What is the Problem with Laurier?

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On March 23, 2015, an Open Letter to the Laurier Community provided a financial analysis of Laurier based on the budget, an internal document. Yet, the only true financial picture is contained in the Audited Financial Statements, an external document. According to the Open Letter, serious financial problems exist. But to audiences outside Laurier, as reported in the Audited Financial Statements, the financial picture is very favourable. In fact, for the last three years, these statements have shown Laurier to be in a strong financial position. Cash flows from operations, cash balances and total revenues have all been increasing. And the Administration’s discretionary purchases of buildings and renovations show that it, too, is optimistic about Laurier’s continued financial stability.

We need to be very careful about evaluating any statements made by the Administration concerning the financial condition of Laurier. The Administration is reporting financial problems internally, but reporting a very favorable financial condition to parties outside of Laurier. To me, this is a serious warning signal that we are not getting an accurate financial picture from the Administration.

Yet, parties inside and outside of Laurier together face a warning signal of much greater concern. On February 26, 2015, the Administration announced to the Board of Governors that the 2013-2014 Audited Financial Statements were in error. This is an incredibly serious problem and a problem that questions the credibility of any financial disclosure made by the Administration whether it is from the budget, the Audited Financial Statements or any other analysis.

The Canadian Association of University Teachers (CAUT) has no record of any university in Canada restating Audited Financial Statements. Given the apparently unprecedented correction of errors in the Audited Financial Statements by the Administration, external parties who rely on that information (such as bondholders, bond-rating agencies and alumni) have reason to be concerned. The auditor’s name and opinion continues to be shown on the restated financial statements. This indicates that the auditor must have agreed with the restatement and agreed that there are errors in the Audited Financial Statements.

My understanding is that the discovery of errors in the Audited Financial Statements appears to be the result of the questions I asked at the bargaining table during the last round of negotiations. I raised questions because, in my opinion, the disclosures in the Audited Financial Statements did not make sense given other information the Administration was presenting at the table. In fact, the disclosures did not make sense because they were in error. It appears that prior to my questions, the errors in the Audited Financial Statements were not detected by numerous highly trained, experienced and very competent experts, including the Management Accounting Team at Laurier who prepared the Audited Financial Statements, the team of Actuaries and the team of Auditors.

The Administration may have only detected the errors when it attempted to answer my questions at the bargaining table, because when they returned to the table at a subsequent bargaining meeting, they informed us there would be a restatement of the Financial Statements. If these highly trained, experienced and very competent teams of experts cannot understand the disclosures in the Audited Financial Statements, how can we expect them to be able give us an accurate picture of the financial condition of Laurier in the past or in the future?

The Audited Financial Statements are normally viewed as the only accurate and true explanation of financial condition. No other disclosure can provide an accurate and true explanation of the financial condition of Laurier. Because of the serious errors in the Audited Financial Statements, and the unprecedented restatement of the Laurier Audited Financial Statements, it is my view that the Audited Financial Statements and any other financial disclosure or analysis by the Administration cannot be relied upon. This includes the budget and the Open Letter to the Laurier Community dated March 23, 2015.

The Laurier community deserves an unbiased, accurate, clear, transparent, and straight-forward explanation of the true financial picture of Laurier. Such an explanation has not been forthcoming from the Administration. The optimal solution is to seek a way forward that will provide a clear and more reliable financial picture of the university. This might include a forensic audit of the books of the university and review of the financial management of the university by management consultants.