

Chapter 7

Prairie Agricultural Machinery Institute

1.0 MAIN POINTS

The Prairie Agricultural Machinery Institute (PAMI) prepared reliable financial statements for the year ended March 31, 2024, and complied with its legislative authorities.

Other than the following concern, PAMI had effective rules and procedures to safeguard public resources for the year ended March 31, 2024.

PAMI did not adequately review and approve financial information once prepared (e.g., journal entries, cash receipts), throughout the 2023–24 year. Appropriate review of financial information helps ensure PAMI management and the Board have quality and accurate financial information to make decisions.

2.0 INTRODUCTION

PAMI provides product development, testing, and design to both prairie farmers and agricultural machinery manufacturers, as well as to the mining and transportation industries. Its mission is to enhance sustainability and profitability in agriculture and other sectors through research, innovation, adaption, and knowledge transfer.¹

At March 31, 2024, PAMI employed over 30 employees in Humboldt, Saskatchewan and Portage la Prairie, Manitoba.

2.1 Financial Overview

As shown in **Figure 1**, PAMI had a \$0.1 million surplus for the year ended March 31, 2024 (2023: \$0.7 million surplus).

Figure 1—Financial Overview

| | Actual 2024 | Actual 2023 restated ^A |
|--|---------------|--------------------------------------|
| | (in millions) | |
| Provincial Transfers: | | |
| Government of Saskatchewan Ministry of Agriculture | \$ 1.0 | \$ 2.9 |
| Government of Manitoba Department of Agriculture, Food and Rural Development | 0.3 | 0.3 |
| Fee for Service | 5.1 | 3.9 |
| Prairies Economic Development Canada | 1.1 | - |
| Other income | 0.2 | 0.2 |
| Total Revenue | 7.7 | 7.3 |

¹ Prairie Agricultural Machinery Institute, 2023–2024 Annual Report, p. 12.



| | Actual 2024 | Actual 2023 restated ^A |
|--|---------------|-----------------------------------|
| | (in millions) | |
| Personnel | 2.6 | 2.6 |
| Fee for Service direct costs | 0.9 | 0.7 |
| Administration | 1.7 | 2.1 |
| Operating | 0.7 | 0.7 |
| Other expense (e.g., amortization, bad debt, leases) | 1.7 | 0.5 |
| Total Expenses | 7.6 | 6.6 |
| Annual Surplus | \$ 0.1 | \$ 0.7 |
| Total Financial Assets (e.g., cash, due from General Revenue Fund, accounts receivable) | \$ 2.8 | \$ 4.0 |
| Total Non-Financial Assets (e.g., tangible capital assets, prepaid expenses) | \$ 7.0 | \$ 6.3 |
| Total Liabilities | \$ 1.1 | \$ 1.8 |

Source: Adapted from the Prairie Agricultural Machinery Institute audited financial statements for the year ended March 31, 2024.

^A In 2022–23, PAMI corrected accounts receivable for amounts not properly billed to customers for projects and restated the 2022–23 amounts.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2024, we found, in all material respects:

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

The Prairie Agricultural Machinery Institute Act, 1999
The Prairie Agricultural Machinery Institute Regulations, 1999
The Financial Administration Act, 1993
The Executive Government Administration Act
 Orders in Council pursuant to the above Acts
 Minister Orders pursuant to the above Acts

- **PAMI 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 PAMI'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 audit procedures on assessing PAMI's processes to properly record fee-for-service revenue and associated expenses (i.e., its projects), forecast its financial activities, and calculate and record work-in-progress and deferred revenue related to projects. We also assessed PAMI's conversion of its general ledger balances between two financial systems (new and old) to confirm accuracy.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Detailed Review of Financial Statements Completed

We recommended the Prairie Agricultural Machinery Institute require a full review of the year-end financial statements by management. (2021 Report – Volume 2, p. 54, Recommendation 2; Public Accounts Committee agreement February 5, 2024)

Status—Implemented

The Prairie Agricultural Machinery Institute adequately prepared and management reviewed financial statements for audit; the 2023–24 audit did not identify significant errors.

The financial statements initially presented for audit were complete. We saw evidence of the President and Chief Executive Officer's review of the initial set of financial statements received for audit.

Fully reviewing the statements and supporting materials helps management identify potential errors, make accurate decisions, as well as confirm the financial statements are appropriate and align with Canadian public sector accounting standards.

4.2 Proper Review of Financial Information Needed

We recommended the Prairie Agricultural Machinery Institute require management to conduct a detailed review of financial information (e.g., financial reports, journal entries, reconciliations, payroll registers) prepared by staff responsible for carrying out these duties. (2021 Report – Volume 2, p. 53, Recommendation 1; Public Accounts Committee agreement February 5, 2024)

Status—Not Implemented

The Prairie Agricultural Machinery Institute did not adequately review and approve financial information once prepared throughout 2023–24.

Adequate segregation of duties includes timely and independent review and approval of key transactions and entries. We found management neither consistently reviews and approves financial reporting information nor consistently documents approval.



For example, we found:

- Five cash receipts tested did not have formal documentation of each deposit slip's approver. This increases the risk of inaccurately recording cash amounts on deposit slips or making inaccurate cash deposits in the bank account.
- For 10 of 12 bank reconciliations tested, we found evidence of approval, but no formal documentation when staff approved the bank reconciliations, thus we were unable to determine whether PAMI approved reconciliations timely. Not reviewing bank reconciliations timely increases the risk of errors going undetected.
- For all 44 journal entries tested, we were unable to see evidence of review and approval of entries before staff recorded them in its accounting system. Three of 44 journal entries did not have supporting documentation for the journal entry made. We were able to complete alternative audit procedures to determine these three entries were reasonable.

In addition, we found PAMI did not timely enter two of three payroll entries tested into its accounting system. For example, management did not enter the December 5, 2023, pay period payroll expenses until February 2024. We also found one payroll journal entry had amounts incorrectly coded to wrong accounts.

Reviewing and approving entries before entering them reduces the risk of inaccurate financial information that may be used for decision-making. For example, recording payroll expenses about two months later means the December 31, 2023, financial statements management and the Board reviewed contained errors.

Not having a timely, independent review of financial information increases the risk of inaccuracies in financial records used to prepare financial reports provided to PAMI management and the Board. Consistent review of financial information may identify issues and allow for corrective action in a timely manner.