



Remarks to the Media by Bonnie Lysyk, Provincial Auditor of Saskatchewan, on the Tabling of the Provincial Auditor's 2012 Report – Volume 1 – June 7, 2012

Good morning, and thank you for the opportunity to discuss my 2012 Volume 1 Report with you today. I would like to provide you with a synopsis of our conclusions and findings from a few of the audits we conducted and then I'll be happy to take your questions.

Grade 12 Graduation Rates

The Ministry of Education, under legislation, is responsible for setting objectives and giving direction relating to curriculum, instructional methods and assessment of student learning for the approximately 190,000 elementary and high school students in Saskatchewan. As reported in Chapter 2, we found that the Ministry did not have effective processes to provide the appropriate guidance to school divisions to help them improve their Grade 12 graduation rates.

Graduating from Grade 12 is an important personal goal for individuals. The overall Grade 12 graduation rate also affects the size of the skilled workforce and ultimately the provincial economy. In the last four years, the overall Grade 12 graduation rate in Saskatchewan has actually declined from 75.6% to 72.3%. Yet the Ministry had not analyzed the reasons for the decrease.

The Ministry of Education needs to identify key strategies for improving the graduation rate and it needs to provide clear direction to school divisions on methods to implement these strategies. Public reporting of the major reasons for differences in graduation rates would provide parents with information on how well their school divisions and schools are doing in achieving higher graduation rates.

Provision of Safe Drinking Water to Saskatchewan's Northern Settlements

In Chapter 12, we identified problems with the Ministry of Municipal Affairs's processes for providing drinking water to residents of Northern settlements. Northern settlements are unincorporated communities in northern Saskatchewan for which the Minister of Government Relations (previously the Minister of Municipal Affairs) functions as the municipal council. I want to note that where Chapter 12 refers to the Ministry of Municipal Affairs, the responsibility for northern settlements now rests with the Ministry of Government Relations since the government reorganization on May 25th. The Ministry provides drinking water for some northern settlements from its own water systems. For other northern settlements, the Ministry obtains drinking water from neighbouring First Nations communities.

We found that the Ministry did not always carry out and review all required water quality testing, nor did it address water issues in a timely manner. The northern settlements of Missinipe and Stanley Mission are both experiencing issues with trihalomethane levels and in Wollaston Lake, water testing has not been conducted since July 2011, at which time chlorine issues were identified. A precautionary drinking water advisory has been in place for Uranium City since 2001.

The Ministry has a responsibility to ensure that all people in the northern settlements have water that is safe to drink. As such, it must ensure it operates water systems appropriately, including completing all required maintenance. The Ministry must also improve how it communicates about water quality issues.

Regulating Pipelines

Chapter 5 covers our audit on how the Ministry of Energy and Resources regulates pipeline construction and operations in the province to prevent harm to people and the environment from pipeline spills and explosions. We concluded that the Ministry did not have effective processes to ensure that there is full compliance by pipeline operators with The Pipelines Act, 1998 and The Pipelines Regulations, 2000. The increasing use and age of pipelines makes compliance with the laws that much more important.

We found that the Ministry did not have a framework in place to monitor the compliance of pipeline operators' operations (including maintenance), once a pipeline has been constructed and placed in operation. The Ministry needs to provide appropriate guidance to its staff to evaluate operators' compliance with the law on a timely basis. This includes reviewing pipeline applications, assessing pipeline construction, verifying pressure tests, and reviewing operators' processes for maintaining pipeline integrity and safety.

Because we found little documented evidence of the Ministry's work on pipeline applications, the Ministry could not demonstrate that it had properly granted pipeline construction licenses, conducted on-site inspections, or on-site verification of pressure testing. As well, the Ministry did not request adequate information from pipeline operators related to their quality assurance and other safety processes.

Current laws exempt the Ministry from regulating the construction of flowlines (the smaller and shorter pipelines that connect wellheads to storage facilities). Since these can pose the same type of environmental and safety risks as pipelines, we recommended that the Ministry consider seeking responsibility to regulate flowlines.

Liquor Procurement Processes

Chapter 17 contains our audit of liquor procurement practices at The Saskatchewan Liquor and Gaming Authority (SLGA). SLGA is responsible for the distribution, control and regulation of liquor in Saskatchewan. We recommended that SLGA document a more proactive, customer-focused strategy for buying liquor that is also more transparent.

SLGA could improve its procurement process by developing and documenting clearer listing and product mix policies, and clearer internal guidance on product selection. It could also be more proactive in investigating potential new product listings versus relying on suppliers to present new product listings to SLGA.

SLGA's current liquor pricing policy does not provide it with an incentive to negotiate lower costs for liquor products. Under the current policy, lower costs reduce SLGA's profits which in turn may result in less money provided to the Government. SLGA also considers social responsibility in its pricing decisions. It is important that information on pricing be transparent so that citizens can understand Government revenue and related policy decisions embedded in the pricing of liquor.

Unlike some other liquor boards, SLGA does not conduct a chemical analysis on liquor products to confirm that the products it sells contain the specified alcohol content and no harmful chemicals. It relies informally on testing by other liquor boards. We recommended that SLGA obtain formal assurance on the content and safety of the products it sells.

Supervision of Community-Based Organizations (CBOs) Providing Services to Intellectually Disabled People

The Ministry of Social Services uses 85 community-based organizations (also called CBOs for short) to deliver programs and services, costing approximately \$104 million to approximately 3,900 individuals with intellectual disabilities. We audited the Ministry's processes for planning, contracting, and monitoring the services these CBOs provide to intellectually disabled people and their families. In Chapter 22, we reported that the Ministry needs to establish outcome measures for these CBOs and better monitor and evaluate how the CBOs deliver their services.

We reviewed 73 programs covered under agreements and found that only 13% of the programs identified performance targets, outcomes and/or specific requirements for CBOs. We found that only 35% of the CBOs that we sampled had been subject to a required 2-year monitoring review.

The Ministry also needs to continue to work toward analyzing and reducing the number of serious incidents occurring in CBOs. Having effective processes in these areas reduces the risk of intellectually disabled people not receiving needed services and increases the ability of the Ministry to confirm that money paid to CBOs is achieving the Ministry's intended results.

Saskatchewan Housing Corporation - Housing Maintenance

The Ministry of Social Services, through the Saskatchewan Housing Corporation (SaskHousing), supports about 30,000 housing units throughout the province. SaskHousing owns about 18,300 of these units. In 2011, SHC spent \$93.4 million on maintenance and renovation expenses on the housing units it owns.

We assessed the effectiveness of SaskHousing's processes to maintain its 18,300 housing units. In Chapter 24, we concluded that SaskHousing did not have effective processes in place to ensure that these housing units are adequately maintained, nor does it monitor the extent of housing inspections conducted annually. Without current information on the condition of its housing, SaskHousing cannot ensure that it is focusing its maintenance spending on housing units at highest risk. Doing the right maintenance at the right time will help reduce the risk of health and safety problems for tenants, maintain property values, as well as avoid unexpected, higher future repair costs.

Ministry of Education

In 2011, the Ministry of Education reported in its annual report that teacher's pension and benefits expenses totalled \$184 million. This is not the correct amount. In Chapter 3, we note that the amount that should have been reported is \$407 million. This discrepancy is the result of the Ministry's use of a Treasury Board Policy rather than independently set Canadian generally accepted accounting principles for the public sector.

In addition, the General Revenue Fund financial statements and the related budget do not include the correct pension and benefits expense amount of \$407 million and the related pension debt of \$4.1 billion.

Legislators and the public need accurate information to understand the impact of pension debt on budget decisions and public communications that reference the General Revenue Fund budget and financial statements. Due to this inaccurate accounting, a qualified audit opinion has been issued on the financial statements of the General Revenue Fund for a number of years. The government's fiscal results and financial position are not being reported in accordance with Canadian generally accepted accounting principles in the General Revenue Fund financial statements.

Government direction to use an inappropriate accounting treatment is contrary to the important concept of following independent generally accepted accounting principles set by the Canadian Institute of Chartered Accountants.

Maintenance Enforcement

On a positive note, in conducting our audit of the Maintenance Enforcement program of the Ministry of Justice and Attorney General we found that there are effective processes in place to enforce maintenance payments. The Ministry, at recipients' requests, monitors support payments and enforces court orders and separation agreements where support (i.e. spousal or child support) must be paid. While some improvement is needed with respect to the timeliness of services provided, Saskatchewan has the second highest annual collection rate in Canada, with a collection rate of 91.3% for the year ended March 31, 2011.

While the report highlights opportunities for improvement, for most of the 132 government agencies we examined, we did not identify significant issues.

Finally, in closing, I would like to thank my Assistant Provincial Auditor and my three Deputy Provincial Auditors who are here today, as well as all staff in our office for their professionalism and hard work on this report for the members of the Legislative Assembly and the citizens of Saskatchewan.

Thank you. I now welcome your questions.