

Chapter 17

Social Services

1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Social Services and its three special purpose funds for the year ended March 31, 2018.

The Ministry complied with authorities governing its activities and had effective rules and procedures to safeguard public resources other than it needs to:

- Have an effective process to identify and disclose contractual obligations it expects to pay in the future
- Properly support and approve social assistance payments to ensure eligible clients receive the correct amount of assistance
- Receive and review performance reports from third-party service providers timely

Each fund complied with authorities governing their activities and their 2017-18 financial statements are reliable.

2.0 INTRODUCTION

The mandate of the Ministry of Social Services is to help children be safe from abuse and neglect, and help individuals meet their basic needs and participate in their community. The Ministry provides support through income assistance, child and family services, supports for people with disabilities, providing safe and affordable housing, and building capacity in community-based organizations.¹

2.1 Financial Overview

In 2017-18, the Ministry spent \$1.1 billion on delivering its programs (see **Figure 1**). The Ministry is funded through its appropriations (money from the General Revenue Fund). It also had revenues totalling about \$45.2 million primarily from Federal Government transfers (e.g., special allowances for children in care).² The Ministry's *Annual Report for 2017-18* provides further details and reasons for differences between planned and actual results.³

Figure 1 – Major Programs and Spending

	Estimates 2017-18 ^A	Actual 2017-18
	(in millions)	
Central Management and Services	\$ 49.1	\$ 48.9
Income Assistance and Disability Services	795.6	786.4

¹ Ministry of Social Services, *Annual Report for 2017-18*, p. 3. publications.gov.sk.ca/documents/15/107657-2017-18SocialServicesAnnualReport.pdf (9 September 2018).

² *Ibid.*, pp. 14.

³ *Ibid.*, pp. 14-17.



	Estimates 2017-18 ^A	Actual 2017-18
	(in millions)	
Child and Family Services	256.3	277.1
Client Support	12.4	12.4
Housing	<u>7.7</u>	<u>7.0</u>
Total Appropriation	<u>1,121.2</u>	<u>1,131.9</u>
Capital Asset Acquisitions	(2.1)	(0.4)
Capital Asset Amortization	6.1	5.4
Total Expense	<u>\$ 1,125.2</u>	<u>\$ 1,136.9</u>

Source: Ministry of Social Services, *Annual Report for 2017-18*, p. 15.

^A During 2017-18, the Ministry received a budget increase of \$29 million to address higher utilization of Child and Family Services, and Income Assistance and Disability Services, as well as costs associated with the response to northern forest fires. Government of Saskatchewan, *17-18 Supplementary Estimates No. 1*, p. 14.

2.2 Crown Agency and Special Purpose Funds

The Ministry is responsible for the Saskatchewan Housing Corporation, which has a December 31 year-end. We reported the results of our 2017 audit of the Saskatchewan Housing Corporation in our *2018 Report – Volume 1*.

The Ministry is also responsible for the following funds with March 31 year-ends:

- Social Services Central Trust Account
- Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund
- Social Services Valley View Centre Residents' Trust Account

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2018:

- **The Ministry had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **The Ministry complied with the following authorities governing its and each of its funds' activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

The Child and Family Services Act
The Child and Family Services Regulations
The Child Care Act, 2014
The Child Care Regulations, 2015
The Social Services Administration Act
The Social Services Rehabilitation Institutional Collective Benefits Funds and Trust Account Regulations
The Department of Social Services Central Trust Account Regulations

The Saskatchewan Assistance Act
The Disability Housing Supplement Regulations
The Employment Supplement Regulations
The Personal Care Home Benefit Regulations
The Rental Housing Supplement Regulations
The Saskatchewan Assistance Regulations, 2014
The Saskatchewan Assured Income for Disability Regulations, 2012
The Transitional Employment Allowance Regulations, 2005

The Rehabilitation Act
The Rehabilitation Regulations
The Vocational Rehabilitation Regulations
The Residential Services Act
The Private-service Homes Regulations
The Residential-service Facilities Regulations
The Saskatchewan Assistance Act

The Saskatchewan Income Plan Act
The Seniors Income Plan Regulations
The Executive Government Administration Act
The Ministry of Social Services Regulations, 2007
The Financial Administration Act, 1993
 Orders in Council issued pursuant to the above
 legislation

➤ **The financial statements of each fund are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audit. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry'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.

We focused our Ministry audit effort on the following areas:

- Administration of the various programs (e.g., Saskatchewan assistance program, Saskatchewan assured income for disability) as prescribed by the legislation and policy manuals
- User access, change management, and recovery processes for key IT systems
- Process for identifying and recording contractual obligations
- Reasonableness of method used to calculate the outstanding contingent liabilities

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Process to Identify and Disclose Contractual Obligations Needed

The Ministry does not have an effective process to identify and disclose its contractual obligations. Contractual obligations are amounts that the Ministry expects to pay in the future.⁴

The Ministry maintains a contract database of all the agencies with which it has contracts, and the total amount of each contract. We found that the Ministry did not identify all significant contractual amounts in the contract database it expects to pay in the future.

At March 2018, the Ministry had over 100 contracts (each worth over \$500,000) with third-party service providers. At March 31, 2018, the Ministry expected to pay over \$473 million to these third-party service providers over the next three years.

The Ministry did not properly disclose contractual obligations with third-party service providers worth \$299 million in its financial records as of March 31, 2018. When

⁴ CPA Canada Public Sector Accounting Handbook, PS 3390 Contractual Obligations defines contractual obligations as obligations of a government to others that will become liabilities (amounts owed) in the future when the terms of those contracts or agreements are met.



management subsequently corrected its financial records, it overcorrected them by \$16 million.

Without having an effective process to identify the existence and amount of contractual obligations, the Ministry may not have complete and accurate information on commitments to make future decisions. Incomplete and inaccurate information on future obligations increases the risk of not estimating future funding needs accurately.

1. **We recommend that the Ministry of Social Services implement a process to appropriately identify and disclose contractual obligations in its financial records.**

4.2 Social Assistance Payments need to be Supported and Properly Approved

We recommended that the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance. (2000

Report – Volume 3; Public Accounts Committee agreement June 6, 2001)

Status – Partially Implemented

The Ministry's employees do not always follow the Ministry's legislation or detailed policies and procedures for making payments to social assistance clients.

Legislation outlines benefits that the Ministry may pay to eligible clients (e.g., reasonable costs for funeral expenses).⁵ The Ministry's detailed policies and procedures further define the benefits. The Ministry expects staff to review and approve support for assistance payments to ensure only eligible clients receive the correct amount of assistance.

In 2017-18, 61% of 44 files we tested (2016-17: 63%) had assistance payments that were not appropriately approved in accordance with policy (e.g., approved when payment not properly supported). For example, the following did not have appropriate support:

- 30% of files (2016-17: 53%) with allowances. For example, in one instance, a client received a travel allowance without appropriate documentation (i.e., appointment card from medical facility or receipts).
- 25% of files (2016-17: 67%) with utility arrears. For example, in one instance, the Ministry paid the utility arrears without adequate documentation (i.e., utility bill or disconnection notice).
- 18% of files (2016-17: 43%) with funeral expenses. For example, in one instance, the Ministry reimbursed the client's family without adequate documentation (i.e., invoice for funeral services).

The lack of compliance with Ministry legislation and policies could result in the Ministry paying clients incorrect amounts of social assistance.

⁵ *The Saskatchewan Assistance Act* and regulations.

4.3 Further Improvements in Supervision of Third Party Service Providers Needed

We recommended that the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

Status – Partially Implemented

The Ministry does not receive or review all the required reports from community-based organizations (i.e., third-party service providers) in a timely manner. The Ministry also does not complete and review the annual financial analysis reports for third-party service providers within expected deadlines.

At March 2018, the Ministry had service agreements with approximately 200 third-party service providers. During 2017-18, the Ministry paid these service providers about \$273 million (2016-17: \$257 million).⁶ The Ministry uses these service providers to provide services to at-risk residents of Saskatchewan who experience social, psychological, behavioural and cognitive difficulties. They also provide programs for persons with developmental disabilities, and the elderly.

As shown in **Figure 2**, the Ministry requires third-party service providers, through its service agreements, to submit various reports (e.g., operational and financial) within specified timeframes.

Figure 2—Lateness of Receipt of Reports of Third-party Service Providers

Type of Report Submitted	Deadline – Number of Days After Organization's Period/Year End ^A	% of Organizations with Late Reports	
		2017-18	2016-17
Quarterly financial report	30	23	18
Quarterly operational (e.g., program evaluation reports)	30	11	37
Annual financial statements	120	17	40
Annual operations report	120	10	20

Source: Ministry of Social Services agreements with third-party service providers and records.

^AThird party service providers' year-end can be either March 31 or December 31.

For all of the 30 third-party service providers we tested, the Ministry received the required reports. However, as shown in **Figure 2**, some third-party service providers continued to submit the reports later than the deadlines set out in the agreements.

Management noted that the Ministry has set a target to have 90% of the reports (quarterly and annual) submitted within the targeted deadlines (or inversely, 10% of the reports may be late). The Ministry will begin assessing compliance against this target in 2018-19.

⁶ Ministry of Social Services, *Annual Report for 2017-18*, p. 15.



The Ministry uses the third-party service providers' annual financial statements to prepare an annual financial analysis report for each service provider. The Ministry aims to complete its review of the annual financial analysis reports of the service providers by November 30.

For 30 annual financial analysis reports we tested, the Ministry reviewed 60% of them after its deadline (lateness ranged from 10 to 55 days).

Not receiving or reviewing the reports from third-party service providers in a timely manner increases the risk that the Ministry may not be able to identify issues and take the necessary corrective action timely (e.g., adjust future funding).