



PROVINCIAL AUDITOR
of Saskatchewan

Business and Financial Plan

For the Year Ended March 31, 2018



PROVINCIAL AUDITOR *of Saskatchewan*

Vision:

A valued and independent legislative audit office advancing excellence and inspiring confidence
in public sector performance.

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PROVINCIAL AUDITOR
of Saskatchewan

December 1, 2016

The Honourable Corey Tochor
Speaker of the Legislative Assembly
Room 129, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my Business and Financial Plan for the year ended March 31, 2018, to be laid before the Legislative Assembly in accordance with the provisions of section 14.1 of *The Provincial Auditor Act*.

Respectfully submitted,

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

Judy Ferguson, FCPA, FCA
Provincial Auditor

/ah



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Introduction

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

Under the Act, the Office's key accountability reports are automatically referred to the Standing Committee on Public Accounts (PAC) upon tabling. When the Legislative Assembly is not in session, the Act deems the reports referred when they are submitted to the Speaker. This report—*Business and Financial Plan for the Year Ended March 31, 2018* (2018 Business and Financial Plan, the Plan)—is one of those two key accountability documents.

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

During 2015-16, the Office undertook a strategic planning process that resulted in a new five-year strategic plan for the period April 1, 2016 to March 31, 2021. **Section 5.0** of this Plan is a copy of the *2017-2021 Strategic Plan*. The Office sought external input at key stages including consulting with key stakeholders and legislators prior to finalizing its strategic plan. The *2017-2021 Strategic Plan* provides the foundation for the development of the *2018 Business and Financial Plan*.

The *2018 Business and Financial Plan* is comprised of three main sections:

- › **Section 1.0 – The Office of the Provincial Auditor** provides a brief description of the Office including its purpose, accountability mechanisms, staffing, and key systems and practices.
- › **Section 2.0 – 2017-18 Funding Request** sets out the 2017-18 Funding Request (Estimates) and factors, forces, and trends affecting the Office's work plan upon which the request is based. The Act requires PAC to review and approve the Estimates for inclusion in the Estimates tabled in the Legislative Assembly.
- › **Section 3.0 – Annual Work Plan for 2017-18 and Supporting Schedules** provides the Office's Audited Financial Forecast and other key information on trends in costs, average salaries, and training. The Office's Audited Financial Forecast includes planned time spent on tasks and the 2017-18 annual work plan (i.e., planned costs to audit government agencies).

In reviewing this Plan, the Office encourages PAC members to consider its *2016 Annual Report on Operations*. The *2016 Annual Report on Operations* describes the Office's performance in achieving the goals and objectives set out in the *2016 Business and Financial Plan*. It also includes audited financial statements for the fiscal year ended March 31, 2016.

The Office's annual report for the year ended March 31, 2016 was tabled in the Legislative Assembly on June 23, 2016 and is available on the Office's website.¹ Also, on the Office's website, PAC members can find the Office's prior business and financial plans (e.g., for the Year Ended March 31, 2017).²

¹ Available at www.auditor.sk.ca under Publications/Our Annual Report on Operations.

² Available at www.auditor.sk.ca under Publications/Our Business and Financial Plans.



1.0 The Office of the Provincial Auditor





1.1 Purpose of the Office of the Provincial Auditor

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

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

The Office:

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

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

1.2 Accountability of the Office

The Office is accountable to the Legislative Assembly through PAC. Key accountability mechanisms in *The Provincial Auditor Act* (Act)³ require the Provincial Auditor to:

- › Prepare and submit, each year to PAC, key accountability documents — a business and financial plan, and an annual report on operations that includes audited financial statements
- › Present to PAC, for its review and approval, its annual funding request and supplementary estimates (if any)
- › Table with PAC, for its information, the Office's human resources and financial management policies, and quarterly financial forecasts
- › Use GAAS to carry out its audits

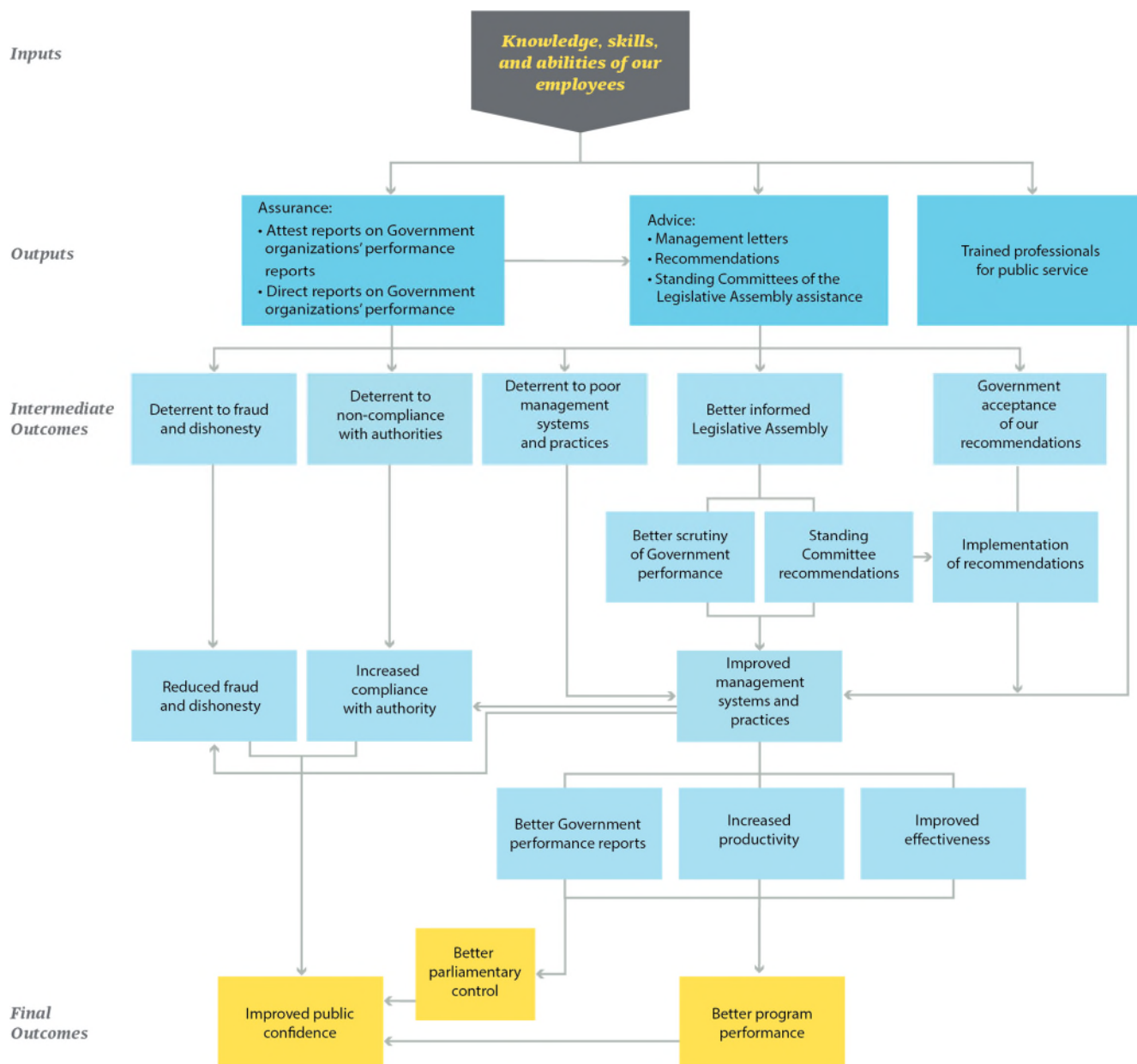
³ *The Provincial Auditor Act* was last amended on May 15, 2015, through *The Officers of the Legislative Assembly Standardization Amendment Act, 2015*. This Act made various amendments to *The Provincial Auditor Act* such as adding accountability mechanisms, changing the appointment of the Acting Provincial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



- Be a member in good standing of the Institute of Chartered Professional Accountants of Saskatchewan including maintaining firm and member licencing requirements for the provision of professional accounting services⁴

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

Exhibit 1—Impact of the Office's Work



Source: Working group of Canadian legislative auditors

⁴ The Provincial Auditor Act deems the Provincial Auditor a firm for the purposes of *The Accounting Profession Act*.



1.3 Auditor Independence

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

To achieve auditor independence, the Provincial Auditor, the Office, and its staff must be independent of the Government and be able to exercise that independence — they must be able to make decisions without being affected by influences that would compromise their judgment.

The Act provides the legislative framework for the independence of the Office and its staff.

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

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

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

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

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

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

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

1.4 Staffing

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

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

- ▶ Objectivity and professional skepticism, because of the Office's full independence from the Executive Government (i.e., ministries, Crown corporations, boards, commissions, funds)



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

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

The Office has four operating divisions (education, environment and infrastructure, finance, and health) and one support services division. Each division is led by a deputy provincial auditor and has assigned staff. Each operating division has an assigned portfolio of audit work and is responsible for completing that work within an assigned budget and agreed upon deadlines. The Support Services Division is responsible for human resources including training, performance reporting, IT systems, communications, and general administration.

During 2017-18, the Office expects to employ 60 people (2016-17: 60). As of October 31, 2016, 34 of the Office's employees were professional accountants with 15 training to become professional accountants. Of these professional accountants, 14 have non-accounting designations (e.g., Certified Information System Auditor, Pension Plan Administration Certificate, Certification in Risk Management Assurance). Two audit staff are non-accountants (i.e., MBA, MPA).

1.5 Maintaining Effective Systems and Practices Including Mitigating Risks

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

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

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



Each year, the Office includes the independent auditor's report on the Office's systems and practices in its Annual Report on Operations. In the *2016 Annual Report on Operations*, the Office's external auditor reported that the Office had effective processes to safeguard public resources entrusted to it by the Assembly. The Office has not made significant changes to its systems and practices since that audit.

Exhibit 2—Key Risks and Responses

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

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

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

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

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

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

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

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

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

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



2.0 2017-18 Funding Request





2.1 Introduction

As required by *The Provincial Auditor Act*, this section presents the Office's funding request for 2017-18 Estimates including an amount for unforeseen expenses. *The Provincial Auditor Act* provides for inclusion of an appropriation for unforeseen expenses (contingency appropriation) within the Estimates presented each year.

Exhibit 3 – History of Unforeseen Expenses Appropriation sets out a brief history of this appropriation.

Exhibit 3—History of Unforeseen Expenses Appropriation

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

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

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

2.2 2017-18 Funding Request

The Office asks that the Committee approve the 2017-18 Estimates with an appropriation for the operation of the Office of \$8,151 thousand and an appropriation for unforeseen expenses of \$539 thousand. These appropriations will enable the Office to fulfill its statutory duties under *The Provincial Auditor Act*.

Section 2.3 – Provincial Auditor's Estimates for Vote 28 Provincial Auditor provides the 2017-18 Estimates and a breakdown of those Estimates consistent with the format the Legislative Assembly expects.

Section 2.4 – Factors, Forces, and Trends Affecting the Appropriation, Section 3.2 – Audited Financial Forecast, and Section 4.0 – Other Supporting Information provide details on the basis for the 2017-18 Estimates request for the operation of the Office. **Section 3.2 – Audited Financial Forecast** includes the audited financial forecast⁵ where an auditor, independent from the Office, has concluded that the financial forecast is consistent with and reasonable in relation to the Office's operating plan (i.e., strategic goals and priorities).

The 2017-18 contingency appropriation request of \$539 thousand approximates the Office's previous net financial asset target of one month's salary and benefits. This request is \$6,000 less than the 2016-17 request primarily because of the anticipated decrease to the Office's total salaries.

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

⁵ Since 1998, the Office has provided the Committee with an audited financial forecast in response to a 1998 request of the Board of Internal Economy to provide it with independent advice to help it assess the Office's request for resources.





2.3 Provincial Auditor's Estimates

Provincial Auditor

Vote 28

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

Summary of Appropriation and Expense

(thousands of dollars)

	Estimated 2017-18	Estimated 2016-17
Provincial Auditor	8,151	8,205
Unforeseen Expenses	539	545
Appropriation	8,690	8,750
Capital Asset Acquisitions	-	-
Non-Appropriated Expense Adjustment	-	-
Expense	8,690	8,750

Provincial Auditor (PA01)

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

Allocations

Provincial Auditor Operations	7,922	7,980
Provincial Auditor's Salary (Statutory).....	229	225

Classification by Type

	2017-18	2016-17
Salaries.....	5,480	5,531
Goods and Services.....	2,671	2,674
	8,151	8,205

This subvote includes "Statutory" amounts. The amount "To Be Voted" is \$7,922K.

Unforeseen Expenses (PA02)

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

Classification by Type

	2017-18	2016-17
Salaries.....	539	545
	539	545



2.4 Factors, Forces, and Trends Affecting the Appropriation

The 2017-18 Funding Request for the operation of the Office of \$8.151 million reflects a net decrease of \$54,000 (0.66%) from the 2016-17 approved appropriation of \$8.205 million. The net decrease is comprised of:

Increase for:	(in thousands of dollars)
› Cost of living increase affecting salaries and benefits	99
› Employer premium rate increases for CPP and the extended health care plan	8
› Leased facilities	22
› Inflation impact on goods and services	21
› Impact of changes in Government agencies	12
Decrease for:	
› Impact of changes to agency appointed auditors	(86)
› Employer premium rate decreases for the Workers' Compensation Board (WCB) and EI	<u>(11)</u>
Total increase	<u>65</u>
Costs the Office expects to absorb	<u>(119)</u>
Net decrease	<u>\$ (54)</u>

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

The work plan reflects the Office's strategic goals and priorities and known information (at October 31, 2016) about the following factors:

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

As noted in the following paragraphs, several inflationary increases affect the Office's costs for salaries, benefits, goods, and services.

With respect to salaries, the 2016-17 Request did not include the 1.65% general salary increase authorized by the Government for its public servants.⁶ The Government provided this increase effective April 1, 2016. Providing the 1.65% general increase to our staff salaries effective April 1, 2016, increased our costs by \$99,000. The Office has leveraged recent retirements of senior staff to decrease its total salary cost for 2017-18. However, the Office notes the market for financial accountants and auditors remains strong with projected increases in salaries ranging from 3.1% to 3.2%.⁷ It will continue to monitor these conditions and the impact on employee retention.

With respect to the employer cost of benefit plans, the 2017-18 Funding Request includes a \$3,000 net decrease. Increases in employer premium rates for CPP (\$1,000) and the extended health care plan

⁶ Order-in-Council 393/2013 approved June 25, 2013.

⁷ Robert Half 2017 Salary Guide Accounting and Finance – 2017 projected salary increases from 2016 for public accountants.



(\$7,000) are offset by decreases for EI (\$10,000) and WCB (\$1,000). As noted in **Section 1.3**, the Act gives the Office's employees access to similar benefits as those available to public servants.

With respect to the cost of facilities, the 10-year agreement⁸ for our leased office space includes escalation for building operating costs such as utilities resulting in \$22,000 of increased annual lease costs.

With respect to inflation, the 2017-18 Funding Request recognizes a \$21,000 increase based on an anticipated inflationary increase of 1.8% on the cost of goods and services. Goods and services includes contracted staff assistance, office software and security licensing, supplies, and audit travel (e.g., hotel rates).

In view of the Government's fiscal outlook for 2017-18, the Office plans to absorb \$119,000 of the above increases. As previously noted, it is leveraging recent retirements of senior staff to reduce its total salary costs and will look for other efficiencies in how it does its work.

› The number and size of government agencies

The 2017-18 Request includes an increase of \$12,000 to take into account the impact of changes to government agencies since the *2017 Business and Financial Plan*. **Section 4.1 – Impact of Changes to Government Agencies on the 2017-18 Work Plan** provides further detail. At October 31, 2016, 246 government agencies manage public resources. As *The Provincial Auditor Act* requires the Office to audit all government agencies, the Government's restructuring, creation, and wind-up of agencies impact the Office's work plan and total costs.

› The Government's use of appointed auditors⁹

The 2017-18 Funding Request includes a cost reduction of \$86,000 for changes to the Government's use of appointed auditors. **Section 4.1 – Impact of Changes to Government Agencies on the 2017-18 Work Plan** provides further details. Government agencies with appointed auditors remain part of the Office's audit universe and are subject to performance audits.

While the use of appointed auditors reduces the Office's costs, it increases the total cost of auditing to taxpayers in that two auditors are involved. When the Government appoints a second auditor (appointed auditor), the Office follows the recommendations of the *Task Force on Roles, Responsibilities, and Duties of Auditors*.¹⁰ Following these recommendations ensures the Office serves the Assembly efficiently and minimizes the duplication of effort. **Section 4.5 – Total Costs to Audit Government Agencies** sets out the total costs to audit government agencies for the last five years.

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

The 2017-18 Funding Request assumes that the quality of government agencies' management systems and practices will remain relatively constant. The Office recognizes fiscal restraint along with changes to and reduction of staffing may impact this assumption.

The Office assessed the impact of the Government's November 2015 decision to change the fiscal year end of Crown Investments Corporation of Saskatchewan, and its subsidiaries and related entities from December 31 to March 31. Though the change results in an increased workflow during the March to June period, the Office determined it can manage the shift without the need for increased resources.

⁸ The lease for our office space is effective April 1, 2012 to March 31, 2022.

⁹ The Government has decided to use appointed auditors to audit many agencies. It has stated that it uses appointed auditors so the Saskatchewan public accounting industry can retain local expertise.

¹⁰ Available at www.auditor.sk.ca under Publications/Resources.



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

The 2017-18 Funding Request assumes the Office will continue to receive co-operation from government officials and appointed auditors.

- › Changes to professional accounting, auditing, and assurance standards

The 2017-18 Funding Request does not include additional resources to handle known or anticipated changes in professional standards. Rather, the Office plans to find internal efficiencies to manage the cost of the impact of these changes.

The Canadian Auditing and Assurance Standards Board has approved and is anticipating key changes to auditing and assurance standards (e.g., CSAE 3001, new auditor report).¹¹ In addition, the Public Sector Accounting Board and the Canadian Accounting Standards Board are making ongoing changes to Canadian accounting standards. In addition, regulation of the practice of professional accounting, including the Office, has increased. These changes result in changes to the Office's audit methodology and practices, and additional audit work effort.

- › The legislators' and public's expectations

The 2017-18 work plan is based on the planning approach used in prior years and reflects a similar mix of work. As part of the Office's recent strategic planning process, it updated the external forces and trends affecting the Office. They did not change significantly. **Exhibit 4** highlights the updated external forces and trends.

Exhibit 4—External Forces and Trends Affecting the Office

The Office's 2017-2021 Strategic Plan identifies 11 major external forces and trends that affect both the Office and its stakeholders (i.e., legislators, the public, and government officials). They affect the Office's resources, how it manages, and how it decides what work it does and when. The Office focuses its efforts on helping stakeholders address the challenges emerging from these forces and trends as well as several more specific issues. In particular, the Office will continue to encourage the Government to address the following challenges:

- › Changing demographics and diversity
- › Technology change, complexity, and usage
- › Increased regulatory oversight of professional accountants
- › Use of multiple financial reporting frameworks in the Saskatchewan public sector (e.g., public sector standards for governments for summary financial statements, public sector standards for not-for-profit organizations for regional health authorities, International Financial Reporting Standards for government business enterprises)
- › Changes in government service delivery model
- › Changes in the public sector workforce
- › Sustainability and protecting the physical environment
- › Focus on infrastructure
- › Impact of global markets
- › New financing structures in government
- › Evolving relationships between legislative auditors and legislative committees (i.e., PAC, CCAC)

Source: 2017-2021 Strategic Plan

The **Schedule of Planned Costs to Audit Government Agencies** sets out the annual work plan for the year ended March 31, 2018. The Schedule forms part of the audited financial forecast included in **Section 3.2**. The Schedule sets out the planned costs to audit and report on government agencies for the Office's fiscal year ended March 31, 2018 and comparative information.

¹¹ Assurance requirements in CSAE 3001 are effective for attestation or direct engagements where the assurance report is dated on or after June 30, 2017.



2.5 Impact of Alternative Funding Levels

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

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

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

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



3.0 *Annual Work Plan for 2017-18 and Supporting Schedules*





3.1 Glossary

Estimate

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

Forecast

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

Projection

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



3.2 Audited Financial Forecast

Management's Responsibility for the Financial Forecast

The accompanying financial forecast consisting of a Statement of Operations included in the *Business and Financial Plan* for the Office of the Provincial Auditor for the year ended March 31, 2018, is the responsibility of management of the Office. Management has prepared the financial forecast in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this *Business and Financial Plan* is consistent with that in the financial forecast.

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

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

Judy Ferguson, FCPA, FCA
Provincial Auditor

November 28, 2016
Regina, Saskatchewan

Auditors' Report on Financial Forecast

To the Standing Committee on Public Accounts:

The accompanying financial forecast of the Office of the Provincial Auditor consisting of a Statement of Operations for the year ended March 31, 2018, has been prepared by management using assumptions with an effective date of October 31, 2016. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Auditing Guideline published by the Chartered Professional Accountants of Canada. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

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

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

Chartered Professional Accountants

November 28, 2016
Regina, Saskatchewan





—Audited—

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

	2015 Actual	2016 Actual	2017 Estimated (Unaudited) (Note 4)	2018 Forecast (Note 5,6)	2019 Projection (Unaudited)
Revenue:					
General Revenue Fund (GRF)					
- Appropriation	\$ 8,215	\$ 8,194	\$ 8,205	\$ 8,151	\$ 8,233
- Contingency Appropriation (Note 2)	537	548	545	539	544
Other	5	27	28	3	3
Total revenue	8,757	8,769	8,778	8,693	8,780
Expense:					
Salaries	5,384	5,227	5,329	5,480	5,535
Employee benefits	933	936	988	988	998
Facilities and equipment	730	724	726	764	772
Administration	409	385	413	427	431
Agent and advisory services	332	370	421	334	337
Training and development	165	127	170	170	172
Total operating expense	7,953	7,769	8,047	8,163	8,245
Transfer to GRF (Note 3)					
- Return of unused Appropriation	834	968	696	539	544
- Other	5	27	28	3	3
Total transfer to GRF	839	995	724	542	547
Total expense	8,792	8,764	8,771	8,705	8,792
Annual surplus (deficit)	(35)	5	7	(12)	(12)
Accumulated surplus, beginning of year	188	153	158	165	153
Accumulated surplus, end of year	\$ 153	\$ 158	\$ 165	\$ 153	\$ 141

(See accompanying notes and schedules)



—Audited—

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

1. Summary of Accounting Policies

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

a) Revenue

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

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

b) Tangible Capital Assets

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

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

2. Contingency Appropriation

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

3. Transfer to General Revenue Fund

The Provincial Auditor Act requires the Office to give all other revenues to the General Revenue Fund. The Act also requires the Office to return any excess appropriations to the General Revenue Fund. For 2017, the Office anticipates that it will give \$28,000 of other revenue and \$696,000 of its appropriation to the General Revenue Fund.

4. 2017 Estimate

The estimate for 2017 is based on actual information known to October 31, 2016, and the planned course of action for the remainder of the year. The actual results will vary and the variations may be material. The Office's actual expenses for the seven months ended October 31, 2016, were \$4.5 million (unaudited).

5. 2018 Forecast – Key Assumptions

The financial information presented for 2018 is a forecast, and accordingly actual results will vary and the variations may be material.

The Office prepared the financial information for the year ended March 31, 2018, using the significant assumptions set out below. The assumptions reflect the Office's planned course of action for this period as





set out in the Office's strategic goals and strategies (**Section 5.0 – The Office's 2017-2021 Strategic Plan**). The Office based the assumptions on management's judgement of the most probable set of economic conditions for this period based on known information at October 31, 2016.

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

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

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

Salaries are based on 60 full-time equivalent positions at an average salary cost of \$91,300 (Refer to **Section 3.4 – Forecast and Actual Full-Time Equivalent Positions and Average Salaries of Employees**). Average salary cost is determined using best estimates of expected pay for current and new employees based on past trends and expected economic conditions.

Total full-time equivalent positions of 62 (60 FTE salaried employees plus 2 FTE contracted staff assistance) reflects the staff necessary to provide 70,000 audit hours. The required audit hours for the agencies included in the **Schedule of Planned Costs to Audit Government Agencies** is based on the planned use of staff time set out in the **Schedule of Planned Time Spent on Tasks**. When determining required audit hours, the Office takes into account known information at October 31, 2016, about the state of the Government's systems and practices, the number and size of government agencies, the Government's use of appointed auditors, and auditing standards.

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

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

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

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

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



—Audited—

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

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

For the Years Ended March 31	2015 Actual	2016 Actual	2017 Estimate (Unaudited)	2018 Forecast	2019 Projection (Unaudited)
Revenue:					
General Revenue Fund					
- Appropriation	\$ 8,215	\$ 8,194	\$ 8,205	\$ 8,151	\$ 8,233
- Contingency Appropriation	537	548	545	539	544
Other	5	27	28	3	3
Total revenue	8,757	8,769	8,778	8,693	8,780
Expenditure:					
Salaries	5,384	5,227	5,329	5,480	5,535
Employee benefits	936	935	988	988	998
Facilities and equipment	716	715	733	752	760
Administration	406	393	413	427	431
Agent and advisory services	332	370	421	334	337
Training and development	144	134	170	170	172
Total operating expenditure	7,918	7,774	8,054	8,151	8,233
Transfer to GRF					
- Return of unused Appropriation	834	968	696	539	544
- Other	5	27	28	3	3
Total transfer to GRF	839	995	724	542	547
Total expenditure	8,757	8,769	8,778	8,693	8,780
Excess of revenue over expenditure	\$ -	\$ -	\$ -	\$ -	\$ -



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

	Actual			Planned	
	2014	2015	2016	2017	2018
Employee time					
Working hours	85%	85%	85%	85%	84%
Vacation leave and statutory holidays ¹	13%	13%	13%	13%	14%
Sick leave	2%	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours' tasks					
Audits	72% ³	71% ³	71% ³	70%	70%
Support services	11%	11%	11%	11%	11%
Office administration	11%	12%	13% ⁴	12%	12%
Training	6% ³	6% ³	5% ³	7%	7%
Total work hours	100%	100%	100%	100%	100%
Total full-time equivalent positions²	61	61	60	62	62 ⁵

(See accompanying notes)

Explanations of statistical differences in the use of employee time.

¹ The Office provides vacation leave and statutory holidays similar to those provided to employees in the public service. Periodically, there is one more statutory holiday (Good Friday) in the period (i.e., 2016 and 2018).

² Includes employees and contracted assistance.

³ During 2014, 2015, and 2016, some management and specialized training was deferred to meet audit deadlines. Beginning in 2015, some specialized training was available via webinar or in Saskatchewan thereby decreasing travel time for training events.

⁴ Office administration time increased in 2016 as a result of developing a new five-year Strategic Plan.

⁵ This represents 60 full-time equivalent employees and 2 full-time equivalent contracted assistance.



—Audited—

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

1. Purpose

This schedule shows work tasks and the percentage of time spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2014 to March 31, 2016, and planned percentages for these tasks for the years ended March 31, 2017 and 2018.

2. Definitions

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

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

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

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

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

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

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

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

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

3. Time Allocation Policies

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

4. Actual Time

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



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

Government Agency	2015 Actual Costs (Note 1)	2016 Actual Costs (Note 1)		2017 Planned Costs		2018 Planned Costs	
Advanced Education	903	866		882		851	
Agriculture	243	207		230		281	
Central Services	180	195		189		153	
Economy	377	394		423		354	
Education	723	734	A	680		729	
Environment	270	241		300		248	
Executive Council	21	14		18		18	
Finance	768	820		933	5	845	1
Government Relations	215	209		277		222	
Health	1,234	1,138	14, A	1,227	6	1,346	2
Highways and Infrastructure	98	154		154		157	
Justice	390	575	15	442	7	479	
Labour Relations and Workplace Safety	19	26		22		63	
Legislative Assembly	109	117		115		115	
Parks, Culture and Sport	237	255		306		255	
Public Service Commission	65	63		67		64	
Saskatchewan Liquor and Gaming Authority	201	331	16, A	207	8	232	
SaskBuilds Corporation	121	16	17	68		21	
Social Services	196	285	18	193	9	248	
Workers' Compensation Board	28	26		85		32	
Crown Investments Corporation of Saskatchewan	64	42		121	10	80	
Saskatchewan Gaming Corporation	32	26		41		80	
Saskatchewan Government Insurance	107	113		86		89	
Saskatchewan Opportunities Corporation	12	3		16		12	
Saskatchewan Power Corporation	189	52	19	71		152	3
Saskatchewan Telecommunications Holding Corporation	49	25		137	11	62	4
Saskatchewan Transportation Company	7	4		10		10	
Saskatchewan Water Corporation	11	4		21		73	
SaskEnergy Incorporated	51	20		57		58	
Government-wide and Sectoral Work	383	130	20	294	12	347	



—Audited—

(thousands of dollars)
Government Agency

	2015 Actual Costs (Note 1)	2016 Actual Costs (Note 1)		2017 Planned Costs		2018 Planned Costs	
Legislative Committees and Public Reports	466	460	A	533	¹³	475	
TOTAL COSTS	\$ 7,769	\$ 7,545		\$ 8,205		\$ 8,151	
Average cost-per-audit-hour ²¹	\$ 108.63	\$ 108.65		\$ 112.55		\$ 112.41	

(see accompanying notes)

^A Includes costs remaining to complete audits not done at October 31, 2016.

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

2018 and 2017 Planned

- ¹ **Finance** – 2018 is less than 2017 by \$88. In 2018, no performance work is planned for this Ministry.
- ² **Health** – 2018 is more than 2017 by \$119. For 2018, the Office plans to assess the Ministry's programs for mental health (\$77) and a regional health authority's health facilities maintenance activities (\$66). In addition, one entity was created—Out of Scope Flexible/Health Spending Account Plan (\$10); and one entity was wound up—North Saskatchewan Laundry and Support Services Ltd. (\$14).
- ³ **Saskatchewan Power Corporation (SaskPower)** – 2018 is more than 2017 by \$81. For 2018, the Office plans to assess SaskPower's infrastructure maintenance (\$64), and implementation of past recommendations about buying goods and services (\$4), responding to cyber incidents (\$8), and inspecting gas and electrical installations (\$4).
- ⁴ **Saskatchewan Telecommunications Holding Corporation (SaskTel)** – 2018 is less than 2017 by \$75. Refer to footnote 11 below for 2017 work.

2017 Planned and 2016 Actual

- ⁵ **Finance** – 2017 is expected to be \$113 more than 2016. In 2017, the Office planned to assess the Public Employees Benefits Agency's processes to secure pension and benefit plan participants' personal information (\$49). 2016 actual costs were lower than planned in 2016 primarily due to staff levels used and fewer audit issues requiring research for audit work on the Summary Financial Statements, Ministry of Finance, and various pension and benefit plans.
- ^{6, A} **Health** – 2017 is expected to be \$89 more than 2016. For 2017, the Office planned to assess Cypress Regional Health Authority's delivery of accessible and responsive ambulance services (\$52) and Saskatoon Regional Health Authority's oversight of contracted special-care homes (\$57).
- ⁷ **Justice** – 2017 is expected to be \$133 less than 2016. Refer to footnote 15 below for 2016 work.
- ^{8, A} **Saskatchewan Liquor and Gaming Authority (SLGA)** – 2017 is expected to be \$124 less than 2016. Refer to footnote 16 below for 2016 work.
- ⁹ **Social Services** – 2017 is expected to be \$92 less than 2016. Refer to footnote 18 below for 2016 work.
- ¹⁰ **Crown Investments Corporation of Saskatchewan (CIC)** – 2017 is expected to be \$79 more than 2016. The Government's November 2015 decision to change the fiscal year-end of CIC and its subsidiaries and related entities from December 31 to March 31 changed the timing of work related to those agencies. The Office expects its costs for 2016 and 2017 to be lower than planned during the transition period, and 2018 planned costs for financial-related audit work (i.e., March 31, 2017 year-ends) to be similar to 2015 and prior years. In addition, in 2017, the Office planned to assess CIC's processes to meet the Gradworks Intern Development Program (intern program) goals (\$44).
- ¹¹ **Saskatchewan Telecommunications Holding Corporation** – 2017 is expected to be \$112 more than 2016. For 2017, the Office planned to assess SaskTel's processes to buy goods and services (\$63). Consistent with note 10, the change in year-end of SaskTel and its related subsidiaries reduced our 2016 costs by \$49.
- ¹² **Government-wide and Sectoral Work** – 2017 is expected to be \$164 more than 2016. In 2016, costs were \$130 lower as the Office did less work related to planning government-wide, sectoral, and agency specific performance audits than originally anticipated because fewer complex matters required research.



- ^{13, A} **Legislative Committees and Public Reports** – 2017 is expected to be \$73 more than 2016. In 2016, Crown and Central Agencies Committee meetings held fewer meetings discussing the Office's work than anticipated for 2017 (\$33). Also, the Office's time spent to prepare and publish its 2016 reports was lower than anticipated for 2017 (\$27).

2016 and 2015 Actual

- ¹⁴ **Health** – 2016 was less than 2015 by \$96. In 2015, the Office assessed Prince Albert Parkland Regional Health Authority's processes to provide timely and appropriate home-care services (\$84).
- ¹⁵ **Justice** – 2016 was more than 2015 by \$185. In 2016, the Office assessed the Ministry's processes related to the Building Partnerships to Reduce Crime initiative (\$78), Saskatchewan Legal Aid Commission's processes to deliver legal services to low-income individuals in Saskatchewan (\$66); and the implementation of past recommendations about the Ministry's processes to maintain the integrity of offender data in the Corrections Management Information System (\$10), management of the labour costs in the provincial correctional centres related to absenteeism (\$10), processes to rehabilitate adult inmates within provincial prisons (\$10) and the Saskatchewan Police Commission's processes to monitor municipal policing (\$7).
- ^{16, A} **Saskatchewan Liquor and Gaming Authority (SLGA)** – 2016 was more than 2015 by \$130. For 2016, the Office assessed SLGA's liquor regulatory processes (\$63), project management processes for key information technology projects (\$54), and implementation of past recommendations related to SLGA's liquor procurement (\$9), and encouraging responsible use of beverage alcohol (\$3).
- ¹⁷ **SaskBuilds Corporation** – 2016 was less than 2015 by \$105. In 2015, the Office assessed SaskBuilds' processes for evaluating infrastructure projects to determine whether the projects should use a public-private partnership (P3) approach (\$110).
- ¹⁸ **Social Services** – 2016 was more than 2015 by \$89. In 2016, the Office assessed the Ministry's processes related to protecting information about children in care in the Linkin system (\$48), and minimizing employee absenteeism (\$53).
- ¹⁹ **Saskatchewan Power Corporation (SaskPower)** – 2016 was less than 2015 by \$137. In 2015, the Office assessed SaskPower's processes to buy power from independent power producers (\$73), processes to respond to cyber incidents (\$48), and implementation of past recommendations related to inspecting gas and electrical installations (\$6).
- ²⁰ **Government-wide and Sectoral Work** – 2016 was less than 2015 by \$253. In 2015, the Office assessed the Government's implementation of LEAN methodology (\$79), Prairie South School Division's processes related to governance (\$57), and the Ministry of Central Services' security requirements for the development and operation of government ministry web applications (\$130).

Average Cost-Per-Audit-Hour

- ²¹ The decrease in the average cost-per-audit-hour in 2015 and 2016 was primarily due to lower salaries and benefits as result of senior staff retirements and unanticipated turnover of longer-term staff.



—Audited—

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

1. Purpose

This schedule (Annual Work Plan) shows the Office's actual costs to audit government agencies for its fiscal years ended March 31, 2015 and March 31, 2016. The schedule also shows the Office's planned costs to audit government agencies for its fiscal years ended March 31, 2017 and March 31, 2018.

The actual costs for 2015 and 2016 were originally provided in the **Schedule of Actual Costs to Audit Government Agencies** included in the Office's 2015 and 2016 Annual Reports on Operations. The audited information noted there would be future costs to complete these audits. Virtus Group LLP audited those schedules. The actual results reported in this schedule have been updated for actual costs up to October 31, 2016. 2016 includes an estimate for costs remaining to complete audits not done at October 31, 2016.

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

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

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

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

2. Cost Allocation Policies

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

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

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

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





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

The following table shows a five-year summary comparison of costs to discharge the Office's duties under *The Provincial Auditor Act*. The **Schedule of Planned Costs to Audit Government Agencies** included in **Section 3.2 – Audited Financial Forecast** compares detailed work plans for the years 2015 to 2018 and explains key differences.

The 2019 planned costs assume an inflationary increase of 1% and that the other factors listed in **Section 2.4** will not significantly impact future costs of the Office.

Work Plan Costs to Audit Each Government Agency for the Office's Fiscal Years Ended March 31				
In millions of dollars				
2015 Actual	2016 Actual	2017 Planned	2018 Planned	2019 Planned
7.769	7.545	8.205	8.151	8.233
(Details in the Schedule of Planned Costs to Audit Government Agencies)				(Details to be determined in 2017)

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

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

Fiscal Year	FTE ¹ Positions		Average Salaries ²	
	Forecast	Actual	Forecast	Actual
2009	58	56	77,200	77,700
2010	58	55	81,600	82,800
2011	61	59	84,700	83,700
2012	60	56	88,100	87,500
2013	60	59	88,400	88,700
2014	60	58	88,600	92,200
2015	60	58	93,000	92,800
2016	60	58	92,800	90,100 ³
2017	60	59 ³	92,200	90,300 ^{3,4}
2018	60		91,300	

¹ FTE – Full-time equivalent

² Average salaries have increased from 2009 to 2018 primarily due to the Provincial Auditor's employees receiving similar economic adjustments as those the Government provided to out-of-scope public servants and responses to market pressures. The following table sets out the economic adjustments the Government provided to out-of-scope public servants. These economic adjustments cause the Office's average salary to increase from \$77,700 per year at March 31, 2009 to \$90,000 per year at March 31, 2018. The remaining increase reflects the Office's response to market pressures in recent years for hiring and retaining professional accountants/auditors and students.

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

April 1, 2008	4.0%	April 1, 2011	2.0%	April 1, 2014	1.25%
April 1, 2009	4.5%	April 1, 2012	2.0%	April 1, 2015	0.0%
April 1, 2010	1.5%	April 1, 2013	2.0%	April 1, 2016	1.65%

³ Unanticipated turnover during 2016 and 2017 and delay in certain promotions has changed the composition of the Office's average salary.

⁴ Estimated number of full-time equivalent positions and average salaries for 2017 based on information known at October 31, 2016.



3.5 Training Schedule

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

Fiscal Year	Actual					Forecast				
	Hours		Salary Cost		Out-of-Pocket Costs	Hours ^{1,2}		Salary Cost		Out-of-Pocket Costs
2009	7,931		292,026		180,677	8,740		313,400		160,000
2010	7,656		280,606		167,420	8,760		334,800		175,000
2011	9,664		385,371		171,793	9,996 ³		421,300		175,000
2012	7,961	⁴	346,740	⁴	144,997	10,120		454,100		175,000
2013	7,753	⁴	349,730	⁴	144,004	9,944		438,300		175,000
2014	5,794	⁴	282,151	⁴	139,848	9,006		419,600		175,000
2015	6,435	⁴	305,592	⁴	144,221	8,309		378,500		175,000
2016	5,310	⁴	246,722	⁴	133,981	7,944		380,000		170,000
2017	7,496	⁵	351,772	⁵	170,104	7,615		344,100		170,000
2018						7,535		356,000		170,000

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

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

Type of Training	Legislative Auditors Average 2015	Provincial Auditor Saskatchewan 2015	Provincial Auditor Saskatchewan Forecast 2018
Training new staff to become professionals	10 days	11 days	10 days
Keeping existing professional staff current	10 days	8 days	9 days
Specialized training (e.g., computers, pensions, tax, etc.)	9 days	10 days	10 days

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

⁴ Some management and specialized training was deferred to meet audit deadlines.

⁵ This is an estimate for 2016-17 based on known information at October 31, 2016. Actual results may vary.





4.0 Other Supporting Information





4.1 Impact of Changes to Government Agencies on the 2017-18 Work Plan

The Office submits its request for resources in December of a year (2016) for the next April to March fiscal (2017-18) year. The Office bases its request on information known to October 31, 2016. The Office reflects information received after that date in the next request for resources.

The Office requests additional resources to audit new agencies (created), does not request resources to audit wound up agencies, and adjusts resources when agencies are significantly reorganized or there are changes in the government's use of appointed auditors.

Impact of Changes in Government Agencies in 2017-18 (thousands of dollars)		
Created:¹		
Ministry of Health		
Out-of-Scope Flexible/Health Spending Account Plan	10.3	
Sask Liquor and Gaming Authority (SLGA)		
SLGA Retail Inc.	16.1	
Total Created		26.4
Wound Up:²		
Ministry of Health		
North Saskatchewan Laundry and Support Services Ltd.	(14.0)	
Total Wound Up		(14.0)
Net Impact of changes in Government agencies		
Increase (Decrease)		12.4

¹ These agencies were created, became a government-controlled agency, or were subject to audit under *The Provincial Auditor Act* during 2016-17 and result in more work for the Office in 2017-18.

² These agencies were wound up, ceased to be a government-controlled agency, became inactive, or were no longer subject to audit under *The Provincial Auditor Act* during 2016-17 and result in less work for the Office in 2017-18.

Impact of Changes to Agency Appointed Auditors in 2017-18 (thousands of dollars)		
Impact of Changes to Agency Appointed Auditors:³		
Sask Research Council and Employees' Pension Plan	(85.7)	
Total impact of changes to agency appointed auditors		
Increase (Decrease)		(85.7)

³ Reflects changes in integrated audit work costs resulting from the Government's decision to use an appointed auditor during 2016-17 and result in less work for the Office in 2017-18. The agency remains subject to audit under *The Provincial Auditor Act* including potential performance audits.

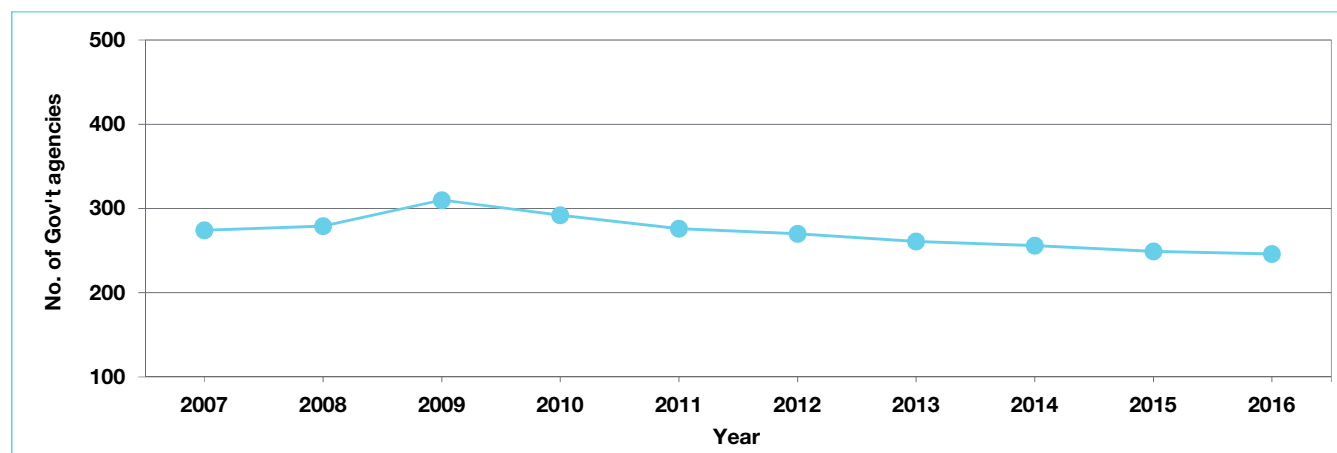
4.2 Spending Trends

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

The number of agencies within the Government along with their size affects the work of the Office. Over the 10-year period from 2007 to 2016, the number of government agencies has decreased from 274 agencies in 2007 to 246 agencies in 2016.



Total Number of Government Agencies from 2007 to 2016



To provide insight on the volume of government financial transactions that the Office is responsible to audit, the Office provides the Government's gross revenues and expenses, and gross assets and liabilities for the same 10-year period. Over the 10-year period from 2007 to 2016, the Office's spending increased by 30%; over the same period, the Government's gross revenue and expense have increased by 58% and its gross assets and liabilities have increased by 55%.

Provincial Auditor Spending and Volume of Government Financial Activity from 2007 to 2016

Fiscal Year	Provincial Auditor Spending ¹		Volume of Government Financial Activity ²			
	(in \$ millions)	% chg	Gross Revenue and Expense		Gross Assets and Liabilities	
			(in \$ billions)	% chg	(in \$ billions)	% chg
2007	\$ 6.0	5.3	\$ 29.4	9.3	\$ 41.7	4.3
2008	6.3	5.0	32.2	9.5	44.4	6.5
2009	6.6	4.8	37.0	14.9	43.3	(2.5)
2010	7.0	6.1	35.9	(3.0)	45.9	6.0
2011	7.4	5.7	37.9	5.6	47.4	3.3
2012	7.4	-	39.1	3.2	49.3	4.0
2013	7.8	5.4	40.2	2.8	53.2	7.9
2014	8.0	2.6	42.2	5.0	57.2	7.5
2015	8.0	-	43.1	2.1	61.0	6.6
2016	7.8	(2.5)	46.5	7.9	64.6	5.9

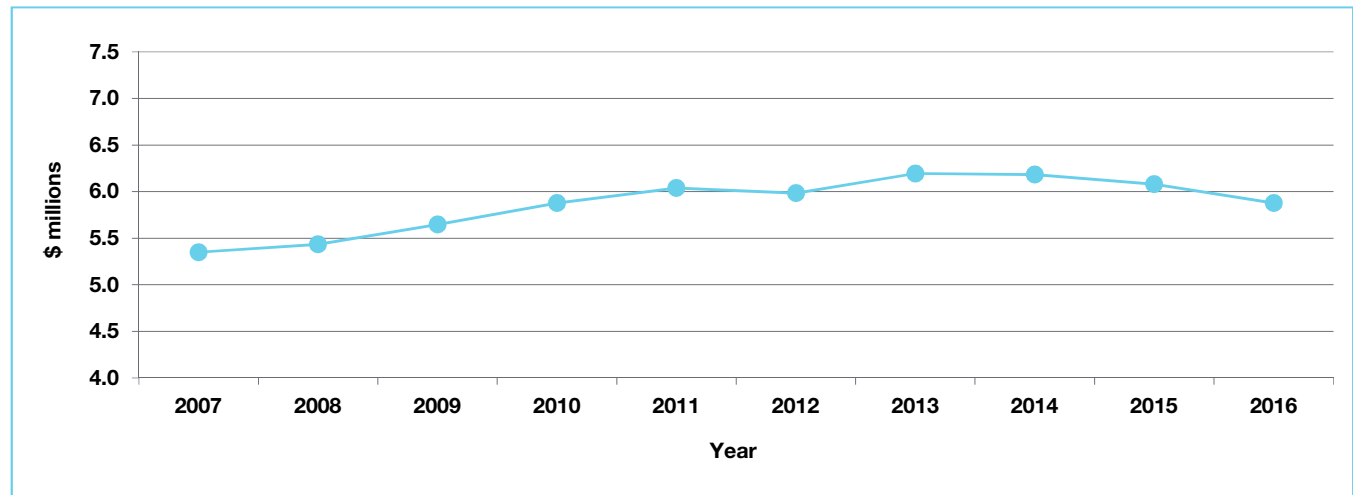
¹ Provincial Auditor spending reflects the total operating expenses reflected in its audited financial statements. It does not include fees that appointed auditors charged government agencies.

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



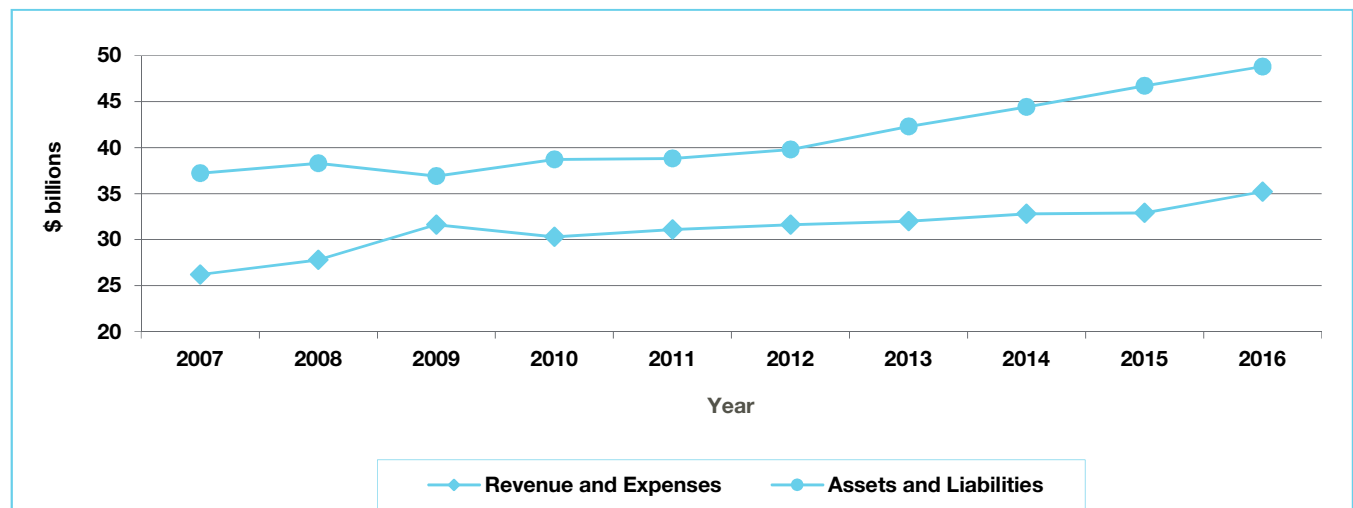
The graphs below show trends for the 10-year period from 2007 to 2016 in Provincial Auditor Spending and in Government Financial Activity each adjusted for inflation using 2002 as the base year.

Provincial Auditor Spending from 2007 to 2016 Adjusted for Inflation



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

Government Financial Activity from 2007 to 2016 Adjusted for Inflation



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



4.3 Out-of-Province Travel

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

Out-of-Province Travel Costs									
	2013-14		2014-15		2015-16		2016-17		2017-18
Forecast	\$ 49,000	^{1,2}	\$ 35,000	^{1,4}	\$ 30,000	^{1,4}	\$ 30,000	^{1,4}	\$ 28,000
Actual	22,375	³	40,548	⁵	23,690		28,891	⁶	

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

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

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

⁴ Costs anticipate that some specialized training will be available via webinar or in Saskatchewan decreasing out-of-province travel costs.

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

⁶ This is an estimate to March 31, 2017. Actual results may vary. The actual to October 31, 2016 is \$12,294.

4.4 Senior Management Salaries

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

Annual salaries as at March 31:

	2012	2013	%chg from 2012 ¹	2014	%chg from 2013 ²	2015	%chg from 2014 ³	2016	%chg from 2015
Lysyk, B.	207,721	208,865	0.55	- ⁶	-	-	-	-	-
Ferguson, J.	161,304	170,000 ⁴	5.39	219,349 ⁶	29.03	225,550	2.83	223,955 ⁹	(0.71) ⁹
Ahmad, M.	161,304	164,530	2.00	167,821 ⁷	2.00	170,000	1.30	170,000	-
Borys, A.	155,702	160,856	3.31	167,821 ⁷	4.33	170,000	1.30	170,000	-
Clemett, T.	-	-	-	-	-	-	-	155,000 ¹⁰	-
Deis, K.	-	150,000 ⁴	-	159,120 ⁷	6.08	170,000	6.84	170,000	-
Heffernan, M.	161,304	- ⁵	-	-	-	-	-	-	-
Montgomery, E.	161,304	164,530	2.00	167,821 ⁷	2.00	- ⁸	-	-	-
O'Quinn, C.	-	-	-	-	-	-	-	155,000 ¹¹	-
Sommerfeld, R.	-	-	-	-	-	-	-	155,000 ¹¹	-

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

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

² The Government granted salary increases to all out-of-scope public servants of 2.0% on April 1, 2013.

³ The Government granted salary increases to all out-of-scope public servants of 1.25% on April 1, 2014.

⁴ Ms J. Ferguson was promoted to position of Assistant Provincial Auditor, and Mr. K. Deis was promoted to position of Deputy Provincial Auditor effective April 1, 2012.

⁵ Mr. M. Heffernan retired effective April 2, 2012.

⁶ Ms B. Lysyk resigned as Provincial Auditor effective August 31, 2013 and Ms J. Ferguson was appointed as Acting Provincial Auditor effective September 1, 2013.

⁷ Deputy Provincial Auditors also received \$833 per month from September 1, 2013 to May 31, 2014 and one Principal received \$625 per month from October 1, 2013 to March 31, 2014 in recognition of completion of additional duties resulting from the August 2013 resignation of the Provincial Auditor.

⁸ Mr. E. Montgomery retired effective May 31, 2014.

⁹ Ms J. Ferguson was appointed as Provincial Auditor effective June 1, 2015. The appointment set the salary rate for the Provincial Auditor at the average Deputy Minister salary effective April 1, 2015 which was lower than the rate effective April 1, 2014.

¹⁰ Ms T. Clemett was promoted to position of Deputy Provincial Auditor effective February 1, 2016.

¹¹ Ms C. O'Quinn and Ms R. Sommerfeld were promoted to position of Deputy Provincial Auditor effective September 8, 2015.

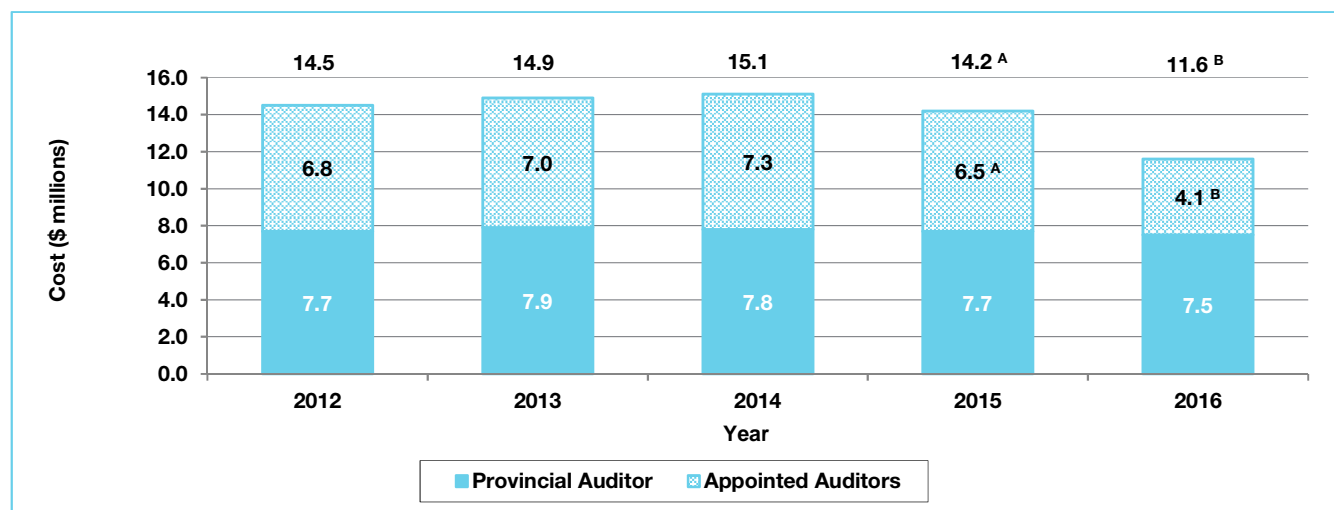


4.5 Total Costs to Audit Government Agencies

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

Many of the 246 agencies that the Government manages use appointed auditors. The Government has stated that it uses appointed auditors so the Saskatchewan public accounting industry can develop and retain local expertise. As the Government is accountable for the costs of using appointed auditors, the Office's financial plan does not reflect the cost of their audit services. The Office's annual work plan reflects the known use of appointed auditors and impact on the way the Office carries out its work. The use of appointed auditors reduces the Office's costs but increases the total cost of auditing to taxpayers. It costs more to audit when there are two auditors.

Total Costs to Audit the Government of Saskatchewan



^A 2015 costs (i.e., for December 31, 2014 year-end) include \$2.8 million of appointed auditor costs to audit CIC, its subsidiaries and related entities.

^B 2016 costs do not include the appointed auditor costs to audit CIC, its subsidiaries, and related entities given the change in timing of audit work related to these agencies. This change in timing resulted from the Government's November 2015 decision to change the fiscal year-end of CIC and its subsidiaries and related entities from December 31 to March 31. These costs will be reflected in 2017 data.



5.0 *The Office's 2017-2021 Strategic Plan*





Preamble

This 2017-2021 Strategic Plan outlines what the Office intends to accomplish from 2017 to 2021 to achieve its vision and mission. See **Appendix 1** for definitions of key terms used in this Plan. This Plan provides a foundation for developing the Office's *Annual Business and Financial Plan* provided to the Standing Committee on Public Accounts (PAC) each year. In addition, it provides us with a strategic framework to assess and report on our performance.

VISION

A valued and independent legislative audit office advancing excellence and inspiring confidence in public sector performance

MISSION

We promote accountability and better management by providing Legislators and the public with an independent assessment of the government's use of public resources

When developing and finalizing this Plan, the Office used external information and consulted with some of its key stakeholders. Its stakeholders are individuals and groups that directly affect the Office or conversely, that the Office interacts with in the fulfillment of its mandate. While the Office has many stakeholders, its key stakeholders include its primary clients (i.e., legislators [such as members of the PAC, and Standing Committee on Crown Corporations and Central Agencies], and the public), and Saskatchewan's public sector ministries and agencies (e.g., regional health authorities, school divisions, Crown corporations).

In addition, the Office prepared this Plan within the context of the following key risks, and the external forces and trends set out in **Appendix 2**. Careful and prudent management of these risks and appropriate consideration of the identified external forces and trends are critical to the Office's success.

KEY RISKS

Our stakeholders do not support our goals and objectives

Government does not act on our recommendations

The Standing Committees on Public Accounts and Crown and Central Agencies do not fulfill their responsibilities

We do not have the required competencies and resources to deliver our products and services

We do not manage our resources effectively

We do not understand or respond to the challenges faced by our stakeholders

We lose or are perceived to lose our independence

We provide inappropriate, incorrect assurance and advice





VALUE STATEMENTS

The Office uses the following Value Statements to guide the Office and its staff. The Value Statements highlight specific behaviours expected of the Office and its staff; adherence to them is critical to the Office's achievement of its mandate and success.

Independence—We maintain objectivity

Innovation—We challenge the status quo to strive for excellence

Trust and Integrity—We are professional, honest, courteous, and fair

Leadership—We lead by example and encourage open communication and teamwork

Balance—We support harmony between work, personal life, and community involvement

Learning—We promote a culture of continuous learning that stimulates personal and professional growth

Diversity of Thought—We gain strength from our varied experiences, knowledge, and backgrounds

Accountability—We take responsibility for our work and performance

Strategic Goals and Priorities

The Plan includes the following four strategic goals and supporting priorities. The Office's supporting strategic priorities reflect areas of focus or change conditions that require the Office to invest time and resources to achieve its strategic goal.

Strategic Goal and Strategic Priority (SP) By 2021, the Office intends to:	Rationale and Description
<p>Goal 1 – Demonstrate focus on the most relevant audit areas</p> <p>SP#1 - Seek input from key stakeholder groups to identify areas of focus</p> <p>SP#2 - Streamline processes to determine areas of focus</p> <p>SP#3 - Communicate multi-year work plan with key stakeholders</p>	<p><i>The Provincial Auditor Act</i> (Act) makes the Office the auditor of all Provincial Government ministries and agencies. As an independent legislative audit office, the Office is uniquely positioned to carry out objective and unbiased audits independent of the Government.</p> <p>The Office carries out various types of audits (e.g., integrated [financial-related], performance, and follow-ups) using Canadian professional auditing standards. The Act gives the Office the power to decide what work to do, how to carry it out, and when.</p> <p>For the Office's work to be relevant, it must focus its efforts on areas of public interest, and on where it can add value to its clients, and other key stakeholders. The Office must consult with key stakeholders to understand their needs and perspectives, share its plans, and explain the impact and value of its work.</p>





Strategic Goal and Strategic Priority (SP) By 2021, the Office intends to:	Rationale and Description
Goal 2 – Sustain an engaged work force that contributes to the Office’s success SP#1 - Support leadership development SP#2 - Enhance strategies to recruit/retain staff SP#3 - Equip staff to effectively manage change	<p>As reflected in the external forces and trends (see Appendix 2), the Office operates within an environment of constant change. Recent key changes directly affecting the Office include the amalgamation of the professional accountancy profession, various senior staff deciding to retire or pursue alternate career opportunities, and fiscal pressures across the Government.</p> <p>The Office carries out both financial and non-financial audits. Besides training staff to become professional accountants and strategically contracting expertise for its non-financial work, the Office must attract and retain staff with diverse skill sets (e.g., financial, information technology, internal control systems, performance management, governance, risk management).</p> <p>The Office’s staff are its most valuable resource because the quality and timeliness of the Office’s work depends on their knowledge, skills, and professionalism. The Office must make sure its staff have and maintain the necessary knowledge and skills; it must provide staff with a supportive work environment conducive to facilitating timely and quality work.</p>
Goal 3 – Improve our delivery of reliable audits at a reasonable cost SP#1 - Continuously improve our work SP#2 - Meet professional standards SP#3 - Deploy resources based on reasonable budgets and deadlines	<p>The Office’s advice, findings, and recommendations must be accurate, fair, timely, and understandable for them to be of value to legislators, the public, and those we audit.</p> <p>The Office must keep its audit methodology current and aligned with professional standards. In addition, it must implement its methodology efficiently and economically. This includes being accepting of new ideas and change.</p>
Goal 4 – Increase the awareness of the role of the Office SP#1 - Educate the legislators, public, and public sector agencies about the work we do SP#2 - Enhance accessibility to the work we do	<p>Gaining and keeping the trust of legislators and the public is key to the Office being a credible and trusted advisor to legislators and the public.</p> <p>The Office must be well positioned to clearly communicate its purpose, its independence, its work, and how it is accountable. This includes explaining how it manages potential or perceived threats to its independence. Clear and open communications will help ensure legislators, the public, and others have a clear and accurate understanding of its role and responsibilities.</p>





Performance Measures and Targets

The Office uses performance measures and targets to measure its progress towards achieving its strategic goals and priorities. This Plan sets out targets the Office intends to achieve by 2021. Each performance target embodies the related measure. The Office plans to report its progress on each of these performance measures and targets in its *Annual Report on Operations*. This Report is tabled in the Legislative Assembly each year.

Strategic Goals & Priorities	2017-21 Performance Target	Rationale and Description of Measure
Demonstrate focus on the most relevant audit areas Priorities SP#1 - Seek input from key stakeholder groups to identify areas of focus SP#2 - Streamline processes to determine areas of focus SP#3 - Communicate multi-year work plan with key stakeholders	Government acts on 85% of the Office's recommendations	<p>The Office makes recommendations to help improve the Government's performance reports and delivery of programs. The extent to which the Government acts on recommendations demonstrates that the recommendations reflect areas that are important to improve public sector management and, in part, the impact of the Office's work.</p> <p>The Office groups its recommendations into two types:</p> <ul style="list-style-type: none"> Type 1 recommendations are those that are less complex, easier to carry out, and can be implemented in one year; these are tracked over a five-year period Type 2 recommendations are those that are more difficult to carry out and may take up to 5 years to implement; these are tracked over a 10-year period
	The Standing Committees on Public Accounts (PAC) and Crown and Central Agencies (CCAC) accept 90% of our recommendations	<p>The support of PAC and CCAC is critical to help hold the Government accountable and help improve public sector management. The Office makes recommendations to help improve accountability and the delivery of programs. The Committee's acceptance of our recommendations is an indication of the Assembly's confidence in and satisfaction with the Office's work.</p> <p>PAC's and CCAC's established practice is to decide whether they agree with the Office's recommendations in their review and consideration of the Office's reports.</p> <p>The extent to which each Committee accepts recommendations demonstrates the Committee thinks the recommendations reflect areas that are important to improve public sector management and /or accountability.</p> <p>The Office tracks the Committees' consideration of its recommendations over a five-year period using Committee decisions as reflected in the Committees' minutes.</p>



Strategic Goals & Priorities	2017-21 Performance Target	Rationale and Description of Measure
	Auditees' post-audit feedback acknowledges value and satisfaction with our work	<p>The management of public sector ministries and agencies are key stakeholders of the Office—they are who we audit. For the Office to be successful in its vision and mission, auditees must view the Office's work as being relevant and valuable.</p> <p>Since 1998, the Office has surveyed agencies it audits to obtain their feedback on their satisfaction with the Office's work. The Office tracks post-audit feedback over a five-year period.</p> <p>Since 2014, the survey asks agencies to:</p> <ul style="list-style-type: none"> ▶ Acknowledge the value of the Office's work related to whether: <ul style="list-style-type: none"> ○ Reports to the agency's Minister were understandable, accurate, and relevant (reports) ○ Recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations) ▶ Indicate their level of satisfaction with the Office's work related to whether: <ul style="list-style-type: none"> ○ Planned work for the agency met its needs and that the Office carried out its work according to the plan (responsiveness) ○ Office employees were knowledgeable and carried out their work professionally and courteously (professionalism)
Sustain an engaged work force that contributes to the Office's success Priorities SP#1 - Support leadership development SP#2 - Enhance strategies to recruit/retain staff SP#3 - Equip staff to effectively manage change	Results of annual staff survey indicate a positive level of satisfaction with the Office's working environment	A good working environment for employees assists with employee productivity and retention. Since 1994, the Office has surveyed employees on satisfaction annually. The survey provides employees with an opportunity to express their level of satisfaction on 11 key indicators of the Office's working environment.
	Training in the Office averages a minimum percentage of 7% of available working hours	<p>To maintain staff competencies and its status and abilities as a training office for legislative auditors, the Office must allocate sufficient resources for training activities. The Office tracks the time each employee spends on training activities.</p> <p>Working hours is the time available after deducting vacation leave, statutory holidays, and sick leave.</p>
Improve our delivery of reliable audits at a reasonable cost Priorities SP#1 - Continuously improve our work	<p>The Office provides assurance within agreed upon timelines</p> <ul style="list-style-type: none"> ▶ Provides at least 75% of reports to Government agencies by agreed upon dates 	<p>Legislators, the public, and government agencies need timely assurance to have confidence in the Office's findings and recommendations.</p> <p>The Office tracks the timeliness of its reports to government agencies as compared to established planned dates. The Office establishes deadlines when planning each audit. The Office sets out planned dates in</p>





Strategic Goals & Priorities	2017-21 Performance Target	Rationale and Description of Measure
SP#2 - Meet professional standards SP#3 - Deploy resources based on reasonable budgets and deadlines	<p>› Submits Volume 1 within first two weeks of June and Volume 2 within first two weeks of December</p>	<p>audit plans discussed with and provided to government agencies. For financial statement audits, it sets planned dates consistent with statutory tabling deadlines. The Office has regularly scheduled the completion of its reports on the results of its work to the Assembly (e.g., Volume 1). The Office reports the results of audits in the report following their completion. Consistent with <i>The Provincial Auditor Act</i>, the Office submits its reports to the Speaker for tabling in the Assembly.</p>
	<p>Office completes audits within planned costs as set out in its approved budget</p>	<p>The Office wants to provide relevant, reliable, and timely products and services at a reasonable cost. The Office tracks the planned and actual costs to examine each government agency each year.</p> <p>The Office's <i>Annual Business and Financial Plan</i> sets out planned costs to examine government agencies for the year of the Plan. The Office's <i>Annual Report on Operations</i> compares the planned to actual costs to examine agencies for that year and explains significant differences, if any.</p>
	<p>CPA Saskatchewan practice inspectors, Canadian Council of Legislative Auditors (CCOLA) peer reviewers, and the Office's external independent auditor on the work of the Office do not report any significant deficiencies on the Office's policies and practices.</p>	<p>CPA Saskatchewan periodically (about every two to three years) inspects the Office to determine whether the Office has policies, practices, and procedures in place that would enable it to provide public accounting services in accordance with the standards of the profession.</p> <p>On a voluntary basis, the Office participates in the Inter-jurisdictional Peer Review Process of CCOLA. Every second year, it plans to ask another legislative audit office to review a number of its audit files to determine whether its audit work complied with generally accepted auditing standards published by CPA Canada (professional standards).</p> <p>The Assembly requires an annual audit of the Office by an auditor who is independent of the Office. This auditor has the same audit responsibilities as the Office. Each year, this auditor provides the Assembly with his/her opinion on the following:</p> <ul style="list-style-type: none"> › The reliability of the Office's financial statements › The effectiveness of the Office's financial controls › The Office's compliance with <i>The Provincial Auditor Act</i> › The reliability of the Office's key non-financial performance indicators





Strategic Goals & Priorities	2017-21 Performance Target	Rationale and Description of Measure
<p>Increase the awareness of the role of the office</p> <p>Priorities</p> <p>SP#1 - Educate the legislators, public, and public sector agencies about the work we do</p> <p>SP#2 - Enhance accessibility to the work we do</p>	<p>Results of annual survey of public familiarity with the Office indicate a positive trend over a five-year period.</p>	<p>To achieve the Office's vision and mission, it is important that the public is aware of the Office's work and the role of the Provincial Auditor as an independent Officer of the Legislative Assembly.</p> <p>To measure the public's awareness of the Office, each year, the Office participates in an Omnibus survey of Saskatchewan residents and tracks its results. The survey asks participants how familiar they are with the Office of the Provincial Auditor.</p>

Appendix 1: Key Definitions and Acronyms

CCAC—The Standing Committee on Public Accounts

CCOLA—The Canadian Council of Legislative Auditors

Mission—The fundamental purpose or reason for being, what it does, for what purpose, and who its clients are

PAC—The Standing Committee on Crown and Central Agencies

Performance Measure—An indicator of success that marks progress towards goals and is fundamental to measuring alignment to the organization's vision, mission, and values

Strategic Goal—Statement that establishes time bound 'stretch' that, if achieved, would advance the organization towards its vision

Strategic Priority—A change condition necessary to achieve the organization's goal that requires investment (i.e., people, time, money, other resources)

Target—A clear and measurable definition of success that signals what is important, tells what is expected (e.g., how much by when), and helps focus attention

Value Statement—Way of being believed to be critical to the organization's success (i.e., behavioral guidance)

Vision—A description of the preferred future state written as an aspirational statement



Appendix 2: External Forces and Trends

These forces and trends affect both the Office and its stakeholders. They affect the Office's resources, how it manages, and how it decides what work it does and when. The Office focuses its efforts on helping stakeholders address the challenges emerging from these forces and trends as well as more specific issues.

External Force / Trend	KEY ASPECTS
1. Changing Demographics and Diversity	<ul style="list-style-type: none"> Continued diversification and growth of Saskatchewan's population and increased proportion of Aboriginal people and immigrants New expectations and requirements for the delivery of public services of immigrants Increased economic disparity An aging population with increased pressure to remain in their own homes Changes in demands on government programs and resources such as healthcare
2. Technology Change, Complexity, and Usage	<ul style="list-style-type: none"> High adoption rates for social media communication tools (e.g., Facebook, Twitter, blogs, YouTube) giving increased ability for public to raise an issue and define debate immediately Increased emphasis on use of websites and real-time communication in service delivery Increased service delivery expectations resulting from scientific advances (e.g., use technology to do work better and faster) Increased challenges with capturing and analyzing Big Data given lesser attention paid to completeness and accuracy of data Growth in computer processing power and drops in price of computer chips driving changes in service models Increased use of technology (e.g., wireless and handheld systems, cloud computing) causing new audit, security, and privacy risks (e.g., protection of personal and private information)
3. Increased Regulatory Oversight of Professional Accountants	<ul style="list-style-type: none"> Increased consideration of public interest by standard setters and regulators influencing accounting and assurance standards and related conceptual frameworks and rigour of scrutiny and quality control processes Impending changes to audit reporting model (key audit matters) impacting audit reports and discussions with those charged with governance Changes in professional accounting and assurance (auditing) standards creating need for new training, ongoing development, and new internal processes
4. Use of multiple financial reporting frameworks in the Saskatchewan public sector (e.g., public sector standards for governments for summary financial statements, public sector standards for not-for-profit organizations for regional health authorities, International Financial Reporting Standards for government business enterprises)	<ul style="list-style-type: none"> Differing accounting rules and presentation of financial information of each financial reporting framework adds complexity to understanding the government's finances and to the preparation of summary financial information (budget and financial statements) Increases the nature and extent of knowledge required of financial information preparers and auditors Changes in professional accounting and related auditing standards creating need for new training, ongoing development, and new internal processes New and ever changing "financial statement preparer rules" impacting the content and presentation of financial information and audit work



External Force / Trend	KEY ASPECTS
5. Changes in Government Service Delivery Model	<ul style="list-style-type: none">Continued public demand for openness and transparencyContinued demands on reduced administration resulting from public expectations for smaller, more efficient governmentPressure on reduced administration may cause deliberate or inadvertent elimination or ignoring of key processesIncreasing expectations for direct and meaningful public participation in decision making including access to servicesEmphasis on effective governance systems and practices of governing bodiesIncreased use of alliances and partnerships with other jurisdictions, governments, and private sectorIncreased emphasis on risk assessment, and timely adoption of research-proven best practices in a variety of disciplines impacting best practices or criteriaIncreased diversity of delivery models (e.g., public-private partnerships (P3s), multi-agency collaboration, quasi or non-government agency delivery) increasing need to understand advantages and risks of each
6. Changes in the Public Sector Workforce	<ul style="list-style-type: none">Multiple generations in the workplace with differing values and styles (e.g., use of social media, working from home)Mobility of young people to pursue multiple careers; loss of employer loyalty; international interconnectivityIncreased cultural diversity in the workplaceLoss of corporate knowledge and history resulting from retirements of baby boomers employed in the public sectorIncreased opportunity for changing service delivery model given nature and extent of changes in workforceIncreasing competition for the best employeesDelayed retirements because of poor or lower than desired investment returnsPressure on government to review pension / benefit plansImpact on quality of program and service delivery of reduced size of the public sector workforceAbility to hire and retain staff given increased concerns over competitiveness of public sector compensation
7. Sustainability and Protecting the Physical Environment	<ul style="list-style-type: none">More severe and intense weather events such as floods, fires, tornadoes, droughts, etc. requiring unanticipated public resources and timely responses (emergency management)Increasing public expectations for sustainable development and management; need for longer term planning and strategiesNew results-based regulatory systemsImpact of international and federal expectations on provincial environmental programs and policies





External Force / Trend	KEY ASPECTS
8. Focus on Infrastructure	<ul style="list-style-type: none">Increased need for long-term capital planning and asset management practices given aging infrastructure, growing infrastructure deficits, and fiscal restraintIncreased wear and tear on infrastructure and rethink of its location (e.g., schools, long-term care) given population changesPressure from Saskatchewan's export-based economy on the location, quality, and connectivity of transportation systemsBalancing benefits and costs of using new infrastructure models (e.g., P3s) over the long term and effectively overseeing related arrangementsBalancing the demands for certain technology-based infrastructure (cellular and digital networks) with high cost and fast pace of obsolescenceAuditing long-term horizon projects (e.g., P3s)
9. Impact of Global Markets	<ul style="list-style-type: none">Increased volatility in financial markets, capital markets on investment earnings, ability and cost of borrowing, and repaying debtPotential impact of volatility of markets on sustainability of open defined benefit pension plansIncreased volatility of provincial income resulting from volatile resource economy—oil, potash, uranium, etc.Pressure for fiscal restraint and prudent fiscal management on governmentsIncreased requirement to work with other governments increasing importance of effective relationships with them
10. New Financing Structures in Government	<ul style="list-style-type: none">Increased use of public-private partnerships and other forms of private capital to fund public servicesIncreased use of alliances and partnerships with other jurisdictions and governmentsIncreased need to understand and explain complex arrangements (e.g., who holds which risks, accountability for delivering on commitments, basis for key decisions, long term impact)Continued focus on risk management, governance in the public sectorIncreased complexity and assurance requirements resulting from new financing structures
11. Evolving Relationships Between Legislative Auditors and Legislative Committees, (i.e., PAC, CCAC)	<ul style="list-style-type: none">Increased sharing of “best practices” for legislative committees (domestically, internationally) and use as a guide for implementation and managementDesire of best practices to increase the effectiveness of legislative scrutiny committees (e.g., changes in information provided to committee, use of research officers)Varied expectations and understanding of legislative officers and their respective roles

