

## Chapter 2

### Agriculture

#### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Agriculture (Agriculture), its agencies, and funds for the year ended March 31, 2015. The 2014-15 financial statements of Agricultural Credit Corporation of Saskatchewan, Agricultural Implements Board, Saskatchewan Crop Insurance Corporation (agencies), and the Ministry's funds are reliable.

Agriculture, its agencies, the Horned Cattle Fund, Pastures Revolving Fund, and Saskatchewan Agricultural Stabilization Fund each complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except Agriculture needs to obtain Orders in Councils for certain grazing lease agreements.

Agriculture, its agencies, and the Saskatchewan Agricultural Stabilization Fund had effective rules and procedures to safeguard public resources except Agriculture needs to follow procedures for removing unneeded user access to its computer systems promptly.

During 2014-15, Agriculture addressed our past recommendations by:

- › Complying with laws related to its approving and tabling in the Legislative Assembly its animal products inspection agreements and animal identification inspection agreements
- › Obtaining adequate assurance from the Ministry of Central Services over the security of Agriculture's computer systems and data
- › Publishing information on the possible extent to which its AgriStability estimates may vary from actual results

#### 2.0 INTRODUCTION

The authority for Agriculture is contained in *The Agriculture Administration Act*. For the year ended March 31, 2015, Agriculture had 384.3 full-time equivalent (FTE) employees.<sup>1</sup>

Agriculture's purpose is to enable a prosperous market-driven agricultural industry through supporting legislative framework, policies, and programs and services.<sup>2</sup> Also, Agriculture regulates certain industry practices (such as branding) and various producer-elected commodity boards (through the Agri-Food Council). During 2014-15, Agriculture administered the following key programs:

- › Extension services for producers (forage, farm business management, livestock, crops, and irrigation)

<sup>1</sup> Ministry of Agriculture, *2014-15 Annual Report*, p. 4.

<sup>2</sup> Ministry of Agriculture, *Ministry Plan for 2014-15*, p. 3.



- › Business risk management programs (e.g., Crop Insurance, AgriStability, AgriInvest, Western Livestock Price Insurance Program)
- › Growing Forward 2 Programming<sup>3</sup> (e.g., Farm Business Development Initiative, Farm & Ranch Water Infrastructure Program, Saskatchewan Agri-Value Initiative, Livestock Traceability Rebate, Market Development Program, Agriculture Awareness Initiative)
- › Research programs (e.g., Agriculture Development Fund, Agriculture Demonstration of Practices & Technologies, Agriculture-Applied Research Management, Strategic Research Program at the University of Saskatchewan and the Western Beef Development Centre)<sup>4</sup>

## 2.1 Financial Overview

In 2014-15, Agriculture had revenues of \$124.9 million (2013-14: \$137.9 million) comprised primarily of transfers from the federal government for agricultural programs, lease revenue, and land sales. At March 31, 2015, Agriculture held agricultural lands, buildings, and equipment with a net book value of \$63.8 million.

In 2014-15, Agriculture spent \$355.3 million (2013-14: \$391.4 million). About 89% of this spending was for grants (transfers) to government agencies and funds including \$212.7 million to Saskatchewan Crop Insurance Corporation for the crop insurance and AgriStability programs.

**Figure 1 – Expenses by Major Program**

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management and Services	\$ 11.3	\$ 9.5
Policy and Planning	3.0	2.7
Research and Technology	26.7	35.3
Regional Services	40.3	22.6
Land Management	6.0	5.0
Industry Assistance	7.6	6.4
Financial Programs	33.6	20.8
Business Risk Management – Crop Insurance, AgriStability, and AgriInvest	<u>242.2</u>	<u>251.0</u>
<b>Total Appropriation</b>	370.7	353.3
Capital Asset Acquisitions	(1.5)	(0.6)
Capital Asset Amortization	<u>2.4</u>	<u>2.4</u>
<b>Total Expense</b>	<u>\$ 371.6</u>	<u>\$ 355.3</u>

Source: Ministry of Agriculture, 2014-15 Annual Report.

<sup>3</sup> Growing Forward 2 is a federal-provincial-territorial policy framework of agricultural programs.

<sup>4</sup> Ministry of Agriculture, 2014-15 Annual Report, p. 4.

Agriculture's annual report provides further detail on its revenues and expenses including reasons for differences from its approved budget.

## 2.2 Agencies and Funds

Agriculture is responsible for many agencies and funds that administer and support agricultural programs in Saskatchewan. Each of the following agencies and funds has a March 31 year-end. We have reported the results of our audit of the Prairie Agricultural Machinery Institute (in blue font) in the chapter number identified.

Horned Cattle Fund  
 Pastures Revolving Fund  
 Saskatchewan Agricultural Stabilization Fund  
 Crop Reinsurance Fund of Saskatchewan  
 Agricultural Credit Corporation of Saskatchewan  
 Agricultural Implements Board  
**Prairie Agricultural Machinery Institute** (Chapter 14)  
 Saskatchewan Crop Insurance Corporation

Also, Agriculture partnered with the University of Saskatchewan in Prairie Diagnostic Services Inc. (Prairie Diagnostics). Prairie Diagnostic provides veterinary diagnostic services to Saskatchewan veterinary and livestock industries. Agriculture also administers the Livestock Services Revolving Fund that had no active operations in 2014-15.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

We worked with the appointed auditors of the agencies and funds (see **Figure 2**), using the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>5</sup>

**Figure 2—Crown Agencies and Funds with an Appointed Auditor**

Year-End	Agency	Appointed Auditor
March 31	Saskatchewan Agricultural Stabilization Fund	KPMG LLP
March 31	Agricultural Credit Corporation of Saskatchewan	MNP LLP
March 31	Saskatchewan Crop Insurance Fund	KPMG LLP
March 31	Crop Reinsurance Fund of Saskatchewan	KPMG LLP

**In our opinion, for the year ended on or before March 31, 2015:**

- › **Agriculture, three of its agencies, and the Saskatchewan Agricultural Stabilization Fund had effective rules and procedures to safeguard public resources except for the matters related to Agriculture reported in this chapter**

<sup>5</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



- › **Agriculture, three of its agencies, and the Horned Cattle Fund, Pastures Revolving Fund, and Saskatchewan Agricultural Stabilization Fund complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except for the matter noted in this chapter:**

<i>The Agri-Food Act, 2004</i>	<i>The Horned Cattle Purchases Act</i>
<i>The Agri-Food Regulations, 2004</i>	<i>The Horned Cattle Purchases Regulations, 1983</i>
<i>The Agricultural Credit Corporation of Saskatchewan Act</i>	<i>The Intensive Livestock Operations Environmental Rehabilitation Program Regulations</i>
<i>The Agricultural Credit Corporation of Saskatchewan Regulation, 1989</i>	<i>The Livestock Dealer Regulations, 1995</i>
<i>The Agriculture Implements Act</i>	<i>The Livestock Inspections and Transportation Regulations, 1978</i>
<i>The Agriculture Implements Regulations, 1982</i>	<i>The 2011 Saskatchewan Feed and Forage Program Regulations</i>
<i>The Animal Identification Act</i>	<i>The Short-term Hog Loan Regulations, 2008</i>
<i>The Animal Products Act</i>	<i>The Short-term Cattle Loan Program Regulations</i>
<i>The Irrigation Act, 1996</i>	<i>The Wildlife Damage and Livestock Predation Regulations</i>
<i>The Saskatchewan Crop Insurance Corporation Act</i>	<i>The Financial Administration Act, 1993</i>
<i>The Agriculture Administration Act</i>	<i>The Executive Government Administration Act</i>
<i>The Ministry of Agriculture Regulations, 2007</i>	<i>The Pastures Act</i>
<i>The Farm Financial Stability Act</i>	<i>The Pastures Regulations</i>
<i>The Cattle Breeder Associations Loan Guarantee Regulations, 1991</i>	<i>The Provincial Lands Act</i>
<i>The Cattle Feeder Associations Loan Guarantee Regulations, 1989</i>	<i>The Provincial Lands Regulations</i>
<i>The Excess Moisture Program Regulations, 2011</i>	<i>The Public Service Act, 1998</i>
<i>The Farm and Ranch Water Infrastructure Program Regulations</i>	<i>The Purchasing Act, 2004</i>
<i>The Saskatchewan Farm Security Act – Part VI</i>	Orders in Council issued pursuant to the above legislation
<i>The Saskatchewan Farm Security Regulations</i>	
<i>The 2013 Farm and Ranch Water Infrastructure Program Regulations</i>	

- › **The financial statements of each of the three agencies and four funds are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of controls at Agriculture, its agencies, and the Saskatchewan Agricultural Stabilization Fund. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit included examining the effectiveness of financial related controls at Agriculture, its three agencies, and the Saskatchewan Agricultural Stabilization Fund used to administer their spending, revenues and key assets. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports.

During our examination of the Pastures Revolving Fund, we noted several instances of theft to the Crown as described in **Section 4.6**.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Approval for Grazing Agreements Not Obtained

Agriculture has not obtained Cabinet approval for two grazing lease agreements with a lessee for land in excess of 25,000 acres.

*The Provincial Lands Regulations* under *The Provincial Lands Act* require Agriculture to obtain an Order in Council (Cabinet approval) when it enters into an agreement with an individual to lease more than 25,000 acres of provincial land. An Order in Council is a directive issued by the Lieutenant Governor in Council on the advice of Cabinet that authorizes the agreement and makes the decision public.

During the audit, we found that Agriculture had renewed two agreements with different individuals without obtaining Orders in Council. Accordingly, these agreements were not properly authorized as required by law.

1. We recommend that the Ministry of Agriculture obtain an Order in Council prior to entering a grazing lease agreement for land in excess of 25,000 acres as required by law.

### 4.2 Prompt Removal of User Access Needed

We recommended that the Ministry of Agriculture follow its established procedures to properly remove unneeded user access to its computer systems and data. (2014 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Partially Implemented

Although Agriculture has established procedures for removing unneeded user access to its computer systems and data, staff did not consistently follow them.

For example, we found that 4 out of 10 individuals did not have their network access removed promptly. One of these individuals continued to have network access for 22 working days after they left employment.

We also found that 4 out of 5 individuals who no longer needed access to MIDAS Financials did not have their access removed promptly. One of these individuals continued to have access to MIDAS Financials for 42 working days after they left employment.

Not promptly removing unneeded user access of former employees increases the risk of inappropriate access to Agriculture's systems and data.



### 4.3 Livestock Administration Agreement Authorized and Made Public as Required by Law

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We recommended that the Ministry of Agriculture obtain an Order in Council prior to entering into an animal products inspection administration agreement and an animal identification inspection administration agreement as required by law. (2014 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

Agriculture obtained an Order in Council (578/2014) dated November 13, 2014 for the Livestock Inspection Administration Agreement.

We recommended that the Ministry of Agriculture table all animal products inspection administration agreements and animal identification inspection administration agreements in the Legislative Assembly as required by law. (2014 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

Agriculture tabled the Livestock Inspection Administration Agreement covering animal products inspection administration and animal identification inspection administration on December 4, 2014 with the Legislative Assembly.

### 4.4 Information on Security of Hosted Systems and Data

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We recommended that the Ministry of Agriculture obtain assurance from the Ministry of Central Services on the operating effectiveness of the Information Technology Division's controls over its client systems and data and assess the impact of deficient controls on the Ministry of Agriculture's operations. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented

The Ministry of Central Services (Central Services) hosts key computer systems that Agriculture uses to carry out its operations (e.g., Crown Land Management System hosts financial information about its leases [e.g., information on lease holders and rates]).

During 2014-15, Agriculture obtained sufficient information and assessed the effectiveness of Central Services' controls to keep Agriculture's key computer systems and data secure.

## 4.5 Uncertainty in AgriStability Estimate Disclosed

We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

In conjunction with the federal department of Agriculture and Agri-Food Canada and Saskatchewan Crop Insurance Corporation, Agriculture developed a range estimate on the uncertainty of the provincial expense for the AgriStability program and disclosed it in its annual report. The program payment for the 2014 program year was \$30.4 million with an estimated range of \$16.3 and \$44.6 million<sup>6</sup> of program expenses that may still be claimed.

## 4.6 Other Matters

In 2014-15, Ministry staff discovered three instances of theft of assets at different pastures: loss of a fence post pounder (estimated replacement value of \$11,500), barbed wire (estimated replacement value of \$637), and a chainsaw (estimated replacement value of \$500) (2014: two thefts for \$800). The matters have been referred to the RCMP.

The Ministry of Finance publicly reports certain losses of public money and property belonging to the Government. Agriculture reported the thefts to the Ministry of Finance as required.

<sup>6</sup> Ministry of Agriculture. *2014-15 Annual Report*, p. 20.

