

Key messages

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Observations

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Introduction

Through our work, my Office improves the way government agencies manage public resources and their accountability to the Legislative Assembly. We do this by focusing our audits on how agencies manage their risks to achieving what they want to do and on the quality of their public reports. We then report the results of our work to the Legislative Assembly.

The Government delivers its services through nearly 300 agencies. These agencies included departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers mainly agencies with March 31, 2003 year-ends. Our 2003 Report – Volume 1 covered mainly agencies with December 31, 2002 year-ends.

For the most part, the 120 agencies covered by this report have adequate practices to manage risks to public resources. That is, the agencies have sound practices to safeguard public resources and have complied with the laws governing their operations. Also, most agencies published reliable financial statements. However, serious problems exist at some agencies. The Government needs to remedy these problems.

Also, many government agencies continue to gradually improve their public accountability. Some agencies have made significant progress. Others have announced their plans for future improvements.

In this chapter, I use two headings to highlight several agencies covered in this report. The two headings are risk management and government accountability. Part B presents the main points for each chapter of this report to provide an overall summary of the report.

Risk management

My Office continues to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to the effective delivery of government services and maintaining a tax base sufficient to pay for those services. The key forces and trends affecting the Government include population changes,

advancing technologies, economic constraints, globalization, and pressures on the environment.

Government agencies that are well managed have good governance practices. They have a clear plan of what they want to do, they determine the risks that may prevent them from carrying out their plan, and they have strategies to reduce their risks. They also monitor their progress in achieving their plans.

In addition, well-managed agencies tell legislators and the public what they plan to do and how much it should cost. They then report what they actually did and what they spent. Having to answer for what they actually did compared to what they planned to do improves how government agencies manage public resources. It also allows legislators to have an informed debate about whether programs are worthwhile.

Under the headings economic constraints, population changes, pressures on the environment, and advancing technologies, I highlight some of my Office's work related to these key forces and trends.

Economic constraints

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 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 or properly monitored the actions of senior management.
- ◆ Some agencies have not adequately carried out their duties to supervise agencies that are accountable to them.

Chapter 2—Health reports that the Department generally has good practices for managing public resources.

The Department is leading a major reorganization of the way the Government delivers health services. During the year, the Department began to consolidate the activities of 32 district health boards into 12 regional health authorities. Many of the changes to fully integrate services were underway during the year, but are not yet complete. The Department and the authorities have made good progress to date. We recommend several improvements. These improvements are necessary to deliver effective health services.

To ensure effective delivery of services, we recommend the Department clearly sets out its expectations for service delivery and health outcomes for the authorities. It then needs to train the members of the boards of the authorities, monitor board activities, and take corrective action when necessary.

We also recommend that the board members of the authorities set direction for their authorities, monitor their authorities' performance, and take corrective action when necessary.

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 for an informed debate about the issues facing the health system. These issues include the affordability of services and the maintenance of the health system's infrastructure. One of the measures shows that health spending is growing faster than the provincial economy and the consumer price index.

We discuss approaches that the Department uses to manage the costs and quality of medical services. Those approaches relate to promoting evidence-based services, setting public policy, and analyzing the underuse, overuse, and misuse of services. Controlling health costs and ensuring quality services are important to sustain our health system.

Chapter 3—Community Resources and Employment and *Chapter 4—Learning* report on how these departments provide financial assistance to people. The assistance is available to those people who meet a financial needs test. Both departments have not done sufficient work to ensure that the people receiving assistance are entitled to it.

We also report that Community Resources and Employment needs to follow its child protection practices. The Department needs to ensure that childcare providers are qualified to care for children.

Chapter 5—Liquor and Gaming Authority reports that the Authority has good practices for managing public resources except for its supervision of SIGA's operations. We made several recommendations in 1999 and 2000 to improve Liquor and Gaming's supervisory practices. The most important recommendations are still not implemented.

Those recommendations relate to setting Liquor and Gaming's spending policies for SIGA, monitoring SIGA's compliance with the policies, and the recovery of spending that does not comply with the policies. Liquor and Gaming has not ensured SIGA spends public money with due care.

In this chapter, we also report that SIGA's management of public money has not improved since March 31, 2002. In 2000, we made many recommendations to improve SIGA's practices. At March 31, 2003, most of our recommendations are still not implemented. SIGA continued to spend public money without due care.

We report progress by SIGA near March 31, 2003. SIGA has sent proposed spending policies for many of its activities to Liquor and Gaming for approval. At mid-October, none of the proposed policies were approved because Liquor and Gaming thought they were inadequate. The next step is for SIGA and Liquor and Gaming to agree upon sound policies.

Timely approval of policies is important because of the contract between Liquor and Gaming and SIGA. The contract requires SIGA to comply with Liquor and Gaming's approved practices for managing public money by August 15, 2005. According to the contract, failure to comply could result in SIGA no longer being allowed to operate Liquor and Gaming's slot machines.

Chapter 6—Justice reports that the Department needs to better manage 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 that Justice should improve its enforcement practices.

Chapter 7—Government Relations and Aboriginal Affairs reports that the Department has good practices for managing public resources except for its supervision of the First Nations Fund and the Northern Revenue Trust Account.

For 2001 and 2002, we reported that the Trustees of the Fund had unacceptable spending practices. The Trustees made payments that were not permitted by law and made other payments without ensuring that the recipients used the money for the purposes set out in the law. Also, we reported concerns with the Department's supervision of the Trustees.

Before 2001, we were denied access to the Fund's records. For 2003, the Trustees have again denied us access to the Fund's records. As a result, we are unable to tell the Assembly whether the Fund's spending practices for 2003 have improved or worsened. The Fund received \$20.2 million from the Department in 2003.

The Department needs better processes to monitor the Northern Revenue Sharing Trust Account and improve its accountability to the Assembly. The improvements to processes and accountability are necessary for the protection of public resources. The Account spent \$16.5 million in 2002.

Population changes

Saskatchewan faces a potential shortage of skilled workers. This presents a risk for the Government and for the economy as a whole. For the last two years, we have focused on workplace safety as well as compensation and rehabilitation of injured workers. We have also started to focus on government agencies' human resource plans including succession plans. In this section, I discuss some of the ways the Government manages this risk.

Keeping the services of skilled workers available

Preventing injuries and rehabilitating injured workers reduces workers' suffering and helps keep the services of skilled workers available. These activities will help moderate shortages of skilled workers. Preventing injuries also saves money.

The Government keeps the services of skilled workers available by requiring a safety monitoring system at Saskatchewan workplaces, providing a safe workplace for its own workers, and ensuring injured workers are suitably rehabilitated and compensated. The Government must manage several risks to accomplish these objectives. It does so through many agencies.

In our 2003 Report - Volume 1, chapters 2, 7, and 8, we discussed how the Department of Health (Health), Department of Labour (Labour), and the Workers' Compensation Board act to improve workplace safety and how they are rehabilitating and compensating injured workers.

Health needed to improve the practices at regional health authorities to reduce back and shoulder injuries to care staff. We recommended improvements. We plan to follow up what the authorities have done to improve practices in 2004.

Labour has established good practices for monitoring the work of occupational health committees. Labour uses the minutes of these committees to help monitor workplace safety.

Chapter 8—Labour reports changes to the Department's practices for helping injured workers appeal decisions of the Workers' Compensation Board. Those changes are beginning to reduce the time injured workers must wait for help with their appeals.

In our 2003 Report - Volume 1, we report that the Workers' Compensation Board is in the process of improving its system for processing the claims of injured workers for rehabilitation and compensation. The Board expects to complete the changes in 2003. The Board incurred expenses of \$260 million in 2002 for rehabilitation and compensation. We are auditing the new practices and will report our results in the spring of 2004.

Human Resource Plans

Public sector agencies need sound human resource plans including succession plans. Succession planning helps to ensure agencies have the right people with the right skills at the right times.

Chapter 5—Liquor and Gaming Authority reports on SIGA’s human resource plan. We conclude that SIGA does not as yet have a complete human resource plan. SIGA has parts of a plan and has begun work on the remainder. We make recommendations to help SIGA build its human resource capacity to achieve its strategic plan.

Pressure on the Environment

Chapter 9—Environment reports on how the Department manages forest fires. In 2001, we made several recommendations to improve its practices. Environment has made progress, but it needs to do more to comply with our recommendations.

We discuss our planned audit of Environment’s practices for protecting Saskatchewan’s air quality. We set out the criteria we will use to assess Environment’s practices. Environment agrees with the criteria. We plan to report the results of our audit in the spring of 2004.

Advancing technology

Advances in technologies have a large impact on the risks that government agencies face.

Computer systems and networks bring new risks to the accessibility, security, integrity, and confidentiality of information that agencies use to manage. For information to be accessible, agencies must have contingency plans to operate if their systems fail.

Chapter 5—Liquor and Gaming Authority and *Chapter 6—Justice* report the need to prepare good contingency plans. We have reported for the last five years that these agencies needed to prepare these plans. Unless they take action, these agencies face an increased risk that they will lose essential information, or incur increased costs.

Government accountability

My Office continues to focus on improving the Government’s accountability to the Legislative Assembly. The ability of the Assembly to hold the Government accountable is key to good government.

Three significant events have occurred to improve the Government's accountability since our last report to the Assembly. I discuss these improvements under the headings: Legislative Assembly, Crown Corporations Committee, and Government agencies.

Under the heading Cabinet, I discuss the need to improve the Government's accountability for its financial performance.

Legislative Assembly

The Legislative Assembly changed the law to improve accountability for the costs and delivery of health services. The law creates a direct reporting relationship between the Assembly and regional health authorities. The laws governing the authorities require each of them to give the Assembly an annual report on their services as well as their financial statements. This is important because the authorities spend most of the money that the Government spends on health services.

In the past, health districts spent most of the money that the Government spent on health services. The health districts did not give their annual reports and financial statements to the Assembly.

The regional health authorities gave their first reports and financial statements to the Assembly during the summer of 2003. Legislators now have more information to hold the Government accountable for health spending and the results of that spending.

Chapter 2—Health discusses shortcomings with the information that the authorities provided. For example, the authorities gave the Department lists of persons (payees) who received money from the authorities and the amounts they received, but the Department did not give the lists to the Assembly. Also, three authorities gave the Assembly financial statements that were not reliable.

Crown Corporations Committee

In June 2003, the Standing Committee on Crown Corporations (Committee) recommended that Crown Investments Corporation (CIC) and its related corporations disclose additional information about persons

(payees) who receive money from these corporations and the amounts they receive.

For many years, my Office has reported the need for these corporations to improve their accountability by providing more payee information to the Assembly. We congratulate the Committee for making this important improvement to the accountability of Crown corporations.

The Committee's recommendation is important because:

- ◆ It reminds these government officials that that they are spending public money;
- ◆ It adds rigour to decision making as it ensures those that spend public money know that their use of that money will be public; and
- ◆ It ensures that legislators and the public know who has received public money.

We expect that CIC and its related corporations will disclose the additional information to the Committee in the spring of 2004. We will report if we have any concerns with the information the corporations provide.

Government agencies

In 2003, the Department of Finance issued guidelines for improving annual reports incrementally over the next few years. It based the guidelines on the most current Canadian principles for annual reports of public sector agencies. The guidelines are based on a publication by CCAF-FCVI Inc. We commend the Department for using the CCAF's principles. We encourage all government agencies to use these guidelines to improve their reports.

In Chapter 13—Annual reports assessments—Departments, we report on our assessment of the 2003 annual reports of 17 government agencies. The agencies gave these reports to the Assembly in the summer of 2003. These agencies have complied with the Department of Finance's guidelines for 2003 annual reports.

Legislators and the public now have better information to judge the performance of these agencies. We will continue to monitor how agencies improve their annual reports.

Cabinet

The Government continues to focus discussion about its financial performance on the planned and actual results of one fund called the General Revenue Fund. The Government uses that fund to pay for some of its services. That fund excludes about 40 per cent of the Government's revenue and spending. *The Balanced Budget Act* reinforces this narrow focus by basing the requirements of the Act on only that part of government revenue and spending covered by the General Revenue Fund.

By using the General Revenue Fund as the basis for discussion about its financial performance, the Government obscures its true financial performance.

The focus of the Government's discussion about its financial performance should be based on all of the Government's revenue and spending. Similarly, if the Assembly wants balanced budget laws, we suggest that those laws should be based on the financial performance of the entire Government. *In Chapter 10—Finance*, we discuss our concerns with the General Revenue Fund financial statements as well as the Government's budget.

We are pleased that, in March 2003, the Government announced it will present a budget for the entire Government as part of its 2004-05 budget package. The Assembly should consider making corresponding changes to laws dealing with the budget and balancing the budget to focus discussion on financial performance based on the financial affairs of the entire Government. Making these changes will improve the Government's accountability to the Assembly.

Acknowledgement

The dedicated efforts of staff of this Office are essential for the continuing achievement of its responsibilities. The knowledge and commitment of

our staff make this report possible. A list of staff is set out in the following exhibit.

Exhibit

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

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Boechler, Danielle
Borys, Angèle
Brezinski, Curtis
Calder, Chantara
Clemett, Tara
Creaser, Phil
DeCorby, Michelle
Deis, Kelly
Dickin, Deann
Duran, Jason
Duran, Joel
Eger, Leanne
Emond, Candice
Ferguson, Judy
Grabarczyk, Rod
Harasymchuk, Bill
Hartley, Tyron
Heffernan, Mike
Huard, Brenda
Hungle, Angie
Jersak, Rodd
Kirchner, Carolyn
Klein, Robin
Knox, Jane

Kress, Jeff
Kuntz, Linda
Lahti, Kami
Lees, Trina
Lindenbach, Michelle
Lowe, Kim
Martens, Andrew
Montgomery, Ed
Nyhus, Glen
Oldershaw, Mark
Ottensbreit, Stacey
Paul, Charlene
Paul, Kent
Rybchuk, Corrine
Schell, Doug
Schiller, Rita
Schwab, Amy
Schwab, Victor
Shorten, Karen
Sommerfeld, Regan
St. John, Trevor
Thomson, Nathan
Thorson, Angela
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Wandy, Jason
Watkins, Dawn
Wendel, Leslie

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Compilation of main points

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Chapter 2 – Health

Part A of this chapter sets out the results of our audits of the Department and its Crown agencies. The Department needs better reports from regional health authorities (RHAs) to hold them accountable for their annual spending of \$1.8 billion. The Department does not have a capital asset plan to manage its \$900 million in capital assets. The Department did not give the Legislative Assembly the lists of persons (e.g., employees, suppliers) who received money from each RHA and the amounts the persons received.

Part B sets out six financial measures that help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the health issues facing Saskatchewan. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

Part C describes the results of the audits of the 12 regional health authorities (RHAs). Directors of RHAs need to improve how they set direction, monitor performance, safeguard public resources, comply with the law, and ensure adequate accountability to the Legislative Assembly.

Part D explains some of the key risks to the quality and cost of medical services. It also highlights how the Department manages these risks, including promoting evidence-based best-practice services; setting public policy; and analyzing medical services. In the future, we plan to audit the Department's processes to manage those risks.

Chapter 3 – Community Resources and Employment

The Department of Community Resources and Employment is a large, complex agency that spent \$607 million delivering its programs.

The Department did not adequately follow its rules and procedures to ensure that it spent all public money for the purposes intended by the Legislative Assembly.

For social assistance payments, the Department needs to improve its compliance with its established procedures to ensure that only eligible

clients receive assistance and that they receive the correct amount of assistance (e.g., the Department must strengthen its verification of the continued eligibility of clients to receive assistance).

For programs that Community-Based Organizations (CBOs) deliver, the Department should strengthen its assessment of the CBOs' progress in achieving the Department's operational objectives. To do this, the Department needs to encourage CBOs to submit timely and complete performance reports.

For children in its care, the Department must follow its rules and procedures to ensure that it protects children and that payments to care providers are authorized (e.g., the Department needs to ensure that care providers are qualified to care for the children).

Chapter 4 – Learning

This is the Department of Learning's first year of operations. It administers programs previously delivered by the former departments of Education, Post-Secondary Education and Skills Training, and Municipal Affairs and Housing. It has responsibility for the provincial learning sector.

The learning sector is large and complex. During 2002-03, the Department provided educational agencies with over \$1 billion. In addition to this money, educational agencies raise significant revenues from various sources (e.g., property taxes, tuition fees, research grants). This chapter sets out the need for better reporting on performance for various levels within the learning sector.

Legislators need information on the learning sector to gain a better understanding of who is accountable to whom, for what, and by when. The chapter notes that the Department is developing a learning sector plan with its education partners. Once finalized, the Department expects to report publicly against it. We look forward to this.

The Department, legislators, and the public need better performance information from various educational agencies. While the chapter notes progress towards better performance reporting, it calls for further progress.

For example, boards of school divisions spend over \$1 billion. These boards administer and manage the 99 school divisions. While the financial statements of school divisions are improving, they are not yet prepared using rigorous accounting rules. Other local governments such as municipalities do so. Rigorous accounting rules ensure financial statements are consistent, reliable, and comparable. The Department must help the school divisions move forward in this area.

Finally, the chapter notes two programs where the Department needs better processes to ensure only eligible persons receive aid in the correct amount – Saskatchewan student loan and provincial training allowances.

Chapter 5A – Liquor and Gaming Authority

Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) regulates the Saskatchewan beverage liquor and gaming industries. It also operates retail liquor stores, video lottery terminals (VLTs), and owns and manages slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos.

During 2003, Liquor and Gaming continued to work towards setting spending and casino operating policies for safeguarding public money under SIGA's control. However, progress is slow. So far, Liquor and Gaming has approved only a few of SIGA's spending policies such as promotion and sponsorship. Near the end of the year, or shortly after, SIGA proposed most of its spending and operating policies to Liquor and Gaming. At mid-October 2003, Liquor and Gaming has not approved any of these policies. Management told us that Liquor and Gaming has not done so because it asked SIGA to revise the policies.

In our 2000 Fall Report – Volume 2, we said Liquor and Gaming should recover any of SIGA's expenses that are not reasonable (i.e., those expenses that do not comply with policies that Liquor and Gaming approved for SIGA). During the last two years, Liquor and Gaming audited SIGA and identified expenses that did not comply with the approved policies. However, Liquor and Gaming has not recovered those expenses. Liquor and Gaming needs to establish a process to recover expenses that do not comply with the approved policies.

Chapter 1B – Compilation of main points

In May 2003, Liquor and Gaming told the Standing Committee on Public Accounts that it expects to implement all of our past recommendations by Spring 2004.

Chapter 5B – Saskatchewan Indian Gaming Authority Inc.

Under the 2002 Framework Agreement and the 2002 Casino Operating Agreement, Saskatchewan Indian Gaming Authority Inc. (SIGA) manages the slot machines in its four casinos for Saskatchewan Liquor and Gaming Authority (Liquor and Gaming). Liquor and Gaming decides the policies for operating the casinos. It expects SIGA to propose policies for Liquor and Gaming's approval.

At March 31, 2003, SIGA has not yet fully implemented all of our past recommendations. As a result, SIGA continues to make payments without due care. However, it has worked actively to propose policies to deal with our past recommendations. Near the end of the year or shortly after, SIGA's Board approved most of SIGA's new proposed policies. The next step for SIGA is to propose to Liquor and Gaming the rest of the policies and then get Liquor and Gaming's approval for all of the policies. SIGA can then ensure its staff understand and follow those policies.

Both, the Framework Agreement and the Casino Operating Agreement require SIGA to establish and comply with Liquor and Gaming approved policies for the operation of the casinos by August 15, 2005. SIGA faces a challenge to complete and implement all of the Liquor and Gaming's policies by August 15, 2005. If SIGA does not meet this condition, Liquor and Gaming may not allow SIGA to continue to operate Liquor and Gaming's slot machines.

SIGA needs to move quickly and get Liquor and Gaming's approval for spending and casino operating policies. It can then begin implementing those policies during 2004. We will assess the new policies and SIGA's compliance with those policies in 2004.

Chapter 6 – Justice

In this chapter, we set out the results of our audits of the Department of Justice and the agencies it manages for the year ended March 31, 2003.

The Department needs to have better processes to track, enforce, and collect fines. The Department does not know if it has enforced all fines and charges. This lack of adequate rules and procedures could result in the Department not achieving its goals of safer communities and upholding the rule of law.

The Department needs an adequate contingency plan for its information technology systems. Without such a plan, the Department risks missing commitments, delaying decisions, and losing essential data.

The Department relies on its internal auditor to provide it with information on the effectiveness of the Department's processes to safeguard public resources and ensure that it complies with the law. The Department should focus the audit work on the processes and transactions where the Department is at greatest risk of loss of public money or spending money for unintended purposes.

We also report a follow-up of our recommendations in our 2002 Fall Report – Volume 2 of our audit of the Department's capital assets plan. We found that the Department now has adequately implemented our recommendations for its capital assets plan.

Chapter 7 – Government Relations and Aboriginal Affairs

This is the first year of operation for the Department as Government Relations and Aboriginal Affairs. Effective April 1, 2002, its responsibilities were expanded to assume the programs of the former Department of Intergovernmental and Aboriginal Affairs and the municipal programs of the former Department of Municipal Affairs and Housing. The Department is now responsible for overseeing two funds and three agencies.

In general, the Department has good practices to manage most of its activities with two exceptions. These exceptions are the adequacy of its oversight of the First Nations Fund and Northern Revenue Sharing Trust Account and monitoring of money provided to community development corporations.

We continue to report that the Department does not have adequate processes to know if the \$20.2 million it provided to the First Nations Fund was used as required by law. In addition, the Trustees of the First

Nations Fund have denied us access to the Fund's records. As a result, we cannot audit the Fund for the year ending March 31, 2003. Also, we cannot report if the Trustees have fixed the significant problems we found in 2001 with their spending practices.

On August 1, 2003, the Legislative Assembly changed the law governing the Fund. The changes allow the Minister of Aboriginal Affairs to pay public money to a different entity called the First Nations Trust. This entity is not a Crown agency. As such, it is not accountable to the Legislative Assembly or subject to audit by our Office.

Chapter 8 – Labour

As with many other departments, 2002-03 was a year of change for the Department of Labour. It worked to implement the Government's accountability framework. In addition, its new management team made a number of key changes to its processes.

We report that the Department had adequate processes to safeguard public resources and comply with the law. Also, we report on our examination of a key aspect of the Department's operations—how it assists injured workers with their claims for compensation from the Workers' Compensation Board.

During 2003, the Department began to reduce the significant length of time workers must wait for assistance. In addition, it made other significant changes in its processes to assist injured workers.

The Department needs to set clear performance expectations and improve its processes to monitor performance. It should align resources to meet the performance expectations it establishes.

We look forward to reviewing future progress in this key area.

Chapter 9 – Environment

The Department needs to improve its internal reports to monitor its activities and follow its established processes to properly protect its capital assets from loss or theft. It also needs to strengthen its internal audit function and prepare a contingency plan to recover from computer

system failures or destruction. Also, the Department should prepare a report on the operations of its special purpose funds and make that report public.

The Department has made progress towards implementing our recommendations to improve its management of forest fires. However, it needs to do more work to improve its processes for preparing and reporting on its fire prevention program. It also needs to ensure it has suitable infrastructure for detection and suppression of forest fires.

Next year, we will examine the Department's processes to regulate air emissions that originate in the Province. During 2003, we completed our research and established the criteria that we will use to do this work. The Department agreed the criteria are reasonable and attainable. We will report the results of our assessment in a future report.

We continue to report that the Operator Certification Board needs better processes for recording application fees. Because the Board does not know if it recorded all the application fees received, we cannot determine whether the Board's financial statements are reliable. We also report that the Board should prepare a financial plan for its operations.

We continue to recommend that the Saskatchewan Watershed Authority set appropriate security policies and procedures for its information technology systems and data. Also, the Authority needs to improve its annual report.

Chapter 10 – Finance

In this chapter, we report the results of the audit of the Department of Finance (Finance) and the entities it controls.

The General Revenue Fund's (GRF) 2003 financial statements are not reliable. They do not record the GRF's pension liability of \$4 billion, and they understate the year's pension costs by \$24 million. The statements also inappropriately record an \$82 million transfer to the Fiscal Stabilization Fund as an expenditure and \$58 million as loans receivable from Crown corporations. As a result, Finance's accounting practices are not in accordance with generally accepted accounting principles for the public sector.

We have significant concerns with the GRF financial statements because the Government uses the GRF's annual surplus or deficit as one of its key performance indicators. In March 2003, the Government announced it would present a summary financial plan for the entire Government as part of the 2004-05 budget package. We are hopeful that the Government will report on its performance using this summary financial plan together with its summary financial statements, rather than using the GRF statements.

Finance did not comply with the reporting required by *The Balanced Budget Act*. Finance should have prepared the annual update report using accounting policies in place at the start of the four-year plan. Instead, beginning in 2003, Finance used different accounting policies for education capital projects to prepare the annual update report. As a result, in the annual update report, operating spending is understated and the cumulative surplus is overstated. In addition, the current balanced budget legislation only focuses on balancing the financial results of the GRF. If it is Government policy to have balanced budget legislation, the Government should consider legislation based on balancing the financial results of the entire Government.

Chapter 11 – Agriculture, Food and Rural Revitalization

In this chapter, we continue to report our concerns with the reliability of the financial statements of the Saskatchewan Agricultural Stabilization Fund and the Agri-Food Innovation Fund. In our opinion, money transferred to these Funds from the General Revenue Fund is not being accounted for properly. We continue to await the results of a project undertaken by The Canadian Institute of Chartered Accountants (CICA) on government transfers. We expect this project to clarify the accounting standards in this area and address the matters we raise in this chapter.

This chapter also includes the results of our audits of the Department, its special purpose funds, and its Crown agencies. We concluded that they had adequate processes to safeguard public resources and they complied with authorities governing their activities. Also, with the exception of the two funds noted above, their financial statements are reliable.

Chapter 12 – Reporting on infrastructure—STC and SPMC

Government infrastructure includes a wide range of physical assets used to provide public services, such as transportation, communication, and energy. In Saskatchewan, some of the Government's key risks relate to public infrastructure. Factors contributing to these risks are advancing technology, a shifting population base, and an aging infrastructure. Costs to purchase, operate, and maintain infrastructure are significant.

Legislators, managers, and the public require information about how the Government manages these risks. Good information supports sound decisions. It also helps the public to understand those decisions.

In this chapter, we report on the adequacy of information given to the public by two agencies with significant infrastructure—Saskatchewan Transportation Company (STC) and Saskatchewan Property Management Corporation (SPMC).

STC provided the public with good information about its vehicles, but needs to provide further information about its facilities. SPMC needs to expand its information about its facilities and vehicles. Using the Government's accountability framework, SPMC expects to improve information about its infrastructure over the next few years. With better information, legislators and the public will be able to assess whether these corporations manage their infrastructure appropriately.

Chapter 13 – Annual reports assessments—Departments

We are pleased that the Department of Finance has recently established guidelines for preparing the annual reports for all departments and Treasury Board Crown corporations. The guidelines contain a four-year implementation schedule, recognizing that improved public reporting takes time and resources.

The guidelines are based on sound performance reporting principles that will enable government agencies to effectively report their progress in achieving their plans.

Our assessment of the annual reports of all departments and three Crown agencies for the year ended March 31, 2003 showed that the annual reports comply with the content requirements of the Department of Finance's reporting guidelines. The annual reports contain more and better performance information than previous reports. They provide better information to help the Legislative Assembly and the public to assess the agencies' performance.

Chapter 14 – Culture, Youth and Recreation

The Government created the Department in 2001 and expanded its responsibilities in 2002. The Department's second year of operation was 2002-03.

In this chapter, we cite examples where the Department's processes did not operate as expected. This resulted in errors in its accounting records. We identify the need for the Department to better document its administrative policies and procedures. Documented policies and procedures help staff carry out their duties appropriately and consistently.

Chapter 15 – Saskatchewan Property Management Corporation

In this chapter, we report that the Saskatchewan Property Management Corporation (SPMC) has made progress in developing a disaster recovery plan. Many government agencies rely on the continuity of SPMC's operations to deliver their services. A disaster recovery plan would help to ensure the continuity of SPMC's operations in the event of a disaster.

In addition, SPMC provides government agencies with accommodation and transportation services. To provide these services, it uses key infrastructure consisting of buildings, vehicles, and aircraft. Legislators and the public need information to know whether SPMC is properly managing its infrastructure. In this chapter, we note SPMC needs to improve the information it makes public about its infrastructure.

Chapter 16 – Highways and Transportation

This chapter describes the key risks that the Department of Highways and Transportation (Highways) must manage well to be successful. Highways must:

- ◆ adapt to changing demands placed on the transportation system;
- ◆ identify and balance the transportation needs of Saskatchewan residents;
- ◆ operate and preserve the transportation infrastructure system; and
- ◆ obtain sufficient resources and effectively manage the use of these resources to meet Saskatchewan's long-term transportation needs.

We did this work to help Members of the Legislative Assembly and the public understand and assess the key risks facing Highways. We encourage Highways to report on those risks and its strategies to manage them.

This chapter also includes the results of our audit of Highways for the year ended March 31, 2003. We concluded that Highways had adequate processes to safeguard public resources, complied with authorities governing its activities, and prepared reliable financial statements for its special purpose funds.

Chapter 17 – Board of Internal Economy

This chapter describes our audit conclusions and findings for the Board of Internal Economy for the year ended March 31, 2003. For the most part, the Board is well managed and complying with the law. However, the Board needs to make further improvements in two areas.

First, the Board needs to approve the plans and reports it uses to make decisions. The Board needs to ensure that the reports it receives provide the information it needs to assess performance.

Second, the Board needs to prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

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