

# Chapter 5

## Amounts Receivable from Canada under the Official Languages in Education Program

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# Amounts Receivable from Canada under the Official Languages in Education Program

## Background

**5.1** The Official Languages in Education Program started in the 1970s following a report of the Royal Commission on Bilingualism and Biculturalism. The program was put in place to recognize that there were additional costs to provincial and territorial governments as a result of providing education in the minority language in each jurisdiction and as a result of teaching a second official language to Canadian citizens.

**5.2** For minority-language education and second-language instruction, a Protocol for Official Languages Support programs was established in 1983 between the Government of Canada and the provincial and territorial governments. This Protocol is revised every 5 years, and is the basis for a number of federal-provincial or territorial agreements.

**5.3** In Volume 1 of the 2007 Report of the Auditor General, we made the following comment in paragraph 2.43 which was also raised in Volume 1 of our 2006 Report:

*The amount receivable from Canada under the Official Languages program was \$6.6 million at 31 March 2000, and it was \$39.6 million at 31 March 2007. This raises questions about whether this funding is being received on a timely basis.*

**5.4** Because the government did not actively pursue the collection of this funding in the fiscal year ended 31 March 2008, we decided to look at the issue further.

**5.5** The first thing we found was that the outstanding amount at 31 March 2007 was actually \$50.8 million. \$38.2 million of this was

receivable by the Province through the Departments of Education and Post-Secondary Education, Training and Labour, and \$12.6 million was receivable by the Province on behalf of Université de Moncton and University of New Brunswick. The Province does not record on its balance sheet the receivable from the federal government relating to the universities because the money is supposed to be paid to the universities immediately upon receipt from the federal government.

**5.6** As at 31 March 2008, the outstanding amount receivable was about \$72.2 million. \$54.3 million of this was receivable by the Province through the Departments of Education and Post-Secondary Education, Training and Labour, and \$17.9 million was receivable by the Province on behalf of the universities. Of the total amount receivable at 31 March 2008, \$7.8 million relates to the 2004-2005 fiscal year.

**5.7** In addition, the Province was eligible to receive a 50% advance on its 2008-2009 funding, worth another \$10.9 million, including the university funding. The Province has failed to collect this money from the federal government - a total of \$83.1 million - even though it is available to them once they provide the necessary accountability information.

## Scope

**5.8** Official Language Support programs include a variety of agreements. In our work, we reviewed the Canada-New Brunswick Agreement on French First-Language Education and French Second-Language Instruction in the agreements in the area of Education (Official Languages in Education Program) for the period 2005-06 to 2008-09.

## Official Languages in Education Program

**5.9** The Official Languages in Education Program agreement is a multi-year agreement. The basis of the agreement is an action plan that must be submitted by New Brunswick to Canada. New Brunswick has submitted this action plan covering the period from 2005-2006 until 2008-2009.

**5.10** The action plan describes the following elements:

- New Brunswick's general approach, objectives and strategic priorities for 2005-06 to 2008-09;
- the way New Brunswick's action plans contribute to attaining the objectives set out in Canada's Action Plan;

- the complementary and non-duplicative nature of the measures included in the action plans related to New Brunswick's regular programs and additional strategies described in the agreement;
- the student participation numbers and rates in French first-language education and French second-language instruction programs;
- the strategy that New Brunswick shall use to measure the expected results in a meaningful way, and the data sources that shall be used for that purpose;
- the consultations carried out in developing New Brunswick's action plans, the consultation process established concerning the progress and strategies implemented for the duration of this agreement and, as deemed necessary, the participants included in the consultations;
- the expected outcomes;
- the measures to be implemented to ensure that the expected outcomes are achieved;
- the performance indicators by which New Brunswick shall measure achievement of the outcomes; and
- a breakdown by measure and by fiscal year of the estimated expenditures and Canada's and New Brunswick's financial contributions.

**5.11** Also, under section 9.1 of the agreement, New Brunswick agreed that it must be accountable to the Legislature and the general public for the proper use of the funds. Therefore, New Brunswick agreed to provide Canada with the financial statements and reports required for each year covered by the agreement.

## **Eligible expenses and funding**

**5.12** For the purposes of the Official Languages in Education Program agreement, the eligible expenses for each of the measures described in New Brunswick's action plan may include, salaries and benefits, professional fees, administrative costs, and expenses linked to purchasing or renting essential supplies and equipment, purchasing and producing educational materials and providing training.

**5.13** The schedule of regular funding included in the agreement is:

Year	Regular Funding	French First Language Education Funding	French Second Language Instruction Funding	Total Funding
2005-2006	\$17,515,000	\$ 2,978,390	\$818,416	\$21,311,806
2006-2007	17,515,000	3,050,790	1,108,976	21,674,766
2007-2008	17,515,000	2,705,201	1,194,932	21,415,133
2008-2009	17,515,000	2,943,758	1,243,934	21,702,692
<b>Total</b>	<b>\$70,060,000</b>	<b>\$11,678,139</b>	<b>\$4,366,258</b>	<b>\$86,104,397</b>

**5.14** Of the total \$86.1 million of funding available under the agreement for the period 2005-2006 to 2008-2009, the Province could have already collected \$75.3 million including a 50% advance on 2008-2009 funding. The Province has collected none of this, and in addition, has not collected \$7.8 million outstanding under the predecessor agreement, for a total uncollected amount of \$83.1 million.

## Eligibility for funds

**5.15** In order for New Brunswick to collect funds under the Official Languages in Education Program agreement, it must provide the financial statements and reports required under the agreement to Canada for each year of the agreement. This primarily includes submitting certified interim financial statements for each year as well as a report on the outcomes achieved for each year and a final certified financial statement for each year.

**5.16** Exhibit 5.1 shows the conditions for funding set out in the agreement, whether the Province has fulfilled those conditions, the amount of funding available upon satisfaction of the conditions and the amounts received.

Exhibit 5.1 Compliance with terms of payment of agreement as of September 30 2008

Section	Conditions	Status	Description of Funding Available	Amount Available (\$)	Year Available	Collected
N/A	Requirements under 2004-05 agreement have been fulfilled	Not done	Last 50% for 2004-2005 First 50% for 2005-2006	7,839,500 10,655,903	2005-2006	No
1.1.1	Submission of NB action plans	Done				
1.1.1	Signing of agreement	Done				
1.1.1.2	Submit a report on outcomes achieved and a certified financial statement under the 2004-05 agreement	Not done	Last 50% for 2005-2006 First 50% for 2006-2007	10,655,903 10,837,383	2006-2007	No
1.1.2.1	Submit a certified interim financial statement for 2005-06	Not done				
1.1.2.2	Report on outcomes achieved and a certified financial statement for the 2005-06 fiscal year	Not done	Last 50% for 2006-2007 First 50% for 2007-2008	10,837,383 10,707,567	2007-2008	No
1.1.2.1	Submit a certified interim financial statement for 2006-07	Not done				
1.1.2.2	Report on outcomes achieved and a certified financial statement for the 2006-2007 fiscal year	Not done	Last 50% for 2007-2008 First 50% for 2008-2009	10,707,567 10,851,346	2008-2009	No
1.1.3.1	Submit a certified interim financial statement for 2007-08	Not done				
<b>Total Available but Uncollected</b>				<b>83,092,552</b>		

**5.17** Before an amount can be collected for any given year, all reporting conditions for all previous years covered by the agreement must have been satisfied.

**5.18** It is obvious from the previous table that Province is well behind in submitting its reports and collecting the funds it is eligible for.

## Interest cost

**5.19** If the Province had collected the funding available under the agreement as soon as it was eligible to do so, the Province would have had additional cash which could have been used to reduce its borrowing or could have been invested. By not claiming the funding available from the federal government, the Province and the universities are incurring interest costs. Estimating the interest cost depends on the assumptions used. If we assume an interest rate of 4.5%, and we assume that claims could be paid six months after a year end, we estimate that from 30 September 2005 until 30 September 2008, the Province has incurred the following interest costs - including interest incurred by the universities:

Year	Interest Cost (\$)
2005-2006	400,000
2006-2007	1,300,000
2007-2008	2,400,000
To 30 September 2008	1,500,000
<b>Total</b>	<b>5,600,000</b>

**5.20** If the Province does not collect any of this funding before the end of the current fiscal year which ends on 31 March 2009, an additional \$1.9 million in interest costs will be incurred; the Province is currently incurring approximately \$11,000 a day in interest costs. The Province informed us that in October they submitted the required documents to the Government of Canada to claim the last payment of the 2004-2005 fiscal year and the first 50% payment for the 2005-2006 fiscal year.

## Findings and recommendations

**5.21** The Province of New Brunswick is presently not fulfilling its reporting requirements in order to receive funds from the federal government under the Official Languages in Education Program agreement in a timely manner. We have been told that the main reason for the delay is a lack of time and resources.

**5.22** Because the Province has not claimed the money from the federal government, funds owing to two of the Province's universities have not been paid.

**5.23** We estimated the total interest costs incurred to date because of not claiming available funds to be \$5.6 million, and the interest continues to accumulate at \$11,000 per day, which is more than enough to pay for the resources needed to submit the claims.

**5.24** **We recommended the Province of New Brunswick immediately prepare the reports required to receive its funding from the Government of Canada under the Official Languages in Education agreement. The Province should make sure the resources necessary to complete the reporting requirements are acquired.**