

Chapter 3 Central Services

1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Central Services (Central Services) for the year ended March 31, 2016.

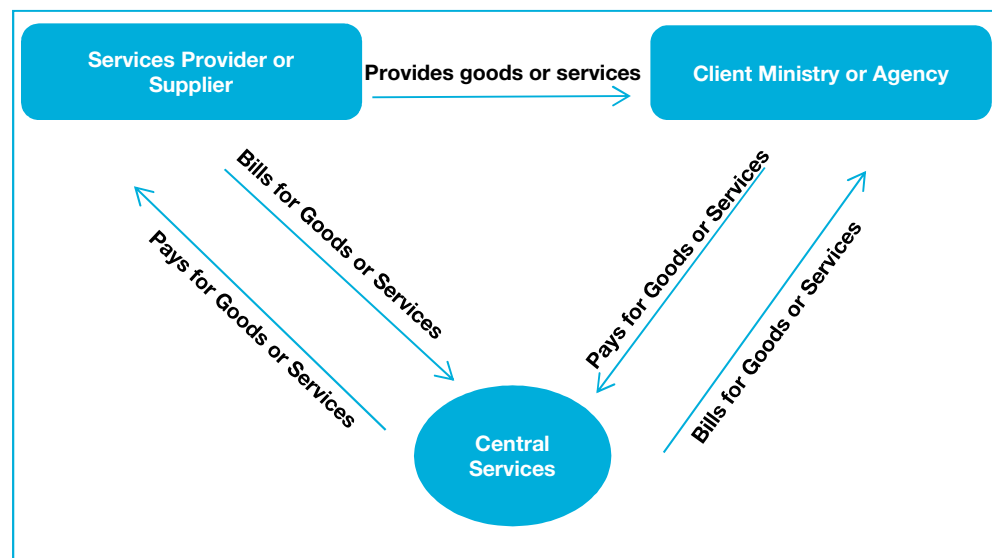
Central Services complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. It had effective rules and procedures to safeguard public resources except it did not follow Canadian generally accepted accounting principles to account for schools constructed under shared ownership agreements.

2.0 INTRODUCTION

The mandate of Central Services is to provide central co-ordination and delivery of property management, IT, procurement, transportation, and other support services (such as email and mail services) to Government ministries and agencies.

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

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



Source: Provincial Auditor of Saskatchewan.



2.1 Financial Overview

At March 31, 2016, Central Services owned buildings with a replacement value of \$4.5 billion.¹ During 2015-16, Central Services tendered \$139.6 million in goods and services on behalf of government ministries and agencies.²

As shown in **Figure 2**, in 2015-16, Central Services spent \$394 million, including \$74 million for capital asset acquisitions.³ In 2015-16, Central Services recovered \$370 million of its costs from ministries, agencies and external clients (e.g., municipalities) for the services it provides.

Figure 2—Major Programs and Spending

Estimates		Actual			
		Gross Expense	Recovered from:		Net Expense
			Ministries & Public Agencies	External Clients	
	(in thousands)				
Central Management and Services	\$ 48	\$ 48	\$ --	\$ --	\$ 48
Property Management	8,990	182,567	(130,306)	(47,775)	4,486
Transportation and Other Services	4,410	62,334	(41,187)	(16,366)	4,781
Project Management	--	23,666	(22,797)	(869)	--
IT Division	14,546	125,140	(107,745)	(3,283)	14,112
Major Capital Asset Acquisitions	<u>151,007</u>	<u>73,849</u>	<u>--</u>	<u>--</u>	<u>73,849</u>
Total Appropriation	<u>179,001</u>	<u>467,604</u>	<u>(302,035)</u>	<u>(68,293)</u>	<u>97,276</u>
Capital Asset Acquisitions	(151,007)	(73,849)	--	--	(73,849)
Commercial Activity Deficit	--	--	--	--	--
Capital Asset Amortization	<u>790</u>	--	--	--	--
Total Expense	<u>\$ 28,784</u>	<u>\$ 393,755</u>	<u>\$ (302,035)</u>	<u>\$ (68,293)</u>	<u>\$ 23,427</u>

Source: Ministry of Central Services, 2015-16 Annual Report, pp. 28-29.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2016:

- Central Services had effective rules and procedures to safeguard public resources except for its accounting for assets constructed under shared ownership agreements as reported in this chapter

¹ Central Services' internal records.

² Ibid.

³ Ministry of Central Services, 2015-16 Annual Report, p. 28.

- ▶ **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 Public Works and Services Act
The Purchasing Act, 2004
The Purchasing Regulations
The Crown Employment 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, additions, and 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

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

4.1 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.⁴ After receipt of the assets from the Ministry of Education, Central Services has continued to improperly account for these assets. At March 31, 2016, it had overstated its tangible capital assets by \$72 million, and amortization expenses by \$1.4 million.

⁴ Per section 7 of *The Public Works and Services Act*, all property within Saskatchewan acquired, repaired, maintained or improved at the expense of the Northwest Territories or Saskatchewan and not under the control of the Government of Canada and are not assigned to any other minister or ministry by law are to remain under the control of the Minister responsible for this Act (Minister of Central Services).



These tangible capital assets reflect schools constructed under contractual agreements for certain capital projects (referred to as shared ownership agreements) with seven school divisions and related land. 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 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.

Central Services staff indicated that it expects to address this issue in fiscal 2016-17.

Because Central Services and the school divisions are both part of the Government, how the Ministry accounts for these assets does not affect the accuracy of the Government's Summary Financial Statements.⁵

4.2 User Access Removal Procedures Followed

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 – Implemented

During 2015-16, Central Services removed unneeded network user and system access in a timely manner.

⁵ During the preparation of the Summary Financial Statements, the Ministry of Finance eliminates these assets and related expense recorded by the Ministry of Central Services and only includes the amounts recorded by the school divisions.