

Main points 378

Introduction 379

Background—reliable information supports good governance 379

Audit objective, criteria, and conclusions 380

Key findings and recommendations 382

 Maintaining a foundation for reliable information 382

 Collecting accurate information 382

 Producing understandable information 384

Selected references 385

Main points

Reliable information is accurate, complete, fairly presented, and of consistent quality. Crown Investments Corporation of Saskatchewan (CIC) used adequate processes for the ten months ending July 31, 2010 to produce reliable balanced scorecard information about its internal operations for management, its Board, and the public except for two areas. CIC needs to:

- ◆ maintain current, detailed documentation of definitions and calculation methods for its balanced scorecard measures
- ◆ confirm that documented calculation methods are appropriate and verify that staff use them to produce balanced scorecard information

Introduction

Crown Investments Corporation of Saskatchewan (CIC) administers several wholly-owned share-capital corporations (e.g., Gradworks Inc.) and is the holding company for 11 subsidiary commercial Crown corporations (e.g., SaskTel). It has assets of about \$10.2 billion and employs 72 people.¹

We audited the processes CIC used to produce reliable information about its internal operations for management, its Board, and the public. Reliable information is accurate, complete, fairly presented, and of consistent quality. It is well documented so that it can be reported repeatedly using consistent methods.

Background—reliable information supports good governance

CIC's role is to assist boards to oversee the management of commercial Crown corporations. On behalf of the Government of Saskatchewan, CIC communicates strategic direction set by the CIC Board to the commercial Crown sector. For over a decade, CIC has used a balanced scorecard framework to present information about its strategic direction and its performance in achieving its objectives.²

CIC also monitors the commercial Crown sector's performance and reports its progress in achieving the Government's objectives. As a result, CIC has opportunity to influence the reporting and disclosure practices of the Crown sector. For example, CIC identifies the corporate performance measures that all Crowns must report.³ Four of the six required measures are part of the internal operations section of CIC's balanced scorecard.

CIC is responsible to promote the use of best practices for governance, reporting, and disclosure.⁴ It also encourages consistency with the practices of publicly traded companies where possible.

¹ As of December 31, 2009, per CIC's *2009 Annual Report*, pp.7, 80.

² A balance scorecard is a planning and monitoring tool used by management to communicate its performance objectives, specific targets, and progress.

³ CIC's Performance Management Improvement Plan sets out measures for all Crowns to report. These measures include workforce diversity, employee training and development, environmental stewardship, customer satisfaction, financial flexibility, operational efficiency, etc. and may vary from year to year.

⁴ CIC performance disclosure and reporting policy.

Audit objective, criteria, and conclusions

The objective of this audit was to assess the adequacy of the Crown Investments Corporation of Saskatchewan's processes for reliable balanced scorecard information about its internal operations for the ten-month period ending July 31, 2010. We did not audit the relevance of the performance measures reported or any processes external to CIC. We focused on the balanced scorecard report in CIC's *2009 Annual Report*.

Information about CIC's internal operations relates to elements such as the management of resources (e.g., operate within budget), reporting and disclosure practices (e.g., timely reporting), human resources risks (e.g., sick leave, workforce diversity, training), and evolving environmental measures.⁵

Exhibit 1—Excerpt CIC's *2009 Annual Report*, p. 26

Performance Reporting 2009 – CIC Internal Operations				Outlook 2010	
Strategic Objective	Performance Measure	2009 Target	2009 Result	Performance Measure	2010 Target
Prudent management and control of corporate resources	Operating expenditures	Within budget	○ On target	Same as 2009	Within budget
	Capital expenditures	Within budget	○ On target	Same as 2009	Within budget
	Staff levels	Within budget	○ On target	Same as 2009	Within budget
Promote employee and corporate success	Employee satisfaction	≥ 85%	○ Off Target: 78% (Note 2)	Overall employee satisfaction	> 78%
	Training % of payroll	Up to 3%	○ On Target: 2.8%	Training opportunities measured by funds allocated as a % of payroll	Up to 2.5%
	Average # of sick days per year	< 4 days	○ Off Target: 5.07 days (Note 3)	Wellness Program measured by average number of casual sick days per year	Less than 4 days

Note 2. The employee satisfaction target of ≥ 85% was intended to be a stretch target based on the satisfaction level achieved in 2007, but was not achieved. The 2010 target is aligned with actual satisfaction level.

Note 3. CIC experienced a higher than average number of sick days per employee during 2009 due to the seasonal and pandemic flu season.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate

⁵ CIC's *2009 Annual Report*, p. 26.

CIC's processes, we used criteria based on current professional standards, the work of other auditors, and literature listed in the selected references. CIC's management agreed with the criteria (see Exhibit 2).

Exhibit 2—Audit criteria: processes for reliable information

Adequate processes for reliable balanced scorecard information include processes to:

1. Maintain a foundation for reliable information
 - ◆ assign accountability for reliable information
 - ◆ define clearly each measure and its related target
 - ◆ document calculation methods in detail including aggregation of data
 - ◆ confirm calculation will produce the measure as defined
 - ◆ document the specific source of data
2. Collect accurate information
 - ◆ use required calculation methods consistently
 - ◆ document any limitations including changes in measure or calculation
 - ◆ verify results are free from error prior to reporting
 - ◆ protect information from tampering or loss
3. Produce complete, understandable information
 - ◆ compare results (e.g., to prior periods, targets)
 - ◆ explain differences between targets and actual results
 - ◆ provide meaningful context for results (e.g., risks and unexpected events influencing results, benchmarks)
 - ◆ verify there are no significant omissions from results prior to reporting

Source: Based on CICA SORP-2 Public Performance Reporting and CCAF Principles For Performance Reporting (see selected references for detail).

We concluded that, for the ten months ending July 31, 2010, Crown Investments Corporation of Saskatchewan had adequate processes for reliable balanced scorecard information about its internal operations except for:

- ◆ **its processes to maintain current, detailed documentation of definitions and calculation methods**
- ◆ **its processes to confirm that documented calculation methods are appropriate and verify that they are used**

In the next section, we set out our findings and recommendations related to these criteria. Our expectations are set out in italics under each subheading.

Key findings and recommendations

Maintaining a foundation for reliable information

We expected CIC would assign accountability for each measure in its balanced scorecard. We expected CIC would have processes to document a clear definition, calculation method, and source for each measure. We expected CIC would confirm that the calculation method would produce the information as intended.

CIC documents its performance measurement processes in its guide “Balanced Scorecard Performance Measures—Methodology of Reporting Results, 2009.” This methodology guide lists the manager and vice president assigned as accountable for each measure. For each measure, the guide documents the name, purpose, target, and calculation method. The methodology guide does not provide specific definitions to clarify the performance measures and the stated source of the data is sometimes vague (e.g., “internal records”).

In response to changing circumstances, CIC periodically changes how it calculates its performance measures. Some calculation methods in the methodology guide are not sufficiently detailed and/or current. Also, some methods CIC uses to calculate its internal operations measures do not match the stated performance measure and/or the calculation method documented in its methodology guide.

CIC is at risk of producing unreliable balanced scorecard information because it lacks current, detailed definitions and calculation methods for some of its internal operations performance measures.

- 1. We recommend that Crown Investments Corporation of Saskatchewan maintain current, detailed documentation of definitions and calculation methods for its balanced scorecard measures.**

Collecting accurate information

We expected CIC would have processes to ensure staff consistently use the documented calculation methods and verify that balanced scorecard

results are free from error. We expected CIC would document limitations in calculating its measures and protect the results from tampering or loss.

CIC informally expects its staff to use consistently the calculation methods documented in its methodology guide. CIC expects supervisors to verify that performance results are free from error before entering the results into the balanced scorecard report. CIC's supervisors verify the results by re-calculating the numbers. They do not question whether staff used the appropriate calculation method. Without this step, CIC cannot verify the information is free from error and no parts of the calculation are missing.

For example, when calculating "casual sick time," CIC does not require its staff to document what casual sick time includes (e.g., whether it includes frequent short-term absence for employees with chronic illness such as cancer). Without this information, the supervisor cannot verify that the staff used the appropriate calculation method.

CIC does not require its staff to document limitations to its calculations but they often did so. For example, CIC's *2009 Annual Report* balanced scorecard explains that some data is available only every second year (e.g., Conference Board of Canada analysis of reporting practices). It also mentions, as a risk for 2010, that there are challenges in measuring the purchase of carbon dioxide offsets (a measure relating to the Government's environment strategy). These explanations help readers to understand the balanced scorecard results and the problems that arise in measuring those results accurately.

CIC protects its balanced scorecard information from loss or tampering in several ways. CIC stores most information at its head office, which it keeps locked with entry requiring an access code or entry past a reception desk. CIC also secures in locked cabinets and in locked offices the human resources information that it uses for several measures.

- 2. We recommend that Crown Investments Corporation of Saskatchewan confirm that documented calculation methods are appropriate and verify that staff use them to produce balanced scorecard information.**

Producing understandable information

We expected CIC would have processes to compare balanced scorecard results to targets and explain any differences. We also expected CIC would provide meaningful context by explaining risks and unexpected events that influenced results and would have processes to verify that it did not omit significant information.

In its public balanced scorecard reports, CIC routinely shows how its results compare to its targets (see Exhibit 1). CIC uses a performance indicator light (a coloured dot) to show if progress toward targets was acceptable in relation to previously published corporate objectives. Brief notes explain differences between the planned target and actual results. CIC does not routinely compare its results to results of previous years.

CIC uses informal processes to provide context in its balanced scorecard. Because CIC reports whether its performance is above or below target, this context information is critical to make the report meaningful. CIC sometimes explains unusual events or other details that would provide context but it is not consistent. For example, in mid 2009, CIC adjusted its budget but did not explain this change when reporting results compared to the target “operating within budget” in its *2009 Annual Report*.

CIC’s processes require that risks for the next year be set out in its balanced scorecard reports. For example, CIC notes in the Future Risks section of its *2009 Annual Report* balanced scorecard that there might be significant sick time due to influenza again in 2010.

CIC’s processes do not verify that there are no significant omissions from the balanced scorecard report. For about half of the internal operations measures, CIC’s processes did not verify if there were omissions from its calculations or the report (e.g., missing explanations of unusual events). CIC’s senior management discusses its balanced scorecard report with the Board and it decides if it is satisfied with the level of detail.

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