

**Crown Investments Corporation
of Saskatchewan**

5

Executive summary 46

Introduction 47

Our audit conclusions and findings..... 47

Public accountability information 49

 List of persons who received public money..... 49

Exhibit 1 – CIC Crown corporations and related entities at December 31, 2001 52

**Exhibit 2 – Suggested criteria for MLAs' use in deciding what information
government agencies should disclose and to whom 54**

Executive summary

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for many of Saskatchewan's Crown corporations such as Saskatchewan Power Corporation, SaskEnergy Incorporated, and Saskatchewan Telecommunications Holding Corporation. CIC is responsible for establishing the strategic direction for these corporations and for monitoring their performance. It is also responsible for managing a diverse portfolio of investments.

In this chapter, we report the results of the audit of CIC for the year ended December 31, 2001 and eight other entities it controls. For each entity whose audit is complete, we concluded that the financial statements are reliable, the systems of internal control are functioning adequately; and the governing authorities have been complied with.

We recommend that CIC and its subsidiaries should give the Legislative Assembly a list of persons who received public money from them, or seek direction on alternate disclosure requirements from the Crown Corporations Committee.

We also recommend that the Committee should follow the process set out in Exhibit 2 at the end of this chapter for deciding what information government agencies should disclose and to whom. The Committee asked CIC and our Office to examine this issue together and report to the Committee in June 2002.

Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for many of Saskatchewan's Crown corporations such as Saskatchewan Power Corporation, SaskEnergy Incorporated, and Saskatchewan Telecommunications Holding Corporation. CIC is responsible for establishing the strategic direction for these corporations and for monitoring their performance. It is also responsible for managing a diverse portfolio of investments. Management of CIC advises CIC's Board of Directors about the entities under CIC's control. In turn, CIC's Board provides advice about these entities to Executive Council (Cabinet). A complete list of these entities is provided in Exhibit 1 at the end of this chapter.

CIC's *2001 Annual Report* contains three sets of financial statements. The first set shows CIC's financial results consolidated with those of its subsidiaries. The second set shows the financial results of activities of CIC, the legal entity. The third set shows the financial results of activities that CIC manages through its subsidiary CIC Industrial Interests Inc. (CIC III).

The 2001 consolidated financial statements show CIC had revenue of \$3.4 billion, net income of \$132 million, and held assets of \$8.2 billion.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings for:

- ◆ Entities with 2000 fiscal year-ends, which were not completed in time to include in our 2001 Spring or Fall Report:
 - 101012875 Saskatchewan Ltd., which holds CIC's investment in Foragen Technologies Limited Partnership;
 - 101012876 Saskatchewan Ltd., which holds CIC's investment in Foragen Technologies Management Inc.
- ◆ Entities with 2001 fiscal year-ends:
 - CIC (includes CIC III);
 - CIC Pulp Ltd., which holds CIC's investment in Meadow Lake Pulp Limited Partnership;

Chapter 5 – Crown Investments Corporation of Saskatchewan

- CIC Foods Inc., which holds CIC’s investment in Centennial Foods Partnership;
- Genex Swine Group Inc., a swine genetics company;
- Saskatchewan Valley Potato Corporation, a potato production and storage company; and
- Capital Pension Plan, a multi-employer pension plan.

The 2001 audits of 101012875 Saskatchewan Ltd. and 101012876 Saskatchewan Ltd. have not been completed. We will report the results of these audits in a future report.

Our Office worked with the following appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view this report, see our website at <http://www.auditor.sk.ca/rrd.html>).

- ◆ Hill McKillop Orr & Company – for 101012875 Saskatchewan Ltd. and 101012876 Saskatchewan Ltd.; and
- ◆ KPMG – for each of the other entities listed above.

For each of these entities, our Office and the appointed auditors formed the following opinions.

In our opinion, for the audits we have completed:

- ◆ **the financial statements of these entities are reliable;**
- ◆ **these entities had adequate rules and procedures to safeguard and control their assets; and**
- ◆ **these entities complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

The following matter relates to the public accountability of CIC and its subsidiary Crown corporations.

Public accountability information

List of persons who received public money

CIC and its subsidiaries did not give the Legislative Assembly a list of persons who received public money in 2001.

Public disclosure is important for three reasons. First, public disclosure serves to remind all government officials that they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision-making as it ensures that those who spend public money know their use of that money will be public. Third, public disclosure ensures that the public knows who has received their money.

We think that Members of the Legislative Assembly (MLAs) have the following three objectives for requiring public disclosure of those persons who receive money from a government agency (e.g., department, Crown corporation).

- ◆ MLAs want to monitor who gives money to political parties and who gets money from government agencies;
- ◆ MLAs want to ensure government agencies spend money objectively; and
- ◆ MLAs want to build public confidence by ensuring that the use of public money is transparent.

To achieve these objectives, the Assembly, through the Standing Committee on Public Accounts (PAC), has established the following general standard of public disclosure of those who received money from government agencies. The Assembly wants government agencies to provide the following information to the Assembly:

- ◆ persons who received salaries, wages, honorariums and compensation for personal services of \$2,500 or more during the year;
- ◆ suppliers of goods and services who received more than \$20,000 per year; and
- ◆ persons who received transfer payments of more than \$5,000 per year.

The Assembly has allowed some exceptions, e.g., payments to social assistance recipients, Workers' Compensation Board payments to injured workers and cases where PAC advised that this information was not necessary to achieve the MLAs' objectives for requiring this information. Also, the Assembly has decided that some payments (e.g., those made to MLAs) should have *more* disclosure than the general standard.

In February 1998, PAC discussed its previous recommendation regarding agencies publishing lists of persons who have received money from them. PAC agreed that the spirit of accountability is of fundamental importance for government. Also, PAC noted that circumstances for every government agency may be unique and may vary and that broad recommendations that blanket all agencies are not appropriate.

CIC and its subsidiaries account for 40% of the Government's spending. If MLAs do not receive information on who received this money, their objectives for requiring public disclosure of persons who receive money from government agencies cannot be met. If their objectives are not being met, it defeats the purpose of incurring the cost to produce this information for the other 60% of the Government's spending. We note that the Crown Corporations Committee currently requests and receives some information about spending by CIC and its subsidiaries, such as expenses for out-of-province travel and payments to board members, senior management and consultants.

In our 2001 Spring Report (Chapter 11, page 206), we recommended:

- ◆ Recommendation 2 - CIC and its subsidiaries should:
 - publish a list of persons (e.g., employees, suppliers) who have received money from them and the amounts the persons received, following the Assembly's current disclosure requirements; or
 - seek direction from the Crown Corporations Committee on alternate disclosure requirements that will achieve legislators' objectives for requiring this information.

- ◆ Recommendation 3 - The Crown Corporations Committee should follow the process set out in Exhibit 2 for deciding what information government agencies should disclose and to whom.

On December 10, 2001, the Crown Corporations Committee considered these recommendations. Regarding Recommendation 2, the Committee agreed that CIC should continue to provide the information requested by the Committee. Regarding Recommendation 3, the Committee agreed that the matters contained in the Recommendation be referred to CIC and our Office with a report to be made in June 2002.

In February 2002, CIC sent a survey to its subsidiary corporations to seek their input as part of the review. We expect to complete the joint report with CIC in June 2002.

Exhibit 1 – CIC Crown corporations and related entities at December 31, 2001

Crown Investments Corporation of Saskatchewan

CIC Industrial Interests Inc.

CIC Pulp Ltd.

CIC Foods Inc.

CIC OSB Products Inc. (no activity in 2001)

Genex Swine Group Inc.

Saskatchewan Valley Potato Corporation

101012875 Saskatchewan Ltd.

101012876 Saskatchewan Ltd.

101026817 Saskatchewan Ltd. (no activity in 2001)

Capital Pension Plan

Information Services Corporation of Saskatchewan

SaskEnergy Incorporated

TransGas Limited

Many Islands Pipe Lines (Canada) Limited

Bayhurst Gas Limited

Swan Valley Gas Corporation

SaskEnergy International Incorporated

SaskEnergy Chilean Holdings I Ltd.

SaskEnergy Chilean Holdings II Ltd.

SaskEnergy Chilean Holdings Limitada

Saskatchewan Development Fund Corporation

Saskatchewan Development Fund

Saskatchewan Government Growth Fund Management Corporation

Saskatchewan Government Growth Fund Ltd.

Saskatchewan Government Growth Fund II Ltd.

Saskatchewan Government Growth Fund III Ltd.

Saskatchewan Government Growth Fund IV Ltd.

Saskatchewan Government Growth Fund V (1997) Ltd.

Saskatchewan Government Growth Fund VI Ltd.

Saskatchewan Government Growth Fund VII Ltd.

Saskatchewan Government Growth Fund VIII Ltd.

617275 Saskatchewan Ltd.

101005716 Saskatchewan Ltd.

Saskatchewan Government Insurance

SGI Canada Insurance Services Ltd.

Insurance Corporation of Prince Edward Island

Coachman Insurance Company

Saskatchewan Government Insurance Superannuation Plan

Saskatchewan Auto Fund

Saskatchewan Opportunities Corporation

Saskatchewan Power Corporation

SaskPower International Inc.

Power Greenhouses Inc.

Northpoint Energy Solutions Inc.

Power Corporation Superannuation Plan

Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications International, Inc.
SaskTel International Consulting, Inc.
SaskTel International (Tanzania) Ltd.
Battleford International, Inc.
Avonlea Holding, Inc.
Carlyle Holding, Inc.
Dundurn Holding, Inc.
Esterhazy Holding, Inc.
Foam Lake Holding, Inc.
Jan Lake Holding, Inc.
Katepwa Lake Holding, Inc.
Hospitality Network of Canada Inc.
Hospitality Network Canada Partnership
SaskTel Holding (U.K.) Inc.
SaskTel New Media Fund Inc.
SecurTek Monitoring Solutions Inc.
SecurTek Partnership No. 3
Grenfell Holding, Inc.
101000606 Saskatchewan Ltd.
101000607 Saskatchewan Ltd.
620064 Saskatchewan Ltd.
3339807 Canada Ltd.
The Ag Dealer Ltd.
3364381 Canada Ltd.
DirectWest Publishing Partnership
SaskTel Investments Inc.
Business Watch international Inc.
Hollywood at Home Inc.
Retx.com Inc.
STI Communications Pty Limited
3231518 Canada Ltd. (Click-a-bid™)
SaskTel Holding (Australia), Inc.
SaskTel Holding (New Zealand) Inc.
SecurTek Partnership No. 4
SaskTel Data Exchange Inc.
IQA Corporation
IQA Partnership
Melfort Holding Inc.
Nokomis Holding Inc.
Outlook Holding Inc.
Pleasantdale Holding Inc.
Navigata Holding, Inc. (formerly Langenburg Holding Inc.)
RSL COM Canada Holdings Inc.
RSL COM Canada Inc.
TLW Holdings Inc.
MK Telecom Network Holdings Inc.
MK Telecom Network Inc.
Saskatchewan Telecommunications Pension Plan

Saskatchewan Transportation Company

Saskatchewan Water Corporation

Exhibit 2 – Suggested criteria for MLAs' use in deciding what information government agencies should disclose and to whom

