

Chapter 5 Economy

1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of the Economy (Economy), its three special purpose funds, and its agency – Enterprise Saskatchewan.

The 2013-14 financial statements of Enterprise Saskatchewan and each of the special purpose funds are reliable.

Economy, its agency, and three special purpose funds complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Economy and Enterprise Saskatchewan had effective rules and procedures to safeguard public resources except Economy needs to:

- › Improve information technology processes to promptly remove unneeded user access
- › Sign a complete memorandum of understanding with the Ministry of Advanced Education to avoid misunderstandings pertaining to shared services with respect to the One Client Service Module

2.0 INTRODUCTION

The mandate of Economy is to advance economic growth and generate wealth and opportunity in the province. Economy's responsibilities include labour market development and immigration, energy and resources, and economic development, including First Nations, Métis, and Northern economic development.¹

Economy comprises three core lines of business: to enhance economic growth and competitiveness; to regulate responsible resource development; to attract, develop, and retain a skilled workforce.² Economy's 578.9 full-time equivalent employees³ provide services and programs through its main offices in Regina and Saskatoon, regional offices across the province, and the Canada-Saskatchewan Business Service Centre located in Saskatoon.

2.1 Special Purpose Funds and Crown Agency

At March 31, 2014, Economy was responsible for the following special purpose funds and Crown agency. Each of the funds has a March 31 year-end. Enterprise Saskatchewan, a Crown agency, had a 13-month period-ended April 30, 2014 and was wound up on that date.

¹ Ministry of the Economy, *Annual Report for 2013-14*, p. 5.

² Ministry of the Economy, *Plan for 2013-14*, p. 3-6.

³ Saskatchewan Finance, *Government of Saskatchewan - 2013-14 Estimates*, p. 155.

Special Purpose Funds

Oil and Gas Orphan Fund

Institutional Control Monitoring and Maintenance Fund

Institutional Control Unforeseen Events Fund

Crown Agency

Enterprise Saskatchewan

2.2 Financial Overview

In 2013-14, Economy had revenues of \$2.16 billion, including \$57.5 million of transfers from the federal government for its labour market and development programs (see **Figure 1**). Economy spent \$270.5 million to deliver its programs and services (see **Figure 2**). Information about Economy's revenues and expenses appear in its *2013-14 Annual Report*.

Figure 1 – Revenues

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Oil	\$ 1,441.2	\$ 1,513.9
Crown Land Sales	111.4	106.7
Natural Gas	9.6	16.5
Potash	519.9	346.0
Other Minerals	99.7	101.1
Mineral Rights Tax	8.0	8.7
Sales, Services and Service Fees	35.2	4.9
Other Revenue	2.3	4.1
Transfers from the Federal Government	58.9	57.5
Enterprise Saskatchewan	-	1.3
Financial Programs	0.5	0.7
Miscellaneous Revenue	-	0.5
First Nations and Métis Relations	0.1	-
Total Revenue	\$ 2,286.8	\$ 2,161.9

Source: Ministry of the Economy, *2013-14 Annual Report*, p.26.

Figure 2—Major Programs and Spending

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 36.5	\$ 35.7
Revenue and Planning	24.0	22.3
Economic Development	13.8	11.8
Tourism Saskatchewan	15.2	15.2
Labour Market Development	168.5	163.8
Enterprise Saskatchewan	-	-
Petroleum and Natural Gas	10.3	12.0
Minerals, Lands and Policy	12.1	12.5
Total Appropriation	<u>280.4</u>	<u>273.3</u>
Capital Asset Acquisition	(7.9)	(5.8)
Capital Asset Amortization	3.0	3.0
Total Expense	<u>\$ 275.5</u>	<u>\$ 270.5</u>

Source: Ministry of the Economy, 2013-14 Annual Report, p.24 & 25.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended on or before April 30, 2014:

- › **Economy and Enterprise Saskatchewan had effective rules and procedures to safeguard public resources except for matters related to Economy as reported in this chapter**
- › **Economy, its three funds, and Enterprise Saskatchewan complied with the authorities, listed in Exhibit 5.1, governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- › **The financial statements of each of Economy's funds and Enterprise Saskatchewan are reliable**

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

Assessing Economy's and its agency's rules and procedures to safeguard public resources includes evaluating financial controls for estimating and collecting its revenues and administering its spending. In addition, we evaluated Economy's controls around its significant information technology systems and processes for collecting its revenues and keeping reliable financial records.



4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 Need Prompt Removal of User Access

We recommended that the Ministry of the Economy (formerly, Ministry of Energy and Resources) follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Not Implemented

During the year, we noted six instances where Economy had not removed unneeded user access to systems data promptly. For example, Economy did not request prompt removal of access to the payroll system for one individual we tested. The user access was removed almost 30 working days after the person's last day of employment.

Also, for 2 out of 10 individuals that we tested, Economy did not request timely removal of their computer network access. For example, for one of those individuals, Economy requested the removal of the network access about 100 working days after the person's last day of employment.

Economy needs to consistently follow its procedures for ensuring only authorized staff have access to its computer systems and data.

4.2 Shared Service Agreement Needed

We recommended that the Ministry of the Economy sign a complete memorandum of understanding with the Ministry of Advanced Education that defines all key roles and responsibilities for shared services. (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Not Implemented

During the year, Economy continued to work towards completing an effective shared service agreement with the Ministry of Advanced Education for shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance.

The *Financial Administration Manual*, section 3007.08, requires that shared service arrangements between ministries be supported by a memorandum of understanding (MOU). The appendices of the MOU, signed between the ministries in June 2013, require

the ministries to define the operations of each of the shared services. Economy had not completed this additional step by September 2014.

Without completing this step, it does not have an adequate shared service agreement. Not having an adequate MOU increases the risk that each ministry may not clearly understand their respective roles and responsibilities, and Economy may not be able to hold the Ministry of Advanced Education accountable for the shared services.

4.3 Liability for Cleanup of Gunnar Mine Disclosed

We recommended that the Ministry of the Economy disclose its liability for the cleanup of the Gunnar Uranium Mine and Mill Site in accordance with Public Sector Accounting Standards. (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Implemented

Economy has accepted responsibility for the cleanup of the Gunnar Mine. The Gunnar Mine is located on Lake Athabasca near Uranium City. This mine closed many years ago but continues to pose significant concerns to the environment.

As of March 31, 2014, Economy could not make a reasonable estimate of the cleanup costs. At March 31, 2014, the Canadian Nuclear Safety Commission had not approved the Gunnar Mine Environmental Impact Statement and Economy noted that the cleanup options are complex. The Government disclosed its responsibility for the liability for cleanup costs in the Government of Saskatchewan's March 31, 2014 Summary Financial Statements.

4.4 Monitoring Orphaned Wells

We recommended that the Ministry of the Economy estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the Government's financial statements. (2012 Report – Volume 2; Public Accounts Committee adjourned consideration on December 9, 2013)

Status – Not Relevant

Orphaned wells arise when well owners (licensees) go out of business and/or can not be located. Orphaned wells must be cleaned up to prevent future environmental damage (e.g., gas or fluids from migrating below ground or escaping above ground).

Economy established the Oil and Gas Orphan Fund (Fund) as a means to finance the cleanup of orphaned wells. The oil and gas industry contributes to the Fund and Economy uses the Fund's resources to clean up orphaned wells. If the industry continues to pay into the Fund and orphaned wells are cleaned up, Economy has no liability.



At March 31, 2014, based on the oil and gas industry’s economic outlook, the industry continues to have the ability to pay for the cleanup of orphaned wells and Economy continues to clean up orphaned wells. Therefore, Economy does not have a liability.

Economy monitors the sustainability of the oil and gas industry and the number of orphaned wells, because in the event of economic downturn, Economy may be left covering the liability for cleaning up orphaned wells.

5.0 EXHIBIT

5.1 Legislation—Summary of Relevant Authorities

Economy:

The Crown Minerals Act
The Crown Oil and Gas Royalty Regulations
The Coal Disposition Regulations, 1988
The Petroleum and Natural Gas Regulations, 1969
The Crown Mineral Royalty Regulations
The Mineral Resources Act, 1985
The Delayed Payment Charge Regulations, 1970
The Subsurface Mineral Regulations, 1960
The Energy and Mines Act
The Mineral Exploration Incentive Regulations
The Economic and Co-operative Development Act
 (section 8(a) only)
The Small Business Loans Association Program
Regulations
The Freehold Oil and Gas Production Tax Act, 2010
The Freehold Oil and Gas Production Tax
Regulations, 2012
The Recovered Crude Oil Tax Regulations, 2012
The Ethanol Fuel Act
The Ethanol Fuel (Grants) Regulations
The Labour-Sponsored Venture Capital
Corporations Act
The Labour-Sponsored Venture Capital Corporations
Regulations
The Renewable Diesel Act
The Mineral Taxation Act, 1983
The Potash Production Tax Regulations
The Freehold Coal Production Tax Regulations
The Financial Administration Act, 1993
The Petroleum Research Incentive Regulations
The Government Organization Act
The Ministry of the Economy Regulations

The Public Service Act, 1998
The Purchasing Act, 2004
The Revenue and Financial Services Act
 Orders in Council issued pursuant to the above
 Legislation

Oil and Gas Orphan Fund:

The Oil and Gas Conservation Act
The Oil and Gas Conservation Regulations, 1985
The Financial Administration Act, 1993
 Orders in Council issued pursuant to the above
 Legislation

Institutional Control Unforeseen Events Fund:

The Reclaimed Industrial Sites Act
The Reclaimed Industrial Sites Regulations
The Financial Administration Act, 1993
 Orders in Council issued pursuant to the above
 Legislation

Institutional Control Monitoring and Maintenance Fund:

The Reclaimed Industrial Sites Act
The Reclaimed Industrial Sites Regulations
The Financial Administration Act, 1993
 Orders in Council issued pursuant to the above
 Legislation

Enterprise Saskatchewan:

The Enterprise Saskatchewan Act
The Enterprise Saskatchewan Regulations
 Orders in Council issued pursuant to the above
 Legislation