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Key messages

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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 December 31, 2005 year-ends. Our 2005 Report – Volume 3 covered mainly agencies with March 31, 2005 year-ends.

For the most part, the 145 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.

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

Government agencies that are managed well 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 plan.

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

Infrastructure

The Government has more than $9 billion invested in infrastructure such as roads, dams, buildings, gas lines, and power plants. To provide public services, the Government spends significant sums of money annually on infrastructure. The Government does not spend money only to buy or build infrastructure, it also spends money to maintain and operate the infrastructure.

Chapter 9—Saskatchewan Power Corporation (SaskPower) reports on the adequacy of SaskPower's processes to plan for its power production needs. These processes help ensure SaskPower can provide enough electricity to the province. SaskPower has nearly $2 billion invested in power production infrastructure.

SaskPower should document better its processes for identifying its electricity needs. It should align its electricity generation needs with its strategic plan. Also, SaskPower should include electricity generation in its overall risk management framework.

Chapter 12—Saskatchewan Water Corporation (SaskWater) reports on the adequacy of SaskWater's practices to maintain its infrastructure. SaskWater's infrastructure includes seven water treatment plants, 32 water pump stations, and over 770 km of water pipelines. The estimated replacement cost of this infrastructure is about $250 million.

SaskWater needs to prepare detailed records of its infrastructure and its current condition. It also needs to prepare a comprehensive maintenance plan.

Population change

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 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—Saskatchewan Government Insurance (SGI) reports on the adequacy of SGI's succession planning processes. SGI expects up to 50% of its managers will retire over the next ten years. This loss of corporate knowledge may affect SGI's ability to serve its customers.

Our audit concluded that SGI had good succession planning processes.

Chapter 3—Learning reports on the adequacy of Saskatchewan Institute of Applied Science and Technologies' (SIAST's) human resource processes to build its human capacity for current and future needs. SIAST is part of the solution for reducing future shortages of trained people in the province. To be effective, SIAST must have the human capacity to prepare people for work.

SIAST has many good processes to build its human resource capacity. However to build human capacity effectively, SIAST needs to improve its processes. It should analyze and communicate workforce shortages and the barriers it must overcome to reduce those shortages. Also, it should evaluate progress on building human capacity.

Chapter 2—Health reports on whether the Saskatchewan Health Workforce Action Plan and related documents contain the key elements of a sound human resource plan. The Workforce Plan is a response to the 2004 First Minsters' agreement to strengthen health care. First Ministers committed to make public their plans to train, recruit, and retain health care professionals.

The Workforce Plan contains most elements of a sound human resource plan for doctors, nurses, pharmacists, and technologists. The Plan acknowledges that the Department does not have systems to easily

determine the shortages in human resource capacity. To improve the Plan, the Department should include information on human capacity shortages and strategies to reduce those shortages.

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.

Chapter 4—Property Management (SPM) reports on its processes to purchase supplies. Each year, SPM purchases or helps purchase over $100 million of supplies and services. Good purchasing processes are necessary for the proper use of public money, service efficiency, and access to quality supplies on time.

SPM needs to monitor purchasing processes to ensure compliance with the law. It also needs to get prompt feedback from government agencies to allow it to monitor the performance of supplies and suppliers.

Chapter 11—Saskatchewan Government Insurance (SGI) reports SGI incurred a loss of $9.7 million on an insurance policy where SGI permitted an agent to administer claims under that policy. SGI needs better processes to examine and assess claims under agents' administration.

Chapter 6—Workers' Compensation Board (WCB) reports that the WCB needs to prepare accurate internal reports for the Board of Directors. These reports allow the Board to monitor the WCB's performance and are used for decision-making. The reports that the Board received for most of the year did not show the correct investment income and could have resulted in incorrect decisions. WCB needs to prepare accurate reports for the Board.

Advancing technologies

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

Computer systems and networks bring new risks to the security (i.e., accessibility, integrity, and confidentiality) of information that agencies use

to manage. For information to be accessible, agencies must have plans to operate if their systems fail.

Chapter 5—Finance reports that the Department built a new system to manage the accounts of Public Employees Pension Plan's members. We audited the Department's processes to protect the new system from unauthorized access, unscheduled downtime, and inaccurate processing.

Finance needs processes for controlling user access to the system. It also needs a complete disaster recovery plan.

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.

Legislators and the public need information about the capacity of each major category of infrastructure and the extent to which the infrastructure achieved planned results. Public agencies should also explain how they manage risks to their infrastructure.

Chapter 2—Health reports on the adequacy of public information about the health system infrastructure. Health needs to provide considerably more information about the health system infrastructure to fully inform legislators and the public.

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:

Ahmad, Mobashar	Kress, Jeff
Anderson, Mark	L'Heureux, Desirée
Atkinson, Brian	Lindenbach, Michelle
Bachelu, Gaylene	Lipoth, Becky
Bailey, Brendan	Lowe, Kim
Bernath, Eric	Martens, Andrew
Bogdasavich, Michelle	Montgomery, Ed
Borys, Angèle	Mowat, Audra
Clemett, Tara	Nyhus, Glen
Dayman, Michelle	O'Quinn, Carolyn
Deis, Kelly	Pritchard, Brent
Dickin, Deann	Ross, Chantara
Drotar, Charlene	Rybchuk, Corrine
Duran, Jason	Schiller, Rita
Emond, Candice	Schwab, Victor
Ferguson, Judy	Shaw, Jason
Grabarczyk, Rod	Shorten, Karen
Grunert, Cherie	Sommerfeld, Regan
Harasymchuk, Bill	St. John, Trevor
Heebner, Melanie	Thomson, Nathan
Heffernan, Mike	Thorson, Angela
Herauf, Jena	Tomlin, Heather
Hoang, Lysa	Volk, Rosemarie
Hungle, Angie	Walker, Sandra
Jensen, Rory	Wandy, Jason
Kahovec, Steven	Watkins, Dawn
Klein, Trina	Wendel, Leslie
Knox, Jane	Zerr, Jennifer
Kotylak, Jonathan	

Compilation of main points

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Chapter 2—Health

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. This chapter reports on two audits.

In the first audit, we assessed if the Department's Saskatchewan Health Workforce Action Plan and related documents contain the key elements of a sound human resource plan. The health sector faces high workforce risks due to a variety of factors. These risks affect health agencies' processes to manage their human resources. A sound human resource plan helps reduce these risks. We report that the Saskatchewan Health Workforce Action Plan and related documents contain most elements of a sound human resource plan for the four health provider groups it covers: doctors, nurses, pharmacists, and technologists.

In the second audit, we assessed the Department's and other health agencies' public information on key infrastructure they use to provide services. Health agencies' facilities and equipment are important for the delivery of health services. Health agencies rely on their equipment to provide health care services and their facilities to provide comfort and safety to all patients. The public needs to know if the infrastructure available helped or hindered the Department's and other health agencies' ability to achieve their planned results. We report that the Department and other health agencies need to improve the information that they publish about key infrastructure.

Chapter 3—Learning

This chapter reports audits at the Teachers' Superannuation Commission and at Saskatchewan Institute of Applied Science and Technology.

We report the results of the audit of the Teachers' Superannuation Plan operated by the Teachers' Superannuation Commission (Commission) for the year ended June 30, 2005.

We concluded that the financial statements of the Commission are reliable and it complied with the authorities governing its activities. The Commission had adequate processes to safeguard public resources; except the Commission needs to establish information technology security

policies and procedures. The Commission also needs a written and tested disaster recovery plan.

In our 2003 Report – Volume 1, we reported that the Government's pension plans need to improve their governance processes. We continue to recommend the Commission develop strategic plans, define responsibilities and its operational information needs, develop communication plans, and establish policies for code of conduct and governance self assessment.

We also set out the findings of our audit of the Saskatchewan Institute of Applied Science and Technology's (SIAST) human resource processes to build its human capacity for current and future needs. Human resource processes at SIAST vary for different employee groups.

We report that SIAST, at January 31, 2006, had adequate human resource processes to build human capacity except as follows. SIAST needs processes to analyze and communicate workforce gaps and barriers. It also needs processes to evaluate progress towards current and future human capacity needs.

Chapter 4—Property Management

Each year, Saskatchewan Property Management (SPM) purchases or helps purchase over $100 million of supplies and services. *The Purchasing Act, 2004* requires SPM to obtain supplies centrally for government departments, boards, commissions, and Crown corporations. In this chapter, we report on whether SPM has adequate processes at October 31, 2005 to purchase supplies valued at over $25,000.

To purchase supplies valued at over $25,000, we expected that SPM would:

♦   define the need and specifications for required supplies
♦   obtain quotations fairly
♦   select suppliers for required goods
♦   monitor performance of the purchasing process

As at October 31, 2005, SPM had adequate processes to purchase supplies over $25,000 except for monitoring the performance of the purchasing process. SPM needs to get prompt feedback from user

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agencies to monitor the quality of supplies and performance of suppliers. SPM also needs to monitor compliance with the *Purchasing Act, 2004* whether it purchases the supplies directly or delegates the purchase to public agencies.

Chapter 5—Finance

In this chapter, we report the results of our audit of the Public Employees Pension Plan's (PEPP) controls to protect its pension administration system from unauthorized access, unscheduled downtime, and inaccurate processing. We assessed PEPP's processes for the period August 15, 2005 to December 31, 2005.

We found PEPP has adequate controls to protect its pension administration system except PEPP needs policies and procedures for granting, removing, and monitoring user access. PEPP also needs a complete disaster recovery plan.

We also report the results of our audits of Finance-administered special purpose funds and Crown agencies with years ending December 31, 2005. We found that Finance generally does a good job of managing the funds and agencies.

However, for the Public Employees Dental Fund, Finance needs to ensure it receives accurate reports for dental claims paid for enhanced benefits. Without adequate reports, Finance does not know if each employer fully pays for the enhanced benefits claimed by employees.

Chapter 6—Workers' Compensation Board

In this chapter, we report the results of our audits of the Workers' Compensation Board (WCB) and the Pension Plan for the Employees of the WCB (Pension Plan) for the year ended December 31, 2005.

We concluded that the financial statements of the WCB and the Pension Plan are reliable and the WCB complied with authorities governing its activities and the activities of the Pension Plan. Also, we concluded that the WCB had adequate rules and procedures to safeguard its and the Pension Plan's public resources except it needs to strengthen its processes to prepare interim financial reports.

We make two recommendations for the WCB to help improve its processes. We recommend that:

♦   the WCB establish processes to accurately determine and record its investment income

♦   the WCB include written explanations of all significant differences between planned and actual results in its interim financial reports

Chapter 7—Liquor and Gaming Authority

The Liquor and Gaming Authority (Liquor & Gaming) is responsible to develop, promote, or support activities or programs designed to encourage responsible alcohol consumption. As the principal distributor and retailer of alcohol, Liquor & Gaming plays a significant role in encouraging the responsible use of alcohol. In this chapter, we describe our assessment of the adequacy of the processes Liquor & Gaming uses to encourage responsible use of beverage alcohol. We assessed Liquor & Gaming's processes at December 31, 2005.

We found Liquor & Gaming had adequate processes to encourage responsible use of beverage alcohol except that Liquor & Gaming needs to:

♦   formally assign responsibility for encouraging responsible use of beverage alcohol

♦   prepare a complete plan to encourage the responsible use of beverage alcohol

♦   continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol

Chapter 8—Government Relations

The Department of Government Relations (Department) is responsible for the Northern Revenue Sharing Trust Account (NRSTA). The Department has made progress in addressing our previous recommendation to better supervise the operations of NRSTA. However, more progress is needed.

Also, the Department needs to monitor fuel product prices for a northern community to ensure the prices are consistent with those set out in the fuel supply contract.

Chapter 9—Saskatchewan Power Corporation

SaskPower, as a power-producer, must operate with a very long-time horizon. Power plants are expected to operate for up to 50 years. Maintaining and building power plants is expensive. SaskPower spends about $125 million each year to maintain its plants. Over the last five years, SaskPower has invested $1 billion in its plants. SaskPower expects to continue making large investments in plants over the next 20 years to deal with both aging plants and growing electricity needs. The longer-term nature of the power industry, along with the high cost of infrastructure, increases the importance of good planning.

This chapter reports on the adequacy of SaskPower's processes at December 31, 2005 to plan for its infrastructure needs related to generating electricity. These processes help make sure SaskPower supplies enough electricity to meet the province's electricity needs. The chapter notes SaskPower had good processes to identify its power generation needs and set strategies to manage its plants. SaskPower needs to better document its processes and improve processes to ensure analyses of risks and alternative strategies are consistent.

Also, for the year ended December 31, 2005, SaskPower, its three subsidiaries, and the Power Corporation Superannuation Plan each had reliable financial statements, had adequate processes to safeguard public resources, and complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Chapter 10—Saskatchewan Telecommunications Holding Corporation

In this chapter, we describe the results of our audit of Saskatchewan Telecommunications Holding Corporation (SaskTel). We report that while SaskTel had adequate processes in many areas to safeguard public resources, it needs to make improvements at Navigata Communications Partnership and its pension plan. The Partnership needs to:

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♦ ensure the completeness of revenue and the accuracy of its financial records

♦ improve its computer security

♦ ensure the Pension Committee monitors the pension plan

♦ ensure the activities of the pension plan are in accordance with the plan text

Also, we outline the criteria we will use to assess SaskTel's processes to manage its intellectual property. We are sharing the criteria to assist other agencies to assess their own processes.

Chapter 11—Saskatchewan Government Insurance

This chapter describes the result of our audits of Saskatchewan Government Insurance (SGI), the companies it owns, Saskatchewan Auto Fund, and SGI Superannuation Plan for the year ended December 31, 2005. SGI owns SGI Canada Insurance Services Ltd., Coachman Insurance Company, and Prince Edward Island Insurance Company.

We concluded that Coachman Insurance Company (Coachman) needs to strengthen its controls to monitor claims under agents' administration. During the year, Coachman incurred previously unreported and unrecorded claims resulting in a loss of $9.7 million from a policy under an agent's administration.

In 2006, we also examined the adequacy of SGI's succession planning processes for its key positions. For this examination, key positions include the President, Vice Presidents, Assistant Vice Presidents, managers, underwriters, and claim adjusters. We concluded that SGI had adequate succession planning processes for its key positions.

Chapter 12—Saskatchewan Water Corporation

In this chapter, we report the results of our audit of the Saskatchewan Water Corporation (SaskWater) for the year ended December 31, 2005.

We conclude that SaskWater's financial statements are reliable; it had adequate processes to safeguard public resources; and it complied with the authorities governing its activities.

This chapter also contains the results of our audit of SaskWater's processes to maintain its water treatment and transmission infrastructure. We recommend that SaskWater compile detailed information about its infrastructure to identify maintenance needs and use a maintenance plan to improve infrastructure efficiency and reliability for the lowest possible long-term cost.

Chapter 13—Saskatchewan Opportunities Corporation

In this chapter, we report the results of the audit of Saskatchewan Opportunities Corporation (SOCO) for the year ended December 31, 2005.

We concluded that the financial statements of SOCO are reliable. SOCO complied with the authorities governing its activities and had adequate processes to safeguard public resources except as noted below.

SOCO needs to establish written processes to ensure all construction project costs are properly recorded.

Chapter 14—Standing Committee on Crown and Central Agencies

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central agencies, liquor and gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. The Government has implemented most of the Committee's

recommendations. This chapter sets out the status of the Committee's recommendations that the Government has not yet implemented.

Health

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Main points

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. This chapter reports on two audits.

In the first audit, we assessed if the Department's Saskatchewan Health Workforce Action Plan and related documents contain the key elements of a sound human resource plan. The health sector faces high workforce risks due to a variety of factors. These risks affect health agencies' processes to manage their human resources. A sound human resource plan helps reduce these risks. We report that the Saskatchewan Health Workforce Action Plan and related documents contain most elements of a sound human resource plan for the four health provider groups it covers: doctors, nurses, pharmacists, and technologists.

In the second audit, we assessed the Department's and other health agencies' public information on key infrastructure they use to provide services. Health agencies' facilities and equipment are important for the delivery of health services. Health agencies rely on their equipment to provide health care services and their facilities to provide comfort and safety to all patients. The public needs to know if the infrastructure available helped or hindered the Department's and other health agencies' ability to achieve their planned results. We report that the Department and other health agencies need to improve the information that they publish about key infrastructure.

Introduction

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. To do this, the Department provides policy direction, direct services, and funding to health providers and health agencies.

In Chapter 2 of our 2005 Report – Volume 3, we reported the results of our audits of the Department and related Crown agencies for the year ended March 31, 2005 except for the financial statement audits of the Board of Governors of Uranium City Hospital (Board) and of the Saskatchewan Association of Health Organizations (SAHO) and its benefits plans. The Board and SAHO had not prepared financial statements for the year ended March 31, 2005, and SAHO had not completed financial statements for its benefits plans for the year ended December 31, 2004. We have since completed the audits of the financial statements of the Board, SAHO, and SAHO's benefits plans and determined that the financial statements are reliable.

This chapter describes the results of two audits. The first audit assesses whether the Department of Health's Saskatchewan Workforce Action Plan and related documents contain the key elements of a sound human resource plan. The second audit assesses the adequacy of the written information that the Department and other health agencies publish about the key infrastructure they use to provide services as at July 31, 2005.

Saskatchewan Workforce Action Plan

The Saskatchewan Workforce Action Plan was created to set direction for health human resource planning in the Province. The Plan was developed by the Department through broad consultation from health and learning stakeholders in 2005.

The health sector faces high workforce risks due to shortages in specific skills, an aging workforce, ability to attract and retain staff, competition from other jurisdictions, high injury rates, and an increasing need for supportive workplaces that promote learning. These risks affect health agencies' processes to manage their human resources. A sound human resource plan helps reduce these risks.

The health system in Saskatchewan employs over 37,000 people. In 2004, the Canadian Institute for Health Information[1] estimated that public and private health spending on physicians and other health professionals in Saskatchewan was just over $4 billion.

Background

In 2004, the First Ministers across Canada agreed to a 10-year plan to strengthen health care. The plan recognizes the need to increase the supply of health care professionals in Canada including doctors, nurses, pharmacists, and technologists. These shortages are particularly acute in some parts of the country.

As part of efforts to reduce wait times, the 10-year plan expects provinces to accelerate their work on an adequate supply and mix of health care professionals. Initiatives are expected to build on current work in the areas of health labour relations, interdisciplinary training, investments in post-secondary education, and the credentials of health professionals. First Ministers committed to involving health care providers to improve the planning and management of health human resources. First Ministers also acknowledged the need to foster closer collaboration among health, post-secondary education, and labour sectors.

Federal, Provincial and Territorial governments agreed to make their action plans public by December 31, 2005 including targets to train, recruit, and retain health care professionals. Saskatchewan was one of the first provinces to produce a public, health-human-resource action plan. Saskatchewan's plan follows the collaborative pan-Canadian health human resource framework set by the advisory committee to the Conference of Deputy Ministers of Health.[2] A member of the Health Council of Canada[3] said that Saskatchewan ranked highest of all the

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[1] The Canadian Institute for Health Information is a not-for-profit organization that collects and reports statistics and analysis on Canadians' health and the health care system.
[2] The Conference of Deputy Ministers of Health is a group comprised of all jurisdictions in Canada who collectively promote action on commonly held healthcare issues. One of the main actions is to promote action on the First Ministers' *2003 Accord on Health Care Renewal* and in the *2004 10-Year Plan to Strengthen Health Care*.
[3] The Health Council of Canada is mandated to monitor and report on the progress of health care renewal as set out in the *2003 Accord on Health Care Renewal* and in the *2004 10-Year Plan to Strengthen Health Care*.

provinces and territories that reported health human resources action plans.

Objective and criteria

The objective of this audit was to determine whether the Saskatchewan Health Workforce Action Plan[4] and related documents contain the key elements of a sound human resource plan.

Our work was limited to examining the content of the Saskatchewan Health Workforce Action Plan (Workforce Plan) published on December 14, 2005 and related documents provided to us by the Department. This plan covers doctors, nurses, pharmacists, and technologists. The Department intends to cover other health care providers in future plans. The Workforce Plan provides high level guidance and direction to health care agencies and providers for preparing their individual human resource plans.

Our audit did not provide assurance that the information in the reports is relevant and reliable. For example, we did not assess the accuracy, completeness, or validity of underlying information systems or data used to prepare the plan.

The criteria used for this audit describes the essential content for an adequate human resource plan. The criteria are listed in *italics* at the beginning of each criterion in the key findings by criteria section. Saskatchewan Health supports the criteria. We followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants for this audit.

Conclusion

The Workforce Plan for doctors, nurses, pharmacists, and technologists contains most elements of a sound human resource plan.

The Workforce Plan should include information on the significant shortfalls or surpluses in human resources. Also, the plan should include

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[4] Copy is available at http://www.health.gov.sk.ca/hplan_health_workforce_action_plan.pdf.

information on strategies to bridge human resource gaps, such as succession planning and development strategies for the current workforce. This information would help the Legislative Assembly and the public understand the guidance that the Department is giving health agencies and providers in identifying their human resource gaps and preparing operating plans to manage the gaps.

Key findings by criteria

Human resource priorities and strategic direction

The plan should highlight how human resource priorities support the Government's strategic direction. It should also describe how human resource priorities support the sector's strategic direction.

The Government identifies its human resource priorities in its annual Summary Performance Plan document as part of its budget documents. The Government's priorities include: being an employer of choice, creating a representative workforce, aiding in the successful transition to the workforce for aboriginals and youth, and rural revitalization.

In 2002, Saskatchewan Health publicly set out its strategic plan in the *Action Plan for Saskatchewan Health Care* (strategic plan). The strategic plan highlights seven priorities. One of the priorities, creating a representative workforce, relates directly to the Government's human resource priorities. The other six priorities have more limited links to the Government's priorities.

The Workforce Plan states that it is the beginning of a province-wide health human resources plan. It covers each of the priorities noted in the Department's strategic plan and supports that strategic direction. The Workforce Plan includes objectives, proposed actions, and some measures of success. Directional targets are set in most cases, but the specific amount of improvement sought is not given. It would be useful if the Workforce Plan included the Government's equity targets, e.g., employment of Aboriginal people, the disabled, and women in management.

Key human resource risks

The plan should describe human resource risks within the sector and from outside of the sector. It should also prioritize identified human resource risks.

The strategic plan states, "…supporting, attracting, and keeping skilled personnel is the single largest challenge for Saskatchewan's health care system." Both the strategic plan and the Workforce Plan describe the key human resource risks within the health sector. The risks include increasing costs, diminishing worker supply, aging workforce, future patient types, and intensity of the care they will require. There is little public discussion on risks from outside the sector such as economic trends, specific technological advancements, or environmental trends, although the Department's internal documents describe these risks.

Gaps in human resources

The plan should project future human resource needs for new and on-going activities, describe the profile of the current workforce, and identify significant shortfalls or surpluses of human resources (gaps).

The Workforce Plan states that the Department will develop forecasting and workforce projection models in conjunction with other Canadian jurisdictions. Currently, the Department has limited tools to project future human resource needs for new and on-going activities.

The Department's *environmental scan report*, prepared as part of the consultations used to create the Workforce Plan, provides a list of gap issues, e.g., training staff for new roles, rural retention and recruitment. These issues were collected from the main healthcare providers as part of their annual operational planning process with the Department. The report does not provide an analysis on the magnitude of each gap issue.

The Department has done a high level analysis to identify human resource gaps but has not made this information public. The Workforce Plan provides limited information about the current workforce. The information included sets out the current number of health care providers registered in Saskatchewan. It states that more health care providers will be needed to replace retiring workers but provides few details. For

example, the Workforce Plan indicates that approximately 1,800 nurses will retire between 2003 and 2008. No information was provided about gaps in nursing speciality groups such as the expected supply and demand of operating room nurses, occupational health nurses, or cardiac care nurses.

Also, the Workforce Plan does not provide information on staffing gaps by region due to expected turnover or retirement. More information would clarify the nature and extent of shortages and provide guidance to health care agencies and providers for preparing their operating plans to manage gaps.

The Workforce Plan needs to outline the gaps in human resources faced by the health sector. The plan describes potential gaps in staffing. Explaining future practice patterns that may impact current trends would strengthen the plan and help show how significant these shortfalls might become.

1.   **We recommend that the Department of Health present information on significant shortfalls or surpluses in human resources in its health sector human resource plan.**

Strategies to bridge human resource gaps

The plan should describe strategies necessary to bridge gaps or address HR risks or priorities. It should also highlight:
♦   *key employee learning and professional development strategies necessary to bridge gaps or address HR risks or priorities*
♦   *how support systems help to identify gaps or measure progress on HR risks or priorities*
♦   *strategies for other personnel-related areas necessary to bridge gaps or address HR risks or priorities*
♦   *inter-provincial education strategies.*

The Workforce Plan outlines key learning and professional development strategies in the area of recruitment and retention but provides few details on the proposed actions. For example, the plan proposes to establish a provincial recruitment agency to attract hard-to-recruit professionals. The Workforce Plan does not describe strategies in other key learning and professional development areas such as succession planning to fill critical

positions or continuing education needs of the current workforce. The Department has done a high level analysis to identify human resource gaps but has not made this information public.

As mentioned earlier, the Department plans to develop support systems to help identify human resource gaps. The support systems will include forecasting and workforce projection models to help measure labour market needs.

The Workforce Plan proposes strategies to address the education of students who may enter the health sector workforce. For example, several planned actions relate to promoting and improving the education systems that train new health care professionals.

The Workforce Plan mentions several initiatives relating to increasing aboriginal representation in front-line health delivery. These initiatives should complement the Department's planned actions.

The Workforce Plan provides some information on inter-provincial education strategies by describing purchased training seats in specific Alberta educational institutions. One of the future actions set out in the collaborative pan-Canadian health human resource framework is to determine health education and training opportunities and align curricula with health system needs. The Department plans to work with other jurisdictions to complete this work.

2.   **We recommend that the Department of Health present information on succession planning and development strategies for its current workforce in its health sector human resource plan.**

Implementation of major strategies

The plan should list actions to implement major strategies. Information should include a general timetable and financial resources necessary to implement major strategies particularly where the costs are not part of annual budgets. The plan should identify the role of various groups responsible for implementing major strategies and outline processes used to build commitment. The plan should also outline how progress and achievement of planned results will be monitored.

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The Workforce Plan outlines general actions to implement its strategies. The Department has prepared a timetable and budget to implement the plan, but the Workforce Plan does not provide this information. The individual agency responsible to carry out the actions is not identified. The plan outlines the general role of the Department, the regional health authorities, unions, and regulatory bodies.

The Workforce Plan was developed through broad consultations with stakeholders in the health and education sectors. These consultations should increase the commitment of the various groups to work together to implement the plan. The Department can only carry out many of the actions set out in the Workforce Plan through its stakeholders, e.g., regional health authorities.

The Workforce Plan outlines the role of a workforce steering committee to develop further details for the plan and to monitor ongoing progress. The Workforce Plan should describe to whom the committee will report. The Department told us it plans to set up this committee and refine its terms of reference in the summer of 2006.

Public information on infrastructure

Governments use public infrastructure to provide a wide range of public services. The nature of government infrastructure varies (e.g., roads, gas lines, power plants, hospitals, major equipment such as MRIs, CT scanners, and communications networks).

In recent years, our Office has encouraged the Government to assess its management of infrastructure and improve the information about infrastructure that it gives to the public.

In Chapter 4 of our 2000 Fall Report – Volume 3, we discussed the key risks that governments face related to their investment in infrastructure. To reduce these risks, governments must adequately manage how they:

1. Plan for infrastructure needs
2. Set clear responsibility for infrastructure
3. Maintain the capacity of infrastructure
4. Maintain good information
5. Keep the public informed

In this section, we report on the adequacy of the information on infrastructure that the Saskatchewan health sector provides to the public.

Background

The infrastructure owned by the health sector is integral to its operation and supports its delivery of public services. In Saskatchewan, the Government has over $2 billion invested in infrastructure in the health sector and spends significant resources each year to buy, improve, operate, and maintain it.

The Department of Health's (Department) mandate is to support Saskatchewan residents in achieving their best possible health and well-being. The Department provides the majority of health services through 12 regional health authorities[5] and the Saskatchewan Cancer Foundation. It also provides some direct services such as the Provincial Laboratory and Saskatchewan Prescription Drug Plan.

The 12 regional health authorities (RHAs) deliver health services in the province. The RHAs provide acute care services, public health services, alcohol and addictions services, mental health services, home care services, and long-term care.

The RHA's key infrastructure includes health facilities located around the Province such as hospitals, heath centres, and nursing homes. Key Infrastructure also includes major equipment such as beds, information technology systems (IT systems), and diagnostic imagery equipment (e.g., MRIs, CT scanners, x-ray machines).

Saskatchewan Cancer Foundation treats and prevents cancer primarily through the Allan Blair Cancer Centre, the Saskatoon Cancer Centre, and their respective patient lodges. The Cancer Centres provide diagnostic services, treatment services in radiotherapy and chemotherapy, and follow-up services.

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[5] The 12 Regional Health Authorities are: Cypress, Five Hills, Heartland, Kelsey Trail, Keewatin Yatthé, Mamawetan Churchill River, Prairie North, Prince Albert Parkland, Regina Qu'Appelle, Saskatoon, Sun Country, and Sunrise.

Saskatchewan Health Information Network owns and operates the health information network. All 12 regions and more than 800 health service locations are connected to the health information network through CommunityNet and other telecommunication technologies. The network provides access to clinical information systems and supports the telehealth network which enables health providers to consult and treat patients remotely. It also provides e-mail infrastructure to all health regions and retail pharmacies.

Saskatchewan Health Information Network also hosts 20 IT systems for health agencies. These include the long-term care assessment system, renal management systems, and a long-term care electronic patient record.

Objective and criteria

The objective of this audit was to assess the adequacy of the written information (i.e., annual reports and websites) that the Department Health and other health agencies publish about key infrastructure used to provide public services as at July 31, 2005.

The other health agencies we examined were the 12 Regional Health Authorities, Saskatchewan Health Information Network, and Saskatchewan Cancer Foundation.

The Department and health agencies used their annual reports and websites as the primary way to provide information on their key infrastructure to the public.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

The criteria, set out in Exhibit 1, describe the essential content for adequate public reports about the Government's infrastructure.

Exhibit 1

Adequate public information about key infrastructure that a government agency uses to provide public services should briefly describe:

1. the capacity of each major category of infrastructure
2. the extent to which the use of key infrastructure achieved planned results
3. the strategies used to manage major risks of the key infrastructure

We used these criteria in similar audits of information on other agencies in previous years. Saskatchewan Health (Health) supports the criteria.

Conclusion

The Department of Health and each of the other health agencies we examined provided the public with adequate information about their key infrastructure except that they need to provide additional information about the capacity of their key infrastructure, the extent it achieved their objectives, and the strategies used to manage major risks facing their infrastructure.

Key findings by criteria

For each criterion, we set out our expectations (in italics) and our key audit findings for each agency.

Capacity of each major category of infrastructure

Information about infrastructure will describe capacity including:
- *the nature and location of key infrastructure available for use*
- *the cost of the infrastructure and the method used to measure the cost*
- *the processes used for maintaining the infrastructure in good working condition and the average remaining lifespan of each major category of infrastructure*
- *the maximum service capacity of the infrastructure*

We found that the Department and health agencies provide good information about the nature and location of their facilities such as hospitals and nursing homes. For example, website maps of the Regions provide basic information about the location of the different types of

facilities. Health agency websites provide more detail on the location along with the services provided by each facility.

The Department provides some additional information on equipment and IT systems available for use by agencies where it has provided funds in the last several years. For example, the Department's website includes a *Diagnostic imaging review and framework report* that shows this type of equipment at each health region in the province. Health has also implemented the Saskatchewan Surgical Care Network's surgical patient registry[6] in all health regions. The individual agencies in the health sector report the purchase of new equipment during the year. However, information is limited on other existing equipment such as beds, MRIs, and CT scanners. This makes it difficult for the public to understand fully what equipment is available for use and the service potential of this equipment.

Health agencies comply with the Department's guidelines for financial reporting. They adequately set out the original cost, accumulated amortization, and net book value (i.e., depreciated value) by category, the cost of repairs and maintenance, and the amount of additional infrastructure purchased during the year. The Department also sets out the replacement value of all diagnostic imaging equipment in the province. However, it does not disclose this information for any other infrastructure in the health system such as facilities and IT systems.

The Department provides adequate information on the age of diagnostic imaging equipment in the health sector. Each agency also sets out a range of estimated useful lives for each major category of its infrastructure in their financial statements (e.g., buildings 10 to 40 years, equipment 5 to 10 years). As a result, the reader can get a general idea of the average remaining lifespan. However, the Department does not provide this information on infrastructure it uses to provide services directly. The Department and health agencies should consider publishing the remaining lifespan of their infrastructure to increase the public's understanding.

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[6] The surgical patient registry is a province-wide computerized system that tracks people waiting for surgery in the Province.

The Department's website states that it has a capital asset planning unit that oversees strategies, policies, procedures, standards, and processes related to health system assets (i.e., facilities and equipment). The Department provides few details on how it will carry out this work. In addition, the *2005-06 Health Performance plan* details key actions that it intends to undertake in the upcoming fiscal year. For example, the Department states that it will implement a surgical operating room scheduling system, invest in equipment in surgical operating rooms, recovery rooms and surgical wards, continue with the multi-year equipment replacement plan, and begin construction on several new facilities. The replacement plan is not presented in annual reports or websites.

Most agencies also provide some information about the key processes they use to maintain their key infrastructure. For example, public information for a few agencies includes the responsibilities of various positions within the RHA (i.e., capital planners, maintenance employees). For other agencies, public information stated plans were in place to maintain their key infrastructure. Health agencies provided limited information on the current condition of key infrastructure. Without consistent information about the condition of each agency's infrastructure (e.g., average remaining service life and the key processes used to maintain infrastructure), it is difficult for the public to understand the condition of key infrastructure.

Public information is available on the types of services that the health sector infrastructure can provide. For example, most agencies describe the services provided by types of facility (e.g., primary health services, acute care services). Some information is also available on the volume of services at each agency. For example, the Department sets out the actual number of surgery cases for each type of hospital and the number of diagnostic imaging services by type of equipment in each of the health regions and the Saskatchewan Cancer Foundation.

All RHAs describe the utilization rates for certain key infrastructure, e.g., the number of beds for most facilities (e.g., hospitals, special-care homes), the annual number of CT exams, and the annual number of MRI exams. However, information on whether this infrastructure will be able to meet future demand e.g., the volume of services that public sector infrastructure can provide over its remaining lifespan is limited. In

addition, the Department does not describe the volume of services it provides through its branches. To increase the public understanding of the infrastructure's capacity, agencies could provide the average wait time for their specific services and the number of clients it plans to serve annually by its key equipment. This additional information would help the public understand the health agencies' infrastructure capacity.

3.   **We recommend that the Department of Health and other health agencies publish adequate information about the condition and potential volume of service of their facilities and key equipment.**

Extent to which the use of key infrastructure achieved planned results

Government agencies should provide the public with sufficient information to decide whether the use of public infrastructure helped the Government to achieve its planned operating and financial results. Government agencies should compare actual results to targets for key operational information (e.g., service volumes, number and duration of service interruptions or down times, public safety, and reliability).

Agencies should also compare actual financial results to key financial targets (e.g., budgeted acquisition, operating or maintenance costs). We also expect agencies to report the reasons for significant differences between planned and actual results for both operational and financial information.

In its *Performance plan* and its *Annual report*, the Department provides performance measures and results for most of its objectives. These objectives are set at the health sector level. Services provided directly by the Department are not included in the performance measures. None of the performance measures are directly linked to infrastructure. Therefore, the Department does not describe performance measures and results in a way that would allow the public to determine if infrastructure helped or hindered the sector in achieving the planned results.

The Department and health agencies provide the public with their organizational effectiveness indicators and the results for the current year in their annual reports. Health agencies provide limited information on key

operating activities (e.g., number of MRI scans and surgical cases). The majority of the performance results are not compared to plans as targets have not been set. Without targets, the Department is unable to provide the public with a comparison of its planned results to actual results with differences explained.

The Department provides some information about the achievement of its financial plans. For facility and equipment purchases outlined in the budget, the Department compares its planned expenditures to its actual results but does not provide adequate explanations for significant differences.

Health agencies provide some information about the achievement of their financial plans. For example, some agencies compare planned expenses to actual results. They also provide a brief explanation for differences between planned and actual results in their annual reports. The explanations do not consistently tie in infrastructure use. In their financial statements, health agencies state the nature and amount of infrastructure purchased each year. However, they do not set out the planned amount of purchases. Health agencies' financial results also set out the cost for repairs and maintenance compared to plans but do not provide reasons for the differences.

4.   **We recommend that the Department of Health and other health agencies publish performance measures, targets, and results that show the extent to which the use of their key infrastructure achieved their operational and financial plans.**

Strategies used to manage major risks of the key infrastructure

Government agencies should describe the major risks that affect each major category of their infrastructure. Risks may include those common to the industry, risks related to deferred maintenance, physical loss resulting in financial loss, changes in technology, and health or safety concerns. Agencies should also outline their actions to reduce these risks to acceptable levels.

In its public documents, the Department describes the challenges facing health sector equipment. For example, the Department indicates that one

challenge relates to aging equipment. The Department publicly explains the impact of the risk but does not clearly explain what it plans to do to reduce these risks. The Department provides limited information about risks facing the facilities and equipment it uses to provide services directly.

Similarly, most health agencies describe some of the challenges facing their facilities and key equipment. A common risk identified relates to annual funding not being sufficient to address fully, maintenance and capital renewal. Most health agencies do not describe the impact of risks on their operations nor what they plan to do to reduce these risks to an acceptable level.

The Department and health agencies do not provide details on the infrastructure's ability to meet health and safety standards. Nor do they describe any key strategies to protect the infrastructure from physical loss resulting in financial loss. The Department and health agencies need to disclose this information to increase the public's understanding.

5.   **We recommend that the Department of Health and other health agencies publish adequate information about the strategies used to manage major risks facing their infrastructure and their actions to reduce those risks to an acceptable level.**

Learning

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Main points

This chapter reports audits at the Teachers' Superannuation Commission and at Saskatchewan Institute of Applied Science and Technology.

We report the results of the audit of the Teachers' Superannuation Plan operated by the Teachers' Superannuation Commission (Commission) for the year ended June 30, 2005.

We concluded that the financial statements of the Commission are reliable and it complied with the authorities governing its activities. The Commission had adequate processes to safeguard public resources; except the Commission needs to establish information technology security policies and procedures. The Commission also needs a written and tested disaster recovery plan.

In our 2003 Report – Volume 1, we reported that the Government's pension plans need to improve their governance processes. We continue to recommend the Commission develop strategic plans, define responsibilities and its operational information needs, develop communication plans, and establish policies for code of conduct and governance self assessment.

We also set out the findings of our audit of the Saskatchewan Institute of Applied Science and Technology's (SIAST) human resource processes to build its human capacity for current and future needs. Human resource processes at SIAST vary for different employee groups.

We report that SIAST, at January 31, 2006, had adequate human resource processes to build human capacity except as follows. SIAST needs processes to analyze and communicate workforce gaps and barriers. It also needs processes to evaluate progress towards current and future human capacity needs.

Introduction

In February 2006, the Government restructured the Department of Learning. Effective April 1, 2006, the Department of Advanced Education and Employment became responsible for post-secondary education including the Saskatchewan Institute of Applied Science and Technology (SIAST). The Department of Learning continues to have responsibility for the Teachers' Superannuation Commission (Commission).

At the time of our work, the Department of Learning had overall responsibility for the learning sector. Specific responsibilities of the Department included pre-kindergarten to Grade 12 education, early childhood development, student support programs, training programs, post-secondary education, the public library system, and teachers' pensions and benefits.

In this chapter, we set out the results for the June 30, 2005 audit of the Teachers' Superannuation Plan operated by the Commission. We also set out the results of our audit of SIAST's human resource processes to build capacity for current and future needs as of January 31, 2006.

Teachers' Superannuation Commission

The Commission operates under the authority of *The Teachers Superannuation and Disability Benefits Act*. The Commission consists of seven members appointed by Cabinet. The Commission's primary roles are to:

♦   provide lifetime retirement and related benefits to teachers

♦   assist the Government of Saskatchewan in its responsibility for ensuring that there is sufficient money in the Teachers' Superannuation Fund (Fund) to pay all allowances and other amounts as they become due and payable out of the Fund

The Commission manages the Teachers' Superannuation Plan (Plan). The Plan is a defined benefit final average pension plan. The Plan consists of the Fund and the Voluntary Contributions Fund.

The Commission's 2004-05 annual report includes the Plan's financial statements for the year ended June 30, 2005. Those financial statements report that the Plan had contributions of $14.9 million from teachers and $87.4 million from the Minister of Finance. At June 30, 2005, the Plan held assets of $1.7 billion and had accrued pension benefits of $4.75 billion resulting in an unfunded pension liability of over $3 billion.

Audit conclusions and findings

This section reports the results of our audit of the Commission.

In our opinion for the year ended June 30, 2005:

♦ **the financial statements of the Commission are reliable**

♦ **the Department complied with authorities governing the Commission's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **the Department had adequate rules and procedures to safeguard the Commission's public resources except for the matters reported in this chapter**

Governance processes

In our 2003 Report – Volume 1, we reported that the Government's pension plans need to improve their governance processes. We recommended that the pension plan boards:

♦ develop and implement strategic plans
♦ define their responsibilities
♦ define and communicate their financial and operational information needs
♦ develop and implement communication plans
♦ establish policies for code of conduct and self-assessment

In September 2004, the Standing Committee on Public Accounts considered this matter and concurred with our recommendations.

As part of our 2005 audit of the Plan, we assessed the Plan's progress towards improving its governance processes. We found that the Commission has not yet developed a strategic plan including the goals and objectives of the Plan, risks the Plan and its members face, and the key strategies to manage those risks.

In 2005, the Commission prepared a document called "an evaluation of future options for administering the Plan." The document identified various administration options and the risks and strategies for managing the risks under each option. The document is a useful first step in developing a strategic plan.

The Act sets out the general responsibilities of the Commission. The Commission needs to set out clearly the specific responsibilities of the Commission including delegation of authority and education plans for commission members and management. Also, the Commission needs to define and communicate its financial and operational reporting needs to oversee the Plan (e.g., its compliance reporting needs, frequency of its review of the Plan's statement of investment objectives). Currently, management provides the Commission with regular financial reports including numbers and types of benefits.

The Commission has not established a code of conduct for its members and developed and implemented a communication plan. However, it has established a code of conduct for management and employees of the Plan. Also, because the Commission has not fully addressed its governance processes, it has not assessed its own effectiveness.

The Plan is significant to the Department of Finance, members of the Plan, and the public. The Plan has an unfunded liability of over $3 billion, which is the responsibility of the General Revenue Fund (GRF). The Department of Finance, through the GRF, incurs significant costs to provide pensions.

We continue to recommend that the Teachers' Superannuation Commission:

♦   develop and implement a strategic plan for the Teachers' Superannuation Commission that includes the Plan's goals and

> objectives, a summary of the key risks faced by the plan and its members, and the key strategies to manage those risks

♦ clearly set out the specific responsibilities of the board including clear delegation of authority and an education plan for board members and management

♦ define and communicate the financial and operational information that the board needs to oversee the plans

♦ establish an appropriate code of conduct for board members

♦ develop and implement written communication plans

♦ establish policies for periodic governance self assessment

Management told us that it plans to improve its governance by June 2006.

Security policies and procedures needed for information technology (IT)

The Commission needs to establish IT security policies and procedures.

IT security policies and procedures help ensure the confidentiality, privacy, integrity, and availability of information systems and data. Without adequate IT policies, employees may not know the rules to protect the Plan's systems and data. Also, management may not know if it has addressed all the threats and risks to the Plan's security. An IT plan can help management do so.

The Commission needs written polices and procedures for granting or removing access to vital information and programs. It also needs written procedures to monitor who has access to what systems and if that access is appropriate.

The Commission should approve the IT plan and the IT policies and procedures. Then it should communicate the approved IT plan, policies, and procedures to all employees.

1. **We recommend the Teachers' Superannuation Commission approve an information technology plan.**

2. **We recommend the Teachers' Superannuation Commission approve information technology policies and procedures.**

Disaster recovery plan needed

The Commission needs a written and tested disaster recovery plan.

A disaster recovery plan is important because the Commission's operations depend on the reliability of its information systems. The Commission needs a written and tested disaster recovery plan for all its computer systems to ensure it can operate effectively in case of a disaster.

A disaster recovery plan sets out the procedures needed to ensure the continuity of operations and the availability of data. The plan should cover all significant IT operations based on the importance of each program and service. An agency's disaster recovery plan is an important part of its business continuity plan. A business continuity plan sets out how an agency will recover from an unplanned business interruption.

Management should regularly review and approve the disaster recovery plan. Also, it should regularly test the disaster recovery plan to ensure it works.

3.   **We recommend the Teachers' Superannuation Commission prepare a written disaster recovery plan for its critical information technology systems and regularly test that plan to ensure it works.**

SIAST Human Resource Capacity

Saskatchewan Institute of Applied Science and Technology (SIAST) was established as a public educational corporation under *The Institute Act* and is continued under *The Saskatchewan Institute of Applied Science and Technology Act*.

For the year ending June 30, 2005, SIAST's financial statements report revenues of $144.9 million, expenses of $143.6 million, and assets of $53.0 million. The complete set of financial statements can be found at www.siast.sk.ca in the *SIAST 2004-2005 Annual Report*.

Introduction—human capacity risks

Saskatchewan's workforce is the backbone of its economy. Due to demographic changes, Saskatchewan is at risk of serious workforce shortages. By 2010, large numbers of post-war baby-boomers will retire from the workforce each year. The workforce will continue to shrink for two decades—until 2030.[1]

Replacing these experienced and knowledgeable workers will not be easy. All Canadian provinces and many other countries also face the challenge of a shrinking workforce. Widespread shortages could mean some positions remain vacant for long periods.

As a post-secondary education institution, SIAST helps prepare people for work in areas such as the trades, health sciences, and technology.[2] SIAST's role will become increasingly important over the next two decades. SIAST spends $144.5 million annually to provide its services (2004-05).

SIAST depends on its employees to achieve its objectives. Effective human resource processes will help SIAST hire and retain the right people at the right time to provide effective services. Forward thinking and innovative employees will help SIAST to prepare for the future.

Our Office audits how major Government agencies manage their human resource risks. This section describes our audit of human resource processes across SIAST.

Human capacity at SIAST

We audited SIAST's human resource processes for full-time and part-time permanent employees, not casual or contract workers. During 2004-05, SIAST employed 1,975 workers (1,474 full-time equivalents).[3] In addition, SIAST employed about 500 workers on a casual or contract basis. These workers help SIAST meet its short-term needs.

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[1] *Statistics Canada's Daily* for December 16, 2005. Population projections 2005 to 2031.
[2] *SIAST 2004-05 Annual Report.*
[3] *SIAST Human Resources Division 2005 Annual Report*, p.14.

SIAST is a unionized agency. Most positions are within SIAST's collective agreements (in-scope); about 75 positions (less than 4%) are leadership or management positions (out-of-scope). SIAST identifies three broad groups in its workforce.

1. The **in-scope professional services (support) group** includes administrative assistants, security officers, accountants, information technology experts, etc. These employees meet the public and keep SIAST operational.

2. The **in-scope academic group** includes instructors, their supervisors (program heads), librarians, extension consultants, etc. These employees deliver education—SIAST's core service.

3. The **out-of-scope (leaders) group** includes division managers, program deans, campus directors, executive assistants, senior administrative staff, vice-presidents, etc. These employees are responsible to monitor risks, communicate mission-critical information, and make decisions to implement the direction chosen by the board.

Audit objective, criteria, and conclusion

The objective of the audit was to assess the adequacy, at January 31, 2006, of SIAST's human resource processes to build its human capacity for current and future needs.

To carry out our audits, we use audit criteria. For this audit, we based the criteria on private and public sector research, literature, and the reports of other auditors (see selected references). SIAST accepts our criteria as reasonable and attainable.

Our criteria describe the following key human resource processes to build human capacity for current and future needs:

♦ plan human resources to support human capacity

♦ coordinate human resource strategies across the agency

♦ evaluate progress towards the required human capacity

SIAST delivers education and human resource services at four campuses (Prince Albert, Saskatoon, Regina, Moose Jaw). We audited human resource processes across SIAST.

Both specialized human resource staff and other staff provide human resource services. For example, supervisors initiate the hiring process and may encourage qualified people to apply. The Human Resources Division provides advice and tools such as interview guides. These central procedures guide the hiring process to follow SIAST's policies and comply with human rights and other regulations. The Human Resources Division also promotes action toward SIAST's human resources goals (e.g., a representative workforce).

Human resource practices vary across SIAST by location and by employee group. As in other large agencies, many factors influence the way SIAST manages its human resources. These factors include the economy, the amount of its revenues, its collective agreements, the workplace environment, relations with its partners, and the supply of workers. SIAST's has focused its human resource processes on its out-of-scope group and instructors in its academic group.

We concluded that at January 31, 2006, SIAST had adequate human resource processes to build human capacity except for its processes to:

♦　　**analyze and communicate workforce gaps and barriers**

♦　　**evaluate progress towards current and future human capacity needs**

Throughout our audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. This report describes what we expected (in italics) and what we found for our three criteria.

Findings and recommendations—processes to build human capacity

Plan human resources to support human capacity

To plan human resources for current and future needs, we expected SIAST to:

♦ *identify key competencies to meet current and future demand*
♦ *assess the supply of key competencies*
♦ *identify gaps in human capacity*
♦ *identify barriers to human capacity*

Analyzing workforce supply and demand—key competencies

Key competencies are the knowledge, skills, and behaviours essential to perform jobs that keep an agency operational. Historically, employers depended on professional credentials or education to select employees. Now, employers try to use specific competencies to select employees. Competencies help agencies employ talented people for each position.

SIAST recruits employees based on their professional credentials, education, and work experience. SIAST does not list competencies it considers essential to provide quality services except for its out-of-scope group.

SIAST's current approach to recruiting emphasizes credentials. This approach could lead to hiring employees with technical credentials (e.g., hire experienced RN as campus nurse), but without the specialist skills and knowledge required to do the job (e.g., immunize students, identify communicable disease, counsel distressed students). SIAST has begun to move to a more competency-based approach.

SIAST uses four essential "prerequisites" to help it recruit appropriately. It also uses optional, job-related, "desired qualifications." SIAST consistently uses the prerequisites to advertise and describe its jobs. Three of the prerequisites are basic employability skills (communication, interpersonal relations, ability to work with persons of all equity groups). SIAST uses the fourth prerequisite (instructional ability) to recruit its instructors. SIAST could strengthen its recruiting process by expanding its

prerequisites and using key competencies to help recruit strong candidates for its current and future needs.

SIAST identified key competencies for out-of-scope leaders in its *Performance Management Reference Guide 2005* (e.g., leadership, results orientation, adaptability, taking initiative). Two thirds of the job descriptions we evaluated contained these key competencies. The Guide's key competencies do not include future-oriented behaviours such as innovation, a SIAST value.[4]

SIAST has not yet identified the key competencies for its in-scope staff. Knowing these key competencies would help it plan. Alternatively, SIAST could plan its workforce by identifying the key positions or occupations that are essential to operate. In 2004, SIAST identified the out-of-scope and academic positions it considers key to its operations. It has not identified key positions or occupations in the support group.

SIAST considered its internal supply of workers by assessing the impact of retirements on two groups. In 2004, using employee ages, SIAST calculated its risk of losing human capacity due to the retirement of its out-of-scope leaders and in-scope academic staff.

SIAST depends on its staff to be aware of the external supply of workers or potential shortages in the local community. It does not track shortages or difficult-to-recruit positions over time to help identify long-term trends. SIAST does not have a system to assess the future external supply of key occupations essential to its own operations. Identifying key positions that are important to its daily operations could assist SIAST to monitor future shortages.

Identifying workforce gaps and barriers

SIAST identifies workforce gaps and barriers in an ad hoc way. It does not monitor vacant positions to assess the type and length of vacancies. SIAST does not use a framework or guide to help all divisions identify and overcome gaps and barriers to workforce capacity.

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[4] SIAST Business Plan 2005-2010 p.1.

SIAST has not done a complete analysis of its workforce to assess whether its current workforce meets its present and future needs. Such an assessment would help SIAST prepare for the future by assessing the gaps in its human capacity across all positions, programs, and locations.

SIAST has a *Human Resources Strategic Plan 2003-08* (Plan). The Plan contains four goals and actions that relate to the priorities of SIAST. It sets out timeframes and costs, and assigns a person or unit to each action. The Plan mentions the risk of "high turnover expected over the next decade due to retirements and competition..." (p.3). It does not describe current or anticipated gaps or barriers to SIAST's human capacity.

Although not noted in the human resources Plan, SIAST identified that increased retirements could create gaps in its future human capacity. It analyzed the ages of its out-of-scope leaders and its in-scope academic group. The age data for the academic group showed that one campus and some programs are at greater risk; it did not identify the positions most affected. Analysis of peak years for retirements by type of position across the agency would help SIAST to manage these risks.

Descriptive, written reports to the board and executive managers from the Human Resources Division mention general obstacles to human capacity. For example, the January 2006 report stated that a competitive labour market caused delays in the recruiting process.

SIAST's Human Resources Council includes its senior human resource staff from all SIAST campuses. The Council meets regularly to discuss current activities and barriers across the whole agency and find solutions. The Council could provide valuable advice about potential gaps and barriers to SIAST's future human capacity.

4.   **We recommend Saskatchewan Institute of Applied Science and Technology analyze competency gaps for its entire workforce and provide periodic updates to the board.**

5.   **We recommend Saskatchewan Institute of Applied Science and Technology identify barriers to its current and future human capacity and provide the board with a plan to address the significant barriers.**

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Coordinate human resource strategies across SIAST

To coordinate human resource strategies across SIAST, we expected SIAST to:

♦ *communicate significant gaps and barriers to capacity*
♦ *design human resource strategies to address barriers and gaps in all programs*
♦ *develop staff to enhance key competencies in all programs*
♦ *recruit talented candidates with key competencies in all programs*
♦ *retain staff to meet SIAST objectives*

Coordinate by communicating gaps, barriers, and strategies

In November 2004, as part of a succession plan presentation, SIAST told the board its out-of-scope retirement risk could lead to significant gaps in human capacity. SIAST has not given the board or senior managers a complete report of the agency's current or future human resource gaps.

SIAST designs and coordinates its human resource strategies for specific employee groups (i.e., out-of-scope, in-scope academic, and in-scope support). For example, SIAST has two strategies for age-related human capacity issues. For in-scope employees, since 2000, it has used an incentive plan so that a few employees retire earlier, allowing for knowledge-transfer to new employees before many employees retire at once. For out-of-scope employees, SIAST has a Leadership Succession Planning Process. In future, SIAST plans to extend this succession plan to key in-scope positions.

SIAST has more human resource strategies for academic and out-of-scope employees than for its support employees. A coordinated approach that helps to address this potential imbalance is SIAST's online *Guide to Delivering Technology Enhanced Learning*. One of SIAST's priorities is to use technology in the learning environment. To achieve this priority, *The Guide* helps program heads, instructors, librarians, and technicians work together to achieve SIAST's goal. Coordinated, goal-oriented strategies help build required competencies across employee groups.

6. **We recommend Saskatchewan Institute of Applied Science and Technology regularly inform staff involved in the**

recruiting process about trends in workforce gaps across SIAST and effective strategies to overcome barriers to human capacity.

Coordinate employee development to enhance competencies

SIAST provides training and development for its employees. It manages employee development differently for its in-scope and out-of-scope groups. For all its in-scope employees, SIAST has a professional-development day annually at each location. The content of these events may relate to agency priorities (e.g., safety, distance learning). A coordinated agency training plan could further strengthen this approach.

SIAST asks employees to determine their own training needs and makes resources available in response to employee requests. SIAST invites employees to keep an electronic record of their training activities.

The Professional Development Committee considers requests from employees in the support and academic groups for funding to attend training events.[5] The Committee allocates funds based on hours worked (seniority) and prior spending by that employee. The Committee does not focus its funding on training related to key competencies, but supervisors can encourage development of this type.

In addition to these training opportunities, SIAST has a coordinated development plan for instructors in the in-scope academic group. The instructors' development plan includes an orientation, a faculty certificate program (primarily related to adult education techniques), and twice yearly updates on program issues for instructors who are program heads.

Employee development includes performance appraisal, coaching, and mentoring as well as training. An electronic reminder encourages supervisors to coach in-scope employees on their performance during the probationary period. After the probationary period, the collective agreement emphasizes seniority rather than supporting formal evaluation of staff performance; it is silent on coaching or discussion of development

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[5] Professional Development Committee members represent all three employee groups at SIAST—management, the academic group, and the support group.

with a supervisor. Some supervisors informally recognize strengths and encourage employees to develop their skills; others do not.

SIAST's out-of-scope senior leaders discuss their development needs with their supervisor using a personal development plan. SIAST approves resources for out-of-scope employee training on a case-by-case basis. There is no coordinated training plan that all leaders complete (e.g., personal accountability, conflict resolution, coaching or developing others, implementing agency values such as innovation and excellence).

Coordinate recruitment of talented candidates

For the in-scope academic group, SIAST human resources staff and academic program heads worked together to design recruitment strategies for specific program needs. SIAST has not communicated these initiatives to other program areas, or identified other areas of SIAST where they would be appropriate.

In 2001, the nursing faculty set up a Recruit-Retain-Rejuvenate Committee to consider ways to attract talented candidates. With input from human resources staff, the Committee designed two main recruiting strategies that it continues to use. It gives faculty who attend conferences a brochure to promote SIAST. It also promotes a policy of financial support for study-leave. The nursing program budgets for these recruitment strategies.

In 2005, SIAST's human resources staff designed a compensation strategy to recruit instructors for the emergency medical technician program where earnings in the community are higher than SIAST's instructor salary range. Also in 2005, human resources staff worked with the automotive service technology staff to do a workforce planning exercise. Together they designed strategies to recruit from a shrinking pool of candidates where salary was not the issue. SIAST hopes to use this approach again in future.

SIAST's collective agreements influence its recruiting practices for in-scope positions. SIAST posts vacancies internally and considers employees with seniority first. As their seniority builds, employees become eligible for part-time or full-time positions for which they have the basic qualifications. If SIAST hires an external candidate, it is often on a

casual basis, limiting its potential applicants to those who are interested in short-term work. Building seniority takes time—SIAST may miss opportunities to hire talented external candidates.

Coordinate employee retention to meet priority objectives

SIAST uses a range of strategies to retain its employees. Historically, SIAST's agency-wide turnover is 4-5% each year, suggesting its strategies to retain its employees are successful. SIAST monitors employee turnover for the agency but not for key positions within each division or location.

Some of SIAST's policies that help retain employees are set out in its collective agreements. For example, its policies of earned days off and a shorter work-year enable employees to balance work and family roles. SIAST offers training related to technology change to its employees. Beyond the collective agreement, SIAST has a wellness strategy that also helps retain its employees. The strategy includes health promotion, influenza vaccine, and support for smoking cessation or weight loss.

Recognition of good performance also helps to retain employees. SIAST recognizes employees who demonstrate its values. For example, the President's awards recognize excellence and innovation. SIAST also has a long-service recognition program and a special retreat opportunity for instructors who demonstrate excellence.

Evaluate progress toward required human capacity

To evaluate progress toward required human capacity, we expected SIAST to:

♦ *collect reliable data on human capacity*
♦ *facilitate an overall review of progress by senior managers and the board*
♦ *adjust human resource strategies as required in response to its evaluation of progress.*

Reliable information to evaluate progress

SIAST uses a management information system and has procedures to ensure the accuracy of its human resource information. For example,

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every week, human resource administrative assistants and managers verify the accuracy of information entered for that week. SIAST has procedures to keep the data secure and protect its integrity.

SIAST's information system is capable of reporting human resource data by location or program area, but it is difficult to access. The system requires a technician to program requests for unique reports. SIAST does not share a central analysis of data with those who need to know the information. SIAST told us it had limited resources to create reports.

In 2005-06, every user decides what information to request, what parameters to use, how often to request it, and whether to communicate it to anyone else. The managers we spoke to did not routinely analyze internal workforce information to help evaluate human capacity. The four human resource managers prepare monthly activity reports for their campuses; they do not develop strategic information about internal trends or progress toward SIAST's human capacity goals.

Using information to evaluate progress and adjust strategies

To gain an overview of progress in meeting human resource goals, the board and executive managers receive a written descriptive report at least twice yearly. These reports describe activities taken toward the four goals of the *Human Resources Strategic Plan 2003-08.*

The *Human Resources Division Annual Report* explains progress using SIAST's twelve performance measures. The Annual Report compares three-year trends for SIAST to industry benchmarks. Statistics for human resource activities are also set out for three years and the report highlights some activities for the year. An electronic *Human Resources Division Annual Report* is centrally available to all staff on the intranet.

To help it take timely action to adjust human resource strategies, SIAST needs some quarterly information about its workforce and its human resource risks. For example, the board could monitor progress more easily if it received quarterly analysis of trends in key measures (e.g., turnover, hard-to-recruit vacancies, representative workforce). This information could help the board respond to risks, particularly if the reports compared progress across SIAST (e.g., by location, employee group, division or program area).

7.   **We recommend Saskatchewan Institute of Applied Science and Technology's board work with management to identify the content and frequency of reports necessary to monitor human resource risks and evaluate progress toward its human capacity objectives.**

Next steps

SIAST's human resource processes are important to its future success. We plan to monitor SIAST's progress in improving human resource processes to build its human capacity.

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Property Management

4

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Main points

Each year, Saskatchewan Property Management (SPM) purchases or helps purchase over $100 million of supplies and services. *The Purchasing Act, 2004* requires SPM to obtain supplies centrally for government departments, boards, commissions, and Crown corporations. In this chapter, we report on whether SPM has adequate processes at October 31, 2005 to purchase supplies valued at over $25,000.

To purchase supplies valued at over $25,000, we expected that SPM would:
♦　　define the need and specifications for required supplies
♦　　obtain quotations fairly
♦　　select suppliers for required goods
♦　　monitor performance of the purchasing process

As at October 31, 2005, SPM had adequate processes to purchase supplies over $25,000 except for monitoring the performance of the purchasing process. SPM needs to get prompt feedback from user agencies to monitor the quality of supplies and performance of suppliers. SPM also needs to monitor compliance with the *Purchasing Act, 2004* whether it purchases the supplies directly or delegates the purchase to public agencies.

Introduction

The Purchasing Act, 2004 requires Saskatchewan Property Management (SPM) to obtain supplies centrally for provincial government departments, boards, commissions, and Crown corporations (user agencies).[1] To meet its user agencies' needs, SPM needs to purchase the right goods and services, on time, and economically. Each year, SPM purchases or helps purchase over $100 million of supplies and services.

The Act defines supplies as "all goods, wares, and merchandise that are required by a public agency or public institution for the transaction of its business…." The nature of the supplies varies widely. For example, SPM obtains furniture, computers, laboratory equipment, plumbing supplies, vehicles, tires, fuel, asphalt, and food.

Many factors make SPM's task challenging. Some product prices are very sensitive to global pressures and conditions. Some products are in short supply and there are large daily swings in price. This rapid change in supply markets means SPM must monitor availability and price of some supplies. For example, fuel, lubricants, steel products, rubber tires, coal, and paper supplies require special attention.

Efficient purchasing requires electronic business-to-business transactions, a wide supplier base, and some long-term contracts with complex pricing. Without adequate controls over the purchasing process, SPM risks wasting public money, reducing service efficiency, or limiting access to quality supplies on time. For example, if SPM's purchasing practices are not fair, open, and competitive, there may be risks to its reputation and future access to quality products.

Audit objective, criteria, and conclusion

The objective of the audit was to assess the adequacy of Saskatchewan Property Management's processes at October 31, 2005 to purchase supplies valued at over $25,000. The audit did not include the purchase of services.

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[1] *The Purchasing Act, 2004* section 2.

We focused on supplies valued at over $25,000 because these significant purchases are influenced by trade agreements. For example, the Agreement on Internal Trade between the provincial, territorial, and federal governments does not allow preferential treatment to suppliers within their jurisdiction when obtaining supplies valued at over $25,000. Such restrictions emphasize the importance of documenting the purchasing process and the rationale for purchasing decisions.

We based the audit criteria on available literature including reports of other auditors. SPM accepts the criteria as reasonable standards for assessing its processes. Our criteria describe the following key processes that we expect SPM to use to purchase supplies valued at over $25,000:

♦   Define the need and specifications for required supplies

♦   Obtain quotations fairly

♦   Select suppliers for required goods

♦   Monitor performance of the purchasing process

We concluded that at October 31, 2005, Saskatchewan Property Management had adequate processes to purchase supplies over $25,000 except for monitoring the performance of the purchasing process.

Findings on processes to purchase supplies

Throughout our audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. We describe below what we expected (in italics) and what we found for our four criteria.

Define the need and specifications for required supplies

To define the need and specifications for required supplies, we expected SPM to:
♦   *define the need in sufficient detail for understanding*
♦   *define specifications to encourage open and effective competition*
♦   *specify other requirements (e.g., warranty, delivery, packaging)*

♦   *use specifications that support government policy*

♦   *confirm specifications with users*

A public agency that requires supplies (the user agency) starts the process to purchase supplies with a written request that describes what the user needs. SPM talks to users to clarify the supplies needed. This process generally results in a complete description of the required supplies.

SPM uses the written request to define the specified products in a tender on which suppliers may bid. Tender is the term used by the industry to request bids from suppliers. The specifications in the tenders and contracts are understandable. Where tenders contain technical information, it is in a format that the industry understands, enabling an effective competition.

The use of brand names or specifications unique to one supplier can restrict the use of alternate suppliers making the competition less open. In many of its tenders, SPM uses brand names to explain what product is required. SPM sometimes adds "or similar product" to the product description. Where possible, it would be more fair to use exact specifications rather than a brand description. Alternatively, SPM should ensure that its tenders consistently refer to "similar products." SPM adequately describes other requirements such as warranty, delivery, and packaging.

SPM puts standard terms and conditions in its tenders and contracts to make it clear suppliers must comply with the law. Also, for some tenders and contracts, SPM adds clauses about occupational health, safety, transport of dangerous goods, labour standards, etc.

We expected SPM to support Government policies with its processes to purchase supplies. For example, SPM's tenders state it may give preference to environmentally friendly products. In general, SPM expects the user agency to identify any Government policy or strategy that could influence the selection of the supplier.

SPM obtains user agency approval of draft tenders, often by phone, to confirm the draft tender is complete and accurate. Before it makes tenders public, we encourage SPM to ask user agencies to confirm their

purchase requirements in writing (e.g., fax, e-mail). This step would ensure that both SPM and user agencies have sufficient accurate documentation to support decisions to spend public money.

Obtain quotations fairly

To obtain quotations fairly, we expected SPM to:
♦   *identify feasible sources of supply*
♦   *obtain authorization to initiate each tender*
♦   *give equal and fair treatment to potential suppliers*

SPM posts information about the supplies required on *SaskTenders,* SPM's service website.[2] For some supplies (e.g., commonly sought supplies, highly technical supplies), SPM approves potential suppliers prior to making the tender public. To manage the risk that some suitable suppliers may not be aware of *SaskTenders*, SPM regularly advertises this website in trade magazines such as the *Saskatchewan Business Magazine*. Also, SPM holds biannual trade shows attended by about 600 suppliers.

SPM's guidelines require that tenders be posted on *SaskTenders* for at least two weeks (14 days). During 2005, SPM posted about 16% of its tenders for 5-10 days. SPM explained that shorter time periods are sometimes required because of user agencies' immediate needs (e.g., food, fuel, asphalt).

The Purchasing Act, 2004 and *The Purchasing Regulations* generally define the Government's purchasing process. The *Regulations* outline the information required to solicit a bid. SPM's buyers consistently obtained appropriate SPM authority to initiate tenders.

SPM gives equal and fair treatment to potential suppliers. SPM tells potential suppliers what they need to know to decide if they wish to bid on a tender. For example, SPM consistently provides suppliers with the criteria SPM will use to select a supplier.

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[2] www.sasktenders.ca

SPM's guidelines allow it to purchase some supplies without an open competition, for example, when there is only one supplier that can provide the product required. In these cases, user agencies ask SPM to obtain the supplies without an open competition. SPM reviews each request for reasonableness. For example, a user agency may require compatible equipment or matching furniture. SPM often gives notice on *SaskTenders* prior to awarding the contract to allow suppliers to challenge the decision to purchase supplies without an open competition.

Select suppliers for required goods

To select suppliers for required goods, we expected SPM to:
♦ *evaluate tenders for best value (e.g., use same process for all bids, evaluate price, quality, delivery, service, warranty)*
♦ *obtain appropriate approval to purchase supplies*
♦ *inform bidders of tender decision*

SPM appropriately evaluated suppliers for the required supplies. SPM evaluated and selected suppliers based on criteria documented in the tender. User agencies accepted SPM's recommended supplier because SPM involved users in the evaluation and selection process.

SPM's buyers consistently obtained appropriate SPM approval to purchase supplies. Generally, the process to approve purchases was timely. In a few situations, the process was not timely and SPM did not document the reason for the delay. For example, it took three and a half months to award a contract for laboratory supplies. SPM told us it allowed time to test the equipment to ensure it would meet the precise needs of the user agency's laboratory although this evaluation was not specified in the award criteria.

SPM contacts successful bidders to inform them of the tender decision. In addition, SPM told us that beginning in 2006, *SaskTenders* will name the supplier chosen for each tender. This will make purchase decisions more transparent.

At the request of unsuccessful bidders, SPM conducts debriefings on their tender decisions. Feedback to suppliers about their bids may help retain suppliers over the long term. In particular, information about the rationale for the tender decision (e.g., award criteria, exceptional service)

may help suppliers to submit successful bids. It could also improve supplies and services received by the Government.

Monitor performance of the purchasing process

To monitor performance of purchasing processes, we expected SPM to:
♦ *obtain timely feedback*
♦ *take internal action on feedback*
♦ *report performance problems*

As of October 31, 2005, SPM's process to monitor its performance was not timely and was not related to specific supplies or suppliers. In 2003, SPM asked user agencies to rate SPM's services in general. In 2004, SPM surveyed suppliers about the SPM purchasing process. SPM did not survey users or suppliers during 2005. SPM told us it intends to repeat these surveys every two years.

SPM does not have a formal or informal user-feedback process to identify immediate problems with the supplies the user agency receives. Because there is no timely feedback process, SPM may not notify suppliers of deficiencies, and suppliers may not fix the problems quickly. Also, SPM may award new contracts to suppliers who have not appropriately fulfilled the terms of past contracts. Without a good feedback process, SPM may not know if its purchasing process is effective.

1. **We recommend Saskatchewan Property Management get prompt feedback from user agencies to monitor the quality of supplies and the performance of suppliers.**

To monitor performance of all purchasing processes, SPM needs to know if legislation and policies are followed consistently.

SPM is the Government's central agency for purchasing. SPM directly purchases all supplies in excess of $5,000. It does not evaluate whether it is meeting its objectives for effective, value added services.

SPM delegates some purchasing authority to public agencies (e.g., purchases under $5,000). SPM does not monitor if these public agencies use purchasing processes that comply with *The Purchasing Act, 2004* and other delegated policies.

2.   **We recommend Saskatchewan Property Management monitor compliance with the *Purchasing Act, 2004* whether it purchases the supplies directly or delegates the purchase to public agencies.**

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Finance

5

Main points

In this chapter, we report the results of our audit of the Public Employees Pension Plan's (PEPP) controls to protect its pension administration system from unauthorized access, unscheduled downtime, and inaccurate processing. We assessed PEPP's processes for the period August 15, 2005 to December 31, 2005.

We found PEPP has adequate controls to protect its pension administration system except PEPP needs policies and procedures for granting, removing, and monitoring user access. PEPP also needs a complete disaster recovery plan.

We also report the results of our audits of Finance-administered special purpose funds and Crown agencies with years ending December 31, 2005. We found that Finance generally does a good job of managing the funds and agencies.

However, for the Public Employees Dental Fund, Finance needs to ensure it receives accurate reports for dental claims paid for enhanced benefits. Without adequate reports, Finance does not know if each employer fully pays for the enhanced benefits claimed by employees.

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.

Special purpose funds and Crown agencies

Finance is responsible for the following special purpose funds and Crown 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
Municipal Financing Corporation of Saskatchewan
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.[1]

Year ended March 31

General Revenue Fund
Fiscal Stabilization Fund[2]
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund

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[1] Our office has been denied access to this Crown agency since December 31, 1993 (see Chapter 8 of our 1999 Fall Report – Volume 2 for further discussion of the matter).
[2] 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 the *Public Accounts 2004-05: Volume 1: Main Financial Statements*.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings on the special purpose funds and Crown agencies with years ending December 31, 2005. We also report the results of our audit of the Public Employees Pension Plan's controls to protect its pension administration system. We reported our objective and criteria in our 2005 Report – Volume 3.

In our 2005 Report – Volume 3, we reported on the funds and agencies for the fiscal years ending on or during the year March 31, 2005.

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 Auditors*.[3]

In our opinion, for the special purpose funds and agencies with December 31, 2005 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**

♦ **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 the members' costs for

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[3] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

dental services. Finance through the Public Employees Benefits Agency administers the Plan.

For the year ended December 31, 2005, the Fund had employer contributions of $15.2 million and claims of $17.8 million. At December 31, 2005, the Fund held assets of $6.5 million and had liabilities of $0.9 million.

Accurate reports needed for claims paid

Finance needs to ensure it receives accurate reports for claims paid for enhanced benefits. Accurate reports are necessary so Finance knows if each employer is fully paying for enhanced benefits claimed by its employees.

The Plan provides core benefits to employees of all participating employers (departments, several Crown corporations, various agencies, boards, and commissions). The employers pay for these benefits at a straight 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 for those enhanced benefits. The contributions required for enhanced benefits depend on the claims experience of each participating employer.

Finance administers claims for both enhanced and core benefits. Finance has contracted with an insurance company to adjudicate and process claims. Because the contributions for enhanced benefits depend on claims experience, Finance maintains separate claim records for core and enhanced benefits. Finance requires this information to ensure it collects the correct contributions from employers that provide enhanced benefits.

Finance receives regular reports from the insurance company that track claims paid for core and enhanced benefits. To ensure the insurance company is properly processing claims, Finance checks some transactions from the reports to the original claims. During the year, Finance found many allocation errors between core and enhanced benefits on the reports provided. However, Finance did not follow up the errors promptly. Because Finance did not receive accurate reports for

claims paid for the enhanced benefits of the Plan, it does not know if each participating employer is fully paying for the enhanced benefits claimed by its employees.

1. **We recommend the Department of Finance ensure it receives accurate reports for claims paid for enhanced benefits of the Public Employees Dental Fund.**

Public Employees Pension Plan – Pension administration system

The Public Employees Pension Board (Board) is responsible for *The Public Employees Pension Plan Act.* The Board's primary objective is to provide retirement benefits to members in accordance with the law. The Board manages the Public Employees Pension Plan (PEPP), a defined contribution pension plan. PEPP has contracted the Public Employees Benefits Agency (PEBA) to provide day-to-day administration.

PEPP implemented a new pension administration system (CPAS) in August 2005. CPAS allows PEPP to manage the administration of its member's accounts. These accounts consist of assets of over $3.6 billion at December 31, 2005. PEPP plans future enhancements (Phase II) to CPAS that include allowing members to access information on their accounts via the Internet.

In our 2005 Report – Volume 3 (www.auditor.sk.ca) we reported the results of our audit of the adequacy of PEPP's project management processes for the implementation of CPAS. In that report, we said we planned to examine PEPP's controls to protect CPAS from unauthorized access, unscheduled downtime, and inaccurate processing. This chapter describes the results of our work.

Objective, scope, and criteria

The objective of our audit was to assess whether PEPP had adequate controls to protect the pension administration system (CPAS) from unauthorized access, unscheduled downtime, and inaccurate processing for the period from August 15, 2005 to December 31, 2005.

We did our work in accordance with *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants (CICA).

To assess the adequacy of PEPP's controls, we used the criteria summarized in the Exhibit.

Exhibit – Audit criteria

PEPP should have control processes to protect CPAS from:

1.   unauthorized access

2.   unscheduled downtime

3.   inaccurate processing

We developed the criteria based on our research of the *Trusted Services Criteria and Principles* authored by the CICA, international standards, literature, and reports of other auditors. Management agreed to the criteria.

We reported these criteria in our 2005 Report – Volume 3. The criteria outline our expectations. We describe our expectations in more detail when we discuss our key findings.

Our audit conclusion

For the period August 15, 2005 to December 31, 2005 PEPP had adequate controls to protect CPAS from unauthorized access, unscheduled downtime, and inaccurate processing except that PEPP needs:

♦   **policies and procedures for granting, removing, and monitoring user access**

♦   **a complete disaster recovery plan**

Key findings and recommendations (by criterion)

Unauthorized access

To protect CPAS from unauthorized access, we expected PEPP to have:

♦ *physical security controls*
♦ *user access controls*
♦ *responsibilities clearly defined*

Good physical controls protect information technology (IT) infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. PEPP has adequate physical security controls for protecting its facilities and equipment. For example, PEBA secures its offices after hours and has processes to prevent people from gaining unauthorized access to its IT areas during working hours.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access. It is important that PEPP verify any person or process that connects to CPAS.

PEPP has clearly defined staff responsibilities and who should have access to what in CPAS. Also, PEPP has adequate processes to prevent unauthorized user access to CPAS and the network. These processes include granting and removing user access based on staff responsibilities, ensuring that staff access is appropriately segregated, and enforcing strong password standards.

PEPP is improving its policies and procedures to ensure security remains strong in the future. For example, PEPP has drafted policies on how to grant and remove user access and how to handle security incidents. PEPP needs to approve and implement these policies.

PEPP also needs to strengthen its processes for granting remote access to contractors. Currently, the requirements contractors need to follow to access PEPP systems are not clearly documented and monitored. In

addition, PEPP needs to implement stronger controls to transfer files from remote locations.

In our 2005 Report – Volume 3, we recommended PEPP approve and implement policies and procedures for granting, removing, and monitoring user access. We continue to recommend PEPP complete, approve, and implement these policies and procedures.

Unscheduled downtime

To protect CPAS from unscheduled downtime, we expected PEPP to have controls that ensure:

♦ *system and data backups occur and are tested*
♦ *disaster recovery plans are implemented and tested*

To reduce the amount of downtime for IT systems, an agency needs good backup and recovery processes. These processes ensure that systems and data can be restored in the event of a disruption (e.g., system malfunction).

PEPP has adequate backup processes including instructions for taking backups offsite. PEPP also has processes to test the recovery of backups.

Even with good backup and recovery procedures, an agency may not be able to recover its IT operations if a major disaster occurred. Disaster recovery processes ensure IT infrastructure becomes operational after a disaster. These processes allow PEPP to continue to administer the pension plan member's accounts even if a disaster occurs. A disaster recovery plan should identify all significant IT systems based on importance, recovery times, and processes to recover or restore each system. Management should approve and regularly review the disaster recovery plan. Management should also test the disaster recovery plan regularly to ensure it works.

PEPP has documented some procedures related to the continuity of its operations. PEPP has also documented some of its IT equipment and has an offsite facility available for use in the event of a disaster. However, PEPP has not prioritized its key IT systems based on each system's

importance, determined recovery time needed, or documented processes to recover or restore each system.

2.   We recommend the Public Employees Pension Plan prepare, approve, and test a complete disaster recovery plan.

Inaccurate processing

To protect CPAS from inaccurate processing, we expected PEPP to have:

♦   *policies and procedures for managing CPAS*
♦   *processes to ensure CPAS is operating as planned*
♦   *processes for converting data*
♦   *change management processes*
♦   *processes to ensure management monitors CPAS*

To protect data from inaccurate processing, staff need to understand their roles and responsibilities. Clearly documented policies and procedures help staff understand how to perform their responsibilities.

PEBA has adequately trained staff to use CPAS. PEPP has also developed adequate procedure manuals for CPAS that outline business processes. PEPP needs to ensure it keeps these manuals up-to-date as processes change.

PEPP has adequate processes to ensure CPAS is operating as planned. For example, PEPP's procedures include performing regular reconciliations of information from CPAS to contribution and payment support. These procedures ensure CPAS is operating properly.

Major changes or additions to CPAS require PEPP to use strong change control processes for documenting, testing, approving, and moving changes from a test environment to operations. Major changes also require a quality assurance review after the change is complete. These processes ensure that system changes work as planned.

PEPP had an adequate process for converting data from the old pension administrative system to CPAS. PEPP has followed an informal process for making minor changes to CPAS. PEPP has also drafted a change

management policy and procedures. PEPP now needs to approve and follow these new change management requirements for any significant changes to CPAS in the future.

Management has developed standards and reports for monitoring the performance of CPAS. These standards and reports ensure that processing is accurate and timely within CPAS. As stated earlier, PEPP also has drafted a policy to handle security breaches. PEPP now needs to approve and implement the policy.

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Workers' Compensation Board

6

Main points

In this chapter, we report the results of our audits of the Workers' Compensation Board (WCB) and the Pension Plan for the Employees of the WCB (Pension Plan) for the year ended December 31, 2005.

We concluded that the financial statements of the WCB and the Pension Plan are reliable and the WCB complied with authorities governing its activities and the activities of the Pension Plan. Also, we concluded that the WCB had adequate rules and procedures to safeguard its and the Pension Plan's public resources except it needs to strengthen its processes to prepare interim financial reports.

We make two recommendations for the WCB to help improve its processes. We recommend that:

♦ the WCB establish processes to accurately determine and record its investment income
♦ the WCB include written explanations of all significant differences between planned and actual results in its interim financial reports

Introduction

The Saskatchewan Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979.* This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for the administration of the Act.

As a result of legislative changes in 2005, the WCB also became responsible for the administration of the Pension Plan for the Employees of The Saskatchewan Workers' Compensation Board (Pension Plan). The Pension Plan replaces the WCB Superannuation Plan (former plan). *The Workers' Compensation Board Pension Implementation Act* transferred the assets and liabilities of the former plan to the Pension Plan and members of the former plan became members of the Pension Plan. The Public Employees Benefits Agency is responsible for the day-to-day administration of the Pension Plan.

The WCB included its 2005 financial statements in its 2005 annual report. Those financial statements report revenue of $258.5 million, expenses of $241.6 million, and an operating surplus of $16.9 million. At December 31, 2005, the WCB had investments of $1,044.7 million and net assets of $135.2 million.

The WCB includes the Pension Plan's 2005 financial statements in the Plan's annual report. Those financial statements report employees contributions of $0.1 million and pensions of $1.1 million. At December 31, 2005, the Pension Plan held assets of $35.8 million, including investments of $35.5 million and owed accrued pension benefits of $30.6 million.

Our audit conclusions and findings

Cabinet appointed Deloitte & Touche LLP, Chartered Accountants, as auditor of the WCB and the Pension Plan. Our Office worked with Deloitte & Touche using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*[1]. Our Office and Deloitte & Touche formed the following opinions.

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[1] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

In our opinion, for the year ended December 31, 2005:

♦ **the WCB had adequate rules and procedures to safeguard its and the Pension Plan's public resources except the WCB needs to strengthen its processes to prepare interim financial reports**

♦ **the WCB complied with the authorities governing its activities and the activities of the Pension Plan relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **the financial statements of the WCB and the Pension Plan are reliable**

Processes to prepare interim financial reports needs strengthening

The WCB needs to improve its rules and procedures used to prepare accurate interim reports.

Management provides regular monthly financial reports to the members of the WCB (Board). The Board uses these financial reports to monitor the WCB's performance and to make corporate decisions (e.g., setting premium rates). If the financial reports the Board uses are incorrect, it may make incorrect decisions.

In 2004, the WCB adopted a new accounting policy for recording investments and investment income that The Canadian Institute of Chartered Accountants established. The new accounting policy requires the WCB to determine and record separately gains or losses on sale of investments from gains or losses resulting from the change in the market value of investments it continues to own.

In early 2005, the WCB properly determined and recorded the investment income for 2004 in accordance with the newly adopted policy. However, the WCB did not establish rules and procedures to ensure that staff determined and recorded accurately the investment gains or losses in the interim financial reports as required under the new accounting policy. As a result, staff did not determine the investment income relating to gains or

losses accurately. Management prepared the monthly reports using the incorrect investment income. As a result, the Board received incorrect monthly financial reports from January to September 2005.

The monthly financial reports for September 2005 that the Board reviewed showed investment income of about $43 million for January to September 2005. The planned investment income for this period was about $30 million. In October 2005, our audit found that the actual investment income for the nine-month period ended September 30, 2005 was $33 million. Management corrected this error in October 2005.

The Board requires management to explain in writing differences between the actual and planned results. Although the reported investment income was nearly $13 million higher than planned, management did not provide a written explanation for this difference. The WCB's accounting records for investment income remained incorrect for most of the year.

Generally, the Board sets its premium rates in the fall. Incorrect information about investment income could have resulted in the Board setting incorrect premium rates. This in turn could result in the loss of public confidence in the WCB.

1.   **We recommend the Workers' Compensation Board establish processes to accurately determine and record its investment income.**

2.   **We recommend the Workers' Compensation Board include written explanations of all significant differences between planned and actual results in its monthly financial reports.**

Management told us that the WCB has now established a process to ensure investment income is properly determined and recorded. Also, management told us that interim financial reports now include written explanations of all significant differences between planned and actual results.

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Liquor and Gaming Authority

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Main points

The Liquor and Gaming Authority (Liquor & Gaming) is responsible to develop, promote, or support activities or programs designed to encourage responsible alcohol consumption. As the principal distributor and retailer of alcohol, Liquor & Gaming plays a significant role in encouraging the responsible use of alcohol. In this chapter, we describe our assessment of the adequacy of the processes Liquor & Gaming uses to encourage responsible use of beverage alcohol. We assessed Liquor & Gaming's processes at December 31, 2005.

We found Liquor & Gaming had adequate processes to encourage responsible use of beverage alcohol except that Liquor & Gaming needs to:

♦ formally assign responsibility for encouraging responsible use of beverage alcohol

♦ prepare a complete plan to encourage the responsible use of beverage alcohol

♦ continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol

Introduction

The Liquor and Gaming Authority (Liquor & Gaming) is a Crown corporation that operates under *The Alcohol and Gaming Regulation Act, 1997.* The mandate of Liquor & Gaming is to develop, support, operate, and regulate the beverage alcohol and gaming industries in the Province. Liquor & Gaming operates retail liquor stores and video lottery terminals. It also owns and operates slot machines at Saskatchewan Indian Gaming Authority's casinos.

In our 2005 Report – Volume 3, we reported the results of our audit of Liquor & Gaming for the year ended March 31, 2005. In 2005, we decided to examine Liquor & Gaming's processes to encourage responsible use of beverage alcohol. In the section below, we report the results of our audit and recommendations.

Encouraging responsible use of beverage alcohol

Background

Under *The Alcohol and Gaming Regulation Act, 1997* (Act), Liquor & Gaming is responsible for the regulation and control of beverage alcohol in Saskatchewan. The Act also authorizes Liquor & Gaming to develop, promote, or support activities or programs designed to encourage responsible alcohol consumption. Balancing the responsible use of beverage alcohol with generating revenue for the Government presents a challenge.

The Government, through Liquor & Gaming, earns revenue from the sale of beverage alcohol. In 2004-05, Liquor & Gaming had liquor sales of $384 million and made a net profit of $143 million.[1] The Government uses this revenue to help it deliver its programs and services.

Alcohol use can be harmful. The Canadian Addiction Survey describes "consistently higher lifetime rates of alcohol-related harms for five provinces: Prince Edward Island, Manitoba, Saskatchewan, Alberta, and British Columbia."[2] The Survey also reports that the four western

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[1] *Annual Report 2004-05*, Saskatchewan Liquor and Gaming Authority, p. 48.
[2] *Canadian Addiction Survey 2004, Prevalence of Use and Related Harms, Highlights*, p. 9.

provinces have higher rates of harm experienced by people because of others' drinking. The social and economic costs of irresponsible use of alcohol can be substantial. For example, the Public Health Agency of Canada estimates that the direct costs associated with Fetal Alcohol Spectrum Disorder (FASD) are about $1.5 million per person over the lifetime of those affected.[3]

Liquor & Gaming's Performance Plan for 2005-2006 states that Liquor & Gaming's mission is to distribute, control, operate, and regulate liquor in ways that promote social responsibility.[4] Liquor & Gaming is one of several government and non-government agencies that play a role in reducing alcohol misuse. As the regulator and principal distributor and retailer of alcohol, Liquor & Gaming needs to play a significant role in encouraging the responsible use of alcohol.

Our audit objective

The objective of our audit was to assess whether Liquor & Gaming had adequate processes at December 31, 2005 to encourage responsible use of beverage alcohol.

Our criteria

To assess the adequacy of Liquor & Gaming's processes, we used the criteria summarized in the Exhibit below. To do this work, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

We developed the criteria based on our review of relevant literature, international practices, and the work of other legislative audit offices. Liquor & Gaming agreed that the criteria were reasonable and attainable. The criteria outline our expectations. We describe our expectations in more detail when we describe our key findings.

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[3] *Fetal Alcohol Spectrum Disorder (FASD): A Framework for Action*. http://www.phac-aspc.gc.ca/dca-dea/publications/fasd-etcaf/. March 2, 2005
[4] *2005-2006 Saskatchewan Provincial Budget, Performance Plan, Saskatchewan Liquor and Gaming Authority*, p.1.

Exhibit—Audit criteria

To adequately encourage the responsible use of beverage alcohol, Liquor & Gaming needs processes to:

1. identify best practices for encouraging the responsible use of alcohol

2. implement focused activities to encourage responsible use

3. evaluate performance

Our conclusion

At December 31, 2005, Liquor & Gaming had adequate processes to encourage responsible use of beverage alcohol except it needs to:

♦ **formally assign responsibility**
♦ **prepare a complete plan**
♦ **develop performance measures and targets**

Key findings and recommendations (by criterion)

Identify best practices for encouraging responsible use

To identify best practices for encouraging responsible use, we expected Liquor & Gaming to:

♦ *regularly evaluate research on effective programs*
♦ *investigate how other jurisdictions encourage responsible use*
♦ *work with stakeholders to confirm best practices*

Liquor & Gaming identifies emerging issues involving the use of alcohol to help it develop policies regarding responsible use. Liquor & Gaming also works with other Saskatchewan government agencies in assessing and making decisions about social responsibility programs.

For example, Liquor & Gaming provides funding to projects aimed at prevention and awareness of Fetal Alcohol Spectrum Disorder (FASD). Liquor & Gaming consults with and receives advice from Saskatchewan Health before providing funds to FASD projects. Liquor & Gaming employees also participate on certain committees of the projects that

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receive funding from Liquor & Gaming, such as the FASD Coordinating Committee[5]. Employees use their participation on these committees to gather information on issues affecting social responsibility programs.

Liquor & Gaming examines how other jurisdictions encourage responsible use of alcohol. It developed a social responsibility discussion paper in August 2005 that includes information about social responsibility programs undertaken in various provinces and territories across Canada. Liquor & Gaming surveyed other provinces and territories to gather this information.

Liquor & Gaming also meets regularly with regulators from other provinces and territories to discuss social responsibility best practices used in the various jurisdictions. Representatives work together through the Canadian Association of Liquor Jurisdictions (CALJ). CALJ holds discussions on topics ranging from operations to alcohol policy and social responsibility. Liquor & Gaming participates in developing, promoting, and funding national social responsibility campaigns coordinated by CALJ. In considering changes to its own regulation of alcohol-related advertising, Liquor & Gaming studied how other jurisdictions regulate alcohol advertising.

Other Saskatchewan government and non-government agencies are active in the field of social responsibility. Liquor & Gaming meets with these agencies to discuss progress of initiatives and help support and implement social responsibility initiatives.

Implement focused activities to encourage responsible use

To implement focused activities to encourage responsible use, we expected Liquor & Gaming to:

♦   *assign responsibility to manage implementation*
♦   *create an implementation plan*
♦   *execute its plan*

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[5] The purpose of the Saskatchewan FASD Coordinating Committee is to promote Fetal Alcohol Spectrum Disorder (FASD) prevention and intervention efforts through collaboration of governments, professionals, family and community organizations by information sharing and networking.

Liquor & Gaming has created an informal committee that meets to consider social responsibility. Liquor & Gaming told us that the purpose of the committee is to improve coordination of the social responsibility activities that its various divisions undertake. The committee began meeting in the fall of 2005 and meets about once a month.

Liquor & Gaming has not formally assigned social responsibility through job descriptions or position expectations. It should formally assign responsibility for managing activities that encourage responsible use.

Liquor and Gaming needs to create an implementation plan for encouraging responsible use. It has gathered information about initiatives in other jurisdictions. However, it has not analyzed different methods of encouraging responsible use and documented how it will proceed based on its analysis. Liquor & Gaming describes planned activities in several documents, but it does not consistently identify who is responsible for what activity, set key milestone dates, or develop measures and targets for encouraging responsible use. It should do so.

As stated earlier, Liquor & Gaming created a discussion paper on social responsibility. Liquor & Gaming is planning to develop a formal social responsibility policy based on the discussion paper.

While Liquor & Gaming needs to improve its planning, it does carry out activities that both directly and indirectly encourage the responsible use of beverage alcohol. Liquor & Gaming regulates the liquor industry by issuing permits to allow premises to sell beverage alcohol. Liquor & Gaming then inspects licensed liquor establishments to ensure compliance with the rules and regulations. It also provides the public and permit holders with education and training about the responsible sale of beverage alcohol. It does this through its Community Liaison Branch. For example, the Branch provides information to communities about beverage alcohol sales at special events (e.g., cabarets).

Liquor & Gaming also gives money to other agencies to carry out activities for the purpose of encouraging responsible use. For example, Liquor & Gaming supports the *Serve It Right: It's Good Business* server intervention program. Saskatchewan Tourism Education Council coordinates this program and trains servers in the use of effective intervention techniques if a patron demonstrates a problem. Liquor &

Gaming consults regularly with these agencies. For example, Liquor & Gaming's employees serve on committees that monitor agencies that receive money from Liquor & Gaming.

1. **We recommend the Liquor and Gaming Authority formally assign responsibility for encouraging responsible use of beverage alcohol.**

2. **We recommend the Liquor and Gaming Authority prepare a complete plan for encouraging responsible use of beverage alcohol.**

Evaluate performance

To adequately evaluate performance in encouraging responsible use of alcohol, we expected Liquor & Gaming to:

♦ *assign responsibility for measuring performance*
♦ *collect and analyze performance information*
♦ *report on performance*

Liquor & Gaming's employee job descriptions do not clearly assign responsibility for measuring performance in encouraging responsible use of beverage alcohol. Liquor & Gaming's informal social responsibility committee meets to discuss performance of programs. If another agency is responsible for carrying out a particular initiative, Liquor & Gaming requires that agency to report at the completion of the initiative. Liquor & Gaming also monitors the progress of that agency's initiatives by having staff attend their meetings throughout the year and report performance.

Liquor & Gaming collects and analyzes performance information. For example, it reviews project reports that other agencies provide before it approves further funding to those agencies. It also tracks other activities, such as the number of liquor inspections done on an annual basis, results of those inspections, and community liaison contacts with stakeholders during the year.

Liquor & Gaming's Performance Plan and Annual Report provide information about programs and actions to promote social responsibility. The Annual Report, mid-year performance reports, and scorecards

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compare the activities Liquor & Gaming had planned and those completed. They also show funds it provided to other agencies to promote social responsibility.

Liquor & Gaming reports performance related to social responsibility by describing inputs and activities, rather than reporting results or outcomes. It has identified the challenge of developing performance measures and targets for promoting social responsibility when these initiatives are aimed at modifying human behaviour. However, Liquor & Gaming needs to develop performance measures and targets to help it better assess if it is achieving its goals. Liquor & Gaming told us that management continues to work on developing performance measures and targets.

3. **We recommend the Liquor and Gaming Authority continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol.**

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Government Relations

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Main points

The Department of Government Relations (Department) is responsible for the Northern Revenue Sharing Trust Account (NRSTA). The Department has made progress in addressing our previous recommendation to better supervise the operations of NRSTA. However, more progress is needed.

Also, the Department needs to monitor fuel product prices for a northern community to ensure the prices are consistent with those set out in the fuel supply contract.

Introduction

The Department of Government Relations (Department) is continued under *The Department of Government Relations Regulations*. Its mandate is to promote Saskatchewan's interests through management of the Province's relations with other governments, in Saskatchewan, in Canada and abroad.[1] The Department's website (www.gr.gov.sk.ca) contains its annual report, performance plan, and further information about its programs.

The Department is responsible for the Northern Revenue Sharing Trust Account (NRSTA).

The Northern Municipalities Act (Act) establishes NRSTA and its Management Board (Board). Cabinet appoints the Board. The Board advises the Minister on the allocations of northern revenue sharing grants, northern capital grants, and any changes to the law concerning NRSTA.

NRSTA includes all revenues of the Northern Saskatchewan Administration District (a designated area in the northern part of the Province) and money appropriated by the Assembly for the purposes of northern revenue sharing and grant programs.

NRSTA primarily provides money to northern municipalities for operations, water and sewer systems, and municipal facilities. In 2005, NRSTA had revenues of $15.7 million, expenses of $16.4 million, and held assets of $28.3 million as at December 31, 2005.

This chapter reports the results of our audit of NRSTA for the year ended December 31, 2005. For the results of our March 31, 2005 audit of the Department, see our 2005 Report – Volume 3.

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[1] Annual report 2004-2005: Saskatchewan Government Relations, p. 6.

Our conclusions and findings

In our opinion, for the year ended December 31, 2005:

♦ **the Department had adequate rules and procedures to safeguard NRSTA's public resources except for the matters described below**

♦ **the Department complied with the authorities governing NRSTA's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **the financial statements of NRSTA are reliable**

Monitoring operations

Over the last few years, we have recommended that the Department of Government Relations set out the reports it needs to adequately monitor NRSTA's operations and set up a process to oversee its operations. The Standing Committee on Public Accounts considered this matter in January 2005 and agreed with our recommendations.

The Department has now set out the key information (i.e., financial, operational, and compliance) that it must receive regularly from staff assigned to manage NRSTA. Also, the Department has set up processes to oversee NRSTA including review of reports such as quarterly financial statements prepared in accordance with generally accepted accounting principles (GAAP).

During the year, staff prepared quarterly financial reports. However, those reports were not adequate as they were not prepared in accordance with GAAP. For example, they did not include all revenues from lease fees, all amounts NRSTA owes to others, and all amounts others owe to NRSTA.

We continue to recommend that the Department of Government Relations set up a process to oversee the Northern Revenue Sharing Trust Account's operations.

Monitoring of fuel supply contract needed

The Department needs to monitor fuel product prices for a northern community to ensure the prices are consistent with those set out in the fuel supply contract.

To help ensure residents and businesses (public) of northern Saskatchewan have a steady and reliable source of fuel products, the Department buys bulk fuel and stores it in a northern community. Instead of selling it directly to the public, the Department has made a fuel supply contract with a local company (contractor) to sell fuel products at the retail level in the designated northern community. Under the contract, the contractor buys fuel products from the Department at an agreed upon price and is allowed to sell to the public at a price that is no more than the selling price described in the contract.

The Department, however, does not monitor the price the contractor charges for selling fuel products to the public in the designated community. The Department needs to do this to ensure the contractor complies with the terms of the contract when selling fuel products to the public. Because the Department does not monitor the prices, the public in the designated community may pay more for fuel products than the contract specifies.

1.   **We recommend that the Department of Government Relations monitor fuel product prices in the northern community to ensure they are consistent with the prices set out in the fuel supply contract.**

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Saskatchewan Power Corporation

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Main points

SaskPower, as a power-producer, must operate with a very long-time horizon. Power plants are expected to operate for up to 50 years. Maintaining and building power plants is expensive. SaskPower spends about $125 million each year to maintain its plants. Over the last five years, SaskPower has invested $1 billion in its plants. SaskPower expects to continue making large investments in plants over the next 20 years to deal with both aging plants and growing electricity needs. The longer-term nature of the power industry, along with the high cost of infrastructure, increases the importance of good planning.

This chapter reports on the adequacy of SaskPower's processes at December 31, 2005 to plan for its infrastructure needs related to generating electricity. These processes help make sure SaskPower supplies enough electricity to meet the province's electricity needs. The chapter notes SaskPower had good processes to identify its power generation needs and set strategies to manage its plants. SaskPower needs to better document its processes and improve processes to ensure analyses of risks and alternative strategies are consistent.

Also, for the year ended December 31, 2005, SaskPower, its three subsidiaries, and the Power Corporation Superannuation Plan each had reliable financial statements, had adequate processes to safeguard public resources, and complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Introduction

Saskatchewan Power Corporation (SaskPower) is the principal supplier of electricity in Saskatchewan. SaskPower generates, buys, distributes, and sells electricity to more than 400,000 customers.

SaskPower prepares consolidated financial statements to report on its activities. The consolidated financial statements include the financial activities of SaskPower and the companies it wholly owns and controls.

In 2005, SaskPower had revenue of $1.3 billion and net income of $135 million. At December 31, 2005, it held assets of $4.1 billion.

SaskPower owns three companies: NorthPoint Energy Solutions Inc., SaskPower International Inc., and Power Greenhouses Inc. As well, SaskPower sponsors and manages the Power Corporation Superannuation Plan. The following provides a brief description of each. SaskPower makes its annual report and the audited financial statements of its subsidiaries available to the public at http://www.saskpower.com/aboutus/corpinfo/corpinfo.shtml.

NorthPoint Energy Solutions Inc. (NorthPoint)

NorthPoint trades electricity. The trading functions include selling power and buying power for domestic use when a shortfall occurs or lower cost power is available. Effective January 1, 2005, NorthPoint manages SaskPower's natural gas supplies for its natural-gas fired power plants.

In 2005, NorthPoint had revenue of $53.5 million including $7.2 million in service fees from SaskPower and net income of $12.2 million. At December 31, 2005, it held total assets of $33.7 million. Additional information is available at http://www.northpointenergy.com.

SaskPower International (International)

As part of SaskPower's diversification strategy, International invests in power-related projects such as the Centennial Wind Project and sells flyash – a by-product of burned coal.

In 2005, International had revenue of $26 million and net income of $4 million. At December 31, 2005, it held assets of $425 million. Additional information is available at http://www.saskpowerinternational.com.

Power Greenhouses Inc. (Greenhouse)

Greenhouse distributes tree seedlings for reclamation, habitat development, and restoration. It grows the seedlings using waste heat from the Shand Power Station.

In 2005, SaskPower reimbursed Greenhouse for all of its expenses totaling $1 million. At December 31, 2005, Greenhouse held assets of $4 million. Additional information is available at http://shand.saskpower.com.

The Power Corporation Superannuation Plan (Plan)

A cabinet-appointed board is responsible for the administration of the Plan. The Plan is a defined benefit pension plan closed to new members since October 1, 1977. It has 527 active members and about 1,700 pensioners.

In 2005, the Plan received contributions of $6.8 million and paid $40.5 million to members. At December 31, 2005, the Plan held assets of $774.1 million and had liabilities of $773.1 million.

Our audit conclusions and findings

Deloitte & Touche LLP is the appointed auditor for SaskPower, NorthPoint, International, and the Plan. Meyers Norris Penny LLP is the appointed auditor for Greenhouse. Our Office and the appointed auditors worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors*[1]. The appointed auditors and our office formed the following opinions.

In our opinion, for the year ended December 31, 2005:

♦ **the financial statements of SaskPower, its companies, and the Plan are reliable**

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[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

♦ **SaskPower, its companies, and the Plan had adequate rules and procedures to safeguard public resources**

♦ **SaskPower, its companies, and the Plan complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

In the next section, we report on SaskPower's processes used to make sure it has the necessary infrastructure to meet the province's electricity needs.

Processes to plan for infrastructure needs

As previously noted, Saskatchewan Power Corporation (SaskPower) supplies most of the electricity consumed in Saskatchewan. SaskPower is able to supply about 3,500 megawatts of electricity.[2] In 2005, SaskPower supplied about 87% of this amount from its own power stations. It purchased the remainder (450 megawatts) from other producers.

In 2005, SaskPower provided customers with about 17,000 gigawatt hours[3] of electricity, an increase of 1.4% from 2004.

SaskPower's generating infrastructure is its power plants. These include three coal-fired power stations, seven hydroelectric stations, four natural gas stations, and one wind generation facility. Most of the power-generating stations were built before 1970. As its *2005 Annual Report* states, "during the next 20 years, SaskPower will be making major decisions concerning the refurbishment or replacement of its entire generating fleet."

At December 31, 2005, the power stations had a book value of $2.9 billion and a net book value of $1.8 billion. From 2000-2005, SaskPower invested just over $1 billion[4] on upgrading and expanding its power stations.

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[2] Megawatts are units of measure for electricity. A megawatt is approximately the amount needed to power 400 homes at any given moment.
[3] Gigawatts are units of measure for electricity. A gigawatt hour is one thousand megawatts delivered for one hour.
[4] SaskPower *2005 Annual Report*.

Audit objective and criteria

The objective of this audit was to assess whether SaskPower had adequate processes at December 31, 2005 to plan for infrastructure needs related to generating electricity.

This audit focused on the processes SaskPower uses to make decisions about the power stations that it owns or plans to own and operate. Because it is very expensive to build and maintain power plants and these plants need to work for a long time (20 to 50 years depending on the energy source), planning in the power industry must take a very long view. SaskPower defines near term as up to five years, medium term as six to ten years, and long term as greater than 10 years.

Table 1 outlines the criteria (main elements) that we looked for in the audit. The criteria are based upon international standards, literature, and criteria used by other legislative auditors. SaskPower agreed with these criteria. We describe these criteria in more detail under key findings.

Table 1—audit criteria

To have adequate processes to plan for its infrastructure needs related to generating electricity, key processes would:
1. Identify infrastructure needs over near, medium, and long term
2. Set strategies to manage infrastructure
3. Plan for financial implications of infrastructure strategies

We followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants in carrying out this audit.

Conclusion

At December 31, 2005, SaskPower had adequate processes to plan for infrastructure needs related to generating electricity except for the matters reported in this chapter relating to the following:

♦ **the need to better document certain procedures that SaskPower uses to identify infrastructure needs and set strategies to manage infrastructure**

♦   **the need to improve processes to ensure consistent analysis of risks and alternative strategies**

Key findings

In this section, we describe our expectations (*in italics*) and set out our key findings.

Identify infrastructure needs over near, medium, and long term

We expected SaskPower would have processes to:
♦   *summarize its existing infrastructure*
♦   *identify risks related to its electricity needs*
♦   *describe the gaps between the existing infrastructure and the infrastructure needed given its strategic direction and planned sources for electricity*
♦   *identify the key assumptions that support key planning decisions*

SaskPower has good processes for maintaining up-to-date financial and operating records for its power plants and equipment. These records include production capacity, age of the equipment, and life expectancy (under varying maintenance scenarios). This information is adequate to help both the executive and the Board understand the current state of SaskPower's existing infrastructure.

As part of its annual overall business planning processes, SaskPower identifies, documents, and evaluates significant risks. These include risks that affect its ability to supply enough electricity or that influence demand. Examples include changing environmental regulations or the gain or loss of large customers.

SaskPower has maintenance plans that extend up to 25 years. To prepare these, it evaluates risks such as breakdowns in generating equipment and the risks involved with maintenance contracts. As well, when SaskPower decides on major projects, it has extensive processes to identify and assess related risks.

Although SaskPower has identified and evaluated significant risks, it has not documented an overall risk management strategy for electricity generation. We note that SaskPower's Annual Report 2005 states the

Board of Directors approves a risk management framework. However, this framework focuses primarily on financial risks and does not address infrastructure risks.

Because SaskPower does not include infrastructure risks in its risk management framework, SaskPower may not identify, evaluate, and treat all significant risks that impact electricity generation consistently.

1.　　**We recommend SaskPower expand its risk management framework to include risks related to electricity generation.**

One of SaskPower's key processes is to revise annually its analysis of its electricity needs and its ability to meet those needs. This analysis is a critical part of the infrastructure plan. It estimates demand and capacity for the next 20 years.

To estimate demand and capacity, SaskPower reviews and updates its significant assumptions and forecasts. These reviews and forecasts include a demand forecast based on expected customer needs and weather. They also include supply assumptions such as the cost of coal and natural gas.

This process allows SaskPower to identify where it must maintain its existing capacity, build new capacity, or purchase power. SaskPower's plans show the decision points and timelines that it must meet to address needs and avoid supply gaps. It does this for the near, medium, and long term. The plans consider alternative energy sources, setting out options for meeting needs based on strategic direction and different sources for power.

SaskPower has good processes for preparing this analysis; however, the processes are not documented.

2.　　**We recommend SaskPower document its procedures for preparing its analysis of electricity needs and its ability to meet those needs.**

Set strategies to manage infrastructure

We expected SaskPower would have processes to:
- *align its infrastructure plan with its strategic goals and planned sources for electricity*
- *reflect applicable industry and environmental standards in its planning*
- *select strategies to reduce its risks to a tolerable level and to confirm its strategies with its stakeholders*

SaskPower's infrastructure plan consists of several documents including its annual business plan, the plans of the core business units, as well as various planning summaries and decision items for the Board.

SaskPower outlines its near-term strategic priorities in its business plan and annual report.

To prepare reliable plans, SaskPower has detailed guidelines and other documented processes that set out key actions and assign responsibilities for planning. These guidelines require that the plans align with SaskPower's overall business plan and existing strategic priorities. For new projects, SaskPower's processes require that projects identify alternative sources of power and align with SaskPower's strategic priorities.

SaskPower does not have a strategic plan that sets out its strategic goals and objectives over the mid and long term. Staff must interpret strategic information contained in various documents to prepare infrastructure plans and alternate strategies to address infrastructure needs. At times, this requires placing greater emphasis on one strategic priority over another. For example, SaskPower recognizes it must provide a reliable, cost-effective supply of power while considering the impact on the environment. In assessing strategies, it may decide to pursue more costly sources of power that are more environmentally friendly such as wind.

Without clear strategic guidance for the mid and long term, SaskPower may not prioritize or assess infrastructure alternatives consistently. As well, it may not align infrastructure plans with its most important strategic goals.

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At March 2006, SaskPower is developing a new strategic plan and the Board expects to approve it in October 2006.

3.   **We recommend SaskPower use its new strategic plan to assess alternative strategies that address identified infrastructure needs.**

SaskPower monitors regulatory changes and changes in environmental standards. It assesses their impact on operations and finances over the near, medium, and long term. The Board receives information on regulatory developments and their impact on infrastructure planning.

SaskPower's processes for preparing its infrastructure plan reflect the impact of industry and environmental standards. SaskPower is also a member of the Canadian Electrical Association and the Midwest Reliability Organization (which in turn is part of an international reliability council). These memberships help SaskPower monitor requirements and developments.

As noted earlier, SaskPower has identified and evaluated significant business risks. SaskPower sets out in its business plan specific activities to manage its risks. SaskPower does not explicitly identify levels of risk that it has decided to tolerate. Rather there is implicit tolerance of risk demonstrated by including the expected costs related to Kyoto Protocol[5] in fuel and purchased power budgets.

At the project level, Sask Power identifies and analyzes various risks. When management recommends their preferred option to the Board, management briefly describes reasons and outlines the impact on some risks. However, management does not clearly set out the residual risks of the recommended option and record why these risks are acceptable.

Risk management is not just making decisions based on risks but understanding and staying on top of risks that remain or occur because of decisions. Documenting the nature and extent of risks that remain helps management monitor and treat the risks.

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[5] Kyoto Protocol refers to the international treaty on climate called the Kyoto Protocol to the United Nations Framework Convention on Climate Change.

4.   We recommend SaskPower document the nature and extent of specific infrastructure risks that it accepts when it approves projects.

SaskPower works with different stakeholders at different times in planning for its infrastructure needs. It has processes to confirm its maintenance schedules internally and consults with suppliers on maintenance projects.

SaskPower's communication strategy includes a website that provides information on electricity generation stations and the environment. SaskPower also participates in media interviews, does presentations, and prepares an annual report. SaskPower's *2005 Annual Report* outlines infrastructure strategies along with the principal considerations in making decisions.

Plan for financial implications of infrastructure strategies

We expected SaskPower to have processes to:
- *estimate life cycle (planning, operation, maintenance, disposal, or renewal) costs for planned infrastructure*
- *identify the sources of money to carry out its infrastructure strategies*

SaskPower has rigorous processes for evaluating proposed capital projects. These processes include detailed economic and strategic analyses, business and risk analyses, and evaluation of alternatives. Project evaluation processes also include documenting project strengths and weaknesses and analyzing the impact on SaskPower's business plan and long-term debt. Project proposals include detailed estimates of the condition of existing infrastructure.

SaskPower has maintenance plans extending over the near, medium, and long term. SaskPower updates these maintenance plans as new information becomes available.

SaskPower identifies its financial needs related to infrastructure and sources of money for the near term. It does this in its business plan and annual report as well as in supporting documentation for major projects.

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Saskatchewan Telecommunications Holding Corporation

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Main points

In this chapter, we describe the results of our audit of Saskatchewan Telecommunications Holding Corporation (SaskTel). We report that while SaskTel had adequate processes in many areas to safeguard public resources, it needs to make improvements at Navigata Communications Partnership and its pension plan. The Partnership needs to:

♦ ensure the completeness of revenue and the accuracy of its financial records

♦ improve its computer security

♦ ensure the Pension Committee monitors the pension plan

♦ ensure the activities of the pension plan are in accordance with the plan text

Also, we outline the criteria we will use to assess SaskTel's processes to manage its intellectual property. We are sharing the criteria to assist other agencies to assess their own processes.

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Introduction

Saskatchewan Telecommunications Holding Corporation (SaskTel) provides telephone, cell phone, internet, and e-business services. SaskTel provides these and other services, such as telephone directories and home security, through its many different companies.

Related companies and pension plans

At December 31, 2005, SaskTel owned the following companies with active operations (percentage of SaskTel's ownership is set out in parenthesis):

♦ Saskatchewan Telecommunications (100.0%)
♦ Saskatchewan Telecommunications International, Inc. (100.0%)
♦ DirectWest Corporation (100.0%)
♦ SecurTek Monitoring Solutions Inc. (100.0%)
♦ Navigata Communications Partnership (97.0%)
♦ Business Watch International Inc. (95.5%)
♦ Hospitality Network Canada Inc. (100.0%)
♦ Saskatoon 2 Properties Limited Partnership (70.0%)
♦ The Phone Book Company Partnership (85.0%)

Also, SaskTel sponsors and administers the following defined benefit pension plans: Saskatchewan Telecommunications Pension Plan and Navigata Communications Inc. Pension Plan.

For a full listing of the companies owned by SaskTel, refer to the notes to its audited financial statements. Each year, SaskTel tables its annual report including its audited consolidated financial statements and the audited financial statements of each of the above-listed companies and pension plans in the Legislative Assembly with the following exception. Crown Investments Corporation of Saskatchewan has exempted the tabling of the audited financial statements of Business Watch International Inc. due to confidentiality clauses in the agreement with the minority shareholders. For additional information on SaskTel and its companies, see SaskTel's website at www.sasktel.com.

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Audit conclusions

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SaskTel and the above-listed companies and pension plans. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] KPMG LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2005:

♦ **The financial statements of SaskTel and each of the above-listed companies and pension plans are reliable.**

♦ **SaskTel and each of the above-listed companies and pension plans had adequate rules and procedures to safeguard public resources except for the matters described in this chapter relating to Navigata Communications Partnership and Navigata Communications Inc. Pension Plan.** Due to the recent acquisition of The Phone Book Company Partnership, we plan to form an opinion on its rules and procedures to safeguard public resources starting with the year ended December 31, 2006.

♦ **SaskTel and each of the above-listed companies and the Saskatchewan Telecommunications Pension Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Navigata Communications Inc. Pension Plan complied with authorities governing its activities except for the matter described in this chapter.**

We also report the objective and criteria for a future audit related to assessing the management of intellectual property at SaskTel.

Navigata Communications Partnership

Navigata Communications Partnership (Navigata) is registered under the *Partnership Act* (Alberta). Navigata Communications Partnership

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[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

operates under the name Navigata Communications Limited. Navigata provides a full range of data and voice telecommunications services and products, including high-speed data networking, internet access, hosting services, web design, long distance service, and local phone service to business and residential customers located in British Columbia, Alberta, Ontario, and Quebec.

Navigata's financial statements for the year ended December 31, 2005 report revenues of $59.7 million, expenses of $81.3 million, and a net loss of $21.6 million. For additional information on Navigata, see SaskTel's website at www.sasktel.com.

Timely reconciliations required

Navigata needs to follow its established procedures to check the completeness of revenue and the accuracy of its financial records.

During the year, Navigata reduced its workforce to respond to competitive pressures. Navigata also experienced a number of unexpected employee resignations affecting its accounting systems and processes.

As a result, several key processes (i.e., reconciliations) were either not performed or not performed on a timely basis. These reconciliations included the reconciliation of phone call detail records to the billing systems and reconciliations between the billing systems and the general ledger.

Failure to prepare these reconciliations on a timely basis exposed Navigata to the risk of a loss of revenue and inaccurate accounting records.

Navigata had rules and procedures requiring these reconciliations to be completed and reviewed. However, staff did not comply with these rules and procedures.

Because of Navigata's failure to prepare or perform these reconciliations on a timely basis, additional audit procedures were performed to ensure there were no material misstatements in Navigata's accounting records. The additional procedures did not identify any loss of revenue or misstatements in the accounting records.

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1.   **We recommend Navigata Communications Partnership follow its established procedures to check the completeness of revenue and the accuracy of its financial records.**

Management of Navigata told us the reconciliations between the billing systems and the general ledger have been current since December 2005. They also told us they are in the process of improving the procedures to reconcile the phone detail records to the billing systems and expect these improvements to be implemented in the second quarter of 2006.

Computer security policies and procedures required

Navigata needs computer security policies and procedures.

Navigata needs policies and procedures for computer security including password expiration, monitoring and review of access to systems, and physical access to the computer room. Also, Navigata needs policies and procedures for the computer change management process including segregation of duties and access controls within the development, testing, and approval stages of the change management process.

Without adequate policies and procedures, Navigata is exposed to the risk of unauthorized access and inappropriate changes to its computer system and records.

2.   **We recommend Navigata Communications Partnership establish computer security policies and procedures.**

Management of Navigata told us that physical access to the computer room is now restricted and policies and procedures to improve computer security will be implemented during 2006.

Navigata Communications Inc. Pension Plan

Navigata Communications Inc. Pension Plan (Plan) is registered under *The Pension Benefits Standards Act, 1985 (Canada).* The Plan provides pension benefits to Navigata's employees.

The Pension Committee oversees the Plan. Navigata performs day-to-day administration of the Plan.

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The Plan's financial statements for the year ended December 31, 2005 report it held assets of $9.1 million, had liabilities of $11.8 million, and made benefit payments of $0.2 million. There were no contributions to the Plan during 2005 because the Plan is being wound up.

Monitoring of pension plan required

Navigata needs to ensure the pension Plan has adequate processes to protect the money in the pension Plan.

The Plan Text approved by the Office of the Superintendent of Financial Services (pension regulator) assigns oversight of the Plan to the Pension Committee. The Plan Text requires the Pension Committee to meet at least quarterly. The Plan Text assigns day-to-day administration of the Plan to Navigata. Navigata has hired a custodian and investment manager to manage the Plan's investments, and a consultant to make benefit payments.

In an application made to the pension regulator to wind up the Plan, Navigata has agreed to pay for deficits (i.e., where there are more liabilities than assets) in the Plan. The Plan communicated the terms of the wind up to Plan members. The Plan had a deficit of $2.7 million at December 31, 2005 (2004 – $1.8 million).

During the year, the Pension Committee did not meet. Therefore, the Pension Committee did not monitor whether payments from the plan were in accordance with the Plan Text. Also, the Pension Committee did not monitor whether the assets of the Plan remained appropriately safeguarded.

Management of Navigata, charged with the day-to-day administration of the Plan, also did not adequately monitor the activities of the Plan. Management did not check that the benefit payments made from the Plan were in accordance with the Plan Text and that the assets of the Plan remained appropriately safeguarded.

Failure to adequately monitor the assets of the Plan and payments from the Plan expose Navigata to the risk of loss of public resources.

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3. **We recommend Navigata Communications Partnership ensure the Pension Committee monitors the Navigata Communications Inc. Pension Plan in accordance with the Plan Text.**

4. **We recommend Navigata Communications Partnership prepare and implement policies and procedures to monitor the administrative activities of the Navigata Communications Inc. Pension Plan.**

Management of Navigata told us the Office of the Superintendent of Financial Institutions Canada has now approved the termination of the Plan and the proposed distribution of assets. Management anticipates the assets will be disbursed and the Plan will be terminated in full by June 30, 2006. Also, SaskTel management told us they are monitoring the day-to-day activities of the Plan and will do so until the termination of the Plan.

Managing intellectual property

To deliver services and achieve their objectives, agencies must effectively manage their assets. This includes not only their physical assets, but also intangible assets such as intellectual property.

Intellectual property refers to the creations of the mind, such as inventions, symbols, names, pictures, designs, and models used in business. Patents, trademarks, copyrights, and industrial designs are examples of specific rights regarding intellectual property.[2]

We are planning to audit SaskTel's processes to manage its intellectual property. The objective of our planned audit is to assess whether SaskTel has adequate processes to manage intellectual property at November 30, 2006. We will focus on those areas of intellectual property that are most important to SaskTel.

In this chapter, we outline the criteria we will use to assess SaskTel's processes. We are sharing the criteria to assist other agencies to assess their own processes for managing intellectual property. We will report the results of our audit in a future report.

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[2] Canadian Intellectual Property Office, p.3.

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Background and significance

There is increasing recognition of the importance of intellectual property. Organizations are increasingly taking steps to protect their intellectual property assets. In the last decade the "number of patent applications has nearly doubled and continues to climb."[3]

Intellectual property is an important issue for the public sector as well as for the private sector. A 2001 audit of public sector intellectual property management in Australia noted that intellectual property could be found throughout the public sector. The audit found that most government agencies did not adequately manage their intellectual property.[4]

Agencies require effective processes to identify and protect their intellectual property. Agencies also require effective processes to identify and manage risks related to their use of others' intellectual property.

Agencies should not only consider intellectual property as an asset, but also as a component of their business strategy. Agencies find themselves increasingly paying others for the inadvertent use of technology that is not their own. With the large number of patents in the system, "it is impossible to avoid potential infringement, so self-defence becomes imperative."[5] As has been seen in recent high-profile litigation, infringement can be significant to an agency's primary business and may threaten it. Agencies are attempting to protect themselves through extensive licensing arrangements.

SaskTel's management of intellectual property is important. SaskTel needs to know it has adequate processes to identify and protect its own intellectual property, and that it is adequately protecting against the risk of infringing others' rights.

Audit criteria and approach

We will follow *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants in carrying out our audit.

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[3] A Market for ideas, *The Economist*, October 22, 2005.
[4] Audit Office of New South Wales. (2001).
[5] The arms race, *The Economist*, October 22, 2005.

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To assess the adequacy of SaskTel's processes to manage intellectual property, we will use the criteria set out in Exhibit 1. SaskTel accepts the criteria as reasonable standards for assessing its processes.

Exhibit 1

Adequate processes to manage intellectual property include:

♦ Leadership and corporate support
♦ Identification of intellectual property
♦ Management of ownership
♦ Monitoring and protection
♦ Evaluation and reporting

Primary source: Australian National Audit Office, *Intellectual Property Policies and Practices in Commonwealth Agencies*

The following sets out our expectations in more detail.

Leadership and corporate support

We expect agencies to be committed to managing intellectual property to ensure that it is protected and available for use.

Senior management is accountable for intellectual property held or used by the agency. An intellectual property policy helps define the importance of intellectual property to the agency. An agency should use its policy to align how it manages intellectual property with the agency's strategic objectives and the risks it faces. The agency's intellectual property policy should set out the principles and criteria by which intellectual property assessments are made and identify who is responsible for making them. The policy should set out who is responsible for developing, approving, and maintaining the agency's intellectual property plan.

The intellectual property plan should define the types of intellectual property that the agency will need to identify and actively manage. The plan should reflect the importance of particular intellectual property to the objectives of the agency. This helps determine the amount of active management needed for that intellectual property.

The plan should include appropriate training (i.e., awareness and education activities) on intellectual property issues. It should also allocate

sufficient resources to manage the agency's intellectual property needs. The policy and the plan should be communicated throughout the agency.

Identification of intellectual property

We expect agencies to identify and record significant intellectual property.

To manage intellectual property appropriately requires knowledge of the intellectual property used by the agency. Intellectual property may be obtained from external parties through purchase or licence agreements. Intellectual property may also be developed by the agency.

Agencies need to determine the significance of the identified intellectual property to the strategic objectives of the agency. Agencies need to record significant intellectual property centrally. This should include a description of the intellectual property and where, when, and by whom it was created/purchased, the details of ownership rights (e.g., owned, licensed), who holds the intellectual property, who is directly responsible for its management, and the status of any protection. Documenting this information centrally helps ensure that intellectual property is appropriately managed across operating areas.

To manage intellectual resources adequately to achieve objectives, appropriate staff need access to this information. This awareness and informed use of intellectual property helps avoid duplication.

Management of ownership

We expect agencies to determine the appropriate level of ownership of intellectual property and secure that level of ownership.

In its management of ownership decisions for intellectual property, an agency will likely require different levels of ownership (i.e., levels of rights and interests) for different intellectual property assets. The amount of control required over the intellectual property relates to the use of the property to further the objectives of the agency. Management decisions on ownership range from full ownership (e.g., develop, buy), to rights to use (e.g., license), to rights to use and modify (e.g., license then change property) to other combinations resulting in less than full ownership.

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Intellectual property issues are best approached before the creation/purchase of specific intellectual property. Therefore, the agency should consider intellectual property ownership issues before property is acquired, contracts are signed, tenders are invited, or consultants are hired.

Intellectual property issues should be a standard part of the agency's processes. For example, ownership rights and clauses should be clearly stated in contracts with outside parties and employees. These contracts should also include non-disclosure and confidentiality clauses where necessary.

To manage ownership of intellectual property, staff need to be aware of potential issues and receive appropriate training.

Monitoring and protection

We expect agencies to monitor and protect intellectual property.

Agencies need to monitor their use of intellectual property that they own or have secured rights to use. Agencies also need to monitor others' use of agency-owned intellectual property (i.e., that they have commercialized). Agencies must monitor potential infringement of intellectual property rights, by the agency or by others, and appropriately address any identified infringement issues.

An understanding of the issues and processes to seek advice and make decisions can help ensure intellectual property is appropriately protected. It can also significantly lower the risk of agency infringement of others' intellectual property rights.

Evaluation and reporting

We expect agencies to evaluate and report on both the performance of their intellectual property assets and the effectiveness of their processes to protect and, if applicable, exploit those assets.

Agencies should assess the effectiveness of their intellectual property management processes. Key intellectual property assets should be managed with the same attention given to tangible assets. The processes

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should reflect the relative importance of the intellectual property assets to the strategic objectives of the agency and the risks it faces.

Regular reporting to senior management and to the board can identify opportunities for improvement and the need for revised intellectual property management strategies. Failure to regularly report on an agency's intellectual property results in less agency control over and accountability for intellectual property and can reduce the effective protection and development of these assets.

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Saskatchewan Government Insurance

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Main points

This chapter describes the result of our audits of Saskatchewan Government Insurance (SGI), the companies it owns, Saskatchewan Auto Fund, and SGI Superannuation Plan for the year ended December 31, 2005. SGI owns SGI Canada Insurance Services Ltd., Coachman Insurance Company, and Prince Edward Island Insurance Company.

We concluded that Coachman Insurance Company (Coachman) needs to strengthen its controls to monitor claims under agents' administration. During the year, Coachman incurred previously unreported and unrecorded claims resulting in a loss of $9.7 million from a policy under an agent's administration.

In 2006, we also examined the adequacy of SGI's succession planning processes for its key positions. For this examination, key positions include the President, Vice Presidents, Assistant Vice Presidents, managers, underwriters, and claim adjusters. We concluded that SGI had adequate succession planning processes for its key positions.

Introduction

Saskatchewan Government Insurance (SGI) sells property and casualty insurance in Saskatchewan. Its wholly-owned company, SGI Insurance Services Ltd. (SCISL), sells property and casualty insurance in Manitoba.

Also, SCISL owns 100% of the issued shares of Coachman Insurance Company (Coachman) and 75% of the issued shares of Insurance Company of Prince Edward Island (ICPEI). Coachman sells property and casualty insurance including automobile insurance in Ontario. ICPEI sells property and casualty insurance including automobile insurance in Prince Edward Island, Nova Scotia, and New Brunswick.

SGI also manages the Saskatchewan Auto Fund (SAF). SAF is Saskatchewan's compulsory automobile insurance program. It receives money from the motoring public and pays claims. SAF does not receive any money from the General Revenue Fund (GRF). Nor does it pay any dividends to the GRF or the Crown Investments Corporation. The financial results of SAF are not included in SGI's financial statements.

SGI sponsors the Saskatchewan Government Insurance Superannuation Plan (SGI Plan). The SGI Plan is a defined benefit pension plan (closed to new members since 1978). The Board of Directors of SGI is responsible for administration of the SGI Plan under *The Pension Benefits Act, 1992.* The primary objective of the SGI Plan is to provide pensions to retired employees and the dependents of deceased pensioners and employees of SGI. SGI provides day-to-day management of the SGI Plan.

The 2005 annual report for SGI includes its consolidated financial statements for the year ended December 31, 2005. Those statements report revenue of $308.8 million, net profit of $35.2 million, total assets of $598.2 million, and retained earnings of $63.4 million.

The 2005 annual reports for SCISL, Coachman, and ICPEI include their respective financial statements for the year ended December 31, 2005. The table below shows the consolidated financial results of SCISL and each of the companies it owns.

Table – Financial information for insurance companies that SGI owns (in millions)

Company	Revenue	Net Profit	Total Assets	Retained Earnings (Deficit)
SCISL - Consolidated	$ 50.6	$ 3.6	$ 200.0	$ (6.5)
Coachman	29.0	1.2	113.7	(14.3)
ICPEI	9.2	2.7	29.2	3.1

The 2005 annual report for SAF includes its financial statements for the year ended December 31, 2005. Those statements report revenue of $607.5 million, net increase to the rate stabilization reserve (net profit) of $61.4 million, total assets of $1,213.4 million, a rate stabilization reserve of $163.3 million, and a redevelopment reserve of $35 million.

The SGI Plan's annual report includes its financial statements for the year ended December 31, 2005. Those statements report contributions from employees of $0.1 million, pensions and refunds of $3.6 million, net assets of $45.3 million, and accrued pension benefits owing of $45.2 million.

Our audit conclusions and findings

Cabinet appointed KPMG LLP auditor for SGI and SAF. The Boards of Directors for SCISL, Coachman, and ICPEI appointed KPMG as auditor for those companies. Also, SGI appointed KPMG as auditor for the SGI Plan. Our Office worked with the appointed auditor using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] Our Office and KPMG formed the following opinions.

In our opinion for the year ended December 31, 2005:

♦ **SGI, SAF, SCISL, Coachman, ICPEI, and the SGI Plan had adequate rules and procedures to safeguard public resources except that Coachman needs to strengthen controls over claims under agents' administration as described below**

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[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

- ♦ **SGI, SAF, SCISL, Coachman, ICPEI and the SGI Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

- ♦ **the financial statements of SGI, SAF, SCISL, Coachman, ICPEI, and the SGI Plan are reliable**

We also report the result of our audit of the adequacy of SGI's succession planning processes for its key positions.

Controls need strengthening over claims under agents' administration

Coachman needs to strengthen its controls over claims under agents' administration. During the year, Coachman incurred additional claims resulting in a loss of $9.7 million from a policy under an agent's administration because Coachman did not have adequate controls over claims that it allowed the agent to administer.

In 1998, Coachman issued an insurance policy to a vehicle rental company (Rental Company) in Ontario. At the same time, Coachman made an agreement that allowed the Rental Company to act as Coachman's agent and sell insurance to customers renting vehicles under the policy. Coachman had this kind of insurance arrangement with other companies in Ontario, before SGI bought Coachman. After becoming part of SGI, Coachman did not renew those arrangements on their expiry. Management told us all such arrangements are now expired.

Under the arrangement, the Rental Company kept the premiums it charged its customers. The Rental Company was allowed to assess and pay customer claims directly or through a claims management firm that it may hire. The Rental Company paid Coachman an annual fee for this arrangement.

Because the insurance coverage was in the name of Coachman, it required the Rental Company to report the status of all reported and outstanding claims monthly. As a security to guarantee the settlement of all claims, Coachman required the Rental Company to maintain a trust account in an amount equal to minimum industry requirements.

Coachman and the Rental Company had informally agreed that the Rental Company would maintain such trust account in an amount equal to 120% of the unpaid claims relating to the insurance policy.

Such arrangements, generally known as fronting or service agreements (Service Agreements), are common in the insurance industry. In Service Agreements, insurance companies remain at risk of losses. Insurance companies manage that risk by ensuring agents estimate claims properly and set aside enough money to settle those claims. Also, the Service Agreements allow the insurance companies access to the claim files and trust accounts to ensure proper claim administration.

Under the arrangement, Coachman also retained the right to examine the claims files at the Rental Company and to estimate claims. However, Coachman's control processes did not include periodic review of claims files to ensure the Rental Company was estimating and recording all claims properly. Coachman received a quarterly report about the cost of claims outstanding from the claims management firm that the Rental Company had hired and information directly from the Rental Company about the balance in the trust account. Coachman ensured that the trust account balance equalled 120% of the outstanding claims that were reported. Coachman, however, did not ensure that the Rental Company (or the claims management firm hired by the Rental Company) properly estimated, recorded, and reported all claims. Accordingly, it did not know if the Rental Company had enough money in the trust account to pay all the claims.

The insurance policy and the agreement with the Rental Company expired on March 31, 2005. Soon after, the Rental Company filed for voluntary receivership. During the receivership proceedings, Coachman became aware that the Rental Company did not record and report all claims and did not deposit the required amount in the trust account. Because the insurance coverage is in the name of Coachman, it must pay all outstanding claims.

Management estimated that Coachman would need $10.9 million to pay all outstanding claims under the insurance policy. The trust account that the Rental Company maintained has a balance of $1.2 million. As a result, Coachman has incurred additional claims resulting in a loss of $9.7 million from the policy under the agent's administration.

1. **We recommend Coachman Insurance Company improve its processes to properly examine and assess claims that are under agents' administration.**

Succession planning processes

Background

Succession planning is a systematic process to ensure that agencies have the right people with the right skills in the right place at the right time. The skills, knowledge, and behaviours essential to do jobs that keep an agency operational are called key competencies.

Succession planning processes at SGI are important. It employs over 1600 people in Saskatchewan. By 2016, SGI expects up to 50% of its managers will retire. This may result in the loss of knowledge essential to provide services effectively. Knowledgeable employees are essential for assessing risks and settling claims. Failure to arrange for others to succeed key staff could lead to loss of public money and confidence in SGI.

Audit objective

Our audit objective was to assess the adequacy of SGI's succession planning processes for key positions. We examined the processes in place as at February 28, 2006.

For this audit, key positions means the President, Vice Presidents, Assistant Vice Presidents, managers, underwriters, and claims adjusters. We audited SGI's succession planning processes for its staff in Saskatchewan and not in other provinces.

Criteria

To determine the adequacy of SGI's succession planning processes, we used criteria based on research, literature, and audit reports (see selected references). SGI agreed that the criteria listed below are reasonable and attainable.

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SGI's succession planning processes for key positions should:

♦   support long-term strategic direction

♦   assess potential gaps in current and future workforce

♦   take action on strategies for succession to help bridge gaps

♦   monitor and evaluate progress

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Conclusion

As at February 28, 2006, SGI had adequate succession planning processes.

Key findings

We set out, below, our expectations (in italics) for each of the criteria together with our key findings.

Support long-term strategic direction

To support its long-term strategic direction, we expected SGI to:

♦   *align its human resource plan with its long-term strategic direction*
♦   *align its succession plans with its human resource plan*
♦   *keep overall succession planning strategies transparent*

SGI aligns its human resource plan, including its succession plans, with its overall strategic plan. It developed a *Talent Management Framework* [2] to guide its succession planning processes. This Framework coordinates SGI's human resource and succession plans with its corporate strategic plan.

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[2] Talent Management Framework provides a roadmap (flowchart and descriptions) of the human resource processes the corporation uses to identify, hire, develop and sustain required competencies. The framework shows how human resource processes help SGI to achieve its goals.

SGI also developed initiatives to align its human resource plan with the direction from the Government including the Crown Investments Corporation. For example, it focused on opportunities to employ youth and Aboriginal people.

SGI keeps its succession planning process transparent in several ways. For example, in 2005, it held several information sessions for management. An online orientation for new employees introduces career progression at SGI including succession planning. Its Intranet[3] communicates peak years for retirements by position and explains job opportunities to all SGI employees.

Assess potential gaps in current and future workforce

To assess the potential gaps in its current and future workforce, we expected SGI to:

♦   *analyze current workforce demographics to identify future risks and opportunities*
♦   *analyze future workforce needs*
♦   *analyze potential competency gaps that may exist in the future workforce*
♦   *communicate gaps*

SGI monitors demographic trends and predicts their future impact. For example, it analyzes the movement of youth and Aboriginal employees into more advanced positions. It also projects its risk of many simultaneous retirements within each division and for SGI as a whole. Based on its analysis, SGI updated its retirement assumptions to improve the accuracy of its projections.

SGI identifies specific management and technical positions as key positions. To help assess its future workforce needs, SGI sets out the competencies and education required for its key technical positions—claims and underwriting.

SGI also drafted competencies for its key management and leadership positions in early 2006. These draft leadership competencies will help it further analyze potential gaps in its key leadership and management positions.

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[3] Intranet is a private computer network that SGI uses to share information with its employees.

SGI identified potential competency gaps in its future workforce for some areas of the organization. For example, it recognized that it had a shortage of property and casualty actuaries in Western Canada—a key technical and leadership position.

SGI communicates competency gaps to its employees on its Intranet. The information informs employees of future opportunities within SGI due to projected vacancies. For example, SGI's Intranet shows the years in which it expects large numbers of retirements from specific types of positions. SGI's Intranet also lists the competencies required for each position. Using this information, employees can select positions of interest to them and begin to develop themselves as future candidates.

Take action on strategies for succession to help bridge gaps

When taking action on strategies for succession, we expected SGI to:

♦ *invest in developing skills and maximizing career opportunities*
♦ *transfer knowledge for key positions*
♦ *remove barriers to recruitment of skilled people*
♦ *remove barriers to retention*

SGI budgets for employee development and training. Comprehensive orientation programs for both in-scope and out-of-scope employees are in place.[4] All new staff complete an on-line orientation using SGI's Advanced Learning Platform combined with classroom discussion. Also, SGI's strategic plan outlines balanced scorecard measures including the annual number of training days and cost of training per employee.

SGI supports its employees to take responsibility for their own career development. Its employee orientation program introduces career planning. SGI also has a career development program with workshops to help employees map out their careers. It provides special assignments to some staff to further develop or maximize their career potential. For example, SGI gives some staff experience in several areas.

SGI recognizes the importance of knowledge transfer. For some key positions, it creates "assistant" positions to allow transfer of critical knowledge. For all key positions, SGI offers on-the-job training

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[4] SGI employees in a union are in-scope while those in management positions are out-of-scope.

opportunities. Also, it offers voluntary in-class training for some key positions and has increased the in-house insurance classes it offers employees.

SGI uses several strategies to remove barriers to recruiting skilled people. It's human resource project committees investigate and recommend improvements to external hiring practises. SGI, along with other employers in the insurance industry, is exploring the potential for a post-secondary training program. SGI used external consultants periodically to review whether its compensation package remains competitive.

SGI also uses internship programs to remove barriers to recruitment. For example, it used internships to identify potential candidates for key positions (e.g. property and casualty actuary, insurance lawyers, rural claims adjusters). The internships give recent graduates work experience related to their studies, and allow SGI to assess whether the new graduates will meet its needs. It also employs students as part of the co-operative work-education program.

Retaining its skilled people is essential for SGI. It has many programs to help retain skilled employees. To promote a positive work environment, SGI has a mentorship program and conducts employee engagement surveys annually. Flex-time is available to staff upon request to promote a work-home-community balance. SGI also offers service recognition plans and a company pension plan to its employees.

SGI retains its skilled people by supporting their development with performance reviews, coaching, and focused development. To further this process for leadership positions, SGI plans to use its manager-leader competencies in its performance evaluation. Also it has a process to identify potential successors for its key positions. SGI assigns these staff to confidential "talent pools" and updates the assignments annually so that it knows the staff it needs to retain for key positions.

Monitor and evaluate progress

When monitoring and evaluating progress, we expected SGI to:

♦ *report progress on addressing gaps*
♦ *modify plans to address gaps*
♦ *evaluate the impact of its succession planning progress on its human resource plan*

SGI uses its Talent Management Framework to help it monitor and report progress. Managers receive regular updates on SGI's actions related to the Framework.

SGI monitors its progress on addressing gaps in its workforce. It monitors monthly the number of youths and Aboriginal people it employs. It also monitors whether youths (under age 30) and Aboriginal people are in non-permanent or permanent positions and whether they get promoted to higher pay or more advanced positions.

SGI's Board last reviewed the succession plan in 2003. Management told us that this year it plans to report to the Board on SGI's progress relating to potential competency gaps in key management positions.

SGI modifies its plans to address gaps as its workforce changes. When it recognizes potential competency gaps, it addresses them, and then considers if it needs to continue its strategy. For example, SGI recognizes that some internship programs such as its property and casualty actuary program served their purpose and may not need to be continued.

SGI has not yet evaluated the impact of overall progress with the succession plan on its long-term human resource planning. Management told us SGI plans to identify and analyze competency gaps for all its key positions for its long-term human resource planning.

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Saskatchewan Water Corporation

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Main points

In this chapter, we report the results of our audit of the Saskatchewan Water Corporation (SaskWater) for the year ended December 31, 2005.

We conclude that SaskWater's financial statements are reliable; it had adequate processes to safeguard public resources; and it complied with the authorities governing its activities.

This chapter also contains the results of our audit of SaskWater's processes to maintain its water treatment and transmission infrastructure. We recommend that SaskWater compile detailed information about its infrastructure to identify maintenance needs and use a maintenance plan to improve infrastructure efficiency and reliability for the lowest possible long-term cost.

Introduction

The Saskatchewan Water Corporation (SaskWater) operates under *The Saskatchewan Water Corporation Act.* SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

At December 31, 2005, SaskWater held assets of $69.9 million, had operating revenue of $17.8 million, and had a net loss from operations of $1.0 million. SaskWater's 2005 Annual Report includes its financial statements.

Our audit conclusions and findings

Our Office worked with Meyers Norris Penny LLP, the appointed auditor for SaskWater, to form the following opinions. We followed the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] Meyers Norris Penny LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2005:

♦ **SaskWater's financial statements are reliable**

♦ **SaskWater had adequate rules and procedures to safeguard public resources**

♦ **SaskWater complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

The remainder of this chapter contains the results of our audit of SaskWater's processes to maintain its waterworks infrastructure.

Infrastructure maintenance

SaskWater owns waterworks infrastructure that treats and distributes water to over 50 towns and villages and to various industries across the

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[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

province.[2] SaskWater's infrastructure includes seven water treatment plants that produce over 2.5 billion litres of water annually, 32 water pump stations, and over 770 km of water pipelines. This infrastructure also includes large pumps, motors, filters, valves, and other electrical and mechanical equipment. SaskWater's infrastructure has an estimated replacement cost of $250 million.

SaskWater's goal is to provide quality water that meets or exceeds regulatory requirements. Infrastructure maintenance can reduce overall costs while increasing the efficiency and the reliability of the supply of pure water. To provide reasonably priced, quality water treatment and transmission services, SaskWater requires well-maintained infrastructure.

Our audit objective and criteria

The objective of the audit was to assess if SaskWater had adequate processes to maintain its water treatment and transmission infrastructure at December 31, 2005.

We based the audit criteria on a review of the literature including reports of other auditors. SaskWater accepted the criteria as reasonable standards for assessing its maintenance processes. Our criteria describe the following key processes that we expected SaskWater to use to maintain its water treatment and transmission infrastructure (waterworks assets):

♦ obtain reliable information on assets

♦ develop a maintenance plan

♦ carry out maintenance effectively

♦ monitor performance

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[2] Most municipalities manage their own waterworks infrastructure. As rural populations shift to urban areas, smaller municipalities contract with SaskWater for water services.

Our conclusion and recommendations

We concluded that at December 31, 2005, SaskWater had adequate processes to maintain its water treatment and transmission infrastructure except as noted in the following recommendations.

1. **We recommend Saskatchewan Water Corporation compile reliable information detailing the water treatment and transmission infrastructure it owns and the condition of that infrastructure.**

2. **We recommend Saskatchewan Water Corporation develop and use a maintenance plan for its water treatment and transmission infrastructure.**

Our key findings

Throughout our audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. We describe what we expected (in italics) and what we found for each of our four criteria.

Obtain reliable information on assets

Collecting information about infrastructure (capital assets) helps managers identify maintenance needs and make informed decisions. To obtain reliable information on assets, we expected SaskWater to:

♦   *identify assets that must be maintained*
♦   *assess asset condition and expected remaining service life*
♦   *assess probability and impact of risks to assets*
♦   *determine asset value (cost/replacement value)*

SaskWater does not have a detailed listing of the waterworks assets that must be maintained and their condition. In October 2005, SaskWater began to gather detailed information about its water treatment and transmission infrastructure. It purchased asset management software and expects to have a complete list of its assets by late 2006. The software will help SaskWater document the condition, lifespan, and maintenance requirements of its assets.

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As required by *The Water Regulations, 2002,* SaskWater obtains independent waterworks-systems assessments for each waterwork system once every five years. The first cycle of assessments was nearing completion in early 2006. The engineers' reports highlight the general condition and performance of the waterworks systems. SaskWater also assessed the probability and impact of risks to its significant waterworks assets.

SaskWater maintains summary financial information on existing waterworks assets. For example, it reports the cost, depreciated value, and estimated capital replacement cost of waterworks assets by type (e.g., pumps). This information is available by district.

Develop a maintenance plan

Planning for asset maintenance helps an agency take targeted, timely action to keep assets more efficient and reliable for the lowest possible long-term cost. To develop a maintenance plan, we expected SaskWater to:

♦ *establish specific objectives, strategies, and performance measures*
♦ *set maintenance priorities (short and long term)*
♦ *establish maintenance standards*
♦ *communicate priorities and standards*

SaskWater does not have a maintenance plan or specific objectives and strategies to maintain its water supply and transmission infrastructure. SaskWater has general performance measures related to maintaining its water supply systems. For example, it measures the operation and maintenance cost per sales volume, the number of service interruptions, and the number of boil water advisories.

SaskWater carries out maintenance activities as determined by the district supervisors. The supervisors and local operators decide what maintenance to do based on their daily observations, established practices, and manufacturers' recommendations.

Through regular monitoring, SaskWater identifies potential problems before equipment failures occur. For example, SaskWater monitors the

vibrations of pumps and motors to determine when maintenance is required. It also routinely monitors the protection system on its steel pipelines. SaskWater told us it intends to document its preventive maintenance program and enhance it with short- and long-term priorities.

SaskWater purchased software in December 2005 to actively manage its infrastructure and maximize its life span. SaskWater told us the software will help it plan when to maintain, upgrade, or replace its infrastructure to keep it functioning well for years to come.

SaskWater uses water-quality standards to monitor its waterworks. SaskWater has not adopted formal standards for maintaining its infrastructure. In 2005, SaskWater began to document maintenance standards in its quality assurance and quality control manual.

Carry out maintenance effectively

To carry out maintenance effectively, we expected SaskWater to:

♦ *establish maintenance procedures that manage risks*
♦ *develop trained staff*
♦ *record maintenance activities*
♦ *use information on assets and maintenance to adjust plans*

To manage risks, SaskWater maintains its infrastructure as repair or replacement issues arise and sets some short-term priorities. It has detailed operation and maintenance manuals at each site. These manuals describe the maintenance procedures recommended by manufacturers and suppliers.

SaskWater employs certified operators in each location to operate and maintain its waterworks assets as required by *The Water Regulations, 2002*. SaskWater supports continuing education for waterworks operators. It has policies and a budget to help operators meet their training needs.

SaskWater keeps a record of maintenance work in operational logs. These logs document daily maintenance activities by date. SaskWater does not yet have a maintenance record for specific assets to help it monitor the condition of each asset.

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SaskWater's operators inspect its assets regularly. It uses these observations and information in the daily log to adjust maintenance activities.

Monitor performance

To monitor performance, we expected:

♦ *regular analyses of reports by senior management*
♦ *periodic review of reports by the board*

SaskWater's senior management receives and reviews monthly activity reports from district supervisors. The reports list inspections completed and identify problems. The problems may include cracked valves, deteriorating pipes, or equipment not functioning at full capacity. The reports explain how operators repaired or maintained the equipment or pipeline. The reports also summarize operational and maintenance activities, and explain any related community issues.

Quarterly, the board reviews SaskWater's balanced scorecard results, which include performance measures such as water service interruptions. In addition, in 2005 the board set a policy to begin receiving a water quality report twice a year. Other reports to SaskWater's board integrate maintenance information with financial information. For example, the board receives information that alerts it to risks related to maintenance.

SaskWater told us it intends to improve its information on infrastructure using its new asset management software. As its information improves, SaskWater can then further strengthen how it monitors its maintenance performance.

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Saskatchewan Opportunities Corporation

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Main points

In this chapter, we report the results of the audit of Saskatchewan Opportunities Corporation (SOCO) for the year ended December 31, 2005.

We concluded that the financial statements of SOCO are reliable. SOCO complied with the authorities governing its activities and had adequate processes to safeguard public resources except as noted below.

SOCO needs to establish written processes to ensure all construction project costs are properly recorded.

Introduction

Saskatchewan Opportunities Corporation (SOCO) creates, encourages, and facilitates business opportunities in the Saskatchewan technology sector, primarily through the development and operation of research and development parks.

In 2005, SOCO earned revenue of $22 million, had net income of $5.5 million, and held assets of $13.7 million.

Our audit conclusions and finding

Our Office worked with KPMG LLP, SOCO's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] KPMG LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2005:

♦ **SOCO's financial statements are reliable**

♦ **SOCO complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **SOCO had adequate rules and procedures to safeguard public resources except for recording construction project costs**

Financial reporting needs improvement

SOCO did not have adequate controls to ensure its financial records accurately included all of its financial activities.

SOCO is undertaking a major building construction project with an estimated cost of $25 million. Accordingly, it is important that management have a system to identify all construction contracts, monitor

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[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

the progress on each contract, and record in its financial records all costs incurred.

SOCO had adequate processes to identify all construction contracts and monitor the progress on each contract; however SOCO did not have a process to ensure that all progress billings on construction contracts were recorded in its accounts and financial statements. As a result, the financial statements presented for audit did not include accounts payable and construction project costs of $1.1 million as at December 31, 2005. SOCO corrected this error.

1. **We recommend that Saskatchewan Opportunities Corporation establish written processes to ensure all construction project costs are properly recorded.**

Standing Committee on Crown and Central Agencies

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Main points

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central agencies, liquor and gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. The Government has implemented most of the Committee's recommendations. This chapter sets out the status of the Committee's recommendations that the Government has not yet implemented.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies. We describe what the Committee does, how it is structured, and how it works. We discuss the importance of the Committee's deliberations and recommendations. We also highlight some of its recent activities. In the Exhibit, we set out the status of the Committee's outstanding recommendations.

Overview of Committee's role and responsibilities

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. Policy field committees are responsible for examining various documents referred to them by the Assembly. These documents include bills and regulations (proposed laws), annual budget Estimates, and annual reports. Policy field committees can also conduct inquiries into matters within their mandates.

This Committee's mandate is to consider matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations; supply and services; central agencies; liquor and gaming; and all other revenue-related agencies and entities. At the beginning of each Legislature, the Legislative Assembly appoints the members of the Committee.

The Committee focuses on corporations that receive revenues from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives, and past performance. Because of the magnitude of financial activity that the Government manages through CIC and its corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

The Assembly refers the annual reports and financial statements of CIC and its corporations to the Committee. The Committee uses these reports to review the corporations' operations. Also, the Assembly refers the Provincial Auditor's reports (or parts of the reports) that relate to CIC and its corporations to the Committee.

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The Committee also requires CIC and its corporations to submit reports of their significant transactions. Significant transactions are defined as those that are material in amount and outside the ordinary course of business, or are judged by the Crown corporation to be sensitive and likely of interest to legislators and the public. These reports describe the transaction, the objectives of the transaction, its financial implications, and the authority for the transaction. Because Crown corporations must submit these reports within 90 days after the transaction, the Committee can review them on a timely basis. During 2005-06, the Committee received eleven significant transaction reports.

Our Office attends meetings of the Committee to help it with its reviews. The Committee also invites each corporation's appointed auditor to help the Committee with its review.

Crown corporation officials and the Minister responsible for the corporation attend the Committee's meetings. They answer questions about their corporation's financial results, plans and priorities, significant transactions, and related chapters in our reports. Periodically, the Committee formally reports its findings and recommendations to the Assembly.

The Committee's meetings are open to the public. Information about the composition of the Committee, as well as records of the Committee's meetings (i.e., Hansard verbatim, minutes, videos, and reports) are available on the Committee's website – www.legassembly.sk.ca/committees/.

As with the Standing Committee on Public Accounts, this Committee's discussions and recommendations to the Assembly result in a more open and accountable Government and in better management of Government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Members of the Committee

The following members served on the Committee during 2005-06:

- Graham Addley
- Dan D'Autremont
- Jason Dearborn (from November 9, 2005 to March 15, 2006)
- Doreen Eagles (to November 9, 2005)
- Donna Harpauer (from November 9, 2005)
- Andy Iwanchuk (to March 15, 2006)
- Allan Kerpan (to November 9, 2005; from March 15, 2006)
- Warren McCall (to March 15, 2006)
- Sandra Morin (from March 15, 2006)
- Mark Wartman
- Kevin Yates (from March 15, 2006)

Committee activities

During 2005-06, the Committee met 12 times. It reviewed various Estimates and bills, and issued two reports thereon to the Assembly. Also, the Committee reviewed the following annual reports:

- Crown Investments Corporation of Saskatchewan (2004)
- Saskatchewan Government Insurance (2004)
- Saskatchewan Water Corporation (2003, 2004)
- Information Services Corporation of Saskatchewan (2003, 2004)
- Saskatchewan Liquor and Gaming Authority (2004-05)
- Saskatchewan Telecommunications (2003)
- Saskatchewan Transportation Company (2003)

In addition, it considered the following Provincial Auditor reports.

- Report regarding disclosure of payee information (October 2004)
- 2004 Report – Volume 3, Chapter 19
- 2005 Report – Volume 1, Chapters 12 & 15

On May 24, 2005, the Committee issued a report to the Assembly (Fourth Report of the 25th Legislature) on its review of 2003 annual reports and the Provincial Auditor's 2004 Report – Volume 1.

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Status of recommendations

The Committee's reports (and those of the predecessor Standing Committee on Crown Corporations) contain recommendations, some of which take more than one year to implement. Each year, we follow up and report on their status. The Government implemented five of the eight recommendations included in our last update (see our 2005 Report – Volume 1, Chapter 15). The Exhibit lists three outstanding recommendations as at December 31, 2005 that the Committee concurred with. We encourage the Government to implement these recommendations.

We classify the outstanding recommendations as follows:

1.   **Committee concurs** – These are our Office's recommendations that the Committee supports, agrees, or concurs with. The Committee does not expect a formal response from the Government but does expect the Government to comply with the recommendations. In the Exhibit, these recommendations are identified by a non-bold number (e.g., 4.1) preceding them. The non-bold numbers reflect the chapter and recommendation number of our related report.

2.   **Committee recommends** – These are the Committee's recommendations. The Committee expects an official response or action by the Government. In the exhibit, these recommendations are identified by a bold number (e.g., **1**.) preceding them.

3.   **Committee considered** – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

For each outstanding recommendation, we assess the status of the recommendation and indicate whether it is not implemented or partially implemented using the following criteria:

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

> **Partially implemented** – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Exhibit—Outstanding recommendations

Report Year	Outstanding Recommendation	Status
Third Report of the 3rd Session of the 24th Legislature – tabled December 9, 2002		
2001 Spring	The Committee concurs: 11.1 The Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary.	**Not implemented.** Legislative amendments have not been made.
2001 Spring	The Committee concurs: 11.4 The Government should change current laws to: - require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares - require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.	**Not implemented.** Legislative amendments have not been made.
Fourth Report of the 1st Session of the 25th Legislature – tabled May 24, 2005		
2004 Report Vol. 1	The Committee concurs: 7.1 CIC should review the limits over which CIC and its subsidiaries must get Order in Council approval to buy and sell real property, either directly or through a subsidiary, and CIC should seek legal changes where appropriate.	**Partially implemented.** CIC has approved new limits that will apply to CIC and each of its subsidiaries. It has made the necessary legal changes for three Crown corporations to date.

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Appendix

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title
1   This Act may be cited as *The Provincial Auditor Act*.

Interpretation
2   In this Act:

(a)   **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b)   **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c)   **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d)   **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i)   are appointed by an Act or by the Lieutenant Governor in Council; or

(ii)   are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2005.*

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4;
2001, c.32, s.3; 2005, c.L-112, s.97.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan
3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor
3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

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(3)   Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

<div align="right">1983, c.P-30.01, s.5.</div>

Qualifications of provincial auditor, acting provincial auditor

6   No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

<div align="right">1983, c.P-30.01, s.6.</div>

Advisors, etc.

7   For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

<div align="right">1983, c.P-30.01, s.7; 2001, c.32, s.6.</div>

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2)   Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3)   The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4)   *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5)   The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

<div align="right">1983, c.P-30.01, s.8; 2001, c.32, s.7.</div>

Confidentiality

9   The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

<div align="right">1983, c.P-30.01, s.9; 2001, c.32, s.8.</div>

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

   (a)   an annual report on operations pursuant to section 10.4;

   (b)   a business and financial plan pursuant to section 10.5;

   (c)   an annual report pursuant to section 12; or

   (d)   a special report to the Legislative Assembly.

<div align="right">2001, c.32, s.9.</div>

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

   (2)   On receipt of the estimates pursuant to subsection (1), the public accounts committee:

   (a)   shall review the estimates; and

   (b)   may make any alterations to the estimates that the public accounts committee considers appropriate.

   (3)   After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

   (4)   After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

   (5)   The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

   (6)   Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

   (7)   The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

   (8)   Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

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(9)   *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

<div align="right">2001, c.32, s.9.</div>

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a)   is prorogued; or

(b)   is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2)   If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a)   a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b)   the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3)   On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a)   shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b)   may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4)   On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5)   On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6)   For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7)   Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

> (a)   a public accounts committee has not been appointed; and

> (b)   the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

<div align="right">2001, c.32, s.9.</div>

Expenses limited to appropriation
10.3(1) In this section, **"appropriation"** means:

> (a)   an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

> (b)   an appropriation by special warrant issued pursuant to section 10.2; and

> (c)   any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2)   The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3)   The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4)   Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

<div align="right">2001, c.32, s.9.</div>

Annual report on operations
10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

> (a)   a report on the operations of the provincial auditor's office for the preceding fiscal year;

> (b)   the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2)   The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

<div align="right">2001, c.32, s.9.</div>

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Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

<div align="right">2001, c.32, s.9.</div>

<div align="center">DUTIES AND POWERS</div>

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

    (a) the accounts have been faithfully and properly kept;

    (b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

    (c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

    (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

<div align="right">1986-87-88, c.26, s.6.</div>

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

    (a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b)   is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3)   Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4)   Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a)   the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b)   the nature of the additional audit work the provincial auditor conducted; and

(c)   the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a)   any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b)   any public money was not duly accounted for and paid into the appropriate fund;

(c)   any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d)   an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e)   there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f)   a special warrant authorized the payment of public money; or

(g)   essential records were not maintained or the rules and procedures applied were not sufficient:

(i)   to safeguard and control public money;

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      (ii)   to effectively check the assessment, collection and proper allocation of public money; or

      (iii)   to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2)   In the annual return made pursuant to subsection (1), the provincial auditor may:

      (a)   report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

      (b)   comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3)   Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

<div align="right">1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.</div>

Special report
  13   The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

<div align="right">1983, c.P-30.01, s.13.</div>

Submission of provincial auditor's reports
  14   Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

      (a)   the annual report prepared pursuant to section 12; and

      (b)   any special report that is prepared by the provincial auditor pursuant to section 13.

<div align="right">2001, c.32, s.11.</div>

Tabling of reports
  14.1(1) In this section, **"report"** means:

      (a)   an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

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(b)   a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c)   an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d)   any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e)   a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2)   The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3)   If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4)   When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a)   subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b)   make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5)   The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a)   commences on the day a Legislative Assembly is dissolved; and

(b)   ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6)   If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7)   Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8)   Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

<div align="right">2001, c.32, s.11.</div>

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Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a)   any funds that he is required to audit pursuant to subsection 11(1);

(b)   Crown agencies;

(c)   Crown-controlled corporations; and

(d)   accounts not related to public money that are, by an Act, required to be examined by him.

(2)   Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a)   the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i)   requests the provincial auditor to perform a special assignment; and

(ii)   causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b)   in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2)   Notwithstanding *The Tabling of Documents Act*:

(a)   the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b)   the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3)   The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4)   Where:

(a)   the Lieutenant Governor in Council:

(i)   requests the provincial auditor to perform a special assignment; and

(ii)   causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b)   in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5)   The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17   Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18   The provincial auditor shall:

(a)   cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b)   assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c)   at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d)   at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19   On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a)   in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b)   during its review of the the items described in clause (a).

<div align="right">1983, c.P-30.01, s.19.</div>

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2)   An audit committee is established.

(3)   The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4)   A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5)   The following persons are not eligible to be a member of the audit committee:

(a)   a Member of the Legislative Assembly;

(b)   an appointed auditor;

(c)   an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6)   The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7)   The audit committee may determine its rules of procedure.

(8)   All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

<div align="right">2001, c.32, s.13;2005, c.L-11.2, s.97.</div>

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a)   the recommending of a provincial auditor;

(b)   the review of the estimates of the provincial auditor;

(c)   the review of the annual report on operations of the provincial auditor;

(d)   the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e)   any other matters that the public accounts committee may request.

(2)   The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

<div align="right">2001, c.32, s.13.</div>

Information to be provided to audit committee
22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2)   The audit committee and each member of the audit committee:

(a)   shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b)   shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

<div align="right">2001, c.32, s.13.</div>

Availability of reports
23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2)   The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

<div align="right">2001, c.32, s.13.</div>

<div align="center">GENERAL</div>

Right to information, accommodation
24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a)   to free access, at all convenient times, to:

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(i)   all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii)   all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b)   to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2)   The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25   The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26   Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1)On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2)   For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a)   must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b)   must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3)   The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4)   The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2)   All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29   The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30   The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a)   shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b)   shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i)   the administration of this Act;

(ii)   any proceedings under this Act; or

(iii)   any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

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Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2)   On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

<div align="right">1983, c.P-30.01, s.32.</div>

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Appendix

2

List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to audit examination under *The Provincial Auditor Act* at December 31, 2005.

This Appendix includes the status of those audits at March 31, 2006. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure that we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2005 Rpt V2
Departments and Secretariats:			
Department of Advanced Education and Employment	March 31	Note 5	
Department of Agriculture and Food	March 31	Complete	Yes/2005 Rpt V3
Department of Community Resources (formerly Department of Community Resources and Employment)	March 31	Complete	Yes/2005 Rpt V3
Department of Corrections and Public Safety	March 31	Complete	Yes/2005 Rpt V3
Department of Culture, Youth and Recreation	March 31	Complete	No
Department of Environment	March 31	Complete	Yes/2005 Rpt V3
Department of Finance	March 31	Complete	Yes/2005 Rpt V2, V3 & 2006 Rpt V1
Department of First Nations and Métis Relations	March 31	Complete	Yes/2005 Rpt V3
Department of Government Relations	March 31	Complete	Yes2006 Rpt V1
Department of Health	March 31	Complete	Yes/2005 Rpt V3 & 2006 Rpt V1
Department of Highways and Transportation	March 31	Complete	Yes/2005 Rpt V3
Department of Industry and Resources	March 31	Complete	Note 3
Department of Justice	March 31	Complete	Yes/2005 Rpt V3
Department of Labour	March 31	Complete	No
Department of Learning	March 31	Complete	Yes/2005 Rpt V3 & 2006 Rpt V1
Department of Northern Affairs	March 31	Complete	Yes/2005 Rpt V3
Department of Property Management	March 31	Note 5	Yes/2006 Rpt V1
Department of Regional Economic and Co-operative Development (formerly Department of Rural Development)	March 31	Note 5	
Executive Council	March 31	Complete	Yes/2005 Rpt V3
Information Technology Office	March 31	Complete	Yes/2005 Rpt V3
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 2	
101027596 Saskatchewan Ltd.	December 31	Complete	No
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 2	
3364381 Canada Ltd.	December 31	Note 2	
610277 Saskatchewan Ltd.	December 31	Complete	No

Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
617275 Saskatchewan Ltd.	December 31	Note 2	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Council	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	Yes/2005 Rpt V3
Avonlea Holding, Inc.	December 31	Note 2	
Battleford International, Inc.	December 31	Note 2	
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Board of Governors, Uranium City Hospital	March 31	Complete	No
Business Watch International Inc.	December 31	Complete	No
Business Watch International (US) Inc.	December 31	Note 2	
Carlton Trail Regional College	June 30	Complete	No
Chicken Farmers of Saskatchewan	December 31	Note 1	
CIC Economic Holdco Ltd.	December 31	Notes 2 & 5	
CIC Foods Inc.	December 31	Note 2	
CIC FTLP Holdings Inc.	December 31	Note 2	
CIC FTMI Holdings Inc.	December 31	Note 2	
CIC OSB Products Inc.	December 31	Note 2	
CIC Pulp Ltd.	December 31	Note 2	
CIC PVF Holdings Inc.	December 31	Note 2	
CIC Swine Genetics Holdings Inc.	December 31	Note 2	
CIC Swine Genetics Inc.	December 31	Note 2	
CIC Swine Genetics (NL) B.V.	December 31	Note 2	
CIC WLSVF Holdings Inc.	December 31	Delayed	
Coachman Insurance Company	December 31	Complete	Yes/2006 Rpt V1
Community Initiatives Fund	March 31	Complete	Note 4
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
DirectWest Corporation	December 31	Complete	No
Esterhazy Holding, Inc.	December 31	Note 2	
First Nations and Métis Fund	December 31	Note 5	
Five Hills Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Government House Foundation	March 31	Complete	No
Gradworks Inc.	December 31	Complete	No
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3

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Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 2	
Hospitality Network Canada Inc.	December 31	Complete	No
Hospitality Network Canada Partnership	December 31	Note 2	
Information Services Corporation of Saskatchewan	December 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	No
Investment Saskatchewan Swine Inc.	December 31	Note 2	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2005 Rpt V3 & 2006 Rpt V1
Liquor Board Superannuation Commission, The	December 31	Complete	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Inc. Pension Plan	December 31	Complete	Yes/2006 Rpt V1
Navigata Communications Ltd.	December 31	Note 2	
Navigata Communications Partnership	December 31	Complete	Yes/2006 Rpt V1
Navigata Holding CCIV, Inc.	December 31	Note 2	
Nokomis Holding, Inc.	December 31	Note 2	
Nokomis Holding (U.S.), Inc.	December 31	Note 2	
North West Regional College	June 30	Rotational	
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	Yes/2005 Rpt V3
Parkland Regional College	June 30	Complete	No
The Phone Book Company Partnership	December 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No

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Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Prairie West Regional College	June 30	Rotational	
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2005 Rpt V3 & 2006 Rpt V1
Public Service Commission	March 31	Complete	No
Public Service Superannuation Board	March 31	Complete	Yes/2005 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 2	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Sask Pork	July 31	Complete	No
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31	Note 1	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31	Note 1	
Saskatchewan Cancer Foundation	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Canola Development Commission	July 31	Complete	No
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	No
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan Egg Producers	December 31	Note 1	
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Flax Development Commission	July 31	Note 1	
Saskatchewan Forage Seed Development Commission	June 30	Notes 1 & 5	
Saskatchewan Gaming Corporation	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No

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Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2006 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2006 Rpt V1
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Note 4
Saskatchewan Mustard Development Commission	July 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	Yes/2006 Rpt V1
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2006 Rpt V1
Saskatchewan Property Management Corporation	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Pulse Crop Development Board	August 31	Note 1	
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Sheep Development Board	September 30	Note 1	
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2006 Rpt V1

Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Turkey Producers' Marketing Board	December 31	Note 1	
Saskatchewan Valley Potato Corporation	December 31	Delayed	
Saskatchewan Water Corporation	December 31	Complete	Yes/2006 Rpt V1
Saskatchewan Watershed Authority	March 31	Complete	No
Saskatoon 2 Management Ltd.	December 31	Note 2	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel Holding (Australia), Inc.	December 31	Note 2	
SaskTel Holding (New Zealand) Inc.	December 31	Note 2	
SaskTel Holding (U.K.) Inc.	December 31	Note 2	
SaskTel International Consulting, Inc.	December 31	Note 2	
SaskTel International (Tanzania) Ltd.	December 31	Note 2	
SaskTel Investments Inc.	December 31	Note 2	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 2	
Southeast Regional College	June 30	Complete	Yes/2005 Rpt V3
St. Louis Alcoholism Rehabilitation Centre Inc.	March 31	Complete	No
Sun Country Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Complete	Yes/2006 Rpt V1
TecMark International Commercialization Inc.	March 31	Complete	No
TransGas Limited	December 31	Complete	No

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Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 2	
Wadena Holding, Inc.	December 31	Note 2	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2006 Rpt V1
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board (formerly Workers' Compensation Board Superannuation Plan)	December 31	Complete	No
Xavier Holding, Inc.	December 31	Note 2	
Yellowgrass Holding, Inc.	December 31	Note 2	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2005 Rpt V3
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Correspondence School Revolving Fund	March 31	Complete	Yes/2005 Rpt V3
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Department of Community Resources Central Trust Account	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fiscal Stabilization Fund	March 31	Complete	Yes/2005 Rpt V3
Fish and Wildlife Development Fund	March 31	Complete	Yes/2005 Rpt V3
General Revenue Fund	March 31	Complete	Yes/2005 Rpt V3
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2005 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No

Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
Northern Revenue Sharing Trust Account	December 31	Complete	Yes/2006 Rpt V1
Office of the Rentalsman–-Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2005 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Delayed	
Public Employees Dental Fund	December 31	Complete	Yes/2006 Rpt V1
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	Yes/2005 Rpt V3
Resource Protection and Development Revolving Fund	March 31	Complete	Yes/2005 Rpt V3
SAHO Core Dental Plan Fund	December 31	Delayed	Yes/2005 Rpt V3
SAHO Disability Income Plan – CUPE Fund	December 31	Delayed	
SAHO Disability Income Plan – SEIU Fund	December 31	Delayed	
SAHO Disability Income Plan – General Fund	December 31	Delayed	
SAHO Disability Income Plan – SUN Fund	December 31	Delayed	
SAHO In-scope Extended Health/ Enhanced Dental Fund	December 31	Delayed	Yes/2005 Rpt V3
SAHO Master Trust Combined Investment Fund	December 31	Delayed	
SAHO Out-of-scope Extended Health/ Enhanced Dental Fund	December 31	Delayed	Yes/2005 Rpt V3
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Note 4
Saskatchewan Chicken Industry Development Fund	December 31	Note 1	
Saskatchewan Chicken Industry Investment Fund	December 31	Note 1	
Saskatchewan Chicken Marketing Plan Trust Fund	December 31	Note 1	
Saskatchewan Development Fund	December 31	Complete	No

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Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Legal Aid Endowment Fund Trust	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2005 Rpt V3
Chief Electoral Office	March 31	Complete	Yes/2005 Rpt V3
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
Saskatchewan Population Health Evaluation and Research Unit, Inc.	April 30	Complete	No
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	

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Agency	Year end on or before December 31, 2005	Status at March 31, 2006[1]	Significant issues reported[2]
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan Group Retirement Income Fund	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No

Note 1: We audit these agencies in a different way.

In 1998, the Department of Agriculture and Food and our Office agreed that the most efficient way for our Office to examine these smaller agricultural marketing and development agencies would be to work through the Agri-Food Council. As part of our audit of the Department, we examine the supervisory work carried out by the Council regarding the financial statements of these agencies and the rules and procedures to safeguard public resources and to comply with legislative authorities.

Note 2: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2005, these subsidiary corporations did not carry out active operations.

Note 3: For 2005, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

Note 4: We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

Note 5: These agencies were recently created or became Crown agencies. March 31, 2006, June 30, 2006, and December 31, 2006 are the first year-ends for these agencies. The status of the audits of these agencies will be provided in future reports.

———————————————

[1]   "Complete" – the audit was complete at March 31, 2006.
      "Delayed" – the audit was delayed.
      "Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2006 as "Complete". We list the other entities as "Rotational".
      "Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

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2.   "No" - no significant issues were reported.
     "Yes/2005 Rpt V2" – significant issues were reported in our 2005 Report – Volume 2.
     "Yes/2005 Rpt V3" – significant issues were reported in our 2005 Report – Volume 3.
     "Yes/2006 Rpt V1" – significant issues are reported in our 2006 Report – Volume 1.

Appendix

Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

♦   the adequacy of the Government's management of public resources

♦   the Government's compliance with legislative authorities

♦   the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1.   The adequacy of the Government's management of public resources.

> I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.
>
> - To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
> - To prepare reliable financial statements.
> - To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

In my opinion, [Crown Agency X]'s control was effective, in all significant respects, related to the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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