

Chapter 2 Central Services

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Central Services (Central Services) for the year ended March 31, 2015.

Central Services complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

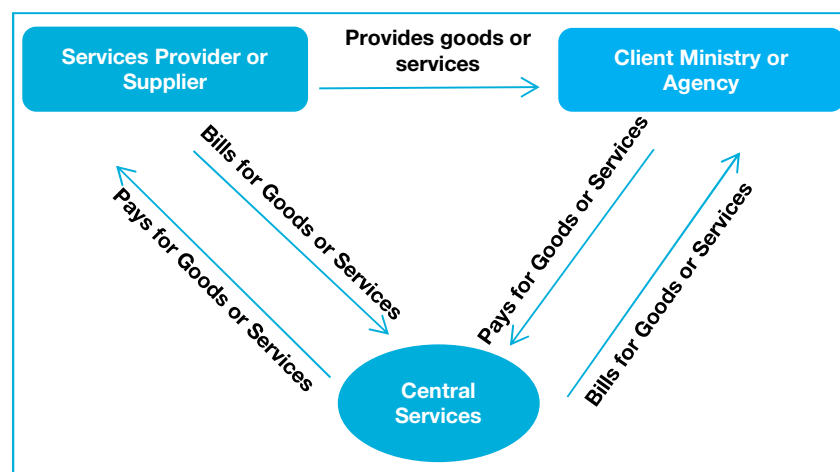
Central Services had effective rules and procedures to safeguard public resources except that it needs to follow its established procedures to promptly remove user access to computer systems and data. If former employees do not have access removed promptly, it increases the risk of inappropriate access to Central Services' systems and data.

2.0 INTRODUCTION

The mandate of Central Services is to provide “central coordination and delivery of property management, information technology, project management, procurement, transportation, and other support services (such as email and mail services) to Government ministries and agencies.”¹

Its mandate includes the responsibility for developing, procuring, and providing the goods and services to its client ministries and agencies.² As shown in **Figure 1**, Central Services engages and pays service providers and suppliers for goods and services provided to ministries and agencies; it recovers the cost of these goods and services from the ministries and agencies who receive them.

Figure 1 – Ministry of Central Services Cost Recovery of Goods and Services Purchased on Behalf of its Client Ministries and Agencies



Source: Provincial Auditor of Saskatchewan.

¹ Ministry of Central Services, 2014-15 Annual Report, p. 4.

² The Ministry of Central Services Regulations.



As of March 31, 2015, Central Services employed 898 full-time equivalent employees. It owned approximately 4,200 vehicles and 6 aircraft, and leased or owned 688 buildings in 150 communities for use across the government.

2.1 Financial Overview

At March 31, 2015, Central Services owned buildings with a replacement value of \$4.3 billion.³ During 2014-15, Central Services tendered \$140 million in goods and services on behalf of government ministries and agencies.⁴

As shown in **Figure 2**, in 2014-15, Central Services spent \$440 million, including \$23 million for capital asset acquisitions.⁵ In 2014-15, Central Services recovered \$379 million of its costs from ministries and agencies for the services it provides.

Figure 2—Expenses by Major Programs for 2014-15

	Estimates ^A	Actual			
		Gross Expense	Recovered from:		Net Expense
			Ministries & Public Agencies ^B	External Clients ^C	
	(in millions)				
Central Management and Services	\$ 0.05	\$ 0.05	\$ --	\$ --	\$ 0.05
Property Management	7.06	187.01	(128.46)	(45.76)	12.79
Transportation and Other Services	8.82	70.50	(39.64)	(19.34)	11.52
Project Management	--	38.18	(35.69)	(2.49)	--
Information Technology Division	18.49	121.82	(104.34)	(3.17)	14.31
Major Capital Asset Acquisitions	<u>33.27</u>	<u>22.82</u>	<u>--</u>	<u>--</u>	<u>22.82</u>
Total Appropriation	<u>67.69</u>	<u>440.38</u>	<u>(308.13)</u>	<u>(70.76)</u>	<u>61.49</u>
Capital Asset Acquisitions	(33.27)	(22.82)	--	--	(22.82)
Commercial Activity Deficit	--	--	--	(0.96)	(0.96)
Capital Asset Amortization	<u>0.42</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expense	<u>\$ 34.84</u>	<u>417.56</u>	<u>(308.13)</u>	<u>(71.72)</u>	<u>\$ 37.71</u>

Source: Ministry of Central Services, *2014-15 Annual Report*, pp. 18-19.

^A Estimates presented net of expected recovery of costs from client ministries, public agencies, and external clients of \$303.8 million.

^B Ministries and Public Agencies include ministries and agencies that are part of the General Revenue fund, including Officers of the Legislative Assembly and other agencies such as the Public Service Commission and Executive Council.

^C External Agencies are agencies not included in the General Revenue Fund, such as regional health authorities.

³ Ministry of Central Services, *2014-15 Annual Report*, p. 4.

⁴ Ibid, p. 4.

⁵ Ibid, p. 17.

3.0 AUDIT CONCLUSIONS AND SCOPE

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

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

The Economic and Co-operative Development Act (section 8(c), 9(1)(h), and 9(3))
The Information Technology Office Service Regulations
The Ministry of Central Services Regulations
The Public Works and Services Act
The Purchasing Act, 2004
The Purchasing Regulations
The Crown Employments Contracts Act
The Revenue and Financial Services Act
The Executive Government Administration Act
The Financial Administration Act, 1993
 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 Central Services' 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.

During our audit, we paid particular attention to Central Services' controls over managing its capital assets (e.g., verifying their existence, dispositions), tendering of and paying for construction contracts for building maintenance or improvements, and for managing assets and services procured on behalf of its client ministries and agencies and recovering the costs of those assets and services.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Prompt Removal of Unneeded User Access Needed

We recommended that the Ministry of Central Services follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

Status – Partially Implemented

While Central Services has processes for promptly removing user access from individuals who are no longer in its employ, staff continue to not always follow these processes. Its procedures include sending reminders to managers about its processes, regularly reviewing user access, and using a checklist.

Two out of ten individuals we tested did not have network access removed promptly (i.e., within 48 hours). Instead, access was removed 3 and 84 days after their last day of



employ. Also, four out of six individuals we tested did not have MIDAS⁶ user access removed promptly. Even though Central Services had identified the need to remove access to these individuals through its review process, access was not removed until 4 to 31 days after their last day of employ.

Not removing unneeded user access promptly increases the risk of inappropriate access to Central Services' computer systems and data.

4.2 Shared Ownership Agreements Accounting

We recommended that the Ministry of Central Services (transferred from the Ministry of Education) follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements. (2013 Report – Volume 2; Public Accounts Committee agreement June 17, 2014)

Status – Partially Implemented

In 2014-15, the Ministry of Education transferred almost \$72 million of capital assets to Central Services.⁷ These reflected a portion of assets constructed under contractual agreements for certain capital projects (referred to as shared ownership agreements) with seven school divisions. As reported in our *2015 Report – Volume 2*, Chapter 5, the Ministry of Education had not followed Canadian generally accepted accounting principles for the public sector (GAAP) when it accounted for these assets in that these school divisions fully own and account for these assets in their accounting records and audited financial statements.

After receipt of the assets from the Ministry of Education, Central Services has continued with the improper accounting. At March 31, 2015, it had overstated its tangible capital assets by \$71.9 million, and amortization expenses by \$755 thousand.

Because Central Services and the school divisions are both part of the Government, how Central Services accounts for these assets does not affect the accuracy of the Government's Summary Financial Statements.⁸

⁶ Multi-Informational Database Applications System (MIDAS) financials includes modules for general ledger, cash management, accounts payable, accounts receivable, purchasing, payments, forecasting, capital assets, and inventory. It accounts for financial transactions of government ministries. The Ministry of Finance owns and administers this application.

⁷ Per section 7 of *The Public Works and Services Act*, all property within Saskatchewan that has been constructed, and are not assigned to any other minister or ministry by law are to remain under the control of the Minister of Central Services.

⁸ During the preparation of the Summary Financial Statements, the Ministry of Finance makes adjusting entries to eliminate these assets and related expense recorded by the Ministry of Central Services.