

# Observations

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## Introduction

In this Report, we set out the conclusions, findings, and recommendations of our Office pertaining primarily to the audits of government organizations with March 31 year-ends. These organizations include government departments, health and education institutions, and many other boards and commissions.

The Government continues to improve its systems and practices for managing public resources and its public accountability. This Report covers nearly 140 organizations. For the most part, these organizations have adequate systems and practices to safeguard and control public resources and have complied with the law. The few agencies that have inadequate systems and practices are making good progress in improving their practices. Organizations continue to improve their performance reports (e.g., annual reports), which are key accountability documents.

However, some problems persist. In this chapter, we outline some of the difficulties and challenges. First, under the heading “Risk management” we discuss how some organizations are managing the risks they face. Under the heading “Improving the Government’s accountability”, we discuss improvements and our work in this area.

## Risk management

This Report continues our focus on how government organizations manage their key risks. Well-managed organizations set out clear measurable objectives, identify the risks to achieving those objectives, and act to reduce the risks to an acceptable level. We focus on risks related to infrastructure, governance and supervisory practices, and population changes.

### Infrastructure

Infrastructure is essential for the delivery of government programs. Infrastructure includes roads, bridges, buildings, equipment, and computer systems and networks. We estimate the Government’s infrastructure is worth more than \$14 billion. To provide public services, the Government spends significant amounts of money on infrastructure. It

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must not only spend money to buy infrastructure, it must also maintain its infrastructure.

In our 2000 Fall Report – Volume 3, we described our plan to audit the Government's processes for managing the key risks related to its infrastructure. We will audit the Government's management of these key risks over the next few years.

The Government has a major investment in computer systems and is planning to develop more large systems. Developing large computer systems and networks is risky. Sound project management practices can reduce these risks and increase the likelihood of a project's success. Chapter 9, Justice, highlights what can go wrong when an agency develops a new computer system.

In this Report, we continue our focus on ensuring government agencies use sound project management practices when they develop new computer systems.

In Chapter 1, **Information Services Corporation – LAND Project**, we report on the adequacy of the project management practices used to develop a new computer system. The Corporation is developing a new computer system for land titles and geographic information called the LAND System. The LAND System is expected to cost \$58 million. We make five recommendations to improve the likelihood of the Corporation successfully completing this major project.

In Chapter 2, **Electronic service delivery in Government**, we set out good practices that will reduce government agencies' risks as they move forward on the Government's plan to deliver information and services electronically. The Government has plans to increase citizens' access to government information and services through electronic service delivery (ESD) using the internet, e.g., the CommunityNet.

This move to ESD will require many new and large computer systems and networks to deliver information and services. Implementing ESD means that the Government will need to manage new risks including new privacy and security risks. In future reports, we will report on the adequacy of the practices that agencies use to develop their electronic service delivery systems.

Good public reporting on the state of the Government's infrastructure is important for public accountability and good management. In Chapter 3, **Reporting on infrastructure**, we set out the information that government agencies should report publicly about their infrastructure. We will examine the information that two government agencies actually report about their infrastructure and describe our findings in a future report.

The Government is exploring the use of public-private partnerships to deliver services including the building and maintaining of infrastructure. Chapter 4, **Managing accountability risks in public-private partnerships**, discusses how the Government should maintain public accountability when delivering services through public-private partnerships.

Maintaining good capital asset plans helps to reduce risks related to infrastructure. In Chapter 6, **Part D – Capital equipment plans for health districts**, we report on the adequacy of the capital equipment plans of two larger health districts. Those plans need considerable improvement.

### **Governance and Supervisory Practices**

Good governance and supervisory practices help agencies properly manage public resources. Many of our findings in this Report relate to the risks agencies face when those responsible do not carry out their duties effectively. For example:

- ◆ Some boards of directors have not adequately set direction and monitored the actions of senior management;
- ◆ Some supervising agencies have not adequately carried out their responsibilities for agencies accountable to them; and
- ◆ Some agencies have not provided the public with adequate performance information.

In Chapter 6, **Health**, we continue to report that the Department of Health needs to improve its supervisory practices by approving the annual budgets of district health boards before the beginning of the districts financial year. The Department also needs to improve its agreements with

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districts to establish a proper accountability relationship and to receive better performance reports. These would allow the Department to fulfil its supervisory role.

We continue to report on the need for boards of directors of health districts to set clear direction and improve the information they receive to monitor the actions of senior management. The directors also need to approve the processes that management has established to manage key risks to safeguard their assets.

A key risk faced by the Department is allocating resources to district health boards based on the health needs of the districts. In this chapter, we report on the progress that the Department has made on our 1999 recommendations to improve the Department's resource allocation processes.

We continue to report that the Board of Directors of the Uranium City Hospital needs to carry out its responsibilities to safeguard and control the Hospital's assets. The Department needs to ensure the Board carries out these responsibilities.

The Department needs to make legislators and the public aware of the financial condition of the health system. Part A of the chapter contains examples of financial measures to help assess the financial condition of the health system. The Department should include this type of information in its annual report.

In Chapter 7, **Part A – Liquor and Gaming Authority**, we report the results of our examination of Liquor and Gaming for the year ended March 31, 2001. During 2001, Liquor and Gaming needed to do more to supervise Saskatchewan Indian Gaming Authority's (SIGA) management of public money.

Since March 31, 2001, Liquor and Gaming has made good progress in improving the management of public money under the control of SIGA. The chapter explains what Liquor and Gaming has done to improve its practices. While there has been good progress, much work remains to be done. It will take time to make all the necessary improvements.

In Chapter 7, **Part B – Saskatchewan Indian Gaming Authority Inc.**, we report the results of our examination of SIGA. During the year ended March 31, 2001, SIGA's practices for managing public money remained inadequate. SIGA's previous Board of Directors did not spend public money with due care and did not operate with a corporate culture of transparency.

However, since March 31, 2001, SIGA has made good progress in improving its management practices. The chapter explains what SIGA has done to improve practices up to August 2001. Much work remains to be done. It will take time to make all the necessary changes. We will continue to monitor SIGA's progress.

In Chapter 8, **Intergovernmental and Aboriginal Affairs**, we report that our concerns with the management and accountability practices of the Department and the Trustees of the First Nations Fund continued for the year ended March 31, 2001.

Since March 31, 2001, the Department has made good progress in improving its practices. Due in part to the Department's actions, we see a significant change in the thinking of the Trustees. In the past, the Trustees said they were not administering the First Nations Fund created under *The Saskatchewan Gaming Corporation Act*. The Trustees now recognize that they are managing that Fund. Also, they intend to improve their management and accountability practices. The chapter describes what the Department and the Trustees need to do and what they have done up to October 2001. We will continue to monitor the progress of the Department and the Trustees.

In Chapter 9, **Justice**, we continue to report that the Department needs to improve its systems to track, enforce, and collect fines. The purpose of fines is to deter citizens from violating the law. Effective deterrents help make our communities safe.

We continue to report that the Office of the Public Trustee did not properly administer its clients' affairs for the year ended March 31, 2001 due in part to difficulties associated with its new computer system. Since March 2001, the Office has made good progress towards addressing the recommendations in our Spring 2001 Report. The chapter describes what

the Department and the Office need to do and what they have done up to October 2001. We will continue to monitor their progress.

### **Population Changes**

The Government must manage many risks related to the changing makeup up of our population. Our Aboriginal population is increasing and young. The rest of our population is decreasing and older. Also, more of our population continues to leave rural areas and move to the cities. These changes in demographics challenge government agencies in several ways. For example, education and post-secondary education programs will need to accommodate a smaller number of students and will need to accommodate more Aboriginal people. All agencies will need good succession plans so skilled workers will be available to replace retiring workers.

One of our focuses is to examine how government agencies are responding to risks caused by these changes in our population.

In Chapter 8, **Intergovernmental and Aboriginal Affairs**, we include an assessment of how well the Department is co-ordinating action across government agencies to achieve the Government's policy. The Government's policy is to improve the long-term future of Métis and off-reserve First Nations people and increase their participation in the Saskatchewan economy. We conclude that the Department had adequate processes to coordinate action, except for two concerns. The Department needs to align the participating departments' plans and receive written reports from them on their actual performance compared to their plans.

In recent reports, we reported how the Department of Education was managing risks related to changing demographics. Our 2001 Spring Report reported on the Department's management of the curriculum for the K to 12 education system. In our 1999 Fall Report – Volume 2, we reported on the leadership role of the Department as it relates to vulnerable children and youth. In Chapter 14, **Education**, we report on what the Department has done in response to our recommendation for improved monitoring of the movement of vulnerable children between schools and education systems.



## Improving the Government's accountability

Our Office continues to focus on improving the Government's public accountability. Sound accountability relationships between the Government and the Legislative Assembly will strengthen the management of public resources. Sound public accountability relationships require:

- ◆ agreed-upon plans that are clear as to responsibilities, authority, resources, and expected results;
- ◆ reliable reports on actual results compared to planned results; and
- ◆ reasonable reviews of performance.

Over the last few years, the Government established two main accountability initiatives. The first initiative applies to the Crown Investments Corporation of Saskatchewan (CIC) and the corporations it supervises (e.g., Saskatchewan Power Corporation, Saskatchewan Telecommunications). This initiative is called the "Balanced Scorecard." The Balanced Scorecard is used to evaluate the achievement of objectives in the areas of innovation and growth, customer satisfaction, public policy and financial results.

CIC approved a policy in January 2000 requiring public reporting of key elements of the Balanced Scorecard in the annual reports of CIC and the corporations it supervises. The policy sets minimum disclosure requirements for 2000 and additional requirements for 2002.

The second main accountability initiative applies to government departments. This initiative started in 1999 when the Government established a "comprehensive government accountability project." The accountability project establishes an accountability framework that expects departments to focus on the results (outcomes) of their spending and activities. Departments are asked to set objectives, assign resources to achieve their objectives, manage their risks, and monitor their performance.

We commend the Government for continuing with these initiatives to improve its public accountability. The public benefits when accountability

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is strengthened because public resources are managed better. Also, legislators and the public have better information to understand, assess, and debate the Government's performance.

We continue to work with the Government's Accountability Project Group, which is helping departments use the Accountability Framework. The following highlights some of our other work to improve the Government's public accountability.

Financial statements are primary accountability documents. In Chapter 6, **Part B – Department of Health financial statements**, we have prepared financial statements for the Saskatchewan health system at March 31, 2001. The statements show the financial position and results of operations of the system. The statements show the system has assets of \$1.2 billion and revenues and expenses of about \$2.3 billion. The Department of Health does not provide this information. We think it should.

In Chapter 6, **Part A – Health**, we report that the First Ministers agreed to report on their health systems' performance. Legislators and the public need comparable and reliable information. We are working closely with the following organizations:

- ◆ the Department to ensure that legislators and the public receive reliable reports on the performance of the Saskatchewan health system; and
- ◆ all legislative auditors in Canada to ensure the information presented and the auditors' assurances thereon are comparable across Canada.

We are encouraged by this initiative. Legislators and the public need comparable and reliable information about health system performance.

## Our 2001 Reports

In 2001, our Office issued seven other public reports to the Assembly. Exhibit 1 contains a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

◆ visit our website at:  
<http://www.auditor.sk.ca/>

◆ contact our Office by Internet e-mail at: or  
[info@auditor.sk.ca](mailto:info@auditor.sk.ca)

◆ write, phone, or fax us at:  
Provincial Auditor Saskatchewan  
1500 Chateau Tower  
1920 Broad Street  
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## Exhibit 1

- ◆ *Special Report to the Legislative Assembly of Saskatchewan Regarding Changes to The Provincial Auditor Act, Bill 14 : April 2001;*
- ◆ *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2000 Calendar Year : April 2001;*
- ◆ *Report to the Legislative Assembly of Saskatchewan on the 2000 Financial Statements of CIC Crown Corporations : April 2001;*
- ◆ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan : 2001 Spring Report (June 2001);*
- ◆ *Annual Report on Operations For the Year Ended March 31, 2001 (June 2001);*
- ◆ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan : Understanding the Finances of the Government : 2001 Fall Report – Volume 1 (September 2001); and*
- ◆ *Business and Financial Plan For the Year Ended March 31, 2003 : As Presented to the Standing Committee on Public Accounts (November 2001).*

## Exhibit 2

My colleagues at the Office of the Provincial Auditor of Saskatchewan are:

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