

Main points 350

Introduction 351

 Related special purpose funds and agencies..... 351

 Financial overview 352

Audit conclusions and findings 352

Provincial park system capital asset plan..... 353

 Background 354

 Audit objective, criteria, and conclusion 354

 Key findings and recommendations..... 355

 Capital assets required to support strategic direction 355

 Gap between required and existing capital assets..... 356

 Strategies to manage capital assets..... 357

 Justification of capital asset strategies 358

 Financial implications of capital asset strategies 359

 Selected references..... 359

Status of previous recommendations..... 360

Main points

The Ministry of Tourism, Parks, Culture and Sport (Ministry) is responsible for the provincial park system. We assessed the adequacy of the Ministry's capital asset plan for the provincial park system.

The Ministry had an adequate long-term capital asset plan for the provincial park system except the capital asset plan did not include:

- ◆ projected use of key capital assets and related risks
- ◆ principles for operating and maintaining key capital assets
- ◆ estimated life-cycle costs for key capital assets

We made three recommendations to help the Ministry improve its capital asset plan for the provincial park system.

Introduction

The Ministry of Tourism, Parks, Culture and Sport (Ministry) is to support, celebrate and build pride in Saskatchewan. The Ministry's strategic focus is on tourism enhancement, quality of life, and economic growth.¹ The Ministry is also responsible for managing the provincial park system.²

Related special purpose funds and agencies

At March 31, 2009, the Ministry was responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
Commercial Revolving Fund	March 31
Community Initiatives Fund (CIF)	March 31
Saskatchewan Archives Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Centre of the Arts	March 31
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund)	March 31
Saskatchewan Snowmobile Fund	March 31
Sask Sport Distributors Inc.	March 31
Western Canada Lottery Corporation	March 31
Western Canada Lottery – Sask Division Inc.	March 31
Western Development Museum	March 31

¹ *Saskatchewan Provincial Budget: 2009-10 Estimates*, www.finance.gov.sk.ca/budget2009-10/Budget200910Estimates.pdf.

² *Ministry of Tourism, Parks, Culture and Sport: 2008-09 Annual Report*, <http://www.tpcs.gov.sk.ca/tpcs-annual-report-2008-2009>

Financial overview

The following is a list of major programs and spending for the year ended March 31, 2009:

	<u>Original Estimates</u> (In millions of dollars)	<u>Actual</u>
Central Management and Services	\$ 9.9	\$ 9.5
Tourism	16.0	21.4
Capital City Commission	0.7	0.7
Parks	25.4	25.6
Building Communities	37.4	13.7
Culture	21.2	23.5
Heritage	12.5	15.2
Strategic Policy, Planning and Partnerships	2.5	7.9
Community Initiatives Fund	9.3	11.2
Saskatchewan Communications Network	<u>6.0</u>	<u>6.0</u>
	<u>\$ 140.9</u>	<u>\$ 134.7</u>

Audit conclusions and findings

Our Office worked with:

- ◆ KPMG LLP, appointed auditor for the Saskatchewan Communications Network Corporation
- ◆ Virtus Group LLP, appointed auditor for
 - Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation
 - Community Initiatives Fund

For Western Canada Lottery Corporation, Western Canada Lottery – Sask Division Inc., and Sask Sport Distributors Inc., we plan to audit these entities through their appointed auditors beginning for the year ending March 31, 2010. For more details, see Chapter 16 of our 2009 Report – Volume 1.

To complete our work on the above-listed agencies, we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Our

Office and the appointed auditors of the related agencies formed the opinions below.

In our opinion, for the year ended March 31, 2009:

- ◆ **The Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in Table 1 of this chapter**
- ◆ **The Ministry and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in Table 1 of this chapter**
- ◆ **The financial statements of the Ministry’s agencies are reliable except for the matter reported for the Trust Fund and CIF as described in Appendix 2 of this report.**

In this chapter, we also report the results of our audit of the Ministry’s capital asset plan for the provincial parks system.

Provincial park system capital asset plan

The provincial park system contributes to quality of life, the economy, and to the preservation of Saskatchewan’s culture, heritage, and environment. The provincial park system includes 8 historic sites, 24 protected areas, 34 provincial parks, and 130 recreation sites covering a total of 1.4 million hectares of land.^{3, 4} Protected areas conserve important and often unique areas or historic sites.

The Ministry is responsible for the provincial park system including the “administration, management, planning, development, and maintenance of all park land.”⁵ This section describes our audit of the Ministry’s capital asset plan for the provincial park system.

³ A “provincial park” means an historic park, a recreation park, a natural environment park, or a wilderness park ... (*The Parks Act*, section 2(h)). Provincial parks are located on Crown land and their purpose is designated under section 4 of *The Parks Act*.

⁴ Ministry of *Tourism, Parks, Culture and Sport 2008-09: Annual Report*, p.5.

⁵ *The Parks Act*, section 13.

Background

Capital asset plans help the Government build its capacity to deliver efficient, economical, and timely services. Adequate capital asset plans help to reduce risks that capital assets are not in good working order when required. For example, capital asset plans reduce risks from deteriorating buildings, unsafe equipment, unforeseen breakdowns, and unplanned maintenance costs.

We define “capital assets” as the infrastructure, buildings, and equipment used to deliver public services. These include capital assets that the Government owns or leases from others.

In the provincial park system, widely varied capital assets help the parks to serve their intended purpose (e.g., as recreation areas or historic sites). The provincial park system infrastructure includes water, sewer, and garbage systems; campsites; beaches, pools, boat launches, docks, and marinas; water control structures such as dams or weirs; surfaced and gravel roads; and bridges. Park buildings include historic buildings, recreation halls, service centers with showers and/or washrooms, entry kiosks, administration offices, and maintenance shops. Park equipment includes playground structures, picnic tables, and heavy equipment for road work or clearing land.

Capital assets in the provincial park system are in over 170 locations. The Ministry estimates the replacement value of these capital assets is about \$350 million for 2008-09. During 2008-09, the Ministry spent \$7.6 million to upgrade capital assets in the provincial park system.⁶

Audit objective, criteria, and conclusion

The objective of this audit was to assess, as of July 31, 2009, whether the Ministry of Tourism, Parks, Culture and Sport had an adequate long-term capital asset plan for the provincial park system. The audit excluded capital planning for purchasing or maintaining natural resources such as forests. We focused primarily on key capital assets such as water and sewer systems, roadways, buildings, and campsites.

⁶ *Ministry of Tourism, Parks, Culture and Sport: 2008-09 Annual Report*, p. 19.

To conduct this audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. To evaluate the Ministry's capital asset plan for the provincial park system, we used criteria based on the work of other auditors and literature listed in the selected references. Management agreed with the criteria described in Exhibit 1.

Exhibit 1—Criteria for long-term capital asset plans

To have an adequate long-term capital asset plan for the provincial park system, the Ministry's plan should include:

- ◆ the capital assets required to support strategic objectives and programs
- ◆ the gap between required and existing capital assets
- ◆ the strategies to manage capital assets
- ◆ the justification for capital asset strategies
- ◆ the financial implications of capital asset strategies

We concluded that, as of July 31, 2009, the Ministry of Tourism, Parks, Culture and Sport had an adequate long-term capital asset plan for the provincial park system except the capital asset plan did not include:

- ◆ **projected use of key capital assets and related risks**
- ◆ **principles for operating and maintaining key capital assets**
- ◆ **estimated life-cycle costs for key capital assets**

Key findings and recommendations

In this section, we set out our findings and recommendations related to the criteria (in italics).

Capital assets required to support strategic direction

We expect a capital asset plan to give an overview of how the agency's strategic objectives influence its capital asset plans. The plan should include a summary of the capital assets required to support the strategic direction over the long term. It should clarify who is responsible for key capital assets and related activities including planning.

The Ministry recorded its capital asset plans for the provincial park system in several documents. The Ministry's public plan (*2009-10 Plan – Ministry of Tourism, Parks, Culture and Sport*) provided an overview of the Ministry's strategic direction and how it influenced capital assets in the provincial park system. For example, to promote tourism, the Ministry planned to improve hard surfaced park roadways. To improve the park experience, the Ministry planned to upgrade service centres, boat launches, and utilities and create an additional 1,000 electrified campsites in the provincial park system by 2011.

The Ministry listed the existing capital assets for which it is responsible in its 2008 State of the Infrastructure Assessment. This document also outlined the Ministry's future directions and emphasized retaining the existing capital assets in the provincial park system. Other planning documents set out the upgrades that significant capital assets would require to retain the same level of service for the next seven years.

Gap between required and existing capital assets

Capital asset capacity means the ability of capital assets to provide the expected volume and quality of services to achieve strategic objectives. Capacity reflects the size, condition, and life-span of capital assets. We expect a capital asset plan to summarize the existing capacity and identify any risks related to the condition of capital assets. The capital asset plan should describe the gap between the existing capital asset capacity and anticipated long-term needs.

The Ministry needs to know the condition of its capital assets in the parks system. If capital assets are not in good working order, injury to people or damage to property could result.

During 2004-2008, the Ministry assessed the capacity of key capital assets (i.e., water-sewer systems, buildings, campsite electricity, heavy equipment). The nature of the assessment varied with the type of capital asset. For example, management determined that water pipes had a useful life of over 30 years and were able to meet the required service capacity. The Ministry summarized the existing capacity of its buildings (e.g., recreation halls, service centres) by estimating their remaining useful life. It found over half its buildings were in poor condition and had exceeded or were near the end of their useful life. The Ministry also

examined the safety and electrical capacity of campsites and identified those not able to meet current and/or future needs. The Ministry summarized the gap between the existing condition and the capacity required of its buildings and campsites by 2015.

The Ministry continues to assess the condition and capacity of its capital assets. In 2009, it assessed the condition of boat launches across the provincial park system. In 2010, it plans to examine the condition of its bridges. Management told us it plans to continue assessing the condition and capacity of its capital assets as resources allow.

The Ministry highlighted risks related to regulatory requirements and basic safety for key capital assets in various documents. For example, the Ministry identified washrooms that were not wheelchair accessible and locations where staff worked in remote kiosks with no washroom facilities or security. It also identified safety risks related to boat launches. However, the Ministry had not summarized all risks related to its capital assets in its capital planning documents.

The Ministry estimated the capital assets it will require in the future based on trends in the number of park visitors since 2004. The Ministry did not record in its capital asset plan the factors related to the increased use of parks or its assumptions. Better information about projected future demand would help decision-makers assess the resources required to upgrade capital assets in the provincial park system. It would also help the Ministry to assess whether capital assets (such as docks and roadways) have adequate capacity for the long term.

- 1. We recommend the Ministry of Tourism, Parks, Culture and Sport include in its capital asset plan for the provincial park system the projected future use levels for key capital assets (including assumptions and factors influencing trends) and a summary of capital asset risks for the projected use levels.**

Strategies to manage capital assets

We expect a capital asset plan to set out strategies to manage capital assets including how to obtain, operate, maintain, and dispose of capital assets as necessary. Strategies should explain the method, timing, and cost of obtaining capital assets to support programs and achieve strategic

objectives. Strategies should include principles to operate and maintain capital assets at a reasonable cost and without unplanned service disruptions. Strategies should identify how the agency will dispose of capital assets that are no longer usable or required.

The Ministry's 2009 overall strategy to manage capital assets for the provincial park system was to fix its existing assets, beginning with those in the worst condition. The Ministry did not have principles or operating plans to guide its strategies to operate and maintain its capital assets.

In 2008, the Ministry estimated it needed \$21.7 million to maintain its existing capital assets for current operating requirements (deferred maintenance) and a further \$16.3 million for maintenance up to 2018. When an agency does not maintain its capital assets, it shortens the useful life of the capital assets, increases operating costs over the long term, and increases the risk of service disruption due to the sudden failure of the capital assets. Failure to maintain capital assets increases the risk of harm to visitors or staff (e.g., playgrounds, heavy equipment). The Ministry follows the policies of the Ministry of Government Services for obtaining and disposing of capital assets such as vehicles, equipment, and buildings. These policies include the tendering processes.

- 2. We recommend the Ministry of Tourism, Parks, Culture and Sport set out principles in its capital asset plan to guide how it operates and maintains key capital assets in the provincial park system.**

Justification of capital asset strategies

We expect a capital asset plan to justify the strategies selected (e.g., by stating the criteria used to make decisions) and explain how they reduce risks. A capital asset plan should outline the alternatives considered including possible non-capital alternatives to achieve strategic objectives.

The Ministry justified its capital asset strategy (fix the worst first) with the criteria it used to set priorities for some types of capital assets. For example, it asked staff to record the condition, safety, and useful life of boat launches and park-entry kiosks. Using the rated condition and its ability to get the work done, the Ministry set priorities to repair or replace boat launches in some locations and kiosks in other locations.

For some capital assets (e.g., buildings), the Ministry considered whether upgrading would improve the safety of visitors and the security of its staff. It also noted the impact of failure to comply with regulations for its sewer and water distribution systems.

The Ministry informally considered capital and non-capital alternatives. Staff discussed the cost and demand for each alternative. For example, the Ministry's staff discussed whether to electrify campsites with 50AMP or 30AMP capacity. In one case, it decided to close a specific campground rather than electrifying it.

Financial implications of capital asset strategies

We expect a capital asset plan to show the financial implications of the strategies selected. A capital asset plan should document the estimated life-cycle costs for capital assets over the long term (i.e., costs to obtain, operate, maintain, and dispose of the asset).

The Ministry's capital asset plans record the replacement or repair costs for its capital assets. For example, in its seven-year plans to upgrade boat launches and kiosks, it documents the cost of the upgrades to be completed in each budget year.

The Ministry does not calculate life-cycle costs for its capital asset strategies. For example, when the Ministry added significantly more electrified campsites, it did not document the additional revenues and electricity costs over the useful life of the electrical outlets.

- 3. We recommend the Ministry of Tourism, Parks, Culture and Sport include estimated life-cycle costs in its long-term capital asset plan for the provincial park system.**

Selected references

Australian National Audit Office. (2006). *The management of infrastructure, plant and equipment assets*. Canberra: Author. http://www.anao.gov.au/uploads/documents/2005-06_Audit_Report_37.pdf

Federation of Canadian Municipalities, the National Research Council and Infrastructure Canada. (October 2005). *National Guide to Sustainable Municipal Infrastructure*. Ottawa: Author.
[http://www.sustainablecommunities.fcm.ca/files/Infraguide/Decision Making Investment Planning/Managing Infrastr Assets.pdf](http://www.sustainablecommunities.fcm.ca/files/Infraguide/Decision_Making_Investment_Planning/Managing_Infrastr_Assets.pdf)

Provincial Auditor Saskatchewan. (2001). Capital asset plans. In *2001 Spring Report* Chapter 1B, Regina: Author.

United States. Government Accountability Office. (1998, December). *Executive guide: Leading practices in capital decision-making*. Washington, D.C.: Author.

Status of previous recommendations

The table below provides a listing of the outstanding matters reported in Chapter 16 of our 2009 Report – Volume 1. The Standing Committee on Public Accounts discussed these recommendations on September 1, 2009 and agreed with them.

Table 1

Recommendations
We recommend that the Ministry of Tourism, Parks, Culture and Sport establish and implement written procedures for monitoring compliance with the lottery agreement by the Western Canada Lottery Corporation (WCLC), Western Canada Lottery – Saskatchewan Division Inc. (WCL-SK), and Sask Sport Distributors Inc. (SSDI).
We recommend that the Ministry establish written guidelines for its representatives on the board of directors of the WCLC to help achieve the Ministry’s lottery scheme objectives.
We recommend that the Ministry make agreements with the WCL-SK and SSDI to help achieve the Ministry’s lottery scheme objectives.
We recommend that the Ministry provide its senior management with regular reports on compliance with the lottery agreement by the WCLC, WCL-SK, and SSDI.

Recommendations
We recommend that the Ministry report publicly on compliance with the lottery agreement by the WCLC, WCL-SK, and SSDI.
We recommend that the Ministry make public a list of persons (i.e., employees, suppliers) who received public money from WCL-SK and SSDI.
We recommend that the Ministry give the Legislative Assembly the financial statements of WCL-SK and SSDI.

Management told us that it has begun to improve its procedures for monitoring compliance with the lottery agreement. Specifically, it has begun to update its written procedures, it has appointed a senior employee to the board of the Western Canada Lottery Corporation and it has signed a new lottery agreement that includes accountability and oversight measures. The Ministry also told us that it plans to report on compliance with the lottery agreement within its annual report.

We plan to follow up on these recommendations in 2010.

This page left blank intentionally.