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## Justice

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## Executive summary

In this chapter, we set out the results of our examinations of the Department of Justice and the agencies it manages.

We describe several areas where the Department should improve its processes for safeguarding public money. These processes include:

- ◆ systems to track, enforce, and collect fines;
- ◆ contingency plans for its information technology systems;
- ◆ internal audit;
- ◆ project management practices; and
- ◆ the need for complete financial statements for decision-making prepared in accordance with generally accepted accounting principles.

The Office of the Public Trustee has implemented all of our recommendations to establish rules and procedures to safeguard and control its clients' assets. As well, the Trustee has now prepared its March 31, 2000, March 31, 2001, and March 31, 2002 financial statements.

We also recommend that the Department strengthen its annual report by providing information on the risks that it faces, its performance, and what it owns and controls.

We also examined whether the Department's capital asset plan adequately included the key elements of capital asset plans in the public sector. We concluded that the Department's plan was adequate, except: 1) the plan did not include an adequate summary of the assets the Department would require for future program delivery; and 2) the plan did not adequately set out the criteria the Department used to select its capital asset strategies.

## Introduction

The mandate of the Department of Justice is to promote safe communities, social and economic order, and fair and just relations through the operation of an independent, impartial, and effective justice system that upholds the rule of law and defines the basic legal rights of citizens.

The Department administers justice services, police services, and adult corrections in the Province. The Department also administers registry systems for corporations and local registrars (including trust accounts)<sup>1</sup>; and regulates pensions, credit unions, and businesses.

The Government's summary financial statements show protection of persons and property expenditures of \$299 million for the year ended March 31, 2002 (March 31, 2001 - \$266 million). The following table shows the protection of persons and property expenditures of various government agencies.

The following is a list of major programs and spending:

	(in millions of dollars)	
	<u>2002</u>	<u>2001</u>
Department of Justice	\$ 237	\$ 232
Less expenditures by Justice for purposes other than the protection of persons and property	(15)	(14)
Information Services Corporation of Saskatchewan	54	25
Department of Labour	13	13
Other government agencies	<u>10</u>	<u>10</u>
	<u>\$ 299</u>	<u>\$ 266</u>

During the year, the Department received \$237 million from the General Revenue Fund to deliver its programs. The Department also earned revenues of \$67 million. Information about the Department's revenues and expenditures appears in the *Public Accounts 2001-02: Volume 2: Details of Revenue and Expenditure* (2001-02 Public Accounts – Volume 2) (to view a copy of this report, see <http://www.gov.sk.ca/finance/paccts>).

<sup>1</sup> Effective January 2001, the Information Services Corporation assumed the responsibility for administering the registry system for personal property.

The following is a list of major programs and spending as reported in the 2001-02 Public Accounts:

	<u>Original Estimates</u>		<u>Actual</u>
	(in millions of dollars)		
Community justice	\$ 86	\$	86
Adult corrections	57		59
Court services	31		30
Registry and regulatory services	7		6
Accommodation and central services	14		14
Legal services	17		17
Administration	6		6
Boards and commissions	17		19
	<u>\$ 235</u>	<u>\$</u>	<u>237</u>

The Department is also responsible for the operations of several trust and special purpose funds and Crown agencies with years ending March 31, 2002. These include:

- Correctional Facilities Industries Revolving Fund
- Judges of the Provincial Court Superannuation Plan
- Law Reform Commission of Saskatchewan
- Office of the Public Trustee
- Office of the Rentalsman Trust Account
- Provincial Mediation Board Trust Account
- Queen's Printer Revolving Fund
- Saskatchewan Legal Aid Commission
- Saskatchewan Legal Aid Commission Pension Plan
- Trust Accounts at Court House, Local Registrars, and Sheriff's Offices
- Victims' Fund

## **Background**

To assess the performance of the Department, it is important for legislators and the public to understand the Department's goals, objectives, and the risks that it faces.

The Department has identified five goals in its 2001-2002 annual report. These goals are to:

- ◆ ensure safe communities;
- ◆ resolve conflicts in constructive and timely ways and respond to the needs of vulnerable people;
- ◆ respond to the values and needs of Aboriginal people and enhance relations with them;
- ◆ uphold the rule of law; and
- ◆ provide a fair and effective marketplace.

## Our audit conclusions and findings

We have completed our audits of the Department of Justice, the trust and special purpose funds, and the Crown agencies listed earlier. We report the results of the Department of Justice and its agencies below.

### **In our opinion, for the year ended March 31, 2002:**

- ◆ **the financial statements for the funds and agencies are reliable;**
- ◆ **the Department and its funds and agencies had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this chapter; and**
- ◆ **the Department and its funds and agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this chapter.**

We also report our assessment of the Department's annual report.

### **System to track, enforce, and collect fines needs improvement**

The Department is responsible for administering the law. This responsibility includes issuing tickets (fines) for offences under various provincial and federal laws. The purpose of a deterrent such as a fine or jail is to discourage the public from violating the law. If deterrents are not

enforced, they will not be effective. Without effective deterrents, our communities will be less safe.

The Department's systems for administering fines include policies and procedures for:

- ◆ controlling the distribution and receipt of tickets to and from law enforcement agencies;
- ◆ ensuring the accurate and complete recording, tracking, and enforcement of tickets;
- ◆ controlling the recording and receipt of fine payments; and
- ◆ collecting unpaid fines.

We noted weaknesses with respect to:

- ◆ the distribution and receipt of tickets;
- ◆ the recording, tracking, and enforcement of fines; and
- ◆ the collection of unpaid fines.

### ***The distribution and receipt of tickets***

The Department should follow its policies and procedures for the distribution of tickets and improve its controls for the receipt and recording of tickets issued by law enforcement agencies.

The Department is responsible for administering fines for numerous offences under various provincial and federal laws. It also provides certain administrative services to other levels of government in support of their fine systems.

To administer fines, the Department needs policies and procedures for tracking the distribution and issuance of tickets. For example, it needs to know which tickets it has distributed to law enforcement agencies, the tickets that the law enforcement agencies issue to offenders, and the tickets that the law enforcement agencies have not issued. It needs this information to determine if all tickets issued by law enforcement agencies are being recorded, that fines are being collected, and that laws are being enforced.

We recognize that the Department cannot spend the time and resources to account for every single ticket that is, for example, in the hands of a police officer. However, the Department needs adequate information so that it can follow-up with law enforcement agencies to determine that tickets these agencies have issued are recorded.

The Department has policies and procedures for recording distributed tickets. For example, the Department records the tickets that it sends to law enforcement agencies. We think this system of tracking distributed tickets is adequate. However, the Department did not consistently follow its policies and procedures because it did not record all tickets distributed. We examined two 100,000 blocks of tickets and found that the Department's records did not identify the law enforcement agencies to which it gave 11% of the issued tickets (20% in the previous year).

As well, the Department did not have procedures to ensure it recorded all issued tickets in its automated fines systems. In our 2001 Fall Report – Volume 2, we noted that for a block of 100,000 provincial offence tickets we tested, the Department had not recorded 16,000 issued tickets. In 2001-02, we re-examined that 100,000 block and found that the Department had only recorded 1,000 additional tickets. Therefore, the Department still does not know the status of the remaining 15,000 tickets from that 100,000 block.

We also examined two 100,000 blocks of criminal code informations (informations). Law enforcement officers give informations to persons whom they suspect have made an offence under federal laws. Federal law offences require court appearances and may result in jail or other penalties. Although informations may not have a monetary impact such as an amount payable, they need to be followed up because they relate to serious offences. We tested one of the two 100,000 blocks of informations that the Department issued from 1997 to 1999 and we found that it had not recorded approximately 43,000 of these informations.

Because of these weaknesses, the Department was not able to ensure that it recorded all tickets and informations that law enforcement agencies issued. This could result in lost revenue and it could undermine the deterrent effect of the justice system.



On February 18, 2002, the Standing Committee on Public Accounts (PAC) considered these matters and agreed with our recommendations. At this meeting, the Department's deputy minister told PAC that the Department was not able to track issued tickets because of a lack of fiscal resources and underlying information technology systems.

We think that the Department could improve its tracking of issued tickets and informations without significant additional resources or new information technology systems. For example, the Department could accurately record which law enforcement agencies received tickets. In addition, the Department could perform tests on a sample of unrecorded tickets and informations to determine what has happened to the missing tickets. These tests may reveal that: 1) many of the tickets are still be in the hands of law enforcement agencies and have not been issued; 2) some tickets have been voided for appropriate reasons; and 3) some tickets have been issued but not recorded due to errors or fraud. By doing these tests, the Department could determine the significance of the missing tickets as a whole, and what further steps it should take to track the unrecorded tickets.

The Department's internal auditor should be able to perform the above noted tests of unrecorded tickets.

We continue to recommend that the Department:

- ◆ follow its established procedures for recording tickets distributed to law enforcement agencies; and
- ◆ strengthen its procedures to ensure that the Department records the tickets issued by law enforcement agencies.

### ***The recording, tracking, and enforcement of fines***

The Department needs to continue to improve its court information system to ensure that it carries out all court decisions.

The Department records tickets that it receives from law enforcement agencies in the Department's computer systems. The Department uses the Justice Automated Information Network (JAIN) to record all court decisions related to tickets and fines. In addition, the Department records

monetary and non-monetary fine "payments". Non-monetary payments are recorded when offenders select the fine option program alternative to pay their fines (i.e., community service).

The Department must ensure the accuracy and integrity of the information in the JAIN system to ensure that it carries out court decisions. To do this, the Department must ensure that what is supposed to get recorded in the computer system is recorded, changes to the information in the system are accurate and authorized, and the information remains in the system.

The Department also uses the JAIN system to determine the amount of uncollected fines. Therefore, the Department must also ensure the accuracy and integrity of the financial information contained in the JAIN system. We found that the Department:

- ◆ did not ensure that only authorized persons have access to its system and data; and
- ◆ did not ensure that every change to information in its computer system is properly authorized.

We first reported this matter in our 1998 Fall Report – Volume 2. On January 4, 1999, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department improve its procedures for ensuring the accuracy and integrity of its court information system.

The Department told us that after March 31, 2002, it took steps to help ensure that only authorized persons have access to its system and data. This includes reviewing user accounts to ensure that current access was appropriately restricted. Also, the Department now relates all accounts to an employee, rather than to an office or a group of persons. This enables the Department to determine who authorized transactions in its systems.

### ***The collection of unpaid fines***

The Department should improve its procedures for collecting court-ordered fines.

During the year ended March 31, 2002, the Department recorded total fines revenue of \$14.3 million. The collection rate for tickets issued during the year is expected to be approximately 77%. In 1996, the collection rate was approximately 84%.

The Department attributes the decrease in the collection rate to the 1996 changes in the sentencing provisions of the Criminal Code. Prior to 1996, offenders could settle their court ordered fines by paying the fine, by using the fine option program (i.e., community service), or by serving time in jail. After 1996, the Criminal Code eliminated the possibility that persons could be put in jail if they failed to pay their fines. For the year ended March 31, 1996, the Department received settlement of court ordered fines through the fine option program and time served of \$2.4 million. For the year ended March 31, 2002 the amount was \$1.15 million.

In 1993, the Department established the Fine Collection Review Committee (Committee) to review its fine collection program. The mandate of the Committee is to recommend options for increasing the collection of fines. The Department told us that it has recently replaced the Committee with an informal committee that meets monthly to discuss fine collection issues.

In August 1995, the Committee made sixteen recommendations. The Department has implemented a number of these recommendations that increase the likelihood that fines will be paid. For example, it has allowed offenders to pay fines by credit or debit card, partnered with Saskatchewan Government Insurance (SGI) to prevent offenders from renewing their drivers' licenses if they have unpaid fines, and it has assigned unpaid fines to collection agencies.

The Department told us that it has pursued, but has not fully achieved, a number of significant recommendations. These recommend that the Department:

- ◆ develop comprehensive, accurate financial reports so that management can compare actual collections with expected collections;
- ◆ use the driver licence non-renewal process for out-of-province persons who have not paid Saskatchewan fines (the Department

has reached agreements with two provinces, but has been unable to implement the agreements); and

- ◆ make an agreement with Saskatchewan Government Insurance to refuse vehicle registration for persons with unpaid fines. Other provinces use this method of encouraging fine payments.

The purpose of a fine is to deter the public from violating laws. If the Department does not vigorously pursue collection, fines will not serve as effective deterrents. Without effective deterrents, our communities will be less safe.

We reported a similar matter in our 1998 Fall Report – Volume 2. On January 4, 1999, PAC considered this matter and agreed with our recommendation and added:

Further, where possible that procedures be developed to ensure that when repeat offenders appear in the court, the sentencing judge will be informed if previous fines are unpaid.

We continue to recommend that the Department review its procedures for collecting fines and:

- ◆ implement the recommendations of the Fine Collection Review Committee;
- ◆ establish performance targets for fine collections and the performance measures needed to monitor progress in achieving the desired targets; and
- ◆ ensure that when repeat offenders appear in court, the Department informs the sentencing judge of any unpaid fines.

The Department told us that it is continuing to pursue the Committee's recommendations and is monitoring other jurisdictions for additional options to improve its collection of fines. In addition, the Department has included some fine collection performance measures in its 2002-2003 strategic plan, although it has not provided this information to the public. The Department also told us that it plans to implement a pilot project in the fall of 2002 to ensure that when repeat offenders appear in court, the Department informs the sentencing judge of any unpaid fines.

## Contingency plans required

The Department needs a written, tested, and approved contingency plan for its information technology (IT) systems.

The Department depends on its IT systems to carry out its programs and services. To provide continuous service, the Department must ensure that its IT systems and data are available when needed.

The Department performs adequate backups of its IT systems, i.e., it makes regular copies of essential information and stores the information in a safe location. However, it does not have plans to meet the equipment and facility needs of the Department to support its IT systems. Having a backup of data is of no use if the computer equipment and facilities needed to use the data are not available.

The Department needs to identify the importance of its systems and the length of time the Department could continue to operate without these systems. The Department should then develop adequate plans to ensure that it can obtain timely access to the necessary equipment and facilities, data to operate its IT systems.

Until the Department has an adequate IT contingency plan, it faces increased risk that:

- ◆ it may miss commitments, need to delay decisions, and lose essential data; and
- ◆ it may face increased program and service costs and declining public confidence in the Department.

We also reported this matter in our 1997 Spring Report and 1997 Fall Report – Volume 2. On October 8, 1998, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department prepare a written, tested, and approved contingency plan for its IT systems.

## Internal audit needs strengthening

The Department has an internal auditor. The Department's Finance and Audit Committee (Committee) needs to ensure that the internal auditor can provide it with information on the effectiveness of the Department's controls to safeguard assets and to ensure that its revenues and expenses comply with the law.

The Committee is comprised of senior management. One of the Committee's responsibilities is to oversee and provide direction to the Department's internal auditor.

The objectives of the internal auditor are to report to senior management the following areas:

- ◆ the adequacy of protection afforded public funds and assets;
- ◆ the adequacy of protection afforded monies being held in trust;
- ◆ the extent of compliance with legislative, central agency and departmental direction;
- ◆ the reliability and adequacy of information available for decision making and accountability purposes; and
- ◆ where resources permit, the design, development, and implementation of all significant systems, procedures, processes and controls.

The internal audit is not meeting all of the objectives described above. The internal auditor focuses on the Department's revenue generating divisions such as court offices and local registrars. The internal auditor should audit those processes and expenditures where the Department is at greatest risk of loss of public money or money being spent for unintended purposes.

1. **We recommend that the internal auditor audit the Department's key risks.**

## **Better project management practices required**

The Department needs to continually assess and consistently apply its project management practices to ensure that its agencies use appropriate skills, processes, and resources to manage their information technology (IT) projects.

The Department's agencies manage the development and implementation of new IT systems for the delivery of their programs and services. To reduce the risks of failure, the Department needs to ensure that its agencies have appropriate skills, processes, and resources to manage these projects.

The Department's IT strategic plan states that the Systems Services Branch is responsible for building, enhancing, and maintaining its information technology infrastructure. The Department has policies and procedures for systems development and project management. These policies and procedures include ensuring compliance with departmental standards and procedures.

For the year ended March 31, 2001, the Department did not apply its project management policies and procedures on some of its information technology projects. We recommended that the Department consistently apply project management best practices. We also recommended that the Department do a lessons-learned study on the Office of the Public Trustee information technology project.

On February 18, 2002, PAC considered these matters and agreed with our recommendations.

In 2001-02, all existing information technology projects consistently follow the Department's policies and procedures. However, the Department has not documented its lessons learned from the Office of the Public Trustee's information technology project. A lessons-learned project would help to reduce the risks for future projects.

We continue to recommend that the Department strengthen its project management practices by identifying the lessons learned from the Office of the Public Trustee's recent information technology project.

The Department told us that it is currently doing a lessons learned on the Office of the Public Trustee information technology project.

## **Complete financial statements needed**

Senior management needs better financial information to manage the Department.

The financial reports senior management uses to manage the Department are incomplete. The reports show the results of the Department's operations (i.e., its revenues and expenditures), but not what the Department owns and owes (i.e., its assets and liabilities). As well, the financial reports do not include the assets, liabilities, revenues, and expenses of the agencies for which the Department is responsible.

Users of performance reports naturally tend to focus on the information presented in the reports. Because managers do not receive regular reports on what the Department owns and owes, they focus on annual operations and ensuring that the Department does not overspend its appropriation. Managers tend to pay less attention to the assets and liabilities that they must manage well to provide needed services.

Without complete financial reports, senior management may make incorrect decisions.

We recognize that the lack of complete financial statements for Government departments is a government-wide issue. Supervising agencies need to lead the preparation of departmental financial statements that would include common accounting policies and statement presentation.

## **Annual report needs improvement**

The Department's annual report needs improvement.

We reviewed the annual report of the Department for the year ended March 31, 2002. The Department's annual report does not specifically address its key risks or explain the systems and practices that it uses to manage these risks. The report should explain the key risks the Department must manage well to succeed. To assess the Department's



performance, the Legislative Assembly and the public need to know how the Department is managing its key risks.

The annual report does set out the Department's overall goals, its objectives by program, and the program activities to achieve its objectives. The Department sets out activities and results by program. The Department, however, does not state whether it has made progress in achieving its goals. Also, the report does not set out the Department's performance measures and targets, and actual results compared to plans. The Department noted in its annual report that it plans to provide performance information in future years.

The annual report states that the Department is participating in the government-wide accountability project and that it is committed to identifying performance measures for determining and reporting on the effectiveness of its programs.

The annual report does not include financial statements for the Department. It shows, however, the Department's revenues and expenditures. It also shows the Department's investment in capital assets, but it does not show what else it owns and owes. For example, the report does not disclose the Department's accounts receivable or financial commitments.

Public confidence in the Department's ability to meet its objectives is important to the Department's success. Public confidence should strengthen when the Department improves its annual report because strengthening accountability promotes better management.

We reported this matter in our 2000 Fall Report – Volume 3. On June 13, 2001, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department's annual report describe:

- ◆ the key risks that it faces and its plan to manage these risks;
- ◆ the Department's performance measures and targets and actual results compared to plans; and
- ◆ what the Department owns and controls.

The Department told us that it prepares its annual report in accordance with government guidelines for preparing annual reports.

## **The Office of the Public Trustee**

The Office of the Public Trustee for Saskatchewan (Trustee) administers the property and financial affairs of approximately 6,060 clients. Clients include dependent adults, infants, and estates. The Trustee is assisted by two Deputy Public Trustees and approximately 31 staff. Effective May 16, 2002, the Trustee is now known as the Public Guardian and Trustee of Saskatchewan.

For the year ended March 31, 2002, the Trustee received \$38 million, paid \$40 million on behalf of its clients, and held assets worth \$143 million. The Trustee holds the majority of clients' assets in an investment fund. The Trustee is also responsible for the personal items of clients, such as real estate, vehicles, furniture, appliances, and miscellaneous items.

Clients depend on the Trustee to manage their financial affairs. The Trustee is responsible for protecting clients' assets and making financial decisions and payments on their behalf. The Trustee needs strong administrative systems to carry out these duties. Without strong administrative systems, the clients' assets and the administration of their financial affairs are vulnerable.

### ***Update of previous recommendations***

In our 2001 Spring Report, we reported that the Trustee's rules and procedures to safeguard and control client's assets were not adequate to ensure compliance with the law. We made eight recommendations under the following headings:

- ◆ administration of clients' affairs needs improvement; and
- ◆ system acquisition controls need improvement.

We also reported that the Trustee could not prepare its March 31, 2000 financial statements.

In our 2001 Fall Report, we described the Trustee's progress in implementing our recommendations noted above. We again reported that the Trustee could not prepare its March 31, 2000 and its March 31, 2001 financial statements.

We are pleased to report that at March 31, 2002, the Trustee had adequate rules and procedures to safeguard and controls its clients' assets. As well, the Trustee has prepared its March 31, 2000, March 31, 2001, and March 31, 2002 financial statements. Due to the delays in completing these financial statements, the Trustee has not complied with the *Tabling of Documents Act* as we describe below.

Now that the Trustee has resolved the control weaknesses, the next step for the Trustee is to determine if it has received the expected benefits from its new system and advise the Legislative Assembly of its progress. In our 2001 Spring Report, we recommended that the Public Trustee improve its processes to ensure that it receives the benefits it planned to receive from the system.

Prior to developing the system, the Public Trustee prepared a business plan, including a cost benefit analysis that outlined benefits to be achieved. At March 31, 2002, the Public Trustee does not know if all of the benefits have been achieved.

### ***Non-compliance with the Tabling of Documents Act***

*The Tabling of Documents Act, 1991* requires the Trustee to give its financial statements to the Legislative Assembly (Assembly) by October 27, 2000. Likewise, the Trustee was required to give its March 31, 2001 statements to the Assembly by September 27, 2001, and its March 31, 2002 financial statements by August 28, 2002. At the date of this report, the Trustee has not given the above financial statements to the Assembly. Accordingly, the Trustee did not comply with *The Tabling of Documents Act, 1991*.

## **Judges of the Provincial Court Superannuation Plan**

The Judges of the Provincial Court Superannuation Plan (Plan) was established under *The Provincial Court Act* (continued as *The Provincial Court Act, 1998*). The Plan is a defined benefit final average pension

plan. The Plan provides pensions to retired judges and dependants of deceased pensioners. The Public Employees Benefits Agency (PEBA) provides day-to-day management to the Plan.

In 2002, the Plan had contributions from judges of \$0.26 million and superannuation allowances of \$1.7 million. At March 31, 2002, the Plan held assets of \$12.2 million and had liabilities of \$53.9 million. Any allowances payable to superannuates in excess of an individual's accumulated contributions are considered a deficiency and are recovered from the General Revenue Fund. In 2002, the Plan had deficiency recoveries from the General Revenue Fund of \$1.6 million.

### ***Verification of investment manager compliance reports***

The Plan's management needs adequate rules and procedures to ensure the Plan's investments comply with the law and the Plan's investment objectives.

The Plan's management is responsible to ensure that all investments comply with the law and the Plan's investment objectives. *The Pension Benefits Act, 1992* sets out the investment requirements that the pension plans must follow. Pension plans sometimes contract with investment managers to make investment decisions. Pension plan managers must ensure their investment managers comply with the requirements of the plan's investment objectives and with the law. Plan managers can do this by independent verification of their investment manager's compliance reports.

The Plan's contract with its investment manager requires the manager to ensure the Plan's investments comply with the law and the Plan's investment objectives. Quarterly, the Plan's management receives investment compliance reports from the investment manager. However, the Plan's management does not verify those reports. To ensure that all investments comply with the law and the Plan's investment objectives the Plan's management should establish rules and procedures to verify the investment manager's compliance reports. Alternatively, the Plan's management could receive periodic independent assurance on the adequacy of the systems and practices the investment manager uses. The Plan's management does not have rules and procedures to verify the investment manager's compliance reports. Nor does the Plan's

management receive independent assurance on the adequacy of the systems and practices the investment manager uses. As a result, we cannot determine if the Plan's investments complied with the law and the Plan's established investment objectives.

- 2. We recommend that the management of the Judges of the Provincial Court Superannuation Plan establish rules and procedures to ensure the Plan's investments comply with the law and the Plan's investment objectives.**

## **Capital Asset Plan**

This section examines the capital asset plan of the Department of Justice. The Department is responsible for the administration and delivery of justice in Saskatchewan and the protection of basic legal rights and relationships. To carry out its role, the Department must ensure that it has the capital assets necessary to meet the needs of the justice system. Capital assets enable the Department to deliver programs and services to pursue its mission of promoting safe communities, social and economic order, and just relations.

If the Department does not adequately manage its capital assets, it may not be able to deliver programs and services efficiently and effectively. If the Department allows maintenance or replacement of capital assets to be delayed, it may achieve short-term savings, but incur large maintenance and replacement costs in future years. This may have a serious impact on future resource allocation decisions.

These risks may be reduced if adequate capital asset plans are available and acted upon. Having a plan will put the Department in a better position to ensure that the capital assets required to provide programs and services are in place and the assets function satisfactorily to protect and serve the public.

## **Background**

On March 26, 2002, the Government announced a reorganization of government departments. The Government transferred responsibility for corrections from the Department of Justice to the new Department of Corrections and Public Safety. This audit focuses on the Department of

Justice's plan as it existed just prior to the reorganization. The findings, conclusions and recommendations are relevant to both departments, which carry forward their respective planning responsibilities.

The Department's main capital assets include facilities and information technology systems. The Department rents facilities from Saskatchewan Property Management Corporation (SPMC). These include courthouses and office space (and, until the reorganization, correctional facilities). The Department spends approximately \$12.5 million annually on rent. The Department also has significant information technology capital assets.

### **Audit objective and criteria**

The objective of this audit was to determine whether the capital asset plan of the Department adequately included the key elements of capital asset plans in the public sector. We examined the capital asset plan approved by the Deputy Minister or senior Department management and available for use on March 23, 2002. We recognized that this plan could be located in different documents. We focused on the information senior managers need for decision-making.

In carrying out the audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

We first reported the audit criteria that we used for this audit in Chapter 1B of our 2001 Spring Report. These criteria identify key elements for capital asset plans. Six Saskatchewan government agencies confirmed that the criteria are reasonable and appropriate expectations for capital asset plans in Saskatchewan. These agencies emphasized the importance of planning at least ten years ahead for major equipment, buildings, and other infrastructure.

Exhibit 1 outlines the key elements for capital asset plans in the public sector.

**Exhibit 1****Criteria for capital asset plans**

Public sector capital asset plans should include the following key elements:

**1. Capital assets required to support strategic objectives and programs**

- ◆ overview of strategic objectives that will impact capital assets
- ◆ summary of required capital assets for next ten years in line with strategic direction
- ◆ responsibility for capital assets

**2. Gap between required and existing capital assets**

- ◆ summary of existing capital assets
- ◆ risks related to existing capital assets
- ◆ gap between existing capital asset capacity and needs for ten years

**3. Strategies to manage capital assets**

- ◆ strategies to obtain capital assets to meet program needs
- ◆ strategies to operate capital assets
- ◆ strategies to maintain capital assets
- ◆ strategies to dispose of capital assets no longer usable or required

**4. Justification of capital asset strategies**

- ◆ criteria used to select capital asset strategies
- ◆ outline of capital and non-capital alternatives to achieve strategic objectives
- ◆ explanation of how capital asset strategies minimize key risks

**5. Financial implications of capital asset strategies**

- ◆ estimated life-cycle costs for planned capital assets over the next ten years
- ◆ sources of money to carry out capital asset strategies

**Audit conclusion and recommendation**

We found that the Department's capital asset plan adequately included the key elements for capital asset plans, except for the following matters. The Department did not adequately summarize the capital assets it would require for future program delivery. In addition, the Department did not adequately set out the criteria it used to select its capital asset strategies. Because of the reorganization, these recommendations are relevant to

both the Department of Justice and the Department of Corrections and Public Safety.

3. **We recommend that the Department include in its capital asset plan a summary of all of the key capital assets it will require to deliver programs and services.**
4. **We recommend that the Department include in its capital asset plan the criteria it uses to select capital asset strategies.**

## Findings by criteria

For each criterion, we set out our expectations (in italics) and our audit findings. We describe these findings to illustrate existing practices and to highlight challenges faced by the Department.

### ***Capital assets required to support strategic objectives and programs***

*We expected that a capital asset plan should provide a strategic overview. It should summarize the capital assets required to support the Department's strategic objectives and programs over an adequate time frame. The plan should also state who owns and is responsible for capital assets (e.g., the Department, SPMC, or others).*

The Department's plan included an overview of strategic objectives. The Department linked its strategic objectives to its capital requirements. We also found that the Department adequately addressed ownership and responsibility for capital assets throughout its plan.

However, the Department's plan did not include an adequate summary of the key capital assets required to support strategic objectives and programs. The plan addressed certain capital projects with time frames from three to eight years. The plan did not summarize all of the key capital assets the Department required to fulfill its mandate over that time period.



### ***Gap between required and existing capital assets***

*We expected that a capital asset plan should summarize the capacity of the Department's existing capital assets. The plan should describe the gap between the Department's existing assets and the assets that the Department needs to deliver its programs and achieve its objectives. The plan needs to outline the risks that the Department faces with its existing assets.*

The Department's plan summarized the capacity of its existing assets. The Department has listings of all key capital assets. The plan documented the condition of assets, including facilities recently assessed by the Department and information technology assets.

The Department's plan noted key asset gaps that were crucial for the Department to address to continue delivering programs and services in a safe and effective manner. The plan described critical timing issues. The time frame of the plan ranged from three to eight years. Plans for key capital assets essential for program and service delivery should reflect the higher end of this range or look even further ahead.

We found that the Department's plan adequately identified risks associated with capital assets. The plan described risks to the Department's ability to deliver its programs and services. For example, the plan discussed risks relating to aging information technology equipment. The plan also discussed risks in terms of meeting fire or health and safety standards.

### ***Strategies to manage capital assets***

*We expected that a capital asset plan should include various strategies to manage the assets. These include strategies to operate, maintain, and dispose of assets, as well as to acquire new assets.*

We found that the Department's plan described strategies to acquire assets. For example, the plan included the method, timing and cost of acquisitions. The plans discussed various options, such as renovating versus constructing, and leasing versus buying. The plan outlined standards such as performance standards to enable staff to be effective in their work.

The Department's plan also described strategies for the operation of assets. The plan outlined staffing and training requirements to operate assets, as well as physical requirements for some facilities.

The Department's plan adequately addressed maintenance for key capital assets. For facilities rented from SPMC, ongoing maintenance is the responsibility of SPMC. The Department's plan included discussion regarding maintenance of certain facilities. The plan outlined maintenance requirements for information technology assets. Finally, the plan included strategies to dispose of information technology assets.

### ***Justification of capital asset strategies***

*We expected that a capital asset plan should describe the reasons for the department's decisions about assets. By justifying asset strategies, the plan provides important information about what the Department is expecting to achieve with the assets. The plan should outline alternatives, including non-capital alternatives, for achieving its objectives. The plan should also explain how the selected strategies will minimize key risks.*

The Department's plan outlines some performance expectations for capital assets. However, the plan does not adequately set out criteria for capital asset decisions. For example, the Department does not set specific criteria for branches to follow when preparing capital asset requests. Describing the reasons behind the Department's capital asset strategy would promote a consistent approach to managing capital assets.

The Department's plan discusses alternative methods for pursuing its strategic objectives. For example, the plan described various lease and purchase options for information technology capital assets.

The plan also describes how selected strategies will minimize risks. The plan noted risks that if not addressed would prevent the Department from providing safe, efficient programs and services.

### ***Financial implications of capital asset strategies***

*We expected that a capital asset plan should describe the financial implications of its strategies. The plan should include the estimated life-*

*cycle costs for assets over the long term—up to ten years. It should identify how the Department intends to finance its asset strategies (e.g., reserves, loan, donations, and/or operating budget).*

The Department's plan described the financial implications of the Department's strategy, with the time frame covering three to five years. The plan included costs to maintain and operate capital assets as well as acquire them. For information technology capital assets, the plan used a total-cost-of-ownership model to estimate life-cycle costs.

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