

Energy and Resources

6

Main points	66
Introduction	67
Special purpose funds	68
Audit conclusions and findings	68
Follow-ups	68
Procedures to verify producers' royalties and taxes	68
Processes to identify strategic risks	69

Main points

For the year ended March 31, 2010, the Ministry of Energy and Resources (Ministry) had adequate rules and procedures to safeguard public resources; it complied with authorities governing its activities, and the financial statements of its funds are reliable.

The Ministry has implemented our previous recommendations on the adequacy of the Ministry's procedures to accurately assess and collect all royalties and taxes due to the Ministry and the Ministry's processes to identify strategic risks.

Introduction

The mandate of the Ministry of Energy and Resources (Ministry) is to achieve sustainable development of Saskatchewan's diverse energy, mineral and forestry resources including oil and gas, potash, and uranium. It has a regulatory role with industry and develops and administers various tax and royalty structures related to resources. It also has a major development and promotional thrust, with programs that encourage exploration, research and value-added investment in resources and resource projects.¹

The Ministry received \$50.3 million from the General Revenue Fund for its programs. Information about the Ministry's revenues and expenses appear in the Ministry's *2009-10 Annual Report* (see www.er.gov.sk.ca). The Ministry's major programs, spending, and revenue include:

Spending

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Central Management Services	\$ 21.5	\$ 16.0
Forestry Development	4.2	3.2
Revenue and Program Services	3.7	3.1
Petroleum and Natural Gas	7.6	7.2
Exploration and Geological Services	6.4	6.2
Resource and Energy Policy	<u>6.9</u>	<u>6.9</u>
	<u>\$ 50.3</u>	<u>\$ 42.6</u>

Revenues

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Oil	\$ 573.1	\$ 1,294.7
Crown Land Sales	127.8	151.5
Natural Gas	102.2	40.1
Potash	1,926.8	(183.9)
Other Minerals	<u>177.2</u>	<u>132.7</u>
	<u>\$ 2,907.1</u>	<u>\$ 1,435.0</u>

¹ Saskatchewan. Ministry of Finance. (2010). *2010-11 Saskatchewan Provincial Budget: Estimates*, Regina: Author. page 51.

Special purpose funds

The Ministry is responsible for managing the following special purpose funds with March year-ends:

Oil and Gas Orphan Fund
Institutional Control Monitoring and Maintenance Fund
Institutional Control Unforeseen Events Fund

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

- ◆ **the Ministry had adequate rules and procedures to safeguard public resources**
- ◆ **the Ministry complied with authorities governing its activities and activities of its funds relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **the financial statements of the Ministry's special purpose funds are reliable**

We also followed up on our previous recommendations on the adequacy of the Ministry's procedures to accurately assess and collect all royalties and taxes due to the Ministry and the Ministry's processes to identify strategic risks.

Follow-ups

Procedures to verify producers' royalties and taxes

In Chapter 4 of our 2003 Report – Volume 1, we assessed the adequacy of the Ministry's procedures to accurately assess and collect all royalties and taxes due to the Ministry and made the following three recommendations:

- ◆ We recommended that the Ministry prepare an overall audit plan that ensures the accurate assessment and collection of all royalties and taxes due to the Ministry
- ◆ We recommended that the Ministry develop and implement a formal training/learning plan for its auditors
- ◆ We recommended that the Ministry improve its supervisory practices to ensure that audits are approved and carried out as planned

In June 2004, the Standing Committee on Public Accounts (PAC) agreed with these recommendations.

During 2006-07, we assessed the Ministry's progress to address the recommendations we made in 2003 for verifying producers' royalties and taxes.

We reported in our 2007 Report – Volume 3 that the Ministry had made progress in addressing our recommendations, except it needed to do more to improve its overall audit plan by including the estimated resources required to carry out the plan and its supervisory practices to ensure that audits are approved and carried out as planned.

The Ministry has implemented these two recommendations. It has prepared an overall audit plan including the estimated resources (i.e., budgets) required to carry out the plan. The Ministry improved its supervisory practices to ensure that audits are approved and carried out as planned.

Processes to identify strategic risks

In Chapter 10 of our 2005 Report – Volume 1, we assessed the adequacy of the Ministry's processes to identify strategic risks and made the following recommendations:

- ◆ We recommended that the Ministry use systematic processes to detect risks to all its objectives

- ◆ We recommended that the Ministry quantify the likelihood and impact of strategic risks to identify priorities

In June 2005, PAC agreed with these recommendations.

During 2006-07, we assessed the Ministry's progress in addressing the recommendations we made in 2005 for identifying its strategic risks. We reported in our 2007 Report – Volume 3 that the Ministry had made good progress identifying its strategic risks, but needed to implement its established processes for identifying and quantifying the specific risks that it faces.

The Ministry has now implemented a systemic process for identifying and quantifying the specific risks that it faces by creating a risk assessment that assesses the likelihood and significance of risks to identify priorities.