

Chapter 4

Creative Saskatchewan

1.0 MAIN POINTS

Creative Saskatchewan's 2015 financial statements are reliable and it complied with the authorities governing its activities. It had effective rules and procedures to safeguard public resources except that it needs to establish policies and procedures to give staff guidance for maintaining accurate accounting records and preparing financial statements, restricting access to its IT systems and data, and preparing and approving payroll, bank reconciliations, and journal entries. Creative Saskatchewan has implemented a process to obtain an Order in Council where individual financial assistance exceeds \$250,000 in a fiscal year.

2.0 INTRODUCTION

Creative Saskatchewan was formed in 2013 pursuant to *The Creative Saskatchewan Act*, which was proclaimed on July 2, 2013. The purpose of Creative Saskatchewan is to provide grants to arts communities in Saskatchewan through various programs.

At March 31, 2015, Creative Saskatchewan had net financial assets of \$2.6 million (2013-14: \$1.8 million) and tangible capital assets of \$0.2 million (2013-14: \$0.02 million). As shown in **Figure 1**, in 2014-15, the Board received \$7.1 million from the Ministry of Parks, Culture and Sport for its operations.

Figure 1 – Revenue and Expense

	Budget 2014-15	Actual 2014-15
	(in millions)	
Provincial Government Grants	\$ 8.3	\$ 7.1
Other Income	0.1	1.3
Total Revenue	8.4	8.4
Grants	\$ 6.7	\$ 5.4
Operational Expenses	1.9	1.6
Other Expenses	0.4	0.4
Total Expense	\$ 9.0	\$ 7.4

Source: March 31, 2015 Audited Financial Statements.

3.0 AUDIT CONCLUSIONS AND SCOPE

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

- › **Creative Saskatchewan's financial statements are reliable**
- › **Creative Saskatchewan had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- › **Creative Saskatchewan complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**



The Creative Saskatchewan Act
The Creative Saskatchewan Regulations
Orders in Council issued pursuant to the above legislation

We used the control framework published by CPA Canada to make our judgments about the effectiveness of Creative Saskatchewan'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.

Creative Saskatchewan's most significant expense stream is grant expenses which comprise payments to various members of the creative industry. We examined Creative Saskatchewan's financial controls for approving grants and other expenses. We also assessed Creative Saskatchewan's controls related to record keeping and financial reporting.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Financial Reporting Guidance Needs Improvement

Written guidance forms part of an agency's system of control. Usually, an agency provides such guidance in the form of accounting policies and procedures. Such policies and procedures guide staff as they carry out their duties. Documented policies and procedures help in the orderly and efficient conduct of business and help ensure financial reports are accurate.

Creative Saskatchewan has some established policies but they are not complete. For example, they do not include policies and procedures for preparing financial statements in accordance with Canadian public sector accounting standards and maintaining accurate financial records. The draft financial statements submitted for audit contained several material errors resulting in a misstatement of annual surplus by almost \$120,000. Management corrected the errors upon becoming aware of them.

Not having complete policies and procedures for preparing financial statements in accordance with Canadian public sector accounting standards increases the risk of inaccurate financial records and statements.

- 1. We recommend that Creative Saskatchewan's Board establish policies and procedures for maintaining accurate accounting records and preparation of financial statements.**

4.2 Password Policy Needed

Creative Saskatchewan does not have a policy for information technology (IT) password requirements.

Creative Saskatchewan requires staff to use passwords to access its information systems and data. However, it has not established a policy requiring users to periodically change their passwords or specify the password setting requirements. Not requiring (or at times, forcing) staff to change passwords regularly, or requiring passwords to be sufficiently complex (e.g., combination of letters, numbers, and

characters) increases the risk of passwords being compromised and in turn, increases the risk of unauthorized access to IT systems and data.

2. We recommend that Creative Saskatchewan establish a policy for restricting access to its IT systems and data.

4.3 Service Provider Agreement Needed

Creative Saskatchewan does not have a service agreement with its external payroll service provider.

When agencies use external service providers, they need a signed agreement setting out the roles and responsibilities of each party. Lack of a signed service agreement could result in a misunderstanding of each party's roles leading to conflicts.

3. We recommend that Creative Saskatchewan sign a service agreement with its payroll service provider.

4.4 Clear Processes for Review and Approval of Payroll Registers Needed

Creative Saskatchewan does not have written processes setting out its expectations for the review and approval of payroll.

Creative Saskatchewan's payroll service provider prepares payroll registers after each payroll cycle. Creative Saskatchewan staff receive these payroll registers, but do not document their review and approval of the registers prior to payment to staff.

Lack of written guidance on how to review and approve the payroll registers increases the risk of errors in the register resulting in incorrect payments to staff.

4. We recommend that Creative Saskatchewan give staff written guidance for reviewing and approving payroll registers prior to paying employees.

4.5 Clear Processes for Bank Reconciliations Needed

Creative Saskatchewan does not have written processes setting out its expectations for the preparation and approval of bank reconciliations.

Creative Saskatchewan prepared bank reconciliations throughout the year. However, staff left no evidence of who prepared the bank reconciliations and when. Nor was there any evidence of independent review and approval of those bank reconciliations.

Lack of written guidance on how to prepare, review, and approve bank reconciliations increases the risk of fraud and errors occurring without timely detection.



5. We recommend that Creative Saskatchewan give staff written guidance for preparing and approving bank reconciliations.

4.6 Clear Processes for Journal Entries Needed

Creative Saskatchewan does not have written processes setting out its expectations for the preparation and approval of journal entries (changes to the accounting records).

Creative Saskatchewan routinely uses journal entries to record its financial activities in its accounting records.

During the year, we found journal entries were not always independently reviewed and approved, and did not always include supporting documentation.

Lack of written guidance for preparing and approving journal entries prior to recording the transaction, increases the risk of fraud, and mismanagement of funds. It also increases the risk of undetected errors and unsupported amounts being recorded in the financial statements. This is because staff may change the accounting records inappropriately and without proper authorization the changes may not be detected timely.

6. We recommend that Creative Saskatchewan give staff written guidance for preparing and approving journal entries.

4.7 Order in Council Obtained

We recommended that Creative Saskatchewan obtain an Order in Council prior to providing financial assistance where the amount exceeds \$250,000 in a fiscal year to a single individual or corporation. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

Creative Saskatchewan has put a process in place to obtain Orders in Council for financial assistance (e.g., grants) when the amount exceeds \$250,000 in a fiscal year to a single individual or corporation.

4.8 Loss of Public Money

During an employee's business trip to London, England, a laptop belonging to Creative Saskatchewan was stolen. The laptop had a value of approximately \$1,300. The matter was referred to the London Police.

The Ministry of Finance publicly reports certain losses of money and property belonging to the Government. The Ministry does not require Creative Saskatchewan to report such losses to it. As a result, the Ministry of Finance did not report the laptop loss in its quarterly loss reports to the public.