



**Financial Assistance
for Nunavut Students
Program—Department of
Education**



**Office of the Auditor General of Canada
Bureau du vérificateur général du Canada**

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Auditor General of Canada
Vérificatrice générale du Canada

To the Honourable Speaker of the Nunavut Legislative Assembly:

I have the honour to transmit herewith my report on the Financial Assistance for Nunavut Students Program—Department of Education to the Nunavut Legislative Assembly in accordance with the provisions of section 48 of the *Nunavut Act*.

Yours sincerely,

A handwritten signature in black ink that reads "Sheila Fraser".

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, 6 June 2007

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Financial Assistance for Nunavut Students Program— Department of Education

Main Points

What we examined

The Financial Assistance for Nunavut Students (FANS) program is the primary vehicle of direct financial assistance to Nunavut students for their post-secondary education. Managed by the Nunavut Department of Education, the program provides mostly grants and some loans to residents of Nunavut enrolled in approved post secondary institutions (\$5.6 million in grants and \$470,000 in loans during the 2005–06 fiscal year). The types of benefits available vary, depending on whether or not, as a resident of Nunavut, the applicant is a beneficiary of the Nunavut Land Claims Agreement.

We examined whether the activities carried out under the program complied with the *Student Financial Assistance Act* and Regulations. We also looked at how the Department plans for and manages the delivery of the program and how it measures and reports the results.

Why it's important

Education is important to achieving a number of aims of the Nunavut Land Claims Agreement. In *The Nunavut Project*, his final report on the Agreement, Justice Thomas Berger wrote, “For the Inuit, the advance of the industrial frontier coupled with the possibility of the loss of traditional resources reveals how compelling it is that the Inuit should be able to equip themselves with education and training for employment.” He noted that higher education will open doors to private sector jobs, and help avoid having a high cost to Nunavut in terms of lost earning potential, the need for social assistance, and the cost of hiring people from outside the territory. Further, the report said, the Nunavut economy benefits when it can fill jobs with local residents—studies show that locally recruited Inuit employees stay at their jobs almost twice as long as non-Inuit workers recruited from the South.

As Nunavut’s economic outlook improves, the demand grows for qualified labour in all sectors. Moreover, if the aims of section 23 of the Nunavut Land Claims Agreement are to be met, more Inuit employees will be needed in government positions to bring their numbers to a representative level. These jobs usually require education at the post-secondary level, making training and education vital to transforming the economic future of the territory.

Financial assistance opens doors to education that might otherwise remain closed. The FANS program was established to help ensure that a lack of financial resources is not a significant barrier to obtaining post-secondary education. As the primary vehicle for delivering direct assistance to post-secondary students, the FANS program plays a critical role in increasing access to post-secondary education.

What we found

- Despite having conducted two reviews of the FANS program and making some adjustments, the Government has not set clear objectives and strategies for the program. Therefore, it is difficult to know whether the intent of the program is being achieved.
- The program guide to FANS was developed for students and, along with the *Student Financial Assistance Act* and Regulations, it is a key document available to staff who assess applications, decide on eligibility, and issue benefits. However, the program guide does not cover all areas of the program and, in some areas, is different from the Regulations. What to do in those cases, without operating guidelines, is difficult for staff to decide. This means that different employees with the same information can make different decisions about applications and benefits, based on their own judgment and discretion. As a result, some activities of the program are not consistent with the Act and Regulations.
- The program guide says that to be eligible, students must be attending a designated post-secondary institution. However, the guide does not specify what qualifies as post-secondary education; nor do the Act and Regulations. In just over 21 percent of files we examined, the student was either registered in a non-designated school or enrolled in an approved school but in a program that did not require a high school diploma or equivalent (normally a condition of eligibility for post-secondary education). With this key element of the program undefined, assistance may be going to students for whom the program was not intended.
- In the FANS files we reviewed, applications were processed on a timely basis, and payments were processed as determined at the time of the assessment. However, some files showed errors in the payment of travel benefits, some indicated that students had received overpayments but contained no supporting documentation, and some students were paid for ineligible expenses. Furthermore, filing practices in general are inadequate to support decisions made by staff, and make it difficult to locate specific information.

- Information management systems do not permit effective monitoring of the program and its financial operations. Information cannot be exchanged between the key system containing information on students and their benefits and the three other systems used to manage the program. The information has to be inputted manually in those systems, creating duplication of effort, increased risk of error, and the possibility of conflicting information in reports to management. Further, providing up-to-date reports is time-consuming and labour-intensive.
- Performance information collected and communicated to the Legislative Assembly is limited to the number of students who have applied and enrolled in the program. Since the Department of Education has not defined clear objectives and strategies for the program and the results it is expected to achieve, neither the Department nor the Legislative Assembly has a full picture of how successful the program is—or how success would be measured.

The Department has responded. The Department is in agreement with the report and its recommendations. In its response to each recommendation throughout the report, the Department has indicated the actions it has taken, will take, or will consider taking.

Introduction

How the Financial Assistance for Nunavut Students program works

1. In Canada, student loans and financial assistance for post-secondary education are usually provided by the federal government, except in Quebec, the Northwest Territories, and Nunavut, which have opted out of the Canada Student Loans Program. Nunavut has chosen instead to manage the funds it receives from the federal government.
2. The main vehicle through which financial assistance is offered to Nunavut's full-time post-secondary students is the Financial Assistance for Nunavut Students (FANS) program. This program was transferred from the Government of the Northwest Territories when Nunavut became a separate territory. It was established under the *Student Financial Assistance Act*.
3. The FANS program guide is a handbook developed by the Department of Education. It provides information on the program to the public, and describes the following objectives of the FANS program:
 - to ensure that financial need is not a barrier to post-secondary education, and
 - to stimulate the pursuit of excellence by recognizing achievement, and to encourage and assist Nunavut students to achieve their fullest potential.

This program helps students with their expenses for tuition, travel, and books, as well as with living expenses.

4. According to the Regulations established under the Act, to be eligible for the FANS program, a student must be a Nunavut resident enrolled in a full-time, post-secondary education program that runs for at least 12 weeks, and that is offered by an approved post-secondary institution. Students who meet these criteria are eligible to receive funding if they carry at least 60 percent of a full course load, even if they do this for only one semester per year. The program guide states that students carrying 60 percent of a full course load must pass all of their courses to continue receiving FANS assistance, while those carrying a full course load must pass 60 percent of their courses.
5. The FANS program is the responsibility of the Department of Education and is run from Arviat, with direction from Iqaluit. It is delivered by the Department's Adult Learning and Post Secondary

Services Division. The program's budget is about \$6.1 million a year including money received from the federal government as alternative funding. Because Nunavut has opted out of the Canada Student Loans Program, under that program's alternative funding formula, it receives annual funding in a lump sum payment from the federal government. In the 2005–06 fiscal year, Nunavut received a total of \$470,000 under this formula.

6. The program provides grants (\$5.6 million), loans (\$470,000), and scholarships (\$8,250). In total it provided \$6.1 million in the 2005–06 fiscal year. The benefits that students may receive depend on whether they are beneficiaries of the Nunavut Land Claims Agreement, or are residents of Nunavut but not beneficiaries under the agreement. Scholarships are awarded to students based on academic performance.

7. A basic grant is available to beneficiaries of the Nunavut Land Claims Agreement. It is also available to other Nunavut residents who have attended school in Nunavut for at least three years. The basic grant includes \$1,250 per semester to cover tuition and fees, and benefits to cover travel costs. Beneficiaries of the Land Claims Agreement are also eligible for a supplementary grant that consists of \$200 per semester for books, and a living allowance of \$825 to \$2,280 per month.

8. The program provides three types of student loans: primary loans, secondary loans, and needs-assessed loans. Primary loans are forgivable and are available to non-beneficiaries who have resided three or more years in Nunavut. Students are eligible for primary loans to cover one year of post-secondary education for every three years during which they resided in Nunavut. The loan is forgivable at a rate of \$750 for every three months that the students live in Nunavut after successfully completing 60 percent of their studies. Secondary loans, which are not forgivable and must be repaid in full, are made to residents of Nunavut who are not eligible for a grant or a primary loan. Finally, needs-assessed loans, which are available to all residents of Nunavut, are non-forgivable loans and are based on financial needs. They are capped at \$165 per week. Students must begin repaying their loans no later than the last day of the seventh month, after the borrower stops being a student.

9. Exhibit 1 provides details on the kinds of assistance students can receive under FANS.

Exhibit 1 Benefits available to students

Beneficiary Group	Category of Assistance	Benefits
Nunavut Beneficiary (Resident of Nunavut)	Basic Grant	<ul style="list-style-type: none"> • A maximum \$1,250 per semester for tuition • FANS travel benefit
	Supplementary Grant	<ul style="list-style-type: none"> • \$200 per semester for books • Living allowance (based on employment status of spouse and number of children)
	Needs-assessed Loan	<ul style="list-style-type: none"> • Based on financial need • Up to \$165 per week • Must be repaid
Non-Nunavut Beneficiary (with previous schooling in Nunavut)	Basic Grant	<ul style="list-style-type: none"> • A maximum \$1,250 per semester (one year of grant per 3 years' schooling in Nunavut) • FANS travel benefit
	Primary Loan	<ul style="list-style-type: none"> • \$3,200 or \$4,400 per year (for each 3 years' residency in Nunavut, after completing 60% of studies) • Forgivable loan based on Northern residency
	Needs-assessed Loan	<ul style="list-style-type: none"> • Based on financial need • Up to \$165 per week • Must be repaid
Non-Nunavut Beneficiary (without previous schooling in Nunavut)	Primary Loan	<ul style="list-style-type: none"> • \$3,200 per year (for each 3 years' residency in Nunavut, after completing 60% of studies) • Forgivable loan based on Northern residency
	Secondary Loan Issued to students not eligible for the Primary Loan	<ul style="list-style-type: none"> • \$4,400 per year • Must be repaid
	Needs-assessed Loan	<ul style="list-style-type: none"> • Based on financial need • Up to \$165 per week • Must be repaid

In addition to the benefits described above, students are eligible for scholarship based on their academic performance and level of study. The amounts range from \$500 to \$1500 annually.

Scholarships are awarded based on the student's average grade.

Source: Nunavut Department of Education

Focus of the audit

10. We audited FANS to determine whether effective management and financial controls were in place to carry out the program. We assessed whether the Department of Education has set clear directions

for the program, has measured the results of the program, and has reported the results to senior officials and the Legislative Assembly. We also examined whether the program's activities comply with the *Student Financial Assistance Act* and Regulations.

11. Our audit did not include other programs that support post-secondary education, such as the Canada Millennium Scholarship Foundation's Millennium Bursaries.

12. More details on the audit objectives, scope, approach, and criteria are in the **About the Audit** at the end of this Report.

Observations and Recommendations

Program governance

13. The *Student Financial Assistance Act* and Regulations form the foundation of the Financial Assistance to Nunavut Students (FANS) program. The Department of Education has the responsibility to develop and implement policies and guidelines for operating the Financial Assistance for Nunavut Students program. The Department is also responsible for applying the criteria for determining student eligibility for the program. We expected the policies and guidelines to be compatible with the Act and Regulations in order to help ensure compliance.

The Department needs to set clear objectives and directions for the program

14. In 1999, after Nunavut became a separate territory, the Nunavut Government adopted the student financial assistance program directly from the Northwest Territories, which continued to be administered by GNWT until 2001. At that point, work was done to introduce the current FANS program. We expected that by 2006, the government would have assessed whether the program is meeting the needs of Nunavummiut and would have set clear objectives and directions for the program. Two reviews have been completed but neither focused on the program objectives. We found that the program's principles, values, and intent have not been clearly articulated.

15. In 2002, the Department of Education conducted a program review of FANS that focused mainly on benefits offered to students. The review produced many recommendations, some of which would have required amendments to the Act and Regulations. The government adopted only the recommendation to increase the living allowance for FANS participants. In 2004, the Department carried out another review aimed at ensuring that the information in the program

guide was consistent with the information set forth in the *Student Financial Assistance Act* and Regulations. We have found no follow-up addressing the related recommendations set forth in the two reviews.

16. The Department is conscious that the needs of Nunavut's post-secondary students differ from those of students elsewhere in Canada. Only 25 percent of Nunavut students graduate from high school, and a smaller percentage of those graduates go on to post-secondary education. The education levels of most Nunavummiut are lower than the national average, as Nunavut's formal education system was introduced only five decades ago. Before then, many individuals had little or no opportunity to attend school. Education up to and including Grade 12 has been available in most Nunavut communities only since 1986.

17. As Nunavut's economic outlook improves, the demand grows for qualified labour in all sectors. Moreover, if the aims of section 23 of the Nunavut Land Claims Agreement are to be met, more Inuit employees will be needed in government, to bring their numbers to a representative level. Government jobs usually require education at the post-secondary level, making training and education vital to transforming the economic future of the territory.

18. In its 2006–07 Business Plan, the Department stated that it intended to review the *Student Financial Assistance Act*, Regulations, policies, and guidelines, with a view to ensuring effective program delivery and accountability. However, at the time of our audit, this review had not started and we found no concrete plan for it.

19. Recommendation. The Department of Education should, as part of its planned review, clearly define objectives and directions for the FANS program and put in place a periodic review process to ensure that they remain relevant to the needs of Nunavut.

Department's response. The Department agrees with this recommendation. The Department has prepared a set of draft goals and objectives for the program. The draft goals and objectives include establishing measurable outcomes, ongoing review and evaluation, levels of service criteria, and internal and external controls.

The program lacks policies and guidelines to help employees make correct decisions

20. We expected the Department to have reasonable processes to ensure that student applications are processed accurately.

Furthermore, we expected to find policies and guidelines on how to apply FANS Regulations and deliver the program. Such policies and guidelines are usually developed internally and used by program employees to guide them in the decision-making process and ensure consistency within the program.

21. We found that the FANS program does not have policies and guidelines that employees can consult when they have questions about how the program is supposed to operate. Apart from the Act and Regulations, the key document available to them is the program guide developed for students. The guide does not cover some areas of the program, and in other areas it diverges from the Regulations. Employees have difficulty interpreting the Regulations and the program guide, so they rely on their own judgment and informal practices in assessing applications and issuing benefits.

22. Directions are sometimes provided by email, but are not archived centrally for future reference. We were told by employees that they consult with their supervisors or peers when they have questions. However, we found that the number of employees on leave of absence and the use of casual employees in the Arviat program delivery unit are significant. Corporate memory cannot be relied on to ensure consistent decision making and compliance with the Act and Regulations.

23. In 2004, the Department of Education reviewed the Student Financial Assistance Regulations and the program guide, and found a number of inconsistencies between them. At the time of our audit, the inconsistencies had not yet all been resolved. The result was that so much room was left for interpretation that individual discretion in decision making is hindering the Department's ability to ensure that the program's decisions comply with the Act and Regulations. Examples of inconsistency between the Regulations and the program guide are provided in Exhibit 2.

24. We also found that misinterpretation of the Regulations in other cases has led to decisions that do not comply with the Regulations. For instance, we found a situation where a student who passed 60 percent of his courses was put on probation because his average grade was below 60 percent. The Regulations state that student financial assistance may be terminated if the student's performance is unsatisfactory. Furthermore, the program guide requires that a student receiving FANS benefits and carrying a full course load must pass at least 60 percent of the courses to be eligible for FANS benefits. However, the program guide was interpreted to mean that the student had to maintain an average grade of 60 percent during the semester.

25. We also found a situation in which the requirement to repay benefits received was not applied equally to students who had withdrawn from school. One student was asked to repay \$15,700 for travel, tuition, books, and living expenses received since the beginning of the semester, while another student was asked to repay only \$825, the amount of the living allowance that the student had received for the month in which the student withdrew. Information supporting these decisions was not documented in the files.

26. The absence of policies and guidelines has an impact on the ability of employees to interpret the Regulations. It results in inconsistencies in the assessment of student applications, the delivery of benefits, and the management of loans.

Exhibit 2 Divergence between the Regulations and the FANS Program Guide

Residency

To be eligible for FANS benefits, a student has to be a resident of Nunavut for at least 12 months. The FANS Regulations and program guide provide for exceptions to the residency criterion. Medical reasons, which are among the exceptions listed in the FANS program guide, are not included in the Regulations.

Funding from other organizations

The program guide limits other sources of funding to organizations for which joint sponsorship has been approved by the Department, while the Regulations make no such limitation. Furthermore, the Regulations require students to disclose the amount of financial assistance received from other sources, while the program guide does not mention the requirement to provide such information. Nor do application forms for the program mention that applicants must disclose financial assistance provided by other organizations.

Repayment of loans

The program guide states that students must begin repaying loans six months after they finish attending school. According to the Regulations, no repayment is required until the last day of the seventh month.

Changes in course load

When a change in a student's course load affects the level of funding, the Regulations say the student must report the change to FANS within 30 days, whereas the program guide says they must do so "immediately."

The Regulations state that a student who withdraws from school may be required to refund a part of the financial assistance that has been paid for the whole of that semester (before withdrawal); the program guide states that the student may be required to repay benefits received after withdrawal.

27. **Recommendation.** The Department of Education should
- develop policies and guidelines on applying and delivering the program that are consistent with the *Student Financial Assistance Act* and Regulations;

- ensure the FANS program guide is made consistent with the Act and Regulations;
- keep a central record of guidance and directions related to the interpretation of the Act and Regulations; and
- ensure that staff who deliver the program receive training in how to apply the policies and guidelines, to make sure that decisions made in program delivery are consistent.

Department's response. The Department agrees with this recommendation. The Department is currently reviewing all FANS documentation to ensure consistency and to make the necessary adjustments. All staff will receive training on the application of the guidelines and policies to ensure consistency in application.

Assessment of applications and issuing of benefits

28. Students need to complete an application form to receive benefits from the Financial Assistance for Nunavut Students (FANS) program. Along with the completed form, they have to include a letter from an approved school confirming their acceptance in an education program, a student enrolment form confirming that they have registered in school, and an official transcript recording their grades.

29. In the 2005-06 fiscal year, 430 of the 600 Nunavummiut who applied to the Department for financial assistance were assessed as qualified and therefore received benefits. Of those students, 331 were beneficiaries of the Nunavut Land Claims Agreement.

30. The benefits available to a student are determined by the student's beneficiary status and by the number of years during which the student has had schooling and/or residency in the territory. As mentioned earlier in this Report, types of benefits include basic grants, supplementary grants, primary loans, secondary loans, and needs-assessed loans (Exhibit 1). Scholarships are also awarded based on the student's average grades.

Post-secondary education is not defined clearly

31. We expected the Department to have reasonable processes in place to ensure that financial assistance is only issued to eligible persons. Furthermore, we expected that eligibility criteria for the program would be stated clearly and would be well understood. According to the Regulations, only persons enrolled in at least 60 percent of a full course-load of post-secondary studies are eligible for FANS benefits. However, neither the legislation and Regulations nor the program guide specify what constitutes education at the post-secondary level. In the

absence of a definition in any of these documents, we have used a legal interpretation of education at the post-secondary level. A legal interpretation specifies that post-secondary education covers courses and programs that are intended for high school graduates or for persons who have obtained equivalent certification.

32. The program guide states only that students must be attending a designated post-secondary institution to be eligible for student financial assistance. However, a student can be attending a designated college and taking a course that is not necessarily at the post-secondary level.

33. For example, the Nunavut Arctic College delivers adult education as well as post-secondary education. Educational programs such as early childhood education, office administration, hairdressing, and jewellery and metal work do not require that students have a grade 12 certificate to enrol. Therefore, these programs would not be considered post-secondary education. Under this legal interpretation, students enrolled in such programs would not be eligible for assistance under the FANS program.

34. We reviewed the files of 73 students who received benefits in the 2004–05 and 2005–06 fiscal years. We found that 15 of the students (21 percent) were either registered in education programs that did not require a high school diploma or equivalent, or were registered in a non-designated institution. Under this legal interpretation, these students could not have been eligible for the \$224,000 they received in FANS benefits.

35. Recommendation. The Department of Education should take the necessary steps to arrive at a definition of what constitutes post-secondary education for the purposes of the FANS program. More specifically, the Department should determine whether students registered in the adult education programs of a post-secondary education institution are eligible for benefits under the program.

Department's response. The Department agrees with this recommendation. The Department is undertaking the preparation of a Cabinet submission to seek approval on the appropriate definition of post-secondary education for Nunavut. In preparation for this, the Department will consult with other jurisdictions across Canada as well as review the needs within Nunavut.

Other sources of funding to students are not formally reported

36. The Regulations require that a person applying for FANS must declare the amount of financial assistance received from other sources.

That assistance is to be taken into account by program staff when they determine the financial assistance to be awarded under FANS.

37. We found that there are no formal policies or guidelines available to program officers on how to proceed in cases where additional funding is awarded to students by other organizations. This leaves room for interpretation by individual program officers, and could lead to disparity in the benefits granted to students.

38. We found three cases of students attending the Nunavut Arctic College who received FANS benefits while also receiving funds from other organizations. In two cases, the students had not declared the other sources of funding on their application forms or in subsequent letters to the Department of Education. These students received funding from another institution for tuition and books, which means they may have received some benefits twice. In the third instance, the student was granted tuition and partial books benefits under FANS, as the other organization was paying the student a living allowance. The information supporting the decision of the program officer was not documented.

39. Recommendation. The Department of Education should

- develop policies and/or guidelines on how to take into account funding that students receive from other organizations in determining or making recommendations on the benefits to be provided to students by the FANS program. Decisions should be documented in the students' files along with information supporting the decisions;
- establish and enforce reimbursement procedures as outlined in the Regulations if necessary; and
- consider appropriate actions to be taken when recipients do not declare additional funding.

***Department's response.** The Department agrees with this recommendation. Work has already begun to identify policies and guidelines to deal with this issue. As identified in the Nunavut Adult Learning Strategy tabled in 2006, the Department, along with other funding partners, is examining the establishment of common approaches, including joint applications, to streamline the approval system for students and to avoid possible situations of duplicate funding arising.*

A centralized appeal process would be a valuable information source

40. If applicants disagree with a decision that appears in their file, they may appeal the decision. We expected the Department to have reasonable processes in place to ensure that financial assistance is only issued to eligible persons and that student applications are processed accurately. Furthermore, we expected to find an appeal process where the Department collects centralized information on the number and nature of appeals and their outcome, as well as on the information supporting the outcome. We also expected that the status of each appeal would be tracked, and that roles and responsibilities of individuals involved in the appeal process would be clear.

41. The number and nature of appeals lodged by students could be useful information for the program. Appeals can be indicators of a faulty assessment process or of dissatisfaction with the program. The information could also be used by management to review decisions by program officers and improve the processing of student applications.

42. We found that information on appeals is not centralized, but is kept in the file of each appellant only. This made it difficult for us to find information on students who have lodged appeals. Moreover, there is no system for tracking cases, which meant that we were not able to assess whether the appeal system is functioning effectively.

43. However, we did discuss the process with employees of the program in Arviat and Iqaluit, and they told us that only a few appeals are made each year.

44. **Recommendation.** The Department of Education should

- review its appeal process to clarify the roles and responsibilities of all parties involved in the process and to ensure that an appropriate appeals process is in place;
- put in place a central system to capture all appeals, the nature of each appeal made, the decision made, and the information supporting this decision;
- regularly follow up on appeals, to ensure that decisions are timely and that the decision-making process is consistent.

Department's response. The Department agrees with this recommendation. The Department is examining the current appeal process and work has already begun to clearly define and document a more consistent approach in line with the recommendations. Part of this process will include the establishment of a central registry of appeals.

Financial and management controls

45. Good financial and managerial practices reduce the risk that mistakes and poor decisions will be made, and also discourages fraud. Basic financial controls and management controls are essential for good management. We expected appropriate financial controls to be in place to deliver and manage the FANS program.

Benefits are issued at the right time and in the right amount

46. Employees of the Financial Assistance for Nunavut Students (FANS) program follow a complete process that covers the assessment of applications by new and returning students, as well as the approval and payment of benefits.

47. During the internal review of the FANS program in 2002, concerns were expressed about the timely delivery of cheques to students. Since then, the Department has instituted direct deposits of benefits to the student's bank account. Tuition fees owed by students to the Nunavut Arctic College are paid directly to the College by the FANS program.

48. We found that student application forms were processed on a timely basis and that payments were on time and accurate. Grants and loans were deposited in students' bank accounts in the same amounts as determined in the assessment process. Most of the safeguards needed to ensure correct processing of the benefits are in place. For example, FANS program officers receive all necessary documents from students before a payment is made, information is entered into the FANS information management system, loans applications are assessed by the loans officer and signed by the manager who has the right authority.

Travel benefits allocated to students need to be reviewed and monitored

49. Students receiving a basic grant are eligible for travel benefits, for themselves and their dependents, to cover the cost of travel between their home community and the nearest school offering their program. Those with eligible dependants are allowed travel costs for one round trip, while single students are allowed travel costs for two round trips per year. Students going to a school outside of Nunavut can receive travel benefits to cover airfare between the students' home region and the nearest of the "gateway" cities (Ottawa, Montreal, Winnipeg, or Edmonton) specified in the program guide.

50. In the 2005–06 fiscal year, travel expenses were about \$900,000, or more than 15 percent of the FANS program's total budget. In

previous years, travel expenses were of an approximately equal percentage.

51. In our review of 73 student files, we found 48 in which the students received travel benefits. Of those files, 11 (23 percent), contained errors. Four of the eleven students attended schools outside of Nunavut and received travel expenses to destinations other than the gateway cities identified in the program guide. The errors in the 7 other files involved payments for too many trips, ineligible accommodation or expenses while travelling, and expenses paid twice for the same trip. We found no documentation in the files to support the decisions made to issue these payments.

52. Recommendation. The Department of Education should

- clarify its travel policy and the circumstances in which exceptions are justified, paying particular attention to circumstances that would justify approval of travel to cities other than the specified gateway cities, or approval of additional trips;
- provide information from its files that supports decisions to make exceptions to the travel policy; and
- ensure that appropriate approval from relevant authorities accompanies such decisions.

Department's response. The Department agrees with this recommendation. The current travel policy and circumstances were inherited when the program was transferred from the GNWT. The Department will review the travel policy and its application, and will address the issue of exceptions. The revised policy will be published to ensure transparency.

Excess benefits paid to students should be recorded and managed

53. FANS Regulations specify that when a student withdraws from school prematurely during a semester, he must inform the FANS division. The student may be required to refund part of the financial assistance that has been paid. A review of student files may show that some students received an overpayment of benefits. We identified various reasons for such overpayments, as when the Department of Education had not been advised of a change in a student's status, of a reduction in a student's course load, or that a student had other sources of income.

54. We found situations where there was no information on file to support the determination or calculation of overpayment in cases where students had withdrawn from school prematurely. We also found

cases where the program had paid for ineligible expenses, such as damage to accommodations while a student was travelling, or fees for changes in travel plans that were not collected back from students. Students were not always advised in writing of overpayment. In those cases in which they were advised, written notification of overpayment was not always captured in the financial system for subsequent follow-up.

55. Program officers notify students of overpayment by sending them an invoice. Program officers also notify students who have withdrawn from school that they have been suspended from the FANS program. Although we did not find any formal procedures in this area, it has become a normal practice to suspend the student from receiving further FANS benefits for a three-year period, unless the student repays the amount owed, attends a 12-week post-secondary semester at his or her own expense, or provides medical or other justification. Moreover, we were not able to verify whether this practice was consistently applied, because the files pertaining to it were in disarray.

56. Recommendation. The Department of Education should

- clarify what constitutes an overpayment and how it should be calculated;
- implement financial controls, recording overpayments owed by students and ensuring regular follow-up on outstanding amounts; and
- clarify measures to be taken when students owe money to the Department.

Department's response. The Department agrees with this recommendation. The Department is currently defining and documenting what constitutes overpayments and will develop a calculation protocol. The Department will develop a strategy to promptly identify cases of overpayment, record them in an appropriate management system and undertake and document overpayment recovery actions. A recovery process is being developed for review with the Departments of Justice and Finance. Once approved, the staff will be trained, with implementation to follow.

Better filing practices are needed for easier access to information

57. It was difficult to find information supporting staff decisions about student applications and benefits. Information regarding enrolment, student transcripts, loan documents, and travel information was stored, in a decentralized and ad hoc manner, in various places at the Arviat office. For instance, we found that travel

receipts were not located in travel files with travel claims, but were often piled up in stacks somewhere else. We were eventually able to track down most of the documentation required, but only after extensive searching with the help of program staff.

58. In some cases, decisions were not documented in student files (with, for example, copies of emails or notes). We noted that although benefits paid to one student had changed during the semester, no documentation supporting that change had been put in the student's file. Lack of documentation made it a challenge to assess whether benefits that students received were appropriate and justified.

59. Recommendation. The Department of Education should establish consistent filing practices that would consolidate, in each applicant's file, documents that support decisions made by FANS program staff, as well as information on appeals, travel payments, and on any other type of payment. The Department should ensure that these files are kept up-to-date and easily accessible.

Department's response. The Department agrees with this recommendation. The Department is undertaking measures to improve filing practices, which include the examination of security issues, back-up of files, and archiving policies.

Student files are not audited

60. Post-payment audits are a critical control in a program like FANS where eligibility to the program and payments are assessed based on information provided by students. The only reference we could find for such requirement was in the FANS manual of procedures requiring that student files be audited twice a year by a Senior Finance Officer of the Department of Education. However, the authority for approving and updating such a manual was not clear.

61. We found that no audit of student files had been conducted by the Department. Audits of student files could identify errors made in the assessment of student applications. This would make it possible for the Department to take measures to prevent or reduce such errors in the future.

62. Recommendation. The Department of Education should

- ensure that students' file are subject to periodic audit and verification;

- clarify the role of the FANS manual of procedures in the delivery of operations and the authority to update it and to approve changes; and
- ensure that the FANS manual of procedures is updated on a regular basis.

Department's response. The Department agrees with this recommendation. The Department has procedures in place for such audits. It will review the process, and will revise and implement the procedure accordingly.

Information management systems for program management

63. To work effectively, managers of programs need information that is reliable and readily available. We expected that the information management systems used in the Financial Assistance for Nunavut Students (FANS) program would provide complete, accurate, and up-to-date information.

64. The program uses four distinct information management systems:

- the FANS information management system, which records each student's assessed eligibility for benefits, the amount paid to each student, and the names of students who are receiving benefits;
- the Loan Manager system, which records information about loans only;
- an Excel spreadsheet system, which requires all student applications to the program to be manually re-recorded; and
- Free Balance, the government's financial information management system.

The information management is incomplete and poorly-timed

65. The FANS information management system is the key means by which program officers capture information about students and their benefit payments. However, it does not automatically exchange information with the three other information management systems used. This means that information must be manually transferred to the other systems, increasing the potential for errors, and potentially providing managers with conflicting information.

66. We also noted that only the Arviat employees have access to the FANS information management system and the Loan Manager system. The departmental controller in Iqaluit does not have access to any of this information. In fact, all payments issued to students or to the Nunavut Arctic College are recorded in Free Balance, the government

financial system, as one large combined financial operation. There is no timely reconciliation process in place that would ensure transactions have been transferred correctly from any of the program systems to the government's books of accounts. We had expected that these transactions would be reconciled on a regular basis.

67. We also expected that a reconciliation process would be in place when there was a need to capture data in more than one information management system. We found one case where a student loan payment had not been captured in the Loans Manager system, although the information had already been recorded in the FANS information management system. As a result, the student's loan file was not followed up.

68. Finally, this arrangement of information management systems cannot provide up-to-date reports quickly. It does not give key information, such as the number of students who have received benefits, the rates of loan default, the impact of high debt on repayment of loans, and the loan recovery rates. For example, to manage the program, assess its success, and guide future decision making, managers must know how many students have received FANS benefits in a year. To obtain this number, employees currently have to manually compare the data in the FANS information management system with that found in an Excel spreadsheet.

69. Recommendation. The Department of Education should

- review what information it needs to manage and deliver the FANS program, and better merge the multiple systems in such a way as to provide that information on a timely basis;
- regularly reconcile data in the various systems used in managing the program, to ensure that the data in all the systems are complete and accurate; and
- make all the necessary information management systems accessible to departmental officials in charge of delivering, managing, and overseeing the program throughout the territory.

Department's response. The Department agrees with this recommendation with regard to the need for a better information system leading to more timely reporting. The Department is committed to implementing more timely reconciliations and will assess options to integrate systems and/or automate the reconciliation process, where possible, to minimize the extent of manual review required overall. The Department has initiated a formal request to the GN Informatics Planning and Services Branch of the Department of

Community and Government Services to ensure the designated manager(s) have the appropriate level of IT/Program application access.

Management of student loans

70. As noted in Exhibit 1, various types of loans are provided by the Financial Assistance for Nunavut Students (FANS) program. The value of a loan depends on a student's beneficiary status, length of residence in the North, living expenses, and financial resources for the coming year. Regulations require that repayment of a loan must begin on the last day of the seventh month after the borrower's student status ends. Until then, it is interest-free. Some students may also have part of their loans forgiven, on certain conditions. At the time of our review, the program division in Arviat was in charge of collecting loan repayments.

Management of student loans needs to be significantly improved

71. We reviewed the files of 22 of the 36 students who did receive loans in the 2004–05 fiscal year, but who did not receive loans in the 2005–06 fiscal year.

72. Our review of the 22 loan files found no follow-up on loan collection, other than a letter sent to students to remind them of their repayment obligations. Furthermore information communicated to students was incomplete and incorrect. Students were charged interest at the wrong rate, students' monthly instalments and payment periods were calculated incorrectly, or students were not formally notified of their eligibility for a loan remission. In only three cases had students started to repay their loans.

73. As of 31 March 2006, the total amount of outstanding loans for this program was about \$4 million, which was distributed among 550 students. Of these students, some had completed their studies and their loans were due, while others were still in school and their loans were not yet due to be repaid. Our audit found that little effort had been made to encourage repayment by students, who had completed their studies, and whose loans had become due. In fact, the total amount repaid in the 2005-06 fiscal year was only \$46,000.

74. The Department acknowledged that it has placed a priority on assessing eligibility and issuing benefit payments on time to ensure that students are not negatively impacted by late payments. It has dedicated few resources to the collection of outstanding loans.

75. While the Department considers that all outstanding amounts are still owed to the government, for accounting purposes, the

Department has recorded an allowance for bad debt of 56 percent, or about 2 million dollars, in its 2004–05 public accounts to the Government of Nunavut.

76. For all of the 22 loan files we reviewed, the interest rate charged was higher than the amount stipulated in the Regulations. There were also errors in calculating the date by which the loan was to be fully repaid. At the time of our audit, no review of the consolidated loan agreements had been carried out by a financial officer.

77. Recommendation. The Department of Education should

- follow up on collection of student loan repayments,
- provide training for program officers in charge of loan agreements, and
- ensure that a proper review of loan agreements is carried out.

Department's response. The Department agrees with this recommendation. The Department has recently established an initiative to review the management of its student loans program under FANS and has requested assistance from the Departments of Justice and Finance to review its loan agreements and provide advice with respect to collection practices. Appropriate training will be provided to program officers based on the findings and advice obtained.

Measurement, reporting, and use of program results

78. The first step toward satisfactory program performance is a clear definition of the specific results expected. Being able to measure how close a program has come to achieving the expected results makes it possible to show how well the program is working.

79. We expected the Department to have clear, up-to-date statements of program objectives, to measure the extent to which those objectives are achieved, and to use that information in making decisions about the program, and in reporting on its results.

The Department has limited information on results

80. Currently, the Department measures how well the Financial Assistance for Nunavut Students (FANS) program is working by the number of students who have applied for and received grants and loans. The Department does not have clear objectives for the program, in that it has stipulated neither expected results that can be measured nor a strategy for achieving those results. The FANS program guide states that the program has the objective “to ensure that financial need is not a barrier to post-secondary education and to stimulate the

pursuit of excellence by recognizing achievement and encouraging and assisting Nunavut students to achieve their fullest potential.” We could not find any indication of how the Department would measure the extent to which the program has achieved these objectives. Without clear, measurable objectives, and without the strategies for achieving them, the Department cannot effectively and consistently measure and report on how well the program is working.

81. Statistics on enrolment are available either by semester or by academic year. We found cases where the staff of the FANS program determined the total enrolment for a year by adding the total number of students enrolled in the fall semester to the total enrolled in the winter semester. Students who attend both semesters are counted twice, making the apparent number of reported applications and enrolments larger than the actual number.

82. More useful statistics pertaining to the FANS program, such as the number of students graduating from an academic program, the number of students who found a job after their studies, students’ beneficiary status and gender, and students’ level of study, are neither gathered nor used to evaluate the performance of the program. We found that although some statistics had been prepared for management, this information was not made available on a consistent basis from one year to the next. The information available is not sufficient to measure the results of the program and to plan for future adjustments if necessary. It was therefore not possible to assess statistical trends for the program.

83. Recommendation. The Department of Education should

- establish specific and measurable targets for the performance expectations set for the FANS program;
- produce timely reports on the performance of the program measured against those targets; and
- periodically conduct an evaluation of the impact of the program against the program objectives.

Department’s response. The Department agrees with this recommendation. The Department is undertaking to establish performance outcomes and targets that are based on the best practices in other jurisdictions while meeting the needs and capacity of Nunavut. A framework document was completed as part of the Nunavut Adult Learning Strategy process.

The Legislature does not have a full picture of the program's performance

84. The information on the FANS program that the Legislative Assembly receives is limited to what is in the Department's Business Plan and the Main Estimates (which include the Student Loan Fund Report, as required by the Act).

85. The Business Plan gives almost no information about the FANS program, apart from a short description of the program and its budget for the current and previous years. It identifies priorities for the Department's entire post-secondary sector, but does not identify the specific priorities of the FANS program. It does not provide the Legislative Assembly with information on how well the program is working. The Main Estimates provide only a summary of financial information, such as the total amount paid to students as grants, and high-level information on the operations of the Student Loan fund.

86. Recommendation. The Department of Education should monitor and report periodically to the Legislative Assembly on the performance of the FANS program, using key indicators, and should also report on the results of the program evaluation.

Department's response. The Department agrees with this recommendation. As part of the work associated with recommendation in paragraph 83, the Department will be examining and developing performance outcomes for the program as well as the means to document and report such outcomes to the Legislative Assembly. Work on this area was begun under the Nunavut Adult Learning Strategy, which has proposed a territorial framework for Quality Assurance that aligns with national standards identified by the Council of Ministers of Education of Canada.

Conclusion

87. The activities of the Financial Assistance for Nunavut Students (FANS) program are not always in compliance with the *Student Financial Assistance Act*, because some practices are not consistent with the Regulations contained in the Act. Moreover, the program does not have a set of policies or operating guidelines to provide a basis for consistent decision making on the program elements identified in the Act and Regulations.

88. Student applications are properly processed. Benefits are issued in a timely manner, and in the same amounts as were calculated when the applications were processed. However, the Department needs to provide clear guidance and establish consistent management controls

over payments, filing practices, the appeals process, and the approval of certain benefits, such as travel expenses. Moreover, it needs to implement controls over the monitoring and collection of student loans to ensure timely follow-up and management.

89. The Department of Education does not have appropriate financial and management controls in place for the FANS program. Its information management systems do not permit effective monitoring of the program and its financial operations. The department does not actively encourage loan repayments, nor does it properly monitor them.

90. The Department of Education has not established clear objectives for the FANS program. It has not stipulated measurable results. It has not developed a strategy for achieving the expected results. It is therefore unable to demonstrate how successful the program is, or even how success would be measured. It collects and communicates to the Legislative Assembly only limited performance information, and does not provide a full picture of how well the FANS program is working.

About the Audit

Objectives

The objectives of our audit were to determine whether the Financial Assistance for Nunavut Students (FANS) program activities were in compliance with the *Student Financial Assistant Act* and Regulations. We sought to examine whether effective management and financial controls were in place to manage and deliver the program. Our audit assessed whether the Department of Education has set directions for the program, has measured the results of the program, and has reported those results to senior officials and the Legislative Assembly.

Scope and approach

The scope of the audit consisted of reviewing post-secondary funding available through the Financial Assistance for Nunavut Student Program offered by the Government of Nunavut (Department of Education—Adult Learning and Post Secondary Services). We did not examine the administration of the Canada Millennium Scholarship Foundation's Millennium Bursaries. Moreover, the scope of the audit did not include temporary benefits offered to students through the Income Support Program, which is directly under the jurisdiction of the Department.

Sampling of student grants. We identified all students who received grants in the 2005-06 or 2004-05 fiscal years. The FANS information management system, which records financial benefits to students, gave us a population of 747 student files. We defined high-value grants as having a total value of \$50,000 or more. We identified 44 files as high-value. From these, we used IDEA to take a random sample of 24 files. For student files of less than \$50,000, we used a non-proportional stratified sampling method to identify a random sample of 48 student files.

Sampling of student loans. We identified students who had received loans in the 2004-05 fiscal year, but who did not receive FANS benefits in the following year. The purpose of this approach was to identify loan recipients who had finished their studies in 2004-05, and to see whether they had started reimbursing their loans. The FANS information database gave a population of 36 student files. We used IDEA to take a random sample of 22 files.

Interviews and document review. We conducted interviews with the staff of the entities involved in the audit, and we reviewed the files and documentation related to the management, delivery, and results of the program since its transfer to Nunavut in 1999.

Criteria

We conducted the audit using the following criteria:

- Authorities for the program exist, and delivery of the FANS program is aligned with the *Student Financial Assistance Act*, the Student Financial Assistance Regulations, and the program guidelines.
- The FANS program has reasonable processes in place to ensure that financial assistance is only issued to eligible persons, student applications are processed accurately, and student files are complete and well-documented to support decision making.

- Appropriate financial controls are in place to deliver and manage the FANS program.
- The FANS program has performance expectations that are clear and up-to-date, and strategies have been developed to achieve them in consideration of anticipated and past results.
- Information on results is gathered and used to make decisions, and reporting is transparent and easy to understand.

Audit work completed

Audit work for this Report was substantially completed in February 2007.

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