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Executive summary

In this chapter, we report on the Department of Municipal Affairs and Housing and on a number of agencies for which it is responsible.

Our previous report to the Assembly on this Department included the results of our work on the First Nations Fund. The Department is no longer responsible for the Fund. It is now the responsibility of the Department of Intergovernmental and Aboriginal Affairs. Chapter 8A of our 2001 Fall Report – Volume 2 contains the results of our work on the Fund for the year ended March 31, 2001.

In this chapter, we provide an update on previously reported recommendations on the Department, the Saskatchewan Archives Board, and the Saskatchewan Housing Corporation. For the most part, we note that the Department has made progress towards compliance with these recommendations. However, the Saskatchewan Archives Board had not made progress in making an agreement with the University of Saskatchewan to ensure the responsibilities and duties for its accommodation and accounting services are clearly defined and understood.

For the Saskatchewan Housing Corporation, we met with management to consider the most effective method of giving the information included in the audited financial statements for the housing authorities and territories to the Legislative Assembly. Together with management, we decided the most effective way to present this information is to prepare a schedule of the key financial information of the housing authorities and territories. The Department plans to include this schedule as an insert in the Corporation's annual report.

Introduction

In this chapter, we set out:

- ◆ a brief overview of the Department's role and key challenges that it faces; and
- ◆ the results of our 2001 audits of the Department and the various special purpose funds and Crown agencies for which it is responsible.

Understanding the Department

It is important that legislators and the public understand the role of the Department, the environment in which it operates, and the key challenges it faces. This information helps them assess the Department's performance.

Role of the Department

The Department of Municipal Affairs and Housing (Department) is responsible for supporting and maintaining a viable system of municipal government in Saskatchewan. Its responsibilities are set out in over 50 different pieces of legislation. Its responsibilities include enabling communities to provide sustainable local governance, improving housing, providing access to public information, and protecting the public.

Up to February 8th, 2001, the Department was also responsible for enabling communities to provide access to sport, recreation, and culture. On February 8th, 2001, Cabinet established the Department of Culture, Youth and Recreation (Culture, Youth and Recreation). It transferred these responsibilities to this new department.

The Department's 2000–2001 Annual Report provides an overview of its mandate and operations and those of Culture, Youth and Recreation. A copy of the report is available at <http://www.municipal.gov.sk.ca>.

Saskatchewan has an extensive system of local government. The Department works with over 800 municipalities, nearly 300 public housing authorities, 10 public library systems, and various other agencies.

Special purpose funds and Crown agencies

At March 31, 2001, the Department was responsible for the following special purpose funds and Crown agencies:

	<u>Year End</u>
Sask911 Account	March 31
Saskatchewan Archives Board	March 31
Saskatchewan Heritage Foundation	March 31
Western Development Museum	March 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Revenue Sharing Trust Account	December 31
Saskatchewan Housing Corporation	December 31

Up to February 8, 2001, the Department was also responsible for the Community Initiative Fund (formerly the Associated Entities Fund), the Saskatchewan Arts Board, the Saskatchewan Centre of the Arts, and the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. On February 8th, the Department of Culture, Youth and Recreation assumed responsibility for these funds and crown agencies.

Overview of the Department’s finances

The Government’s summary financial statements include the Department’s revenues and expenses. For the year ending March 31, 2001, the Department had revenues of \$20.2 million of which \$12.1 million related to lottery licences. The 2001 summary financial statements show “social services and assistance expenses” of \$782 million of which \$137 million relates to spending of the Department. The Department’s remaining expenses are included in various other expense categories.

The following is a list of major programs and their spending for the year ended March 31, 2001 as reported by the Department in its 2000-2001 Annual Report and in the *Public Accounts 2000-2001: Volume 2: Details of Revenue and Expenditure* (2000-2001 Public Accounts – Volume 2) (to view a copy of this report, see <http://www.gov.sk.ca/finance/paccts>).

	<u>Original Estimates</u>		<u>Actual</u>
	(In millions of dollars)		
Municipal Financial Assistance	\$ 84.3	\$	83.8
Housing	36.3		36.0
Gaming Funds	20.6		19.5
Provincial Library	8.0		8.0
Cultural & Recreation Financial Assistance	9.2		9.2
Municipal & Community Services	7.1		6.8
Accommodation & Central Services	3.2		3.2
Public Safety	4.5		6.6
Cultural Tourism Facilities	5.2		5.4
Administration	2.5		2.5
	<u>\$ 180.9</u>	<u>\$</u>	<u>181.0</u>

Key challenges facing the Department

The Department works to provide the legal framework, organization support, financial assistance and other services to meet the unique and changing needs of Saskatchewan people.

As described in its 2000-2001 Annual Report, four key economic, social, and demographic trends affect the Department and its services. The four key trends are: a concentration of economic activity in larger urban centres, a downturn in the agricultural sector reducing the number of farmers and farm income levels, the increased pressure on roads and highways due to abandonment of rail lines and grain elevator closures, and an aging population compounded by a shift of young people from rural to urban centres leaving fewer and higher percentages of older people in rural centres. A fifth trend mentioned in other publications is the increasing share of property taxes for education.

The 2000–2001 Annual Report also cites challenges for each of its main areas of responsibilities being municipal, housing, and public safety. These challenges primarily relate to:

- ◆ the capacity of municipalities to deliver the necessary services (e.g., adequate roads, water systems, housing, public safety) at a reasonable cost to the public (e.g., level of property and provincial taxes, and user fees),

- ◆ the ability of Saskatchewan residents to access quality, affordable housing, and
- ◆ the maintenance of safe and enriching communities.

To be successful, the Department must ensure its goals, objectives, and actions address these challenges.

Audit conclusions and findings

This section contains our audit conclusions and findings for the 2001 audits of the Department, its special purpose funds, and Crown agencies.

To carry out the audits and to form the opinions below for the Sask911 Account and the Saskatchewan Housing Corporation, our Office worked with PricewaterhouseCoopers, the appointed auditors for the Sask911 Account, and with KPMG, the appointed auditors for the Saskatchewan Housing Corporation. We worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at <http://www.auditor.sk.ca/rrd.html>).

In our opinion:

- ◆ **The following financial statements are reliable:**
 - **For the year ended March 31, 2001:**
 - **Sask911 Account;**
 - **Saskatchewan Archives Board;**
 - **Saskatchewan Heritage Foundation; and**
 - **Western Development Museum.**
 - **For the year ended December 31, 2001**
 - **Municipal Potash Tax Sharing Administration Board;**
 - **Northern Revenue Sharing Trust Account; and**
 - **Saskatchewan Housing Corporation.**
- ◆ **The Department and the above agencies had adequate rules and procedures to safeguard and control their assets except for the matters reported in this chapter.**

- ◆ **The Department and the above agencies complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter.**

We also report that the Department should continue to improve its annual report.

Department

Status of previous recommendations

In this section, we set out previously reported recommendations that are not yet complied with and are of continued relevance. The Standing Committee on Public Accounts considered these matters and concurred with the recommendations below.

In this section, we also identify key activities that the Department has undertaken to move towards compliance with these recommendations.

We continue to recommend that:

The Department should continue to improve its annual report.

For libraries:

- ◆ the Department should require the libraries to use the standards for financial statements recommended by the Canadian Institute of Chartered Accountants (CICA); and
- ◆ the Department should receive and verify reports on how successful the libraries were in meeting the Department's objectives.

For provincial-municipal infrastructure programs:

- ◆ the Department should improve its procedures to ensure provincial-municipal infrastructure grants provided to municipalities meet the conditions of the related program.

Reporting on performance

The Department continues to make improvements to its annual report as it moves forward in using its accountability framework. We look forward to continued improvements in future annual reports.

Future improvements could include a description of:

- ◆ the key risks the Department faces;
- ◆ what the Department views as its measure of successful achievement of its strategic goals; and
- ◆ the extent to which the Department has achieved its plan including an analysis of the differences between planned and actual financial and operational activities.

For libraries

In 2000-2001, the Department paid over \$8 million in grants to libraries.

During the year, the Department continued to make good progress towards meeting our recommendations. The Department continued to work directly with the library boards. In addition, it asked the library boards to include in their financial statements an audited schedule of library materials. This schedule shows how the libraries spent their money. The Department also asked the library boards, starting for the year ending December 31, 2000, to prepare their annual financial statements in accordance with accounting principles recommended by the CICA for local governments. The Department plans to review these financial statements in detail to ensure the library boards understand and use the recommended accounting principles. We look forward to the Department's continued progress.

For provincial-municipal infrastructure programs

In 2000-2001, the Department paid municipalities \$9.2 million under the provincial-municipal infrastructure program.

In the prior year, we reported our concern that the Department did not have the necessary information to determine if the payments it made to

municipalities complied with the *Urban Municipalities Revenue Sharing Regulations, 1981*, the *Rural Municipalities Revenue Sharing Regulations, 1997*, the *Northern Municipalities Act*, and the related program guidelines.

Municipalities were to have projects under provincial-municipal infrastructure program completed by March 31, 2001.

At March 31, 2001 and up to November 2001, the Department had not collected the necessary information to ensure its payments complied with the law. As a result, our Office cannot determine if payments made under this program meet the purposes intended.

Saskatchewan Archives Board

The Saskatchewan Archives Board (Board) is responsible for acquiring and preserving documents relating to the history of Saskatchewan. The Board also provides these documents to the public for research.

The Board had revenue of \$2.8 million in 2001 and held tangible capital assets of \$0.15 million at March 31, 2001.

Status of previous recommendation on written contract

In Chapter 3 of our 2001 Spring Report, we recommended that the Board should have a written contract with the University of Saskatchewan (U of S).

In October 1998 and on June 6, 2001, The Standing Committee on Public Accounts considered this matter and concurred with our recommendation.

The U of S provides the Board office space and administrative and accounting services. The Board needs a written contract to set out the responsibilities and legal obligations of each party for services provided. The contract with the U of S should set out the Board's right to access accounting records, confidentiality needs, and the rules and procedures needed to safeguard and control the Board's assets.

At March 31, 2001, the Board did not have such a contract. In February 2002, the Board indicated that it would continue to work with the University to reach such a contract.

Saskatchewan Housing Corporation

The Saskatchewan Housing Corporation (Corporation) operates under the authority of *The Saskatchewan Housing Corporation Act* (Act). The Corporation facilitates and promotes the availability of adequate and affordable housing for all Saskatchewan residents.

The Corporation prepares consolidated financial statements to report on its activities and the financial activities of the 281 public housing authorities it controls. Public housing authorities are corporations established by ministerial order under the Act. The Minister has the legislative authority to create authorities and appoint their members. Also, the Act provides that public housing authorities must comply with policies established by the Corporation. These housing authorities provide community-based management for housing projects.

Of the 281 public housing authorities, 20 are administered separately and prepare separate financial statements. The remaining public housing authorities are included, for financial administration purposes, in eight housing territories. Each territory prepares financial statements reporting the combined financial assets and liabilities and the combined results of operations for the public housing authorities included in the territory.

In 2001, the Corporation had revenues of \$158.9 million including \$69.1 million in revenue from projects managed by the public housing authorities. The Corporation had expenditures of \$159.3 million including operating expenditures of \$78.9 million incurred by the public housing authorities. At December 31, 2001, the Corporation held assets of \$287 million.

Status of previous recommendation on public housing authorities

In our 2001 Spring Report and our 2000 Spring Report, we reported that the Corporation does not give the audited financial statements for the public housing authorities to the Legislative Assembly.

We recommended that Saskatchewan Housing Corporation give the Assembly the audited financial statements of the 20 housing authorities and the eight housing authority territories.

The Standing Committee on Public Accounts (PAC) considered this matter on September 27, 2001. PAC considered three alternatives:

- ◆ provide the Assembly the audited financial statements of the 20 housing authorities and the eight housing authority territories;
- ◆ not provide the Assembly the financial statements of the 20 housing authorities and the eight housing authority territories; and
- ◆ not provide the Assembly the financial statements of the 20 housing authorities and the eight housing authority territories, but provide alternative information that would meet PAC's objectives for disclosure and accountability.

After discussing the alternatives, PAC deferred its decision on our recommendation until further information becomes available. As well, PAC asked the Corporation's management to consult with our Office on alternative methods of providing the information included in the audited financial statements of the housing authorities and territories.

We met with the Corporation's management to consider alternative methods of providing the information included in the audited financial statements of the housing authorities and territories. Our Office and the Corporation's management decided the most effective way to present this information to the Legislative Assembly is as follows.

- ◆ The Corporation's management will prepare a schedule showing the assets, liabilities, revenues, and expenditures as reported in the audited financial statements of the housing authorities and territories included in the Corporation's consolidated financial statements.
- ◆ This schedule will be given to the Assembly as an insert to the annual report.

- ◆ The Corporation will provide written notice in the schedule that those needing more detailed information can obtain the audited financial statements for the housing authorities and territories from the Corporation upon written request.

- 1. **We recommend that the Saskatchewan Housing Corporation provide the Legislative Assembly with a schedule showing the following information: the assets, liabilities, revenues, and expenditures of the housing authorities and territories included in the Corporation's consolidated financial statements. The schedule should indicate that the audited financial statements are available upon request.**