

**Main points ..... 470**

**Introduction ..... 471**

    Overview of TPCS’s finances ..... 471

    Special purpose funds and agencies ..... 472

**Audit conclusion and findings ..... 472**

    Access to audit public money ..... 474

**Compliance with the lottery agreement—a follow up ..... 474**

**Provincial parks capital asset planning—a follow up ..... 476**

    Projected future use of capital assets needed ..... 477

    Principles for capital asset planning needed ..... 477

    Financial implications of capital asset strategies needed ..... 478

## **Main points**

The Ministry of Tourism, Parks, Culture and Sport (TPCS) and its agencies had adequate controls to safeguard public resources and complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. TPCS's agencies financial statements are reliable for the year ended March 31, 2011.

Our office reached an agreement with TPCS and Sask Sport Inc. on how our office could obtain audit assurance on the information we require related to Saskatchewan's share of the lottery revenues and expenses calculated in accordance with the *Restated Western Canada Lottery Agreement, November 1, 2009* (Lottery Agreement).

### **Compliance with the Lottery Agreement—a follow up**

We followed up on three outstanding recommendations. TPCS has implemented one recommendation and we have replaced two previous recommendations with a new recommendation. We recommend that when TPCS renews its agreement with its lotteries marketing agent in 2014, that TPCS amend the new agreement to require the lotteries marketing agent to make payee lists available to TPCS.

### **Provincial parks capital asset planning—a follow up**

TPCS is making progress in addressing our past recommendations. There is still more work to do to strengthen its processes for planning capital assets in provincial parks.

## Introduction

The mandate of the Ministry of Tourism, Parks, Culture and Sport (TPCS) is to support, celebrate and build pride in Saskatchewan. TPCS’s strategic focus is on tourism enhancement, quality of life and economic growth.<sup>1</sup> It provides oversight and accountability services with respect to public responsibility for the lottery system and the Lottery Trust Fund for Sport, Culture and Recreation.

TPCS is also responsible for the provincial park system including the “administration, management, planning, development, and maintenance of all park land.”<sup>2</sup> The provincial park system includes 8 historic sites, 24 protected areas, 34 provincial parks, and 129 recreation sites covering a total of 1.4 million hectares of land.<sup>3</sup>

In this chapter, we set out the results of our 2011 audit of TPCS and its agencies.

We also report the results of our follow up on two audits at TPCS:

- ◆ compliance with the *Restated Western Canada Lottery Agreement, November 1, 2009* (Lottery Agreement)
- ◆ capital asset planning

## Overview of TPCS’s finances

The following is a list of major programs and spending:

	<u>Original Estimates</u>	<u>Actual</u>
	(in thousands of dollars)	
Central Management and Services	\$ 9,112	\$ 8,930
Tourism	14,097	13,696
Parks	21,004	21,599
Building Communities Program	13,731	11,099
Culture	30,275	27,223
Heritage	8,350	8,632
Strategic Policy, Planning & Partnerships	2,857	3,318
Community Initiatives Fund	9,427	8,159

<sup>1</sup> Saskatchewan Provincial Budget: 2011-12 Estimates, <http://www.finance.gov.sk.ca/budget2011-12/2011-12Estimates.pdf>.

<sup>2</sup> *The Parks Act*, section 13.

<sup>3</sup> Ministry of Tourism, Parks, Culture and Sport: *Annual Report ‘10-11*.

	<u>Original Estimates</u>	<u>Actual</u>
	(in thousands of dollars)	
Saskatchewan Communications Network	<u>3,830</u>	<u>1,431</u>
Total spending	112,683	104,087
Capital Asset purchases	(4,907)	(4,796)
Capital Asset amortization	2,295	2,553
Other	<u>---</u>	<u>445</u>
Total expense	<u>\$ 110,071</u>	<u>\$ 102,289</u>

## Special purpose funds and agencies

At March 31, 2011, TPCS 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 <sup>4</sup>	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
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

<sup>4</sup> This agency was wound up at March 31, 2011.

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](http://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, 2011:**

- ◆ **TPCS and its agencies had adequate rules and procedures to safeguard public resources**
  
- ◆ **TPCS and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Active Families Benefit Act*

*The Culture and Recreation Act, 1993*

*The Economic and Co-operative Development Act -  
sections 8(a), 8(b), and 9(1)(e)*

*The Film Employment Tax Credit Act*

*The Heritage Property Act*

*The Interprovincial Lotteries Act, 1984*

*The Meewasin Valley Authority Act*

*The Multiculturalism Act*

*The Natural Resources Act*

*The Parks Act*

*The Public Service Act, 1998*

*The Regional Parks Act, 1979*

*The Saskatchewan Gaming Corporation Act (Part IV)-  
Community Initiatives Fund*

*The Tourism Authority Act*

*The Wakamow Valley Authority Act*

*The Wanuskewin Heritage Park Act*

*The Government Organization Act*

*The Financial Administration Act, 1993*

**Regulations and Orders in Council issued pursuant to  
the above legislation**

- ◆ **the financial statements of the above agencies are reliable**

## Access to audit public money

***We recommended 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. (2010 Report – Volume 2)***

Our office reached an agreement with TPCS and Sask Sport Inc. on how our office could obtain audit assurance on the information we require related to Saskatchewan's share of the lottery revenues and expenses calculated in accordance with the Lottery Agreement.

As well, TPCS is now obtaining sufficient information from Saskatchewan Lotteries to demonstrate their monitoring of it.

**Status** – TPCS has implemented this recommendation.

### Compliance with the lottery agreement—a follow up

In Chapter 16 of our 2009 Report – Volume 1, we reported our audit of TPCS's processes to supervise compliance with the Lottery Agreement and made seven recommendations. In September 2009, the Standing Committee on Public Accounts agreed with our recommendations.

In 2010, we followed up on TPCS's progress in addressing our recommendations. In our 2010 Report – Volume 2, we concluded that TPCS had met four recommendations and still had work to do on three recommendations.

In September 2011, we completed our second follow up to assess TPCS's progress in addressing the remaining recommendations.

The following sets out the three recommendations (in italics) and TPCS's actions to September 30, 2011.

For the remainder of this section, Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. are referred to as Saskatchewan Lotteries.

***We recommended 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, Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (2009 Report – Volume 1)***

TPCS has developed written procedures to monitor compliance with the lottery agreement by the Western Canada Lottery Corporation and Saskatchewan Lotteries.

**Status** – TPCS has implemented this recommendation.

***We recommended that the Ministry of Tourism, Parks, Culture and Sport make public a list of persons (i.e., employees, suppliers) who received public money from Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (2009 Report – Volume 1)***

***We recommended that the Ministry of Tourism, Parks, Culture and Sport give the Legislative Assembly the annual audited financial statements of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. (2009 Report – Volume 1)***

Based on discussions with TPCS, we have re-evaluated these two recommendations.

TPCS has an agreement with Sask Sport Inc. (parent company of Saskatchewan Lotteries) for the marketing of lottery products in Saskatchewan and the administration of the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund). This agreement does not require Sask Sport Inc. (lotteries marketing agent) to submit payee lists to TPCS. The agreement requires the lotteries marketing agent to provide audited annual financial statements to TPCS for Saskatchewan Lotteries and the Trust Fund. These financial statements show the expenses that the lotteries marketing agent deducted from lottery profits. The financial statements of the Trust Fund are tabled in the Legislative Assembly.

Payee lists would show who (e.g., employees, suppliers) received the money that the lotteries marketing agent deducted from lottery profits.

Payee lists would enable TPCS to assess the appropriateness of these expenses.

The current agreement expires on March 31, 2014. When TPCS renews the agreement, we suggest that they amend the new agreement to require the lotteries marketing agent to make payee lists available to TPCS.

- 1. We recommend that when the Ministry of Tourism, Parks, Culture and Sport renews its agreement with its lotteries marketing agent that the Ministry amend the agreement to require the lotteries marketing agent to make payee lists (e.g., employees and suppliers) available to the Ministry.**

## **Provincial parks capital asset planning—a follow up**

In 2009, we assessed TPCS's processes for planning capital assets in provincial parks. Our 2009 Report – Volume 3, Chapter 18 concluded that as of July 31, 2009, TPCS had adequate long-term capital asset planning 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 (in italics below) about TPCS's capital asset planning. On June 6, 2011, the Standing Committee on Public Accounts agreed with those recommendations.

We defined “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. We focused on key capital assets within provincial parks such as water and sewer systems, bridges, roadways, buildings, and campsites.

We did a follow up of management's actions on these three recommendations to September 15, 2011. We found that TPCS still has work to do.



## Projected future use of capital assets needed

***We recommended that 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. (2009 Report – Volume 3)***

Up to September 15, 2011, TPCS did not document projected future use levels for its key capital assets in the provincial park system. Instead, TPCS documented five-year trends in the number of park visitors. It did not identify the factors influencing these trends or estimate future patterns for public use of Saskatchewan's parks.

TPCS documented risks associated with provincial parks' key capital assets for its annual budget submission. It identified the condition of its buildings (e.g., service centres) and the capacity of its sewer and water systems as key risks. It outlined short-term maintenance and upgrades needed in the provincial park system without documenting influencing factors, assumptions, or projected future use levels.

**Status** – We continue to make this recommendation.

## Principles for capital asset planning needed

***We recommended that 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. (2009 Report – Volume 3)***

TPCS has not documented principles to guide its planning process for capital assets or to set priorities to maintain or upgrade key capital assets. TPCS told us that when setting priorities it considers a number of factors such as visitor complaints, the age and condition of a facility, building standards including accessibility, health and safety standards including personal security of staff, and the advice of consultants. TPCS documented this analysis in some program development documents. TPCS did not yet have complete program development documents for all its key assets.

TPCS's overall mandate is to preserve the Province's parks, natural areas, recreational areas, and historic sites.<sup>5</sup> TPCS aims to "use provincial parklands for recreation while maintaining a healthy ecosystem that is sustainable for future generations."<sup>6</sup> This requires careful balancing of competing priorities. Documented principles would help TPCS to set priorities acceptable to a wide range of park users.

**Status** – We continue to make this recommendation.

## **Financial implications of capital asset strategies needed**

***We recommended that 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. (2009 Report – Volume 3)***

TPCS told us it intends to include life cycle and maintenance costs for new projects related to the provincial parks' key capital assets. For example, when it contracts with engineering firms to assess the condition of key capital assets, it will request an estimate of life-cycle costs.

**Status** – We continue to make this recommendation.

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<sup>5</sup> *The Parks Act*, section 4.

<sup>6</sup> Ministry of Tourism, Parks, Culture and Sport: *Annual Report '10-11*, p. 22.