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Introduction

This report is focused primarily on government agencies that have a March 31, 2002 year-end. The report sets out the conclusions, findings, and recommendations of our Office for nearly 140 government agencies. For the most part, these agencies have adequate financial management practices to safeguard public resources. However, some serious problems persist at a few agencies and changes are required.

To successfully bring about change, agencies require senior management's commitment, a learning culture, good risk management practices, and public accountability. The Department of Justice and the Public Trustee showed these qualities and brought about important changes to their management of public money.

We also report several agencies that need sustained commitment improve their practices for managing public money: the Department of Intergovernmental and Aboriginal Affairs, First Nations Fund, Saskatchewan Liquor and Gaming Authority, and Saskatchewan Indian Gaming Authority.

Other government agencies continue to improve their public accountability. We discuss the improvements later in this summary. As well, the Government continues to improve its overall practices for managing public resources and its public accountability.

We summarize our findings under two headings—Risk management and Improving the Government's public accountability.

Risk management

Well-managed organizations set clear and measurable objectives. They also identify risks that could interfere with achieving those objectives, and they try to reduce the risks to an acceptable level. This report continues our focus on how government agencies manage their key risks.

Over the next several years, we will continue to focus our work to help improve how the Government manages risks related to the key forces and trends affecting its ability to deliver programs. These key forces and

trends include advancing technology, population changes, economic constraints, globalization, and pressure on the environment.

In this report, we make recommendations and suggest best practices that will help government agencies manage some of the risks related to economic constraints, advancing technology, and population changes. We discuss these recommendations and best practices under the three headings: governance and supervisory practices, infrastructure, and population changes.

Governance and supervisory practices

As noted earlier, one key force facing the Government is economic constraint. There is increasing demand for public services and a continued demand for lower taxes. The Government is always asked to do more with less. Good governance and supervisory practices will help agencies respond to this pressure.

Many of our findings in this report relate to poor or improper use of public resources when agencies do not carry out their duties effectively. For example:

- ◆ Some boards of directors have not set direction and monitored the actions of senior management.
- ◆ Some agencies have not adequately carried out their duties to supervise agencies that are accountable to them.

Chapter 5 – Health reports that the Department has good practices for managing public resources, except for a few matters. For example, the Department needed to continue to improve how it supervised the district health boards. Also, boards of directors of the district health boards needed to set direction for their districts and monitor the actions of senior management in carrying out the direction. The reorganization of the health system into 12 regional health authorities changes accountability relationships. The reorganization provides an opportunity for the Department to address previous concerns with the management of the health districts.

We set out six measures to help legislators and the public assess the sustainability of health spending in Saskatchewan. A sound understanding of the health system's finances is important to an informed debate about the issues facing the health system. These issues relate to the affordability of programs and services including the maintenance of the health system's infrastructure.

Chapter 6 – Liquor and Gaming Authority reports that the Authority has good practices for managing public resources, except for its supervision of SIGA's spending. We made several recommendations in 1999 and 2000 to improve Liquor and Gaming's supervisory practices. Liquor and Gaming's progress towards proper supervision of SIGA's operations is slow. Liquor and Gaming's supervisory practices remain deficient. As a result, it did not know if the expenses SIGA charged Liquor and Gaming for managing its slot machines were reasonable.

We also report that SIGA's progress towards proper management of public money is slow. In 2000, we made several recommendations to improve SIGA's practices. We had expected that by now that SIGA would have a detailed plan, setting out who would do what, and by when, to improve its spending practices. There is still no plan.

SIGA does not yet have a business and financial plan and it does not yet have processes to control its two biggest expenses: salaries and marketing. Also, SIGA continues to make payments that are not for operating casinos and continues to make payments without due care.

Liquor and Gaming, SIGA, and their senior management will need sustained commitment to bring about the necessary improvements to SIGA's management of public money. Failure to do so will result in SIGA's practices continuing to allow the improper use of public money.

Chapter 7 – Justice reports that the Department and the Public Trustee have taken the necessary action to properly administer the affairs of the Public Trustees' clients. This is vital because the Trustee's clients cannot manage their own affairs. In spring of 2001, we reported that the Public Trustee did not have adequate practices to administer its clients' affairs. This situation was caused in part by a new computer system that the Trustee was developing. In 2001, the Trustee needed to focus first on improving its administrative practices and then focus on making its new

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computer system fully functional. The Trustee can now focus on completing the new computer system so that it can achieve its expected benefits. We will monitor the Trustee's progress in achieving the benefits of its new computer system.

The Department also needs to improve its practices for managing penalties for offences under various laws. Tickets deter the public from disobeying the law. To be effective, tickets must be enforced. For several years, we have reported the Department's need to improve its enforcement practices.

Chapter 8 – Intergovernmental and Aboriginal Affairs reports that the Department has good practices for managing public resources, except for its supervision of one of its three agencies, the First Nations Fund. Last year, we reported serious concerns about the Fund's spending practices and the Department's supervision of the Fund. Unfortunately, these concerns continue.

This year the Fund spent \$14 million. The Trustees responsible to administer the Fund continue to make payments to First Nations bands and to the Federation of Saskatchewan Indian Nations without ensuring they spend that money according to the law. The Trustee's also continue to make payments that are not permitted by the law. These practices are not acceptable.

The Department needs to take strong action to improve the Trustee's spending practices. It must ensure that the Trustee's spend money with due care and only for the purposes set out in the law. This is achievable with sustained commitment from the Department and the Trustees. The Department's other two agencies with similar programs, the Métis Development Fund and the Community Initiatives Fund, are generally well-managed.

Infrastructure

The Government has invested more than \$16 billion in infrastructure (e.g., roads, gas lines, power plants, and communications networks). To provide public services, the Government spends significant sums of money annually on infrastructure. The Government must not only spend money to buy or build infrastructure, it must also maintain and operate the

infrastructure. Advancing technology has a large impact on the infrastructure the Government needs to deliver its programs effectively.

Infrastructure is essential for the delivery of government programs. Infrastructure includes the computer systems and networks that the Government uses to provide public services.

The Government has a major investment in computer systems and is planning to spend to develop more large systems. Developing large computer systems is risky. Sound project management practices help to ensure that new systems are delivered on time, on budget, and achieve their expected benefits. Our work in this area assesses agencies' practices to implement new computer systems and to achieve the expected benefits of the systems.

In Volume 2 of our 2000 Fall Report, we described risks related to infrastructure. Management of these risks requires good long-term planning, clear responsibility, capacity maintenance, good information, and keeping the public informed.

Chapter 2 – Reporting on infrastructure—SaskEnergy and Highways and Transportation is about the importance of keeping the public informed about the Government's infrastructure. We examined the public reports of SaskEnergy Incorporated and Highways and Transportation. Together, these agencies have nearly \$4 billion invested in infrastructure. Both agencies report good information about their infrastructure, but both agencies could improve. SaskEnergy needs to explain better the current condition of its gas transmission and distribution systems and the ability of these systems to meet peak demands. Highways and Transportation needs to provide additional information on its key plans and results related to highway condition, reliability, and safety. We also describe some lessons learned from our examination that will help other government agencies keep the public informed about their infrastructure.

Chapter 5 – Health reports that the Department does not have a long-term infrastructure plan. Such a plan is necessary for the effective delivery of health services. The Department is responsible for nearly \$1 billion of health system infrastructure.

In addition, we describe the Department's progress in clarifying the responsibilities for managing specific risks related to the health system's infrastructure. In the fall of 2000, we had recommended that the Department clarify and communicate the responsibilities of the Department and district health boards for the health system's infrastructure.

Chapter 7 – Justice assesses the Department's long-term infrastructure plan. The Department's plan was adequate except for two matters. The Department needs to include a summary of all of its key assets in its plan and justify its strategies for managing these assets.

Chapter 3 – Information Technology Security is about the results of an information security survey of 32 public sector agencies. These agencies assessed their practices for keeping information available, confidential, and unimpaired. We also surveyed these agencies in 1999. Overall, the results showed that agencies have not improved their practices since 1999 and require more commitment to improve their security practices.

Chapter 9 – Finance contains information about a new computer system that the Department is developing and our audit plans for that system. The system will replace the Department's central financial and human resource system for all departments. The first phase of the system is expected to cost \$13 million. The overall cost to the Government is expected to be \$38 million. Given the risks in developing new systems, our audit work will initially focus on the Department's practices to develop its new computer system.

Population changes

The Government faces several key challenges because of population changes. The report discusses challenges related to obtaining human resources for the public sector, educating the population, and ensuring more participation of Aboriginal people in the economy.

Chapter 4 – Succession planning for public sector agencies highlights best practices the Government could use to ensure it has a skilled work force in the future to deliver public services. The Saskatchewan Government employs about 50,000 people. About 80% of these government employees work with agencies, commissions, regional health

authorities, and Crown corporations (e.g., SaskPower, SaskTel). The remaining 20% work in government departments. About 25% of those government employees are 50 years old and older. Many of them will retire soon. The public sector stands to lose nearly 80% of its current managers over the next 20 years.

The Government will have to take action to build a labour pool with the skills to replace the employees who retire. We set out best practices for succession plans. We plan to use these best practices to assess the succession plans of government agencies.

Chapter 11 – Education reports on how the Department monitors the use of the provincial curriculum by school divisions. The Department formally evaluates the use of the curriculum by subject. The evaluations identify problems with the use of the curriculum and recommend changes. The Department needs to improve how it monitors the implementation of the recommendations.

Chapter 8 – Intergovernmental and Aboriginal Affairs provides an update on how the Department coordinates the activities of 12 government agencies. The agencies work together on a key government strategy, *A Framework for Co-operation: Practical Approaches to Issues Affecting Métis and Off-Reserve First Nations Peoples*.

In the fall of 2001, we reported that the Department had a sound foundation to coordinate activities, but needed better reporting practices. The Department has begun to receive reports from the participating agencies that help the Department to analyze and report progress.

Improving the Government's public accountability

This report continues to focus on encouraging the Government to improve its accountability to the public. Improving public accountability fosters better management of public resources. Having to answer publicly for what you plan to do and what you have actually done improves the management of public resources.

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Sound public accountability relationships require:

- ◆ Agreed-upon plans that are clear as to responsibilities, authority, resources, and expected results. This requires government agencies to give the Assembly reliable business and financial plans.
- ◆ Reliable reports on actual results compared to planned results. This requires government agencies to give the Assembly reliable reports on performance.
- ◆ Reasonable reviews of performance reports. This requires a legislative committee to review the plans and actual results and offer advice for improvement.

We have called on the Government to make public departments' planned operating results. The Government announced in July 2002 that it would begin doing so and set out a timetable. By 2004, legislators should receive departments' planned operating results when the Assembly is approving the money for the departments to carry out their plans. Legislators should then have information to debate the expected results of proposed spending and assess whether the spending is reasonable to achieve the expected results. We congratulate the Government for taking this important step in improving its accountability to the Assembly.

In July 2002, nine of the 17 departments gave the Assembly their planned operating results for their year ended March 31, 2003. Most departments provided these plans in their annual reports. We congratulate the following nine departments for making this information public.

Agriculture, Food and Rural Revitalization
Corrections and Public Safety
Environment
Finance
Health
Highways and Transportation
Justice
Labour
Northern Affairs

Chapter 5 – Health reports that the Department published the *Saskatchewan Comparable Health Indicators Report* on September 30, 2002. The *Indicators Report* provides vital information about the performance of Saskatchewan's health system. Legislators and the public now have valuable information on the effects of health services on the health and the well-being of Saskatchewan citizens. Legislators and the public also have information that compares Saskatchewan's performance to that of other jurisdictions.

We audited the *Indicators Report* and the Department included our report in the *Indicators Report*. Our report provides legislators and the public with our assurance on the *Indicators Report's* reliability.

We congratulate the Department for preparing an understandable, accurate, and unbiased report. While the information in the *Indicators Report* has some limitations, the Department has properly described the limitations. We encourage legislators and the public to use the *Indicators Report* because it is the best information available on the performance of the health system at the present time.

Chapter 1 – Information Services Corporation of Saskatchewan (ISC) discusses a special report to the Standing Committee on Crown Corporations about the new computer system ISC is developing. The special report sets out the system's financing, projected cost, and benefits.

The special report was in response to legislators and the public asking questions about whether the new system is worthwhile. That is, do the benefits of the new system exceed the costs of the system?

We audited the special report and our reports are included in the special report. Our reports provide legislators and the public with our assurance on the reliability of the special report. The judgment of whether the system is worthwhile belongs to legislators and the public. To have an informed debate, legislators and the public need reliable information about the planned and actual benefits of the system as well as information about its planned and actual costs. Our responsibility is to ensure that legislators and the public have good information on the benefits and costs.

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We congratulate ISC for preparing an understandable, accurate, and unbiased report. ISC was the first government agency to make public an audited report on its planned and actual benefits.

We encourage legislators and the public to use the special report to assess ISC's performance. We also recommend that ISC continue to report publicly on the extent to which it receives the benefits of the new system.

Chapter 14 – Environment and Resource Management includes financial statements showing the financial affairs of the entire Department. Financial statements are primary accountability documents. Currently, departments do not prepare financial statements showing their entire operations. We think they should. Legislators and the public need to see the entire financial affairs of departments to hold them accountable for their performance. We encourage legislators and the public to use the financial statements for the Department to assess its performance.

Acknowledgement

The dedicated efforts of the employees of this Office are essential for the continuing achievement of its responsibilities. The knowledge, skills, and abilities of our employees make this report possible. The report provides the Legislative Assembly with valuable independent information on the Government's management of public resources. A list of employees is set out in Exhibit 1.

Exhibit 1

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

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Baronowsky, Tricia
Boechler, Danielle
Borys, Angèle
Brezinski, Curtis
Burrows, Jamie
Calder, Chantara
Clemett, Tara
Creaser, Phil
DeCorby, Michelle
Deis, Kelly
Dickin, Deann
Duran, Jason
Duran, Joel
Emond, Candice
Federspiel, Angela
Ferguson, Judy
Fysh, Cindy
Grabarczyk, Rod
Harasymchuk, Bill
Heffernan, Mike
Huard, Brenda
Hungle, Angie
Jersak, Rodd
Kirchner, Carolyn

Klein, Robin
Knox, Jane
Kress, Jeff
Kuntz, Linda
Lacey, Shana
Lahti, Jay
Lees, Trina
Lowe, Kim
Martens, Andrew
Montgomery, Ed
Nyhus, Glen
Oldershaw, Mark
Ottenbreit, Stacey
Paul, Charlene
Paul, Kent
Rybchuk, Corrine
Schiller, Rita
Schwab, Amy
Schwab, Victor
Shorten, Karen
Sommerfeld, Regan
Szaroz, Jennifer
Thomson, Nathan
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Watkins, Dawn
Wendel, Leslie

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