

Chapter 8

Executive Council

1.0 MAIN POINTS

This chapter contains the results of our annual audit of the Office of the Executive Council (Office). The Office complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, and spending.

The Office had effective rules and procedures to safeguard public resources and prepare financial reports except that it needs to follow Canadian generally accepted accounting principles for the public sector (Canadian GAAP) to budget and account for significant costs to develop information technology (IT) systems. Failure to comply with Canadian GAAP increases the risk that the Office's financial budgets and records are not complete or accurate.

2.0 INTRODUCTION

The Legislative Assembly and Executive Council Act, 2007 establishes the Office of the Executive Council. The Office:

- › Provides support to the Premier in the Premier's roles as head of the Government, Chair of the Cabinet, and head of the political party with the mandate to govern
- › Acts as secretariat to the Executive Council (Cabinet) and to any committee of the Executive Council that the Lieutenant Governor in Council may designate
- › Coordinates, under the direction of the Minister (Premier and President of the Executive Council) all matters involving relationships with other governments including trade policy
- › Administers Francophone Affairs and the Office of the Lieutenant Governor

The Office facilitates and communicates decisions of Executive Council by:

- › Providing research, analysis, and policy advice to Cabinet and Cabinet committees
- › Coordinating policy development and government communications by managing Cabinet records

2.1 Financial Overview

For the year ended March 31, 2013, the Office had revenue related to a cost sharing agreement with the federal government of \$992,500.¹

Figure 1 lists the Office's major programs and spending and compares actual reported spending to budget by program.

¹ Office of the Executive Council's accounting records.



Figure 1 – Comparison of Estimates to Actual by Major Program

| | Estimates 2012-13 | Actual 2012-13 |
|--|----------------------|-------------------|
| | (in millions) | |
| Central Management Services | \$ 5.7 | \$ 6.3 |
| Premier's Office | 0.6 | 0.5 |
| Cabinet Planning | 1.0 | 0.7 |
| Cabinet Secretariat | 0.5 | 0.6 |
| Communications Office | 1.7 | 1.7 |
| House Business and Research | 0.4 | 0.2 |
| Members of the Executive Council (Statutory) | 0.1 | 0.1 |
| Intergovernmental Affairs | 4.8 | 4.3 |
| Francophone Affairs | 1.1 | 1.0 |
| Lieutenant Governor's Office | <u>0.7</u> | <u>0.7</u> |
| Total Appropriation | <u>\$ 16.6</u> | <u>\$ 16.1</u> |
| Capital Asset Acquisitions | (0.0) | (0.0) |
| Amortization of Capital Assets | <u>0.0</u> | <u>0.0</u> |
| Total Expense | <u>\$ 16.6</u> | <u>\$ 16.1</u> |

Source: *Public Accounts 2012-13 Volume 2*

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- ▶ **The Office had effective rules and procedures to safeguard public resources except as described in this chapter**
- ▶ **The Office complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Legislative Assembly and Executive Council Act, 2007
The Government Organization Act
The Government Organization Exemption Regulations
The Members of the Executive Council Expense Regulations, 1998
The Financial Administration Act, 1993
The Provincial Secretary's Act (clause 3(d.1))
The Department of Agriculture, Food, and Rural Revitalization Act (Section 9.2)
 Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Office's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2012-13 audit, we examined the effectiveness of the Office's financial-related controls used to administer its spending and revenues. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

4.0 KEY FINDING AND RECOMMENDATION

In this section, we outline key observations from our assessments and the resulting recommendation.

4.1 Proper Accounting for System Development Costs Needed

Since 2010-11, the Office has not correctly budgeted or accounted for the costs incurred in the development of an IT system that it owns.

Canadian GAAP has standards on how to account for and report capital assets such as IT systems that are developed. Canadian GAAP requires significant system development costs incurred to develop a system that will be used for more than one year to be recorded as a capital asset.

In June 2011, the Office started the development of an IT system to modernize the Cabinet document process (DocShare) through its service provider, the Information Technology Office (ITO). The Office owns this new IT system.

At March 31, 2013, significant development had been accomplished at a total cost of \$3,021,360. At August 2013, this system was nearly complete and in use, with some development remaining. As shown in **Figure 2**, since 2011, various ministries and Crown agencies including the Office have helped pay for the costs of this system development (contributions); these costs were budgeted and accounted for as expenses.



Figure 2—DocShare System Development Costs by Government Agency from April 1, 2010 to March 31, 2013

| Government Agency | 2010-11 | 2011-12 | 2012-13 | Total |
|---|-------------------|--------------------|--------------------|--------------------|
| Ministry of Central Services | \$ - | \$ 400,000 | \$ 300,000 | \$ 700,000 |
| Information Technology Office* | - | 100,000 | 100,000 | 200,000 |
| Various Ministries | - | 265,000 | 260,000 | 525,000 |
| Crown Investments Corporation of Saskatchewan (CIC) | - | 300,000 | 300,000 | 600,000 |
| Liquor and Gaming Authority (SLGA) | - | 20,000 | 20,000 | 40,000 |
| Enterprise Saskatchewan | - | 5,000 | - | 5,000 |
| Subtotal | - | \$1,090,000 | \$980,000 | \$2,070,000 |
| Office of the Executive Council | \$ 204,000 | \$ 405,000 | \$ 342,360 | \$ 951,360 |
| Total Cost | \$ 204,000 | \$1,495,000 | \$1,322,360 | \$3,021,360 |

Source: Financial Information Compiled by the Office of the Executive Council

* In May 2012, the ITO became part of the new Ministry of Central Services. These costs are not included in the Ministry of Central Services line item in this figure.

Since 2011, each year the Office has overstated its expenses for its portion of the costs, understated its revenues for the amounts contributed by other ministries and agencies, and understated its capital acquisitions by total cost for the amounts shown in **Figure 2**.² At March 31, 2013, the Office had not recorded in its financial records capital assets related to this system development totalling \$3,021,360. Since the financial activities of the Office are included in the Summary Financial Statements, these capital assets are also not recorded in the Summary Financial Statements for the year ended March 31, 2013.

Failure to comply with Canadian GAAP increases the risk that the Office's financial budgets and records are not complete or accurate.

- 1. We recommend that the Office of the Executive Council use Canadian generally accepted accounting principles for the public sector to budget and account for system development costs.**

² Since 2011, ITO has incorrectly included CIC and SLGA contributions toward the development of DocShare as revenues and expenses.