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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information government agencies give to the Legislative Assembly.

The Government delivers its services through nearly 300 agencies. These agencies include 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, 2004 year-ends. Our 2004 Report – Volume 1 covers mainly agencies with December 31, 2003 year-ends.

For the most part, the 140 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 fix these problems.

Also, many government agencies continue to improve their public accountability. Later in this chapter, I highlight examples of significant progress.

Part A of this chapter highlights issues concerning risk management and accountability for several government agencies covered in this report. 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 effective government services and the ability 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.

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

Economic constraints

The demand for public services continues along with the demand for lower taxes. Good governance and supervisory practices help agencies respond to these pressures.

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 on the Department's progress reorganizing the way the Government delivers health services. Last 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 still underway during the year. 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 set out its expectations for services 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 these board members 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 call for improvements to the Department's practices for overseeing spending of community-based organizations that it finances. The Department needs to make sure that these organizations use public money only to deliver agreed upon services. We report the results of a special investigation that we did on a community-based organization called the Métis Addictions Council of Saskatchewan Inc. We provided this report to the Minister of Health in October 2004. The Council misused public resources and the Department lacked information to act promptly to fix the problem.

Chapter 3—Learning and Chapter 4—Community Resources and Employment report on how these departments provide financial help to people. The assistance is available to those people who meet a financial needs test. Both departments are doing more work to ensure that the people receiving assistance are entitled to it.

We also report that Community Resources and Employment is improving its child protection practices.

Chapter 5—Liquor and Gaming Authority reports that it has improved its supervision of Saskatchewan Indian Gaming Authority Inc. (SIGA). We

made several recommendations in 1999 and 2000 to improve Liquor and Gaming's supervisory practices. The most important recommendations are now implemented.

Those recommendations relate to setting spending policies for SIGA, monitoring SIGA's compliance with the policies, and the recovery of spending that does not comply with the policies.

SIGA now has approved spending policies for all of its expenses. However, SIGA needs to pay more attention to complying with those policies.

Three years ago, Liquor and Gaming approved policies to control SIGA's spending on staff travel and sponsorships. SIGA's compliance with those policies is poor. Liquor and Gaming did a review of SIGA's 2003-04 spending on staff travel, marketing, and sponsorship. It found misuses of public money. When SIGA misspends, the full amount of the misspending is not available for First Nations communities because Liquor and Gaming recovers its share of the money that SIGA misspent from the First Nations Trust Fund.

Chapter 10—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.

Population changes

Saskatchewan faces a potential shortage of skilled workers. This is a risk for the Government and for the economy as a whole. This year, we continued our focus on workplace safety as well as human resource plans. In this section, I discuss some of the ways the Government manages this risk.

Keeping the services of skilled workers available

Preventing injuries to 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 safety monitoring at Saskatchewan workplaces, providing a safe workplace for its own workers, and ensuring injured workers are suitably rehabilitated. The Government must manage several risks to accomplish these objectives. It does so through many agencies.

Chapter 2—Health reports what the Regina Qu'Appelle Regional Health Authority and Saskatoon Regional Health Authority have done to reduce injuries to care staff. Last year, we reported that these authorities needed to improve their practices to reduce back and shoulder injuries. We recommended improvements. Progress at Saskatoon is satisfactory. Progress at Regina Qu'Appelle is slow.

Chapter 12—Labour reports improvements to the Department's practices for helping injured workers appeal decisions of the Workers' Compensation Board. The Department dramatically reduced the length of time injured workers must wait for help with their appeals.

Human Resource Plans

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

Chapter 11—Public Service Commission describes an audit that is underway at the Commission. We are auditing the Commission's practices for overseeing the human resource planning practices of all government departments. We will report the results of this audit in the Spring of 2005.

Advancing technology

Advances in information technology (IT) have a large impact on the risks at government agencies.

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 2—Health, Chapter 4—Community Resources and Employment, Chapter 5—Liquor and Gaming Authority, and Chapter 9—Environment report the need for these agencies to prepare good contingency plans. These agencies may be unable to deliver services, lose essential information, or incur increased costs if their IT systems fail.

Chapter 7—Processes needed to manage IT sets out good processes to manage IT for the overall Government, supervising government agencies, and other government agencies. Our future audits of government agencies will assess their practices against these processes.

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.

This year, we looked more closely at sponsorship spending as well as the transparency and authority for senior management pay and expenses.

Chapter 8—Industry and Resources and Chapter 19—Crown Investments Corporation of Saskatchewan reports on sponsorship expenses. We report that Crown corporations and the Department generally have good practices for managing sponsorship spending. We recommend the Department and SaskEnergy should make improvements.

Chapter 19—Crown Investments Corporation of Saskatchewan reports on audit work that we did at five Crown corporations on boards of directors and senior management pay, benefits, and other expenses. These corporations recently improved compliance with *The Crown Employment Contracts Act*. SaskEnergy's board of directors needs to more closely monitor senior management's pay and benefits. Also, SaskEnergy needs to ensure it has proper support for expense payments to senior management.

I also want to call attention to two significant actions that the Government took to improve its accountability since our last report to the Assembly. I discuss these improvements under two headings: payee information and annual reports.

Payee information

Chapter 2—Health reports that regional health authorities gave the Legislative Assembly lists of persons (payees) who received money from the authorities and the amounts they received. The payee information for the year ended March 31, 2004 was made public in July 2004.

Chapter 19—Crown Investments Corporation of Saskatchewan and its related corporations gave the Standing Committee on Crown and Central Agencies the payee information it requested. The payee information for the year ended December 31, 2003 was made public in October 2004.

These two events are a significant improvement to the accountability of these government agencies. It also improves the management of public resources because:

- ◆ it reminds these government officials 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.

Annual reports

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 15—Public plans and annual reports assessments—Departments*, we report on our assessment of the 2004 annual reports of 15 government agencies. The agencies gave these reports to the Assembly in the summer of 2004. These agencies have generally complied with the Department of Finance’s guidelines for 2004 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.

Acknowledgement

The dedicated efforts of the 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:

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Grunert, Cherie
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hoang, Lysa
Hungle, Angie
Jersak, Rodd
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Schwab, Amy
Schwab, Victor
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Chapter 2—Health

Part A of this chapter sets out the results of our audits of the Department of Health and its Crown agencies. The Department needs better reports from regional health authorities (RHAs) to monitor their progress in achieving the Department's objectives and to hold them accountable for their annual spending of \$1.9 billion. It does not have a capital asset plan to manage its \$900 million in capital assets (e.g., land, buildings and equipment). The Department needs to improve its capital project agreements with the RHAs and other health agencies to help ensure that it can meet its objectives for capital construction.

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 RHAs. Boards of directors of the 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 the progress made by the Regina Qu'Appelle and Saskatoon RHAs in implementing our 2003 recommendations to reduce work-related back and shoulder injuries to care staff. Saskatoon has taken action to reduce injuries; Regina Qu'Appelle has made limited progress.

Part E describes our special investigation, requested by Cabinet, of the Métis Addictions Council of Saskatchewan Inc. (MACSI) for the period April 1, 1998 to February 18, 2004. MACSI did not have adequate rules and procedures to appropriately safeguard and control the money it received from the Department during the above period. From June 2001 to February 18, 2004, MACSI spent public money inappropriately and imprudently. We also found that the Department's oversight processes were not adequate to ensure that MACSI properly protected all public money and spent it prudently and for intended purposes.

Chapter 3—Learning

Learning is a lifelong process. It is our key to success in school and in life. The Department of Learning has overall responsibility for the learning sector.

The Department continues to move forward in improving public information about the learning sector and its plans for the sector. In addition, it is using new processes to gather information on vulnerable students. These actions will help the Department to provide better information on its performance in the future.

School divisions are key partners of the Department. They play a central role in the delivery of pre-kindergarten to Grade 12 education. We continue to recommend the Department take steps to ensure school divisions provide the Department and the public with timely and improved information on their performance (both financial and non-financial).

One of the Department's key responsibilities is to develop and maintain the provincial curriculum for kindergarten to Grade 12. The curriculum guides what these students are taught and when. The Department works with school divisions to implement the curriculum.

The Department continues to need to improve how it documents the resources needed to implement revised curriculum. In addition, the Department is improving how it monitors action on its curriculum evaluation recommendations.

The rising costs of post-secondary education place increased pressures on student financial assistance programs. It is important that only eligible students receive aid in the correct amounts. The Department is taking steps to address our concerns on its processes to verify critical information on student loans.

Chapter 4—Community Resources and Employment

The Department of Community Resources and Employment has improved compliance with its processes to ensure that only eligible persons receive the correct amount of social assistance and that children in its care are protected, but more needs to be done.

In May 2004, the Department prepared a long-term plan to improve compliance with the above processes. The plan, combined with long-term commitment from senior management, should provide a reasonable basis for the Department to comply with its processes. We will monitor the Department's implementation of the plan and report our findings in future reports.

The Department needs to strengthen its monitoring of community-based organizations' (CBOs) progress in achieving the Department's objectives. The Department needs to encourage CBOs to submit timely and complete performance reports.

We assessed whether the Department had adequate processes to measure its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work. We found that the Department was in the early stages of measuring the effectiveness of its welfare to work programs. As a result, its processes were not yet adequate to measure its progress. We make several recommendations to strengthen the processes.

Chapter 5A—Liquor and Gaming Authority

Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) has now revised its policies to address all of our past recommendations to strengthen its management of public money under Saskatchewan Indian Gaming Authority's (SIGA) control. SIGA proposed and Liquor & Gaming approved all of SIGA's spending and operating policies near the year-end. In addition, Liquor & Gaming established a process to determine if SIGA's expenses are unreasonable and to recover the expenses it considers unreasonable.

Liquor & Gaming reviewed SIGA's expenses for staff travel, promotion and sponsorship to assess the reasonability of those expenses and to ensure compliance with policies Liquor & Gaming approved some three years ago. Liquor & Gaming determined that \$480,000 in expenses for 2003-04 did not comply with approved policies or were not reasonable. Liquor & Gaming has begun to recover those expenses.

We continue to recommend that Liquor & Gaming reconcile its recorded bank balances to the bank's records promptly and prepare a complete and appropriate contingency plan.

Chapter 5B—Saskatchewan Indian Gaming Authority Inc.

Saskatchewan Indian Gaming Authority (SIGA) is making progress towards addressing all our past recommendations. During the year, SIGA proposed most of its spending policies to Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) for approval. We commend SIGA for doing so. However, because SIGA's spending policies were not in place until close to the year-end, it continued to make payments without due care during the year and the weaknesses we reported in our prior reports continued during the year.

Liquor & Gaming told us that at year-end or shortly after, it had approved all spending policies for SIGA. SIGA now needs to train staff so that they can comply with the approved policies. SIGA needs to pay more attention to ensuring compliance. Some of SIGA's approved spending policies have been in place for more than three years, but SIGA's compliance with those policies is poor.

Liquor & Gaming recently completed a review of SIGA's spending on staff travel, sponsorship, and promotion and determined that SIGA incurred expenses totalling \$480,000 that do not comply with approved policies or are unreasonable. Liquor & Gaming is recovering its portion of these expenses from the First Nations Trust Fund. First Nation people bear the cost of SIGA's misspending because SIGA belongs to them.

Chapter 6—Finance

The General Revenue Fund's (GRF) 2004 financial statements are not reliable because Finance used accounting practices that are not in accordance with Canadian generally accepted accounting principles for the public sector. They do not record the GRF's pension liability of \$4 billion, and understate the year's pension costs by \$47 million. The statements also inappropriately record a \$211 million transfer from the Fiscal Stabilization Fund as revenue and \$32 million as loans receivable from Crown corporations.

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 2004, the Government presented a summary financial plan for the entire Government as part of the 2004-05 budget and performance summary. We encourage the Government to report on its performance using this summary financial plan together with its summary financial statements, rather than using the GRF statements.

Finance is replacing its financial and human resources computer system. Part of the new system is a new cash management module. Finance installed and operated this module without enough testing or documenting the procedures for reconciling the main bank account. As a result, Finance was unable to reconcile the main bank account's recorded bank balance to bank records for a year.

Chapter 7—Processes needed to manage IT

Information and related information technology (IT) plays a critical role in the delivery of important government services. The Government has also spent considerable resources updating and replacing IT systems in the last five years. Currently the Government is replacing the payroll and human resource systems used by departments. The Government is also consolidating some of its IT infrastructure and IT management. These new and planned IT changes are large, complex, and risky. The Government must manage these new risks well.

In this chapter, we outline key IT management processes we will use as criteria when auditing Government's management of IT systems. IT management includes IT planning and supervision, change management, operations and support, security processes and contingency planning. It is important that Government, its agencies, and its supervisory agencies use best practices to ensure the security, integrity, availability and confidentiality of IT information and its related systems.

Chapter 8—Industry and Resources

In September 2002, to attract investment and promote Saskatchewan's competitive advantages, the Government started the "Our Future is Wide Open" campaign. We examined the Department of Industry and

Resources' (Department) processes for coordinating the campaign and assessing its success.

The Department coordinated the campaign well, except that it needs to clearly define the roles and responsibilities of each agency involved. The Department had adequate processes to assess the success of the campaign.

The Office of Northern Affairs operates independent of the Department even though the law sets out that the Department is responsible for Northern Affairs. Therefore, it is not clear who is responsible for the affairs of the north.

The Office of Northern Affairs needs to improve its controls over cash receipts, recording loans and grants, and approvals of payments. Also, the service agreement between the Department and the Office needs improvement. The agreement should clearly state who is responsible for what functions related to the processing of payments.

Chapter 9—Environment

We report two new areas that the Department of Environment (Department) needs to improve. The Department needs to establish processes to ensure proper recording and collection of amounts owing to the Department. Also, the Department needs to follow its rules and procedures to ensure that it reconciles its bank balances to the bank's records promptly.

In addition, we continue to report that the Department has not fully addressed the matters we reported in our prior reports. Accordingly, we continue to recommend the Department:

- ◆ document its internal reporting needs;
- ◆ follow its procedures for controlling capital assets;
- ◆ prepare a complete contingency plan and test that plan to ensure that it works; and
- ◆ strengthen its internal audit function by promptly reviewing the audit plan and the audit findings.

Chapter 10—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, 2004.

We found that the Department had adequate processes to safeguard public resources and ensure compliance with the law except as follows.

The Department needs to improve its processes to track, enforce, and collect fines. The Department does not know if it has enforced all fines and charges. As a result, the Department may not achieve its goals of safer communities and upholding the rule of law.

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 needs to focus its audit work on the activities where the Department is at greatest risk of loss of public money.

Chapter 11—Public Service Commission

The Public Service Commission (Commission) leads human resource management in the Government's departments. At March 31, 2004, it had adequate rules and procedures to safeguard public resources and complied with authorities governing its activities.

Effective human resource planning helps the Government have the right people, in the right place, and at the right time. This helps the Government provide public services and meet its strategic goals.

Government departments plan for their human resources. The Commission provides oversight for department planning. It also provides strategic direction and coordinates planning for human resources across the entire public service.

This chapter outlines the criteria we are using in our audit to examine whether the Commission has adequate processes to lead human resource planning across departments. Having adequate processes means that the Commission:

- ◆ guides human resource planning;
- ◆ manages human resource risks across departments;
- ◆ analyzes department human resource planning; and
- ◆ builds capacity for human resource planning within departments.

We are sharing the criteria to help other agencies that are responsible to guide human resource planning.

Chapter 12—Labour

We report that the Department of Labour had adequate processes to safeguard public resources and comply with the law.

Also, we describe progress in how the Department helps injured workers with their claims for compensation from the Workers' Compensation Board. The Department has dramatically reduced the length of time that injured workers must wait for assistance. However, the Department has not yet created systems to maintain this success.

We will continue to monitor the Department's actions on our 2003 recommendations.

Chapter 13—Agriculture, Food and Rural Revitalization

In this chapter, we report the results of the audit of the Department of Agriculture, Food and Rural Revitalization (Department) and the special purpose funds and agencies for which it is responsible.

The Department needs a process to oversee the operations of the Saskatchewan Agricultural Stabilization Fund. Inadequate and incomplete financial, operational, and compliance reports increase the risk of the Department making inappropriate decisions.

The Saskatchewan Crop Insurance Corporation's internal auditor needs to prepare an adequate work plan and have it approved by the Board. The plan should focus on the areas that present the greatest business risks to the Corporation.

The Department needs to improve its budgeting and financial reporting processes for the Pastures Revolving Fund. Also, it needs to update its

policies and procedures manual to include guidance on preparing financial statements.

Finally, the Department needs to establish processes to monitor a research centre's use of public money.

Chapter 14—Culture, Youth and Recreation

Although the Department of Culture, Youth, and Recreation is a relatively small department, it is responsible for a large number of special purpose funds and Crown agencies.

Documenting key processes in manuals or guides provides staff with clear direction and guidance on carrying out their responsibilities. In common with many other agencies, personnel at the Department is changing. As indicated in this chapter, the Department uses a variety of processes to oversee these agencies. We recommend that the Department document those processes.

Chapter 15—Public plans and annual reports assessments—Departments

In 2003, the Department of Finance established guidelines for preparing public plans and annual reports for all departments and Treasury Board Crown corporations. The guidelines contain a four-year implementation schedule that recognizes that improved public reporting takes time and resources.

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

We assessed the public plans and annual reports of departments and three Crown agencies for the year ended March 31, 2004. We found that the departments generally have met the current content requirements of the Department of Finance's reporting guidelines.

Chapter 16—Office of the Chief Electoral Officer

Providing timely and clear information helps to maintain public confidence in the Electoral Office and the electoral process. The Electoral Office needs to provide legislators with a report on its performance each year. In addition, to help legislators understand its planned and actual results, it needs to use a consistent reporting date (e.g., March 31).

Chapter 17—Board of Internal Economy

The Board of Internal Economy (Board) is generally 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 should ensure that the reports it receives provide the information it requires 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.

Chapter 18—Reporting on infrastructure

This chapter describes the status of recommendations we made in 2002 and 2003 about the adequacy of the information that four government agencies made public about their key infrastructure. These agencies are SaskEnergy Incorporated, Department of Highways and Transportation, Saskatchewan Transportation Company, and Saskatchewan Property Management Corporation.

SaskEnergy has fully addressed our recommendation for improved public information. The other three agencies improved the quality of information they publish about their key infrastructure, but need to make further improvements. We recognize that some of these improvements will occur in conjunction with improvements expected under the Government's Accountability Framework.

Chapter 19—Crown Investments Corporation of Saskatchewan

For the year ended December 31, 2003, we examined three areas in more depth at Crown Investments Corporation of Saskatchewan (CIC) and its related corporations. We examined payments to Crown corporation directors and senior executives related to their pay, benefits, and expenses; reports of payee information; and processes related to sponsorships and promotion.

Most payments to directors and senior executives were supported and for business purposes. However, there were some exceptions. We also found some cases where Crowns need to improve their policies.

CIC Crowns have prepared comprehensive reports of their payees for the year ended December 31, 2003. Overall, CIC and its related corporations have done a good job in presenting this information. However, to improve future reporting, the Standing Committee on Crown and Central Agencies needs to clarify the requirements of the Committee's disclosure policy. Also, Crown corporations need to provide more complete payee information to comply with the Committee's disclosure policy.

SaskPower, SaskTel, and SGI had adequate processes to control and monitor their sponsorship and promotion expenses; SaskEnergy needs to improve its policies and procedures in this area.

