

## Chapter 16

### 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, 2019.

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

- Properly support and approve social assistance payments to ensure eligible clients receive the correct amount of assistance
- Review performance reports from third-party service providers timely

During the year, the Ministry improved its processes to disclose contractual obligations it expects to pay in the future.

Each fund complied with authorities governing their activities and their 2018–19 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 to meet their basic needs and participate in their community.<sup>1</sup> The Ministry provides support through income assistance, child and family services, affordable housing and supports for people with disabilities as well as building capacity in community-based organizations.<sup>2</sup> Key programs and services include childcare subsidies, adoption services, child protection, foster care, financial assistance and housing programs.<sup>3</sup>

#### 2.1 Financial Overview

In 2018–19, the Ministry spent \$1.2 billion on delivering its programs (see **Figure 1**). Appropriations (money from the General Revenue Fund) fund the Ministry. It also reported revenues totalling about \$41 million primarily from Federal Government transfers (e.g., special allowances for children in care). The Ministry's Annual Report for 2018–19 provides further details and reasons for differences between planned and actual results.

<sup>1</sup> Ministry of Social Services, *Annual Report for 2018–19*, p. 3 ([www.pubsaskdev.blob.core.windows.net/pubsask-prod/112646/2018-19SocialServicesAnnualReport.pdf](http://www.pubsaskdev.blob.core.windows.net/pubsask-prod/112646/2018-19SocialServicesAnnualReport.pdf)) (4 October 2019).

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

**Figure 1—Expenses by Program**

	Estimates 2018–19 <sup>A</sup>	Actual 2018–19
	(in millions)	
Central Management and Services	\$ 56.2	\$ 50.7
Income Assistance and Disability Services	837.4	828.6
Child and Family Services	270.4	297.3
Client Support	12.4	12.4
Housing	7.6	7.2
<b>Total Appropriation</b>	<u>1,184.0</u>	<u>1,196.2</u>
Capital Asset Acquisitions	(10.1)	(2.3)
Capital Asset Amortization	5.5	5.4
<b>Total Expense</b>	<u>\$ 1,179.4</u>	<u>\$ 1,199.3</u>

Source: Ministry of Social Services, *Annual Report for 2018–19*, p.18.

<sup>A</sup> During 2018–19, the Ministry received an operating budget increase of \$23 million comprised of a supplementary estimate. It used the majority of the increase to fund Child and Family Community-Based Services, Income and Disability Services, and costs associated with the response to northern forest fires.

## 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 2018 audit of the Saskatchewan Housing Corporation in our *2019 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, 2019, we found, in all material respects:

- **The Ministry of Social Services had effective rules and procedures to safeguard public resources except for matters described in this chapter**
- **The Ministry of Social Services 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:**

<i>The Child and Family Services Act</i>	<i>The Employment Supplement Regulations</i>
<i>The Child and Family Services Regulations</i>	<i>The Personal Care Home Benefit Regulations</i>
<i>The Child Care Act, 2014</i>	<i>The Rental Housing Supplement Regulations</i>
<i>The Child Care Regulations, 2015</i>	<i>The Saskatchewan Assistance Regulations, 2014</i>
<i>The Social Services Administration Act</i>	<i>The Saskatchewan Assured Income for Disability Regulations, 2012</i>
<i>The Rehabilitation Act</i>	<i>The Transitional Employment Allowance Regulations, 2005</i>
<i>The Rehabilitation Regulations</i>	<i>The Saskatchewan Income Plan Act</i>
<i>The Vocational Rehabilitation Regulations</i>	<i>The Seniors Income Plan Regulations</i>
<i>The Residential Services Act</i>	<i>The Executive Government Administration Act</i>
<i>The Private-Service Homes Regulations</i>	<i>The Ministry of Social Services Regulations, 2007</i>
<i>The Residential-Service Facilities Regulations</i>	<i>The Financial Administration Act, 1993</i>
<i>The Saskatchewan Assistance Act</i>	Orders in Council issued pursuant to the above Legislation
<i>The Disability Housing Supplement Regulations</i>	

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

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in COSO's *Internal Control—Integrated Framework* to make our judgments about the effectiveness of the Ministry of Social Services' controls.

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 financial 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 Implemented

***We recommended the Ministry of Social Services implement a process to appropriately identify and disclose contractual obligations.***

(2018 Report – Volume 2, p. 96, Recommendation 1; Public Accounts Committee agreement December 11, 2018)

**Status**—Implemented

The Ministry implemented a process to appropriately identify and disclose contractual obligations.

The Contract Administration Unit revised its process to identify contractual obligations in 2018–19. At March 31, 2019, the Ministry had future contractual obligations of \$513 million.



The process now includes clarification of data sources used in identifying contractual obligations, and revised roles and responsibilities for completing and reviewing contractual obligations.

Having a revised process allows the Ministry to appropriately identify and disclose contractual obligations.

## 4.2 Social Assistance Payments need to be Supported and Properly Approved

***We recommended 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, p. 221,

Recommendation 2; 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).<sup>4</sup> 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 2018–19, 60% of 64 files we tested (2017–18: 61%) had assistance payments that were not appropriately approved in accordance with policy (e.g., approved when payment not properly supported). The following examples did not contain appropriate support:

- 27% of files (2017–18: 30%) with allowances. For example, in one instance, a client received a food-supplements allowance without appropriate documentation (i.e., receipts).
- 25% of files (2017–18: 25%) with utility arrears. For example, in one instance, the Ministry paid the utility arrears without adequate documentation (i.e., utility bill or disconnection notice).
- 3% of files (2017–18: 2%) had lack of appropriate approval. For example, in one instance, a client received a relocation allowance without appropriate approval.

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

<sup>4</sup> The Saskatchewan Assistance Act and regulations.

### 4.3 Timely Analysis of Service Provider Financial Information Needed

***We recommended the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations.*** (2007 Report – Volume 3, p. 75, Recommendation 4; Public Accounts Committee agreement January 8, 2008)

**Status**—Partially Implemented

The Ministry does not always review the results of the annual financial analysis of third-party service providers (i.e., community-based organizations) in a timely manner.

At March 31, 2019, the Ministry had service agreements with approximately 200 third-party service providers. During 2018–19, the Ministry paid these service providers roughly \$416 million (2017–18: \$357.9 million).<sup>5</sup> 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.

Through service agreements with these third-party service providers, the Ministry requires them to submit various reports (e.g., operational and financial) within specified timeframes. Management set a target to receive and review 90% of the quarterly and annual reports submitted within the specified deadlines (or inversely, 10% of the reports may be late).

In 2018–19, the Ministry showed improvement in its monitoring actions of third-party service providers and met its target of receiving 90% of the required reports by the required deadline as shown in **Figure 2**. If reports are not received by required deadlines, the Ministry documented evidence of following up with the service provider to ensure it receives the agreed upon services.

**Figure 2—Lateness of Receipt of Reports of Third-Party Service Providers**

Report Type Submitted	Deadline – Number of Days After Organizations' Period/Year-End <sup>A</sup>	Organizations with Late Reports	
		2018–19 <sup>B</sup>	2017–18
Quarterly financial report	30	4.5%	23%
Quarterly operational (e.g., program evaluation reports)	30	4.4%	11%
Annual financial statements	120	3.3%	17%
Annual operations report	120	6.7%	10%

<sup>A</sup> Third-party service providers' year-end can be either March 31 or December 31.

<sup>B</sup> Stated figures show late reports that did not include documented follow-up in a timely manner.

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

Out of the 30 third-party service providers we tested, the Ministry received all the required reports except for one monthly report, which it requested from the service provider.

<sup>5</sup> Ministry of Social Services Annual Report for 2018–19, p.19.



The Ministry also aims to complete its review of the annual financial statement analysis reports by November 30. The Ministry conducts the annual financial analysis to determine whether the community-based organizations (CBOs) are using the funding as expected. If they are not, the Ministry determines whether they will recover the excess funding or allow the surplus to be held by the CBO. For the 30 annual financial analysis reports we tested, the Ministry reviewed 73% after the deadline (lateness ranged between 11–185 days for completed files; five files were not completed and more than 200 days past the deadline date).

Not reviewing the financial analysis of the third-party service providers in a timely manner increases the risk the Ministry may be unable to identify issues and take necessary corrective action in a timely manner (e.g., adjust future funding).