



PROVINCIAL AUDITOR  
*of Saskatchewan*

December 16, 2015

The Honourable Dan D'Autremont  
Speaker of the Legislative Assembly  
Room 129, Legislative Building  
Regina, Saskatchewan  
S4S 0B3

Dear Sir:

I have the honour of submitting my Business and Financial Plan for the year ended March 31, 2017, to be laid before the Legislative Assembly in accordance with the provisions of section 14.1 of *The Provincial Auditor Act*.

Respectfully submitted,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA  
Provincial Auditor

/cp





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Source: Divider pages, Missinippi Rocky Shore, Brad Yee.



## Introduction

The Legislative Assembly sets out the accountability process for the Office in *The Provincial Auditor Act*. The Act requires the Provincial Auditor to submit to the Speaker, each year for tabling in the Legislative Assembly, two key accountability reports – a business and financial plan, and an annual report on operations.

Under the Act, the Office's key accountability reports are automatically referred to the Standing Committee on Public Accounts (PAC) upon tabling. When the Legislative Assembly is not in session, the Act deems the reports referred when they are submitted to the Speaker. This report – *Business and Financial Plan for the Year Ended March 31, 2017* (2017 Business and Financial Plan, the Plan) – is one of those two key accountability documents.

This Plan includes the information that the Act requires along with additional supporting information. It was prepared using reporting practices set out in the Public Sector Accounting Board's *Statement of Recommended Practice (SORP-2) Public Performance Reporting* published by the Chartered Professional Accountants of Canada.

At the time of the preparation of this Plan, the Office had not yet completed the renewal of its strategic plan. As a result, this Plan reflects the plan for year five of the Office's *2012-2017 Strategic Plan*. **Section 5.0** of this Plan is a copy of the *2012-2017 Strategic Plan*.

The *2017 Business and Financial Plan* is comprised of three main sections:

- ▶ **Section 1.0 – The Office of the Provincial Auditor** provides a brief description of the Office including its purpose, accountability mechanisms, staffing, and key systems and practices.
- ▶ **Section 2.0 – 2016-17 Funding Request** sets out the 2016-17 Funding Request (Estimates) and factors, forces, and trends affecting the Office's work plan upon which the request is based. The Act requires PAC to review the Estimates, and submit the approved Estimates to the Speaker for inclusion in the Estimates tabled in the Legislative Assembly.
- ▶ **Section 3.0 – Annual Work Plan for 2016-17 and Supporting Schedules** provides the Office's Audited Financial Forecast and other key information on trends in costs, average salaries, and training. The Office's Audited Financial Forecast includes planned time spent on tasks and the 2016-17 annual work plan (i.e., planned costs to audit government agencies).

In reviewing this Plan, PAC members are encouraged to consider the Office's *2015 Annual Report on Operations*. The *2015 Annual Report on Operations* describes the Office's performance in achieving the goals and objectives set out in the *2015 Business and Financial Plan*. It also includes audited financial statements for the fiscal year ended March 31, 2015.

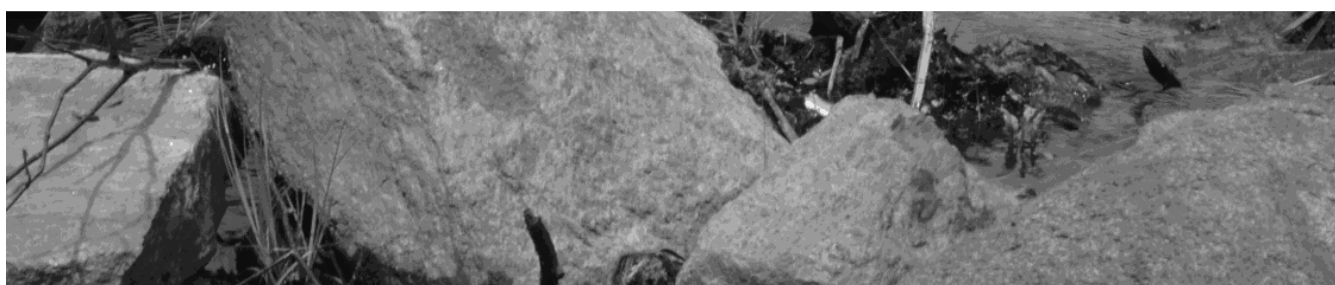
The annual report for the year ended March 31, 2015 was tabled in the Legislative Assembly on June 25, 2015 and is available on the Office's website.<sup>1</sup> Also, on the Office's website, PAC members will find the Office's prior business and financial plans (e.g., for the Year Ended March 31, 2016).<sup>2</sup>

<sup>1</sup> Available at [www.auditor.sk.ca](http://www.auditor.sk.ca) under Publications/Our Annual Report on Operations.

<sup>2</sup> Available at [www.auditor.sk.ca](http://www.auditor.sk.ca) under Publications/Our Business and Financial Plans.



## ***1.0 The Office of the Provincial Auditor***





## **1.1 Purpose of the Office of the Provincial Auditor**

For the parliamentary system of government to work properly, it must have the public's confidence. To merit this confidence, the Government's programs must be effective, open, and accountable to the public. One important responsibility of the Legislative Assembly is to hold the Government accountable for its management of public resources. The Office of the Provincial Auditor contributes to this accountability process.

The work and reports of the Office affect public confidence in the Government. As shown in **Exhibit 1 – Impact of the Office's Work**, the Office has three primary outputs – assurance (audit reports), advice, and trained professionals for the public service. Through these outputs, the Office provides legislators and the public with critical information on whether the Government's financial and other reports are reliable, whether the Government uses effective processes to safeguard the resources with which it is entrusted (public resources), and whether the Government has complied with governing authorities.

The Office:

- › Makes recommendations for improvements to the Government's management of public resources and compliance with authorities
- › Encourages discussion and debate about public sector management and accountability issues
- › Assists the Standing Committees on Public Accounts and on Crown and Central Agencies in carrying out their mandates
- › Develops professionals for the public service
- › Supports and adheres to the professional assurance standards as published by the Chartered Professional Accountants of Canada (CPA Canada)

The Office's work and reports contribute to informed decision making in government and business-like processes. This, in turn, helps the Government carry out its responsibility using sound management practices.

## **1.2 Accountability of the Office**

The Office is accountable to the Legislative Assembly through the Standing Committee on Public Accounts (PAC). Key accountability mechanisms in *The Provincial Auditor Act* (Act)<sup>3</sup> require the Provincial Auditor to:

- › Prepare and submit, each year to PAC, key accountability documents – a business and financial plan, and an annual report on operations that includes audited financial statements
- › Present to PAC, for its review and approval, its annual funding request and supplementary estimates (if any)
- › Table with PAC, for its information, the Office's human resources and financial management policies, and quarterly financial forecasts<sup>4</sup>
- › Use Canadian generally accepted auditing standards to carry out its audits
- › Be a member in good standing of the Institute of Chartered Professional Accountants of Saskatchewan

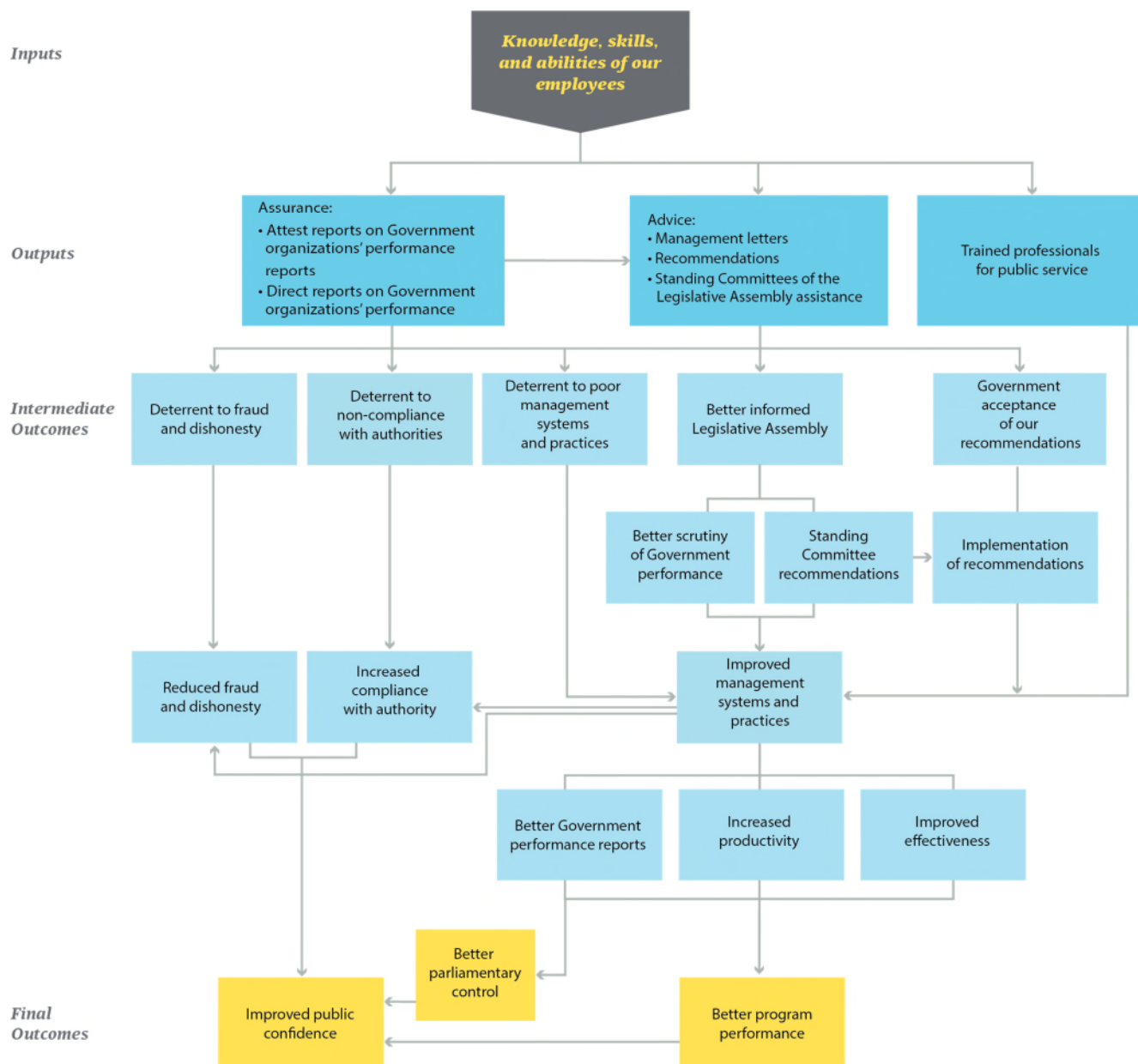
<sup>3</sup> *The Provincial Auditor Act* was amended on May 15, 2015, through *The Officers of the Legislative Assembly Standardization Amendment Act, 2015*. This Act made various amendments to *The Provincial Auditor Act* such as adding accountability mechanisms, changing the appointment of the Acting Provincial Auditor, handling of suspension of the Provincial Auditor when the Assembly is not in session, and changing the term of the appointment of the Provincial Auditor from ten years to eight years (non-renewable).

<sup>4</sup> This requirement came into effect in 2015-16 in conjunction with the May 2015 changes to *The Provincial Auditor Act*. The Office submitted to PAC its policies in July 2015, and is submitting its quarterly financial forecasts as required.



The Rules and Procedures of the Legislative Assembly of Saskatchewan require PAC to review and report to the Assembly on the results of its review of the Provincial Auditor's Reports. PAC's report includes whether it agrees with recommendations made in the Office's reports.

### Exhibit 1—Impact of the Office's Work



Source: Working group of Canadian legislative auditors





### 1.3 Auditor Independence

Auditor independence is critical for a successful legislative audit regime. Auditor independence allows auditors to exercise objectivity – not be compromised by bias, conflict of interest, or undue influence of others. Independence also enhances professional skepticism (i.e., appropriate challenge of management’s assertions).

The *Provincial Auditor Act* recognizes that to achieve auditor independence, the Provincial Auditor, the Office, and its staff must be independent of the Government and be able to exercise that independence. They must be able to make decisions without being affected by influences that would compromise their judgment. The Act provides the legislative framework for the independence of the Office and its staff.

- › The Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor with the responsibility to audit all government agencies and report the results directly to the Legislative Assembly.
- › The Act ensures the Provincial Auditor is independent from elected and appointed officials including the Assembly’s committees and boards.

PAC, an all-party committee that does not include Cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for an eight year non-renewable term. The Act sets the Provincial Auditor’s salary and benefits (e.g., equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year).

The Act requires a resolution of the Legislative Assembly to remove the Provincial Auditor from office for cause.

The Act makes the employees of the Office part of the Legislative Branch of the government (i.e., not part of the Executive Branch of Government) and not members of the public service of Saskatchewan. The Act gives the Office’s employees access to similar benefits as those available to public servants.

- › The Act also requires PAC to review the Office’s annual *Business and Financial Plan* and recommend the annual funding for the Office.

The Act gives the Provincial Auditor administrative independence – the power to administer, manage, and control the Office and its general business, and oversee and direct the Office’s staff. This includes deciding which employees to hire and at what rate, what audit work to do, and how to carry out the work.

The Office has put into place additional safeguards to enable staff to act with integrity, and exercise objectivity and professional skepticism.

### 1.4 Staffing

The Office’s employees are its most valuable resource because the quality and timeliness of the Office’s work depends on their knowledge, skills, and professionalism. Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to the Office’s success.

The competencies of the Office’s staff affect what work the Office does for the public, the Legislative Assembly, and the Government. The Office’s staff must have and apply suitable knowledge, skills, and attributes to enable the Office to fulfill its mandate as expected. These include:

- › Objectivity, because of the Office’s full independence from the Executive Government (i.e., ministries, Crown corporations, boards, commissions, funds)





- › Thorough knowledge of the:
  - Complex structure and systems the Government uses to manage public resources
  - Structure of legislative authorities governing the activities of government agencies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
  - Audit of information technology systems
  - Accounting and assurance standards published by CPA Canada
- › Working knowledge of the issues facing government agencies operating in diverse types of businesses including education, health, insurance, protection of people and property, pension and benefit plans, energy, telecommunications, gaming, transportation, renewable resources, non-renewable resources, human resources, construction, and financial services
- › A business view derived from rigorous professional training and practical knowledge of public administration

The Office works with the Canadian legislative audit community (CCOLA) to identify and develop the required competencies for legislative auditors.

The Office has four operating divisions (education, environment and infrastructure, finance, and health) and one support services division. Each division is led by a deputy provincial auditor and has assigned staff. Each operating division has an assigned portfolio of audit work and is responsible for completing that work within an assigned budget and agreed upon deadlines. The Support Services Division is responsible for human resources including training, performance reporting, information technology systems, communications, and general administration. During 2016-17, the Office expects to employ 60 people (2015-16 – 60). As of October 31, 2015, 37 of the Office's employees were professional accountants with 10 training to become professional accountants. Of these professional accountants, 11 have non-accounting designations (e.g., Certified Information System Auditor, Pension Plan Administration Certificate, Certification in Risk Management Assurance) and two are non-accountants (e.g., lawyer).

## **1.5 Maintaining Effective Systems and Practices Including Mitigating Risks**

Sound risk management and effective systems and practices are essential for the Office's management and use of public resources. As part of risk management, the Office identifies and assesses the possible adverse consequences that it may experience from events or circumstances. Because it is not cost effective to have no risks, the Office accepts some. It uses established systems and practices to reduce those risks to an acceptable level and implements strategies to manage residual risks. **Exhibit 2 – Key Risks and Responses** sets out key risks the Office faces and processes it uses to mitigate those risks.

The Office maintains strong systems and practices supported by policies and procedures so that:

- › The Office provides quality services and products at a reasonable cost
- › The Office's work is relevant – it assists in strengthening and advancing the Government's ability to achieve intended results
- › The scope of the Office's work covers all government agencies accountable to the Legislative Assembly and the people of Saskatchewan
- › Stakeholders understand and value the Office's work





Each year, the Office includes the independent auditor's report on the Office's systems and practices in its Annual Report on Operations. In the *2015 Annual Report on Operations*, the Office's external auditor reported that the Office had effective processes to safeguard public resources entrusted to it by the Assembly. The Office has not made significant changes to its systems and practices since that audit.

### **Exhibit 2—Key Risks and Responses**

**Stakeholders do not support the Office's goals and objectives.** For the Office to remain viable, legislators, the public, and government officials (stakeholders) must support its goals and objectives. Pursuing its goals and objectives must result in relevant assurance (audit reports) and advice for its stakeholders. The Office uses strategic planning processes so that its goals and objectives result in relevant assurance and advice for its stakeholders.

**Government does not act on the Office's recommendations.** Doing independent, reliable, and relevant work at a reasonable cost is vital to the Office's success. These attributes are also essential for stakeholders to value the Office's advice. The Office must understand the challenges that the Government faces. Also, its advice must help improve program performance. The Office uses quality control and financial management processes so that its assurance and advice are independent, relevant, reliable, and cost effective.

**The Standing Committees on Public Accounts (PAC)<sup>5</sup> and Crown and Central Agencies (CCAC)<sup>6</sup> do not fulfill their responsibilities.** The Office must provide assurance and advice that is consistent with each Committee's objectives. The Office uses quality control processes so that it provides independent, relevant, and reliable information that is consistent with each Committee's objectives.

**The Office does not have the required competencies and resources to deliver its products and services.** The quality of its work is dependent on the competencies of the Office's staff. The Office has hiring processes and training programs to ensure it acquires and maintains the required competencies. To discharge its statutory duties, the Office needs sufficient resources to employ the required competent people. It also needs sufficient resources to equip, support, and house its staff. It needs the support of legislators to obtain the required resources. To gain this support, it uses planning and monitoring processes so that its work is relevant to legislators and reliable. Also, it publishes a business and financial plan and an annual report on operations to build legislators' support for its request for resources.

**The Office does not manage its resources effectively.** The Office's management practices must promote the effective use of its resources. It uses financial and human resource management processes to keep the risk of not doing so at a minimum. Its major input cost to provide services is salaries and benefits. Salaries and benefits account for 80% of its spending. It carefully monitors and reports publicly on the use of staff time.

**The Office does not understand or respond to the challenges faced by its stakeholders.** If its assurance and advice is to be reliable, the Office must understand the challenges and risks the Government faces. How the Government manages its risks affects the nature and extent of work the Office must do. The Office must also understand the challenges and risks legislators and the public face if its assurance and advice is to be relevant. To be relevant, its assurance and advice should result in better parliamentary control over government activities and better program performance (see **Exhibit 1**). It uses strategic planning processes to set goals and objectives that enable it to understand the challenges and risks faced by its stakeholders.

**The Office loses or is perceived to lose its independence.** The *Provincial Auditor Act* makes the Office responsible for examining all public resources managed by the Government and the Legislative Assembly (e.g., Board of Internal Economy). The Act provides the legislative framework for independence of the Office. The Office carefully guards its independence and reports to the Assembly or PAC when it is concerned about its independence. Also, it uses human resource management processes to maintain objectivity and independence in its work. This includes additional safeguards to enable its staff to act with integrity, and exercise objectivity and professional skepticism.

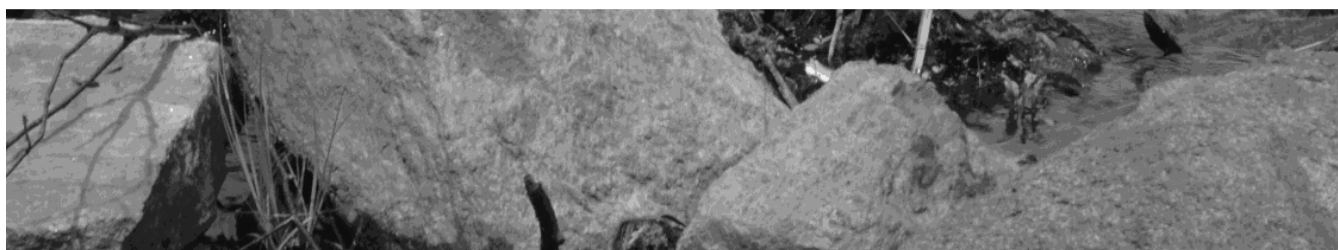
**The Office provides inappropriate or incorrect assurance and advice.** Stakeholders must trust and value the Office's assurance (audit reports) and advice. Gaining and keeping their trust is essential for the viability of the Office. The Office has processes to ensure that its work is reliable.

<sup>5</sup> PAC is the audit committee for the Legislative Assembly. The Committee is a key agent of change for improving the Government's management of public resources. The Committee's mandate is to help the Legislative Assembly hold the Government accountable for its spending of taxpayers' money and its stewardship over public resources. The Committee reviews and evaluates the activities of government ministries and Crown agencies. The Committee works with the Provincial Auditor to carry out the Committee's mandate.

<sup>6</sup> CCAC, a field policy committee, considers matters related to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries, supply and services, central agencies, liquor, gaming, and all other revenue related agencies and entities. Since 2001, the Assembly, through *The Provincial Auditor Act*, has referred the parts of the Office's reports that relate to CIC and its subsidiaries to the Committee for review. CCAC works with the Provincial Auditor to carry out the Committee's mandate related to those reviews.



## ***2.0 2016-17 Funding Request***





## 2.1 2016-17 Funding Request

As required by *The Provincial Auditor Act*, the Office, in this section, presents to the Standing Committee on Public Accounts (PAC) its 2016-17 Estimates for **Vote 28 Provincial Auditor** including an amount for unforeseen expenses. **Section 2.3 – Provincial Auditor’s Estimates** provides the 2016-17 Estimates and a breakdown of those Estimates consistent with the format the Legislative Assembly expects.

The Office asks that the Committee approve the 2016-17 Estimates with an appropriation for the operation of the Office of \$8.205 million and an appropriation for unforeseen expenses of \$545 thousand. These appropriations will enable the Office to fulfill its statutory duties under *The Provincial Auditor Act*.

The Office also asks that PAC, after its review, submit the approved Estimates to the Speaker for inclusion in the Estimates tabled in the Legislative Assembly.

The details set out in this section and in **Section 4.0 Other Supporting Information** provide the basis for these Estimates. The financial forecast reflects the Office’s funding request. **Section 3.2 – Audited Financial Forecast** of this business and financial plan includes the audited financial forecast<sup>7</sup> where an auditor, independent from the Office, has concluded that the financial forecast is consistent with and reasonable in relation to the Office’s operating plan (i.e., goals and objectives).

## 2.2 Unforeseen Expenses Appropriation

*The Provincial Auditor Act* provides for inclusion of an appropriation for unforeseen expenses (contingency appropriation) within the Estimates presented each year. **Exhibit 3 – History of Unforeseen Expenses Appropriation** sets out a brief history of this appropriation.

The request includes a contingency appropriation of \$545,000, which approximates the Office’s previous net financial asset target of one month’s salary and benefits. The 2016-17 request is \$10,000 less than the 2015-16 request primarily because of the anticipated decrease to the Office’s total salaries.

### *Exhibit 3—History of Unforeseen Expenses Appropriation*

The Legislature amended *The Provincial Auditor Act* in June 2001 (amended Act). The amended Act changed how the Provincial Auditor’s Office finances its operations.

Until 2001, the Office maintained net financial assets equal to approximately one month’s salary and benefit expenses. The Office used this money to respond to costs of unplanned work, pressure to improve the timeliness of its work, and unplanned salary and benefit increases. This practice enhanced the Office’s independence by providing the resources necessary to manage effectively unforeseen circumstances.

The amended Act requires the Provincial Auditor to return all unspent money at the end of the year to the General Revenue Fund. This practice is known as “lapsing appropriations.” To enable the Provincial Auditor to retain the independence to manage effectively, the Legislative Assembly accepted the recommendation of the Standing Committee on Public Accounts that the amended Act provide for the Provincial Auditor to obtain an extra appropriation each year. The amended Act provides for the inclusion of amounts for unforeseen expenses in the estimates presented by the Office each year.

<sup>7</sup> Since 1998, the Office has provided the Committee with an audited financial forecast in response to a 1998 request of the Board of Internal Economy to provide it with independent advice to help it assess the Office’s request for resources.



## 2.3 Provincial Auditor's Estimates

### Provincial Auditor

#### Vote 28

The Provincial Auditor, an Independent Officer of the Legislative Assembly, serves the people of Saskatchewan through the Legislative Assembly. The Office encourages accountability and effective management in government operations through its independent examinations, advice, and reports on the management of public resources entrusted to government.

#### Summary of Appropriation and Expense

(thousands of dollars)

	Estimated 2016-17	Estimated 2015-16
Provincial Auditor .....	8,205	8,187
Unforeseen Expenses .....	545	555
<b>Appropriation</b>	<b>8,750</b>	<b>8,742</b>
Capital Asset Acquisitions .....	-	-
Non-Appropriated Expense Adjustment .....	-	-
<b>Expense</b>	<b>8,750</b>	<b>8,742</b>

#### Provincial Auditor (PA01)

Provides for the audits of the administration of programs and activities of government ministries, health and education institutions, commissions, boards, and Crown corporations and for reporting the results of all audits annually to the Legislative Assembly and the public. It also provides assistance to the Standing Committees on Public Accounts and Crown and Central Agencies in their review of the Provincial Auditor's Report, the Public Accounts, and other reports.

#### Allocations

Provincial Auditor Operations .....	7,980	7,961
Provincial Auditor's Salary (Statutory).....	225	226

#### Classification by Type

	2016-17	2015-16
Salaries.....	5,531	5,560
Goods and Services.....	2,674	2,627
	<b>8,205</b>	<b>8,187</b>

This subvote includes "Statutory" amounts. The amount "To Be Voted" is \$7,980K.

#### Unforeseen Expenses (PA02)

Provides for unforeseen expenses pursuant to section 10.1 of *The Provincial Auditor Act*.

#### Classification by Type

	2016-17	2015-16
Salaries.....	545	555
	<b>545</b>	<b>555</b>





## 2.4 Factors, Forces, and Trends Affecting the Appropriation

The 2016-17 funding request for the operation of the Office of \$8.205 million reflects an increase of \$18,000 (0.22%) over the 2015-16 approved appropriation of \$8.187 million represented as follows:

Increase for:	(in \$ thousands)
› Employer premium rate increases for the Workers' Compensation Board (WCB), extended health care plan, and the pension plan	19
› Inflation impact on goods and services	19
Decrease for:	
› Net impact of government agencies wind-ups	<u>(20)</u>
Net increase	<u>\$ 18</u>

Each year, the Office prepares a work plan that will enable it to fulfill its duties under *The Provincial Auditor Act*. To prepare its work plan, the Office uses a risk-based model to set priorities and allocate resources. The model uses criteria to assess the impact of each audit on the Office's overall ability to serve the Legislative Assembly.

The work plan reflects the Office's goals and objectives and known information (at October 31, 2015) about the following factors:

### › The number and size of government agencies

The 2016-17 Request includes a decrease of \$20,000 to take into account the net impact of changes to government agencies since the 2015-16 business and financial plan. **Section 4.1 – Impact of Changes to Government Agencies on the 2016-17 Work Plan** provides further detail. At October 31, 2015, 249 government agencies manage public resources. As *The Provincial Auditor Act* requires the Office to audit all government agencies, the Government's restructuring, creation, and wind-up of agencies impact the Office's work plan and total costs.

The 2016-17 Request recognizes the Government plans to continue to control and reduce spending to offset the significant decline in current and anticipated non-renewable resource revenues.<sup>8</sup>

### › Market conditions and inflation affecting staff salaries and benefits and the cost of goods and services

The 2016-17 Request does not include general salary increases previously authorized by the Government for its public servants<sup>9</sup> in that it recognizes the Government's current fiscal restraint, and its 2015 decision to not grant general salary increases. In addition, given recent and anticipated retirements of senior staff, the Office plans to decrease its total salary cost for 2016-17. Also, the Office notes the market for financial accountants and auditors remains strong with projected increases in salaries ranging from 4.1% to 4.7%.<sup>10</sup> It will continue to monitor these conditions and operate within existing resources.

With respect to the employer cost of benefit plans, the 2016-17 Funding Request includes a \$19,000 increase for employer premium rate increases for the following employee benefits: WCB (\$8,000), extended health care plan (\$6,000), and Public Employees Pension Plan (PEPP) (\$5,000). In June 2013, the Government announced a rate increase effective April 1, 2016 of 0.10% to the employer premiums for PEPP. As noted in **Section 1.3**, the Act gives the Office's employees access to similar benefits as those available to public servants.

<sup>8</sup> Government of Saskatchewan Mid-Year Update, November 30, 2015.

<sup>9</sup> Order-in-Council 393/2013 approved June 25, 2013.

<sup>10</sup> Robert Half 2016 Salary Guide Accounting and Finance – 2016 projected salary increases from 2015 for public accountants.



With respect to inflation, the 2016-17 Funding Request includes a \$19,000 increase based on an anticipated inflationary increase of 1.7% on the cost of goods and services. Goods and services includes contracted staff assistance, office software and security licensing, supplies, and audit travel (e.g., hotel rates).

› The quality of and changes in the Government's records, systems, practices, and personnel

The 2016-17 Funding Request assumes that the quality of government agencies' management systems and practices will remain relatively constant; however, the Office will consider the impact of fiscal restraint and changes in staffing resulting from retirements of baby boomers on the Government's systems and practices.<sup>11</sup>

› The Government's use of appointed auditors<sup>12</sup>

The 2016-17 Funding Request assumes the use of appointed auditors on an overall basis will remain relatively constant.

While the use of appointed auditors reduces the Office's costs, it increases the total cost of auditing to taxpayers in that two auditors are involved. When the Government appoints a second auditor (appointed auditor), the Office follows the recommendations of the *Task Force on Roles, Responsibilities, and Duties of Auditors*.<sup>13</sup> Following these recommendations ensures the Office serves the Assembly efficiently and minimizes the duplication of effort. **Section 4.5 – Total Costs to Audit Government Agencies** sets out the total costs to audit government agencies for the last five years.

› The level of cooperation the Office expects to receive from government officials and appointed auditors when it does its work

The 2016-17 Funding Request assumes the Office will continue to receive cooperation from government officials and appointed auditors.

› Changes to professional accounting, auditing, and assurance standards

The 2016-17 Funding Request does not include additional resources to handle known or anticipated changes in professional standards. Rather, the Office plans to find internal efficiencies to manage the cost of the impact of these changes.

The Canadian Auditing and Assurance Standards Board has approved and is anticipating key changes to auditing and assurance standards (e.g., new auditor report, CSAE 3001<sup>14</sup>). In addition, the Public Sector Accounting Board and the Canadian Accounting Standards Board are making ongoing changes to Canadian accounting standards. In addition, regulation of the practice of professional accounting, including the Office, has increased. These changes will result in changes to the Office's audit methodology and practices, and additional audit work effort.

› The legislator's and public's expectations

The 2016-17 work plan is based on the planning approach used in prior years and reflects a similar mix of work. The Office is currently in the process of renewing its strategic plan. As of October 31, 2015, the

<sup>11</sup> On November 30, 2015, the Government, in conjunction with the Mid Year Update, announced its plans to change the fiscal year end of Crown Investments Corporation of Saskatchewan, and its subsidiaries and related entities from December 31 to March 31. The Office recognizes this will change its workflow for 2016-17 and future years. Because of the timing of this decision, the Office has not had the opportunity to work with government officials to determine the impact on the Office. As a result, the Office had not included any changes to its 2016-17 funding request. If it requires any additional resources for this change particularly in the transition year (2016-17), it may access the unforeseen expenses appropriation and, if so, explain the use of those resources to PAC.

<sup>12</sup> The Government has decided to use appointed auditors to audit many agencies. It has stated that it uses appointed auditors so the Saskatchewan public accounting industry can retain local expertise.

<sup>13</sup> Available at [www.auditor.sk.ca](http://www.auditor.sk.ca) under Publications/Resources.

<sup>14</sup> Assurance requirements in CSAE 3001 are effective for attestation or direct engagements where the assurance report is dated on or after June 30, 2017.





strategic planning committee did not highlight significant changes to the major external forces and trends noted in the 2012-2017 Strategic Plan (see **Exhibit 4**). As part of the strategic planning process, the Office expects to vet the proposed plan with key legislators and officials prior to finalizing it in 2016.

#### ***Exhibit 4—External Forces and Trends Affecting the Office***

The Office's 2012-2017 Strategic Plan identifies 12 major external forces and trends that affect the Office's stakeholders (i.e., legislators, the public, and government officials) and shape the Office's work. The Office plans to continue to focus its efforts on helping its stakeholders address the challenges emerging from these forces and trends as well as several more specific issues. In particular, the Office will continue to encourage the Government to address the following challenges:

- › Report on how it manages the risks related to advancing technology, changing demographics, economic constraints, globalization, sustainability, and protecting the environment
- › Improve its management of risks for effective service delivery related to public sector human resources, the environment, and infrastructure including information technology
- › Improve long-term capital and operating planning processes
- › Improve governance processes for better management of public resources
- › Strengthen its management of complex accountability relationships with non-government organizations (e.g., service agreements with community-based organizations, public-private partnerships, financing structures)
- › Strengthen its management of and accountability for intergovernmental and interagency programs
- › Strengthen its management of key regulatory processes and operations
- › Improve the quality of information provided to legislators on the plans and results of the overall Government and each of its agencies including Crown corporations

The **Schedule of Planned Costs to Audit Government Agencies** sets out the annual work plan for the year ended March 31, 2017. The Schedule forms part of the audited financial forecast included in **Section 3.2**. The Schedule sets out the planned costs to audit and report on government agencies for the Office's fiscal year ended March 31, 2017 and comparative information.

## ***2.5 Impact of Alternative Funding Levels***

If the Office does not obtain approval for a sufficient appropriation from PAC, it will not be able to carry out its work plan. As previously noted, the Office uses a risk-based model to set its work plan. The model reflects that the Office must provide assurance on the Government's Summary Financial Statements along with assurance on the effectiveness of the Government's management of public resources, and compliance with the law. If the Office is unable to obtain sufficient funding, it would provide less service by not auditing certain agencies in the following sequence:

- › Revolving and other special purpose funds
- › Agricultural marketing boards and funds
- › Certain CIC-related Crown corporations
- › Certain school divisions

When the Office does not examine Government agencies, the Assembly does not receive the Office's assurances on the Government's financial statements, the effectiveness of its management of public resources, and its compliance with governing authorities.

If necessary, the Office will report to the Legislative Assembly which Government agencies it was unable to audit. When this is necessary, the Office is concerned with the impact this message has on public confidence in the system of Government.



### **3.0     *Annual Work Plan for 2016-17 and Supporting Schedules***





## 3.1 Glossary

### *Estimate*

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Future-oriented financial information prepared using actual results, where available, and assumptions all of which reflect the entity's planned course of action for the period covered given management's judgement as to the most probable set of economic conditions.

### *Forecast*

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Future-oriented financial information prepared using assumptions that reflect the entity's planned courses of action for the period given management's judgement as to the most probable set of economic conditions (*CPA Canada Handbook – Assurance*).

### *Projection*

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Future-oriented financial information prepared using assumptions that reflect the entity's planned courses of action for the period given management's judgement as to the most probable set of economic conditions, together with one or more hypotheses that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management's judgement (*CPA Canada Handbook – Assurance*).



## 3.2 Audited Financial Forecast

### Management's Responsibility for the Financial Forecast

The accompanying financial forecast consisting of a Statement of Operations included in the *Business and Financial Plan* for the Office of the Provincial Auditor for the year ended March 31, 2017, is the responsibility of management of the Office. Management has prepared the financial forecast in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this *Business and Financial Plan* is consistent with that in the financial forecast.

To ensure the integrity and objectivity of the financial data, management maintains an appropriate code of conduct, a comprehensive system of internal controls including written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that the most probable set of economic conditions are reflected in the assumptions the Office developed to prepare the financial forecast. These measures also provide reasonable assurance that the assumptions are suitably supported and consistent with the goals and plans developed by the Office, and provide a reasonable basis for the forecast.

The financial forecast was audited by Virtus Group LLP. Their report to the Standing Committee on Public Accounts stating the scope of their examination and opinion on the financial forecast follows.

Judy Ferguson, FCPA, FCA  
Provincial Auditor

December 14, 2015  
Regina, Saskatchewan

### Auditors' Report on Financial Forecast

To the Standing Committee on Public Accounts:

The accompanying financial forecast of the Office of the Provincial Auditor consisting of a Statement of Operations for the year ended March 31, 2017, has been prepared by management using assumptions with an effective date of October 31, 2015. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Auditing Guideline published by the Chartered Professional Accountants of Canada. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- ▶ As at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the Office, and provide a reasonable basis for the forecast
- ▶ This forecast reflects such assumptions
- ▶ The financial forecast complies with the presentation and disclosure standards for forecasts published by the Chartered Professional Accountants of Canada

Since this forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variances may be material. Accordingly, we express no opinion as to whether this forecast will be achieved.

Chartered Professional Accountants

December 14, 2015  
Regina, Saskatchewan





—Audited—

**OFFICE OF THE PROVINCIAL AUDITOR**  
**STATEMENT OF OPERATIONS**  
For the Years Ended March 31  
(thousands of dollars)

	2014 Actual	2015 Actual	2016 Estimate (Unaudited) (Note 4)	2017 Forecast (Note 5,6)	2018 Projection (Unaudited)
<b>Revenue:</b>					
General Revenue Fund (GRF)					
- Appropriation	\$ 7,948	\$ 8,215	\$ 8,187	\$ 8,205	\$ 8,287
- Contingency Appropriation (Note 2)	509	537	555	545	550
Other (Note 3)	5	5	27	5	5
<b>Total revenue</b>	<b>8,462</b>	<b>8,757</b>	<b>8,769</b>	<b>8,755</b>	<b>8,842</b>
<b>Expense:</b>					
Salaries	5,350	5,384	5,257	5,531	5,587
Employee benefits	977	933	949	1,005	1,015
Facilities and equipment	731	730	726	732	739
Administration	429	409	412	427	431
Agent and advisory services	339	332	509	341	344
Training and development	129	165	171	170	172
<b>Total operating expense</b>	<b>7,955</b>	<b>7,953</b>	<b>8,024</b>	<b>8,206</b>	<b>8,288</b>
Transfer to GRF (Note 3)					
- Return of unused Appropriation	521	834	728	545	550
- Other	5	5	27	5	5
<b>Total transfer to GRF</b>	<b>526</b>	<b>839</b>	<b>755</b>	<b>550</b>	<b>555</b>
<b>Total expense</b>	<b>8,481</b>	<b>8,792</b>	<b>8,779</b>	<b>8,756</b>	<b>8,843</b>
<b>Annual surplus (deficit)</b>	<b>(19)</b>	<b>(35)</b>	<b>(10)</b>	<b>(1)</b>	<b>(1)</b>
Accumulated surplus, beginning of year	207	188	153	143	142
<b>Accumulated surplus, end of year</b>	<b>\$ 188</b>	<b>\$ 153</b>	<b>\$ 143</b>	<b>\$ 142</b>	<b>\$ 141</b>

(See accompanying notes and schedules)



**Office of the Provincial Auditor**  
**Notes to the Statement of Operations**  
**For the Years Ended March 31**

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**1. Summary of Accounting Policies**

The Office used Canadian public sector accounting principles to prepare this financial information. The following accounting principles are considered to be significant:

**a) Revenue**

The appropriation from the General Revenue Fund is recorded when authorized by the Legislative Assembly.

Other revenue consists of bank interest and the return of surplus funds from the Workers' Compensation Board, which are recorded when earned.

**b) Tangible Capital Assets**

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years	Other furniture	5 years
Computer software	3 years	Other equipment	3 years
Furniture (desks, file cabinets)	10 years		

**2. Contingency Appropriation**

To enable the Provincial Auditor to retain independence to manage unforeseen circumstances effectively, *The Provincial Auditor Act* provides for the Provincial Auditor to obtain an extra appropriation each year for unforeseen expenses (contingency appropriation). The Act provides for a contingency appropriation in place of the Office maintaining net financial assets. Prior to 2001, the Office maintained net financial assets equal to approximately one month's salary and benefit expenses.

**3. Transfer to General Revenue Fund**

*The Provincial Auditor Act* requires the Office to give all other revenues to the General Revenue Fund. The Act also requires the Office to return any excess appropriations to the General Revenue Fund. For 2016, the Office anticipates that it will give \$27,000 of other revenue and \$728,000 of its appropriation to the General Revenue Fund.

**4. 2016 Estimate**

The estimate for 2016 is based on actual information known to October 31, 2015, and the planned course of action for the remainder of the year. The actual results will vary and the variations may be material. The Office's actual expenses for the seven months ended October 31, 2015, were \$4.4 million (unaudited).

**5. 2017 Forecast – Key Assumptions**

The financial information presented for 2017 is a forecast, and accordingly actual results will vary and the variations may be material.

The Office prepared the financial information for the year ended March 31, 2017, using the significant assumptions set out below. The assumptions reflect the Office's planned course of action for this period as







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—Audited—

set out in the goals, objectives, and supporting strategies in **Section 5.0 – The Office’s 2012-2017 Strategic Plan**. The Office based the assumptions on management’s judgement of the most probable set of economic conditions for this period based on known information at October 31, 2015.

**Appropriation** is the amount of money the Office needs from the General Revenue Fund to finance operations. The Office returns any amounts not required during the year to the General Revenue Fund at year-end (Transfer to GRF).

**Contingency appropriation** is the amount of money from the General Revenue Fund required for unforeseen expenses. The Office returns any amounts not required during the year to the General Revenue Fund at year-end (Transfer to GRF).

**Other revenue** includes bank interest earned on cash held during the year at an average rate of 0.20%.

**Salaries** are based on 60 full-time equivalent positions at an average salary cost of \$92,200 (Refer to **Section 3.4 –Forecast and Actual Full-Time Equivalent Positions and Average Salaries of Employees**). Average salary cost is determined using best estimates of expected pay for current and new employees based on past trends and expected economic conditions.

Total full-time equivalent positions of 62 (60 FTE salaried employees plus 2 FTE contracted staff assistance) reflects the staff necessary to obtain 70,000 audit hours. The required audit hours for the agencies included in the **Schedule of Planned Costs to Audit Government Agencies** is based on the planned use of staff time set out in the **Schedule of Planned Time Spent on Tasks**. When determining required audit hours, the Office takes into account known information at October 31, 2015 about the state of the Government’s systems and practices, the number and size of government agencies, the Government’s use of appointed auditors, and auditing standards.

**Employee benefits** include the costs of the following benefits: Canada Pension Plan, Employment Insurance, Workers’ Compensation, Public Employees Pension Plan, Public Employees Dental Plan, Public Employees Disability Income Plan, Public Employees Group Life Insurance Plan, extended health care plan, maternity/paternity top-up plan, and a flexible benefit plan. The costs reflect current rates charged for these benefits or expected rate changes.

**Facilities and equipment** includes rent for office space based on a 10-year lease effective April 1, 2012, and reflects management’s best estimates based on past trends and current economic conditions for costs such as amortization of tangible capital assets, and computer hardware and software maintenance.

**Administration** reflects management’s best estimates based on past trends and current economic conditions for costs such as audit travel, professional fees and dues, telephone, printing, and office supplies.

**Agent and advisory services** represents management’s best estimates for legal costs, the cost of auditing the Office, and other contractual services. It includes costs for contracted staff assistance of two full-time equivalent positions.

**Training and development** costs are the estimated out-of-pocket costs to train staff to become professional accountants, keep the knowledge and skills of current professionals up-to-date, and gain knowledge in specialized areas. The Office based the costs on past trends and office policies. (Refer to **Section 3.5 – Training Schedule**).







## 6. Schedule of Revenue and Expenditure (thousands of dollars)

The Office prepared the following schedule using the expenditure basis of accounting. Expenditures are the cost of goods and services acquired in the year whether or not the Office has made payment. The appropriation from the General Revenue Fund is determined using the expenditure basis of accounting.

For the Years Ended March 31	2014 Actual	2015 Actual	2016 Estimate (Unaudited)	2017 Forecast	2018 Projection (Unaudited)
<b>Revenue:</b>					
General Revenue Fund					
- Appropriation	\$ 7,948	\$ 8,215	\$ 8,187	\$ 8,205	\$ 8,287
- Contingency Appropriation	509	537	555	545	550
Other	5	5	27	5	5
<b>Total revenue</b>	<b>8,462</b>	<b>8,757</b>	<b>8,769</b>	<b>8,755</b>	<b>8,842</b>
<b>Expenditure:</b>					
Salaries	5,350	5,384	5,257	5,531	5,587
Employee benefits	975	936	949	1,005	1,015
Facilities and equipment	702	716	715	731	738
Administration	430	406	413	427	431
Agent and advisory services	339	332	509	341	344
Training and development	140	144	171	170	172
<b>Total operating expenditure</b>	<b>7,936</b>	<b>7,918</b>	<b>8,014</b>	<b>8,205</b>	<b>8,287</b>
Transfer to GRF					
- Return of unused Appropriation	521	834	728	545	550
- Other	5	5	27	5	5
<b>Total transfer to GRF</b>	<b>526</b>	<b>839</b>	<b>755</b>	<b>550</b>	<b>555</b>
<b>Total expenditure</b>	<b>8,462</b>	<b>8,757</b>	<b>8,769</b>	<b>8,755</b>	<b>8,842</b>
<b>Excess of revenue over expenditure</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



—Audited—

**OFFICE OF THE PROVINCIAL AUDITOR  
SCHEDULE OF PLANNED TIME SPENT ON TASKS  
For the Years Ended March 31**

	Actual			Planned	
	2013	2014	2015	2016	2017
<b>Employee time</b>					
Working hours	84%	85%	85%	84%	85%
Vacation leave and statutory holidays <sup>1</sup>	14%	13%	13%	14%	13%
Sick leave	2%	2%	2%	2%	2%
<b>Total paid hours</b>	100%	100%	100%	100%	100%
<b>Working hours' tasks</b>					
Audits	70%	72% <sup>3</sup>	71% <sup>3</sup>	69%	70%
Support services	11%	11%	11%	11%	11%
Office administration	11%	11%	12%	12%	12%
Training	8%	6% <sup>3</sup>	6% <sup>3</sup>	8%	7% <sup>4</sup>
<b>Total work hours</b>	100%	100%	100%	100%	100%
<b>Total full-time equivalent positions<sup>2</sup></b>	61	61	61	62 <sup>5</sup>	62 <sup>5</sup>

(See accompanying notes)

Explanations of statistical differences in the use of employee time.

- <sup>1</sup> The Office provides vacation leave and statutory holidays similar to those provided to employees in the public service. Every four years, there is one more statutory holiday (Easter) in the period (i.e., 2013 and 2016).
- <sup>2</sup> Includes employees and contracted assistance.
- <sup>3</sup> During 2014 and 2015, some management and specialized training was deferred to meet audit deadlines. In 2015, some specialized training was available via webinar or in Saskatchewan thereby decreasing travel time for training events.
- <sup>4</sup> Planned time for 2017 anticipates increased use of webinars for training events reducing travel time to conferences.
- <sup>5</sup> Represents 60 full-time equivalent employees and 2 full-time equivalent contracted assistance.



**Office of the Provincial Auditor**  
**Notes to the Schedule of Planned Time Spent on Tasks**  
**For the Years Ended March 31**

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**1. Purpose**

This schedule shows work tasks and the percentage of time spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2013 to March 31, 2015, and planned percentages for these tasks for the years ended March 31, 2016 and 2017.

**2. Definitions**

**Working hours** – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

**Vacation leave and statutory holidays** – Vacation leave paid. It is based on years of service. Employees also receive paid provincial statutory holidays similar to those provided in the public service.

**Sick leave** – Sick leave paid. The amount of paid leave is based on approved leave taken prior to being eligible for long term disability benefits.

**Total paid hours** – This is the total of working hours, vacation leave, statutory holidays, and sick leave. Employees must work a minimum of 1950 hours per year to receive full pay.

**Audit hours** – This is the time spent on the audits set out in the **Schedule of Planned Costs to Audit Government Agencies**. Audit hours do not include the time spent on support services, office administration, and training.

**Support services** – This is the time spent on accounting, computer maintenance and support, and other administrative support.

**Office administration** – This is time spent on human resource activities, internal committees and working groups, office-wide and division planning activities, and time that does not fall within any other working hours task category.

**Training** – This is time spent on staff development, courses, and seminars. The time includes both employee attendance time and instructor time when employees instruct courses.

**Full-time equivalent positions** – Total paid hours divided by 1950 hours.

**3. Time Allocation Policies**

Employees and contract staff are required to record actual time spent on each task to the nearest quarter hour. Staff supervisors approve all time recorded. The Office uses the staff time information to pay employees and contract staff, and monitor productivity. The Office also uses this information to determine and monitor the costs to audit government agencies.

**4. Actual Time**

The percentages of actual time set out in the Schedule are those presented in the audited **Schedule of Actual Time Spent on Tasks** in the Office's *Annual Report on Operations* for the related fiscal year.



—Audited—

**OFFICE OF THE PROVINCIAL AUDITOR**  
**SCHEDULE OF PLANNED COSTS TO AUDIT GOVERNMENT AGENCIES**  
**For the Years Ended March 31**  
**(thousands of dollars)**

<b>Government Agency</b>	<b>2014 Actual Costs (Note 1)</b>	<b>2015 Actual Costs (Note 1)</b>		<b>2016 Planned Costs</b>		<b>2017 Planned Costs</b>	
Advanced Education	\$ 1,171	\$ 904	<sup>13</sup>	\$ 973		\$ 882	<sup>1</sup>
Agriculture	344	243	<sup>14</sup>	232		230	
Central Services	203	180		253		189	
Economy	407	377		404		423	
Education	541	723	<sup>15</sup>	742		680	
Environment	274	270		261		300	
Executive Council	20	21		18		18	
Finance	806	769		896	<sup>5</sup>	933	
Government Relations	268	215		195		277	<sup>2</sup>
Health	1,179	1,236		1,167		1,227	
Highways and Infrastructure	93	98		159		154	
Justice	469	390	<sup>16</sup>	508	<sup>6</sup>	442	
Labour Relations and Workplace Safety	28	19		22		22	
Legislative Assembly	102	109		107		115	
Parks, Culture and Sport	211	237		245		306	
Public Service Commission	40	65		67		67	
Saskatchewan Liquor and Gaming Authority	201	201		312	<sup>7</sup>	207	<sup>3</sup>
SaskBuilds Corporation	9	121	<sup>17</sup>	9	<sup>8</sup>	68	
Social Services	168	196		284	<sup>9</sup>	193	<sup>4</sup>
Workers' Compensation Board	33	28		35		85	
Crown Investments Corporation of Saskatchewan	115	64		88		121	
Saskatchewan Gaming Corporation	39	32		42		41	
Saskatchewan Government Insurance	66	107		120		86	
Saskatchewan Opportunities Corporation	9	12		12		16	
Saskatchewan Power Corporation	76	190	<sup>18</sup>	71	<sup>10</sup>	71	
Saskatchewan Telecommunications Holding Corporation	65	50		74		137	
Saskatchewan Transportation Company	8	7		10		10	
Saskatchewan Water Corporation	19	11		21		21	
SaskEnergy Incorporated	50	52		57		57	
Government-wide and Sectoral Work	183	348	<sup>19</sup>	260	<sup>11</sup>	294	



(thousands of dollars) <b>Government Agency</b>	<b>2014 Actual Costs (Note 1)</b>	<b>2015 Actual Costs (Note 1)</b>	<b>2016 Planned Costs</b>	<b>2017 Planned Costs</b>
Legislative Committees and Public Reports	601	466	543	533
<b>TOTAL COSTS</b>	<b>\$ 7,798</b>	<b>\$ 7,741</b>	<b>\$ 8,187</b>	<b>\$ 8,205</b>
Average cost-per-audit-hour	\$ 108.00	\$ 108.63	\$ 114.41	\$ 112.55

(see accompanying notes)

Reasons for differences greater than \$75 thousand between years follow (in thousands of dollars):

**2017 and 2016 Planned**

- <sup>1</sup> **Advanced Education** – 2017 is less than 2016 by \$91. For 2017, two entities were wound up: FNUniv Financial Administration Incorporated (\$10) and University of Saskatchewan Academic Employees' Long-Term Disability Income Fund (\$22). For 2016, the Office planned to assess Saskatchewan Polytechnic's processes for the procurement of goods and services (\$53).
- <sup>2</sup> **Government Relations** – 2017 is more than 2016 by \$82. For 2017, the Office plans to assess the Ministry's property tax rate setting (\$49), and elevator licensing by the Technical Safety Authority of Saskatchewan (\$51).
- <sup>3</sup> **Saskatchewan Liquor and Gaming Authority (SLGA)** – 2017 is less than 2016 by \$105. Refer to footnote 7 below for 2016 work.
- <sup>4</sup> **Social Services** – 2017 is less than 2016 by \$91. Refer to footnote 9 below for 2016 work.

**2016 Planned and 2015 Actual**

- <sup>5</sup> **Finance** – 2016 is expected to be \$127 more than 2015. In 2016, the Office planned to assess the Ministry's processes for monitoring its fuel tax exemption program (\$37), and follow up on past recommendations related to the government's budgeting and financial reporting processes (\$18). For 2015, the Government decided to no longer issue financial statements for the General Revenue Fund (GRF) reducing the Office's 2015 costs by \$16. The remaining difference is the result of efficiencies for 2015 in staff levels used and fewer audit issues requiring research for assorted audit work such as the Summary Financial Statements (including the General Revenue Fund), and various pension and benefit plans.
- <sup>6</sup> **Justice** – 2016 is expected to be \$118 more than 2015. For 2016, the Office planned to assess the Ministry's processes related to the Building Partnerships to Reduce Crime initiative (\$56) and the Saskatchewan Legal Aid Commission's processes to deliver legal services to low-income individuals in Saskatchewan (\$51).
- <sup>7</sup> **Saskatchewan Liquor and Gaming Authority (SLGA)** – 2016 is expected to be \$111 more than 2015. For 2016, the Office planned to assess the SLGA's liquor regulatory processes (\$56), and SLGA's project management processes for key information technology projects (\$37); and follow up past recommendations related to SLGA's liquor procurement processes (\$9).
- <sup>8</sup> **SaskBuilds Corporation** – 2016 is expected to be \$112 less than 2015. Refer to footnote 17 below for 2015 work.
- <sup>9</sup> **Social Services** – 2016 is expected to be \$88 more than 2015. For 2016, the Office planned to assess the Ministry's processes related to protecting information about children in care in the Linkin system (\$42), and minimizing employee absenteeism (\$50).
- <sup>10</sup> **Saskatchewan Power Corporation (SaskPower)** – 2016 is expected to be \$119 less than 2015. Refer to footnote 18 below for 2015 work.
- <sup>11</sup> **Government-Wide and Sectoral Work** – 2016 is expected to be \$88 less than 2015. Refer to footnote 19 below for 2015 work. In 2016, fewer government-wide and sectoral audits were planned.
- <sup>12</sup> **Legislative Committees and Public Reports** – 2016 is expected to be \$77 more than 2015. In 2015, the Office's costs were lower than normal because of fewer Crown and Central Agencies Committee meetings discussing our work. Also, the Office's time spent to prepare and publish its 2015 reports was less than normal.

**2015 and 2014 Actual**

- <sup>13</sup> **Advanced Education** – 2015 was less than 2014 by \$267. For 2015, the Office assessed long-term strategic planning (\$69) and training in English as a second language (\$55). In 2014, the Office conducted two audits that were not originally planned: the Office assessed the University of Regina's processes to protect its interests as it fosters research and commercialization of research (\$105) and its processes for the procurement of goods and services, and for the disposal of surplus assets (\$255).



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- <sup>14</sup> **Agriculture** – 2015 was less than 2014 by \$101. In 2014, the Office assessed the Saskatchewan Crop Insurance Corporation's processes to determine AgriStability program benefits consistently and equitably (\$63) and the Ministry's processes to regulate waste generated from livestock operations (\$56).
- <sup>15</sup> **Education** – 2015 was more than 2014 by \$182. Because of the decision to do the two University of Regina audits noted in footnote 13, the Office completed two 2014 audits in 2015: 1 – to assess the Ministry's processes for long-term strategic planning (\$61) and 2 – to assess whether Saskatoon School Division's processes for purchasing goods and services are effective and economical (\$65). Also in 2015, the Office assessed the Saskatchewan Rivers School Division's processes to maintain its facilities (\$80).
- <sup>16</sup> **Justice** – 2015 was less than 2014 by \$79. In 2014, the Office assessed the Ministry's processes to support provincial courts in managing court workloads (\$71).
- <sup>17</sup> **SaskBuilds Corporation** – 2015 was more than 2014 by \$112. In 2015, the Office assessed SaskBuilds' processes for evaluating infrastructure projects to determine whether the projects should use a public-private partnership (P3) approach (\$110).
- <sup>18</sup> **Saskatchewan Power Corporation (SaskPower)** – 2015 was more than 2014 by \$114. In 2015, the Office assessed SaskPower's due diligence processes to evaluate power purchase agreements (\$73), SaskPower's processes to respond to cyber-attacks (\$48), and past recommendations regarding SaskPower's processes for inspections of gas and electrical installations (\$6).
- <sup>19</sup> **Government-Wide and Sectoral Work** – 2015 was more than 2014 by \$165. For 2015, the Office assessed the Government's implementation of LEAN methodology (\$79); and assessed Prairie South School Division's processes related to governance (\$57).
- <sup>20</sup> **Legislative Committees and Public Reports** – 2015 was less than 2014 by \$135. In 2014, the Office's costs related to legislative committee activities including the annual CCOLA/CCPAC conference held in August 2013 were higher than 2015 (\$78). Also, the Office spent less time to prepare and publish its 2015 reports than in 2014 (\$57).

**Average Cost-Per-Audit-Hour**

- <sup>21</sup> The decrease in the average cost-per-audit-hour in 2017 was primarily due to decreasing salaries and benefits.



**Office of the Provincial Auditor**  
**Notes to the Schedule of Planned Costs to Audit Government Agencies**  
**For the Years Ended March 31**

**1. Purpose**

This schedule (Annual Work Plan) shows the Office's actual costs to audit government agencies for its fiscal years ended March 31, 2014 and March 31, 2015. The schedule also shows the Office's planned costs to audit government agencies for its fiscal years ended March 31, 2016 and March 31, 2017.

The actual costs for 2014 and 2015 were originally provided in the **Schedule of Actual Costs to Audit Government Agencies** included in the Office's 2014 and 2015 Annual Reports on Operations. The audited information noted there would be future costs to complete these audits. Virtus Group LLP audited those schedules. The actual results reported in this schedule have been updated for actual costs up to October 31, 2015.

The Office uses a risk-based model to set priorities and allocate resources to its audits of government agencies.

The "nature of each examination" is described in section 11 of *The Provincial Auditor Act*, which states:

*11(1) The Provincial Auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:*

- a) the accounts have been faithfully and properly kept;*
- b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;*
- c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and*
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.*

**2. Cost Allocation Policies**

Government agencies have various fiscal year-ends (e.g., March 31, June 30, August 31, and December 31). Due to the nature of auditing, audit activity related to an agency occurs before and after its fiscal year end. As such, while most do, not all audits start and finish within the Office's fiscal year. As a result, the Office's total annual operating expenditure is allocated to pay for portions of more than one Annual Work Plan.

Total Operating Expenditure is the total operating expenditure as reported in the audited financial statements for the related fiscal year. It reflects total costs incurred to March 31 in that fiscal year.

Each year, the Office allocates its total operating expenditure to the audit categories set out in its Annual Work Plan. It uses hours reported for each audit in approved employee time sheets as the basis of its allocation. It applies direct costs to their relevant audit agency and year. It determines cost-per-hour based on employees' pay and benefits and a portion of other costs (e.g., facilities and equipment, administration, training and development) allocated based on the planned time spent on audits (audit hours). Cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.





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**—Audited—**

Planned Costs for 2016 were originally presented to the Standing Committee on Public Accounts in the *2016 Business and Financial Plan*. The 2016 planned costs shown on this schedule are restated to reflect the reduction to the Office's approved budget.<sup>1</sup>

Actual Costs per government agency shown on the schedule are the sum of actual direct costs related to relevant audits plus the product of actual time (hours) spent by employees multiplied by cost-per-hour.

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<sup>1</sup> On January 14, 2015, PAC passed a motion to approve the Office's request for resources as set out in its *2016 Business and Financial Plan*. On February 12, 2015, PAC rescinded its January 2015 motion and approved a reduction to the Office's budget of 1%.



### 3.3 Historical Comparison of the Costs of the Office's Work Plans

The following table shows a five-year summary comparison of costs to discharge the Office's duties under *The Provincial Auditor Act*. The **Schedule of Planned Costs to Audit Government Agencies** included in **Section 3.2 – Audited Financial Forecast** compares detailed work plans for the years 2014 to 2017 and explains key differences.

The 2018 planned costs assume an inflationary increase of 1% and that the other factors listed in **Section 2.3** will not significantly impact future costs of the Office.

Work Plan Costs to Audit Each Government Agency for the Office's Fiscal Years Ended March 31				
In millions of dollars				
2014 Actual	2015 Actual	2016 Planned	2017 Planned	2018 Planned
7.798	7.741	8.187	8.205	8.287
(Details in the <b>Schedule of Planned Costs to Audit Government Agencies</b> )				(Details to be determined in 2016)

### 3.4 Forecast and Actual Full-Time Equivalent Positions and Average Salaries of Employees

Information on full-time equivalent positions and average salary of employees:

Fiscal Year	FTE <sup>1</sup> Positions		Average Salaries <sup>2</sup>	
	Forecast	Actual	Forecast	Actual
2008	57	58	71,000	73,500
2009	58	56	77,200	77,700
2010	58	55	81,600	82,800
2011	61	59	84,700	83,700
2012	60	56	88,100	87,500
2013	60	59	88,400	88,700
2014	60	58	88,600	92,200
2015	60	58	93,000	92,800
2016	60	58 <sup>3</sup>	92,800	90,600 <sup>3</sup>
2017	60		92,200	

<sup>1</sup> FTE – Full-time equivalent

<sup>2</sup> Average salaries have increased from 2008 to 2017 primarily due to the Provincial Auditor's employees receiving similar economic adjustments as those the Government provided to out-of-scope public servants and responses to market pressures. The following table sets out the economic adjustments the Government provided to out-of-scope public servants. These economic adjustments cause the Office's average salary to increase from \$73,500 per year at March 31, 2008 to \$87,100 per year at March 31, 2017. The remaining increase reflects the Office's response to market pressures in recent years for hiring and retaining professional accountants/auditors and students.

Economic adjustments provided to out-of-scope public servants:

July 1, 2007	6.1%	April 1, 2010	1.5%	April 1, 2013	2.0%
April 1, 2008	4.0%	April 1, 2011	2.0%	April 1, 2014	1.25%
April 1, 2009	4.5%	April 1, 2012	2.0%	April 1, 2015	0.0%

<sup>3</sup> Estimated number of full-time equivalent positions and average salaries for 2016 based on information known at October 31, 2015. Unanticipated turnover during 2016 and delay in certain promotions has changed the composition of the Office's usual average salary.



### 3.5 Training Schedule

The training schedule shows employee hours, employee salary cost, and out-of-pocket costs.

Fiscal Year	Actual			Forecast		
	Hours	Salary Cost	Out-of-Pocket Costs	Hours <sup>1,2</sup>	Salary Cost	Out-of-Pocket Costs
2008	7,701	261,027	154,793	8,800	291,700	160,000
2009	7,931	292,026	180,677	8,740	313,400	160,000
2010	7,656	280,606	167,420	8,760	334,800	175,000
2011	9,664	385,371	171,793	9,996 <sup>3</sup>	421,300	175,000
2012	7,961 <sup>4</sup>	346,740 <sup>4</sup>	144,997 <sup>4</sup>	10,120	454,100	175,000
2013	7,753 <sup>4</sup>	349,730 <sup>4</sup>	144,004 <sup>4</sup>	9,944	438,300	175,000
2014	5,794 <sup>4</sup>	282,151 <sup>4</sup>	139,848 <sup>4</sup>	9,006	419,600	175,000
2015	6,435 <sup>4</sup>	305,592 <sup>4</sup>	144,221 <sup>4</sup>	8,309	378,500	175,000
2016	7,419 <sup>5</sup>	342,789 <sup>5</sup>	171,299 <sup>5</sup>	7,944	380,000	170,000
2017				7,615	344,100	170,000

<sup>1</sup> The Office trains employees to become professional accountants (CPA) as a key strategy to recruit staff. 40% – 50% of training hours relate to training these students.

<sup>2</sup> The following table is the survey results of 2015 training policies of the legislative auditors across Canada. Ten out of 11 legislative auditors responded to the survey.

Type of Training	Legislative Auditors Average 2015	Provincial Auditor Saskatchewan 2015	Provincial Auditor Saskatchewan Forecast 2017
Training new staff to become professionals	10 days	11 days	11 days
Keeping existing professional staff current	10 days	8 days	8 days
Specialized training (e.g., computers, pensions, tax, etc.)	9 days	10 days	10 days

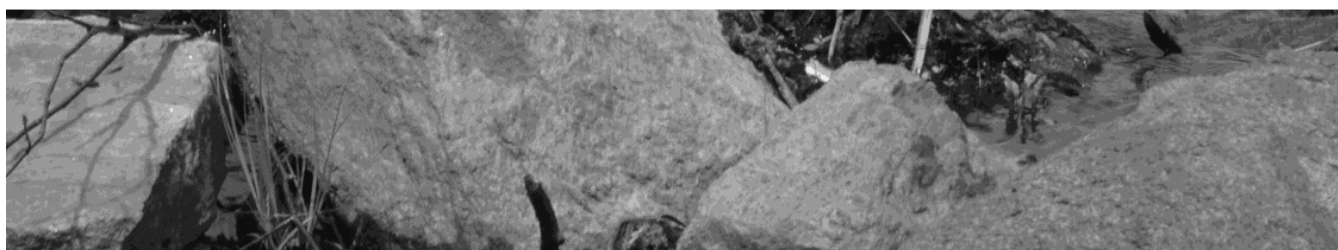
<sup>3</sup> Beginning in 2011, the Office planned to use more senior employee time for the training of other professional staff to transfer knowledge as part of the succession plan and in response to the significant changes in professional standards.

<sup>4</sup> During 2012, 2013, 2014 and 2015 some management and specialized training was deferred to meet audit deadlines.

<sup>5</sup> This is an estimate for 2015-16 based on known information at October 31, 2015. Actual results may vary.



## ***4.0 Other Supporting Information***





## 4.1 *Impact of Changes to Government Agencies on the 2016-17 Work Plan*

The Office submits its request for resources in December of a year (2015) for the next April to March fiscal (2016-17) year. The Office bases its request on information known to October 31, 2015. The Office reflects information received after that date in the next request for resources.

The Office requests additional resources to audit new agencies (created), does not request resources to audit wound up agencies, and adjusts resources when agencies are significantly reorganized.

<b>Changes in Government Agencies in 2016-17</b> (thousands of dollars)		
<b>Created:<sup>1</sup></b>		
<b>Ministry of Environment</b>		
Orphaned Environmentally Impacted Sites Fund	12.7	
<b>Total Created</b>		<b>12.7</b>
<b>Wound Up:<sup>2</sup></b>		
<b>Ministry of Advanced Education</b>		
FNUniv Financial Administration Incorporated	(10.3)	
University of Saskatchewan Academic Long-Term Disability Plan	(22.5)	
<b>Total Wound Up</b>		<b>(32.8)</b>
<b>Net impact of changes to government agencies on the 2016-17 work plan</b>		
<b>Increase (Decrease)</b>		<b>(20.1)</b>

<sup>1</sup> These agencies were created, became a government-controlled agency, or were subject to audit by the Provincial Auditor during 2015-16 and result in more work for the Office in 2016-17.

<sup>2</sup> These agencies, that were in operation, were wound up, ceased to be a government-controlled agency, were inactive, or were no longer subject to audit by the Provincial Auditor during 2015-16 and result in less work for the Office in 2016-17.

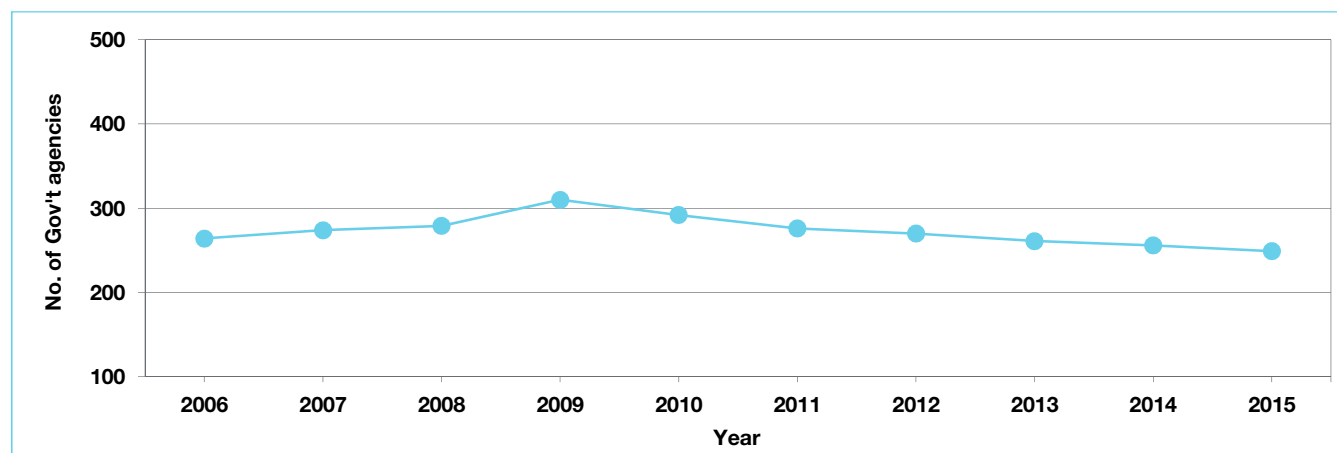
## 4.2 *Spending Trends*

In response to a past request from members of the Standing Committee on Estimates and the Standing Committee on Public Accounts, the Office provides the following spending trends.

The number of agencies within the Government along with their size affects the work of the Office. Over the 10-year period from 2006 to 2015, the number of government agencies has decreased from 264 agencies in 2006 to 249 agencies in 2015.



### Total Number of Government Agencies from 2006 to 2015



To provide insight on the volume of government financial transactions that the Office is responsible to audit, the Office provides the Government's gross revenues and expenses, and gross assets and liabilities for the same 10-year period. Over the 10-year period from 2006 to 2015, the Office's spending increased by 40%; over the same period, the Government's gross revenue and expense have increased by 60% and its gross assets and liabilities have increased by 53%.

### Provincial Auditor Spending and Volume of Government Financial Activity from 2006 to 2015

Fiscal Year	Provincial Auditor Spending <sup>1</sup>		Volume of Government Financial Activity <sup>2</sup>			
	(in \$ millions)	% chg	Gross Revenue and Expense		Gross Assets and Liabilities	
			(in \$ billions)	% chg	(in \$ billions)	% chg
2006	\$ 5.7	3.6	\$ 26.9	4.7	\$ 40.0	3.1
2007	6.0	5.3	29.4	9.3	41.7	4.3
2008	6.3	5.0	32.2	9.5	44.4	6.5
2009	6.6	4.8	37.0	14.9	43.3	(2.5)
2010	7.0	6.1	35.9	(3.0)	45.9	6.0
2011	7.4	5.7	37.9	5.6	47.4	3.3
2012	7.4	-	39.1	3.2	49.3	4.0
2013	7.8	5.4	40.2	2.8	53.2	7.9
2014	8.0	2.6	42.2	5.0	57.2	7.5
2015	8.0	-	43.1	2.1	61.0	6.6

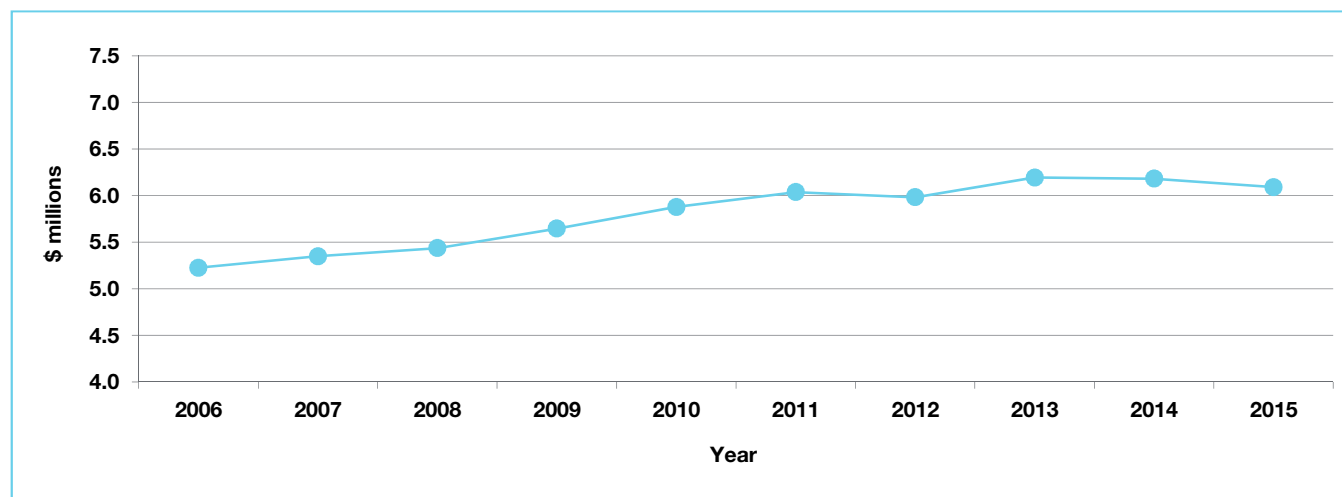
<sup>1</sup> Provincial Auditor spending reflects the total operating expenses reflected in its audited financial statements. It does not include fees that appointed auditors charged government agencies.

<sup>2</sup> Derived from the Government of Saskatchewan Summary Financial Statements. Gross revenue and expense represents total revenue, total government business enterprises (GBE) revenue and expense, and total expense. Gross assets and liabilities represents total financial assets and total liabilities grossed up for the activities of GBE's and pensions.



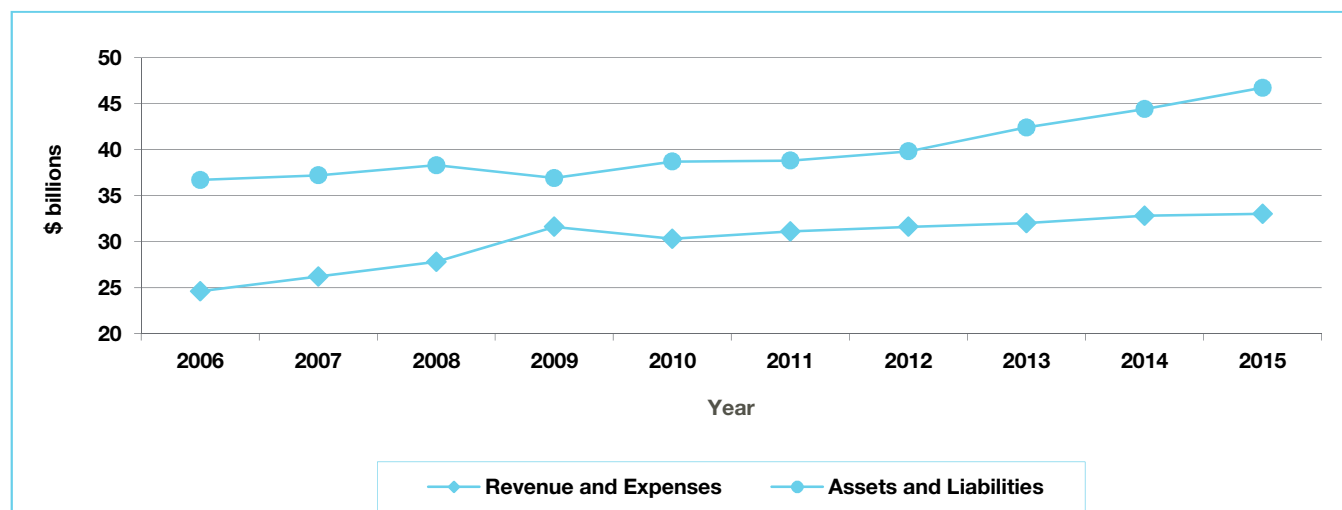
The graphs below show trends for the 10-year period from 2006 to 2015 in Provincial Auditor Spending and in Government Financial Activity each adjusted for inflation using 2002 as the base year.

### ***Provincial Auditor Spending from 2006 to 2015 Adjusted for Inflation***



Provincial Auditor spending reflects the total operating expenses reflected in its audited financial statements adjusted for inflation using the Consumer Price Index of Saskatchewan and 2002 as the base year.

### ***Government Financial Activity from 2006 to 2015 Adjusted for Inflation***



The Government's gross Revenue and Expenses and Gross Assets and Liabilities are adjusted for inflation using The Consumer Price Index of Saskatchewan and 2002 as the base year.





### 4.3 Out-of-Province Travel

Out-of-province travel costs for the last five years.

Out-of-Province Travel Costs									
	2012-13		2013-14		2014-15		2015-16		2016-17
Forecast	\$ 45,100	<sup>1,2</sup>	\$ 49,000	<sup>1,2</sup>	\$ 35,000	<sup>1,4</sup>	\$ 30,000	<sup>1,4</sup>	\$ 30,000
Actual	29,249	<sup>3</sup>	22,375	<sup>3</sup>	40,548	<sup>5</sup>	28,310	<sup>6</sup>	

<sup>1</sup> Costs include participation in national working groups with the legislative audit community to agree on guidelines for auditing and reporting on performance. Also, some specialized training is not available in province (e.g., pension and benefit plans, gaming and insurance areas).

<sup>2</sup> Costs also include travel for some of the Office's students to attend sessions for the CA School of Business (CASB) in Alberta. CASB does not always host all sessions in Saskatchewan.

<sup>3</sup> Some specialized training was available in province, which was not anticipated when the forecast was set. The CCPAC/CCOLA Annual Conference was held in Regina in August 2013 resulting in less travel.

<sup>4</sup> Costs for 2015, 2016, and 2017 anticipate that some specialized training will be available via webinar or in Saskatchewan decreasing out-of-province travel costs.

<sup>5</sup> Some specialized training was not available in province as initially anticipated. Also, the timing of some annual CCOLA meetings attended by staff resulted in more meetings held during 2014-15 than normal.

<sup>6</sup> This is an estimate to March 31, 2016. Actual results may vary. The actual to October 31, 2015 is \$14,210.

### 4.4 Senior Management Salaries

Annual salaries of senior management for the past five years and the percentage change from the previous year.

**Annual salaries as at March 31:**

	2011	2012	%chg from 2011 <sup>1</sup>	2013	%chg from 2012 <sup>2</sup>	2014	%chg from 2013 <sup>3</sup>	2015	%chg from 2014 <sup>4</sup>
Atkinson, B.	202,100 <sup>5</sup>	- <sup>6</sup>	-	-	-	-	-	-	-
Lysyk, B.	-	207,721 <sup>7</sup>	-	208,865	0.55	- <sup>11</sup>	-	-	-
Ferguson, J.	158,340	161,304	1.87	170,000 <sup>9</sup>	5.39	219,349 <sup>11</sup>	29.03	225,550	2.83
Ahmad, M.	158,340	161,304	1.87	164,530	2.00	167,821 <sup>12</sup>	2.00	170,000	1.30
Borys, A.	-	155,702 <sup>8</sup>	-	160,856	3.31	167,821 <sup>12</sup>	4.33	170,000	1.30
Deis, K.	-	-	-	150,000 <sup>9</sup>	-	159,120 <sup>12</sup>	6.08	170,000	6.84
Heffernan, M.	158,340	161,304	1.87	- <sup>10</sup>	-	-	-	-	-
Montgomery, E.	158,340	161,304	1.87	164,530	2.00	167,821 <sup>12</sup>	2.00	- <sup>13</sup>	-

Note: *The Provincial Auditor Act* states that the Provincial Auditor's salary is the average of the salaries paid to Deputy Ministers and the Provincial Auditor receives any economic adjustments that Deputy Ministers receive.

<sup>1</sup> The Government granted salary increases to all out-of-scope public servants of 2.0% on April 1, 2011.

<sup>2</sup> The Government granted salary increases to all out-of-scope public servants of 2.0% on April 1, 2012.

<sup>3</sup> The Government granted salary increases to all out-of-scope public servants of 2.0% on April 1, 2013.

<sup>4</sup> The Government granted salary increases to all out-of-scope public servants of 1.25% on April 1, 2014.

<sup>5</sup> Mr. G. Fred Wendel retired as Provincial Auditor on April 30, 2010; Mr. Brian Atkinson was appointed as Acting Provincial Auditor.

<sup>6</sup> Mr. Brian R. Atkinson retired as Acting Provincial Auditor on April 1, 2011.

<sup>7</sup> Ms B. Lysyk was appointed as Provincial Auditor effective April 1, 2011.

<sup>8</sup> Ms A. Borys was promoted to position of Deputy Provincial Auditor and Chief Operating Officer effective December 1, 2011.

<sup>9</sup> Ms J. Ferguson was promoted to position of Assistant Provincial Auditor, and Mr. K. Deis was promoted to position of Deputy Provincial Auditor effective April 1, 2012.

<sup>10</sup> Mr. M. A. Heffernan retired effective April 2, 2012.

<sup>11</sup> Ms B. Lysyk resigned as Provincial Auditor effective August 31, 2013 and Ms J. Ferguson was appointed as Acting Provincial Auditor effective September 1, 2013.

<sup>12</sup> Deputy Provincial Auditors also received \$833 per month from September 1, 2013 to May 31, 2014 and one Principal received \$625 per month from October 1, 2013 to March 31, 2014 in recognition of completion of additional duties resulting from the August 2013 resignation of the Provincial Auditor.

<sup>13</sup> Mr. E. Montgomery retired effective May 31, 2014.

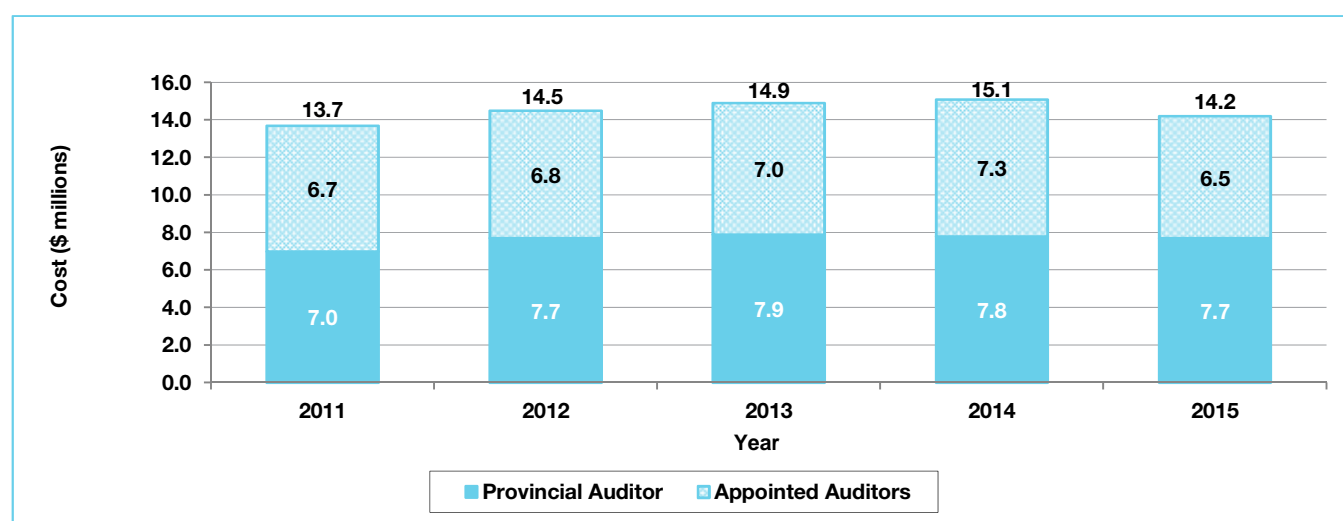


## 4.5 Total Costs to Audit Government Agencies

Following is a summary of the total costs to audit government agencies for the last five years.

Many of the 249 agencies that the Government manages use appointed auditors. The Government has stated that it uses appointed auditors so the Saskatchewan public accounting industry can develop and retain local expertise. As the Government is accountable for the costs of using appointed auditors, the Office's financial plan does not reflect the cost of their audit services. The Office's annual work plan reflects the known use of appointed auditors and impact on the way the Office carries out its work. The use of appointed auditors reduces the Office's costs but increases the total cost of auditing to taxpayers. It costs more to audit when there are two auditors.

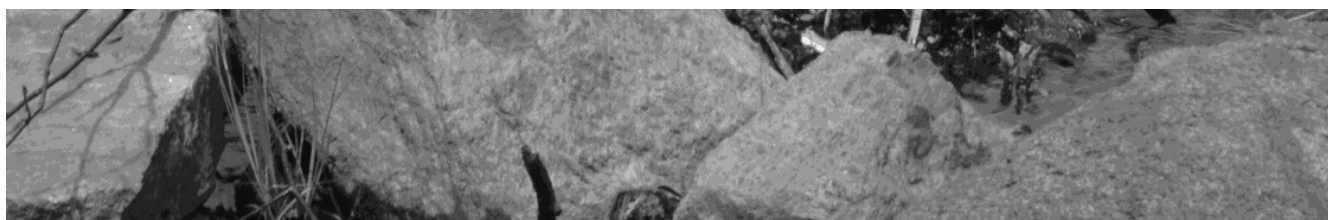
### Total Costs to Audit the Government of Saskatchewan



From 2011 to 2015, the Office's spending has increased 10%. During the same period, the amount government agencies paid appointed auditors for audit services decreased by 3%.



## ***5.0 The Office's 2012-2017 Strategic Plan***





## ***The Office's 2012-2017 Strategic Plan***

### ***Strategic Direction***

#### ***Our Vision***

A valued and independent legislative audit office, inspiring and advancing excellence in public sector performance, accountability, and sustainability.

#### ***We Envision***

A transparent and accountable government delivering effective programs that meet the needs of the people of Saskatchewan.

#### ***Our Mission***

To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.

#### ***Our Values***

We are committed to earning the respect and confidence of our stakeholders and professional colleagues. We hold ourselves individually and collectively accountable in upholding the vision, mission, and values of the Office of the Provincial Auditor.

- › **Independence** – We maintain our objectivity in all of our work.
- › **Innovation and Excellence** – We challenge the status quo and strive for excellence to achieve positive results.
- › **Trust and Integrity** – We are professional, honest, courteous, and fair.
- › **Leadership** – We lead by example and encourage open communication and teamwork.
- › **Relevance** – We make a difference, serving as a catalyst for effectiveness and accountability in the public sector.
- › **Balance** – We support harmony between work, personal life, and community involvement as we strive to balance personal and professional goals.
- › **Learning** – We promote and foster a creative culture that stimulates personal and professional growth.
- › **Diversity** – We believe our strength rises from the diversity of our experience, knowledge, and cultural backgrounds.
- › **Accountability** – We actively take responsibility for achieving positive results and for explaining our performance.





## External Forces and Trends

It is important that we remain knowledgeable about the external environment and trends affecting Saskatchewan.

We can then use this knowledge to determine where to focus our audit resources. This in turn will ensure that our work is relevant and adds value in auditing and advising on how well the government is managing its responsibilities and resources.

We have identified the following 12 external forces/trends to consider in our strategic plan. We intend to focus our efforts on assisting our stakeholders to address the challenges and opportunities emerging from these external forces and trends. We plan to assess the effectiveness of agencies' processes to manage outcomes in key areas such as health, social services, environment, infrastructure, and education. Over the five-year period of the plan the Office will continue to monitor external forces and trends in order to respond proactively.

EXTERNAL FORCE / TREND	SUMMARY
<b>1. Changing Demographics &amp; Diversity</b>	<ul style="list-style-type: none"><li>• The population of Saskatchewan is expected to continue to grow and diversify.</li><li>• The proportion of Aboriginal people and immigrants will continue to increase.</li><li>• The arrival of additional immigrants will bring new expectations and requirements for the delivery of public services.</li><li>• Economic disparity among people may continue to rise.</li><li>• An aging population will place increased demands on government programs and resources such as healthcare.</li></ul>
<b>2. Technology Change &amp; Complexity</b>	<ul style="list-style-type: none"><li>• The increased use of technology (e.g., wireless and handheld systems, cloud computing) will bring new audit, security, and privacy risks.</li><li>• Changes in technology also raise concerns regarding the protection of personal and private information.</li><li>• Scientific advances lead to increasing expectations.</li></ul>
<b>3. Changes in Professional Assurance Standards</b>	<ul style="list-style-type: none"><li>• Changes to international assurance (auditing) standards require new training, on-going development, and new processes for auditors.</li></ul>



EXTERNAL FORCE / TREND	SUMMARY
<b>4. Changes in Professional Accounting Standards</b>	<ul style="list-style-type: none"><li>• Changes to the “financial statement preparer rules” impact the content and presentation of financial information, which in turn impacts the audit work performed.</li><li>• More generally accepted accounting frameworks are being used by audit clients, which in turn increases work and knowledge demands for auditors.</li><li>• Changes in professional accounting standards create a need for new training, ongoing development, and new internal processes.</li><li>• Cross Canada focus on Summary Financial Statements for government public reporting versus public reporting on a general revenue fund.</li></ul>
<b>5. Changes in Service Delivery Based on Citizen Priority</b>	<ul style="list-style-type: none"><li>• Increased use of alliances and partnerships with other jurisdictions and governments.</li><li>• Public expectations for smaller, more efficient government.</li><li>• Increasing expectations for direct citizen participation in decision making including access to services.</li><li>• Changes in delivery models and accountability: public-private partnerships, agency delivery, multi-agency, quasi or non-government agency delivery, etc.</li><li>• Increased importance of effective governance systems and practices.</li></ul>
<b>6. Changes in the Public Sector Workforce</b>	<ul style="list-style-type: none"><li>• Succession planning and the management of retirements in the public sector due to the loss of knowledge and history.</li><li>• Reduction in the size of the public sector workforce and the impact on program and service delivery.</li><li>• Increasing competition for the best employees.</li><li>• Multiple generations in the workplace with differing values and styles.</li><li>• Mobility of young people to pursue multiple careers; loss of employer loyalty; interconnectivity internationally.</li><li>• Increasing number of MBAs and MPAs.</li><li>• Increased cultural diversity in the workplace.</li><li>• Poor investment returns are delaying retirements.</li></ul>





EXTERNAL FORCE / TREND	SUMMARY
<b>7. Sustainability and Protecting the Physical Environment</b>	<ul style="list-style-type: none"><li>• Predict more severe and intense weather events such as floods, tornadoes, droughts, etc. will require public resources and a timely response.</li><li>• Increasing expectations from the people of Saskatchewan for sustainable development and management.</li><li>• Opportunity for environmental and science based auditing to assess regulatory compliance and performance outcomes.</li><li>• New regulatory systems for climate change or results based regulation impacting accountability.</li></ul>
<b>8. Focus on Infrastructure</b>	<ul style="list-style-type: none"><li>• Aging infrastructure and growing infrastructure deficits combined with the need for long-term capital planning and asset management practices.</li><li>• Growing population increases the wear and tear on infrastructure.</li><li>• Roads and transportation systems are critical for growing the economy of an exporting province like Saskatchewan.</li><li>• Expectations for new forms of infrastructure which are expensive and may become quickly obsolete such as cellular and digital networks.</li></ul>
<b>9. Emergence of Non-Traditional Media</b>	<ul style="list-style-type: none"><li>• High adoption rates for social media including Facebook, Twitter, blogs, YouTube and others.</li><li>• Opportunity for the public to raise an issue and define the public debate immediately on the internet.</li><li>• Increasing emphasis on websites and real time communication.</li><li>• Risks for the protection of private and personal information.</li><li>• Specialized software applications for hand held devices.</li></ul>



EXTERNAL FORCE / TREND	SUMMARY
<b>10. Impact of Global Markets and Interdependence on Saskatchewan</b>	<ul style="list-style-type: none"><li>• Increased volatility in financial markets, capital markets and debt ratings affects the pay down of debt, investment earnings, and pension plans, etc.</li><li>• Interdependence brings issues in the global economy to Saskatchewan.</li><li>• Volatility of economic growth based on a resource economy – oil, potash, uranium, etc. – may result in income volatility.</li><li>• Currency volatility and impacts for an export-focused province.</li><li>• Pressure for balanced budgets on governments.</li><li>• The increasing importance of risk assessment and timely adoption of research-proven best practices in a variety of disciplines.</li></ul>
<b>11. New Financing Structures in Government</b>	<ul style="list-style-type: none"><li>• New financing structures will bring increased complexity and assurance requirements.</li><li>• Increased use of public-private partnerships and other forms of private capital to fund public services.</li><li>• New partnerships will require an understanding of who holds which risks, plus accountability for delivering on commitments by all parties.</li><li>• Continued focus on risk management and governance in the public sector.</li></ul>
<b>12. Evolving Relationships Between Legislative Auditors and Public Accounts Committee</b>	<ul style="list-style-type: none"><li>• Increasingly “best practices” for Public Accounts Committee are being shared and used as a guide for implementation and management.</li><li>• Public Accounts Committees have varying expectations for Legislative Audit Officers.</li><li>• Public Accounts Committees are looking beyond Canada in evolving their role.</li><li>• Increasing desire to make Public Accounts Committee more efficient.</li><li>• Increasing role of research officers to assist Public Accounts Committees.</li></ul>



## ***Our Risks***

Our success is based on providing independent, relevant, and reliable services at a reasonable cost. To do this, we must manage the following risks to ensure we accomplish our goals:

- › Our stakeholders do not support our goals and objectives
- › Government does not act on our recommendations
- › The Standing Committees on Public Accounts and Crown and Central Agencies do not fulfill their responsibilities
- › We do not have the required competencies and resources to deliver our products and services
- › We do not manage our resources effectively
- › We do not understand or respond to the challenges faced by our stakeholders
- › We lose or are perceived to lose our independence
- › We provide inappropriate, incorrect assurance, and advice

## ***Our Balanced Scorecard***

The Office of the Provincial Auditor has adopted a balanced scorecard method for designing and measuring its five-year strategic plan. The balanced scorecard method provides the Office the opportunity to present a mix of goals, objectives, strategies, and financial and non-financial measures that will support the accomplishment of its vision, mission, and legislated mandate.

The balanced scorecard adopted by the Office has five perspectives:

- › Stakeholders (Clients)
- › Organization
- › People, Learning, and Development
- › Resources
- › Public and Social

The five-year goals for each perspective are summarized in the following diagram:



## Strategic Plan Summary 2012-2017

**Vision:** A valued and independent legislative audit office, inspiring and advancing excellence in public sector performance, accountability and sustainability.

**Mission:** To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.

### Our Balanced Scorecard: 2012 to 2017

	Stakeholders (Clients)	Organization	People, Learning & Development	Resources	Public and Social
GOALS	Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan	Continuously improve the overall effectiveness of our Office	Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace	Provide relevant, reliable and timely products and services at a reasonable cost	Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan
	Government acts on 80% of recommendations that can be implemented within one year  Government acts on 80% of recommendations that can be implemented within five years  Auditees post-audit feedback acknowledge value and satisfaction with our work  Our reports are provided within agreed upon timeframes and meet statutory deadlines	Employee time consistent with Business and Financial Plan  Our work is reported by established deadlines and within the planned costs set out in our approved Business and Financial Plan  Positive CCOLA Peer Reviews & ICAS Practice Inspection Reports  The audit opinions on our public performance reports are unqualified  Time spent on performance work increases to 20% of available audit hours  MLAs have confidence in our independence	Annual office culture survey indicates a positive working environment  Students successfully obtain their professional designations  Training in the office averages a minimum of 8% of available hours  Our auditor composition includes at least 15% of professionals having a non-accounting designation  Career plans are in place for individuals who have completed their professional certification	Our Business and Financial Plan is approved by the Public Accounts Committee  Our work is reported by established deadlines and within the planned costs set out in our Business and Financial Plan  The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations	Members of the Legislative Assembly have confidence in the independent assurance work of the Office  Public awareness of our Office  Positive trend in the number of visits to the Office's website and the number of reports downloaded  Leadership roles held by members of the Office on relevant key provincial and national committees
MEASURES					

**We Envision:** A transparent and accountable government delivering effective programs that meet the needs of the people of Saskatchewan.

Our products and services include independent financial statement audits, internal control audits, compliance audits, performance audits, better practice guides, assurance reports and the sharing of knowledge and expertise.

The balance of the strategic plan outlines a comprehensive set of objectives and supporting strategies designed to accomplish our vision, mission, legislated mandate, and goals.



## **A. Stakeholders (Clients)**

Our primary clients are the members of the Legislative Assembly. Our other clients are public sector ministries and agencies and the people of Saskatchewan.

### **Goal**

Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan.

### **Objectives and Supporting Strategies**

1. Our stakeholders value our assurance and advice on the reliability of financial statements, compliance with authorities, and the effectiveness of internal control and information systems.
  - a) Provide timely assurance on agencies' financial reports using various financial reporting frameworks
  - b) Analyze the impact of changes in governance structures on the financial reporting requirements for public agencies
  - c) Provide timely assurance on the effectiveness of agencies' internal controls
  - d) Provide timely assurance on agencies' compliance with governing authorities
  - e) Provide timely assurance on agencies' security over information technology systems and practices, e.g., wireless, social media, and the protection of personal information
2. Our stakeholders value our assurance and advice to strengthen the effectiveness and sustainability of agency processes, programs and services, and the safeguarding of public resources.
  - a) Assess the effectiveness of agencies' key processes, programs, and services to achieve outcomes and/or safeguard public resources
  - b) Assess the effectiveness of key government-wide programs and processes
  - c) Advance practices and understanding of effective public sector governance
  - d) Assess the effectiveness of government practices for long-term capital asset management and capital planning
  - e) Assess the effectiveness of risk management and long-term operational planning practices in the public sector
  - f) Provide timely assurance on agencies' processes and systems to effectively identify and manage intellectual property
  - g) Leverage knowledge and improve audit results through collaborative audits with other jurisdictions
  - h) Advise legislators of challenges in managing the key forces and trends affecting Government
3. Our stakeholders value our assurance and advice on the effectiveness and use of alternative service delivery models and alternative financing arrangements.
  - a) Provide timely assurance on the effectiveness of achieving expectations and positive outcomes through third-party entities



- b) Encourage agencies to strengthen the accountability of the agencies they oversee
- c) Promote effective and accountable practices for alternative financing arrangements and structures
- 4. Our stakeholders value our assurance and advice on the effectiveness of regulatory processes and operations.
  - a) Assess the effectiveness of key regulatory processes and operations (e.g., environmental)
- 5. Our stakeholders value our advice on managing the key forces and trends affecting reporting practices in the public sector.
  - a) Promote and highlight best practices in public reporting, management, and governance
  - b) Enhance communication with MLAs, Deputy Ministers, Presidents, Chief Executive Officers, executive managers, Boards of Directors, and Audit Committees
  - c) Provide commentary on draft bills that impact accountability of the government to the Legislature or that impact the mandate of our Office
  - d) Report to the Legislators on Government's overall accountability to the Assembly compared to other jurisdictions
- 6. The Public Accounts Committee continues to perform its role in an effective manner.
  - a) Monitor Public Accounts Committee practices in other jurisdictions
  - b) Continue to assist the Public Accounts Committee to operate effectively
- 7. The Government uses the Summary Financial Statements to manage and publicly report on finances.
  - a) Inform stakeholders of the benefits of focused public reporting on the Summary Financial Statements
  - b) Seek positive changes to financial public reporting practices (e.g., public reporting on the Summary Financial Statements, summary budgeting, quarterly reporting, and effective management discussion and analysis)
  - c) Encourage Government to strengthen management discussion and analysis on the province's summary level financial condition

### **Measures**

The following key measures will be used to report on our results for the Stakeholder (Client) perspective:

- › The Government acts on 80% of recommendations that can be implemented within one year
- › The Government acts on 80% of recommendations that can be implemented within five years
- › Post-audit feedback from auditees acknowledges the value of our work and indicates satisfaction with our work
- › Our reports are provided to the Legislature and government officials within agreed upon timeframes and meet statutory deadlines





## **B. Organization**

Our performance is achieved through sound organizational structure, strong governance, strong management, strong technical knowledge, and efficient administrative support.

### **Goal**

Continuously improve the overall effectiveness of our Office.

### **Objectives and Supporting Strategies**

1. We effectively allocate the resources of the Office to best serve the Legislature and Public.
  - a) Prepare an annual Business and Financial Plan and an Annual Report on Operations
  - b) Increase the proportion of performance work from our 2011-12 level
  - c) Maintain relationships and involvement with appointed auditors
  - d) Assess the relevance of our assurance and other products
  - e) Promote a Provincial Auditor Act that reflects best practices to better serve stakeholders
2. We optimize our use of technology, methodologies, internal processes, and management practices to ensure they support the audit, administration, and confidentiality needs of our Office.
  - a) Provide technology to maximize productivity and to strengthen and simplify our management information systems
  - b) Ensure reliability and performance of our IT systems
  - c) Maintain current, efficient, and effective assurance methodologies
  - d) Maintain high standards for security and confidentiality of information
  - e) Provide efficient and effective administration and internal reporting
  - f) Communicate internally in a clear, accessible, and timely manner (e.g., website, intranet, reports, memorandum, correspondence, etc.)
3. We perform our work in accordance with professional standards.
  - a) Maintain strong quality control processes
  - b) Maintain an active Practice Review Committee
  - c) Participate in CCOLA Peer Reviews
4. We maintain our independence and objectivity.
  - a) Provide clear policies and processes to guide our team in understanding and maintaining the independence and objectivity of our Office



## **Measures**

The following key measures will be used to report on our results for the Organization perspective:

- › Employee time is used consistent with our Business and Financial Plan
- › Our work is reported by established deadlines and within the planned costs set out in our approved Business and Financial Plan
- › Positive CCOLA Peer Reviews on our work
- › Positive ICAS Practice Inspection Reports on our work
- › The audit opinions on our public performance reports are unqualified (i.e., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of key non-financial performance indicators)
- › Proportion of time spent on performance work increases year over year toward our target of 20% of available audit hours
- › Members of the Legislative Assembly have confidence in our independence



## **C. People, Learning, and Development**

### **Goal**

Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace.

### **Objectives and Supporting Strategies**

1. Ensure we have the right balance of skills, knowledge, and expertise to effectively deliver our products and services to our stakeholders.
  - a) Renew the performance development system based on competencies and link it to career plans and the Office's strategic plan
  - b) Maintain relevant skills and knowledge in various financial reporting frameworks
  - c) Maintain specialist knowledge in the many diverse and complex businesses the government manages (e.g., environment, health, information technology, pensions, insurance)
  - d) Recruit individuals with MPAs/MBAs and/or with senior public sector experience
  - e) Supplement the Office's knowledge and expertise by contracting individuals with applicable subject matter expertise
  - f) Support training and development opportunities
2. Structure audit teams and the assignment of resources consistent with effective service to stakeholders.
  - a) Prepare audit resource plans based on our risks and the risks faced by our stakeholders
  - b) Assign audit team members to provide a suitable mix of skills and levels of expertise
  - c) Assign audit team members consistent with stakeholder needs and with consideration of employee career plans
3. Maintain our status and abilities as a training office for legislative auditors.
  - a) Use a broad-based training curriculum that effectively develops legislative auditors
  - b) Provide audit team members with experience completing performance audits
  - c) Further develop expertise in performance auditing
  - d) Support the development of career plans for employees who have completed their professional designation/certification
  - e) Support secondments within the legislative audit community
4. Continually improve our work environment.
  - a) Provide stimulating work opportunities that challenge employees
  - b) Maintain a safe, positive, and healthy workplace that supports healthy choices and lifestyles



- c) Provide flexibility to employees to balance work, personal, and community commitments
  - d) Embrace diversity in the workplace
  - e) Provide mentoring and coaching
  - f) Pay our employees competitively based on market conditions
  - g) Support an employee recognition program and the provision of long-term service awards
5. Be an acknowledged contributor to Canadian and International activities that support and advance public sector auditing.
- a) Assist in the development of good governance and public sector auditing in North America and developing countries
6. Proactively manage succession to provide stability and opportunity.
- a) Formalize and implement a succession plan for senior management positions

### ***Measures***

The following key measures will be used to report on our results for the People, Learning, and Development perspective:

- › Our annual office culture survey indicates a positive working environment
- › Students successfully obtain their professional designations
- › Training in the office averages a minimum of 8% of available hours
- › Our auditor composition includes at least 15% of professionals having a non-accounting designation or a designation in addition to an accounting designation
- › Career plans are in place for individuals who have completed their professional designation/certificate



## **D. Resources**

### **Goal**

Provide relevant, reliable, and timely products and services at a reasonable cost.

### **Objectives and Supporting Strategies**

1. Our Stakeholders understand and value what we do.
  - a) Seek and monitor the views of our stakeholders on our plans and performance
  - b) Maintain support for our recommendations
  - c) Assess and report on the status of our recommendations
2. We have the resources to access the competencies necessary to respond to the risks faced by our stakeholders.
  - a) Obtain Public Accounts Committee support for appropriate resources to effectively serve our stakeholders
3. Continuously improve the efficiency of our service delivery.
  - a) Search for and share efficiencies within the Office
  - b) Acquire quality goods and services at the best prices
  - c) Monitor and compare information about costs of similar service providers
4. Use our knowledge to influence agencies and drive lasting improvement in public services.
  - a) Establish an external Advisory Committee to the Provincial Auditor

### **Measures**

The following key measures will be used to report on our outcomes for the resources perspective:

- › Our Business and Financial Plan is approved by the Public Accounts Committee
- › Our work is reported by established deadlines and within the planned costs set out in our Business and Financial Plan
- › The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations



## **E. Public and Social**

### **Goal**

Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan.

### **Objectives and Supporting Strategies**

1. Communicate in a clear, accessible, and timely manner to enhance the public's awareness of the value of the work completed by the Office.
  - a) Develop and implement communications plans
  - b) Improve the appearance, accessibility, and availability of information on the Office's website
  - c) Evaluate the potential use of social media tools as a means to communicate directly with the public
  - d) Ensure our public reporting is clear and timely
  - e) Support the Office's involvement in charities and related fundraising events
2. Support legislators to make effective use of our Office.
  - a) Support the Legislative Committees in their scrutiny role
  - b) Engage Members of the Legislative Assembly by providing them with an orientation and other information about our Office
3. Advance our professional relationship with public sector and professional organizations.
  - a) Improve the awareness and understanding of our Office
  - b) Establish relationships with the academic and research communities
  - c) Establish and/or maintain relationships with agencies, boards, and audit committees
4. Support the development and sharing of best practices in our professions.
  - a) Actively participate and maintain leadership roles on provincial and national committees (e.g., CCOLA, CICA, ICAS, IIA, CMA)
  - b) Work collaboratively with other provinces through CCOLA
  - c) Monitor the assurance and performance reports of other jurisdictions to identify best practices





### ***Measures***

The following key measures will be used to report on our outcomes for the Public and Social perspective:

- › Members of Legislative Assembly have confidence in the independent assurance work of the Office
- › Public awareness of our Office
- › Positive trend in the number of visits to the Office's website and the number of reports downloaded
- › Leadership roles held by members of the Office on relevant key provincial and national committees





## ***Glossary of Terms***

**Agency** – an entity of Government accountable for public money.

**Alternative Financing Arrangements and Structures** – sources of funds and structures for financing public infrastructure or public capital that are non-traditional in nature.

**Alternative Service Delivery Models** – non-traditional forms of government service delivery that could include agencies, public-private partnerships, outsourcing, privatization, or other types of service agreements.

**Applications** – electronic applications hosted on handheld wireless devices.

**CICA** – the Canadian Institute of Chartered Accountants represents Canada's Chartered Accountant profession both nationally and internationally (new name is CPA Canada).

**CCOLA** – the Canadian Council of Legislative Auditors is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices, and professional development in legislative auditing.

**Cloud Computing** – a model for delivering information technology services in which resources are retrieved from the internet through web-based tools and applications.

**Crown and Central Agencies Standing Committee** – the Standing Committee on Crown and Central Agencies considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, central government agencies, liquor, gaming, and all other revenue related agencies and entities.

**Financial Reporting Framework** – is the set of criteria that management uses to prepare a set of financial statements (e.g., public sector accounting standards, international financial reporting standards)

**GAAP** – Generally Accepted Accounting Principles refer to the standard framework of guidelines for financial accounting. GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing, and in the preparation of financial statements.

**General Revenue Fund** – is the main fund that receives government revenue. The GRF is available for appropriation by the Legislative Assembly for the public services of Saskatchewan. The GRF financial statements account for transactions of the GRF.

**Goal** – a general statement of desired results to be achieved over an unspecified period of time.

**ICAS** – the Institute of Chartered Accountants of Saskatchewan whose mission is to foster public confidence in the CA profession by acting in the public interest and helping its members excel (new name is CPA Saskatchewan).

**IIA** – the Institute of Internal Auditors (IIA) is an international professional association recognized as the internal audit profession's leader in certification, education, research, and technical guidance.

**International Auditing Assurance Standards** – standards set by the International Auditing and Assurance Standards Board (IAASB). IAASB is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, quality control, review, other assurance, and related services.

**MBA** – refers to the degree Master of Business Administration.

**MPA** – refers to the degree Master of Public Administration.

**Measure** – a factor chosen to monitor success in achieving objectives.

**Mission** – the broad, long-term purpose of an agency and its primary focus including the stakeholders to be served.

**Multi-Agency Delivery** – the collaboration of two or more agencies accountable for public money and the delivery of public services.

**Non-Governmental Agency Delivery** – a non-public entity that is accountable for public money and the delivery of public services.

**Objective** – a measurable, time-defined result to be achieved that leads to the achievement of each goal.



**Performance Audit** – is a fair and impartial assessment that provides objective information about the performance of programs, activities, and functions, and when applicable, specifies about where improvements can be made and the likely impact of those improvements.

**Public Accounts Committee** – the Standing Committee on Public Accounts scrutinizes the fiscal management, administration, and stewardship of public assets by the Government of Saskatchewan.

**Public-Private Partnership** – describes a government service or private business venture which is funded and

operated through a partnership of government and one or more private sector companies. These arrangements are sometimes referred to as PPP, P3, or 3P.

**Strategy** – the approaches that can be taken to meet objectives and achieve goals.

**Summary Financial Statements** – provide the consolidated financial position of the Government of Saskatchewan.

**Vision** – a brief description of the ideal state.