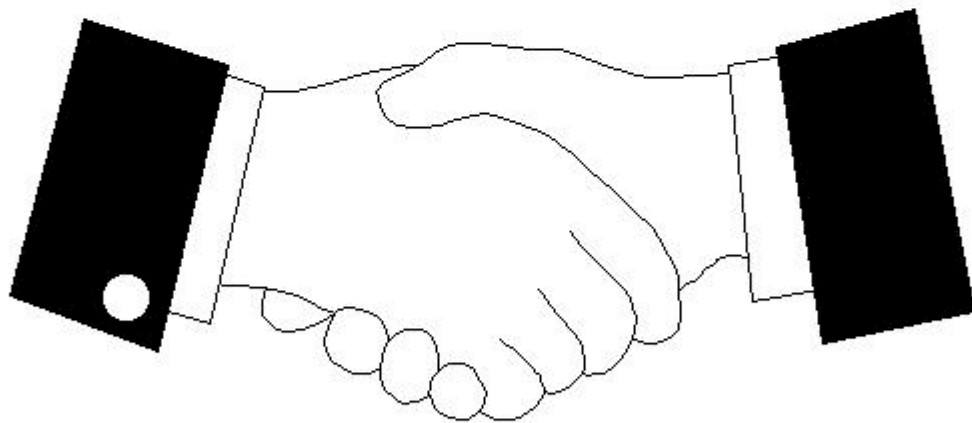


# **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**



June, 1994

## **Task Force on the Roles, Responsibilities and Duties of Auditors**

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June 30, 1994

To persons interested in the Report of the Task Force:

On behalf of the Task Force on the Roles, Responsibilities and Duties of Auditors, it is my pleasure to provide you with a copy of our final report.

The Task Force held sixteen days of meetings over a period of four months. We deliberated extensively, examined statutes, documents, correspondence and relevant literature and received presentations from a number of stakeholders in the audit process.

Our recommendations represent a consensus of the Task Force members' views. We believe that the recommendations presented in this report if adopted will contribute to the efficiency and effectiveness of the audit system in Saskatchewan's public sector.

Yours sincerely,

George C. Baxter, Ph.D., F.C.A.  
Task Force Chairman

GCB/dd

Task Force members are:

George Baxter, Ph.D., F.C.A. (Chair)

One representative from each of:

Crown Investments Corporation of Saskatchewan (Richard Hornowski, M.B.A.)

CIC Subsidiary Crown Corporations (Greg Mrazek, C.A., SaskEnergy Incorporated)

Office of the Provincial Auditor (Brian Atkinson, C.A.)

Public Accounting Firms/Appointed Auditors (Bob Bundon, F.C.A., Deloitte & Touche)

Judy Ferguson, C.A. (Secretary)

**REPORT OF THE  
TASK FORCE ON ROLES, RESPONSIBILITIES AND DUTIES OF AUDITORS**

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Wherever the singular or the masculine is used in this document, they shall be construed as meaning the plural or feminine or the neuter where the context of the document so requires.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Executive Summary

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#### Executive Summary

In February, 1994, with the support of the Assembly's Standing Committees on Public Accounts and Crown Corporations, the Provincial Auditor and the Crown Investments Corporation of Saskatchewan (CIC) formed the Task Force. The Task Force was asked to reach a consensus and provide recommendations on how the current audit system for CIC and its Subsidiary Crown Corporations could function more efficiently and effectively.

The Task Force's terms of reference require it to operate within the existing legislative framework (i.e., *The Provincial Auditor Act* and *The Crown Corporations Act, 1993*) and to reflect CIC's desire to use Appointed Auditors.

The Task Force identifies three factors that contribute to the existing audit system being less than fully efficient and effective. These are:

- a complex government management structure,
- complicated legislation, and
- lack of specific professional guidance for some aspects of auditing within the public sector and auditing the accounts of the Government of Saskatchewan.

These factors contribute to different interpretations of the roles, responsibilities, and duties of auditors and management working within the Government of Saskatchewan.

The Task Force recognizes the need for a common understanding by the Provincial Auditor, Appointed Auditors, management of CIC, its Subsidiary Crown Corporations, and legislators of the expectations of the audit system and its auditors. Section IV of the report identifies the key expectations of the audit system and the expectations placed on the auditors of CIC and its Subsidiary Crown Corporations. In summary, the audits must meet the needs of the Legislative Assembly. Also, the audit system, to be efficient and effective, should contain the following key elements: auditor independence, professionalism, cooperation and trust between auditors, and consistent audit objectives. The Task Force believes a common understanding of these expectations positively affect the roles, responsibilities and duties of auditors.

The Task Force reached certain *conclusions* about Saskatchewan's audit system for CIC and its Subsidiary Crown Corporations. These *conclusions* form the basis of our recommendations and are set out in Sections II, IV, and V of this report. Section VII of this report summarizes these *conclusions*.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Executive Summary

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The Task Force focused on improvements to the audit system for audits of CIC and its Subsidiary Crown Corporations. This report presents a series of *recommendations* for an audit system the Task Force believes will facilitate auditor agreement on the nature, scope and extent of the audits, and agreement on the form, content and protocol for reporting. The Task Force's *recommendations* are set out in Section V of this report and summarized in Section VII.

The report recommends an audit process that involves communication between auditors, management and audit committees at key stages. Communication is critical due to the extensive professional relationships that exist for public sector auditors and due to the complexity of the audit expectations. In particular, since both the Provincial Auditor and the Appointed Auditors have statutory responsibilities for the same audit, it is imperative they cooperate during the audit planning, examination and reporting activities. Only an audit system with sound communication and cooperation can ensure an efficient and effective audit process. In addition, the proposed audit system will support the Provincial Auditor's reliance on the Appointed Auditors' work and reports.

The Task Force examined interactions between the Provincial Auditor, Appointed Auditors, the Assembly and its Committees. The Task Force recommends the Provincial Auditor and Appointed Auditors provide a single report to the Assembly on matters reported under *The Provincial Auditor Act*. Also, the Task Force recommends the direct participation of both the Provincial Auditor and the Appointed Auditors at the meetings of the Standing Committees on Public Accounts and Crown Corporations.

This report purposely does not propose a mechanism for resolving disagreements between auditors. The Task Force believes that professionals, with a common understanding of their roles, responsibilities and duties, will cooperatively develop the necessary means to reach agreement.

In its deliberations, the Task Force inevitably considered matters beyond its terms of reference. Appendix D of this report offers some additional recommendations.

The Task Force believes its recommendations, when applied in the audit of CIC and its Subsidiary Crown Corporations, will enable the key stakeholder groups to better understand the audit process. In addition, the Task Force believes its recommendations will enable the auditors to fulfil their roles, responsibilities and duties more effectively and efficiently.

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Executive Summary**

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The Task Force hopes the constituents involved will implement these recommendations. The Task Force believes that the audit committees of CIC and its Subsidiary Crown Corporations, CIC and the Office of the Provincial Auditor of Saskatchewan should monitor the implementation of the Task Force's recommendations. In keeping with this belief, the Task Force recommends these groups conduct annual evaluations of the implementation of its recommendations and report to constituents.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section I History and Background

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#### Section I History and Background

In May, 1977, the Legislative Assembly (the Assembly) amended *The Department of Finance Act* to allow the Executive Government to appoint auditors (Appointed Auditors) to examine and report on the financial statements of Crown agencies. While the Provincial Auditor remained responsible for the overall audit of the Government of Saskatchewan, the amendment allowed the Provincial Auditor to rely on the reports of the Appointed Auditors on the Crown agencies' financial statements.

The Assembly, however, continued to require the Provincial Auditor to audit the Crown agencies' management control systems and legislative compliance, and to report the significant results of these audits to the Assembly. Instead of conducting these audits himself, the Provincial Auditor requested that the Appointed Auditors report to him matters related to the Crown agencies' management control systems and legislative compliance. The Provincial Auditor used these reports to prepare his Annual Report to the Assembly.

In May, 1983, the Assembly passed *The Provincial Auditor Act*. Through this Act, the Assembly gave the Provincial Auditor the authority to set the objective of audits and the nature of reports when the Executive Government engages Appointed Auditors. Also, the Assembly gave the Provincial Auditor administrative independence from the Executive Government.

In October, 1987, the Assembly amended *The Provincial Auditor Act*. The amendments had three major effects. First, the amendments removed the requirement for the Appointed Auditors' audit plans to include procedures the Provincial Auditor considered necessary to allow the Provincial Auditor to fulfil his duties. Second, the amendments required the Appointed Auditors to submit their reports to the Provincial Auditor for compilation in the Provincial Auditor's Annual Report to the Assembly. Third, the amendments gave the Appointed Auditors statutory audit and reporting responsibilities under *The Provincial Auditor Act*. These amendments created a complex audit system.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section II Description of the Existing Audit System

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#### Section II Description of the Existing Audit System

Saskatchewan operates on the parliamentary principle that the Assembly is accountable to the electorate, and the Executive Government is accountable to the Assembly. This accountability is considered to be enhanced by audits.

#### 1 Saskatchewan's Audit System Environment

The Assembly, under existing legislation, envisages audits being performed by both the Provincial Auditor and Appointed Auditors from private sector auditing firms. The Assembly defines the terms "Provincial Auditor" and "Appointed Auditor" in *The Provincial Auditor Act*. The Provincial Auditor must be a member of the Institute of Chartered Accountants of Saskatchewan. In Saskatchewan, the Executive Government's practice is to appoint Appointed Auditors, who are also members of the Institute of Chartered Accountants of Saskatchewan, to audit CIC Subsidiary Crown Corporations.

The Assembly, through Section 11(1) of *The Provincial Auditor Act*, makes the Provincial Auditor the auditor of the accounts of the Government of Saskatchewan and responsible to report the results to the Assembly. The Assembly, through this Act, also defines the duties and powers of the Provincial Auditor.

Upon approval of the Lieutenant Governor in Council, the Crown Investments Corporation of Saskatchewan (CIC) appoints the Appointed Auditors to audit its Subsidiary Crown Corporations. For these audits, *The Provincial Auditor Act* defines, in part, the examination and reporting responsibilities of the Appointed Auditors.<sup>1</sup>

The Provincial Auditor and the Appointed Auditors are governed by the requirements of *The Provincial Auditor Act*, the standards of professional conduct of their provincial governing body (i.e., The Institute of Chartered Accountants of Saskatchewan), and generally accepted auditing standards, as prescribed by the Canadian Institute of Chartered Accountants (CICA).

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<sup>1</sup> Typically, the Appointed Auditor enters into an agreement with the CIC and its Subsidiary Crown Corporation (engagement letter) to carry out the audit of the Subsidiary Crown Corporation. This engagement letter may provide the Appointed Auditor with examination and reporting responsibilities in addition to those contained in *The Provincial Auditor Act*.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section II Description of the Existing Audit System

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When Appointed Auditors audit CIC Subsidiary Crown Corporations, the Assembly provides the Provincial Auditor with two options to discharge his responsibilities for the overall audit of the Government of Saskatchewan and for the audit of individual CIC Subsidiary Crown Corporations. The Provincial Auditor can:

1. Rely on the audit reports of the Appointed Auditors; or
2. Audit, in whole or in part, CIC Subsidiary Crown Corporations audited by Appointed Auditors.

Under normal circumstances, the Assembly appears to expect the Provincial Auditor to rely on the reports of the Appointed Auditors. Generally accepted auditing standards established by the CICA provide general guidelines for auditors to rely on other auditors. Where the Provincial Auditor chooses option 2 above, the Assembly, through *The Provincial Auditor Act*, requires the Provincial Auditor to inform the Assembly that he has not relied on the report of the Appointed Auditor and indicate why he has not relied on that report.

Given resource constraints or other factors, the Provincial Auditor may be compelled to elect a third option where he neither relies on the reports of the Appointed Auditors nor performs any additional audit procedures. Under this option, the Provincial Auditor advises the Assembly that he has not relied on the report of the Appointed Auditor and indicates the reason for this decision. In effect, the Provincial Auditor expresses a limitation in the scope of his examination of the individual CIC Subsidiary Crown Corporation audited by an Appointed Auditor. If the Provincial Auditor is compelled to choose this option for a significant number of audits of CIC Subsidiary Crown Corporations, he may also need to express a limitation of scope in the audit of CIC and possibly in the audit of the Government of Saskatchewan.

In the existing audit system, the Appointed Auditors ultimately report the results of their audits of CIC Subsidiary Crown Corporations to the Assembly. The Provincial Auditor, however, remains responsible overall for the audits of CIC Subsidiary Crown Corporations and the Government of Saskatchewan.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section II Description of the Existing Audit System

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*The Task Force concludes that:*

- *the Legislative Assembly has created one overall auditor, the Provincial Auditor, to audit the accounts of the Government of Saskatchewan; and*
- *Appointed Auditors are not agents of the Provincial Auditor.*

#### **2 Auditor Appointment Process**

The Lieutenant Governor in Council, after consultation with the Chair of the Standing Committee on Public Accounts<sup>2</sup>, appoints the Provincial Auditor. The Assembly, through *The Provincial Auditor Act*, makes the Provincial Auditor an Officer of the Assembly.

The Assembly, through *The Crown Corporations Act, 1993*, gives CIC the authority, with the approval of the Lieutenant Governor in Council, to appoint auditors for the audit of its Subsidiary Crown Corporations.<sup>3</sup> If CIC does not appoint auditors to audit its Subsidiary Crown Corporations, then the Provincial Auditor conducts these audits directly.

To discharge its responsibilities under *The Crown Corporations Act, 1993* and to assist its Subsidiary Crown Corporations in the auditor appointment process, CIC prepared a policy for appointment of auditors for its Subsidiary Crown Corporations. CIC's Board of Directors approved this policy. CIC and its Subsidiary Crown Corporations currently follow this policy.

The policy contains the following auditor appointment conditions:

- auditors will be appointed for an initial term of five years and appointments may be terminated at any time;
- each CIC Subsidiary Crown Corporation will review auditor appointments annually;
- incumbent auditors will be eligible for re-appointment for one additional consecutive term (i.e., a maximum of two terms, 10 years);

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<sup>2</sup> Section 3(1) of *The Provincial Auditor Act* sets out the appointment requirements.

<sup>3</sup> Section 33 of *The Crown Corporations Act, 1993* sets out the appointment requirements.

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Section II Description of the Existing Audit System**

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- if a specific auditor is appointed for two consecutive terms, they will not be allowed to submit a proposal for a third consecutive term;
- CIC and its Subsidiary Crown Corporations will stagger the requests for tender of audit services and the auditor appointment process, (i.e., not all corporations will tender their audits in the same year);
- CIC Subsidiary Crown Corporations will have substantial responsibility in the auditor selection process; and
- CIC will be responsible for ensuring an appropriate allocation of audit work.

CIC will consult with the Provincial Auditor and seek his opinion during the Appointed Auditor selection process. Selection criteria for Appointed Auditors include, but are not limited to, industry expertise, local presence, key personnel assigned to the audit, audit approach, fees, and expertise in the audit of CIC Subsidiary Crown Corporations.

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Section III Concerns with Existing Audit System**

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#### **Section III Concerns with Existing Audit System**

##### **1 Contributing Factors**

From 1987 to date, concerns have been expressed with the existing audit system. These concerns arise due to a variety of factors. These factors include: a complex Government management structure; complicated legislation (e.g., *The Provincial Auditor Act* and *The Crown Corporations Act, 1993*) which requires significant interpretation; and lack of specific professional guidance for accounting and auditing in the public sector. These factors have contributed to ineffective relationships between the Provincial Auditor and Appointed Auditors.

##### **1.1 A Complex Government Management Structure**

The Executive Government of Saskatchewan manages the affairs of the Government through a complex structure. The Government's 1993 Summary Financial Statements list approximately 79 government service organizations, 16 Government enterprises, and 22 Government departments and other organizations. These Summary Financial Statements include, but do not list separately, all Government organizations such as share capital companies. In addition, the Summary Financial Statements do not include the pension plans and trusts the Executive Government administers.

The Assembly prescribes the duties of Government organizations through numerous Acts. The Executive Government further defines these duties through Regulations. Also, the Assembly, through law, created the Treasury Board. The Treasury Board is responsible to the Executive Council for all matters related to: the finances; the administrative policies and management practices; the accounting policies and practices; the evaluation of programs; and the organization of the Government.

In addition, the Assembly, through law, created CIC as a holding company for its Subsidiary Crown Corporations and as the manager of the commercial investments of the Government. The Assembly gives CIC broad supervisory powers over its Subsidiary Crown Corporations. Its Subsidiary Crown Corporations operate on a commercial basis. Currently, CIC's Subsidiary Crown Corporations include Saskatchewan Development Fund Corporation, Saskatchewan Economic Development Corporation, Saskatchewan Forest Products Corporation, Saskatchewan Government Growth Fund Management Corporation, Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Telecommunications Holding Corporation, Saskatchewan Transportation Company, Saskatchewan Water Corporation, SaskEnergy Incorporated and Saskatchewan Government Insurance.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section III Concerns with Existing Audit System

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For CIC Subsidiary Crown Corporations, the Assembly makes CIC responsible to the Executive Council for all matters relating to: the review and evaluation of finances and operating results; the administrative policies and management practices; and the accounting policies and practices.

Also, the Assembly makes CIC and its Subsidiary Crown Corporations responsible to a Minister. The Assembly requires the Minister of the CIC Subsidiary Crown Corporation to be the chair of its Board of Directors. The Board manages the business and affairs of the Corporation. The Assembly asks the Minister to report to the Assembly on the Corporation's business and activities. In this reporting, the Corporation is faced with the challenge of balancing its commercialism with the needs of the Assembly.

In addition, the Boards of CIC Subsidiary Crowns create audit committees. Typically, these committees assist the Board members in meeting their responsibilities with respect to financial reporting and internal control matters. The committee is involved in the selection of the external auditor (e.g., the appointed auditors). Also, the audit committee meets with the external auditor at the start of the audit and at the end of the audit to consider the audit plan and the auditor's reports and observations. Traditionally, the audit committee focuses on the external audit of the Corporation's financial statements with lesser emphasis on matters the auditor examines under *The Provincial Auditor Act*.

This complicated legislative framework and the numerous Government organizations involved results in a complex management structure. Auditors must understand this management structure when determining their roles, responsibilities and duties.

#### 1.2 Complicated Legislation

Various sections of *The Provincial Auditor Act* and, in part, *The Crown Corporations Act, 1993* set out the appointment of auditors and their responsibilities related to the audits of CIC and its Subsidiary Crown Corporations. In addition, various Acts of incorporation of CIC Subsidiary Crown Corporations reinforce the auditors' appointments and responsibilities.

The terms "public money" and "the accounts of the Government of Saskatchewan", are used extensively throughout *The Provincial Auditor Act*. These terms can be interpreted in several ways.



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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section III Concerns with Existing Audit System

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As a basis for its following recommendations, the Task Force concludes that:

- *"public money" includes moneys managed or administered by CIC and its Subsidiary Crown Corporations;*
- *"the accounts of the Government of Saskatchewan" include the accounts of CIC and its Subsidiary Crown Corporations; and*
- *the duties and responsibilities of the Provincial Auditor, as defined in The Provincial Auditor Act, apply to the audits of commercial Crown corporations, (i.e., CIC Subsidiary Crown Corporations) either directly or through reliance on Appointed Auditors.*

*The Provincial Auditor Act* sets out the Provincial Auditor's and Appointed Auditors' examination and reporting responsibilities. These examination responsibilities establish the audit's purpose and set out the matters subject to audit. The reporting responsibilities establish matters to be reported and how reports are submitted to the Assembly.

Appointed Auditors interpret their responsibilities to include examining and reporting on:

- the reliability of financial statements; and
- other matters as required by *The Provincial Auditor Act*,

of individual CIC Subsidiary Crown Corporations they are appointed to audit.<sup>4</sup> The Appointed Auditors have the responsibility to interpret the audit objectives, audit scope, and levels of significance of these other matters. At times, these interpretations vary. The Appointed Auditors provide their reports of significant matters required to be examined under *The Provincial Auditor Act* to the Provincial Auditor for compilation in his Annual Report to the Assembly.

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<sup>4</sup> Based on presentations provided by Appointed Auditors to the Task Force.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section III Concerns with Existing Audit System

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The Provincial Auditor interprets his responsibilities to include examining and reporting on:

- the reliability of financial statements,
- compliance with legislative authorities,
- the adequacy of management's systems and practices related to financial reporting, compliance with authorities and safeguarding assets, and
- the adequacy of management's systems and practices with due regard to economy, efficiency and effectiveness,

of individual Government departments, Crown agencies, Boards, Crown Corporations, and the Government as a whole.<sup>5</sup> In addition, the Assembly asks the Provincial Auditor to rely on the reports of the Appointed Auditors, where possible, to fulfil his responsibilities. Where Appointed Auditors are engaged, the Provincial Auditor determines if he can rely on their reports. The Provincial Auditor reports significant matters resulting from his audits to the Assembly. The Provincial Auditor compiles the Appointed Auditors' reports in his Report.

Due to the complexity of the legislation and its requirements together with the different interpretations, it is not always clear where the Provincial Auditor's and Appointed Auditors' responsibilities begin and end. Also, it is not always clear whether the requirements of *The Provincial Auditor Act* are being met.

#### 1.3 Lack of Specific Professional Guidance

The Assembly, through *The Provincial Auditor Act*, requires auditors to use generally accepted auditing standards. The Canadian Institute of Chartered Accountants (CICA) establishes these standards along with specific professional guidance for the audits of financial statements within the private sector. The Public Sector Accounting and Auditing Board of the CICA is currently

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<sup>5</sup> *Report of the Provincial Auditor To The Legislative Assembly of Saskatchewan, Year Ended March 31, 1993*, pp I-6 to I-8.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section III Concerns with Existing Audit System

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developing guidance for audits of financial statements, for legislative compliance and for value-for-money in the public sector.<sup>6</sup> Since these public sector standards and guidance are still being developed, auditors must exercise considerable professional judgement when auditing within the public sector.

When exercising their professional judgement, auditors may interpret the applicability of the existing standards differently. These different interpretations may result in the Provincial Auditor and the Appointed Auditor reporting to the Assembly different matters from the same audit.

#### 2 Need for Change

Since 1987, a number of attempts have been made by the Provincial Auditor, the Appointed Auditors and the Executive Government to reach an understanding of the Government management structure, and the requirements of the legislation with respect to audits. Various forums, at several points in time, were held to discuss concerns with the audit system.

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<sup>6</sup> The Public Sector Accounting and Auditing Board (Board) has issued accounting and auditing recommendations applicable to the federal, provincial, territorial and local governments and government entities, such as government funds, agencies and corporations. Profit-oriented enterprises in the public sector should adhere to the Accounting Recommendations in the *CICA Handbook*. Other entities may base their accounting policies on either the Board's Accounting Recommendations or on the Accounting Recommendations in the *CICA Handbook*.

The Board's Auditing Recommendations are intended to apply to all entities in the public sector.

The Board continues to undertake projects, (e.g. review of loan guarantees) to examine numerous accounting and auditing issues faced by the public sector. The Board will continue to issue statements and recommendations applicable to the public sector, as necessary, to supplement the recommendations in the *CICA Handbook*.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section III Concerns with Existing Audit System

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When the current Provincial Auditor was appointed in November, 1990, he noted that the Executive Government, the Provincial Auditor's Office and the Appointed Auditors interpreted the audit system differently and that these differences in interpretations caused disagreements over roles, responsibilities and duties of auditors. In his 1991 Annual Report to the Assembly, the Provincial Auditor reported that the existing system was inadequate.

The Audit Committee created under *The Provincial Auditor Act* echoed similar concerns in its reports to the Executive Government. The Standing Committee on Public Accounts discussed problems with the audit system during its review of the Provincial Auditor's 1991 Annual Report and later during its review of the bill to amend *The Crown Corporations Act, 1978*. The Standing Committee on Crown Corporations also discussed these concerns in its review of the same bill. The resulting act, (*The Crown Corporations Act, 1993*) attempts to address some of the problems in the audit system through a more rigidly legislated process (i.e., changing the appointment process of Appointed Auditors). Despite all of these efforts, many misunderstandings on the roles, responsibilities, and duties of auditors persist.

### 3 Task Force is Formed

In September, 1993, the Provincial Auditor, Mr. Wayne Strelloff, approached the President of CIC, Mr. Donald Ching, to seek support for a task force. The Provincial Auditor suggested forming a task force to recommend how best to improve the situation while working within the existing audit system. The task force would be guided in their discussions by the principles set out in *Building Consensus for a Sustainable Future: Guiding Principles: An Initiative Undertaken by Canadian Round Tables, August, 1993*. CIC agreed to jointly sponsor such a task force.

The co-sponsors agreed that the Task Force should focus on the audit system for the audits of CIC and its Subsidiary Crown Corporations. They defined the Task Force's Terms of Reference. They agreed that the Task Force should also function within the context of existing legislation, recommendations

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section III Concerns with Existing Audit System

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of the Standing Committee on Public Accounts<sup>7</sup>, CICA standards, CIC's guidelines and the Provincial Auditor's guideline provided to Appointed Auditors.

The Provincial Auditor and CIC then sought and gained the support of the Standing Committee on Public Accounts on October 26, 1993, of the Standing Committee on Crown Corporations on December 1, 1993, and of the Audit Committee created under *The Provincial Auditor Act* on January, 31, 1994. The Committees encouraged CIC and the Provincial Auditor to proceed with the task force. The Provincial Auditor and President of CIC sought a representative from each key constituency, i.e., CIC, the Office of the Provincial Auditor, CIC Subsidiary Crown Corporations and Public Accounting firms.

The Task Force was formed in February, 1994. (Appendices A and C describe the Task Force's Terms of Reference, membership and the process it followed in its deliberations.)

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<sup>7</sup> The PAC, in its Third Report during the Second Session of the Twenty-Second Legislature, made the following recommendation: "*Your Committee recommends that the Government work co-operatively with the Provincial Auditor by involving him in the process of choosing Appointed Auditors, establishing audit plans, maintaining solid communications through frequent audit updates, and ensuring that the Provincial Auditor has sufficient time to comment on the final audit report prior to its public release.*"

On March 17, 1993, the Legislative Assembly agreed with the PAC's Third Report. On October 27, 1993, the Government responded that it believes that with cooperation, trust and greater communication, the Appointed Auditor process can function in an efficient and effective manner.

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Section IV Reaching a Common Understanding**

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#### **Section IV Reaching a Common Understanding**

In order to achieve consensus, the Task Force recognized the need for a common understanding of two key areas. This section identifies these key areas. Also, it describes the Task Force's understanding of the key expectation of the audit system and the key expectations of the auditors of CIC Subsidiary Crown Corporations.

##### **1 Key Expectation of the Audit System**

As discussed in Section II, the Legislative Assembly entrusts the Executive Government with managing the affairs of the Government. The Executive Government is accountable to the Assembly for its actions and for its management of public money. The Executive Government provides information to the Assembly to enable it to scrutinize the Government's activities and to assess its performance.

The Assembly establishes an audit system within its accountability and governance structures. Through *The Provincial Auditor Act*, the Assembly requires the Provincial Auditor and the Appointed Auditors to examine the accounts and management controls of the Executive Government and to report publicly the results of these audits. To be effective, the audit system must serve the Assembly and other stakeholder groups, and the audit system must serve its "customers" in an effective and efficient manner.

*The Task Force concludes that audits, whether performed by the Provincial Auditor or the Appointed Auditors, ultimately must satisfy the needs of the Assembly.*

##### **2 Key Expectations of Auditors**

Various stakeholder groups, including the Assembly, have fundamental expectations of auditors. Key stakeholder expectations centre around the need for auditors to operate within an audit system which: demands auditor independence; requires compliance with professional auditing standards; and encourages cooperation and trust between the Provincial Auditor, the Appointed Auditors, and management of CIC and its Subsidiary Crown Corporations. These elements are essential in creating an audit system that results in consistent, efficient and effective audits which add value to the accountability process of the Executive Government.

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The following briefly discusses each of these expectations.

**2.1 Independence:** For auditors to provide assurance to the Assembly and other stakeholder groups, auditors must be independent of the Executive Government. It is only in this type of audit system that an audit will add value to the accountability process. It has been said that independence is the cornerstone of the accounting profession and one of its most precious assets.<sup>8</sup>

The accounting profession in North America recognizes that auditors must be independent from management on all engagements where an opinion is being expressed by the auditor.

Currently, both the Provincial Auditor and the Appointed Auditors are governed by the Standards of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan. Both practice within the same professional environment. In addition, both the Provincial Auditor and the Appointed Auditors must operate free from influence and interference that could impair their objectivity.

Auditors recognize:

- independence is the only sound basis for an ongoing relationship between the auditors and the entities they serve;
- auditors' independence or lack thereof is difficult to prove, and easy to challenge or claim; and
- independence is truly a state of mind that must be adopted by all auditors.

To entrench the need and importance of independence, professional associations, such as the Institute of Chartered Accountants of Saskatchewan, establish professional standards of conduct that all members must follow. In addition, professional auditors establish their own rules, including conflict of interest guidelines, to ensure independence on audit engagements.

**2.2 Professionalism:** All stakeholder groups expect auditors to be competent and to exercise a very high level of professionalism in the application of their auditing standards. Stakeholder

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<sup>8</sup> Reinventing The Audit, Journal of Accountancy, August, 1991, pp. 71-8.



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groups expect that the Provincial Auditor and the Appointed Auditors will agree on matters to be reported to the Assembly.

**2.3 Cooperation and Trust:** All stakeholder groups expect the relationships between the Provincial Auditor, Appointed Auditors and management to be based on cooperation and trust. In addition, stakeholder groups expect audits to be performed in an efficient, cost effective manner.

**2.4 Consistency:** All stakeholder groups expect audits to have a consistent audit objective, whether the audits are performed by the Provincial Auditor or Appointed Auditors.

Defining and understanding stakeholders' expectations of auditors is important. Meeting the expectations of such a diverse group is equally important. If these expectations are met, the stakeholder groups will receive the benefits of an efficient audit system and have increased confidence in the information provided by the Executive Government. The Task Force's recommendations for improvement in the audit system should assist auditors in meeting these expectations.

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#### Section V Recommended Audit System

As defined in its Terms of Reference, the Task Force focused on the audit system for audits of CIC and its Subsidiary Crown Corporations. Also as required by its terms of reference, the Task Force operated within the context of the existing legislation, recommendations of the Standing Committee on Public Accounts, and the current relevant guidelines of CIC and the Provincial Auditor.

The Task Force addressed the key issues set out in its Terms of Reference. These issues include: clarification of the roles, responsibilities and duties of the Provincial Auditor and the Appointed Auditors and their professional relationships with key stakeholder groups; means of implementing the recommendations of the Standing Committee on Public Accounts; a process to resolve difference in opinions; and standards of independence for auditors in the public sector. (Appendix A sets out the Task Force's Terms of Reference)

This section sets out the results of the Task Force's consideration of these key issues. It also describes the areas on which the Task Force reached a consensus on changes necessary to ensure a more effective audit system for the audits of CIC and its Subsidiary Crown Corporations.

#### 1 Professional Relationships

In the auditing profession, the term "client" has specific meaning and importance for auditors. The Task Force reviewed the question of who is the client of the Provincial Auditor and of Appointed Auditors. Contributors to the Task Force presented varying views on this subject which demonstrated the complexity of the various professional relationships the auditors must maintain. Because of the importance to auditors of a clearly defined client, the Task Force, in this part, attempts to describe and clarify the auditor-client relationship.

In its deliberations on auditor-client relationships, the Task Force referred to a variety of professional literature. Some literature defines the client as the individual or group of individuals who are the *key decision makers* with respect to the client service relationship. Other literature defines the client as those people who are in a position to *exercise significant influence* in respect to the service relationship. Those may be the audit committee, the board of directors, the corporate executives or their advisors. Yet another defines the client as those people to whom the auditor has contractual or

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professional responsibilities and whose expectations are fulfilled through compliance with professional standards. Clearly, this last definition refers to shareholders, regulators, and creditors.

As stated in part 2 of Section II, the Lieutenant Governor in Council appoints the Provincial Auditor to audit the accounts of the Government of Saskatchewan. The Provincial Auditor reports directly to the Legislative Assembly through the Speaker of the Assembly. An obvious auditor-client relationship exists between the Provincial Auditor and the Assembly.

For Appointed Auditors, the auditor-client relationship is not as obvious. As stated in section II, the Assembly, through *The Crown Corporations Act, 1993*, gives CIC the authority, with the approval of the Lieutenant Governor in Council, to appoint auditors to audit its Subsidiary Crown Corporations.

CIC and its Subsidiary Crown Corporations are interrelated entities. When auditing a CIC Subsidiary Crown Corporation, the auditors serve and interact with many individuals. For example, the Appointed Auditors interact with the Management of the CIC Subsidiary Crown Corporation being audited, the Corporation's Board through their Audit Committee, and CIC. In addition, since the Appointed Auditors assume statutory responsibilities under *The Provincial Auditor Act* and submit the results of their examinations to the Provincial Auditor for compilation in the Provincial Auditor's Report to the Assembly, the Appointed Auditors must ultimately report to the Members of the Assembly and its Standing Committees. An inappropriate relationship (e.g., appointments to Government Boards, and certain consulting engagements) between the auditor and any of these entities or the Government could impact the independence of the auditor.

Also, Appointed Auditors must work with the Provincial Auditor during their audits. This relationship is necessary because the Assembly expects the Provincial Auditor to rely on the Appointed Auditors' reports, wherever possible, in the fulfilment of his responsibilities.

*Based on the appointment process and the resulting professional relationships, the Task Force concludes that:*

- *the Provincial Auditor's client is the Assembly;*
- *because Appointed Auditors of CIC Subsidiary Crown Corporations must serve and interact with many stakeholder groups, a conventional auditor-client relationship can not be defined for Appointed Auditors.*

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*Instead, the Task Force chose to define the Appointed Auditors' professional relationships as follows:*

- *the Appointed Auditors' appointment authority is the Crown Investments Corporation of Saskatchewan;*
  - *the Appointed Auditors address their reports to the Legislative Assembly<sup>9</sup>;*
  - *the Appointed Auditors communicate and work cooperatively with other Stakeholder groups (i.e., CIC, CIC Subsidiary Crown Corporation's Board and Audit Committee, the Standing Committees of the Legislative Assembly on Public Accounts and on Crown Corporations); and*
  - *the Appointed Auditors and the Provincial Auditor maintain good working relationships to enable the Provincial Auditor to fulfil his responsibilities.*
- *auditors must maintain and follow clear conflict of interest guidelines which reflect the complexity of the interrelationships within Government to preserve their independence on audit engagements.*

#### **2 Reliance by the Provincial Auditor**

When there is more than one auditor involved in the audit of an entity, the Task Force recognizes the importance of clearly defining the roles, responsibilities and duties of each auditor for an effective audit system to exist. The following attempts to clarify the interaction between the Provincial Auditor and the Appointed Auditors by discussing their respective roles, responsibilities and duties.

The Provincial Auditor is the overall auditor for the Legislative Assembly with examination and reporting responsibilities which extend beyond the audit of financial statements. Under *The Provincial*

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<sup>9</sup> The Task Force suggests that the Appointed Auditor's reports to the Assembly be addressed as follows: "To the Members of the Legislative Assembly of Saskatchewan: At the request of the Crown Investments Corporation of Saskatchewan, I have examined....".

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*Auditor Act*, the Appointed Auditors are also charged with statutory examination and reporting responsibilities for the CIC Subsidiary Crown Corporation which they audit. Through *The Provincial Auditor Act*, the Assembly provides the Provincial Auditor with the option of relying upon the reports of Appointed Auditors to assist him in discharging his responsibilities. By relying on the audits of Appointed Auditors, the Provincial Auditor can form his required opinions on CIC Subsidiary Crown Corporations without duplicating the work of Appointed Auditors. Therefore, the Provincial Auditor needs to determine whether he can rely upon the work and reports of Appointed Auditors.

Reliance on the work of another auditor is a relatively common practice. As previously stated, the CICA establishes guidelines for auditors to rely on other auditors. Although these guidelines are primarily established for the audit of financial statements, they may be applied to the audit of matters required to be examined under *The Provincial Auditor Act*.

The Task Force considered the extent of procedures performed by the Provincial Auditor in this reliance situation. The Provincial Auditor performs procedures to determine whether or not he can rely on the work and reports of the Appointed Auditors to allow him to discharge his responsibilities. As a part of these procedures, the Provincial Auditor may enquire about the extent of other services provided by the Appointed Auditor to the Government of Saskatchewan, CIC and its Subsidiary Crown Corporations.

*The Task Force recommends the Provincial Auditor rely on the work and reports of the Appointed Auditors.*

*The Task Force recommends that to enable the Provincial Auditor to rely on the work and reports of Appointed Auditors and to ensure an effective audit system, procedures for reliance encompass the following:*

- 1. Appointed Auditors are charged with statutory responsibilities under The Provincial Auditor Act.*
- 2. To enable the Provincial Auditor to rely on the reports of Appointed Auditors and to discharge his responsibilities under The Provincial Auditor Act, the Provincial Auditor communicate the following, in writing, to the Appointed Auditors upon notice of their appointments and at least annually thereafter:*

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- *The Provincial Auditor's intention to rely on the work and reports of the Appointed Auditors to assist the Provincial Auditor in discharging his statutory responsibilities related to CIC Subsidiary Crown Corporations audited by the Appointed Auditors.*
- *The Provincial Auditor's reliance requirements. These requirements would include requesting the Appointed Auditors to provide him with:*
  - *their audit plans;*
  - *audit opinions on the reliability of the CIC Subsidiary Crown Corporation's financial statements; the Corporation's compliance with legislative authorities; and the adequacy of the Corporation's management systems and practices related to financial reporting, compliance with authorities and safeguarding of assets;*
  - *an opportunity to review their audit working papers;*
  - *a representation indicating that the Appointed Auditors have no involvement or relationships with the Government of Saskatchewan, CIC, and/or its Subsidiary Crown Corporations that would impair their objectivity and that the Provincial Auditor can rely on their work and reports; and*
  - *their reports (i.e., Section 12 report) to be compiled in the Provincial Auditor's Report to the Assembly.*
- *The Provincial Auditor's request that Appointed Auditors advise him of any significant issues when these issues arise during the audits.*

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#### 3 Audit Planning

##### 3.1 Audit Objective and Scope

When planning an audit, it is important that the auditors understand the objective, scope and reporting responsibilities of the audit engagement. In the private sector, these details are typically set out in the audit engagement letter. However, as set out in part 2 of section II when Appointed Auditors accept engagements to audit CIC Subsidiary Crown Corporations, they accept certain responsibilities and professional relationships as contained in law (i.e., *The Provincial Auditor Act*). These responsibilities and relationships are in addition to those contained in generally accepted auditing standards, and standards of professional conduct.

The Assembly, through *The Provincial Auditor Act*, requests auditors to extend their audit examinations of the accounts and activities of CIC and its Subsidiary Crown Corporations beyond the traditional scope and audit responsibilities of audits of financial statements.

Generally, there is limited interaction between the Provincial Auditor and the Appointed Auditor in the planning process. In addition, the Standing Committee on Public Accounts recommended the Provincial Auditor be involved with the Appointed Auditors in establishing audit plans. Involvement of the Provincial Auditor and Appointed Auditors in audit planning will ensure audit risks are appropriately identified and examined. Involvement in the planning should also reduce the number and types of audit issues which can arise during the audit process. This will contribute to the timely completion of the audit and to an improvement in communication.

*The Task Force recommends that:*

- *the Appointed Auditor's audit plan recognize the dual audit objectives of examining and reporting on the reliability of the CIC Subsidiary Crown Corporation's financial statements and on other matters required by The Provincial Auditor Act;*
- *the Appointed Auditor and the Provincial Auditor agree on the audit's objectives and scope;*
- *the audit plan set out how the Appointed Auditor and the Provincial Auditor will work together to complete the audit within the time frame designated by CIC, the management of the its Subsidiary Crown Corporation, and the Provincial Auditor;*



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- *the Appointed Auditor and the Provincial Auditor discuss the audit plan with the CIC Subsidiary Crown Corporation's management. The Appointed Auditor will take the lead role at these meetings with the Provincial Auditor's support; and*
- *the Appointed Auditor, the Provincial Auditor, and the CIC Subsidiary Crown Corporation's management discuss the audit plan with the CIC Subsidiary Crown Corporation's Audit Committee. The Appointed Auditor will take the lead role at this meeting with the Provincial Auditor's support.*

#### 3.2 Communication and Cooperation

The Assembly, through *The Provincial Auditor Act*, requires auditors' to follow generally accepted auditing standards. Generally accepted auditing standards require auditors to have an appropriate knowledge of the business of the Corporation being audited. The auditors' level of knowledge appropriate for a particular business is less than that customarily possessed by management but is sufficient to enable the auditor to obtain an understanding of the events, transactions, and practices that in their judgment may have a significant effect on the audit.

Both Appointed Auditors and the Provincial Auditor have audit responsibilities and must maintain appropriate knowledge of the Corporations' business and of the Government environment in which the Corporations operate. The auditors maintain this knowledge through consideration of the businesses' practices, conditions and trends; through consideration of accounting policies and practices common to the industry; by understanding relevant statutes and regulations; and by assessing the relevant changes in technology. Appointed Auditors, assisted by the Provincial Auditor as necessary, should document this information to assist in the transfer of this knowledge between the Appointed Auditors and Provincial Auditor.

To avoid duplicating the efforts of Appointed Auditors, the Provincial Auditor relies, in part, on the Appointed Auditors' documentation to maintain an appropriate knowledge of the business of the Corporations.

*Because maintaining knowledge of both the individual Corporation and the Government environment is essential, the Task Force recommends that:*

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- *Appointed Auditors assist the Provincial Auditor in maintaining an appropriate level of knowledge of CIC Subsidiary Crown Corporations' business to enable the Provincial Auditor to fulfil his responsibilities; and*
- *the Provincial Auditor assist Appointed Auditors in maintaining an appropriate level of knowledge of the operations of the Government of Saskatchewan.*

#### **4 Audit Examination**

In the past, Appointed Auditors may not have informed the Provincial Auditor of significant issues until their audit was complete and their audit reports were released. Due to tight time frames to complete audits and limited previous involvement by the Provincial Auditor in the planning and examination phases, the Provincial Auditor may not have completed his review of the Appointed Auditor's work until after the public release of the Appointed Auditor's report. In these cases, the Provincial Auditor had limited input into the resolution of key audit issues.

The involvement of the Provincial Auditor, in pre-audit discussions with the Appointed Auditor and in the audit planning process augmented with ongoing communication between the Provincial Auditor and the Appointed Auditor, should enable the Provincial Auditor, over time, to reduce the extent of review of the Appointed Auditor's audit work from its present level.

*In order to maintain ongoing communications through frequent audit updates and to resolve issues in a timely manner, the Task Force recommends that:*

- *the Appointed Auditor keep the Provincial Auditor informed of the audit progress and key issues;*
- *the Appointed Auditor, Provincial Auditor and management of the CIC Subsidiary Crown Corporation meet to discuss and resolve key issues as they arise. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and*
- *the Provincial Auditor complete his review of the Appointed Auditor's audit work before CIC's and its Subsidiary Crown Corporation's annual financial statements are approved.*

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#### 5 Reporting and Reporting Relationships

As indicated earlier in this section, when the Appointed Auditors accept engagements to audit CIC Subsidiary Crown Corporations, they accept the responsibility to examine matters beyond those required for a financial statement audit. They also accept the responsibility to make two audit reports. One audit report is the auditor's report (audit report) on the reliability of the financial statements of the Corporation. The second report is a report made according to Section 12 of *The Provincial Auditor Act* (Section 12 report).

##### 5.1 Audit Report on the Financial Statements

The audit report on the Financial Statements reports on the reliability of the CIC Subsidiary Crown Corporation's financial statements. This audit report accompanies the financial statements that are included in the Corporation's annual report to the Assembly. The Minister responsible for the Corporation makes annual reports public by tabling them in the Assembly.

Usually, the Corporation's annual report is available before the Provincial Auditor's Report to the Assembly. In the past, the Appointed Auditor often released his report prior to the review by the Provincial Auditor. Because the Corporation's annual report is made public before the Provincial Auditor's Report to the Assembly, it is important to establish a reporting protocol to ensure readers of the Corporation's annual report know the Provincial Auditor agrees with the Appointed Auditor's audit report on the Corporation's financial statements.

*To ensure the Provincial Auditor has sufficient time to comment on the Appointed Auditor's report prior to its public release, the Task Force recommends that:*

- *upon completion of the audit but prior to the Appointed Auditor finalizing the audit report on the reliability of the financial statements, the Appointed Auditor and the Provincial Auditor discuss the audit findings and agree on the contents of the audit report;*
- *upon finalizing the audit report on the reliability of the CIC Subsidiary Crown Corporation's financial statements, the Appointed Auditor and the Provincial Auditor discuss the audit report with the Corporation's management. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and*

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- *the Appointed Auditor and the Provincial Auditor, then, discuss the audit report with the Corporation's audit committee. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support.*

The Appointed Auditor would then sign the audit report.

*To ensure the Assembly is informed of the Provincial Auditor's participation in the audits of CIC Subsidiary Crown Corporations, the Task Force recommends that:*

- *the Provincial Auditor provide to the Assembly a report listing those CIC Subsidiary Corporations in whose audits he participated; and*
- *the Provincial Auditor provide the above report in the same time frame as the tabling of those Subsidiary Crown Corporations' annual reports in the Assembly.*

On occasion, the Provincial Auditor may not have sufficient resources to participate in the audit of a CIC Subsidiary Crown Corporation. In these cases it is important that the Appointed Auditor and management of the CIC Subsidiary Crown Corporation know the Provincial Auditor will not be participating in the audit process and will not be able to comment on the Appointed Auditor's audit report on the Corporation's financial statements.

*To ensure the Appointed Auditor and management of the CIC Subsidiary Crown Corporation are aware of the Provincial Auditor's intentions, the Task Force recommends that when the Provincial Auditor does not intend to participate in the audit of a CIC Subsidiary Crown Corporation, the Provincial Auditor advise the Appointed Auditor and the management of the CIC Subsidiary Crown Corporation that he will not be participating in the audit.*

#### 5.2 Section 12 Report

Section 12 of *The Provincial Auditor Act* requires the auditor to prepare a report on the results of his examination of the adequacy of the CIC Subsidiary Crown Corporation's systems and practices on matters examined under *The Provincial Auditor Act*. The Assembly, through *The Provincial Auditor Act*, asks the Appointed Auditor to submit his Section 12 report to the Provincial Auditor for compilation in his Report to the Assembly.

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The Section 12 report must include significant audit findings, if any, noted during the audit of the CIC Subsidiary Crown Corporation. Examples of reportable audit findings include significant deficiencies in the CIC Subsidiary Crown Corporation's management control systems, lack of compliance by the Corporation with the law, and/or failure of the Corporation to comply with generally accepted accounting principles.

To fulfil the requirements of *The Provincial Auditor Act*, both the Appointed Auditor and the Provincial Auditor, must each form an opinion on the results of their examination of the CIC Subsidiary Crown Corporation. Since *The Provincial Auditor Act* requires auditors to report only significant matters that should be brought to the attention of the Assembly, auditors use their judgement to determine what matters are reportable. On occasion in the past, the Provincial Auditor and the Appointed Auditor have had different opinions on what should be reported to the Assembly. As a result, the Assembly has received conflicting information about the CIC Subsidiary Crown Corporation.

The Appointed Auditors address their Section 12 Reports "to the Members of the Legislative Assembly". The Appointed Auditors submit their Section 12 Reports to the Provincial Auditor for inclusion in the Provincial Auditor's Report to the Assembly.

In the past, when the Provincial Auditor did not participate in the audit of a CIC Subsidiary Crown Corporation, the Provincial Auditor did not include the Appointed Auditor's Section 12 Report in his Report to the Assembly. It continues to be important that the Members of the Assembly and the public know the Provincial Auditor did not participated in the audit process and is not in a position to comment on the Appointed Auditor's Section 12 report.

*To ensure the Assembly receives consistent information from the Provincial Auditor and the Appointed Auditor, the Task Force recommends that upon completing the audit examination of a CIC Subsidiary Crown Corporation and prior to finalizing reportable matters, the Appointed Auditor and the Provincial Auditor discuss the audit findings and agree on the contents of the Appointed Auditor's Section 12 report.*

*To ensure the Members of the Assembly and the public are aware of the Provincial Auditor's position, the Task Force recommends that when the Provincial Auditor does not participate in the audit of a CIC Subsidiary Crown Corporation that:*

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- *the Provincial Auditor advise the Members of the Assembly and the public in his Report of such cases where he has not participated in the audit of a CIC Subsidiary Crown Corporation; and*
- *the Provincial Auditor include the Appointed Auditor's Section 12 report, if any, in his Report along with an appropriate disclaimer of involvement in the audit.*

#### 5.3 Reliance Process and Reporting

Part 2 of this section set out the reliance procedures necessary to enable the Provincial Auditor to rely on the work and reports of the Appointed Auditor. One step of the reliance procedures is the Provincial Auditor's request that the Appointed Auditor form various audit opinions, (i.e., audit opinions on the reliability of the CIC Subsidiary Crown Corporation's financial statements; the Corporation's compliance with legislative authorities; and the adequacy of the Corporation's management systems and practices related to financial reporting, compliance with authorities and safeguarding assets). The Provincial Auditor uses these opinions to help him determine whether he can rely on the reports of the Appointed Auditor (i.e., Audit report on the financial statements and Section 12 report).

In the past, the Provincial Auditor was not always involved in the discussion of the significant audit findings noted in these opinions. At times, the Provincial Auditor and the Appointed Auditor have differed in the interpretation of the significance of these audit findings. As a result, the Provincial Auditor has not always been able to rely on the report of the Appointed Auditor.

*In order to facilitate reliance by the Provincial Auditor on the Appointed Auditor, the Task Force recommends that:*

- *before the Appointed Auditor issues his audit opinions requested by the Provincial Auditor, the Appointed Auditor and the Provincial Auditor agree on these opinions. Matters reported in these opinions must be consistent with matters included in the Appointed Auditor's Section 12 report;*
- *after the Appointed Auditor issues his audit opinions, the Appointed Auditor and the Provincial Auditor discuss the opinions with the Corporation's and CIC's management. The*

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*Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and*

- *the Appointed Auditor and the Provincial Auditor, then, discuss these opinions with the Corporation's audit committee. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support.*

The Appointed Auditor then signs the opinions required by the Provincial Auditor for reliance purposes. The Appointed Auditor addresses these opinions to the Provincial Auditor.

#### **5.4 Constructive Services Letter to Management**

There is ongoing dialogue between management and the Appointed Auditor throughout the audit process. The Appointed Auditor, at the conclusion of the audit, typically prepares a constructive services letter (management letter) to the management of the CIC Subsidiary Crown Corporation.

*The Task Force recommends that before discussing the constructive services letters with management and the Corporation's Audit Committee, the Appointed Auditor and the Provincial Auditor agree on the contents of the letter.*

The Appointed Auditor then signs the constructive services letter.

#### **5.5 Difference of Opinion**

On occasion, the Appointed Auditor and the Provincial Auditor may differ in their initial opinion on matters relating to the audit. In the past, as a result of these differences of opinion, the audit reporting process has sometimes been delayed and, occasionally, the Assembly has received conflicting information. The Task Force believes most of these differences have arisen due to a lack of understanding and appreciation of the roles, responsibilities and duties of both auditors and management. Also, the Task Force believes a common understanding of these roles, responsibilities and duties augmented with established protocols will alleviate differences of opinion between the Provincial Auditor and Appointed Auditors.

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As a result, the Task Force purposely did not devise a mechanism to resolve disputes between Appointed Auditors and the Provincial Auditor. The Task Force believes that with the proposed improvements to the audit process the auditors will find ways to resolve their differences.

However, in the event of recurring disagreements, the Task Force recognizes the implicit, yet significant, sanctions which could be applied by various groups such as CIC, the Executive Government, the Legislative Assembly and the Institute of Chartered Accountants of Saskatchewan.

#### **6 Reporting by the Provincial Auditor to the Legislative Assembly**

As previously discussed, the Provincial Auditor is responsible for compiling the Section 12 reports received from Appointed Auditors and submitting them in his Reports to the Assembly.

Currently, the Provincial Auditor's Report to the Assembly may contain two reports on the same CIC Subsidiary Crown Corporation. One report is the chapter containing matters reported by the Provincial Auditor; the second report is a copy of the Appointed Auditor's Section 12 report. This latter report is presented in an appendix to the Provincial Auditor's Report. In the past, the contents of these two reports have sometimes differed. Currently, most of the Appointed Auditors' Section 12 reports consist of the audit opinions requested by the Provincial Auditor.

The Task Force noted that when the Provincial Auditor relies on the reports of Appointed Auditors, the chapters in his Report to the Assembly do not make reference to the work and reports of the Appointed Auditor.

When there are no matters to report to the Assembly with respect to the audit of the CIC Subsidiary Crown Corporation, the Task Force noted that the Provincial Auditor's Report does not clearly identify that no reportable matters exist.

*In order to improve the reporting to the Assembly, the Task Force recommends that:*

- *prior to the finalization of the Provincial Auditor's Report to the Legislative Assembly, the Provincial Auditor and the Appointed Auditor agree on the contents of the applicable Chapter in the report. The Appointed Auditor must comply with the Provincial Auditor's confidentiality requirements;*



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- *the applicable chapter in the Report to the Assembly recognize the contribution of the Appointed Auditor; and*
- *where there are no reportable matters with respect to CIC Subsidiary Crown Corporations, that the Provincial Auditor's Report to the Legislative Assembly identify (e.g., in an appendix) Corporations for which there are no reportable matters.*

Under the proposed audit system, the Provincial Auditor would continue to address his Report to the Members of the Assembly. Also, he would continue to provide a copy of his Report to the Audit Committee established under *The Provincial Auditor Act*. The Provincial Auditor submits his Report to the Assembly to the Speaker, for tabling in the Assembly if the Assembly is in session, and for distribution to all Members of the Assembly when the Assembly is not in session.

#### **7 Auditors Serving the Standing Committees of the Legislative Assembly**

The auditors, in addition to providing assurance to the Assembly through their reports, serve two Standing Committees of the Assembly. These are the Standing Committees on Public Accounts and Crown Corporations.

The Provincial Auditor assists the Standing Committee on Public Accounts during the planning and review of the Public Accounts and the Provincial Auditor's Reports. The Provincial Auditor also assists the Standing Committee on Crown Corporations during its reviews of annual reports of Crown corporations. Currently, Appointed Auditors rarely attend these Standing Committees' meetings. As a result, the Members of these Committees do not receive the assistance of the Appointed Auditors.

*In order to serve the Standing Committees and to involve the Appointed Auditors in the review process, the Task Force recommends that:*

- *the Provincial Auditor ensure the applicable Appointed Auditor is informed of both Committees' agendas for the review of corporation(s) they audited;*
- *the Provincial Auditor and the Appointed Auditor agree on a presentation to the Committees, if any. The Provincial Auditor takes the lead role with the Appointed Auditor's support; and*

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- *the Provincial Auditor and the Appointed Auditor agree on the protocol for responding to questions from the Committees.*

The Task Force believes its recommendations will help the Standing Committee on Public Accounts and the Standing Committee on Crown Corporations in their reviews by providing them with the assistance of both the Provincial Auditor and Appointed Auditors at the appropriate times.

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Section VI Implementing and Monitoring the Task Force's Recommendations**

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#### **Section VI Implementing and Monitoring the Task Force's Recommendations**

The Task Force, in carrying out its terms of reference, invited interested parties to make presentations; reviewed relevant literature, documents and statutes; and deliberated extensively. The process followed is described fully in Appendix C. As a result of this process, the Task Force reached a number of conclusions and achieved a consensus on a number of recommendations. A summary of these conclusions and recommendations follow in the next section.

The Task Force believes these recommendations, if applied in the audit of CIC and its Subsidiary Crown Corporations, will enable the key constituents to understand the audit process better, and enable the auditors to fulfil their roles, responsibilities and duties more effectively and efficiently.

#### **1 Responsibility for Implementation and Monitoring**

The Task Force considers that its responsibilities end after discussing its conclusions and recommendations with key constituents, listening to their perspectives, assessing the impact of their perspectives on its report and publishing its report. However, the Task Force recognizes the need for the support and commitment of each of its key constituents to ensure its recommendations are implemented. The Task Force has received support for its recommendations from its sponsors - the President of CIC and the Provincial Auditor. Through meetings, the Task Force has sought support for its recommendations from its other key constituents (i.e., Appointed Auditors, representatives from CIC, the Office of the Provincial Auditor, the Institute of Chartered Accountants of Saskatchewan, and chief financial officers and Audit Committee chairs of CIC Subsidiary Crown Corporations). For the most part, the draft report of the Task Force was positively received. The report's conclusions and recommendations were met with general support.

Also, the Task Force recognizes the need for on-going monitoring of its recommendations. The Task Force believes the appropriate parties responsible to monitor the Task Force's conclusions and recommendations are its sponsors (CIC and the Provincial Auditor) and the Audit Committees of CIC and its Subsidiary Crown Corporations.

*The Task Force recommends that at the completion of each audit, the Corporation's Audit Committee evaluate the implementation of the Task Force recommendations in their audit process, in consultation with management, the Appointed Auditor and the Provincial Auditor.*

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Section VI Implementing and Monitoring the Task Force's Recommendations**

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*The Task Force recommends that the Corporation's Audit Committee communicate the results of this evaluation to management of the Corporation, CIC, the Appointed Auditor, and the Provincial Auditor.*

*The Task Force recommends that CIC and the Provincial Auditor jointly evaluate, in consultation with key constituents the implementation of the Task Force's recommendations in each of the next two years and communicate the results of each evaluation to key constituents.*

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section VII Summary of Conclusions and Recommendations

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#### Section VII Summary of Conclusions and Recommendations

##### 1 Summary of Conclusions

The following lists the source section (**in bold**) and page number (in parenthesis) of the Task Force's conclusions.

#### **Section II Description of the Existing Audit System (7)**

##### **1 Saskatchewan's Audit System Environment (7)**

*The Task Force concludes that:*

- *the Legislative Assembly has created one overall auditor, the Provincial Auditor, to audit the accounts of the Government of Saskatchewan; and*
- *Appointed Auditors are not agents of the Provincial Auditor. (9)*

*As a basis for its following recommendations, the Task Force concludes that:*

- *"public money" includes moneys managed or administered by CIC and its Subsidiary Crown Corporations;*
- *"the accounts of the Government of Saskatchewan" include the accounts of CIC and its Subsidiary Crown Corporations; and*
- *the duties and responsibilities of the Provincial Auditor, as defined in The Provincial Auditor Act, apply to the audits of commercial Crown corporations, (i.e., CIC Subsidiary Crown Corporations) either directly or through reliance on Appointed Auditors. (13)*

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section VII Summary of Conclusions and Recommendations

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#### Section IV Reaching a Common Understanding (19)

##### 1 Key Expectation of the Audit System (19)

*The Task Force concludes that audits, whether performed by the Provincial Auditor or the Appointed Auditors, ultimately must satisfy the needs of the Assembly. (19)*

#### Section V Recommended Audit System (23)

##### 1 Professional Relationships (23)

*Based on the appointment process and the resulting professional relationships, the Task Force concludes that:*

*\$ the Provincial Auditor's client is the Assembly;*

- because Appointed Auditors of CIC Subsidiary Crown Corporations must serve and interact with many stakeholder groups, a conventional auditor-client relationship can not be defined for Appointed Auditors.*

*Instead, the Task Force chose to define the Appointed Auditors' professional relationships as follows:*

*\$ the Appointed Auditors' appointment authority is the Crown Investments Corporation of Saskatchewan;*

- the Appointed Auditors address their reports to the Legislative Assembly;*
- the Appointed Auditors communicate and work cooperatively with other Stakeholder groups (i.e., CIC, CIC Subsidiary Crown Corporation's Board and Audit Committee, the Standing Committees of the Legislative Assembly on Public Accounts and on Crown Corporations); and*
- the Appointed Auditors and the Provincial Auditor maintain good working relationships to enable the Provincial Auditor to fulfil his responsibilities.*

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section VII Summary of Conclusions and Recommendations

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- *auditors must maintain and follow clear conflict of interest guidelines which reflect the complexity of the interrelationships within Government to preserve their independence on audit engagements. (25)*

#### 2 Summary of Recommendations

The following lists the source section (**in bold**) and page number (in parenthesis) of the Task Force's recommendations.

#### **Section V Recommended Audit System (17)**

##### **2 Reliance by the Provincial Auditor (25)**

*The Task Force recommends the Provincial Auditor rely on the work and reports of the Appointed Auditors.*

*The Task Force recommends that to enable the Provincial Auditor to rely on the work and reports of Appointed Auditors and to ensure an effective audit system, procedures for reliance encompass the following:*

1. *Appointed Auditors are charged with statutory responsibilities under The Provincial Auditor Act.*
2. *To enable the Provincial Auditor to rely on the reports of Appointed Auditors and to discharge his responsibilities under The Provincial Auditor Act, the Provincial Auditor communicate the following, in writing, to the Appointed Auditors upon notice of their appointments and at least annually thereafter:*

§ *The Provincial Auditor's intention to rely on the work and reports of the Appointed Auditors to assist the Provincial Auditor in discharging his statutory responsibilities related to CIC Subsidiary Crown Corporations audited by the Appointed Auditors.*

- *The Provincial Auditor's reliance requirements. These requirements would include requesting the Appointed Auditors to provide him with:*

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section VII Summary of Conclusions and Recommendations

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- *their audit plans;*
  - *audit opinions on the reliability of the CIC Subsidiary Crown Corporation's financial statements; the Corporation's compliance with legislative authorities; and the adequacy of the Corporation's management systems and practices related to financial reporting, compliance with authorities and safeguarding of assets;*
  - *an opportunity to review their audit working papers;*
  - *a representation indicating that the Appointed Auditors have no involvement or relationships with the Government of Saskatchewan, CIC, and/or its Subsidiary Crown Corporations that would impair their objectivity and that the Provincial Auditor can rely on their work and reports; and*
  - *their reports (i.e., Section 12 report) to be compiled in the Provincial Auditor's Report to the Assembly.*
- 
- *The Provincial Auditor's request that Appointed Auditors advise him of any significant issues when these issues arise during the audits. (27)*

### **3 Audit Planning (28)**

#### **3.1 Audit Objective and Scope (28)**

*The Task Force recommends that:*

- *the Appointed Auditor's audit plan recognize the dual audit objectives of examining and reporting on the reliability of the CIC Subsidiary Crown Corporation's financial statements and on other matters required by The Provincial Auditor Act;*
- *the Appointed Auditor and the Provincial Auditor agree on the audit's objectives and scope;*
- *the audit plan set out how the Appointed Auditor and the Provincial Auditor will work together to complete the audit within the time frame designated by CIC, the management of the its Subsidiary Crown Corporation, and the Provincial Auditor;*



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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section VII Summary of Conclusions and Recommendations

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- *the Appointed Auditor and the Provincial Auditor discuss the audit plan with the CIC Subsidiary Crown Corporation's management. The Appointed Auditor will take the lead role at these meetings with the Provincial Auditor's support; and*
- *the Appointed Auditor, the Provincial Auditor, and the CIC Subsidiary Crown Corporation's management discuss the audit plan with the CIC Subsidiary Crown Corporation's Audit Committee. The Appointed Auditor will take the lead role at this meeting with the Provincial Auditor's support. (29)*

#### **3.2 Communication and Cooperation (29)**

*Because maintaining knowledge of both the individual Corporation and the Government environment is essential, the Task Force recommends that:*

- \$ *Appointed Auditors assist the Provincial Auditor in maintaining an appropriate level of knowledge of CIC Subsidiary Crown Corporations' business to enable the Provincial Auditor to fulfil his responsibilities; and*
- *the Provincial Auditor assist Appointed Auditors in maintaining an appropriate level of knowledge of the operations of the Government of Saskatchewan. (30)*

#### **4 Audit Examination (30)**

*In order to maintain ongoing communications through frequent audit updates and to resolve issues in a timely manner, the Task Force recommends that:*

- \$ *the Appointed Auditor keep the Provincial Auditor informed of the audit progress and key issues;*
- *the Appointed Auditor, Provincial Auditor and management of the CIC Subsidiary Crown Corporation meet to discuss and resolve key issues as they arise. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and*

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section VII Summary of Conclusions and Recommendations

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- *the Provincial Auditor complete his review of the Appointed Auditor's audit work before CIC's and its Subsidiary Crown Corporation's annual financial statements are approved. (30)*

#### **5 Reporting and Reporting Relationships (31)**

##### **5.1 Audit Report on the Financial Statements (31)**

*To ensure the Provincial Auditor has sufficient time to comment on the Appointed Auditor's report prior to its public release, the Task Force recommends that:*

- \$ *upon completion of the audit but prior to the Appointed Auditor finalizing the audit report on the reliability of the financial statements, the Appointed Auditor and the Provincial Auditor discuss the audit findings and agree on the contents of the audit report;*
- *upon finalizing the audit report on the reliability of the CIC Subsidiary Crown Corporation's financial statements, the Appointed Auditor and the Provincial Auditor discuss the audit report with the Corporation's management. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and*
- *the Appointed Auditor and the Provincial Auditor, then, discuss the audit report with the Corporation's audit committee. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support. (32)*

*To ensure the Assembly is informed of the Provincial Auditor's participation in the audits of CIC Subsidiary Crown Corporations, the Task Force recommends that:*

- \$ *the Provincial Auditor provide to the Assembly a report listing those CIC Subsidiary Corporations in whose audits he participated; and*
- *the Provincial Auditor provide the above report in the same time frame as the tabling of those Subsidiary Crown Corporations' annual reports in the Assembly. (32)*

*To ensure the Appointed Auditor and management of the CIC Subsidiary Crown Corporation are aware of the Provincial Auditor's intentions, the Task Force recommends that*

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Section VII Summary of Conclusions and Recommendations

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*when the Provincial Auditor does not intend to participate in the audit of a CIC Subsidiary Crown Corporation, the Provincial Auditor advise the Appointed Auditor and the management of the CIC Subsidiary Crown Corporation that he will not be participating in the audit. (32)*

#### **5.2 Section 12 Report (32)**

*To ensure the Assembly receives consistent information from the Provincial Auditor and the Appointed Auditor, the Task Force recommends that upon completing the audit examination of a CIC Subsidiary Crown Corporation and prior to finalizing reportable matters, the Appointed Auditor and the Provincial Auditor discuss the audit findings and agree on the contents of the Appointed Auditor's Section 12 report.*

*To ensure the Members of the Assembly and the public are aware of the Provincial Auditor's position, the Task Force recommends that when the Provincial Auditor does not participate in the audit of a CIC Subsidiary Crown Corporation that:*

- \$ the Provincial Auditor advise the Members of the Assembly and the public in his Report of such cases where he has not participated in the audit of a CIC Subsidiary Crown Corporation; and*
- the Provincial Auditor include the Appointed Auditor's Section 12 report, if any, in his Report along with an appropriate disclaimer of involvement in the audit. (34)*

#### **5.3 Reliance Process and Reporting (34)**

*In order to facilitate reliance by the Provincial Auditor on the Appointed Auditor, the Task Force recommends that:*

- \$ before the Appointed Auditor issues his audit opinions requested by the Provincial Auditor, the Appointed Auditor and the Provincial Auditor agree on these opinions. Matters reported in these opinions must be consistent with matters included in the Appointed Auditor's Section 12 report;*

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

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- *after the Appointed Auditor issues his audit opinions, the Appointed Auditor and the Provincial Auditor discuss the opinions with the Corporation's and CIC's management. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and*
- *the Appointed Auditor and the Provincial Auditor, then, discuss these opinions with the Corporation's audit committee. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support. (35)*

#### **5.4 Constructive Services Letter to Management (35)**

*The Task Force recommends that before discussing the constructive services letters with management and the Corporation's Audit Committee, the Appointed Auditor and the Provincial Auditor agree on the contents of the letter. (35)*

#### **6 Reporting by the Provincial Auditor to the Legislative Assembly (36)**

*In order to improve the reporting to the Assembly, the Task Force recommends that:*

- *prior to the finalization of the Provincial Auditor's Report to the Legislative Assembly, the Provincial Auditor and the Appointed Auditor agree on the contents of the applicable Chapter in the report. The Appointed Auditor must comply with the Provincial Auditor's confidentiality requirements;*
- *the applicable chapter in the Report to the Assembly recognize the contribution of the Appointed Auditor; and*
- *where there are no reportable matters with respect to CIC Subsidiary Crown Corporations, that the Provincial Auditor's Report to the Legislative Assembly identify (e.g., in an appendix) Corporations for which there are no reportable matters. (37)*

#### **7 Auditors Serving the Standing Committees of the Legislative Assembly (37)**

*In order to serve the Standing Committees and to involve the Appointed Auditors in the review process, the Task Force recommends that:*

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Section VII Summary of Conclusions and Recommendations**

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- § *the Provincial Auditor ensure the applicable Appointed Auditor is informed of both Committees' agendas for the review of corporation(s) they audited;*
- *the Provincial Auditor and the Appointed Auditor agree on a presentation to the Committees, if any. The Provincial Auditor takes the lead role with the Appointed Auditor's support; and*
- *the Provincial Auditor and the Appointed Auditor agree on the protocol for responding to questions from the Committees. (38)*

### **Section VI Implementing and Monitoring the Task Force's Recommendations (39)**

#### **1 Responsibility for Implementation and Monitoring (39)**

*The Task Force recommends that at the completion of each audit, the Corporation's Audit Committee evaluate the implementation of the Task Force recommendations in their audit process, in consultation with management, the Appointed Auditor and the Provincial Auditor.*

*The Task Force recommends that the Corporation's Audit Committee communicate the results of this evaluation to management of the Corporation, CIC, the Appointed Auditor, and the Provincial Auditor.*

*The Task Force recommends that CIC and the Provincial Auditor jointly evaluate, in consultation with key constituents the implementation of the Task Force's recommendations in each of the next two years and communicate the results of each evaluation to key constituents. (40)*

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Appendix A: Task Force's Terms of Reference and Membership**

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#### **Appendices:**

#### **A. Task Force's Terms of Reference and Membership**

**Objective of Task Force** To recommend how the current audit system for the Crown Investments Corporation of Saskatchewan (CIC) and its Subsidiary Crown Corporations should function within the context of existing legislation, recommendations of the Standing Committee on Public Accounts, Canadian Institute of Chartered Accountants (CICA) standards, CIC's guidelines and annual guidelines provided to Appointed Auditor's by the Provincial Auditor's office.

There has been much discussion and controversy about the roles, responsibilities and duties of the Provincial Auditor and appointed auditors, with respect to audits of CIC and its Subsidiary Crown Corporations. In one sense, the discussion and controversy is healthy because it tests the systems in place and serves to improve them. In another sense, the controversies have led to unnecessary frictions, possible loss of focus and misunderstandings with respect to responsibilities and accountabilities.

Recently, there have been changes to the audit system including the role of CIC, the auditor appointment process, the relationships with standing committees of the Assembly, and the interaction between accounting firms and the Provincial Auditor. In addition, earlier this year, the Standing Committee on Public Accounts presented recommendations on improving the existing audit system to the Legislative Assembly which were concurred with by the Assembly.

With these changes occurring, it is an opportune time to more clearly define the roles, responsibilities and duties of those involved in the audits of CIC and its subsidiary Crown corporations.

The CIC and the Provincial Auditor support fully such an examination and look forward to the recommendations of the task force.

#### **Key Issues to Address**

- What are the roles, responsibilities and duties of appointed auditors with respect to CIC and its Subsidiary Crown Corporations, to the Provincial Auditor and to the Legislative Assembly?

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Appendix A: Task Force's Terms of Reference and Membership**

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- What are the roles, responsibilities and duties of the Provincial Auditor with respect to CIC and its Subsidiary Crown Corporations, to appointed auditors and to the Legislative Assembly?
- How best can the recommendations of the Legislative Assembly's Standing Committee on Public Accounts be implemented?
- What process should be followed to resolve disagreements between CIC or its subsidiary Crown corporations or Appointed Auditors and the Provincial Auditor?
- What standards of independence apply to auditors of Government organizations?

**End Product** The task force is to prepare a report containing its recommendations, together with the rationale for them. The report should be issued to participants, Crown corporations, CIC Board of Directors and the Assembly's Standing Committees on Public Accounts and Crown corporations by May 31, 1994.

**Meeting Format** The task force would function in a manner consistent with the "guiding principles" set out in the paper **Building Consensus for a Sustainable Future** prepared by Canadian Round Tables, May 1993. Legal assistance will be sought, if required, from the Legislative Law Clerk.

#### **Key Constituents and Members**

Task Force members are:

George Baxter, Ph.D., F.C.A. (Chair)

One representative from each of:

Crown Investments Corporation of Saskatchewan (Richard Hornowski, M.B.A.)

CIC Subsidiary Crown Corporations (Greg Mrazek, C.A., SaskEnergy Incorporated)

Office of the Provincial Auditor (Brian Atkinson, C.A.)

Public Accounting Firms/Appointed Auditors (Bob Bundon, F.C.A., Deloitte & Touche)

Judy Ferguson, C.A. (Secretary).



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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Appendix B: Glossary of Terms

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#### B. Glossary of Terms

**Audit Committee created under *The Provincial Auditor Act*:** The Lieutenant Governor in Council appoints up to five members to form the Audit Committee created under *The Provincial Auditor Act*. The Lieutenant Governor in Council designates one member to Chair the Audit Committee. No Member of the Assembly can be a member of the Audit Committee. The Provincial Auditor or Minister of Finance can request the Audit Committee to meet and review any matter. The Audit Committee reports to the Lieutenant Governor in Council on these matters.

**Executive Government:** Executive Government includes Government departments, Crown agencies, and Crown Corporations, (e.g., CIC and its Subsidiary Crown Corporations) owned and/or controlled by the executive arm of the Government. The executive arm of the Government consists of the Lieutenant Governor, the Premier and cabinet ministers.

**Officer of the Assembly:** Officers of the Assembly work for the Legislative Assembly and not for the Executive Government. They are independent, non-partisan servants of the Assembly. Officers of the Assembly have the following privileges:

- they perform their duties without assault or interference from any person;
- they report, as necessary, directly to the Assembly through the Speaker of the Assembly.
- they are exempt from serving as jurors in the courts in the Province while the Assembly is in session; and
- in most cases, a resolution of the Assembly is necessary to remove them from office.

**Public Money:** Public money means all revenues and public moneys from whatever source arising, whether the revenues and moneys belong to the Crown in the right of Saskatchewan, or are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the Government of any other province or for any other party or person, and includes public property.

**Standing Committee on Crown Corporations:** Standing Committee established by the Assembly to review the annual reports and financial statements of all Crown corporations tabled in the Assembly. The committee's chair and vice-chair are Government Members. The number of Government and Opposition Members on the Committees approximates the composition of the Assembly.

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## **Report of the Task Force on Roles, Responsibilities and Duties of Auditors**

### **Appendix B: Glossary of Terms**

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**Standing Committee on Public Accounts:** Standing Committee established by the Assembly to review the Government's expenditures as contained in the Public Accounts. Also, the committee reviews the Provincial Auditor's Reports. The committee's chair is an Opposition Member and the committee's vice-chair is a Government Member. The number of Government and Opposition Members on the Committees approximates the composition of the Assembly.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Appendix C: Process Followed

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#### C. Process Followed

The Task Force, as suggested in its terms of reference, followed a *consensus* model in its examination and discussion of issues. We were guided by the principles set out in the paper **Building Consensus for a Sustainable Future**, prepared by Canadian Round Tables, May 1993.

The Task Force held sixteen days of meetings during the period March through June, 1994. In its deliberations, the Task Force acknowledges the research assistance provided by its members and their offices. Also, the Task Force acknowledges the support of Mr. Donald Ching, President of CIC and Mr. Wayne Strelieff, Provincial Auditor as its sponsors. In addition, the Task Force acknowledges the support of the Institute of Chartered Accountants of Saskatchewan and the College of Commerce, University of Saskatchewan for providing meeting venues.

The Task Force received presentations from numerous stakeholders involved in the audits of the CIC and its Subsidiary Crown Corporations. These include:

Honourable Bernie Wiens, Ms. Felicity Edwards, Senior Program Manager of the Banff School of Management, and Michael Dalrymple, Senior Ministerial Assistant

Mr. Donald Ching, President of the CIC

Mr. Wayne Strelieff, Provincial Auditor

Dr. John Brennan, Chairman of the Audit Committee created under *The Provincial Auditor Act*

Mr. Thomas Robinson, and Mr. John Heraghty, representing the Appointed Auditors

Mr. Harold Martens, Chair and Mr. Eric Cline, Vice-Chair, Standing Committee on Public Accounts

Mr. Kim Trew, Vice-Chair, Standing Committee on Crown Corporations.

In addition, the Task Force met with Mr. Robert Cosman, Legislative Counsel and Law Clerk of the Legislative Assembly to discuss *The Provincial Auditor Act* and other relevant statutes. Also, the Task Force consulted with Mr. Cosman when drafting its report. In the course of its deliberations, the Task Force examined statutes, documents, correspondence and relevant literature. Appendix F lists the reference material made available to the Task Force.

The conclusions and recommendations represent the consensus of the Task Force.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Appendix D: Additional Matters Examined

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#### D. Additional Matters Examined

In its deliberations, the Task Force, inevitably, considered a number of matters which were beyond its terms of reference. These matters include:

- review of existing legislation

Although the Task Force's terms of reference requested it to undertake its review within the context of existing legislation, the Task Force in its deliberations noted the complexity of the existing legislation governing the audit system. The Task Force, also, noted the varying interpretations of this legislation. *The Task Force believes that the recommendations contained in this report will assist in a common interpretation of existing legislation.*

- opportunity for management of CIC and its Subsidiary Crown Corporations to publicly comment on the matters reported in the Provincial Auditor's Report to the Assembly.

The Task Force observed that under the existing system, management of CIC and its Subsidiary Crown Corporation are provided with this opportunity when they are invited as witnesses to the Standing Committee on Public Accounts (PAC) when PAC discusses the matters reported. However, the Task Force noticed management of CIC and its Subsidiary Crown Corporations are not provided with the opportunity to include their comments in the Provincial Auditor's Report to the Assembly. The Task Force observed that the Reports of other legislative auditors to the Assembly include management comments.

*The Task Force recommends the Provincial Auditor consider providing management of CIC and its Subsidiary Crown Corporations with the opportunity to include their comments in the Provincial Auditor's Report to the Assembly when matters relating to the Corporation are reported.*

- review of the composition and role of the Audit Committee created under *The Provincial Audit Act*.

Traditionally, the Provincial Auditor presents his Reports to the Assembly to the Audit Committee before he submits them to the Speaker of the Assembly. When possible, the Provincial Auditor meets with the Audit Committee to discuss these reports. Typically,

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Appendix D: Additional Matters Examined

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representatives from the Department of Finance and CIC attend these meetings. The Audit Committee then advises the Lieutenant Governor in Council on the Provincial Auditor's reports.

*Task Force recommends that:*

- *the Provincial Auditor provide the Audit Committee a reasonable time to review his Report to the Assembly; and*
- *the Provincial Auditor, assisted by the Appointed Auditors, discuss his report with the Audit Committee and Government officials prior to submitting his report to the Speaker for tabling or distribution.*
- discussion of the impact of its recommendations on audits of other Crown Corporations.

The Task Force recognizes that its conclusions and recommendations focus on the audit system for CIC and its Subsidiary Crown Corporations. The Task Force notes the Executive Government engages Appointed Auditors to audit other Crown corporations and agencies. Similar concerns and issues to those that led to the formation of the Task Force have been expressed with the audits of these organizations. The Task Force suggests the key constituents consider the application of its recommendations to other Crown corporations and agencies audited by Appointed Auditors.

*The Task Force recommends the Government of Saskatchewan consider the application of its conclusions and recommendations to audits of other Crown corporations and agencies where Appointed Auditors are engaged.*

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Appendix E: The Provincial Auditor Act

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#### E. The Provincial Auditor Act

(Consolidated version including *The Provincial Auditor Amendment Act, 1994*)

An Act respecting the Provincial Auditor and the Auditing of Certain Accounts

#### SHORT TITLE AND INTERPRETATION

1 This Act may be cited as *The Provincial Auditor Act*.

2 In this Act:

(a) "acting provincial auditor" means the acting provincial auditor appointed pursuant to section 5;

(a.1) "appointed auditor" means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) "audit" means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) "Crown" means Her Majesty the Queen in right of Saskatchewan;

(d) "Crown agency" means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Appendix E: The Provincial Auditor Act

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- (e) "Crown-controlled corporation" means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;
- (f) "fiscal year" means the period commencing on April 1 in one year and ending on March 31 in the next year;
- (g) "provincial auditor" means the Provincial Auditor for Saskatchewan appointed pursuant to section 3;
- (h) "public money" means all revenues and public moneys from whatever source arising, whether the revenues and moneys:
- (i) belong to the Government of Saskatchewan; or
  - (ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

- (i) "public property" means property held or administered by the Crown.

#### APPOINTMENT AND OFFICE

3(1) After consultation with the Chairman of the Standing Committee of the Legislative Assembly on Public Accounts, the Lieutenant Governor in Council shall appoint a person as the Provincial Auditor for Saskatchewan.

(2) The provincial auditor is an officer of the Legislative Assembly and holds office during good behaviour.

(3) Repealed.



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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Appendix E: The Provincial Auditor Act

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(4) The provincial auditor may resign his office at any time by forwarding a written notice addressed to:

(a) the Speaker; or

(b) where there is no Speaker or the Speaker is absent from Saskatchewan, the President of the Executive Council.

(5) The Lieutenant Governor in Council may suspend or remove the provincial auditor from office only for cause and on the address of the Legislative Assembly.

4(1) Subject to subsection (2), the provincial auditor is to be paid a salary 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.

(2) Where, as a result of a calculation made pursuant to subsection (1), the provincial auditor's salary would be less than his previous salary, he is to be paid not less than his previous salary.

(3) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided to deputy ministers.

(4) The provincial auditor's salary is a charge on the consolidated fund.

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

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7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary.

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the office of the provincial auditor are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The disability income plan, the public employees dental plan and the group insurance plan applicable to the public servants of Saskatchewan and any plan introduced to replace or substitute for those plans apply or continue to apply, as the case may be, to the provincial auditor and the employees of the office of the provincial auditor.

(4) *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act* apply to the provincial auditor and the permanent and full-time employees of the office of the provincial auditor, and all credits in any superannuation plan or funds established pursuant to those Acts for the provincial auditor and the employees of the office of the provincial auditor and accumulated under those Acts, prior to the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the office of the provincial auditor and the general business of the office and shall oversee and direct the staff of the office.

9 The provincial auditor shall require every person employed in his office who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

10 The provincial auditor may delegate to any member of his office the authority to exercise any power or to perform any duty conferred on him pursuant to this Act, other than the duty to make his annual report or a special report to the Legislative Assembly.

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#### DUTIES AND POWERS

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) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) Where the provincial auditor determines pursuant to subsection (1) that he is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation,

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the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(3) Where the provincial auditor has performed additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (2), he shall report in his annual report pursuant to this section:

- (a) the reason that he was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;
- (b) the nature of the additional audit work he conducted; and
- (c) the results of the additional audit work.

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservations of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

- (a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;
- (b) any public money was not duly accounted for and paid into the appropriate fund;
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;
- (d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;
- (e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

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- (f) a special warrant authorized the payment of public money; or
- (g) essential records were not maintained or the rules and procedures applied were not sufficient:
  - (i) to safeguard and control public money;
  - (ii) to effectively check the assessment, collection and proper allocation of public money; or
  - (iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

- (a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and
- (b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

### Appendix E: The Provincial Auditor Act

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13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

14(1) Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as practicable:

- (a) his annual report prepared pursuant to section 12;
- (b) any supplemental report based on the financial statements of the Government of Saskatchewan; and
- (c) any special report that is prepared by him pursuant to section 13;

and the Speaker shall, as soon as practicable, lay before the Legislative Assembly each report received by him pursuant to this subsection.

(2) Where the Legislature is not in session when the Speaker is required to lay the reports referred to in subsection (1) before the Legislative Assembly, the Speaker shall submit the reports to the Clerk of the Legislative Assembly, whereupon such reports shall be deemed to be tabled.

(3) On receipt of the reports referred to in subsection (1), the Clerk of the Legislative Assembly shall:

- (a) cause copies of the reports to be delivered to all members of the Legislative Assembly; and
- (b) make the reports available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(4) Where the Speaker submits the reports referred to in subsection (1) to the Clerk of the Legislative Assembly pursuant to subsection (2), those reports shall be deemed referred to the Standing Committee of the Legislative Assembly on Public Accounts.

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

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- (a) any funds that he is required to audit pursuant to subsection 11(1);
  - (b) Crown agencies;
  - (c) Crown-controlled corporations; and
  - (d) accounts not related to public money that are, by an Act, required to be examined by him.
- (2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

16(1) Where:

- (a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:
  - (i) requests the provincial auditor to perform a special assignment; and
  - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
- (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

- (a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

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(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act,

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

18 The provincial auditor shall:



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- (a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;
- (b) assure himself that the securities described in clause (a) have been properly cancelled; and
- (c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities.

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

- (a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and
- (b) during its review of the items described in clause (a).

#### AUDIT COMMITTEE

20(1) An audit committee, composed of not more than five persons appointed by the Lieutenant Governor in Council, is established.

- (2) No Member of the Legislative Assembly is eligible to be a member of the audit committee.
- (3) The Lieutenant Governor in Council shall designate one member of the audit committee as chairman.
- (4) The audit committee may determine its rules of procedure.

21 On the request of the provincial auditor or the Minister of Finance, the chairman of the audit committee shall call a meeting of the audit committee to review any matter that, in the opinion of the

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## Report of the Task Force on Roles, Responsibilities and Duties of Auditors

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provincial auditor or the Minister of Finance, as the case may be, should be considered by the committee.

22 The provincial auditor may give the audit committee any information that he considers appropriate to enable the audit committee to advise the Lieutenant Governor in Council on the result of any audit or examination made by him.

23 The provincial auditor shall present to the audit committee:

- (a) his annual report; and
- (b) any special report prepared pursuant to section 13;

before he submits the report to the Speaker.

#### GENERAL

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

- (a) to free access, at all convenient times, to:
  - (i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and
  - (ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

- (b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to

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examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

25 The provincial auditor may examine any person or any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

27(1) An accountant, who is:

- (a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;
- (b) not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the office of the provincial auditor; and
- (c) appointed by the Lieutenant Governor in Council;

shall audit the accounts of the office of the provincial auditor.

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(2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the office of the provincial auditor that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(3) The auditor of the office of the provincial auditor shall submit his report to the Standing Committee of the Legislative Assembly on Public Accounts.

28 The provincial auditor may charge a reasonable fee for professional services provided by his office.

29 The provincial auditor, the employees in his office and any advisor, specialist or consultant engaged pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

30 The provincial auditor, any employee in his office, an appointed auditor, any employee of an appointed auditor or any advisor, specialist or consultant engaged pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Act, and

(b) shall not communicate those matters to any person, other than when he is required to do so in connection with:

- (i) the administration of this Act;
- (ii) any proceedings under this Act; or
- (iii) any proceedings in a court of law.

31 Subject to subsection 4(4), any sums required by the provincial auditor for the purposes of this Act are to be paid from moneys appropriated by the Legislature for the purpose.

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32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Finance Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

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### Appendix F: Reference Material

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#### F. Reference Material

During its deliberations, the Task Force referred to the following materials:

1. Building Consensus for A Sustainable Future - Guiding Principles, August 1993
2. *The Provincial Auditor Act*
3. *The Provincial Auditor Amendment Acts, 1987, and 1994.*
4. *The Provincial Auditor Consequential Amendment Act*
5. *The Crown Corporations Act, 1993.*
6. *The SaskEnergy Act.*
7. The Crown Corporations Regulations, 1993.  
Order-in-Council 915/93 designating CIC Crown corporations.
8. Extracts from "The Legislative Assembly of Saskatchewan Members' Handbook" regarding Board of Internal Economy and Standing Committees.
9. Various Minutes and Verbatim Reports of the Legislative Assembly, Standing Committee on Public Accounts, and Standing Committee on Crown Corporations.
10. Extract from the Third Report of the Standing Committee on Public Accounts - concurred to by the Legislative Assembly on March 17, 1993.
11. CIC guidelines regarding the framework of the audit of CIC and its subsidiaries.
12. Office of the Provincial Auditor's guidelines for Reliance on Appointed Auditors of CIC Subsidiary Crown Corporations.
13. CIC's Policy for Appointment of External Auditors to CIC Subsidiary Crown Corporations.