

Chapter 3

Commercial Revolving Fund

1.0 MAIN POINTS

The Ministry of Parks, Culture and Sport (Ministry) is responsible for the Commercial Revolving Fund (CRF) and its administration.¹ CRF's 2014-15 financial statements are reliable. It complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except it did not charge the correct fees for battery site leases as required by law.

2.0 INTRODUCTION

Under *The Natural Resources Act*,² the CRF conducts commercial activities required for the promotion, development, and management of provincial parks.³ These commercial activities include leasing parkland for petroleum and natural gas extraction.

2.1 Financial Overview

Each year, the Ministry subsidizes CRF's operations. As shown in **Figure 1**, in 2014-15, CRF had a subsidy of \$10.1 million (2013-14: \$10.7 million) in addition to its revenues of \$16.7 million (2013-14: \$14.9 million) and expenses of \$26.1 million (2013-14: \$24.5 million). At March 31, 2015, CRF had net debt of \$312 thousand (2014: \$1.04 million) and held inventory of \$1.0 million (2014: \$1.1 million).

Figure 1—Revenue and Expenses by Program

	2014-15	
	Budget	Actual
	(in millions)	
Revenues		
Camping and Park Entry	\$ 11.0	\$ 11.8
Cottage Leases	2.3	2.4
Resource Management	0.9	0.8
Commercial Leases	0.4	0.5
Other Revenues	0.6	1.2
Total Revenue	\$ 15.2	\$ 16.7

¹ Order in Council 900/07 dated November 21, 2007.

² Section 18 of *The Natural Resources Act*.

³ Saskatchewan has 194 separate, legally-designated park lands located throughout the province of which 11 are recreation parks, 127 are recreation sites, 4 are wilderness parks, 11 are natural environment parks, and 17 are historic parks sites. www.pcs.gov.sk.ca/AboutSaskatchewanParks (21 August 2015).



	2014-15	
	Budget	Actual
	(in millions)	
Expenses		
Salaries and Benefits	14.3	14.9
Other Operating Expenses	11.3	11.3
Total Expense	\$ 25.6	\$ 26.2
Loss from Operations	(10.4)	(9.5)
Subsidy from the Ministry	10.4	10.1
Annual Surplus	\$ 0.0	\$ 0.6

Source: Commercial Revolving Fund 2014-15 audited financial statements.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- › CRF had reliable financial statements
- › CRF complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:

The Natural Resources Act
The Parks Act
The Parks Regulations, 1991
The Executive Government Administration Act
 Orders in Council issued pursuant to the above legislation

We focused our work on verifying the accuracy and completeness of revenue to supporting documents (commercial lease agreements, rates pursuant to legislation, invoices issued by CRF). We examined the accuracy of CRF's recording of transactions and processes to prepare accurate financial reports.

4.0 KEY FINDING AND RECOMMENDATION

4.1 Incorrect Fees Charged

CRF did not charge the correct fees for battery site⁴ leases.

The Parks Regulations, 1991 sets out the prescribed fees for battery site leases.

⁴ A battery site is a facility at which the liquids obtained from one or more wells are stored before those liquids are processed for market or delivered to market or are otherwise disposed of, and may include equipment or other devices for separating the liquids into oil, natural gas, and water.

During the audit, we found that CRF charged, for at least the last eight years, fees for battery site leases at rates different from those set out in the regulations. For example, in 2014-15, errors in rates charged to individual leaseholders ranged from overcharging by 11% to undercharging by 28% of the prescribed fees set out in regulations. In 2014-15, CRF charged the leaseholders fees⁵ totalling \$29,260 instead of \$35,572 resulting in undercharging fees by \$6,312 on an overall basis.

Because it did not charge fees based on regulations, CRF did not comply with the law.

- 1. We recommend that the Commercial Revolving Fund charge fees for battery site leases based on rates set out in law.**

⁵ Leaseholder fees are classified as commercial lease revenue.

