

# Industry and Resources



<b>Main points .....</b>	<b>214</b>
<b>Introduction .....</b>	<b>215</b>
<b>Our audit conclusions and findings.....</b>	<b>216</b>
“Our Future is Wide Open” campaign .....	217
Background .....	217
What we did.....	218
What we found and recommendation.....	219
Our detailed findings.....	219
Office of Northern Affairs.....	221
Responsibility for affairs of the north .....	221
Proper delegation of authority needed .....	222
Service agreement needs improvement.....	222
Approval for interest rate needed .....	223
Controls over cash receipts needed .....	223
Controls over recording of loans and grants needed.....	224

## Main points

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.

## Introduction

The Department of Industry and Resources (Department) is responsible for stimulating business investment and promoting development of the province's resource sector. The Department's mandate is "to achieve full and responsible development of Saskatchewan's energy, mineral and forestry resources, to work with businesses and co-operatives to expand the Saskatchewan economy by promoting, co-ordinating, and implementing policies, strategies and programs that encourage sustainable economic growth, and to optimize revenues to fund government programs and services."<sup>1</sup> The Department is also responsible for the administration of *The Tourism Authority Act*.

The Department received \$71.5 million from the General Revenue Fund for its programs. Information about the Department's revenue and expenses appears in its annual report and in *Public Accounts 2003-04: Volume 2: Details of Revenue and Expenditure* (see <http://www.gov.sk.ca/finance/paccts>). The following table shows the Department's major program spending and revenue.

### Spending

	<u>Original</u> <u>Estimates</u>	<u>Actual</u>
	(Millions of dollars)	
Investment Programs	\$ 28.6	\$ 22.9
Non-Renewable Resources	14.7	14.1
Industry Development	9.2	9.8
Administration	7.4	7.2
Transfer to Tourism Saskatchewan	7.2	7.2
Transfer to Saskatchewan Trade and Export Partnership Inc.	2.4	2.4
Other	<u>8.0</u>	<u>7.9</u>
	<u>\$ 77.5</u>	<u>\$ 71.5</u>

<sup>1</sup> Saskatchewan. Department of Finance. (2003). *2003-04: Saskatchewan provincial budget: building for the future: estimates*. Regina: Author. page 75.

Revenues

	<u>Original</u> <u>Estimates</u>	<u>Actual</u>
	(Millions of dollars)	
Natural Gas	\$ 119.1	\$ 210.5
Oil	490.1	774.5
Potash	165.9	120.2
Other	<u>51.4</u>	<u>52.1</u>
	<u>\$ 826.5</u>	<u>\$ 1,157.3</u>

The Department is also responsible for the Oil and Gas Environmental Fund (Fund). The purpose of the Fund is to provide a mechanism to clean up abandoned wells and respond to environmental problems associated with the exploration, development, production, and transportation of oil and gas.

In 2003-04, the Fund earned revenue of \$76,207 and did not incur any expenses. The Fund held assets of \$2.8 million as at March 31, 2004. The Fund's financial statements are included in its annual report.

The Department also has the duty to carry out the responsibilities and functions of the Minister of Northern Affairs and the Minister Responsible for Information Technology. The Government has created the Office of Northern Affairs and the Information Technology Office to carry out these functions. This chapter includes the results of our audit of these agencies.

## **Our audit conclusions and findings**

**In our opinion, for the year ended March 31, 2004:**

- ◆ **the financial statements of the Oil and Gas Environmental Fund are reliable;**
- ◆ **the Department and the Information Technology Office had adequate rules and procedures to safeguard public resources. The Office of Northern Affairs had adequate rules and procedures except for the matters described in this chapter; and**

- ◆ **the Department and the Information Technology Office complied with the authorities governing their activities regarding financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Also, the Department complied with authorities governing the activities of the Fund. The Office of Northern Affairs complied with authorities governing its activities except for the matters described in this chapter.**

In this chapter, we also describe the results of the work we did on the “Our Future is Wide Open” campaign.

## **“Our Future is Wide Open” campaign**

### ***Background***

In September 2002, the Government launched the “Our Future is Wide Open” campaign (campaign) to attract investment and promote Saskatchewan’s competitive advantages. The Government directed the Department to lead this campaign. The Government made the Department responsible to coordinate and involve government departments and agencies where possible.

Based on the directions from the Government, the Department set the following goals for the campaign:

- ◆ increase optimism among Saskatchewan people in the future of our province and its economy;
- ◆ increase awareness of progress in creating a more competitive investment climate – both within the province and out-of-province; and
- ◆ increase awareness among Saskatchewan people of our recent impressive economic growth and momentum.

The Department plans to continue this campaign to 2005 to prepare the stage for the Centennial Celebration.

The Department had the following budget for the campaign:

- ◆ year ended March 31, 2003 \$2.0 million;
- ◆ year ended March 31, 2004 \$1.8 million; and
- ◆ year ending March 31, 2005 \$1.4 million.

The Crown Investment Corporation of Saskatchewan (CIC) had the following budget for the campaign:

- ◆ year ended December 31, 2002 \$0.9 million;
- ◆ year ended December 31, 2003 \$2.0 million; and
- ◆ year ending December 31, 2004 \$2.0 million.

For the year ended March 31, 2004, the Department spent \$1.8 million (2003 – \$2.0 million) for the campaign. CIC also participated in the campaign. For the year ended December 31, 2003, CIC spent \$2.0 million (2002 – \$0.7 million) for the campaign.

***What we did***

For the year ended March 31, 2004, we examined the Department's processes for coordinating the campaign with other government agencies and for assessing its success. Specifically, we examined if the Department had:

- ◆ adequately planned the campaign including:
  - determining the baseline public opinion about the Province's competitive advantages at the start of the campaign;
  - setting out the goals and expectations with a clear assignment of who will do what, when, and why;
  - regularly assessing the actual results compared to plans;
- ◆ properly selected a consultant to provide technical and professional help in carrying out the planned campaign; and
- ◆ clearly defined roles and responsibilities for coordinating the work of other government agencies involved in the campaign (i.e., ensuring receipts of goods and services, approval of invoices for payments, and monitoring of actual and planned expenditures).

### ***What we found and recommendation***

We found the Department had adequate processes to coordinate the campaign with other government agencies except that it did not clearly document the roles and responsibilities of the agencies involved in the campaign. Also, the Department had adequate processes to assess the success of the campaign.

- 1. We recommend the Department of Industry and Resources document the roles and responsibilities of the agencies involved when it coordinates work with other government agencies in delivering a significant program.**

Management told us that the Department will document the roles and responsibilities of the agencies involved in any such future projects.

### ***Our detailed findings***

The Department had adequately planned the campaign. The plan had a clear description of goals and objectives for the campaign and a process to measure the expected results at the end of each phase of the campaign. It had assigned tasks to various levels of staff and set out timelines for completion of those tasks. The Department had outlined a process to monitor the work of all staff and to ensure the campaign was moving as planned. To ensure it could measure the campaign results, the Department sought an external assessment of public opinion at the start of the campaign.

The Department's documentation of roles and responsibilities for other government agencies involved in the campaign was not adequate. Most other government agencies contributed in this campaign. However, their participation, except for CIC, was not active or specific. The Department had asked all government agencies to use the Wide Open logo in their regular promotional or public relations communications. We asked some of those agencies about incremental costs of using the logo. They told us the cost of using the logo in their regular communications was minimal.

CIC paid some of the costs of the campaign. However, the Department and CIC had not agreed and documented their respective roles and responsibilities. When roles and responsibilities are not clearly agreed

and documented, confusion and misunderstandings can result in a loss of public money. For example, we noted the Department received a majority of suppliers' invoices and allocated some of those invoices for payment by CIC. The Department forwarded those invoices to CIC for payment. However, the Department did not always certify that it had received the goods or services for those invoices it sent to CIC. We asked CIC if its staff had verified the receipt of goods and services before paying the suppliers. CIC told us that the Department forwarded the invoices for payment only when the Department verified that they have received the invoiced goods and services. The Department told us that it did ensure that it had received the goods or services related to those invoices, however, it did not leave evidence that it had done so because it did not have the authority to do so. The Department told us that CIC is responsible for ensuring that the invoiced goods have been received or services rendered before paying those invoices.

During the two years ended December 31, 2003, CIC paid a total of \$2.7 million for the campaign. Because the Department did not leave evidence that goods have been received and services rendered for the invoices that CIC paid, we examined documentation supporting the receipt of goods or services for invoices CIC paid. We found adequate support for the payments.

The Department had established clear goals and objectives for the campaign and documented processes to assess the campaign's success regularly. The Department had established baseline data before the start of the campaign and set out a measurable objective during different times from September 2002 to 2004. The Department then used an external consultant to conduct public opinion surveys to monitor the effect of the campaign on the public. This comparison helped the Department assess the success of the campaign and to make changes where necessary. For example, one of the objectives of the campaign was to improve the percentage of residents who agree that Saskatchewan is a great place to live, work, and do business. In September 2002, 83% of the residents surveyed agreed. In March 2003, the survey showed that this percentage had increased to 89%. We did not audit the surveys.

The Department of Executive Council (Executive Council) approves the agency of record for all government agencies. An agency of record is an external agency or company that provides the Department with



communication services (e.g., media planning and buying, production and management). We examined the processes Executive Council used to select and approve an agency of record for the Department. We found the Executive Council had adequate processes to request proposals, assess those proposals, and select an agency of record for the Department. The Department's officials served on a committee that the Executive Council struck to select the agency of record. Later, the Department signed a formal agreement with the agency of record to set out the terms of the contract (e.g., compensation rates, standards of performance, confidentiality).

We also examined payments the Department made for the campaign. During the two years ended on March 31, 2004, the Department paid \$3.8 million for the campaign. We found all payments were properly authorized, supported, and recorded correctly.

## **Office of Northern Affairs**

The mandate of the Office of Northern Affairs (Office) is "to promote the social and economic development of northern Saskatchewan communities in partnership with the federal government and northern communities by supporting regional development and development of businesses and industries, and coordinating government activities"<sup>2</sup>.

For the year ended March 31, 2004, the Office received \$4.9 million from the General Revenue Fund to provide programs and services. The Office also received \$1.4 million to make loans for the year ended March 31, 2004.

### ***Responsibility for affairs of the north***

The law sets out who is responsible for the Office of Northern Affairs. However, this does not match how the Office is currently being managed.

The affairs of the north are the responsibility of the Minister of Northern Affairs. The law currently provides that the Minister of Northern Affairs carry out this responsibility for northern affairs through the Department of Industry and Resources (Department). However, the Department does

---

<sup>2</sup> Saskatchewan. Department of Finance. (2003). *2003-04: Saskatchewan provincial budget: building for the future: estimates*. Regina: Author. page 97.

not do this. Both the Department and the Office agree that the Office fulfills this role and does so independent of the Department.

However, the Government has not formally established the Office as a separate government agency with the mandate to carry out the Minister's responsibilities. The Government needs to clarify the legislative responsibility of the Office and of the Department.

- 2. We recommend that the Government clarify which agency is responsible to oversee the affairs of the north.**

### ***Proper delegation of authority needed***

The Office needs a clear delegation of authority for the approval of payments and contracts for loans and grants. Without a clear delegation of authority, the Office cannot ensure that all payments are properly authorized.

The Office has a delegation of authority, but it is not up-to-date. For example, for approval of loans, it refers to positions that no longer exist. Therefore, it is not clear who has the authority to approve loans. Also, the Office needs to communicate the delegation of authority to all staff to reduce the risk of unauthorized payments.

- 3. We recommend that the Office of Northern Affairs update its delegation of authority for approval of payments and contracts for loans and grants and communicate this delegation to all staff.**

### ***Service agreement needs improvement***

The Office needs to improve its service agreement that it has with the Department.

The Office has a service agreement with the Department to do some of the Office's accounting functions. The agreement, however, does not clearly state who is responsible to approve payments and ensure the accuracy of the accounting records and reports. The risk of improper payments increases when a service agreement does not clearly set out

the roles and responsibilities of each party. During the year, we did not find any improper payments.

- 4. We recommend that the Office of Northern Affairs improve its service agreement with the Department of Industry and Resources to clearly state who is responsible to approve payments and ensure the accuracy of the accounting records.**

#### ***Approval for interest rate needed***

The Office needs to obtain the Minister's approval of the rate of interest it charges on its loans.

Order in Council 208/96 and 293/96 assign responsibility for *The Northern Economic Development Regulations* to the Minister of Northern Affairs. These regulations state that the Minister is to establish the interest rate for loans. The Office could not show us the Minister's approval for the interest rate on loans.

Without the Minister's approval for the interest rate charged on loans, the interest collected may not have adequate authority.

- 5. We recommend that the Office of Northern Affairs obtain the Minister's approval of the interest rate it charges on loans.**

#### ***Controls over cash receipts needed***

The Office needs to control the money it receives in the mail.

Without adequate controls over cash receipts, money may be stolen or incorrectly recorded in the accounts.

The Office needs to follow the procedures set out in the Provincial Comptroller's Financial Administration Manual (FAM) to ensure that it adequately records and controls public money. FAM requires that two people open the mail, immediately record all money received, and reconcile the money received to the bank deposits and accounting records.

The mail was not always opened by two people. Also, the Office did not always agree the mail records to the bank deposits.

- 6. We recommend that the Office of Northern Affairs follow the procedures in the Financial Administration Manual for opening the mail and safeguarding the money received.**

***Controls over recording of loans and grants needed***

The Office needs to ensure it accurately records the advances it pays for approved grants made for northern economic development.

Near the year-end, we found that the Office advanced \$162,000 for grants it had approved. The Office recorded these advances as grant expenses. As required by Canadian generally accepted accounting principles, the Office should record such advances as assets. The Office should do so because at the year-end, the recipient of the grant had not met all the required conditions. The agreement requires the recipients to spend the grant on eligible expenses. At year-end, the recipient had not fully spent the money received in advance. As a result, the Office overstated its expenses and understated its assets by \$162,000. We note that the Office has a record of who received these advances.

The Office of Northern Affairs should improve its procedures to ensure it properly records advances and grants.