

Culture, Youth and Recreation

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Main points

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.

Introduction

In this chapter, we provide a brief overview of the mandate and spending of the Department of Culture, Youth and Recreation. In addition, we set out the results of our audit of the Department and the agencies for which it is responsible for fiscal years ending up to May 31, 2003.

Understanding the Department

In 2001, the Government established the Department to support and enhance the culture, youth, and recreation sectors in Saskatchewan. In 2002, the Department assumed the responsibility for various heritage programs and the Saskatchewan Communications Network Corporation.

As set out in the Department's 2002-03 Annual Report, the Department's vision is that "all Saskatchewan people are engaged in the ongoing success of the province."

The Department's web site contains its annual reports, other key publications, and further information about its programs. It is located at <http://www.cyr.gov.sk.ca>.

Special purpose funds and agencies

At March 31, 2003, the Department was responsible for the following special purpose funds and agencies:

	<u>Year-End</u>
Community Initiatives Fund	March 31
Doukhobors of Canada C.C.U.B Trust Fund Board	May 31
Saskatchewan Archives Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Centre of the Arts	March 31
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31
Western Development Museum	March 31

Each special purpose fund and Crown agency gives its financial statements and/or annual reports to the Legislative Assembly each year.

Overview of Department spending

For the year ended March 31, 2003, the Department spent \$44.9 million including \$4.9 million for film employment tax credits. It had revenues of \$11.6 million from lottery licence fees from the Saskatchewan Lottery Trust Fund for Sport, Culture and Recreation.

The following is a list of major programs and spending reported by the Department.

	Estimates ¹	Actual ²
	<u>2002-03</u>	<u>2002-03</u>
	(in millions of dollars)	
Culture and Recreation	\$ 14.1	\$ 14.9
Heritage and Tourism Facilities	9.5	9.4
Saskatchewan Communications Network	7.4	7.4
Community Initiatives Fund	5.9	5.9
Youth	4.1	3.9
Accommodation and Central Services	1.0	1.1
Infrastructure projects	0.0	1.3
Administration	<u>0.8</u>	<u>1.0</u>
	<u>\$ 42.9</u>	<u>\$ 44.9</u>

Audit conclusions and findings

In our opinion for the fiscal years ending up to May 31, 2003:

- ◆ **the 2003 financial statements for the funds and agencies listed above are reliable;**
- ◆ **the Department and its agencies had adequate rules and procedures to safeguard public resources and comply with authorities governing their activities, except for the matters reported in this chapter; and**
- ◆ **the Department and its agencies complied with authorities governing their activities relating to financial reporting,**

¹ Saskatchewan Finance, *Saskatchewan Estimates 2002-03*

² Actual per Public Accounts of \$44.9 million include \$1.3 million for capital projects paid from the Centenary Fund.

safeguarding public resources, revenue raising, spending, borrowing, and investing.

Cabinet has appointed Virtus Group Chartered Accountants & Business Advisors LLP as the appointed auditor of the Community Initiatives Fund, the Saskatchewan Communications Network Corporation, and the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. To carry out each audit and form the above opinions related to each, we worked with Virtus Group. We used the framework recommended by *The Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at <http://www.auditor.sk.ca/rrd.html>).

Findings

Improvements to written rules and procedures needed

The Department needs better written rules and procedures to ensure it records transactions properly and promptly.

Proper rules and procedures reduce the risk of breakdowns in control. They help ensure management receive timely, complete, and accurate financial information for use in decision making. They help staff to carry out the procedures appropriately and consistently. Written rules and procedures are essential to ensure smooth transitions when staff changes.

Proper rules and procedures:

- ◆ set out the basis for recording financial transactions,
- ◆ describe the nature and types of information necessary to record and monitor activities unique to the agency,
- ◆ set out required timing of receipt and processing of key information,
- ◆ describe steps to take when key information is not received or processed as required, and

- ◆ clearly assign responsibility for the completion and monitoring of each procedure.

The Department uses the Financial Administration Manual (FAM) as its primary source of administrative policies and procedures. However, the Department does not have clear written administrative policies and procedures to provide its staff with sufficient guidance on activities unique to its operations.

This lack of clear policies and procedures resulted in the Department not recording transactions consistently or accurately. For example, during the year, the Department:

- ◆ did not update its financial records from April to September 2002 to reflect the actual amounts of film tax credits issued (\$3.9 million), or ensure actual amounts from April to December 2002 reflected in its monthly forecast agreed to its accounting records for the same period. This increased the risk of inaccurate monthly financial information.
- ◆ did not collect the necessary information to estimate and record properly the amount of revenues not yet received throughout the year and at year-end. This resulted in the Department understating its revenues of \$11.8 million by \$0.9 million.
- ◆ did not consistently follow the expected accounting policy when recording grants. It incorrectly recorded a \$950,000 payment as a grant expenditure. This resulted in the Department overstating its expenditures and understating its prepaid expenses by \$0.95 million. In 2001-02, The Department correctly accounted for a similar payment to the same recipient.

- 1. We recommend that the Department document better its administrative policies and procedures to ensure it records transactions properly and promptly.**