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Main points

The Ministry of Tourism, Parks, Culture and Sport (Ministry) needs policies and procedures for the collection of commercial lease revenue. It should also make a current service level agreement with the Public Service Commission that clearly assigns responsibilities for key payroll activities.

The Western Development Museum needs to establish procedures that require independent review and approval of changes to accounting records. It also needs written procedures for purchasing and selling goods and services.

The Ministry has improved its processes to supervise compliance with the lottery agreement by the Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (Sask Lotteries) and the Western Canada Lottery Corporation (WCLC), but needs to do more. It needs to:

- ◆ establish written procedures for monitoring compliance with the lottery agreement
- ◆ make public a list of persons who received public money from Sask Lotteries
- ◆ give the Legislative Assembly the annual audited financial statements of Sask Lotteries

Sask Lotteries and WCLC have refused to allow the Provincial Auditor access to audit their accounts related to public money. As a result, we are unable to audit and report the results to the Legislative Assembly.

Introduction

In this chapter, we provide a brief overview of the mandate and spending of the Ministry of Tourism, Parks, Culture and Sport (Ministry) and set out the results of our 2010 audit of the Ministry and its agencies.

We also report the results of our follow-up on the audit of the Ministry's compliance with the lottery agreement and report on access to audit accounts related to public money.

Background

The mandate of the 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 that includes 1.4 million hectares in 195 discrete land parcels (34 provincial parks, 8 historic sites, 24 protected areas, and 129 recreation sites) distributed throughout the province.²

The following is a list of major programs and spending:

	<u>Original Estimates</u>	<u>Actual</u>
	(In millions of dollars)	
Central Management and Services	\$ 10.2	\$ 9.9
Tourism	16.4	15.3
Provincial Capital Commission	0.7	--
Parks	30.7	20.9
Building Communities	16.5	11.6
Culture	39.6	37.1
Heritage	13.0	13.1
Strategic Policy, Planning and Partnerships	2.5	2.8
Community Initiatives Fund	10.4	10.7
Saskatchewan Communications Network	6.3	6.3
Amortization of Capital Assets	--	2.0
	<u>\$ 146.3</u>	<u>\$ 129.7</u>

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

² *2009-10 Annual Report Ministry of Tourism, Parks, Culture and Sport*.

Related special purpose funds and agencies

At March 31, 2010, the Ministry was responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
Commercial Revolving Fund	March 31
Community Initiatives Fund	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	March 31
Saskatchewan Snowmobile Fund	March 31
Western Development Museum	March 31

Audit conclusion 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

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, 2010:

- ◆ the Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in 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 this chapter
- ◆ the financial statements of the above agencies are reliable

We are unable to audit the accounts related to public money at Western Canada Lottery Corporation, Western Canada Lottery – Sask Division Inc., and Sask Sport Distributors Inc., for reasons we describe later in this chapter.

Need for revenue guidance

The Ministry needs policies and procedures for the collection of commercial lease revenue.

The Ministry offers to the public, through the Commercial Revolving Fund (CRF), multi-year commercial leases (for operations such as golf courses) in Saskatchewan parks to the public through an open tender process.

Some corporations and individuals that hold these leases are several years behind in lease payments totalling more than \$1 million. However, the CRF continues to lease commercial operations to these corporations and individuals. The Ministry has not established policies and procedures to guide staff on how to collect lease revenue and when to terminate leases due to failure to pay.

1. **We recommend that the Ministry of Tourism, Parks, Culture and Sport establish rules and procedures for the collection of commercial lease revenue in arrears.**

Payroll service agreement needed

The Ministry does not maintain a current service level agreement (SLA) with the Public Service Commission (PSC) that clearly assigns responsibilities for key payroll activities.

PSC provides payroll services to the Ministry. The Ministry spends about \$9 million each year on salaries.

The Ministry's SLA with PSC that set out the responsibilities of each party for key payroll activities expired on March 31, 2009. At September 2010, the Ministry had not extended or renewed its SLA with PSC.

Lack of a current, signed service agreement increases the risk that the Ministry may not receive the payroll services it needs.

- 2. We recommend that the Ministry of Tourism, Parks, Culture and Sport maintain a current service level agreement with the Public Service Commission for the provision of payroll services.**

User access

The Ministry has adequate processes for removing user access from individuals who no longer work for it or who have changed roles and do not require such access. However, during 2009-10, the Ministry did not follow its processes for removing user access to its computer systems on a timely basis.

During our audit, we noted four instances where access to the network was not removed promptly and one instance where access to MIDAS³ was not removed promptly. The Ministry was not aware of these instances until our audit brought them to its attention. If unneeded access is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the Ministry's systems and data.

- 3. We recommend that the Ministry of Tourism, Parks, Culture and Sport follow its processes for removing unneeded user**

³ The Government's centralized payroll and payment system is called the Multi-informational Database Applications System (MIDAS).

access to its information technology systems and data promptly.

Western Development Museum

Background

The Western Development Museum operates under the authority of *The Western Development Museum Act (Act)*. The Museum operates branches in North Battleford, Saskatoon, Moose Jaw, and Yorkton.

The Museum's main objectives as set out in the Act are:

- ◆ to acquire objects of historical value and importance to the economic and cultural development of Western Canada
- ◆ to collect, preserve, restore, and exhibit the objects to the public
- ◆ to stimulate interest in the history of the economic and cultural development of Western Canada
- ◆ to co-operate with organizations having similar objects

The Museum's audited financial statements for the year ended March 31, 2010 report total revenue of \$5.3 million, total expenses of \$6.5 million, excess of expenses over revenues of \$1.2 million, and total assets of \$9.0 million.

Changing accounting records

The Museum needs to authorize all adjustments to accounting records (journal entries).

We expected the Museum would require senior staff to review and approve all journal entries before changing its accounting records.

During the audit, we noted that the payroll journal entries for the year and the March 2010 journal entries were not reviewed and approved independent of preparation. Lack of independent review and approval of journal entries places the Museum at risk that its accounting records and financial reports may not be accurate and complete or that it may not detect a loss of resources due to fraud or error promptly.

4. **We recommend that the Western Development Museum establish procedures that require independent review and approval of journal entries before changing its accounting records.**

Use and approval of agreements

The Museum needs processes to enter into agreements with its customers and suppliers.

The Museum provides customer services (e.g., catering and room rental) totalling about \$0.9 million and purchases goods and services of over \$3.0 million.

We expected the Museum to have processes that:

- ◆ outline when to use agreements for providing services to customers and purchasing goods and services from suppliers
- ◆ set minimum requirements for content of agreements (such as documenting the roles and responsibilities of each party including quantity and quality of goods and services, delivery dates, the amount to be paid, and when)
- ◆ formally assign authority to certain staff to approve agreements (e.g., assignment based on nature and size of agreement)
- ◆ provide staff guidance on selecting suppliers of goods and services openly and fairly (e.g., single source, minimum number of quotes, or tenders)

During the audit, we noted the Museum did not provide staff with written guidance as to when it requires agreements for either providing services or purchasing goods/services or set minimum requirements on the content of such agreements. Furthermore, the Museum did not formally give staff authority to approve either purchase or customer service agreements. During the audit, we noted several unapproved agreements for providing customers with services (e.g., catering customer service agreements). Also, for purchases of goods or services, it does not provide staff with guidance on how it expects them to select suppliers.

Without written processes over the use and approval of agreements and the selection of suppliers of goods or services, the Museum may not

receive or provide the goods and services expected or may pay or be paid incorrect amounts. Also, there is a risk suppliers may view its supplier selection process as not fair or open.

5. We recommend that the Western Development Museum establish written procedures for:

- ◆ **purchasing and selling goods and services**
- ◆ **authorizing staff to approve agreements**

Compliance with the lottery agreement—a follow-up

In Chapter 16 of our 2009 Report – Volume 1, we reported our audit of the Ministry's processes to supervise compliance with the lottery agreement and made seven recommendations.

The following two sections set out our recommendations and the Ministry's actions as at March 31, 2010. We found that the Ministry has met four recommendations and still has work to do on three recommendations.

Establish processes to monitor compliance

In 2009, we recommended that the Ministry:

- ◆ establish and implement written procedures for monitoring compliance with the lottery agreement by the Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (Sask Lotteries) and the Western Canada Lottery Corporation (WCLC)
- ◆ establish written guidelines for its representatives on the Board of Directors of WCLC to help achieve the Ministry's lottery scheme objectives
- ◆ make agreements with Sask Lotteries to help achieve the Ministry's lottery scheme objectives

The Ministry told us it is developing written procedures to monitor WCLC and Sask Lotteries to help ensure compliance with the lottery agreement. The Ministry plans to complete the development of its procedures during its 2010-11 fiscal year.

The Ministry has developed guidelines for its representatives on the Board of Directors of WCLC. The Ministry has appointed one of its senior officials to the Board of Directors of WCLC which should help achieve the Ministry's lottery scheme objectives.

The Ministry has now signed an agreement with Sask Sport Inc.⁴ that covers the responsibilities related to Sask Lotteries and the Ministry's lottery scheme objectives.

Report on compliance

In 2009, we recommended that the Ministry:

- ◆ provide its senior management with regular reports on compliance with the lottery agreement by Sask Lotteries
- ◆ report publicly on compliance with the lottery agreement by WCLC and Sask Lotteries
- ◆ make public a list of persons (i.e., employees, suppliers) who received public money from Sask Lotteries
- ◆ give the Legislative Assembly the annual audited financial statements of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.

The Ministry has a committee that monitors Sask Lotteries' compliance with the lottery agreement. The committee has a standing agenda item that discusses compliance with the lottery agreement. Senior management oversees the work of this committee and receives regular updates on its activities.

The Ministry has reported publicly in its 2009-10 annual report that WCLC and Sask Sport Inc. have complied with the lottery agreement.

The Ministry has not provided the Legislative Assembly with the annual audited financial statements of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. nor made public a list of persons who received public money (e.g., salaries, supplies) from these entities.

⁴ Sask Sport Inc., a non-profit organization, is the parent company of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.

Access to audit accounts related to public money

In our 2009 Report – Volume 1, we said that we plan to audit the accounts related to public money at Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (Sask Lotteries) and the Western Canada Lottery Corporation (WCLC) beginning for the year ended March 31, 2010.

The Provincial Auditor Act requires us to audit all accounts related to public money. Sask Lotteries and WCLC have accounts related to public money because they operate lottery schemes on behalf of the Ministry. The Ministry decides what lottery revenues these entities may collect and what related expenses they may incur. The Ministry also decides how the lottery profits (\$50 million in 2010) are allocated to sport, culture, and recreation organizations.

For WCLC, the lottery agreement allows the Provincial Auditor to audit the accounts of WCLC related to public money.

Sask Lotteries and WCLC have external auditors. To carry out our audits in a cost-effective manner, we plan to coordinate our work with those auditors.

Sask Lotteries and WCLC have refused to allow the Provincial Auditor access to audit their accounts related to public money. As a result, we are unable to report, for the year ended March 31, 2010, on whether:

- ◆ these entities have adequate rules and procedures to safeguard public resources
- ◆ these entities complied with laws and other authorities governing their activities
- ◆ these entities have reliable financial statements
- ◆ there has been a loss to the Crown through the fraud, default, or mistake of any person

6. We recommend that the Ministry of Tourism, Parks, Culture and Sport direct Western Canada Lottery – Saskatchewan Division Inc., Sask Sport Distributors Inc. and the Western Canada Lottery Corporation to allow the Provincial Auditor access to audit their accounts related to public money.

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