

Chapter 4 Economy

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of the Economy (Economy, Ministry).

Economy complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Economy had effective rules and procedures to safeguard public resources, except it needs to follow procedures to remove unneeded user access to its systems and data promptly.

2.0 INTRODUCTION

The mandate of the Ministry is to advance economic growth, and generate wealth and opportunity in the province. Its responsibilities include labour market development, immigration, energy and resources, and economic development, including First Nations, Métis, and northern economic development.¹

The Ministry has four primary lines of business: petroleum and natural gas; minerals, lands, and resource policy; economic development; and labour market development.² Economy's 576.9 full-time equivalent employees provide services and programs through its main offices in Regina and Saskatoon, regional offices across the province, and the Canada-Saskatchewan Business Service Centre located in Saskatoon.³

It is responsible for a number of agencies including: Innovation Saskatchewan, Tourism Saskatchewan, Saskatchewan Research Council, Saskatchewan Health Research Foundation, and Saskatchewan Apprenticeship and Trade Certification Commission. In addition, it maintains relationships with the Global Transportation Hub, the Saskatchewan Trade and Export Partnership, and a number of training institutions (e.g., regional colleges).⁴

2.1 Financial Overview

In 2015-16, the Ministry had \$1.44 billion in revenues, including \$60.2 million in transfers from the Federal Government for its labour market and development programs (see **Figure 1**).

It incurred expenses of \$256.1 million to deliver its programs and services (see **Figure 2**). The Ministry's *2015-16 Annual Report* provides information about its revenues and expenses, including reasons for differences between actual and planned.⁵

¹ Ministry of the Economy, *Annual Report for 2015-16*, p. 5.

² Ibid.

³ Ministry of Finance, *Government of Saskatchewan – 2015-16 Estimates*, p. 39.

⁴ Ibid.

⁵ www.finance.gov.sk.ca/Planningandreporting/2015-16/2015-16Economyannualreport.pdf (18 September 2016).

**Figure 1 – Revenues by Source**

	Estimates 2015-16	Actual 2015-16
	(in millions)	
Oil	\$ 902.7	\$ 555.2
Crown Land Sales	112.6	44.0
Natural Gas	11.3	9.6
Potash	796.0	556.5
Uranium	214.4	152.8
Other Minerals	29.5	48.0
Mineral Rights Tax	8.5	5.8
Sales, Services, and Service Fees	5.0	1.8
Other Revenue	3.7	4.5
Other Own-Source Revenue	<u>60.2</u>	<u>60.2</u>
Total Revenue	<u>\$ 2,143.9</u>	<u>\$ 1,438.4</u>

Source: Adapted from Ministry of the Economy, 2015-16 Annual Report, p. 27.

Figure 2 – Expenses by Major Program

	Estimates 2015-16	Actual 2015-16
	(in millions)	
Central Management and Services	\$ 38.5	\$ 35.7
Revenue and Corporate Services	6.3	6.2
Economic Development	13.1	10.7
Tourism Saskatchewan	14.4	14.5
Labour Market Development	173.0	165.5
Petroleum and Natural Gas	14.2	12.4
Mineral, Land and Resource Policy	15.5	11.0
Performance and Strategic Initiatives	1.3	1.0
Total Appropriation	<u>276.3</u>	<u>257.0</u>
Remediation of Contaminated Sites	(5.3)	(2.7)
Capital Asset Acquisition	(2.5)	(3.5)
Capital Asset Amortization	<u>3.0</u>	<u>5.3</u>
Total Expense	<u>\$ 271.5</u>	<u>\$ 256.1</u>

Source: Adapted from Ministry of the Economy, 2015-16 Annual Report, pp. 34 and 35.

3.0 AUDIT CONCLUSIONS AND SCOPE

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

- › Economy had effective rules and procedures to safeguard public resources except as reported in this chapter
- › Economy complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

<i>The Crown Minerals Act</i>	<i>The Recovered Crude Oil Tax Regulations, 2012</i>
<i>The Coal Disposition Regulations, 1988</i>	<i>The Executive Government Administration Act</i>
<i>The Crown Mineral Royalty Regulations</i>	<i>The Ethanol Fuel (Grants) Regulations</i>
<i>The Crown Oil and Gas Royalty Regulations, 2012</i>	<i>The Ministry of the Economy Regulations</i>
<i>The Delayed Payment Charge Regulations, 1970</i>	<i>The Labour-sponsored Venture Capital Corporations Act</i>
<i>The Petroleum and Natural Gas Regulations, 1969</i>	<i>The Labour-sponsored Venture Capital Corporations Regulations</i>
<i>The Subsurface Mineral Regulations, 1960</i>	<i>The Mineral Taxation Act, 1983</i>
<i>The Subsurface Mineral Tenure Regulations</i>	<i>The Freehold Coal Production Tax Regulations</i>
<i>The Economic and Co-operative Development Act (section 8(a))</i>	<i>The Potash Production Tax Regulations</i>
<i>The Small Business Loans Association Program Regulations</i>	<i>The Oil and Gas Conservation Act</i>
<i>The Energy and Mines Act</i>	<i>The Oil and Gas Conservation Regulations, 2012</i>
<i>The Mineral Exploration Incentive Regulations</i>	<i>The Public Service Act, 1998</i>
<i>The Ethanol Fuel Act</i>	<i>The Purchasing Act, 2004</i>
<i>The Financial Administration Act, 1993</i>	<i>The Revenue and Financial Services Act</i>
<i>The Petroleum Research Incentive Regulations</i>	Orders in Council issued pursuant to the above
<i>The Freehold Oil and Gas Production Tax Act, 2010</i>	Legislation
<i>The Freehold Oil and Gas Production Tax Regulations, 2012</i>	

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

This year in our audit, we paid particular attention to Economy's:

- › Financial controls for estimating and collecting its revenues
- › Controls implemented in significant IT systems used to administer its revenues and expenses
- › Processes used to assess its estimate and oversee the clean-up of environmental liabilities related to abandoned uranium mine sites
- › Processes to apply cash receipts to the individual customer accounts

4.0 KEY FINDINGS AND RECOMMENDATIONS

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



4.1 Need to Remove User Access Promptly

Economy did not consistently remove unneeded user access to its systems promptly

For five out of five instances we tested, both the users' MIDAS⁶ and network access was not removed promptly. In these instances, MIDAS access was removed 2 to 13 days after last day of employ, and network access was removed 9 to 28 days after last day of employ.

Also, we found three more employees that did not have network access removed promptly. In these instances, network access was removed 3 to 17 days after the last day of employ.

Economy needs to consistently follow its procedures to ensure only authorized staff have access to its computer systems and data. Not promptly removing user access to its systems increases the risk of inappropriate access to systems and data.

1. We recommend that the Ministry of the Economy follow its established procedures for removing user access to its computer systems and data.

4.2 Plan Exists to Communicate the Benefits of the PRIME System

We recommended that the Ministry of the Economy document its plans for measuring and reporting on the expected benefits of its new oil and gas system. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented

Since 2011, Economy has been undertaking an initiative called the Process Renewal and Infrastructure Management Enhancements project (PRIME project). This project entailed changes to both its business processes and oil and gas computer systems. Economy completed changes to its oil and gas computer systems in 2015-16.

During 2015-16, Economy developed a plan to measure and report on the benefits of PRIME. The plan sets out what, when, and how information on the benefits is to be reported to the public. It plans to report benefits achieved from its new oil and gas computer systems annually in its annual report. For example, it described in its *Annual Report for 2015-16* the benefits of its systems now enabling the oil and gas industry to access well licences online.

⁶ This includes both MIDAS Financials and MIDAS HR/Payroll. MIDAS is the central application Economy uses to record and account for its financial activities, including its general ledger, accounts payable, accounts receivable, purchasing and payments, human resources and payroll records, etc.