

Chapter 10

Government Relations

1.0 MAIN POINTS

This chapter contains the results of our 2013-14 annual audit of the Ministry of Government Relations (Ministry). The Ministry complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

During 2013-14, the Ministry had effective rules and procedures to safeguard public resources except that it needs to remove unneeded user access to its computer systems and data promptly.

2.0 INTRODUCTION

The Ministry is responsible for municipal relations, public safety, and for First Nations, Métis, and northern affairs.¹ Its responsibilities include coordinating, developing, promoting, and implementing policies and programs related to cities, municipalities (urban, rural, northern), and matters of an inter-municipal nature. These responsibilities include policies and programs related to:

- › Community planning, development, and diversification of cities and municipalities
- › Joint ventures related to municipalities
- › Administrative and technical advice provided to administrators/councils to support the effective and efficient operation of municipal governments
- › Community facilities
- › Local government elections

Also, the Ministry is responsible for coordinating, developing, promoting, and implementing policies:

- › With respect to matters affecting First Nations and Métis peoples
- › To foster and advance development in northern Saskatchewan
- › For emergency management, disaster assistance, fire commissioner services, and building accessibility and other safety standards
- › For public safety (e.g., safety standards for boilers, pressure vessels, gas equipment and installations, electrical equipment and installations, elevators, and amusement rides, and licensing and regulating of related persons)²

¹ www.gr.gov.sk.ca (21 August 2014).

² *The Ministry of Government Relations Regulations.*



2.1 Financial Overview

For the year ended March 31, 2014, the Ministry had revenues of \$71.3 million (including \$55.7 million from the federal government) and expenses of \$527.0 million.

The following is a list of the Ministry's major programs and spending. **Figure 1** compares actual spending to budget by program. For further details and variance explanations, see the Ministry's *2013-14 Annual Report* available on its website at www.gr.gov.sk.ca.

Figure 1 – Comparison of Estimates to Actual by Major Program

	Estimates 2013-14*	Actual 2013-14
	(in millions)	
Central Management Services	\$ 10.6	\$ 9.5
First Nations and Métis Engagement	79.4	82.6
Municipal and Northern Engagement	375.5	375.7
Saskatchewan Municipal Board	1.7	1.6
Public Safety	9.8	57.1
Total Appropriation	477.0	526.5
Capital Asset Acquisitions	(2.2)	(1.9)
Amortization of Capital Assets	2.4	2.4
Total Expense	\$ 477.2	\$ 527.0

Source: *Ministry of Government Relations 2013-14 Annual Report*.

*The Ministry obtained additional funding through special warrants of \$50.3 million.

This chapter sets out the results of our audit of the Ministry for the year ended March 31, 2014.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- › **The Ministry had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- › **The Ministry complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Assessment Management Agency Act
The Assessment Management Agency Regulations
The Cities Act
The Crown Employment Contracts Act
The Department of Rural Development Act
The Department of Urban Affairs Act
The Federal-Provincial Agreements Act
The Financial Administration Act, 1993
The Government Organization Act
The Government Organization Exemption Regulations

The Municipal Board Act
The Municipal Grants Act
The Municipal Grants Regulations
The Northern Municipalities Act, 2010
The Provincial Disaster Assistance Program Regulations, 2011
The Public Services Act, 1998
The Purchasing Act, 2004
The Saskatchewan Gaming Corporation Act (part III.01, and III.1)
The Saskatchewan Natural Resources Transfer Agreement (Treaty Land Entitlement) Act

The Ministry of Government Relations Regulations
The Indian and Native Affairs Act
The Métis Act
The Municipalities Act

2002 Gaming Framework Agreement
 Orders in Council issued pursuant to the above
 legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the Ministry'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.

In our 2013-14 audit, we examined the effectiveness of the Ministry's financial-related controls used to administer the spending listed in **Figure 1**, its revenues, and its contractual obligations. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

Because the Ministry receives significant federal funding for various municipal programs and provides significant grants to municipalities, we paid particular attention to the Ministry's controls for managing grant payments to municipalities. This included assessing its processes for awarding grants, approving grant payments, and monitoring municipalities' compliance with federal and provincial funding agreements. Also, the Ministry provides significant financial assistance to individuals and organizations for provincial disaster claims and expects to receive significant reimbursements from the federal government for a portion of the amount it pays. We examined the Ministry's controls over managing disaster claims and recovering amounts from the federal government, including processes for making and recording significant accounting estimates.

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 Expectations Documented for Emergency Management Services

We recommended that the Ministry of Government Relations develop criteria for determining when and how much additional compensation should be paid to emergency management services contractors and communicate these criteria to the contractors. (2013 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

Status – Implemented



We recommended that the Ministry of Government Relations clearly document the services it expects to receive from emergency management services contractors, formally communicate those expectations to contractors, and monitor that contractors are performing as expected. (2013 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

At March 31, 2014, the Ministry had agreements with 14 emergency management services contractors. During the year, it paid \$86 thousand in additional compensation to contractors. All of these agreements were complete by May 31, 2014.

In 2013-14, the Ministry created and filled 43 full-time term positions within the Ministry to deliver emergency management services instead of using emergency management services contractors. The Ministry set out its expectations in documented job descriptions. Compensation for these positions was determined using Public Service Commission guidance. Consistent with other Ministry employees, the Ministry plans to monitor the performance of these employees starting with the 2014-15 mid-year evaluation.

4.2 Regular Review of Estimated Unpaid PDAP Claims

We recommended that the Ministry of Government Relations establish a formal process to regularly review its prior year estimates of amounts owing under the Provincial Disaster Assistance Program. (2013 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

In 2013-14, the Ministry implemented a quarterly process to review and adjust its estimates of amounts owing under the Provincial Disaster Assistance Program (PDAP). The process involves reviewing payments made and the most recent information available on previously accrued claims to assess whether the current estimate requires adjustment. The Ministry reviewed its estimates of amounts owing under the PDAP at each quarter-end during 2013-14. Where necessary, it appropriately adjusted the amounts owing in its financial records.

At March 31, 2014, the Ministry estimated that it owed \$72.8 million (2013: \$85.5 million) for unpaid PDAP claims. About \$65 million (2013: \$73 million) of the \$72.8 million related to unpaid PDAP claims for prior years. The actual amounts paid can vary from the estimated amount depending on the final information received.

4.3 Estimates of Revenue from the Federal Government for Disaster-Related Costs and Flood Mitigation Supported

We recommended that the Ministry of Government Relations keep clear documentation of the estimation methods, supporting data, and key assumptions it uses in making significant accounting estimates. (2013 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

Each year, the Ministry makes significant estimates such as revenues for claims under the Federal Government Disaster Financial Assistance Arrangements. At March 31, 2014, the Ministry's estimated receivable from the federal government was \$210.4 million for the 2007 – 2011 claim years (2013: \$355.5 million for the 2005 – 2011 claim years).

In 2013-14, the Ministry clearly documented its estimation methods, supporting data, and key assumptions and their basis that it used in estimating revenues from the federal government for disaster-related costs and flood mitigation.

4.4 Timely Removal of User Access Needed

We recommended that the Ministry of Government Relations document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly. (2012 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

Status – Partially Implemented

In 2013-14, the Ministry started to develop new automated notification procedures to help ensure it makes timely requests for the removal of unneeded user access (e.g., prior to the date that staff leave the employment of the Ministry). However, at March 2014, these procedures were not complete or implemented. In 2013-14, we found seven instances where access was not removed promptly (i.e., two to 93 days after last day of employment) (2012-13: three instances removed 32 to 61 days after last day of employment).

