

Reflections



While this report identifies a number of diverse issues across a broad spectrum of government operations, a few themes emerge from our recommendations such as:

- › The importance of measuring success and outcomes of programs
- › The importance of monitoring third parties and conducting regulatory work; and
- › The benefits of having the appropriate information available for planning and decision-making purposes

Our recommendations are intended to assist agencies in fulfilling their responsibilities.

It is important to note that for most of the 132 government agencies we examined, we did not identify significant issues.

A few of the more significant areas where there are opportunities for improvement are as follows:

- › **The Ministry of Municipal Affairs Needs To Ensure That Safe Drinking Water Can Be Consistently Provided To Certain Northern Settlements** – Municipal Affairs acts as a municipality and provides residents of five northern settlements with drinking water from its owned water treatment plants. It also contracts with two First Nation communities that distribute water from their water treatment plants to two other northern settlements (also under the responsibility of Municipal Affairs). In [Chapter 12](#), we recommend that Municipal Affairs needs to address certain problems to ensure that the drinking water it provides to northern settlements is safe. As Canadians, we all have the expectation that our drinking water will be clean and safe. Although the population of the northern settlements is under 500 people, their expectation would naturally be the same.

In Saskatchewan, many communities of varying sizes provide drinking water to their residents. These communities may find the criteria and recommendations in this chapter useful in evaluating how they provide safe drinking water.

- › **Ministry of Education Leadership Is Needed To Improve Grade 12 Graduation Rates** – [Chapter 2](#) looks at an issue important to all parents—that their children graduate with a Grade 12 education. It is well known that Grade 12 graduation rates need to improve in Saskatchewan. Our look at Education’s processes found that it needs to take a proactive leadership role with respect to school divisions (*The Education Act, 1995* gives Education authority to direct the education practices used in Saskatchewan). What does this mean? It means that Education needs to identify and advise school divisions of key strategies to improve Grade 12 graduation rates, and provide clear direction to school divisions on methods for implementing these key strategies. It needs to set achievable short and long-term targets for improving graduation rates, determine reasons for differences between actual results and these targets, and adjust its programs and directions to school divisions



accordingly. For students entering Grade 10 between 2004-05 and 2008-09 (the latest data year available), the overall provincial Grade 12 graduation rate decreased 3.3% (from 75.6% to 72.3%). Public reporting of the major reasons for differences in the graduation rates of school divisions and schools would provide parents with information on how well their school divisions and schools are doing in achieving higher Grade 12 graduation rates.

- › **Inaccurate Public Reporting Of Teachers' Superannuation Plan's Pension Expense And Future Pension Obligations** - In [Chapter 3](#), we report that both the provincial General Revenue Fund Estimates (budget) and the annual financial statements used for public reporting (the General Revenue Fund financial statements) do not contain all appropriate expense and liability information. For instance, teachers' pension benefits in the Plan currently remain largely unfunded. This means that money to pay these costs has not been set aside. Past costs are being paid, and will continue to be paid out of future provincial budgets.

In 2011, the Ministry of Education reported in its annual report that the Plan's pension and benefits expenses totalled \$184 million. This is not the correct amount. The amount that should have been reported is \$407 million. The Ministry is reporting the wrong amount because a Treasury Board Policy directs that the full amount of the pension expense should not be reported in the General Revenue Fund financial statements.

In addition, the Government did not include the correct pension and benefits expense amount of \$407 million and the related pension debt obligation of \$4.1 billion in both the budget and the annual financial statements of the General Revenue Fund financial statements. Legislators and the public need accurate information to consider the impact of pension debt on budget decisions.

The Canadian Institute of Chartered Accountants is an independent standards setting body for accounting principles in Canada, including those for the public sector. Independence in setting accounting principles is important to ensure the fair and reliable presentation of financial information. Government direction to use an inappropriate accounting treatment as in this case, with a Treasury Board Policy, is contrary to the important concept of following independently set generally accepted accounting principles. As a result, a qualified audit opinion has been issued on the financial statements for the General Fund for a number of years due to this inappropriate accounting treatment.

- › **The Ministry of Energy And Resources Needs To Do More To Operate In Full Compliance With *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*** – Energy and Resources is responsible for regulating pipeline construction and operation in the province. Industry continues to invest heavily in Saskatchewan's crude oil and natural gas resources, and pipelines are used to transport oil and gas to market. It is important that responsibilities under legislation be fulfilled to reduce the risk of pipeline spills. While no significant spills have occurred in recent years, the number of pipeline spills has slightly increased over the past four years. More importantly, one quarter of all pipelines are over 40 years old. The aging of pipelines and the increasing use of pipelines in the province makes compliance with legislation that much more important. In [Chapter 5](#), we conclude that Energy and Resources needs to improve its processes to ensure that pipeline operators comply with both legislation and the requirements of the Canadian Standards Association Standard Z662. Effective monitoring of compliance would include reviewing pipeline applications, assessing the quality of pipeline construction, verifying pressure tests, approving pipelines for use, and reviewing pipeline operators' processes for maintaining the integrity and safety of their pipelines.

In conducting this audit we noted that while Saskatchewan requires licensing of pipelines, there is currently no requirement to license flowlines in Saskatchewan. Flowlines located by wellheads pose the same type of environmental risks as larger pipelines. Between 3,000 to 4,000 new flowlines are constructed in the province each year. Flowlines are licensed in Alberta. We recommend that Energy and Resources reassess the appropriateness of this regulatory gap.

- › **Saskatchewan Liquor And Gaming Authority Needs To Document A Customer-Focused Liquor Procurement Strategy** – Saskatchewan Liquor and Gaming Authority (SLGA) is responsible for the distribution, control and regulation of liquor in Saskatchewan. SLGA could improve its procurement process by developing and documenting clearer listing and product mix policies and clearer guidance on product selection criteria. It could also be more proactive in pursuing product listings versus relying on suppliers to present new product listings to SLGA. Other recommendations are outlined in [Chapter 17](#).

Liquor boards in Canada use a procurement/pricing approach that is not intended to produce the lowest price for customers. Pricing decisions consider social responsibility, balanced with the goal of generating revenues to subsidize provincial government programs. As such, it is important that information on pricing be transparent so that citizens can understand government revenue and policy decisions embedded in the pricing of liquor.

SLGA currently does not conduct chemical analysis on liquor products to confirm that the products it carries are safe to drink and contain the stated alcohol content. It relies informally on analysis done by other Canadian liquor boards. Other liquor boards in Canada either perform direct testing or have written agreements with other liquor boards. We understand that SLGA management is reviewing options for making sure the necessary analysis takes place.

- › **Need To Establish Outcome Measures For Community-Based Organizations (CBOs) That Deliver Services To Intellectually Disabled Individuals** – In [Chapter 22](#), we make a number of recommendations to improve the processes the Ministry of Social Services uses to plan, contract for and monitor CBOs' delivery of services to intellectually disabled individuals. A key recommendation involves establishing and monitoring the achievement of outcomes. This would enable the Ministry to evaluate CBOs' performance and determine whether the money paid to CBOs achieves the desired outcomes.

We encourage the Ministry to use the criteria in this chapter to assess its processes to plan for, contract with, and monitor all other CBOs providing services on its behalf. We encourage other Ministries that provide services to citizens through CBOs to do the same.

- › **Saskatchewan Housing Corporation (SHC) Needs To Improve Its Processes For Maintaining The 18,300 Housing Units It Owns** – In [Chapter 24](#), we report on SHC's process for maintaining its housing units. SHC works with its 270 housing authorities to maintain these units. SHC has not consolidated information on the housing units. Our recommendations highlight the importance of having information on the condition of housing units. Having reliable and up-to-date information is necessary in order to plan for a medium to long-term timeframe. SHC also needs to report housing unit condition and risks to senior management and its Board. In 2004, our Office recommended that SHC needed to improve its capital asset plan. SHC needs better information on the condition of its housing units in order to develop a complete capital asset plan.



- › **Saskatchewan Opportunities Corporation (SOCO) Maintaining Facilities but Needs to Assess and Document the Current Condition of Each Facility** – We audited whether SOCO had effective processes during 2011 to maintain its facilities in a sustainable way at Innovation Place, Saskatoon. In [Chapter 18](#), we recommend that SOCO still needs to obtain certain condition and risk information to assist it in effectively monitoring what maintenance is required and when it is required. This information would strengthen SOCO’s long-term planning and resource allocation processes. Tracking the effectiveness of maintenance would also help management monitor that it is doing the right maintenance at the right time.

- › **Maintenance Enforcement Generally Solid, But Some Improvements Are Needed** – In Saskatchewan, individuals can ask the Ministry of Justice and Attorney General to collect maintenance payments, on their behalf, under *The Enforcement of Maintenance Orders, Act, 1997*. Justice has a successful collection rate of 91.3% for the year ended March 31, 2011. Notwithstanding these good results, in [Chapter 10](#), we provide Justice with five recommendations to improve their enforcement processes so that spouses and children receive the financial support to which they are entitled.

Implementation of Past Recommendations

Government agencies, for the most part, continue to address previously identified issues. For this report we conducted follow-up work on 46 recommendations (shaded in gray) from past audits. Of those recommendations, 24 have been fully implemented. We follow-up on past recommendations, agreed upon by the Standing Committee on Public Accounts or the Standing Committee on Crown and Central Agencies, to ensure that proper action is taken to address issues. Included in this report, we found that:

- › The Ministry of Education completed considerable work to better regulate child care facilities

- › SGI has strengthened security over its wireless network

- › The Public Employees Benefits Agency made significant progress to strengthen the security over the pension data it manages

- › Highways and Infrastructure is making progress to address our previous recommendations on planning for and monitoring highway maintenance

- › Saskatchewan Gaming Corporation strengthened its project management processes and improved its controls over maintaining and reporting information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations.

Recommendations were also implemented by Saskatchewan Power Corporation regarding the Superannuation Plan and NorthPoint Energy Solutions Inc.

A New Look

With this report, it is my pleasure to introduce a new logo and look for the Office of the Provincial Auditor of Saskatchewan. Going forward, all of our correspondence, publications and website will be presented in this new look. The three parts to the logo represent the legislature, auditor and citizens. The logo is also intended to represent a scale, symbolizing our objectivity and how we balance and assess the information we receive. The colour of the symbol is yellow, representing a casting of light on issues for the benefit of legislators and the public—hence the sunburst lines on the cover.

The previous logo used by the Office, the Saskatchewan coat of arms, was selected many years ago to reflect the independence of the Office at a time when Government used wheat sheaves as its logo. The Government is now using the coat of arms and as such, we are switching to our new logo and look to differentiate us from Government. As an independent Office of the Legislative Assembly, we serve all members of the Assembly. Independence is essential to the successful operation of our Office.

Acknowledgements

I would like to acknowledge the co-operation of the individuals who work in government agencies for assisting us to do our job. I would also like to acknowledge the assistance of the appointed auditors who worked with us over the past six months.

Finally, I would also like to thank my staff for their professionalism and their hard work that went into the material in this report. I appreciate their dedication and belief in the work of our Office. Their names follow this acknowledgement.

As an office, we remain focused on serving the Members of the Legislative Assembly and the people of Saskatchewan.



Bonnie Lysyk, MBA, CA
Provincial Auditor



Exhibit

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