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## Main points

In this chapter, we focus on Finance's important coordinating role to strengthen the Government's accountability to the public. We report steady progress. Continued support from legislators and senior officials will help maintain the momentum.

The 2004-2005 Provincial Budget documents include an overall plan for the Government as a whole. The plan explains many key objectives and shows the financial position of the whole Government. This is an important step in helping legislators and the public monitor the Government's direction and financial position.

Finance has an accountability framework that focuses on results and improves planning and reporting. The framework applies to departments, but not to all Treasury Board agencies. We recommend that the Government direct all Treasury Board agencies to use an accountability framework that focuses on results. We also recommend the Government require departments and Treasury Board agencies to publish their targets for major long-term results.

We will continue to monitor the Government's accountability.

We also report the results of our audits of Finance-administered special purpose funds and agencies with years ending December 31, 2003. We found that Finance generally does a good job of managing the funds and agencies.

However, for the Public Employees Dental Fund (Fund), Finance needs to strengthen its processes to track contributions and claims. Finance does not know if each employer fully pays for the enhanced benefits given to its employees. We recommend that Finance strengthen its processes to separately record and track contributions and claims for the Fund.

## Introduction

The Department of Finance (Finance) helps the Government manage and account for public money. As part of these duties, Finance administers and is responsible for several special purpose funds and agencies. Finance also has an important coordinating role to help strengthen the Government's accountability to the public.

## Special purpose funds and agencies

Finance is responsible for the following special purpose funds and agencies:

### Year ended December 31

Extended Health Care Plan  
 Extended Health Care Plan for Certain Other Employees  
 Extended Health Care Plan for Retired Employees  
 Extended Health Care Plan for Certain Other Retired Employees  
 Municipal Employees' Pension Commission  
 Public Employees Deferred Salary Leave Fund  
 Public Employees Disability Income Fund  
 Public Employees Dental Fund  
 Public Employees Group Life Insurance Fund  
 Saskatchewan Pension Plan  
 SaskPen Properties Ltd.<sup>1</sup>

### Year ended March 31

General Revenue Fund (GRF)  
 Fiscal Stabilization Fund<sup>2</sup>  
 Public Employees Benefits Agency Revolving Fund  
 Public Employees Pension Plan  
 Public Service Superannuation Plan  
 Saskatchewan Pension Annuity Fund

<sup>1</sup> Our office has been denied access to this agency since December 31, 1993 (see Chapter 8 1999 Fall Report – Volume 2 for further discussion of the matter).

<sup>2</sup> Finance does not prepare financial statements for this Fund. As required by *The Fiscal Stabilization Fund Act*, a schedule of transfers and accumulated balance appears in Public Accounts Volume 1.

## Our audit conclusions and findings

This chapter contains our audit conclusions and findings on the special purpose funds and agencies with years ending December 31, 2003.

In our 2003 Report – Volume 3, we reported on the funds and agencies for the fiscal years ending on or during the year to March 31, 2003.

Our Office worked with Deloitte & Touche LLP, appointed auditor for the Saskatchewan Pension Plan, and Meyers Norris Penny LLP, appointed auditor for the Municipal Employees' Pension Commission. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Appointed Auditors* (to view this report see our web site at <http://www.auditor.sk.ca/>).

Our office, Deloitte & Touche LLP, and Meyers Norris Penny LLP formed the following opinions:

**In our opinion, for the special purpose funds and agencies with December 31, 2003 year-ends, except for SaskPen Properties Ltd:**

- ◆ **the financial statements for Finance's special purpose funds and agencies are reliable;**
- ◆ **Finance and its agencies had adequate rules and procedures to safeguard public resources except for the matter reported below; and**
- ◆ **Finance and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

## Public Employees Dental Fund

The Public Employees Dental Fund (Fund) accounts for the transactions of the Public Employees Dental Plan (Plan). The Plan promotes good dental health among plan members by reducing members' costs for preventative, routine, and major dental services. Finance through the Public Employees Benefits Agency manages the Fund.

For the year ended December 31, 2003, the Fund had employer contributions of \$15.1 million and claims of \$15.5 million. At December 31, 2003, the Fund held assets of \$12.6 million and had liabilities of \$1.3 million.

## **Recording and tracking of contributions and claims need strengthening**

Finance needs to strengthen its processes to track contributions and claims for each component of the Plan. The two components are core benefits and enhanced benefits.

The Plan provides core benefits to employees of all participating employers (i.e. departments, several Crown corporations and various agencies, boards and commissions). The employers pay for these benefits at a fixed percentage of their employees' gross salary.

The Plan also provides enhanced benefits to employees of certain participating employers. Each employer determines the enhanced benefits, if any, it will provide to its employees and the contribution rate. The rates for enhanced benefits depend on the claims experience of each participating employer.

To ensure contributions for each component are used for that component only, Finance must have processes to track the contributions and claims of each component of the Plan separately. Also, it needs processes to track contributions and claims for each participating employer for the enhanced benefits to ensure each employer is paying for the enhanced benefits of its employees.

Because Finance does not have adequate processes to track contributions and benefits for core and enhanced benefits separately, it does not know if each participating employer is fully paying for the enhanced benefits given to its employees.

- 1. We recommend that Finance establish processes to separately record and track contributions and claims for core and enhanced benefits of the Public Employees Dental Fund.**

## Improving accountability

### Background

In our 2000 Spring Report (Chapter 1), we set out the parts of a sound accountability system. In the public sector, strong accountability means:

- ◆ clear plans;
- ◆ timely, reliable reports; and
- ◆ reasonable reviews by the Legislative Assembly of the Government's performance.

The Government actively works to improve accountability. The purpose of this chapter is to describe its progress in using plans and reports for stronger accountability. We focus on the accountability system for departments. We also recommend how the Government could continue to improve accountability.

Governments spend public money to get results for citizens. Citizens are interested in what governments spend, what they do, and the results they obtain—both financial and operational. In the past, governments told citizens about their planned spending, but seldom explained their specific plans or expected results. In annual reports, governments described their activities, but did not explain how their activities made a difference to citizens. Annual reports did not explain results, so the outcome or effect of governments' actions was not clear.

Since the 1980s, many governments focus on results (e.g., Australia, 1985; United States, 1993). When governments focus on results, they use targets to make their plans more specific. The targets show what these governments expect to achieve in terms of results as well as activities. That is, the governments' plans show the outcomes or effects they hope to achieve, as well as explaining what they will do (e.g., quantity of activities, quality of services, types of policies).

Results-oriented systems help governments to account for their activities and results compared to their plans. Focusing on results also helps governments respond more rapidly when results are less than desired. Specific plans make the expected results clear. Specific plans, using targets, help managers watch for early signs of poor results. If given

authority to do so, managers can then change tactics to achieve the desired results on time.

## **Accountability systems in Saskatchewan**

In the 1990s, the Government of Saskatchewan chose two main accountability systems. One is for the Crown sector agencies governed by the Crown Investments Corporation of Saskatchewan (CIC). The other is for departments and selected agencies in the Treasury Board sector. Both systems focus on results. Legislators can use information from both systems to make decisions and allocate resources.

In 1996, the Government asked the CIC Crown sector to improve how it reports to the public. CIC leads these improvements. CIC requires the CIC Crown agencies (e.g., SaskPower, SaskTel) to use a “balanced scorecard” approach to plan, manage, and report their results. Since 1998, the public reports of CIC and its Crown agencies explain their results compared to what they planned.

More recently, the Government asked the Treasury Board sector to improve how it reports to the public. The Department of Finance leads these improvements. In 2000, the Government asked departments to focus on results in their plans and reports. In 2002, it extended the new system to two Treasury Board agencies, and in 2003, to a third. The three Treasury Board agencies that use the same accountability system as departments are the Saskatchewan Property Management Corporation, Saskatchewan Liquor and Gaming Authority, and the Saskatchewan Watershed Authority.

Most Treasury Board agencies are not yet included in either of the Government’s accountability systems. All agencies that handle public money should use an accountability framework that requires public reports of results. The nature of the framework and the extent of the reports may vary with the agency.

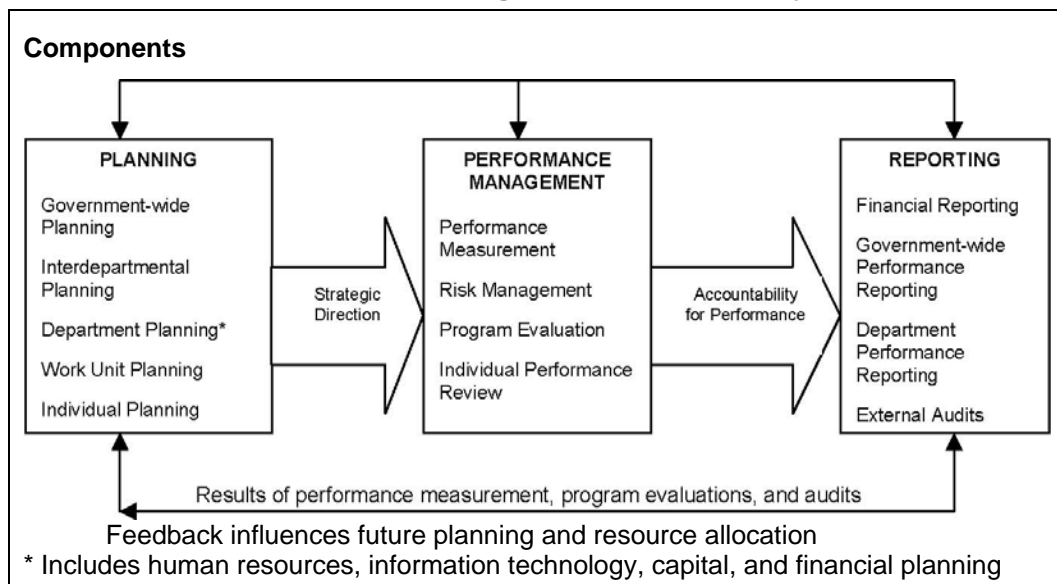
- 2. We recommend that the Government direct all Treasury Board agencies to use an accountability framework that focuses on results.**

### Accountability for performance

The accountability system for departments emphasizes accountability for performance (Exhibit 1). The system focuses on results. It expects managers to keep outcomes in mind as they plan, manage, and report their agencies' achievements.

This chapter focuses on the planning and reporting parts of the Performance Management Accountability Framework set out in Exhibit 1. The central part of the Framework shows how managers focus on results. We plan to assess the tools managers use to focus on results in future audits. We describe some of our future work later in this report.

**Exhibit 1—Performance Management Accountability Framework**



Source: Department of Finance  
<http://www.gov.sk.ca/finance/accountability/2003/1frameworklink.pdf>

### Accountability is improving

Since early 2000, the Department of Finance coordinates changes to improve accountability by focusing on results in the Treasury Board sector. Exhibit 2 sets out many of the changes. For example, Finance sets guidelines to explain the expected timing, format, and content of agencies' plans and reports. Each year, Finance updates the guidelines to clarify what the Government expects.



The Government is making steady progress. We look forward to continued action to improve accountability. We highlight what we expect in italics below and outline key actions taken by the Government to date.

### ***Overall plan covers more Government activity***

*For better accountability, we expect a multi-year plan for the Government as a whole (i.e., CIC Crown agencies, departments, and other Treasury Board agencies). Our 2000 Fall Report – Volume 3 (Chapter 1B, p. 37) set out key elements that we expect to see in public plans for the Government as a whole:*

- ◆ *overall mandate (state what part of government the plan covers);*
- ◆ *direction (goals, objectives) and key risks;*
- ◆ *strategies to achieve objectives;*
- ◆ *resources allocated to carry out strategies; and*
- ◆ *key targets and performance measures.*

An overall plan helps the public see how all parts of the Government work together to achieve important goals over several years.<sup>3</sup> The Government made public its overall plans for 2003-04 and 2004-05.<sup>4</sup>

The 2003-04 and 2004-05 overall plans improved how the Government reports to the public. Both plans showed the Government's direction with goals, objectives, and strategies. Both plans were timely (i.e., available by the end of the prior year). These achievements improve accountability.

The two overall plans had differences. The 2003-04 plan showed key objectives more clearly than the 2004-05 plan. The 2003-04 plan stated financial resources for most strategies; the 2004-05 plan did not. With every strategy, the 2003-04 plan referred readers to a specific agency for details; the 2004-05 plan did not. Clear links from the overall plan to related agency plans help the public understand the role agencies play.

It is not clear whether the Government's 2004-05 overall plan covers the key objectives of its most significant agencies. The transmittal letter,

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<sup>3</sup> For examples of multi-year overall plans of other governments see these web sites:  
Government of British Columbia web site: <http://bcauditor.com/AuditorGeneral.htm>  
Government of Alberta web site: <http://www.oag.ab.ca/index.html>

<sup>4</sup> 2003-04 Saskatchewan Provincial Budget: *Building for the Future: Our Plan for 2003-04.*  
2004-05 Saskatchewan Provincial Budget: *Budget and Performance Plan Summary.*

introduction, and contact list in the plan explain that the plan relates primarily to departments. However, we note the plan includes many important CIC Crown sector initiatives.

In its 2004-05 overall plan, the Government gave the public a *financial* plan for the Government as a whole.<sup>5</sup> This plan shows the public how the Government intends to manage its finances across all government agencies (i.e., both CIC Crown agencies and Treasury Board agencies). The overall financial plan allows legislators and the public to monitor the financial position of the whole Government—an important achievement.

We encourage the Government to continue to strengthen accountability to the public through improvements to its overall performance plan.

***More cross-government strategies made public***

*When governments use multi-agency strategies to achieve important objectives, we expect them to coordinate this work using a lead agency. We expect partner agencies to agree on realistic targets for results and make them public. Specific public plans help agencies to work together. We also expect all partner agencies to agree on performance measures and use them to make their results public. (For more detail see our 1999 Spring Report p.83 and our 2001 Fall Report – Volume 2 p.215).*

The Government released with its 2004-05 budget the performance plans of two of the Government's cross-government strategies. *KidsFirst*<sup>6</sup> and the *Safe Drinking Water Strategy*<sup>7</sup> both made public their 2004-05 plans.

Making these strategies public is an important step. Each of these strategies depends on the combined effort and resources of several departments. Working together requires agreement on common objectives, targets, and measures. Making these plans public is an important achievement that requires active cooperation and goodwill. We encourage the Government to continue this progress with other cross-government strategies.

<sup>5</sup> 2004-05 Saskatchewan Provincial Budget: Budget and Performance Plan Summary (p.76-80).

<sup>6</sup> [http://www.sasklearning.gov.sk.ca/branches/ecd/KidsFirst\\_plan04\\_05.pdf](http://www.sasklearning.gov.sk.ca/branches/ecd/KidsFirst_plan04_05.pdf)

<sup>7</sup> <http://www.se.gov.sk.ca/environment/protection/water/2004-05PerformancePlan-DrinkingWater.pdf>

### ***Timely agency plans explain activities and measures***

*Accountable agencies tell the public, before the year begins, what they intend to achieve and by when. Long-term plans (e.g., three to five years) help agencies work together effectively. We expect the public plan to state how agencies will measure their results in key areas.*

Departments' performance plans are now timely. On March 31, 2004, departments put their 2004-05 plans on a web site along with other budget materials. This gave legislators and the public access to the Government's plans at the beginning of the fiscal year—another important achievement. Timely public plans improve accountability.

Timely plans make departments more accountable in a second way. It makes performance plans public at the same time as the estimated cost to carry out the plans. This means legislators will know more about the Government's objectives when they debate the estimated cost of plans.

In their plans, departments explain whether their plans changed and why. Agencies should explain changes in their plans, measures, and expected results. It is not always possible to achieve as much as was planned. The 2004-05 plans show the public how the Government changed its plans to achieve the desired results.

In their plans, departments tell the public how much *activity* they plan (e.g., complete 2000 safety inspections). The plans identify the target level of activity planned for the year. Putting these short-term activity targets in the plans is useful. Short-term activity targets can help legislators and the public understand how much the Government plans to do, and the resources it will require.

Departments also tell the public how they will *measure* desired results (e.g., rate of time-loss workplace injuries). The proportion of measures that will report results in terms of outcomes is increasing. This helps managers, legislators, and the public focus on results.

In general, departments' plans do not yet specify *targets* for expected outcomes. In early 2004, the Government had not asked departments to tell the public their planned targets for long-term results. Finance told us that departments' plans will include these outcome targets in future.

Finance wants to ensure departments are ready to make this important change.

Setting realistic targets for results is challenging in the public sector. Results often depend on action by many agencies over several years. If financial and other resources vary from year to year, it is hard to predict results over the long term. In some cases, managers need more research to estimate potential results.

Knowing the target results desired in the long term is important. It helps people understand the challenges that government departments face. Making targets public can help keep expectations realistic. It also helps non-government partners to shape their plans.

Making public the expected outcomes of planned activities helps legislators and government managers focus resources on priorities. When plans set out the specific results desired, managers and legislators can more easily monitor progress. Timely monitoring helps managers to adjust their plans. Adjusting plans helps the Government to achieve its objectives.

When the public can compare actual results to planned targets, it strengthens accountability.

**3. We recommend that the Government require departments and Treasury Board agencies to publish their planned targets for major long-term results.**

***Timely agency reports compare actions to plans***

*We expect performance reports to be relevant to users. Users of the Government's annual performance reports include legislators, service delivery partners, and the public. Our 2001 Spring Report (p. 35) sets out the principles we expect in relevant annual reports:*

- ◆ *focus is on plans and results;*
- ◆ *shows how results were achieved [i.e., activities];*
- ◆ *sets out the cost of results;*
- ◆ *measures something of significance to users; and*
- ◆ *reports in sufficient time to influence decisions.*

During the last decade, the Government greatly improved the information reported to the public. In the early 1990s, some departments did not produce annual reports at all and others made their annual reports public long after the year-end.<sup>8</sup> As of March 2004, only one department, the Executive Council, does not make a report to legislators and the public each year. Departments' annual reports are now timely as most are available to the public within 120 days of the year-end—an important achievement.<sup>9</sup> Timely annual reports improve accountability.

Further, the reports of all departments now follow guidelines that create more relevant annual reports. We commend the adoption in 2003 of current best practices to guide the content of annual reports. These practices are described in CCAF's *Reporting Principles: Taking Public Performance Reporting to a New Level*.<sup>10</sup>

As described earlier, departments have made good progress in reporting *activities*. Departments are also reporting some *outcomes*. The proportion of performance measures that will monitor outcomes varies widely among departments (e.g., 10-76%).

Departments do not yet explain to the public their long-term outcomes compared to their targets. When governments make public their planned outcomes, citizens can assess whether the progress reported is reasonable. Without knowing the expected results of departments' activities, citizens may expect more or less than is reasonable. It is also more difficult for agencies to explain their results if they cannot show their progress toward their planned long-term results.

For several years, most CIC Crown agencies have been reporting actual results compared to planned targets (both activity and outcome targets). We anticipate that when the Government makes public its target results for the Treasury Board sector, it will also report actual results compared to targets.

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<sup>8</sup> See our assessment of annual reports in our *1992 Annual Report*, Chapter 8 (p. 51).

<sup>9</sup> The Legislative Assembly made changes to *The Tabling of Documents Act* to improve timeliness.

<sup>10</sup> The CCAF is a non-profit research and education foundation that supports capacity development for the public sector in the areas of governance, accountability, management, and audit.

***Progress to continue***

The Government is making steady progress toward improved accountability. This chapter describes the performance management approach used by departments. Departments now have timely public plans and reports. Reporting actual results (outcomes as well as activities) compared to specific plans (targets) would make the Government more accountable.

In 2003, the Government approved a multi-year timetable for incremental changes to improve reports to the public. We look forward to further improvement. Continued support from legislators and senior officials will help maintain the momentum.

**Our future work to support accountability**

We plan to continue to monitor how the Government makes its agencies more accountable. By early 2006, we plan to complete the following work to monitor Government accountability.

We plan to monitor whether the Government’s reports to the public continue to improve. We will examine annual reports and periodic performance reports as we have done before (e.g., health indicators report<sup>11</sup>). For example, in Chapter 2 of this 2004 Report – Volume 1, we describe a recent report by the Information Services Corporation of Saskatchewan.

We plan to assess processes used to manage for results—first in two agencies and later in several significant government agencies. We expect that when agencies choose to use a results-oriented approach, managers will change how they manage. Our report will outline the processes we expect managers to use. For example, current literature explains that managing for results requires managers to:

- ◆ use targets to plan action and monitor results;
- ◆ align resources with long-term priorities;
- ◆ manage risks that could reduce results;
- ◆ analyze results-oriented information to monitor progress; and

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<sup>11</sup> *Saskatchewan Comparable Health Indicators Report 2002*

- ◆ adjust planned activities and resources based on evidence from interim performance information or other program evaluations.

We will audit the reliability of selected information in the Department of Finance's 2004-05 annual report. Over time, we anticipate that the Legislative Assembly will routinely receive our independent audit opinions on agency reports of key non-financial results, just as it does for financial reports.

In 2005, we will inform legislators and the public about the Government's overall accountability practices compared to other governments. For example, we will explain how other legislative assemblies review reports of results.

Reporting on results is challenging in the public sector. The transition will take time. We expect the pace of change will vary among and within agencies. Central agencies like Finance coordinate changes to help maintain momentum. The leadership and support of legislators and senior officials in all departments and government agencies is essential for success.

**Exhibit 2—Government actions to strengthen accountability**

1999

- ◆ Government announced comprehensive accountability project.
- ◆ Seven pilot departments prepared *plans* for the 2000-01 fiscal year; measures were not included and the plans were not made public.

2000

- ◆ Performance Management Accountability Framework made public. (March)
- ◆ Finance *2000-01 Planning Guidelines* requiring all departments to prepare a strategic plan for 2001-02 including performance measures. The guidelines are updated annually. (April)

2001

- ◆ Mid-year report (pp. 3-5) went beyond a financial overview to include progress on key budget commitments (education, transportation, reducing taxes, and technology). (November)

2002

- ◆ Nine pilot departments made public their 2002-03 performance plans in their 2001-02 annual reports. (August)
- ◆ Mid-year report (pp.10-19) updates progress on key commitments (infrastructure, families, quality education, economy, and environment). (November)

2003

- ◆ The Government's *Building for the Future: Our plan for 2003-04* publicly states priorities and commitments for agencies funded by the General Revenue Fund with a reference to SaskTel, a CIC Crown. (March)
- ◆ Finance releases *Accountability Framework: Public Performance Reporting Guidelines* with a four-year schedule of incremental change. (April)
- ◆ Nine pilot departments publicly report on achievements compared to their 2002-03 performance plans in annual reports using a new format. (July)
- ◆ Two Treasury Board Crown agencies made public their 2003-04 performance plans (SLGA 2002-2003 Annual Report pp. 32-54; SPMC 2002-2003 Annual Report, pp.14-17). (July)
- ◆ Mid-year report updates progress toward results in major theme/goal areas identified in the Government's *Plan for 2003-04*. (November)

2004

- ◆ *Content Requirements for 2004-05 Performance Plans* expect improvements in public plans of departments and three Treasury Board Crown agencies. (February)
- ◆ All departments and three Treasury Board Crown agencies (SLGA, SPMC, Saskatchewan Watershed Authority) and two interdepartmental strategies made public their 2004-05 performance plans. (March)
- ◆ The Government's *2004-05 Saskatchewan Provincial Budget: Budget and Performance Plan Summary* covered a wider range of government activity and included the first financial plan for the Government as a whole. (March)

Source: Department of Finance. For documents, see <http://www.gov.sk.ca/finance/>



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