.</p> <p>With respect to the Office of the Auditor General’s observation of the private collection agencies’ handling and remittance of accounts, HRSDC/Service Canada implemented the Single System of Record on 19 January 2007. Payments are now received directly by HRSDC/Service Canada, thus reducing the risk of non-reconciliation of account information. HRSDC/Service Canada will closely monitor any exceptional payments made to private collection agencies to ensure accuracy between remittances and account information.</p> <p>The Canada Revenue Agency’s response. The Agency agrees with this recommendation. As noted by the Office of the Auditor General, the Agency has continued to move forward with an extensive modernization strategy to improve the recovery of debts owed since it assumed responsibility for the collection of defaulted Canada Student Loans in August 2005. The strategy provides for the monitoring of private collection agencies in respect of their performance and compliance with contractual and administrative requirements. The Agency has completed the necessary procedural and operational requirements to fully implement a formalized monitoring framework, commencing the first quarter of the 2007–08 fiscal year.</p>

Recommendation	Response
<p>2.53 Human Resources and Social Development Canada should take appropriate measures to strengthen the control structure for the Canada Study Grants to obtain reasonable assurance that its grant eligibility criteria are being met. (2.49–2.52)</p>	<p>The Department agrees that the Canada Student Loans Program would benefit from receiving more complete data and information to verify that the participating provinces and the Yukon are properly applying the eligibility criteria for Canada Study Grants on behalf of the federal government. To improve the accuracy of the control structure for the Study Grants, HRSDC will change the conditions that the participating provinces and the Yukon must meet in order to be eligible for payment of funds awarded as Study Grants. Effective for the 2007–08 loan year, the participating provinces and the Yukon will have to provide basic personal information (Social Insurance Number-level data) for each student awarded a Canada Study Grant in order to receive payment. Before the Department approves these payments, it will verify the data and will approve payments to the jurisdictions for those awards that meet the eligibility criteria. HRSDC recognizes that not all provinces have the same degree of preparedness with respect to their data systems and will work with each jurisdiction to set reasonable timelines for efforts to improve the data.</p>

Performance management—Canada Student Loans Program

2.80 Human Resources and Social Development Canada should develop a sound performance measurement strategy for the Canada Student Loans Program’s goal to make post-secondary education more accessible to Canadians. (2.75–2.78)

The Department has a performance measurement strategy for the Canada Student Loans Program and reports on the goal of making post-secondary education more accessible to Canadians. It reports on program performance through the Program’s Annual Report, the Departmental Performance Report, the Report on Plans and Priorities, and its website. The Department will better articulate this performance measurement strategy in a single framework document.

2.81 Human Resources and Social Development Canada should complete a summative evaluation that focuses on program impacts and outcomes and should do so within the five years specified in its plans. (2.79)

Departmental management has adopted a five-year phased approach to the summative evaluation of the impacts and outcomes of the Canada Student Loans Program. The evaluation is under way, with the first synthesis report of the evaluative work available in 2006–07. Annual synthesis reports will be produced, culminating in a final summary report on program outcomes, which will be available in 2011.

Recommendation	Response
<p>2.87 In its Departmental Performance Report, Human Resources and Social Development Canada should consolidate and improve its reporting on key indicators of progress toward the strategic goals of the Canada Student Loans Program and clarify how the activities of the Canada Millennium Scholarship Foundation relate to its own activities and goals. It should also provide for timelier tabling of the Canada Student Loans Program Annual Report. (2.82–2.86)</p>	<p>As noted in the Department’s response to recommendation 2.80, the Department will articulate its performance measurement strategy for the Canada Student Loans Program in one framework document. This will consolidate all existing and potential key indicators for reporting on the progress of the Program. It should be noted that availability of data for the potential indicators is a challenge as not all provinces have the same degree of preparedness for their data systems. However, the Department will work to ensure that these key indicators will continue to be monitored appropriately and results will be reported when available through future departmental performance reports. Furthermore, the Department will report on the relationship between the Canada Millennium Scholarship Foundation’s activities and its own through its departmental performance reports, while recognizing the arms-length status of the Foundation. HRSDC will improve the time frame within which it tables the Canada Student Loans Program Annual Report each year.</p>

Consultation between HRSDC and the Foundation

2.103 Human Resources and Social Development Canada and the Canada Millennium Scholarship Foundation should improve their arrangements for consulting one another on issues of mutual interest in order to achieve their shared objective. The two organizations should document their consultations and the outcomes to aid future decision making. (2.99–2.102)

Human Resources and Social Development Canada’s response. Officials of the Canada Student Loans Program consult with officials of the Canada Millennium Scholarship Foundation regularly on areas of shared program objectives while recognizing the arms-length status of the Foundation. The Department will institute procedures to ensure that results of key discussions with the Foundation are recorded to aid future decision making for areas of shared program outcomes or policy development interests. In support of improved consultation, HRSDC has invited the Foundation to join the National Advisory Group on Student Financial Assistance, which will meet twice annually starting in March 2007. The results of the National Advisory Group’s consultations are documented in formal minutes and records of decision.

The Canada Millennium Scholarship Foundation’s response. The Canada Millennium Scholarship Foundation looks forward to continuing its consultation with Human Resources and Social Development Canada (HRSDC) in the future and will document exchanges of information when appropriate. Where improved arrangements are required, it is the Foundation’s view

Recommendation	Response
	<p>that these arrangements acknowledge the importance of both organizations consulting not only each other but also the provinces and territories. In this regard, the Foundation welcomes HRSDC's recent invitation to join the National Advisory Group on Student Financial Assistance, a group that includes among its members both the federal and the provincial co-chairs of the Intergovernmental Consultative Committee on Student Financial Assistance. The Committee serves as the federal-provincial multilateral forum for consultation on policy and program development on student assistance. The Foundation will send a representative to meetings of the National Advisory Group beginning in the spring of 2007. In addition, the Foundation believes it would be useful to be invited periodically to attend meetings of the Intergovernmental Consultative Committee. The Foundation would welcome the opportunity to appear before the Committee annually or biannually to present an update on its operations and plans, to review issues raised in audits and other reviews, and to consult with its federal, provincial, and territorial colleagues on issues of mutual interest.</p>

Report of the Auditor General of Canada to the House of Commons—May 2007

Main Table of Contents

A Message from the Auditor General of Canada Main Points—Chapters 1 to 7

- | | |
|------------------|--|
| Chapter 1 | Use of Acquisition and Travel Cards |
| Chapter 2 | Federal Loans and Grants for Post-Secondary Education—Human Resources and Social Development Canada and Canada Millennium Scholarship Foundation |
| Chapter 3 | Human Resources Management—Foreign Affairs and International Trade Canada |
| Chapter 4 | Canadian Agricultural Income Stabilization—Agriculture and Agri-Food Canada |
| Chapter 5 | Managing the Delivery of Legal Services to Government—Department of Justice Canada |
| Chapter 6 | Modernizing the NORAD System in Canada—National Defence |
| Chapter 7 | Management of Forensic Laboratory Services—Royal Canadian Mounted Police |

