

## Chapter 3 Government Relations—Northern Municipal Trust Account

### 1.0 MAIN POINTS

The Ministry of Government Relations sufficiently supported management of the Northern Municipal Trust Account to obtain the necessary information to implement a new accounting standard related to asset retirement obligations for the year ended December 31, 2023. As a result, the Trust Account's December 2023 financial statements complied with Canadian public sector accounting standards and appropriately recorded asset retirement obligations.

The Ministry also:

- Obtained updated information to better estimate the cost to decommission the Trust Account's landfills.
- Updated relevant legislation to clarify legislated authority to make grants from the Northern Municipal Trust Account to northern municipalities for landfills not wholly owned by the Ministry.

However, the Ministry of Government Relations needs to undertake timely, detailed review of the Northern Municipal Trust Account's financial information. This would enable the Trust Account to table its annual report by the timeline set out in law.

Other than those areas mentioned, the Ministry had effective rules and procedures to safeguard the Trust Account's public resources and complied with authorities governing the Trust Account's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing for the year ended December 31, 2023.

The Trust Account's 2023 financial statements are reliable.

### 2.0 INTRODUCTION

#### 2.1 Background

The Ministry of Government Relations is responsible for administering the Northern Municipal Trust Account.<sup>1</sup> The Trust Account provides for the administration of funds and property held for the following two main purposes:

- To administer and finance the municipal functions and operations (e.g., provide water) of the Northern Saskatchewan Administration District.<sup>2</sup> The Ministry, through the Trust

<sup>1</sup> *The Northern Municipalities Act, 2010*, established the Northern Municipal Trust Account and its purposes. It also makes a Cabinet-appointed Board responsible for giving the Minister of Government Relations advice on the allocations of northern operating and capital grants and changes to laws concerning the Trust Account.

<sup>2</sup> The Northern Saskatchewan Administration District is a geographical area defined under *The Northern Municipalities Regulations*, s. 74, that includes 11 northern settlements, 14 resort subdivisions, and 9 northern subdivisions.



Account, administers all revenues relating to the Northern Saskatchewan Administration District and all monies appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. The Trust Account also acts as a municipal operating fund for the unincorporated areas in the district (i.e., northern settlements and resort subdivisions).

- To assist northern municipalities in providing quality services to their residents through operating and capital grants (e.g., for funding water and sewer systems to provide residents access to a safe, potable water supply, as well as municipal facilities and equipment).

The Ministry, through the Trust Account, levies and collects taxes for itself and northern hamlets.

## 2.2 Financial Overview

In 2023, as shown in **Figure 1**, the Trust Account had an annual surplus of \$8.3 million (2022: surplus of \$5.3 million). It managed capital assets (e.g., water treatment plants, sewer systems, and buildings) of \$12.7 million (2022: \$10.3 million).

**Figure 1—Financial Overview**

|  | Actual<br>2023       | Actual<br>2022<br>restated <sup>A</sup> |
|--|----------------------|---|
|  | <b>(in millions)</b> |   |
| Grants from the Ministry of Government Relations (General Revenue Fund)        | \$ 25.2              | \$ 25.4                                 |
| Taxation Revenue   | 5.0                  | 3.5                                     |
| Lease Fees Revenue   | 7.3                  | 7.1                                     |
| Revenue – Other Sources (e.g., utility and fuel sales, interest and penalties) | 5.3                  | 4.2                                     |
| <b>Total Revenue</b>   | <b>42.8</b>          | <b>40.2</b>                             |
| Grants (e.g., Northern Revenue Sharing, Water and Sewer)                       | 27.2                 | 27.1                                    |
| Municipal Services   | 6.0                  | 4.9                                     |
| Other Expenses   | 1.5                  | 2.9                                     |
| <b>Total Expenses</b>  | <b>34.5</b>          | <b>34.9</b>                             |
| <b>Annual Surplus</b>  | <b>\$ 8.3</b>        | <b>\$ 5.3</b>                           |
| <b>Total Financial Assets</b> (e.g., cash, investments, accounts receivables)  | \$ 75.0              | \$ 59.5                                 |
| <b>Total Capital Assets</b> (e.g., water and sewer, buildings, machinery)      | \$ 12.7              | \$ 10.3                                 |
| <b>Total Liabilities</b>   | \$ 24.5              | \$ 14.9                                 |

Source: Adapted from the Northern Municipal Trust Account audited financial statements for the year ended December 31, 2023.

<sup>A</sup> Restated prior year due to implementation of a new accounting standard on asset retirement obligations in 2023 that required restating comparative values.

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended December 31, 2023, we found, in all material respects:

- **The Ministry of Government Relations had effective rules and procedures to safeguard the Northern Municipal Trust Account’s public resources except for the matters described in this chapter**
- **The Ministry of Government Relations complied with the following authorities governing the Northern Municipal Trust Account’s activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

*The Northern Municipalities Act, 2010*  
*The Northern Municipalities Regulations*  
*The Financial Administration Act, 1993*

*The Executive Government Administration Act*  
 Orders in Council issued pursuant to the  
 above legislation

- **The Northern Municipal Trust Account had reliable financial statements**

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 Government Relations’ controls over the Trust Account. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives.

The audit focused on key revenue sources (e.g., taxation, utility, leases, and fuel sales). It included assessing the Ministry’s monitoring of the Trust Account’s lease and land sales revenues, and the accuracy of the Trust Account’s tax calculations and fuel sales.<sup>3</sup> In addition, the audit assessed the reasonability of management’s estimates of lease receivables, asset retirement obligations, and contaminated sites liability. It also examined whether the Ministry properly recorded the Trust Account’s fuel inventory on hand at year-end and its share of the Lac La Ronge Regional Waste Management Corporation.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Financial Information Requires Management Review

***We recommended the Ministry of Government Relations obtain the necessary information to adopt Canadian Public Sector Accounting Standard 3280—Asset Retirement Obligations for the year ending December 31, 2023.*** (2023 Report – Volume 2, p. 27, Recommendation 1; Public Accounts Committee has not yet considered this recommendation as of November 4, 2024)

**Status—Implemented**

<sup>3</sup> The Ministry of Environment collects lease and land sales revenue on the Northern Municipal Trust Account’s behalf.



**We recommended the Ministry of Government Relations require management to carry out a detailed review of quarterly and year-end financial information (e.g., financial reports, journal entries, reconciliations) prepared by the staff responsible for recording Northern Municipal Trust Account financial information.** (2015 Report – Volume 1, p. 18, Recommendation 2; Public Accounts Committee agreement September 15, 2016)

**Status**—Partially Implemented

Ministry of Government Relations management supported Northern Municipal Trust Account management to obtain the necessary information to adopt *Canadian Public Sector Accounting Standard 3280—Asset Retirement Obligations* for the year ending December 31, 2023. However, management needs to consistently review and approve financial information such as bank reconciliations and quarterly financial reports timely.

The Ministry maintains sufficiently robust policies and related procedures to guide staff administering the Trust Account's day-to-day financial activities, and for preparing financial reports (including year-end financial statements). However, the Director of Finance and Accounting position for the Trust Account remained vacant for all of 2023, therefore, not all regular financial activities like bank reconciliations were completed and reviewed timely.

In January 2024, the Ministry hired a Director of Finance and Accounting to assist with preparing and reviewing the Trust Account's financial information and annual financial statements. This contributed to our Office finding fewer errors in the financial statements prepared for audit compared to prior years. Timely review reduces the risk of delays in the completion of the annual audit and delays in tabling the Trust Account's annual report (see **Section 4.3**).

Although we noted some improvements, we found financial reporting information was not consistently prepared and approved on a timely basis during 2023. We found six of 12 bank reconciliations were not prepared and reviewed within the Trust Account's expected timeframe of one month, and two quarterly financial reports were not reviewed and approved timely (within the Trust Account's expected timeframe of 52 days). Timely bank reconciliations and review and approval of quarterly financial reports help check the accuracy and reliability of accounting records (e.g., detect unauthorized or unrecorded payments and receipts). Without them, there is increased risk of using inaccurate financial information to make decisions.

The Trust Account was required to adopt *Canadian Public Sector Accounting Standard 3280—Asset Retirement Obligations* for the year ending December 31, 2023. Asset retirement obligations exist for tangible capital assets if there is a legally enforceable or contractual obligation to remediate the asset on its retirement (i.e., once the asset is no longer used to provide services). Examples of asset retirement obligations are costs for remediation of asbestos in buildings, decommissioning fuel tanks, and decommissioning landfills (see **Section 4.2**).

The Trust Account's December 2023 financial statements complied with Canadian public sector accounting standards and appropriately recorded asset retirement obligations.

## 4.2 Landfill Decommissioning Costs Updated

***We recommended the Ministry of Government Relations regularly update its cost estimates to decommission landfills the Northern Municipal Trust Account is responsible for.*** (2023 Report – Volume 1, p. 18, Recommendation 1; Public Accounts Committee has not yet considered this recommendation as of November 4, 2024)

**Status**—Implemented

The Ministry of Government Relations obtained updated information to better estimate landfill decommissioning costs for seven of its 13 landfills under the Northern Municipal Trust Account's responsibility.

The Trust Account is responsible for decommissioning landfills in various communities within the Northern Saskatchewan Administration District.<sup>4</sup> Trust Account management obtained engineering reports to estimate landfill decommissioning costs for six of its 13 landfills by December 2022.

As part of adopting *Canadian Public Sector Accounting Standard 3280—Asset Retirement Obligations* for the year ending December 31, 2023, Trust Account management obtained and used updated information (i.e., engineering reports) for decommissioning the remaining seven landfills (i.e., Little Bear, East Trout, Whelan Bay, Uranium City, Camsell Portage, Kinoosao, and Sturgeon Landing).

Trust Account management should continue to obtain updated cost estimate information on a regular basis. Regularly obtaining updated cost information related to landfill asset retirement obligations reduces the risk the amounts recorded for asset retirement obligations in the Trust Account's financial statements are incorrect.

## 4.3 Timely Tabling of Annual Reports Needed

***We recommended the Ministry of Government Relations provide the Northern Municipal Trust Account's annual report to the Legislative Assembly in accordance with timelines set in The Executive Government Administration Act.*** (2017 Report – Volume 2, p. 45, Recommendation 1; Public Accounts Committee agreement October 10, 2018)

**Status**—Not Implemented

The Ministry of Government Relations continues to not table the Northern Municipal Trust Account's annual report with the Legislative Assembly within the timelines required by *The Executive Government Administration Act*.<sup>5</sup> The Trust Account has not tabled its annual report on time since its 2014 annual report.

According to the Act, it is expected agencies with December year-ends table their annual reports by the end of April each year (four months after year-end).

<sup>4</sup> The landfills are located in Bear Creek, Decsharme Lake, Garson Lake, Sled Lake, Brabant Lake, Missinipe, Little Bear, East Trout, Whelan Bay, Uranium City, Camsell Portage, Kinoosao, and Sturgeon Landing.

<sup>5</sup> *The Executive Government Administration Act*, s. 13, requires the Minister responsible to table annual reports within 120 days after the agency's year-end. The Northern Municipal Trust Account has a December 31 year-end. The Minister of Government Relations is assigned responsibility for this Trust Account.



The Trust Account's annual reports include its audited financial statements. Difficulties in preparing accurate financial statements have delayed completion of its annual reports.

The Assembly received the Trust Account's 2022 annual report on May 13, 2024. We issued our audit opinion on the 2022 financial statements on October 30, 2023. Delays in the completion the 2022 annual audit of the financial statements contributed to the Ministry's inability to finalize the Trust Account's 2022 annual report by April 2023. The Trust Account's 2023 annual report was also not tabled by April 2024 because of delays in preparation and provision of timely financial information during the year-end audit.

Not tabling the Trust Account's annual report within the timelines set in legislation results in legislators having insufficient information to monitor the Trust Account's operations and make informed decisions.

## 4.4 Legislative Authority for Landfill Expansion Grant Payments Clarified

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***We recommended the Ministry of Government Relations clarify the legislated authority to make grants from the Northern Municipal Trust Account to northern municipalities for landfills not wholly owned by the Ministry.*** (2020 Report – Volume 2, p. 42, Recommendation 1; Public Accounts Committee agreement September 6, 2022)

**Status**—Implemented

During 2023, the Ministry of Government Relations updated *The Northern Municipalities Regulations* (sections 63–72) and its related grant policy to provide clear authority to make grant payments through the Northern Municipal Trust Account for landfills.

In January 2019, the Minister of Government Relations approved a program to fund (through the Trust Account) up to \$4.9 million for the costs related to expanding the Lac La Ronge regional landfill. It refers to this program as the Regional Solid Waste Management Program. The Ministry expects to benefit from the planned landfill expansion as it owns part of this landfill.

At December 2023, the regional landfill provides waste management services to three northern municipalities, including the Northern Saskatchewan Administration District, and the Lac La Ronge Indian Band. As of December 2023, the Trust Account had paid \$3.9 million in grants under the Regional Solid Waste Management Program.

Clear legislative authority for landfill grant payments decreases the risk of making payments that are inconsistent with the mandate of the Trust Account.