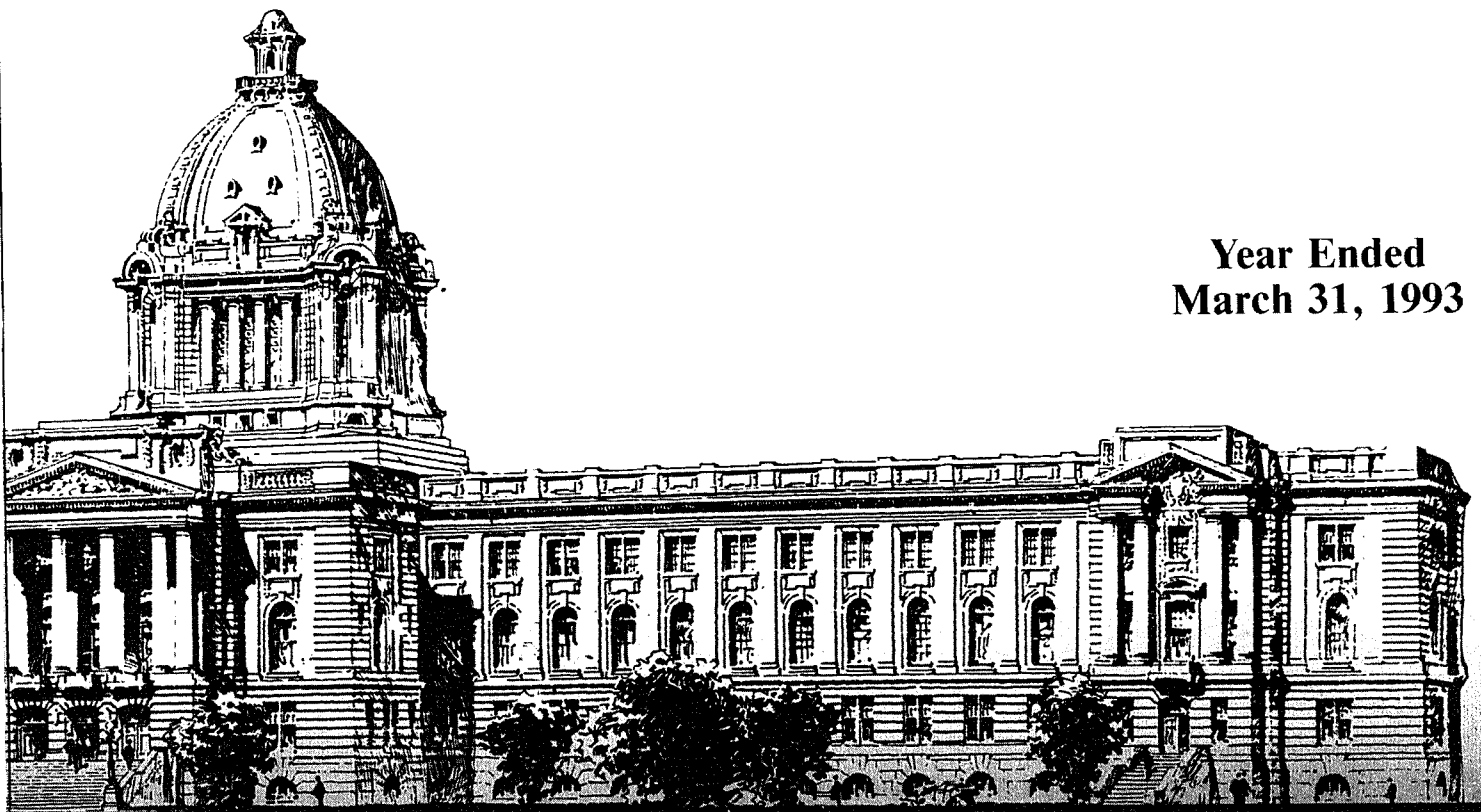




Report of the Provincial Auditor

To The Legislative Assembly
of Saskatchewan

Year Ended
March 31, 1993



Additional copies of this Report
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March 17, 1994

The Honourable H. H. Rolfes
Speaker of the Legislative Assembly
Room 129, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour to submit my Annual Report for the fiscal year ended March 31, 1993, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully submitted,

W. K. Strelieff, C.A.
Provincial Auditor

/lk

Our Mission

We serve the public through the Legislative Assembly.

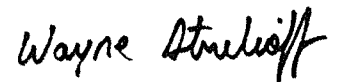
We independently examine and report on the management of the public resources entrusted to the Government.

We encourage accountability and effective management in government operations.

Foreword

I am pleased to present my fourth Annual Report to the Legislative Assembly. My Report summarizes the results of the work done by my Office during the past year and comments on matters we think should be brought to the attention of Members of the Legislative Assembly.

I wish to thank the staff and officials of departments and other government organizations audited by my Office for their co-operation and assistance. Also, I acknowledge the dedicated efforts of the staff of my Office. Their contribution is essential for fulfilling my responsibilities.



Regina, Saskatchewan
February 28, 1994

W. K. Strelieff, C.A.
Provincial Auditor

Report of the Provincial Auditor

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Chapter 1

Observations

Introduction

.01 In my first three Reports, I stressed the importance of a complete accounting of the finances of the Government. I recommended Members of the Legislative Assembly, the public and the Government assess our Province's resource allocation issues in the context of complete financial plans and reports.

.02 In 1992, the Government took an important step forward by preparing Summary Financial Statements. The statements provided, for the first time, a complete accounting of the finances of the Government. The statements were prepared for the year ended March 31, 1991, at the request of the Financial Management Review Commission. The revenues, expenditures, debt and deficits reported in the statements varied significantly from amounts previously reported to the Assembly and, thus, to the public (see Chapter 3).

.03 Summary Financial Statements are essential because they provide an important starting point for planning and managing -- a complete financial overview. Readers are assured the statements contains the financial results of all of the many organizations the Government uses to carry out its public policy objectives.

.04 For the years ended March 31, 1992 and 1993, the Government continued to provide a complete accounting, except it chose not to record the full annual costs of the pension benefits promised to government employees and teachers, and chose not to record the unfunded pension liability of \$3 billion (see Chapter 2).

Complete Financial Plan Needed

.05 The next important step for the Government is to prepare a complete financial plan for Members of the Assembly. A complete financial plan would help Members understand and assess the Government's proposals on key resource allocation and public policy issues, including:

- can we afford existing or new programs? If change is required, which programs should be affected -- education, health, energy or insurance?
- do taxes and user fees need to be changed? If additional revenues are needed, where should the revenues come from -- sales taxes, income taxes or user fees for energy and telecommunications?

Chapter 1 Observations

- where do we obtain the resources to maintain our infrastructure of roads, schools and hospitals so critical to our future?

.06 Currently, the Government presents the Assembly with an incomplete financial plan. The plan focuses only on those public policies the Government chooses to finance through the General Revenue Fund. The plan does not include the financial proposals related to the public policies carried out through many government corporations and agencies.

.07 Chapter 3 shows, in 1992-93, General Revenue Fund revenues were \$4.376 billion and expenditures were \$4.968 billion. Chapter 3 also shows, in 1992-93, total Government revenues and expenditures were much greater. Total revenues were \$8.086 billion; total expenditures were \$8.851 billion.

.08 I urge the Government to present the Assembly with a complete financial plan and to use that plan to manage its revenue raising and spending programs. The decisions faced by the Government and the Assembly are too important to be made in the context of incomplete information.

.09 Recently, the Standing Committee on Public Accounts discussed the need for complete financial plans and reports. The Committee is considering a recommendation that the Government prepare an interim financial report comparing the planned and actual results for the Government as a whole. I commend members of the Committee for considering such an important recommendation.

.10 An interim financial report would show planned and actual results of all government departments, corporations and agencies, for the first six months of the fiscal year. When prepared, the Government will be better able to present, to the Assembly and the public, a complete financial plan for the full fiscal year. At the request of the Public Accounts Committee, we are now examining what information is required in the Government's annual financial planning documents to help Members of the Assembly and others assess resource allocation choices and decisions. We will present our findings and conclusions in a future Report.

Chapter 1 Observations

Information on
Investments and
Commitments Needed

.11 In my last Report, I stressed the need for the Assembly to receive better information on government investments and commitments in ventures such as the Bi-Provincial Upgrader, NewGrade Energy Inc., Saskferco and Haro Financial Corporation. These ventures involve public money totalling hundreds of millions of dollars.

.12 My work with the Financial Management Review Commission, in early 1992, confirmed the Government did not have essential information required to manage its investments and commitments. The Commission, my Office and the Standing Committee on Public Accounts recommend an information framework for the Government and the Assembly. This information framework is needed for each significant investment and commitment and should include the following:

- specific and clearly defined objectives;
- criteria to determine if those objectives are achieved;
- expected costs and revenues of the investment or commitment; and
- a suitable management structure to ensure objectives are achieved and any corrective action required is taken.

.13 This information framework would also be useful in understanding the Government's decisions related to programs and program changes.

.14 In January 1994, the Government, in its report to the Public Accounts Committee, agreed such a framework is necessary to ensure appropriate decisions are made. However, the Government states it is uncertain when the information should be made available to the Assembly, i.e., should the information be provided before or after making an investment or commitment. The Government is also uncertain whether such disclosure would impact competitive advantage.

.15 If there are circumstances when competitive advantage might be affected, the Government should advise either the Standing Committee on Crown Corporations or the Standing Committee on Public Accounts and request approval not to present

Chapter 1 Observations

the information to the Assembly. This information framework would also be valuable for the Government's own management purposes.

Management and Accountability Practices Moving Forward

.16 During the past year, I observed many elected officials focusing on opportunities to improve government management and accountability practices. The following are examples of how this focus is moving practices forward.

.17 Government officials prepared revised guidelines to improve the contents of department annual reports. When implemented, the revised guidelines will make the information in annual reports more useful to the Assembly and the public in assessing the performance of government departments. The Public Accounts Committee is considering a recommendation that annual reports be referred to the Committee by the Assembly. These improved annual reports will become more useful accountability documents.

.18 The Crown Investments Corporation (CIC) is improving its practices in several areas:

- officials of CIC are now proactive in providing information to the Standing Committees on Crown Corporations and Public Accounts;
- CIC is improving the budget information provided to its Board. More complete and timely budget information will be valuable to CIC in carrying out its management responsibilities (see Chapter 8); and
- CIC, working with my Office, is examining the systems and practices CIC uses to manage its significant investments.

.19 The Department of Finance introduced more rigorous and useful accounting principles to manage the revenues and expenditures of the General Revenue Fund. Such principles help ensure the Assembly and the Government is provided with more relevant and reliable financial information.

.20 The Department of Health is developing an accountability framework for the new district health boards. The framework

Chapter 1 Observations

includes important reporting requirements related to financial results, program costs and effectiveness, and compliance with legislative authorities and service agreements (see Chapter 16).

.21 The Department of Justice established an audit committee, the first government department to do so. An audit committee is particularly useful to departments managing decentralized revenue-raising and spending programs.

.22 The Department of Highways and Transportation continues to improve its management systems and practices. Some of the improvements relate to advice we provided to the Department as a result of our value-for-money audit.

.23 The Department of Social Services, the Department of Education, the Saskatchewan Institute of Applied Science and Technology, and the Saskatchewan Property Management Corporation are working with my Office to examine their management systems and practices in a more indepth manner.

Task Force
Examining
Audit System

.24 In my previous Reports, I expressed concern with the existing audit system when the Government decides to appoint a private sector auditor to examine a government organization. When the Government makes this decision my Office is still responsible for the audit. I find it difficult to assure the Assembly all key issues are brought to its attention because my Office has not directly participated in the audit.

.25 In early 1994, a task force was formed to provide advice on how to improve the existing audit system. The task force is co-sponsored by the President of the Crown Investments Corporation (CIC) and my Office. The task force is supported by the Standing Committees on Crown Corporations and Public Accounts. The task force includes representatives of Crown corporations, private sector auditors, CIC and my Office. I look forward to receiving advice on how the audit system can serve Members of the Legislative Assembly and the public more effectively.

More Useful Reports
Planned

.26 Members of the Legislative Assembly and government officials suggest the work of my Office would be more useful if we examined broader and more indepth management and accountability issues. They also suggest our Reports would be

Chapter 1 Observations

more helpful if the Reports were issued in a more timely manner.

.27 My Office is examining broader and more indepth issues. Future Reports will present our findings and conclusions.

.28 My Office plans to issue more timely reports to Members of the Assembly. More timely reports are particularly important now that the Government is issuing its financial reports earlier. For example, the Summary Financial Statements and the Public Accounts are issued within seven months of the fiscal year end. The Crown Investments Corporation and the corporations related to CIC issue their reports within four months of the fiscal year end.

.29 Beginning in 1994, I plan to issue two reports each year. The reports will be provided to the Speaker for distribution to Members of the Assembly. Because I believe more timely reports will be particularly useful to Members of the Standing Committee on Public Accounts, I will seek their views and support.

.30 I plan a Fall Report and a Spring Report. The Fall Report will focus on the Summary Financial Statements and on government organizations with fiscal years ending December 31st, e.g., CIC.

.31 The Spring Report will serve as our Annual Report. This Report will focus on government organizations and programs with fiscal years ending March 31st, e.g., government departments.

Our Report on
Operations

.32 In Appendix I, I report on the operations of my Office for the year ended March 31, 1993. I describe my Office in terms of our role, those we serve and what we do. I also describe our priorities, organization and resources. Appendix I includes the audited financial statements of our Office.

Chapter 2

The Government's Summary Financial Statements

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Chapter 2

The Government's Summary Financial Statements

Introduction

.01 The Government's Summary Financial Statements show the financial position and results of operations of the Government as a whole. Appendix VI contains a copy of these audited financial statements.

.02 I encourage Members of the Legislative Assembly and the public to use the Summary Financial Statements as a key financial decision-making and accountability document. The statements provide essential information for understanding our Province's finances and for assessing resource allocation alternatives and decisions.

.03 Chapter 3 provides an overview of the information in the Government's Summary Financial Statements.

Incomplete Summary Financial Statements

.04 The 1993 Summary Financial Statements still include incomplete annual pension costs and pension liabilities. In addition, the statements do not include all of the Government's losses related to NewGrade Energy Inc..

.05 If pension costs and liabilities, and losses related to NewGrade Inc. are included, the 1993 Summary Financial Statements change as follows:

- pension liabilities of \$3 billion are recorded;
- loss for the year increases by \$107 million; and
- accumulated deficit increases by \$3 billion.

.06 Paragraph .21 sets out our auditor's report.

Pension Costs and Liabilities Unrecorded

.07 Our Office, The Canadian Institute of Chartered Accountants, and the Financial Management Review Commission recommend the Government account for its total pension benefit costs and liabilities. The Government has not done this and, thus, provides the Assembly and the public incomplete measures of program costs and liabilities.

.08 In 1992-93, the unrecorded annual pension cost for teachers and public servants was \$82 million. The Government did not

Chapter 2 The Government's Summary Financial Statements

present that pension cost to the Assembly as part of the annual debate of planned program spending nor as part of the annual accounting of actual program costs.

.09 Since pension benefit plans were introduced many years ago, annual pension related costs now totalling \$3 billion have not been presented to the Assembly for debate. Each year, the costs of government programs have been understated in financial plans and financial reports. What impact a complete accounting would have had on decisions related to managing public money is unknown.

.10 We also note the Government uses inconsistent estimates when measuring pension costs. Chapter 4 explains those inconsistencies.

We Recommend

.11 The Government should record its full pension costs and liabilities in its Summary Financial Statements.

.12 When considering this matter in January 1994, the Standing Committee on Public Accounts agreed to consider recommending the Government record the pension liability and this reporting be consistent across all government departments, agencies and Crowns, but the Government do so at an appropriate time.

Information Needed on Pension Cash Flow

.13 In the private sector, employers are required by law to place monies in a separate pension fund. This fund is used to pay pension benefits owed to employees. The monies placed in the fund together with accumulated earnings must be sufficient to make those payments.

.14 The Assembly does not require the Government to place sufficient money in its pension funds. As a result, the Government has an unfunded pension liability of \$3 billion. The cash required to pay this liability, and accumulating interest, will need to be raised through future taxation.

.15 The Legislative Assembly, the public, and the Government need to know in which years the cash will be needed to pay the unfunded pension benefits. Such information is essential for understanding and assessing resource allocation alternatives and decisions.

Chapter 2 The Government's Summary Financial Statements

We Recommend

.16 The Government should provide the Assembly with forecasts of the cash required to meet its existing pension liabilities. The forecasts should be included in the Summary Financial Statements.

.17 The Canadian Institute of Chartered Accountants suggests such forecasts include the amounts required in each of the next five years, in the subsequent five years, and in the long term.

Unrecorded
NewGrade Losses

.18 At March 31, 1993, the Government's share of accumulated losses of NewGrade Energy Inc. was \$259 million. This amount exceeded the Government's \$234 million investment by \$25 million. The Government recorded \$234 million of the loss by reducing the recorded value of its investment in NewGrade to zero but did not record the \$25 million loss.

.19 Since the Government guarantees NewGrade's debts up to \$360 million, the Government should record all of its share of NewGrade's losses. At March 31, 1993, the Government should have recorded another \$25 million.

We Recommend

.20 The Government should record its share of losses in NewGrade Energy Inc. in the Summary Financial Statements.

Auditor's Report on
Summary Financial
Statements

.21 Our auditor's report on the March 31, 1993 Summary Financial Statements contains the following reservations:

a) The Government is responsible for the liabilities of several pension plans. Pension liabilities of \$3,007 million (1992 - \$2,905 million) and pension related expenses of \$82 million (1992 - \$182 million) are not recorded in these financial statements. In my view, those pension liabilities and pension related expenses should be recorded to present the financial position and results of operations of the Government.

b) Schedule 4 to the financial statements describes the Government's investment in NewGrade Energy Inc. (NewGrade).

Chapter 2 The Government's Summary Financial Statements

NewGrade's accumulated losses exceed the Government's investment. As a result, the Government reduced the recorded value of its investment to nil. Because the Government has guaranteed indebtedness of NewGrade, the Government should continue to record its share of NewGrade's losses in these financial statements. The Government's \$25 million share of NewGrade's losses in excess of its investment in NewGrade is not recorded in these financial statements. In my view, because the Government is likely to share in NewGrade's losses, expenses are understated and long term investments are overstated by \$25 million in these financial statements.

In summary, if pension liabilities and losses on the NewGrade investment were recorded, the financial statements would change as follows:

- *pension liabilities of \$3,007 million (1992 - \$2,905 million) would be recorded;*
- *loss for the year would increase by \$107 million (1992 - \$182 million); and*
- *accumulated deficit would increase by \$3,032 million (1992 - \$2,905 million).*

Opinion

In my opinion, except for the effects of the failure to record pension liabilities and losses on an investment as described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Government of the Province of Saskatchewan as at March 31, 1993 and the results of its operations and the changes in its financial position for the year then ended following accounting principles for governments recommended by The Canadian Institute of Chartered Accountants.

Chapter 3

Understanding the Finances of the Government

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Chapter 3

Understanding the Finances of the Government

Purpose

.01 Our Office is often asked by Members of the Legislative Assembly and the public to explain the state of the Government's finances. Members of the Assembly and the public are seeking better information. They want to understand the finances of the Government more fully so they can assess and debate revenue-raising and spending proposals, and the alternatives.

.02 This Chapter provides an overview of the finances of the Government as a whole. The overview is based on the information provided in the Government's 1993 Summary Financial Statements. (Appendix VI contains a copy of these audited Financial Statements).

.03 The Summary Financial Statements show the financial condition and results of operations of the Government as a whole. These statements are based upon the accounting principles recommended by The Canadian Institute of Chartered Accountants. The Government provided these Statements for the first time in 1992.

.04 In this Chapter, we condense the information contained in the Summary Financial Statements and adjust them for our audit reservations (see Chapter 2). The adjustments relate to the unrecorded pension liability, unrecorded annual pension costs, and the Government's share of unrecorded losses incurred by NewGrade Energy Inc.. We show the total revenue, expenditure, assets and liabilities of the Government's general programs together with the totals for the Government's user fee enterprises.

Chapter 3 Understanding the Finances of the Government

General Programs and User Fee Enterprises

.05 Schedule 1 shows the revenue and expenditure of the Government as a whole, organized as two types of activities -- general programs and user fee enterprises.

.06 The general programs of the Government are carried out through government departments, e.g., education and health, and organizations funded through government departments, e.g., regional colleges and hospitals. These programs are financed primarily through the Consolidated Fund (now called the General Revenue Fund), by an appropriation approved by the Legislative Assembly.

.07 User fee enterprises of the Government include Saskatchewan Government Insurance, SaskPower, SaskEnergy, SaskTel and the Saskatchewan Liquor Board. These enterprises raise revenue through direct charges for goods and services. Some of these enterprises carry out activities that compete with private sector companies, e.g., Saskatchewan Government Insurance sells property insurance.

Revenue and Expenditure

.08 The information provided in the statement of revenue and expenditure (Schedule 1) helps Members of the Assembly and the public identify trends and key indicators.

.09 Schedule 1 shows that during 1993:

- total revenue is \$8.086 billion compared to 1992 revenue of \$7.913 billion, an increase of 2%.
- total expenditure is \$8.851 billion compared to 1992 expenditure of \$9.628 billion, a decrease of 8%.
- the annual deficit is \$765 million compared to the 1992 deficit of \$1.715 billion, a decrease of 55%.

Chapter 3 Understanding the Finances of the Government

Revenue and Expenditure For the Year Ended March 31 (in \$ millions)		Schedule 1		
	<u>1993</u>	<u>1992</u>	<u>1991</u> (unaudited *)	
Revenue				
General programs	\$ 4,467	\$ 4,486	\$ 4,699	
User fee enterprises	<u>3,619</u>	<u>3,427</u>	<u>2,810</u>	
Total revenue	<u>8,086</u>	<u>7,913</u>	<u>7,509</u>	
Expenditure **				
General programs	5,725	6,318	5,774	
User fee enterprises	<u>3,126</u>	<u>3,310</u>	<u>2,440</u>	
Total expenditure	<u>8,851</u>	<u>9,628</u>	<u>8,214</u>	
Annual deficit	<u>\$ 765</u>	<u>\$ 1,715</u>	<u>\$ 705</u>	
<p>* The unaudited information for 1991 is derived from an accounting prepared by the Government for the Financial Management Review Commission.</p> <p>** The cost of physical assets acquired for general programs is recorded as an expenditure in the year those assets are acquired. The cost of physical assets acquired for user fee enterprises is recorded as an expenditure over the useful economic life of those assets.</p>				

Chapter 3 Understanding the Finances of the Government

Assets and Liabilities

.10 Schedule 2 shows what the Government owes, i.e., its liabilities (debts), and what the Government has available to meet what it owes, i.e., its assets.

.11 Schedule 2 shows at March 31, 1993:

- total assets are \$10.253 billion.
- total liabilities are \$20.471 billion.
- the accumulated deficit is \$10.218 billion.

The accumulated deficit equals the difference between total liabilities of \$20.471 billion and total assets of \$10.253 billion. During 1993, the accumulated deficit increased by \$765 million.

Difference Between Debt and Deficit

.12 Our Office is often asked to explain the difference between debt and deficit. The two terms are often confused.

.13 Debt means "that which is owed or due". The total debt of the Government at March 31, 1993 is its total liabilities -- \$20.471 billion. The total liabilities of \$20.471 billion include borrowings, unfunded pension obligations, accrued interest and various accounts payable. The Government also has \$1.221 billion in loan guarantees outstanding at March 31, 1993.

.14 There are two types of deficits -- an annual deficit and an accumulated deficit. The annual deficit shows the extent to which revenues raised during a period were not sufficient to meet expenditures of that period. The annual deficit for 1993 was \$765 million and is shown on Schedule 1.

.15 The accumulated deficit is the difference between the total assets and the total liabilities of the Government at a particular date. The accumulated deficit is the sum of all annual deficits accumulated to the accounting date. It represents the future revenue required by the Government to pay for past transactions. The accumulated deficit at March 31, 1993 was \$10.218 billion. Schedule 2 shows the accumulated deficit.

Chapter 3 Understanding the Finances of the Government

	Assets and Liabilities As at March 31 (in \$ millions)			Schedule 2
	<u>1993</u>	<u>1992</u>	<u>1991</u> (unaudited)	
Assets				
General programs	\$ 3,011	\$ 3,286	\$ 3,647	
User fee enterprises	<u>7,242</u>	<u>6,943</u>	<u>6,557</u>	
Total assets	<u>10,253</u>	<u>10,229</u>	<u>10,204</u>	
Liabilities (debt) *				
General programs	14,863	14,044	12,620	
User fee enterprises	<u>5,608</u>	<u>5,638</u>	<u>5,322</u>	
Total liabilities	<u>20,471</u>	<u>19,682</u>	<u>17,942</u>	
Accumulated deficit	<u>\$ 10,218</u>	<u>\$ 9,453</u>	<u>\$ 7,738</u>	

* The Government also has \$1.221 billion in loan guarantees outstanding at March 31, 1993 (1992 - \$1.537 billion; 1991 - \$1.343 billion).

Chapter 3 Understanding the Finances of the Government

Main Sources of Revenue and Main Purposes of Expenditure

.16 Schedule 3 shows, in more detail, the revenue and expenditure of the Government as a whole. Significant changes can be identified. During 1993, the schedule shows:

- general program revenue is \$4.467 billion compared to 1992 revenue of \$4.486 billion.

The decrease of \$19 million, is made up of two key components. Tax revenues increased \$141 million or 7%, whereas revenue from the federal government decreased by \$162 million or 12%.

- general program expenditure is \$5.725 billion compared to 1992 expenditure of \$6.318 billion, a decrease of 9%.

The decrease of 9%, or \$593 million, relates primarily to decreases in "other" expenditures. In 1992, those expenditures include a loss on the sale of Cameco shares (\$189 million), the cost of the NewGrade upgrader (\$70 million) and the Bi-provincial upgrader (\$64 million), and the write-off of the cost of the Rafferty and Alameda dams (\$182 million).

- user fee enterprise revenue is \$3.619 billion compared to 1992 revenue of \$3.427 billion, an increase of 6%.

The increase of 6%, or \$192 million, relates primarily to SaskTel and to the Saskatchewan Crop Insurance Corporation which administers the Gross Revenue Insurance Plan (GRIP).

- user fee enterprise expenditure is \$3.126 billion compared to 1992 expenditure of \$3.310 billion, a decrease of 6%.

The decrease of 6%, or \$184 million, also relates primarily to the Saskatchewan Crop Insurance Corporation.

.17 Schedule 3 shows the important impact user fee enterprises have on the finances of the Government as a whole.

Chapter 3 Understanding the Finances of the Government

Schedule 3

Revenue and Expenditure
For the Year Ended March 31
(in \$ millions)

	1993		1992		1991	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure (unaudited)
General programs						
Taxes	\$ 2,304		\$ 2,163		\$ 1,988	
Federal government transfers	1,140		1,302		1,547	
Natural resources	393		323		423	
Other	<u>630</u>		<u>698</u>		<u>741</u>	
	<u>4,467</u>		<u>4,486</u>		<u>4,699</u>	
Agriculture *		\$ 480		\$ 400		\$ 578
Education		927		871		970
Health		1,614		1,641		1,659
Natural resources and economic development		79		187		143
Protection of persons and property		211		195		180
Recreation and culture		130		137		150
Regional planning and development		209		239		265
Social services		417		400		373
Transportation		172		209		236
Interest costs		1,089		949		862
Other		<u>397</u>		<u>1090</u>		<u>358</u>
		<u>5,725</u>		<u>6,318</u>		<u>5,774</u>
User fee enterprises						
Energy (SaskPower & SaskEnergy)	1,066	908	1,016	871	1,010	866
Insurance - Saskatchewan Crop Insurance Corporation *	954	754	871	1,021	319	316
Insurance - Other **	574	581	556	542	536	480
Telecommunications (SaskTel)	629	577	569	518	574	527
Other (SEDCO, Liquor Board and others)	<u>396</u>	<u>306</u>	<u>415</u>	<u>358</u>	<u>371</u>	<u>251</u>
	<u>3,619</u>	<u>3,126</u>	<u>3,427</u>	<u>3,310</u>	<u>2,810</u>	<u>2,440</u>
Total revenue and expenditure	<u>8,086</u>	<u>8,851</u>	<u>7,913</u>	<u>9,628</u>	<u>7,509</u>	<u>8,214</u>
Annual deficit		<u>765</u>		<u>1,715</u>		<u>705</u>
Accumulated deficit, beginning of year, April 1		<u>9,453</u>		<u>7,738</u>		<u>7,033</u>
Accumulated deficit at March 31		<u>\$10,218</u>		<u>\$ 9,453</u>		<u>\$ 7,738</u>

* Agriculture expenditures include amounts paid to Saskatchewan Crop Insurance Corporation (\$120 million in 1990-91, \$245 million in 1991-92, and \$297 million in 1992-93). The same amounts are included as revenue of Saskatchewan Crop Insurance Corporation.

** User fee enterprises carrying out "other" insurance programs include Saskatchewan Government Insurance, Saskatchewan Auto Fund and the Workers' Compensation Board.

Chapter 3 Understanding the Finances of the Government

Assets and Liabilities in More Detail

.18 Schedule 4 shows, in more detail, the assets and liabilities of the Government as a whole.

.19 The assets include cash, loans and investments which can be used to provide resources to discharge existing liabilities or finance future programs. The assets include investments in revenue-generating buildings and equipment, e.g., physical assets administered by user fee enterprises.

.20 The liabilities (or debt) are those financial obligations that commit the Government to pay for goods and services acquired or provided prior to the end of the year, i.e., March 31. The liabilities include short-term accounts payable, long-term borrowings, as well as unfunded pension liabilities.

.21 Significant changes from March 31, 1992 to March 31, 1993 are:

- general program assets decreased by nearly \$300 million. This decrease was primarily due to investment asset disposals.
- user fee enterprise assets increased by nearly \$300 million. This increase relates mainly to acquisition of energy producing assets.
- total liabilities increased by \$800 million. This increase relates mainly to the 1993 annual deficit of the Government which was \$765 million.

.22 One important investment not shown in Schedule 4 or in the Government's Summary Financial Statements is the Government's infrastructure of roads, buildings and dams. Information about such infrastructure would be useful in understanding and assessing the Government's management practices and the future expenditures required for maintenance and replacement.

We Recommend

.23 **The Government should examine how to disclose more fully, in the Summary Financial Statements, information to describe its investment in infrastructure.**

.24 The Standing Committee on Public Accounts (PAC) considered this matter in October 1993. The PAC is considering a recommendation to the Legislative Assembly that the

Chapter 3 Understanding the Finances of the Government

Government move toward disclosing information to describe its investment in infrastructure in the Summary Financial Statements.

Schedule 4						
Assets and Liabilities As at March 31 (in \$ millions)						
	1993		1992		1991 (unaudited)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
General programs						
Short-term financial assets	\$ 793		\$ 986		\$ 1,047	
Long-term financial assets	<u>2,218</u>		<u>2,300</u>		<u>2,600</u>	
	<u>3,011</u>		<u>3,286</u>		<u>3,647</u>	
Short-term liabilities		\$ 1,274		\$ 1,008		\$ 579
Long-term liabilities		10,582		10,131		9,318
Unfunded pension liabilities		<u>3,007</u>		<u>2,905</u>		<u>2,723</u>
		<u>14,863</u>		<u>14,044</u>		<u>12,620</u>
User fee enterprises program						
Short-term financial assets	1,175		1,136		982	
Long-term financial assets	1,428		1,284		1,302	
Physical assets	<u>4,639</u>		<u>4,523</u>		<u>4,273</u>	
	<u>7,242</u>		<u>6,943</u>		<u>6,557</u>	
Short-term liabilities		1,993		2,430		1,875
Long-term liabilities		<u>3,615</u>		<u>3,208</u>		<u>3,447</u>
		<u>5,608</u>		<u>5,638</u>		<u>5,322</u>
Total assets and liabilities	<u>10,253</u>	<u>20,471</u>	<u>10,229</u>	<u>19,682</u>	<u>10,204</u>	<u>17,942</u>
Accumulated deficit or amount owed by future taxpayers		<u>\$10,218</u>		<u>\$ 9,453</u>		<u>\$ 7,738</u>
Investment in infrastructure of roads, buildings and dams	???		???		???	
* At March 31, 1993:						
	<ul style="list-style-type: none"> • General programs include assets receivable from user fee enterprises of approximately \$31 million and liabilities payable to user fee enterprises of approximately \$652 million; and • User fee enterprises include assets receivable from general programs of approximately \$652 million and liabilities payable to general programs of approximately \$31 million. 					

Chapter 3 Understanding the Finances of the Government

Incomplete Financial Plan

.25 The financial plan the Government provides to the Legislative Assembly is incomplete. The plan is based on the Consolidated Fund (now called the General Revenue Fund). The plan focuses on general programs only. The plan does not fully describe the activities to be carried out by the Government particularly those to be carried out in user fee enterprises.

.26 Traditionally, the Government has not provided the Assembly with the revenue raising and expenditure plans of the user fee enterprises. User fee enterprises are included to the extent they expect to require money from or expect to provide money to the General Revenue Fund.

.27 The incompleteness of the plan is apparent when we compare the revenue and expenditure of the Government, as set out in the 1993 Budget Estimates, to the actual results of the Government as a whole, as we set out in this Chapter.

			Schedule 5
			1993 (in \$ millions)
	<u>Consolidated Fund</u>		<u>Government as a Whole (Schedule 1)</u>
	<u>Budget Estimates</u>	<u>Actual Results</u>	<u>Actual Results</u>
Revenue	\$ 4,492	\$ 4,376	\$ 8,086
Expenditure	<u>5,009</u>	<u>4,968</u>	<u>8,851</u>
Annual Deficit	<u>\$ 517</u>	<u>\$ 592</u>	<u>\$ 765</u>

.28 Our Office and the Financial Management Review Commission hold the view Members of the Assembly and the public should be presented with a financial plan that shows the activities to be carried out by the Government as a whole. The decisions faced by the Assembly are too important to be made in the context of incomplete information.

Chapter 3 Understanding the Finances of the Government

We Recommend

.29 The Government should present the Legislative Assembly with a financial plan for the activities of the Government as a whole. The plan should include a multi-year forecast.

.30 A complete financial plan, including a multi-year forecast, is particularly important as the Government develops longer-term economic strategies. A financial plan setting out such strategies will help legislators and the public fully understand and assess key issues, including:

- can we afford existing programs or offer new programs? If change is required, which programs should be affected -- education, health, energy or insurance?
- do taxes and user fees need to be changed? If additional revenues are needed, where should the revenues come from -- sales taxes, income taxes or user fees for energy and telecommunications?
- where do we obtain the resources to maintain our infrastructure of roads, schools and hospitals so critical to our future?

.31 In February 1993, the Standing Committee on Public Accounts asked our Office to work with officials of the Department of Finance and the Crown Investments Corporation to prepare a report on a complete financial plan for the whole Government. We plan to include the results of our initial work in a future Report.

Interim Financial Reporting

.32 The Financial Management Review Commission recommended the Government prepare mid-year interim financial statements for public consideration. In our 1992 Annual Report, we recommended what the interim financial reports should show.

.33 In October 1993, the PAC considered the Commission's and our recommendations on interim financial reporting. The PAC is considering a recommendation to the Legislative Assembly that the interim financial reports issued by the Government show:

- the financial results of the Government as a whole;

Chapter 3 Understanding the Finances of the Government

- the financial results to the interim date compared to what was planned; and
- the forecast to the end of the year.

.34 If the Government prepared interim financial reports using this recommendation, the reports would provide essential information to legislators and the public for understanding and assessing key issues.

Chapter 4 Annual Pension Costs and Total Liabilities

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Chapter 4

Annual Pension Costs and Total Liabilities

Purpose

.01 This Chapter provides an overview of the pension plans sponsored by the Government. The purpose of this Chapter is to help Members of the Legislative Assembly and the public understand the annual pension costs and total liabilities related to the Government's many pension plans. We note the Government uses inconsistent estimates when calculating its annual pension costs and total liabilities.

.02 The Government's pension management responsibilities are enormous. Currently, there are over 44,000 government employees and teachers (active members) now contributing to pension plans sponsored by the Government. There are over 15,000 retired employees and teachers (superannuates) receiving pension benefits.

.03 Exhibits 4 and 5, at the end of this Chapter, show how many active members and superannuates are in each pension plan.

Defined Contribution Plans

.04 The Government sponsors two types of pension plans. They are called defined contribution plans and defined benefit plans.

.05 In defined contribution plans, the Government and the plan member each pay a percentage of the member's annual salary into a fund. The plan member's pension is based on the accumulated contributions and investment earnings.

.06 The Government's defined contribution plans hold assets of over \$1.2 billion. The plans are:

- Capital Pension Plan Inc. (CIC)
- Members of The Legislative Assembly Superannuation Plan (MLA)
- Public Employees (Government Contributory) Superannuation Plan (PESP)
- Saskatchewan Research Council Employees Pension Plan (SRC)

.07 Members of these plans can buy a retirement annuity from the Government or from a private company. The annuity becomes the pension benefit paid to the member. When a member chooses to buy an annuity from the Government, the Government is

Chapter 4 Annual Pension Costs and Total Liabilities

responsible for any losses in providing or underwriting the annuity.

.08 The Government has a nearly \$2 million liability in underwriting such annuities. The Government provides the Legislative Assembly with financial statements showing the Government underwriting activities for each of its defined contribution plans except for the activities related to the Capital Pension Plan Inc..

Defined Benefit Plans

.09 The Government also sponsors defined benefit pension plans. In these plans, the Government promises to pay each plan member a pension based on the member's salary and years of service.

.10 The Government has the following defined benefit pension plans. The dates of the most recent actuarial valuations are noted.

- Judges of the Provincial Court Superannuation Plan, March 31, 1991
- Liquor Board Superannuation Plan, December 31, 1992
- Members of the Legislative Assembly Superannuation Plan (MLA), March 31, 1991
- Power Corporation Superannuation Plan (SPC), September 30, 1992
- Public Service Superannuation Plan (PSSP), March 31, 1992
- Saskatchewan Government Insurance Superannuation Plan (SGI), December 31, 1990
- Saskatchewan Telecommunications Superannuation Plan (SaskTel), December 31, 1990
- Teachers' Superannuation Plan, June 30, 1992
- Workmen's Compensation Board Superannuation Plan (WCB), December 30, 1990

.11 Several years ago, the Assembly changed laws to close these plans, except for the plan for Judges. New employees are required to belong to one of the defined contribution plans (see paragraph .06). Those who were members of defined benefit plans, before the laws were changed, could continue in these plans or switch to a defined contribution plan.

.12 The Government also is required to make minimum annual

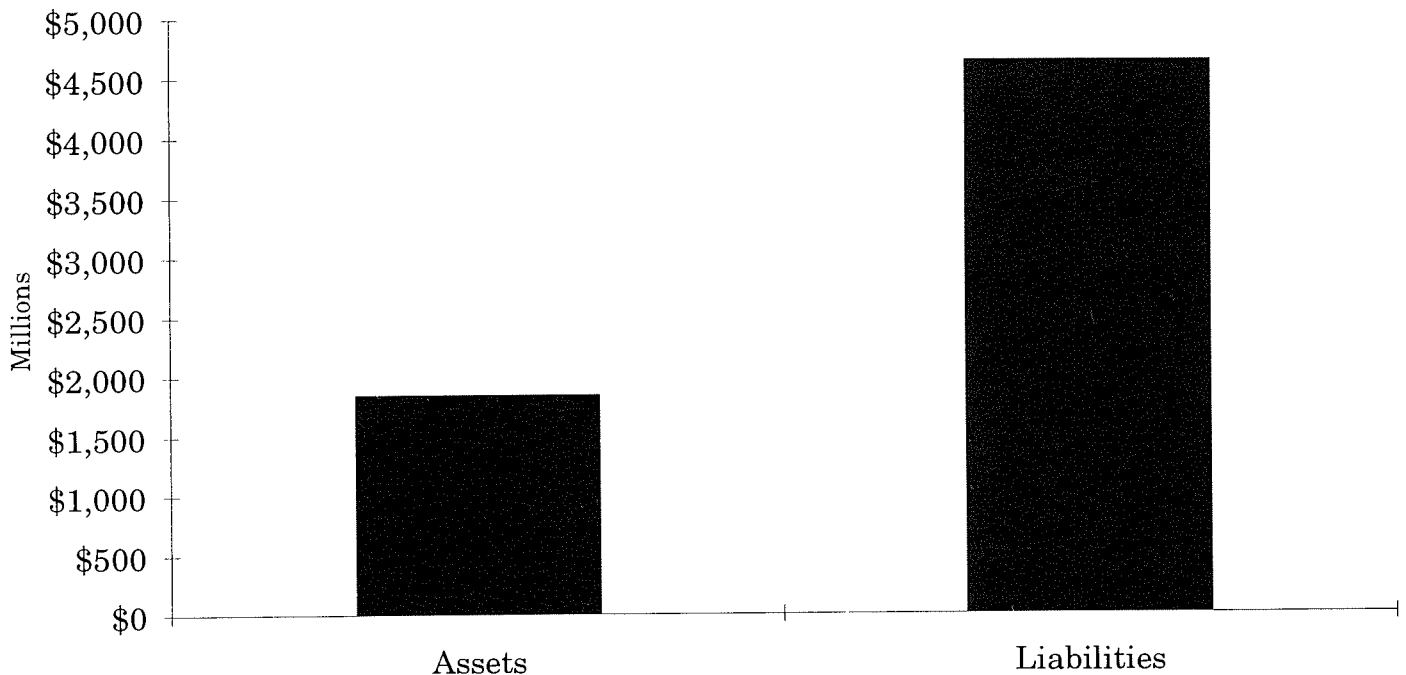
Chapter 4 Annual Pension Costs and Total Liabilities

payments to defined benefit plans managed by the Saskatchewan Teachers Federation on behalf of teachers. On behalf of its health care workers, the Government also makes similar payments to various pension plans managed by other organizations.

.13 Exhibit 1 shows the Government's defined benefit plans held assets of \$1.9 billion and liabilities of \$4.7 billion. The Government is responsible for paying the liabilities of these plans.

Exhibit 1

This exhibit compares total assets to total liabilities of the Government's defined benefit pension plans



Chapter 4 Annual Pension Costs and Total Liabilities

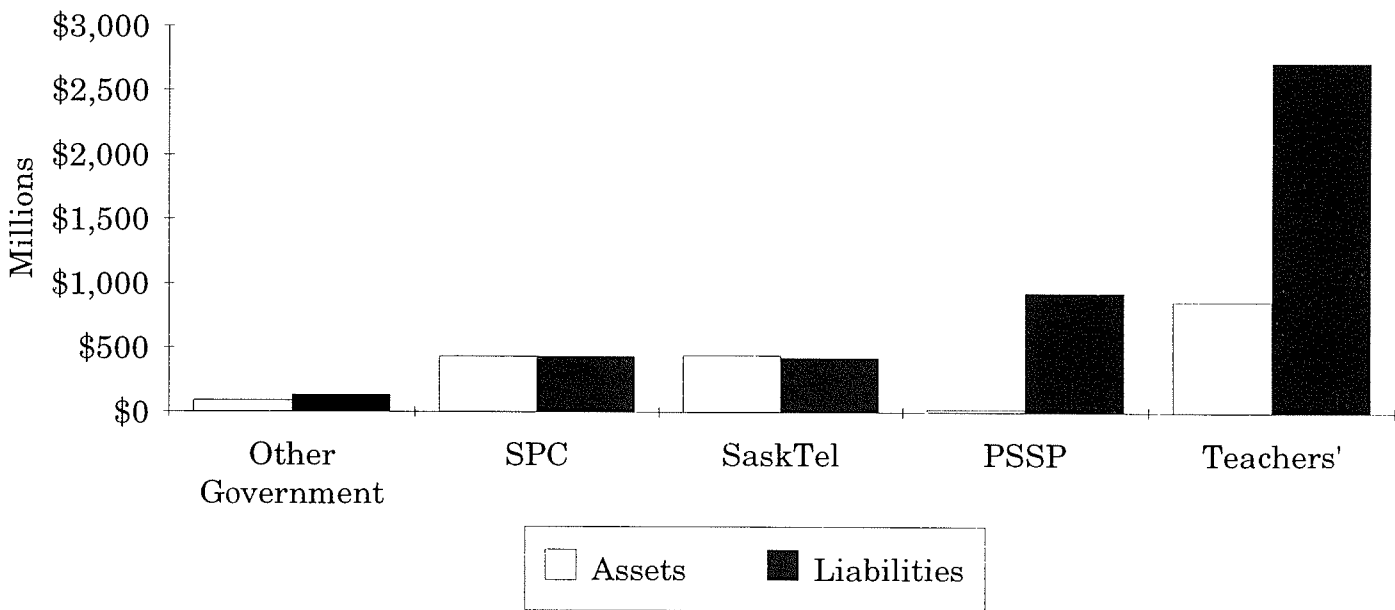
.14 Exhibit 2 shows, in more detail, the financial status of the Government's defined benefit pension plans. We note the Government's liability for the Teachers' plan and the Public Service Superannuation Plan (PSSP) exceed the assets significantly. The Teachers' plan had a liability of \$2,727 million and assets of \$865 million. The PSSP plan had a liability of \$932 million and assets of \$22 million.

.15 In Exhibit 2, "Other Government" includes the plans for employees of SGI, WCB and the Liquor Board, as well as the plans for judges and members of the Legislative Assembly. For "Other Government" plans, assets were \$106 million and liabilities were \$151 million.

.16 Exhibit 2 also shows SaskPower's (SPC) plan had assets of \$433 million and liabilities of \$433 million. SaskTel's plan had assets of \$440 million and liabilities of \$422 million.

Exhibit 2

This exhibit compares pension plan assets to liabilities.



Chapter 4 Annual Pension Costs and Total Liabilities

Members of Defined
Benefit Pension Plans
Earn Different
Pension Benefits

.17 Members of defined benefit pension plans earn different pension benefits. Members of most plans earn a pension equal to 2% of their highest 5 years of annual salary multiplied by the number of years of service to a maximum of 35 years. Accordingly, the maximum benefit would be equal to 70% of a member's salary. The benefit is integrated with benefits received through the Canada Pension Plan (CPP). These pension benefits are earned by government employees who are members of the Public Service Superannuation Plan (PSSP) or who are members of superannuation plans for Saskatchewan Government Insurance, the Liquor Board, SaskPower, SaskTel and the Workers' Compensation Board.

.18 Teachers earn an additional pension benefit. Their pension benefit payments are increased, annually, by 80% of any change in the consumer price index (CPI).

.19 Judges earn a pension equal to 3% of their average salary during their last three years of service multiplied by the number of years of service to a maximum of 23 1/3 years.

.20 Members of the Legislative Assembly earn a pension equal to 4% of their highest indemnity received in 4 consecutive years of service multiplied by the number of years of service. In addition, members receive 1/35 of their highest average allowance received for additional duties earned in 4 consecutive years of service multiplied by the numbers of years of service.

Consistent Estimates
Required

.21 Most pension plans do not promise pension benefits will be increased when there is an increase in the consumer price index (inflation protection). As a result, the annual cost and total liability for pension benefits earned by members does not usually include the cost of inflation protection.

.22 There are three exceptions. The first is the teachers' plan. The annual pension cost and total liability includes the amounts owed as a result of inflation protection because the pension plan agreement includes an inflation protection promise.

.23 The second exception is SaskTel's pension plan. The annual pension cost and total liability reported by SaskTel includes an amount for a pension increase of up to 60% of any increase in the consumer price index. SaskTel's pension plan agreement does

Chapter 4 Annual Pension Costs and Total Liabilities

not include an inflation protection promise.

.24 The third exception is SaskPower's pension plan. The annual pension cost and total liability reported by SaskPower includes an amount for a pension increase of up to 50% of any increase in the consumer price index. SaskPower's pension plan agreement does not include an inflation protection promise.

.25 We do not know why the costs of some pension plan promises, i.e., those of SaskTel and SaskPower, include the costs of inflation protection and others do not. Consistent estimates should be used unless there are different pension benefits promised.

We Recommend

.26 The Government should use consistent estimates when calculating the costs and liabilities of its pension plans.

.27 In our review of the Government's pension plans, we noted other inconsistencies related to estimates of future salary increases, future interest rates, earnings on pension fund assets and mortality rates. Such inconsistent estimates need to be examined.

.28 We also note that two years ago, the Government said it planned to form a pension commission to study its pension plan obligations. We urge the Government to do this as soon as possible so the many issues related to pension plans are examined and addressed.

Chapter 4 Annual Pension Costs and Total Liabilities

Annual Costs of Pension Plans

.29 Exhibit 3 shows the total annual cost of pension benefits provided to members as a percentage of their annual salary. The cost varies from a low of 5% to a high of 33.5%.

.30 Exhibit 3 also shows the percentage of annual salary members contribute and the Government's share of the cost of pension benefits.

Exhibit 3

Annual Pension Cost as a Percentage of Salary

	<u>Members' Contribution</u>	<u>Government Cost</u>	<u>Total Cost</u>
Defined Contribution Plans			
Capital Pension (CIC)	5.5%	5.5%	11.0%
MLA's	9.0%	9.0%	18.0%
Public Employees	5.0%	5.0%	10.0%
Saskatchewan Research Council	0.0%	5.0%	5.0%
Defined Benefit Plans			
Judges	4.0%	17.5%	21.5%
Liquor Board	5.0%	4.5%	9.5%
MLA's	9.0%	24.5%	33.5%
SaskPower	5.5%	7.5%	13.0%
Public Service	5.0%	3.5%	8.5%
Saskatchewan Government Insurance	4.5%	5.5%	10.0%
SaskTel	5.0%	9.0%	14.0%
Teachers'	6.0%	12.5%	18.5%
Workmen's Compensation Board	5.0%	6.5%	11.5%

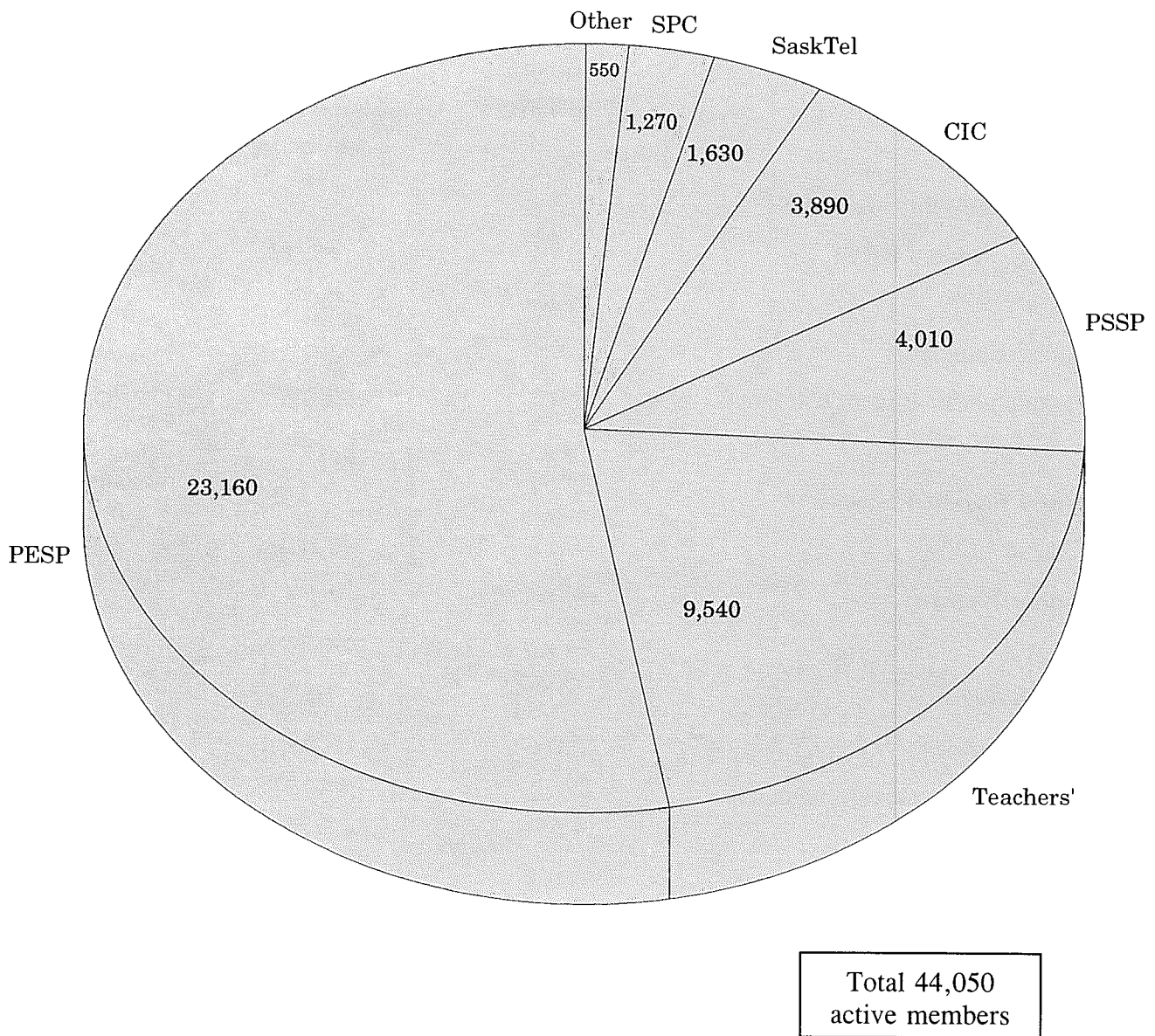
Chapter 4 Annual Pension Costs and Total Liabilities

Plan Membership

.31 There are over 44,000 active members in pension plans sponsored by the Government. Exhibit 4 shows how many members are in each plan.

Exhibit 4

This exhibit shows the number of active members in government pension plans.

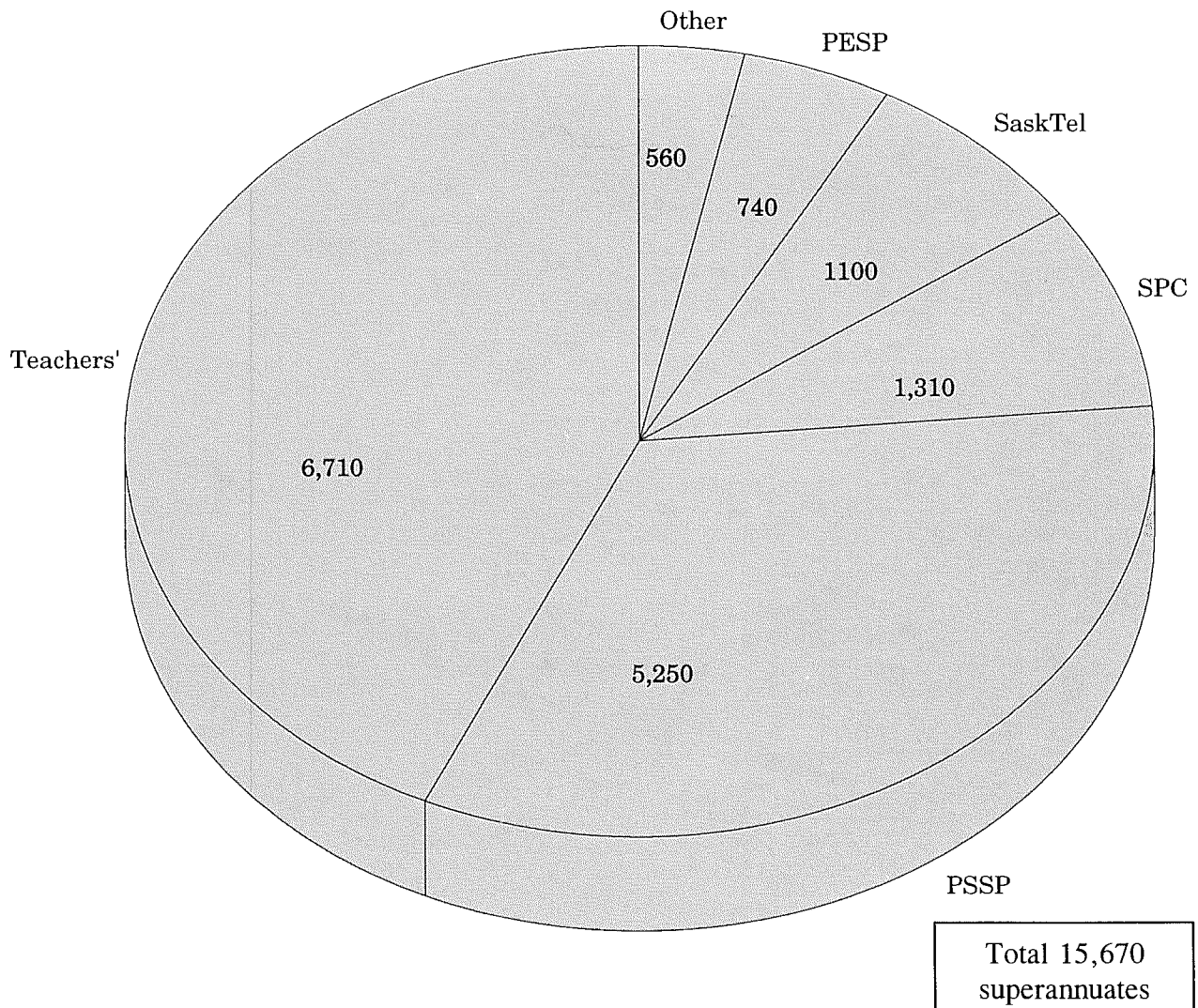


Chapter 4 Annual Pension Costs and Total Liabilities

.32 There are over 15,000 retired employees and teachers receiving pension benefits. Exhibit 5 shows how many superannuates receive pension benefits from each plan.

Exhibit 5

This exhibit shows the number of superannuates receiving pensions from the government pension plans.



.33 In Exhibits 4 and 5, "Other" includes members of the pension plans for the Liquor Board, SGI, WCB, SRC and members of the Legislative Assembly.

Chapter 5

The Financial Management Review Commission

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Chapter 5

The Financial Management Review Commission

Introduction

.01 In our last Annual Report, we stated the 1992 recommendations of the Financial Management Review Commission provide valuable advice on improving government financial management and public accountability practices. We also noted the Government publicly endorsed the spirit and intent of the Commission's report and stated it was taking action on or was examining every recommendation.

.02 We are monitoring the Government's implementation of the recommendations of the Commission. In Appendix V of last year's Report, we set out each of the 42 recommendations of the Commission. We also described the actions proposed and actions taken by the Government. Our description was based largely on the Government's progress report released in November 1992.

Progress Report

.03 Last year, we noted the Government had made progress in moving forward on the recommendations and advice of the Commission. However, our analysis indicated a number of the recommendations were under review with regard to how or if they would be implemented.

.04 Because of the importance of the Commission's work, we continue to recommend the Government report annually on its progress. In October 1993, the Standing Committee on Public Accounts (PAC) endorsed this recommendation for inclusion in its next (sixth) report to the Assembly.

We Recommend

.05 Each year, the Government should report on the implementation of the 1992 recommendations of the Financial Management Review Commission. The Government should prepare such a report until all the major recommendations are addressed.

.06 We will continue to monitor the Government's implementation of the Commission's recommendations. In our next Report, we will describe the status of each of the Commission's 42 recommendations.

Chapter 6 Standing Committees of the Legislative Assembly

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Chapter 6

Standing Committees of the Legislative Assembly

Introduction

.01 Our last Report reviewed, for the first time, the accomplishments of the Standing Committees on Public Accounts and Crown Corporations. These two Committees examine, on behalf of the Legislative Assembly, the reported activities of government departments and Crown agencies.

.02 These Committees provide the final link in the chain of accountability over public money, a process that begins and ends in the Legislative Assembly. As such, the work of these Committees is of strategic importance in a well managed parliamentary system of government. For this reason, we believe it is useful to continue to track the activities and achievements of these Committees.

The Standing Committee on Public Accounts

.03 The Public Accounts Committee fulfills the role of the Audit Committee of the Legislative Assembly.

.04 Members of the Committee at January, 1994 were as follows:

- H. A. Martens (Chair)
- E. Cline (Vice-Chair)
- W. Boyd
- J. Crofford
- L. Haverstock
- S. Kujawa
- G. A. McPherson
- C. J. Serby
- M. Sonntag
- H. H. Van Mulligen

Chapter 6 Standing Committees of the Legislative Assembly

The Standing
Committee on Crown
Corporations

.05 Members of the Crown Corporations Committee at January, 1994 were as follows:

- P. Lorje (Chair)
- K. D. Trew (Vice-Chair)
- J. Goohsen
- L. Haverstock
- L. E. Johnson
- K. Kluz
- J. Langford
- R. L. Lyons
- D. J. Toth

**Public Accounts
Committee Activities**

.06 During the third session of the current Legislature, the Public Accounts Committee held 22 meetings, beginning in March, 1993 and concluding in January, 1994.

.07 During the spring session, the Committee:

- finalized and submitted its third report following examination of our 1991 Annual Report and the 1990-91 Public Accounts;
- finalized and adopted a statement of mandate and operating principles;
- heard presentations on the respective roles of the Department of Finance, Crown Investments Corporation, Provincial Comptroller, and our Office;
- heard testimony to consider the Order of Reference from the Assembly concerning our Special Report on Bill 42, *The Crown Corporations Act, 1993*, and submitted its fourth report to the Assembly;
- heard testimony to consider the Order of Reference from the Assembly on Bill 41, *The Financial Administration Act, 1993*, and submitted its fifth report to the Assembly; and

Chapter 6 Standing Committees of the Legislative Assembly

- began consideration of our 1992 Annual Report, particularly Chapters 1 and 2.

.08 During its intersessional meetings, the Committee:

- continued with its consideration of the first eight Chapters of our 1992 Annual Report;
- heard a briefing on the Task Force on the Roles, Responsibilities and Duties of Auditors;
- heard testimony from Department of Health officials about the establishment and accountability of District Health Boards;
- heard testimony from officials representing sixteen organizations concerning matters raised in our 1992 Annual Report and other issues; and
- drafted its sixth report for finalization early in the fourth session of the Legislature.

Status of
Recommendations

.09 Appendix V includes a status report of outstanding Committee recommendations from 1992, and prior years, as well as all recommendations from the second and third reports tabled in the Legislature in March, 1993.

Second Report

.10 The Committee made 19 recommendations in its second report. The report dealt with a Special Report prepared by our Office at the Committee's request. We were asked to review certain spending practices of the Government and report our findings.

.11 The Committee endorsed our recommendations and the Government has agreed to several important changes.

.12 Three Committee recommendations dealt with Legislative Secretary expenses, i.e.:

- *Legislative Secretary Expense Regulations* should be changed to specify conditions for assigning vehicles;

Chapter 6 Standing Committees of the Legislative Assembly

- appropriate departments should be responsible for Secretaries' travelling expenses; and
- Public Accounts should identify all Secretaries' travelling expenses, when they are incurred.

.13 Although Legislative Secretaries have not been appointed during this Legislature, we think it would be prudent for the Government to amend the regulations to deal with the Committee recommendations before any future appointments are made.

Third Report

.14 The Committee made 37 recommendations in its third report which covered our 1991 Annual Report and the 1990-91 Public Accounts. In Appendix V, we show which recommendations have been implemented by the Government. Nearly 50% of the recommendations are implemented or are being implemented.

.15 Several recommendations deal with complex issues. For example, the Committee recommends "the Government should study the implications and issues related to the preparation of a multi-year financial plan for the Government as a whole and that discussions on the topic involving our Office, the Department of Finance and the Crown Investments Corporation (CIC) should take place."

.16 We have begun a project to examine the estimates documents and the information needs of MLA's. We have also made preliminary contacts with officials of both Finance and CIC. We plan to include the results of our work on this project in a future Report.

.17 The Committee also recommends "the Government should work co-operatively with the Provincial Auditor by involving him in the process of choosing appointed auditors, establishing audit plans, maintaining solid communications through frequent audit updates, and ensuring that the Provincial Auditor has sufficient time to comment on the final audit report prior to its public release."

.18 In Chapter 1, we describe the formation of a Task Force to examine the audit system co-sponsored by our Office and CIC. The Committee recommendation is included as part of the terms

Chapter 6 Standing Committees of the Legislative Assembly

of reference of the task force.

Fourth Report

.19 The Committee reviewed our Special Report to the Legislative Assembly on Bill 42, *The Crown Corporations Act, 1993*. The Special Report contained four recommendations.

.20 The Committee did not concur with the first recommendation of our Special Report, i.e., that Bill 42 should be amended to state the Provincial Auditor shall audit the records, accounts and financial statements of CIC, rather than the existing wording which provides for the audit to be done by the Provincial Auditor or any other auditor appointed by Cabinet. During Committee discussions, CIC officials indicated the current arrangement with the Provincial Auditor would continue for a period of another three years. After that time, members noted the Committee could again examine the question but also agreed with our recommendation that any mandate issue should more properly be dealt with in *The Provincial Auditor Act*.

.21 The Committee concurred with the second recommendation of the Special Report, i.e., that a subsection be deleted in its entirety as it seemed at cross-purposes with existing provisions of *The Provincial Auditor Act*.

.22 The Committee recommended the Standing Committee on Crown Corporations consider the report during its deliberations on Bill 42.

Fifth Report

.23 The Assembly referred Bill 41, *The Financial Administration Act, 1993*, to the Committee for review. The Committee reported to the Assembly, recommending two amendments be made. The Committee's report was concurred in by the Assembly.

Crown Corporations Committee Activities

.24 During the third session of this Legislature, the Crown Corporations Committee held 12 meetings, beginning in March, 1993 and concluding in December, 1993.

.25 During the spring session, the Committee finalized its second report of this Legislature and reviewed the annual reports of two Crown corporations. Four meetings were held at the

Chapter 6 Standing Committees of the Legislative Assembly

request of the Assembly to review Bill 42, *The Crown Corporations Act, 1993*. Following its hearings on Bill 42, the Committee reported back to the Assembly with recommendations for several amendments.

.26 During its intersessional meetings, the Committee reviewed annual reports for twelve organizations and related entities and was briefed on the Task Force on Auditor Roles, Responsibilities and Duties by our Office and members of the Task Force.

Reports

.27 In its second report, presented on April 1, 1993, the Committee indicated it had considered the annual reports and financial statements of 28 Crown corporations and related agencies in its meetings during the 1992-93 session of the Legislature.

.28 In addition to considering all reports referred to it by the Assembly, the second report stated the Committee:

- believes proceedings have been improved by the procedures, adopted last year, which allow Ministers to defer technical and administrative questions to their officials;
- continues to support Ministers being present at Committee meetings in order to take responsibility for responding to questions;
- considered its terms of reference and recommends to the Assembly a clear delineation of the work of the Standing Committee on Public Accounts and the Standing Committee on Crown Corporations to avoid unnecessary duplication and overlap;
- benefited from the attendance and briefings of our Office during the last year;
- recommends the Assembly ask our Office to organize our Report so Crown corporation issues are under a separate cover. Those issues could then be referred, by motion of the Assembly, to the Standing Committee on Crown Corporations;

Chapter 6 Standing Committees of the Legislative Assembly

- proposes, for accountability issues of mutual concern, the venue for review should be discussed by the Chairs of the respective Committees, in order that duplication is avoided; and
- regarding its report to the Assembly dated May 28, 1992, requests the views of the Minister responsible for Crown Investments Corporation on the advisability of appointing Members of the Legislative Assembly to the boards of the various Crown corporations.

Chapter 7

Annual Reports of Government Departments

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Chapter 7

Annual Reports of Government Departments

Introduction

.01 This Chapter reports on actions taken in response to our recommendations made in Chapter 8 of our 1992 Report to the Assembly. In our 1992 Report, we discussed whether annual reports of government departments provide Members of the Legislative Assembly (MLAs) and the public the information they need to assess the performance of government departments. In our 1992 Report, we recommended:

- The Government's existing annual report guidelines be strengthened to ensure annual reports are more useful accountability documents.
- All government departments be required to provide annual reports on their activities, and to do so in a timely manner.
- All annual reports of government departments be referred to a Standing Committee of the Assembly for review upon tabling in the Assembly.

Actions Taken by the Government

.02 Our follow-up work shows the Government has made some progress. In the summer of 1993, government officials revised the annual report guidelines. At the time of this Report, the Government had not formally approved or adopted those guidelines. When adopted and followed, the revised guidelines will ensure annual reports are more useful accountability documents.

Actions Taken by PAC

.03 On October 28, 1993, the Standing Committee on Public Accounts (PAC) reviewed Chapter 8 of our 1992 Report to the Assembly. Based on its review, the PAC is considering recommending to the Assembly:

- The Government's existing annual report guidelines should be strengthened to make annual reports a more useful accountability document.
- All government departments should be required to provide annual reports on their activities, and to do so in a timely manner.

Chapter 7 Annual Reports of Government Departments

- Upon tabling in the Legislative Assembly all annual reports of government departments and agencies reporting to Treasury Board should be referred to the Standing Committee on Public Accounts to assist them in their review of *Public Accounts* and the *Report of the Provincial Auditor*.

Further Actions
Required

.04 Annual reports continue to be one of the key accountability documents legislators and the public use to understand and assess the performance of the Government. As we noted in our 1992 Report, the information included in annual reports prepared by government departments needs to be improved.

We Recommend

.05 The Government should promptly adopt and follow its proposed annual report guideline revisions.

.06 The Government should adopt the Public Accounts Committee's draft recommendations shown in paragraph .03.

Chapter 8

Crown Investments Corporation of Saskatchewan

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Chapter 8

Crown Investments Corporation of Saskatchewan

Introduction

.01 The Crown Investments Corporation (CIC) holds shares in several companies and provides advice to Cabinet concerning Crown corporations subject to Part II of *The Crown Corporations Act, 1978* (Part II Crowns). Part II Crowns include SaskPower, SaskTel, SaskEnergy, Saskatchewan Government Insurance (SGI) and Saskatchewan Transportation Company (STC).

.02 On January 1, 1994, revisions to *The Crown Corporations Act, 1978* were proclaimed. The revisions assign CIC more explicit responsibilities for overseeing the activities of Part II Crowns.

.03 CIC has one major subsidiary, CIC Industrial Interests Inc. (CIC III). CIC also manages the Capital Pension Plan Inc. The Plan's audited financial statements for the year ended December 31, 1992 have not been tabled in the Assembly.

.04 CIC's annual report includes three sets of audited financial statements. The first set shows CIC's results combined with those of the Part II Crowns. The second set of statements shows the non-consolidated financial results of those activities managed directly by CIC. The third set of statements shows the financial results of those activities managed by CIC through CIC III.

.05 The second set of financial statements shows CIC manages assets of \$2.9 billion, liabilities of \$1.4 billion and equity advances due to the Consolidated Fund of \$1.5 billion. In 1992, CIC had a loss of \$5.5 million on total revenues of \$307.4 million.

Our Audit Findings

.06 Our Office now audits CIC directly. In the past several years, we carried out our audit responsibilities through a private sector auditor appointed by the Government. We plan to continue auditing CIC directly.

.07 CIC's financial statements are reliable. CIC's rules and procedures to safeguard and control its assets were adequate except as described in paragraphs .27 to .34 and .67 to .69. CIC complied with the authorities that govern its activities related to financial reporting, safeguarding of assets, revenue raising,

Chapter 8 Crown Investments Corporation of Saskatchewan

spending, borrowing, and investing except as described in paragraphs .49 to .63 and .70 to .73.

Public Policy
Objectives Need to be
Defined and Disclosed

.08 CIC manages and oversees the activities of many government investments, commitments and corporations. Investments and commitments include the Bi-Provincial Upgrader, Saskferco, Haro Financial Corporation and NewGrade Energy Inc.. Government corporations include SaskPower, SaskTel, SaskEnergy, SGI and STC.

.09 CIC carries out the Government's public policy objectives through these investments, commitments and corporations.

.10 Public policy objectives can sometimes conflict with each other. For example, public policy objectives might include:

- providing a service at a reasonable cost;
- earning a specific rate of return;
- assisting economic diversification; and
- maintaining employment stability.

.11 The Government needs to provide CIC with clear public policy objectives to ensure CIC can achieve what is expected.

.12 The Assembly also needs to know and understand CIC's public policy objectives in order to assess the performance of CIC and the Part II Crowns.

We Recommend

.13 **CIC should ensure the Government's public policy objectives for CIC and the Part II Crowns are clearly defined and presented to the Assembly for scrutiny.**

Financial Plan and
Reporting Guidelines
Needed

.14 In Chapter 3, we recommend the Government present the Assembly with a financial plan for the activities of the Government as a whole. An important part of a complete financial plan relates to CIC and the investments, commitments and corporations CIC oversees.

.15 CIC needs to develop guidelines for preparing financial

plans. Such guidelines would help managers prepare financial plans for the investments, commitments and corporations CIC oversees. Those plans should be presented to the Board of CIC and to the Assembly.

.16 The guidelines should ensure the planning information is understandable, complete and comparable. Both the Board of CIC and the Assembly need such planning information to help understand and assess resource allocation proposals.

We Recommend

.17 CIC should develop guidelines for preparing financial plans and provide those guidelines to managers of the investments, commitments and corporations which CIC oversees.

.18 CIC should present the Assembly with a summary of its operating and capital financial plans.

.19 CIC provides the Assembly with financial statements related to each of the investments, commitments and corporations which CIC oversees. Those statements present the actual financial results for the year.

.20 Those statements should also include a comparison of planned results to actual results. Such a comparison will help the Assembly understand and assess performance as well as identify variances that need to be explained.

We Recommend

.21 Financial statements of CIC and the Part II Crowns should show a comparison of planned to actual results.

Public Policy
Expenditures Need to
be Defined and
Disclosed

.22 CIC uses the phrase "public policy expenditure" to describe the cost of acquiring certain assets or carrying out certain activities. Such assets or activities are expected to operate at a loss.

.23 When making a public policy expenditure, the Government expects to pay the operating loss by raising money through the general tax base or by transferring monies generated from other government activities. Examples of such expenditures include the cost of the Rafferty and Alameda dams, the annual loss of the Saskatchewan Transportation Company (STC) and the annual loss of the Saskatchewan Economic Development Corporation

Chapter 8 Crown Investments Corporation of Saskatchewan

(SEDCO).

.24 When a government organization is responsible for managing an asset or activity related to a public policy expenditure, the performance of that organization is difficult to understand and assess. For example, if STC is expected to incur an annual loss, what amount of loss represents good or poor performance? If SaskPower is expected to provide energy to certain users at a price which is less than cost, how does that requirement affect the overall performance of SaskPower? If SEDCO is expected to subsidize risk ventures, what losses are acceptable?

We Recommend

.25 Financial statements of CIC and the Part II Crowns should include information about public policy expenditures.

.26 The financial plans of CIC and the Part II Crowns should show the source of funding for public policy expenditures.

Timely and Complete
Budgets Needed

.27 CIC's 1992 budget, presented to its Board, did not include the activities to be carried out through CIC's subsidiary, CIC III. In addition, the budget was presented to the Board in October, 1992, ten months after the beginning of CIC's fiscal year.

.28 Budgets are important planning documents because they can be used to authorize a whole year's transactions in advance. In addition, budgets set goals in terms of expected results. Management can then monitor progress by comparing expected to actual results. Such monitoring helps management decide if changes are required.

We Recommend

.29 Before the beginning of the fiscal year, the Board should require management to submit a budget for CIC including CIC III.

.30 In 1992, CIC received budgets from the Part II Crowns. CIC provided advice on those budgets to Cabinet. CIC's management did not prepare for its Board a budget that combined CIC and the Part II Crowns. We believe the planning information in such a combined budget will help the Board manage CIC and the investments, commitments and corporations CIC oversees.

Chapter 8 Crown Investments Corporation of Saskatchewan

We Recommend	.31 The Board should require management to submit a budget that includes CIC and the Part II Crowns for approval before the fiscal year begins.
Timely Financial Reports Needed	<p>.32 During 1992, CIC's Board received reports on individual matters when making decisions. However, CIC's Board did not receive interim financial statements showing CIC's complete results or CIC's results combined with the results of the Part II Crowns.</p> <p>.33 To manage effectively, the Board needs information from management to help plan, monitor, direct and evaluate CIC's activities. Two important reports a Board should receive are budgets and interim financial statements.</p>
We Recommend	.34 The Board should require management to submit complete and timely interim financial reports to help the Board manage CIC's activities. Those reports should compare budgeted to actual results.
Standard Estimates for Pension Plan Liabilities Needed	<p>.35 Three of CIC's Part II Crown corporations manage large pension plans. We noted management used inconsistent estimates when determining the amounts to record as pension expenditures and liabilities.</p> <p>.36 One example of an inconsistent estimate relates to deciding whether the cost of the pension benefit promised should include the cost of increasing payments to retirees for any increases in the consumer price index (inflation protection). The pension plan agreements do not include such a promise. However, such increases have often been provided in the past.</p> <p>.37 In our review of pension costs (see Chapter 4), we note two Part II Crowns include inflation protection as part of the cost of their pension plans; one does not.</p>
We Recommend	.38 CIC should ensure Part II Crowns use Government approved estimates for computing pension liabilities.
Financial Reporting Guidelines Required	.39 Treasury Board delegates the authority to approve SaskTel's and SaskPower's financial statement formats to CIC. In our

Chapter 8 Crown Investments Corporation of Saskatchewan

opinion, these financial statements are reliable except for the matters reported in Chapters 27 and 29. Paragraphs .40 to .46 summarize Chapters 27 and 29.

.40 During 1992, the Government required SaskTel to pay \$152.1 million (\$123.1 million to SaskPower and \$29 million to the Consolidated Fund) to discharge debts of \$132.4 million it owed to the Consolidated Fund. Without further direction from the Government, SaskTel recorded a \$19.7 million loss.

.41 The Government does not make or lose money when it moves debt or capital assets among its agencies. Therefore, in our view, the Government should not record gains or losses in its agencies' financial statements for those transactions.

.42 Since the Government did not lose money by transferring those debts, in our view, SaskTel's financial statements should not report a loss. In addition, SaskTel's and SaskPower's financial statements should be amended to disclose transactions among government agencies. It is important to disclose information about transactions among government agencies so Members of the Assembly can understand and assess the effects of these transactions.

We Recommend

.43 **CIC should ensure the Part II Crowns do not record gains or losses on transfers of debt or capital assets among government agencies.**

.44 **CIC should ensure Part II Crowns disclose information to describe transfers of debt or capital assets among government agencies.**

.45 After discussion, the Government told us the Crown Investments Corporation (CIC) will issue a limited set of guidelines to its subsidiary Crown corporations, including guidelines addressing the specific related party transaction identified in this Chapter. CIC's guidelines will permit the transfer of debt and capital assets between related parties at other than book value under defined conditions.

.46 In addition, SaskTel's financial statements record an expense of \$12.3 million for an early retirement program. At December 31, 1992, the Legislative Assembly had not decided to allow SaskTel to have this early retirement program. We think it

is inappropriate for the Government to record expenses before the expenses have been authorized by the Assembly.

.47 CIC should ensure Part II Crowns account for decisions of the Assembly in the period the decisions are taken.

.48 After discussion, the Government told us it is always interested in a clear understanding of approval authorities. The Government also told us CIC maintains a list of decisions requiring various levels of approval by its subsidiary Crown corporations. CIC has agreed to review and update that list as required.

Community Bond
Program Expenses
Require Authority

.49 The Saskatchewan Diversification Corporation (SDC) is a wholly owned subsidiary of CIC III. SDC finances its operations entirely from money received from CIC III. SDC amalgamated with CIC III on September 3, 1992.

.50 SDC incurred expenses of \$1,381,677 for the Community Bond Program from April 1, 1991 to September 3, 1992. However, *The Community Bonds Act* does not authorize SDC to pay the Program's expenses. The Program's expenses must be paid from the Consolidated Fund.

.51 In our opinion, SDC's payment of the Program's expenses was, in effect, a transfer of funds to the Consolidated Fund to meet these costs. *The Financial Administration Act* provides:

"25 All public money other than:

- a) public money over which the Legislature has no power of appropriation; and*
- b) money otherwise specially disposed of by the Legislature;*

is to form one consolidated fund to be appropriated for the public services of Saskatchewan."

.52 Because SDC paid the Program's expenses directly, the Government did not obtain an appropriation from the Consolidated Fund. As a result, the Assembly did not have the opportunity to approve the Program's expenses.

Chapter 8 Crown Investments Corporation of Saskatchewan

Investments in
Corporations
Require Authority

.53 In 1992, CIC continued buying shares in corporations without Order-in-Council approval. CIC's subsidiaries, CIC III and SDC, purchased the shares.

.54 In our 1991 Annual Report, we reported CIC acted beyond its authority when it bought shares, through its subsidiaries, without Order-in-Council approval. We also reported CIC believes it had authority to buy shares through its subsidiaries without Order-in-Council approval.

.55 The Assembly gives specific powers to government organizations through the laws it passes. Those organizations cannot create additional powers. *The Crown Corporations Act, 1978* (Act) requires CIC to get Order-in-Council approval before buying shares in a corporation.

.56 To December 31, 1992, CIC had purchased shares of the following corporations, through its subsidiaries, without obtaining Orders-in-Council:

Shares bought through CIC III:	<u>Accumulated Cost</u>
Millar Western Pulp (Meadow Lake) Ltd. (1991 - \$49)	\$ 49
Saskferco Products Inc. (1991 - \$38,075,976)	66,692,212
SGI Canada Insurance Services Ltd. (1991 - \$100)	2,000,100

Shares bought through SDC:

Arctic Fish Company Inc.	\$200,000
Brandt Road Rail Corp.	400,000
Canamino Inc.	150,000
Canora Heavy Industries Corporation (1991 - \$100,000)	100,000
Contact Technologies Ltd.	250,000
Excel Fiberglas Manufacturing	60,914
Philom Bios Inc.	250,000
Prairie Aerospace Ltd. (1991 - \$95,002)	167,002
Precision Metal Fabricating Ltd. (1991 - \$150,000)	150,000
Redvers Agriboard Industries Inc. (1991 - \$150,000)	150,000
Rendamax/G.P. Industries Ltd.	500,000
Rotary Airforce Management Inc.	120,000

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Sci-Tec Instruments Inc. (1991 - \$200,000)	200,000
Shani Clothing Company Inc.	50,000
Trinitel International Corporation (1991 - \$400,000)	450,000
Veltek Wood Systems Incorporated (1991 - \$2)	2
Vitality Food and Health Corporation	50,000

We Recommend

.57 CIC should obtain Order-in-Council approval for share purchases.

Loans, Assistance and Guarantees to Corporations Require Authority

.58 In 1992, CIC continued to give support, i.e., loans, assistance and guarantees, to corporations in which CIC did not hold authorized investments. CIC's subsidiaries, CIC III and SDC, provided this support.

.59 The Act allows CIC to provide loans, assistance and loan guarantees to corporations in which it holds authorized investments. In 1991, we said CIC acted beyond its authority when it gave support to corporations in which it did not hold authorized investments.

.60 CIC gave support to the following corporations through its subsidiaries:

Provided through CIC III:	<u>Accumulated Total</u>
Dairy Producers Co-operative Ltd. (Loan) (1991 - \$10,000,000)	\$ 10,500,000
Millar Western Pulp (Meadow Lake) Ltd. (Loan) (1991 - \$142,392,000) (Guarantee) (1991 - \$980,000)	186,831,733 980,000
Promavia International Corporation (Loan) (1991 - \$1,899,300)	2,267,987
SGI Canada Insurance Services Ltd. (Loan) (1991 - \$1,000,000)	1,000,000
 Provided through SDC:	
Design Council of Canada (Assistance)	\$ 4,500
Prairie Aerospace Ltd. (Assistance) (1991 - \$32,000)	32,000
Trail-Rite Flatdecks Ltd. (Guarantee) (1991 - \$395,400)	395,400

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Trinitel International Corporation (Payment under guarantee)	500,135
Western Canada Industry Exhibition (Assistance)	5,000
Veltek Wood Systems Incorporated (Loan) (1991 - \$55,000)	55,000

.61 CIC and its subsidiaries do not hold shares, bonds, debentures or other securities in Dairy Producers Co-operative Ltd., Promavia International Corporation, Trail-Rite Flatdecks Ltd., Western Canada Industry Exhibition or the Design Council of Canada. Therefore, the loans, assistance or guarantees to them lack authority.

.62 CIC bought the shares in Millar Western Pulp (Meadow Lake) Ltd., Prairie Aerospace Ltd., SGI Canada Insurance Services Ltd., and Trinitel International Corporation without Order-in-Council approval. Therefore, any loans or guarantees to them lack authority.

We Recommend

.63 CIC should only make loans, assistance and guarantees to corporations in which it holds authorized investments.

Investment Analysis Needed

.64 In 1992, the Financial Management Review Commission recommended the Government give the Assembly details about the purpose, evaluation criteria, expected financial results and management strategy for all major commitments and transactions. We concur with this recommendation because such details will help the Assembly understand and assess the performance of the Government.

.65 CIC's 1992 Annual Report says CIC improved and documented its investment review criteria. We fully support this action. Such improvements will help CIC manage its investments, explain the reasons for its decisions, and compare planned and actual results.

We Recommend

.66 For each significant investment and commitment CIC holds or plans to hold, the Assembly should receive the following information:

- specific and clearly defined objectives;

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- criteria to determine if those objectives are achieved;
- expected costs and revenues of the investment or commitment;
- the source of funding; and
- the management structure to be used to ensure objectives are achieved and any corrective action required is taken.

Record of Policies
and Procedures
Needed

.67 CIC's administration manual needs improvement. CIC needs to record all of its policies, procedures and other reference material.

.68 An organization should keep a record of its administrative policies and procedures. This record can be a guide to staff as they carry out their duties. Recorded policies and procedures, approved by the board, will help in the orderly and efficient conduct of business. Examples of topics that should be included are:

- an organization chart;
- the mandate, mission, objectives and values;
- job descriptions for all staff positions including delegated authority levels; and
- administrative and control procedures.

We Recommend

.69 CIC should improve its administrative manual by recording all of its policies, procedures and other reference material.

Advance and
Payments Require
Authority

.70 CIC gave an equity advance of \$60 million to SaskPower. The Act allows the Board to make such advances. However, we did not find evidence that the Board approved the advance.

We Recommend

.71 The Board should approve advances.

Chapter 8 Crown Investments Corporation of Saskatchewan

.72 CIC's subsidiary SDC paid \$82,200 for a consulting contract. The Executive Council received the consulting services. Because SDC did not receive the services, SDC did not have proper support for these payments.

We Recommend

.73 CIC should only pay for goods and services it receives.

Chapter 9

Department of Agriculture and Food

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Chapter 9

Department of Agriculture and Food

Introduction

.01 The Department provides leadership in developing and supporting competitive agriculture and food industries.

Consolidated Fund

.02 In 1993, the Department managed Consolidated Fund appropriations of \$404 million and Consolidated Fund revenues of \$10 million. Volume II of the Public Accounts reports information about the Department's Consolidated Fund revenues at page 7 and the Department's Consolidated Fund appropriations at pages 38 and 220.

.03 The following is a list of major programs and spending:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Payments for Gross Revenue		
Insurance Plan	\$127	\$131
Payments to Saskatchewan Crop		
Insurance Corporation	109	140
Payments to Agriculture Credit Corporation	38	31
Payments for Net Income Stabilization		
Account	25	27
Payments to Agriculture Development Fund	18	14
Payments under the Crop Drought Assistance		
Program	14	14
Payments to Agricultural Returns		
Stabilization Fund	7	7
Payments under the Feed Grains		
Adjustment Program	6	7
Other	<u>30</u>	<u>33</u>
	<u>\$374</u>	<u>\$404</u>

Special Purpose
Funds and Crown
Agencies

.04 The Department was also responsible for the following Crown agencies and special purpose funds.

Agricultural Credit Corporation of Saskatchewan
Agriculture Development Fund
Agricultural and Food Products Development and
Marketing Council

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Cattle Marketing Deductions Fund
Crop Reinsurance Fund for Saskatchewan
Horned Cattle Fund
Milk Control Board
Prairie Agricultural Machinery Institute
Saskatchewan Agricultural Returns Stabilization Fund
Saskatchewan Beef Stabilization Board
Saskatchewan Crop Insurance Corporation
Saskatchewan Grain Car Corporation
Saskatchewan Horse Racing Commission
South Saskatchewan River Irrigation District #1
Tripartite Beef Administration Board

Our Audit Findings

.05 In our opinion, the financial statements for the agencies and special funds listed in paragraph .04 are reliable except where we report otherwise in this Chapter. The agencies had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter. The Department and its agencies complied with the authorities governing the activities of the agencies and special funds listed in paragraph .04 as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

.06 To meet established priorities, we did not do sufficient audit work to report on:

- the reliability of the financial statements of the Agriculture Development Fund;
- the Department's and the Agriculture Development Fund's rules and procedures to safeguard and control the Department's appropriations and revenues and the assets of the Agriculture Development Fund, Cattle Marketing Deductions Fund and Horned Cattle Fund; and
- whether the Department and the Agriculture Development Fund complied with the authorities governing the activities of the Department's Consolidated Fund appropriations and revenue and the Agriculture Development Fund.

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.07 We also cannot report whether the Saskatchewan Crop Insurance Corporation complied with the authorities governing its activities because of delays in receiving information from the Corporation. We will include our audit findings in our next Report.

**AGRICULTURAL
CREDIT
CORPORATION
OF
SASKATCHEWAN**

.08 The Corporation (ACS) lends money to farmers. ACS has developed several lending programs to service specific financing needs.

.09 ACS had revenues of \$93 million in 1993 and held assets of \$574 million at March 31, 1993. ACS's financial statements are included in the Public Accounts Compendium at page B1.

Our Audit Findings

.10 In our opinion, ACS's financial statements are reliable. ACS had adequate rules and procedures to safeguard and control its assets except for the matter reported in paragraphs .20 to .24. ACS complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Fees Need Authority

.11 In our opinion, the Legislative Assembly created Agricultural Credit Corporation of Saskatchewan (ACS) to reduce farmers' cost of borrowing to rates below those available from commercial source. To give effect to the Assembly's intent, we believe ACS must interpret and administer *The Agricultural Credit Corporation of Saskatchewan Act* within that context.

.12 ACS began charging a "capital loss allowance fee" on all capital loans approved after October 1, 1987. ACS charges farmers a one-time fee of 2% of the sum borrowed for all capital loans. ACS charged \$467,000 in 1993 (\$682,000 in 1992) for capital loss allowance fees. To March 31, 1993 the accumulated charge for this fee was \$2,585,000.

.13 In our opinion, fees of this kind are part of the cost of the borrowing rate. Under *The Cost of Credit Disclosure Act* this kind of fee must be included in the cost of borrowing rate that lenders disclose to borrowers.

.14 In our opinion, because this fee increases the farmers'

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borrowing rates, Lieutenant Governor in Council (Cabinet) must approve the rate. We also believe the Act limits the rates Cabinet can authorize to rates less than a commercial lender.

.15 In our opinion, ACS acted beyond its authority when it began charging borrowers a 2% fee on all capital loans approved after October 1987.

.16 ACS's management believes *The Agricultural Credit Corporation of Saskatchewan Act* gives ACS broad powers, and therefore it does not require further authority to charge this fee.

.17 Both ACS and our Office have legal advice supporting the respective positions. Since there are conflicting legal opinions the Act is unclear. Therefore, ACS's ability to retain this fee may be jeopardized by a future law suit.

.18 We have reported this matter in our Annual Reports for several years.

We Recommend

.19 **ACS should obtain an Order-in-Council to approve its cost of borrowing rates.**

Contingency Plan Needed

.20 ACS does not have a written and tested plan to ensure it can operate in the event of a major loss or destruction of its records.

.21 ACS needs a written and tested contingency plan because its operations depend on the reliability of its information systems.

.22 We reported this matter in our 1990, 1991 and 1992 Annual Reports.

We Recommend

.23 **ACS should prepare a written contingency plan and test the plan.**

.24 ACS told us it continues to work on a disaster recovery plan and intends to implement the plan in two phases during the 1993/94 and 1994/95 years.

Appointed Auditor's Reports

.25 We relied on the appointed auditor's reports on the financial statements and internal control.

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.26 We relied on the appointed auditor's report on compliance with authorities except for ACS's authority to charge a capital loss allowance fee. We do not think ACS has authority to charge the fee. The appointed auditor thinks ACS has authority to charge the fee. The reporting or non-reporting of this matter is subject to judgement.

.27 *The Provincial Auditor Act* requires us to conduct additional procedures when we cannot rely on the report of an appointed auditor. Since the issue is of a legal nature, our additional procedures consisted of obtaining legal advice and discussing the issue with the appointed auditor.

**PRAIRIE
AGRICULTURAL
MACHINERY
INSTITUTE**

.28 The Institute (PAMI) tests and appraises machinery, publishes reports, bulletins, and pamphlets, and does development work to improve machinery.

.29 PAMI had revenue of \$2.5 million in 1993 and held assets of \$2.0 million at March 31, 1993. PAMI's financial statements are included in the Public Accounts Compendium at page B45.

Our Audit Findings

.30 In our opinion, the financial statements of PAMI are reliable. PAMI's rules and procedures to safeguard and control its assets were adequate except for the significant deficiency reported in paragraphs .31 to .34. PAMI complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Councillors Need
to Control PAMI

.31 The councillors did not control the affairs and business of PAMI for most of the year. According to law, councillors are responsible to manage the affairs and business of PAMI. The councillors must meet at least four times a year to manage the affairs and business of PAMI.

.32 PAMI did not have councillors for the period April 1, 1992 to February 4, 1993. The terms of all previous councillors ended on March 31, 1992. The Government did not appoint new councillors until February 4, 1993.

.33 In our opinion, PAMI needs councillors at all times to

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ensure proper control of management. Management operated without councillors for most of the year. Also, we are concerned about management's authority to operate without councillors.

We Recommend

.34 The Government should make timely appointments of councillors.

TRIPARTITE BEEF ADMINISTRATION BOARD

.35 The Board administers the Tripartite beef and honey plans.

.36 The Board had revenues of \$1.0 million in 1993 and held assets of \$.6 million at March 31, 1993. Also, the Board had trust receipts of \$2.4 million in 1993 and held trust assets of \$.4 million at March 31, 1993. The Board's financial statements are included in the Public Accounts Compendium at page B420.

Our Audit Findings

.37 In our opinion, the Board's financial statements are reliable. The Board's rules and procedures to safeguard and control its assets were adequate except for the significant deficiency reported in paragraphs .38 to .42. The Board complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Directors Need to Control the Board

.38 The directors did not control the affairs and business of the Board for most of the year.

.39 The Board did not have directors for the period September 1, 1992 to May 4, 1993. The terms of all directors ended on August 31, 1992 and the Government did not appoint new directors until May 4, 1993. In addition, the Board's meeting on May 13, 1992 was its last 1992 meeting.

.40 According to law, the directors are responsible to manage the affairs and business of the Board.

.41 In our opinion, the Board needs directors to ensure the proper control of management. Management operated without directors for most of the year. Also, we are concerned about management's authority to operate without directors.

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We Recommend

.42 The Government should make timely appointments of directors.

**AGRICULTURAL
AND FOOD
PRODUCTS
DEVELOPMENT
AND MARKETING
COUNCIL**

.43 The Council is responsible for the following development and marketing boards. Producers elect these boards.

Saskatchewan Broiler Hatching Egg Producers'
Marketing Board

Saskatchewan Canola Development Commission

Saskatchewan Commercial Egg Producer' Marketing
Board

Saskatchewan Chicken Marketing Board

Saskatchewan Pulse Crop Development Board

Saskatchewan Sheep Development Board

Saskatchewan Turkey Producers' Marketing Board

Saskatchewan Vegetable Marketing and Development
Board

SPI Marketing Group

Annual Report Needs
Financial Statements

.44 The Council does not include the financial results of the boards listed in paragraph .43 in its annual report to the Legislative Assembly.

.45 The Council prepares an annual report for the Assembly. *The Agri-Food Act* requires the Council to report on the activities of development and marketing boards in the Council's annual report. The Act does not require the Council to include the financial statements of these Boards.

.46 Accordingly, the Assembly does not receive information from the Government about public money managed through marketing boards. Paragraph .49 shows summary financial information for the Boards.

.47 We think Government's accountability to the Assembly would be improved if the Council included the financial statements of the development and marketing Boards in its annual report.

We Recommend

.48 The Council should include in its annual report the financial statements of the development and marketing Boards.

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Summary Financial Information on the Boards

.49 Following is a list of marketing boards and summary financial information.

	<u>Board Revenue</u>	<u>Board Spending</u> (in \$ thousands)	<u>Trust Fund Revenue</u>
Saskatchewan Broiler Hatching Egg Producers' Marketing Council	39	30	---
Saskatchewan Canola Development Commission	700	306	---
Saskatchewan Commercial Egg Producers' Marketing Board	373	306	---
Saskatchewan Chicken Marketing Board	376	342	---
Saskatchewan Pulse Crop Development Board	597	577	---
Saskatchewan Sheep Development Board	95	96	602
Saskatchewan Turkey Producers' Marketing Board	108	167	---
Saskatchewan Vegetable Marketing and Development Board	68	65	---
SPI Marketing Board	10,234	9,823	116,656

Council Needs to Monitor Development and Marketing Boards

.50 *The Agri-Food Act* makes the Council responsible for the administration of the nine boards shown in paragraph .43.

.51 To discharge its responsibilities, the Council needs to ensure Boards have adequate rules and procedures to safeguard and control their assets and Boards comply with the Regulations and Marketing Orders governing their activities. In paragraphs .56 to .72, we report deficiencies in rules and procedures to safeguard and control Board assets and several instances where Boards did not comply with governing authorities. We have reported these

Chapter 9 Department of Agriculture and Food

matters in previous Annual Reports.

.52 To meet established priorities, we did not audit the following five boards.

Saskatchewan Broiler Hatching Egg Producers' Marketing Board

Saskatchewan Commercial Egg Producers' Marketing Board

Saskatchewan Chicken Marketing Board

Saskatchewan Pulse Crop Development Board

Saskatchewan Turkey Producers' Marketing Board

.53 Also, we have not finished our audit of The Saskatchewan Vegetable Marketing and Development Board. We will include our findings from this audit in our next Report.

.54 We did complete our audit of the Saskatchewan Canola Development Commission, Saskatchewan Sheep Development Board, and SPI Marketing Board. In our opinion, these boards had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter. These Boards complied with the authorities governing their activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter. The financial statements for these three Boards were reliable.

We Recommend

.55 The Council should monitor the activities of the Board's to ensure they comply with authorities and have adequate rules and procedures to safeguard and control their assets.

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION	<p>.56 The Commission improves and develops market opportunities for canola.</p> <p>.57 The Commission had revenue of \$.7 million in 1992 and held assets of \$.5 million at July 31, 1992. The Agricultural and Food Products Development and Marketing Council did not include the Commission's financial statements in the Council's annual report.</p>
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Our Audit Findings

.58 In our opinion, the Commission's financial statements are reliable. The Commission's rules and procedures to safeguard and

Chapter 9 Department of Agriculture and Food

control its assets were adequate. The Commission complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Annual Report

.59 The Commission did not submit its 1992 annual report to the Agricultural and Food Products Development and Marketing Council by the required date. Section 8 (4) of The Saskatchewan Canola Development Plan Regulations required the Commission to submit its 1992 annual report to the Council by September 29, 1992.

.60 The Commission submitted its 1992 annual report to the Council on January 15, 1993. Therefore, the Commission did not comply with Section 8 (4) of the Regulations.

We Recommend

.61 The Commission should submit its annual report by the date required by law.

.62 The Commission told us it is asking for a change to the Regulations. The Commission wants the Regulations changed to require it to submit an annual report within 150 days after its fiscal year end.

SASKATCHEWAN SHEEP DEVELOPMENT BOARD

.63 The Saskatchewan Sheep Development Board (SSDB) finds markets for, assembles, and transports sheep for producers. It also provides supplies for producers.

.64 The SSDB had revenue of \$95,000 in 1992 and held assets of \$44,000 at December 31, 1992. The SSDB also managed the producers' trust fund which had receipts of \$602,000 for the year ended December 31, 1992. The Agricultural and Food Development and Marketing Council did not include SSDB's financial statements in the Council's annual report.

Our Audit Findings

.65 In our opinion, the SSDB's financial statements are reliable. The SSDB complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .71 to .72.

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The SSDB had adequate rules and procedures to safeguard and control its assets except for the following significant deficiencies.

Written Rules and
Procedures Required

.66 The SSDB lacks written rules and procedures to safeguard and control its assets and to ensure it complies with its governing authorities. We have reported this concern for several years.

.67 The lack of written rules and procedures increases the risk of a breakdown in control. Staff and the Board lack direction on proper handling of transactions.

.68 During the year, the SSDB made progress in improving its internal controls. The SSDB developed rules and procedures for some day to day functions. However, we think the SSDB needs to document more rules and procedures to provide a basis for effective management and control.

.69 The SSDB still needs written rules and procedures for the following significant deficiencies in its rules and procedures:

- the SSDB's rules and procedures did not adequately involve the Board in the day to day operations of the SSDB. The Board needs to be involved because the SSDB does not have sufficient staff to adequately segregate duties. Segregation of duties is inadequate when one person can conceal an error or fraud; and
- the SSDB does not have written employment contracts with its employees.

We Recommend

.70 The SSDB should fully document its rules and procedures.

Compliance with
Authorities

.71 During our 1992 audit of the SSDB, we found several instances where the SSDB did not comply with The Sheep Development Plan Regulations and Marketing Orders governing its activities. We have reported these same instances of non-compliance in our Annual Reports for several years. Following are these instances of non-compliance:

- the SSDB did not hold the annual general meeting required by the Regulations;

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- the SSDB did not hold its regional meeting within the time period required by the Regulations;
- the SSDB does not have a system to know if all producers required by the Regulations and Marketing Order 2/89 to register with the SSDB have registered;
- the SSDB did not assess the penalties required by Marketing Order 8/89 to producers who fail to remit service fees on time. The SSDB assessed a different penalty to these producers;
- the SSDB did not carry insurance on the sheep and lambs it markets as required by Marketing Order 10/89;
- the SSDB assessed fees for yardage and insurance that were not approved by the Board as required by the Regulations;
- the SSDB assessed fees for marketing goats. The Regulations governing the SSDB do not provide authority to market goats; and
- the SSDB's annual report did not contain its audited financial statements as required by the Regulations.

We Recommend

.72 The SSDB should comply with the Regulations and Marketing Orders governing its activities. Alternatively, the SSDB should seek changes to these Regulations and Marketing Orders.

Chapter 10

Department of Community Services

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Department of Community Services

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Chapter 10

Department of Community Services

Introduction

.01 The Department maintains and enhances the quality of life for Saskatchewan residents by providing financial help, technical advice, and advisory services that support:

- effective decision making in Saskatchewan communities;
- local services and facilities;
- policy development; and
- sport, recreation, and culture development.

Consolidated Fund

.02 In 1993, the Department managed Consolidated Fund appropriations and revenues of \$147 million and \$15 million respectively. Information about the Department's appropriations and revenues appears in Volume II of the Public Accounts at pages 47 and 8 respectively.

.03 The following is a list of major programs and spending.

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Urban Revenue Sharing	\$ 53	\$ 53
Transfers to Saskatchewan Housing Corporation	28	28
Housing	8	7
Saskatchewan Assessment Management Agency	8	8
Saskatchewan Home Improvement Program	9	6
Grants to Libraries	5	5
Northern Revenue Sharing	5	5
Saskatchewan Property Management Corporation	4	4
Other	<u>27</u>	<u>24</u>
	<u>\$147</u>	<u>\$140</u>

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Special Purpose
Funds and Crown
Agencies

.04 The Department was also responsible for the following special purpose funds and Crown agencies.

Northern Revenue Sharing Trust Account
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Centre of the Arts
Saskatchewan Heritage Foundation
Saskatchewan Housing Corporation
Saskatchewan Lotteries Trust Fund for Sports,
Recreation, and Culture
The Water Appeal Board
Western Development Museums

Our Audit Findings

.05 In our 1992 Annual Report, we reported a number of audit findings regarding the Saskatchewan Lotteries Trust Fund for Sports, Recreation, and Culture and stated we had not completed our 1992 audit of the Fund. This Chapter includes our additional audit findings for the Fund's 1992 year end.

.06 In our opinion, the financial statements for the special funds and Crown agencies listed in paragraph .04 are reliable except where we report otherwise in this Chapter. The Department and its agencies had adequate rules and procedures to safeguard and control the assets of the special purpose funds and Crown agencies listed in paragraph .04 except where we report otherwise in this Chapter. The Department and its Crown agencies complied with the authorities governing the activities of its special purpose funds and Crown agencies as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing, except where we report otherwise in this Chapter.

.07 To meet established priorities, we did not do any audit work on the Department's Consolidated Fund appropriations and revenues and the Saskatchewan Lotteries Trust Fund for Sports, Culture, and Recreation for 1993.

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SASKATCHEWAN ARTS BOARD

.08 The Board fosters the development of the professional arts and artistic pursuits that enrich the lives of the people of Saskatchewan.

.09 The Board had revenue of \$4.1 million in 1993 and held assets of \$2.3 million at March 31, 1993. The Board's financial statements are included in the Public Accounts Compendium at page B295.

Our Audit Findings

.10 In our opinion, the Board's financial statements are reliable. The Board had adequate rules and procedures to safeguard and control its assets. The Board complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Loan Guarantees Need to be Approved

.11 The Board guaranteed a loan without obtaining the approval of the Minister of Finance.

.12 *The Financial Administration Act* requires the Board to obtain the approval of the Minister of Finance before making loan guarantees.

.13 *The Saskatchewan Arts Board Act* also contains lending powers for the Board. The Board told us it relied on this Act to make a loan guarantee of \$77,000.

.14 *The Financial Administration Act* overrides *The Saskatchewan Arts Board Act* on this matter.

.15 In our opinion, the Board lacked authority for the loan guarantee.

We Recommend

.16 The Board should obtain written approval from the Minister of Finance before making loan guarantees.

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SASKATCHEWAN CENTRE OF THE ARTS

.17 The Centre is a multi-purpose facility used to enhance the quality of life of the people of Saskatchewan.

.18 The Centre had revenue of \$3.7 million in 1993 and held assets of \$1.1 million at March 31, 1993. The Centre's financial statements are included in the Public Accounts Compendium at page B340.

Our Audit Findings

.19 In our opinion, the Centre's financial statements are reliable. The Centre had adequate rules and procedures to safeguard and control its assets except for the significant deficiency reported in paragraphs .24 to .29. The Centre complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Borrowing Requires Authority

.20 The Centre borrowed more than the \$400,000 line of credit approved by the Minister of Finance. At July 28, 1992, the Centre had borrowed \$528,013 on its line of credit.

.21 Section 41 of *The Financial Administration Act* states:

"Notwithstanding the provisions of any other Act, no department, board, commission or agent of the Government of Saskatchewan and no Crown Corporation shall borrow any moneys without the approval of the Minister."

.22 In our opinion, the Centre did not comply with the *Financial Administration Act*.

We Recommend

.23 The Centre should obtain prior approval from the Minister of Finance before borrowing money.

The Board Needs to Control Expenses of Management

.24 The Centre does not have adequate rules and procedures to monitor and control the expenses of management.

.25 The Centre needs to establish policies on the nature and extent of management expenses allowed. The Centre should have written rules and procedures defining expenses permitted, and the

Chapter 10 Department of Community Services

documents necessary for processing expense claims.

.26 Certain management employees use the Centre's credit cards. During the year, the Centre paid \$17,055 for charges to the Centre's credit cards.

.27 We reviewed the Centre's payment practices for amounts owing on the Centre's credit cards. We examined payments totalling \$5,233. We wanted to determine if these payments had proper supporting documents and if the charges were Centre expenses.

.28 We found the Centre made payments without proper supporting documents. Also, we could not determine if certain expenses were Centre expenses because the Centre has not defined the expenses permitted. In addition, the Board did not approve the credit card expenses of the Executive Director.

We Recommend

.29 The Centre should establish rules and procedures to monitor and control the expenses of management.

SASKATCHEWAN LOTTERIES TRUST FUND FOR SPORTS, RECREATION, AND CULTURE

.30 The Interprovincial Lotteries regulations created the Saskatchewan Lotteries Trust Fund for Saskatchewan's net lottery proceeds received from the Western Canada Lottery Corporation. The Government designated Sask Sport Inc. as the marketing organization for a lottery scheme in Saskatchewan. The Regulations require Sask Sport Inc. to administer the Fund for the Minister.

.31 The Trust Fund's financial statements reported revenue of \$34.6 million in 1993 and assets of \$ 32.1 million at March 31, 1993. The Trust Fund's financial statements are included in the Public Accounts Compendium at page B384.

Our Audit Findings

.32 In our 1992 Annual Report, we reported a number of concerns regarding the Trust Fund. We reported concerns with the Trust Fund's financial statements, the rules and procedures to safeguard and control the assets of the Fund, and the Department's compliance with the authorities governing the activities of the Fund. We also reported we had not completed our audit of the Trust Fund for the year ended March 31, 1992. The 1992 audit is now complete and paragraphs .34 to .41 contain our audit findings that we did not previously report in our 1992 annual

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report.

.33 To meet established priorities, we did not audit the Trust Fund for the year ended March 31, 1993. Accordingly, we are unable to provide any assurance on the Fund's 1993 financial statements, internal controls and compliance with authorities. We plan to audit the Trust Fund for the year ended March 31, 1994.

License Fee Requires Authority

.34 The Department directed Sask Sport Inc. to pay a license fee from the Trust Fund to the Consolidated Fund. This payment lacked proper authority.

.35 In 1992, Sask Sport Inc. paid a license fee of \$2,775,000 (1991- \$75,000) to the Consolidated Fund.

.36 *The Interprovincial Lotteries Act* and Regulations do not provide authority to pay a license fee to the Consolidated Fund from the Trust Fund.

We Recommend

.37 The Department should stop charging the Trust Fund a license fee or seek changes to the law to permit the fee.

Payments Require Authority

.38 During 1992, the Department directed Sask Sport Inc. to pay \$7.6 million out of the Trust Fund. These payments lacked adequate authority.

.39 According to the Interprovincial Lotteries Regulations only organizations incorporated as non-profit corporations are eligible for payments from the Trust Fund.

.40 The Department directed Sask Sport Inc. to pay \$7.6 million out of the Trust Fund to organizations that were not incorporated as non-profit corporations. The Trust Fund paid \$5.4 million to other government agencies. It paid \$3.5 million to the Saskatchewan Arts Board, \$1.5 million to the Western Development Museum, and \$.4 million to the Saskatchewan Heritage Foundation. The Trust Fund also paid \$2.2 million to several hundred community recreation boards that were not incorporated as non-profit corporations.

We Recommend

.41 The Department should ensure all payments from the Trust Fund have adequate authority.

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Appointed Auditor's Reports

.42 We relied on the appointed auditor's report on the Trust Fund's financial statements except the financial statements did not show \$8.5 million in revenues and expenses belonging to the Fund. Under the Department's direction, Sask Sport Inc. administered and accounted for this \$8.5 million outside of the Trust Fund. We believe the Department provided incorrect direction to Sask Sport Inc. because the \$8.5 million belonged to the Trust Fund. Also, the financial statements incorrectly show \$8.7 million in 1992 revenue that should be shown as revenue of prior years. We reported the financial statements concerns in our 1992 Annual Report. The appointed auditor accepted the Trust Fund's financial statements.

.43 We relied on the appointed auditor's report on compliance with authorities except for the payment of license fees and Sask Sport Inc. not promptly paying net lottery proceeds of \$8.7 million received for the Western Canada Lottery Corporation into the Trust Fund. The Regulations require all the net lottery profits to be credited to the Trust Fund. Sask Sport Inc. did not credit \$8.7 million of net lottery profits received in prior years to the Fund until 1992. We believe all the net lottery profits from the Western Canada Lottery Corporation should be credited promptly to the Fund. We reported our concern with the delay in paying the \$8.7 million in our 1992 Annual Report. The appointed auditor did not report these matters.

.44 We relied on the appointed auditor's report on internal control except the Department's agent did not have adequate procedures to record the \$8.7 million in the correct period. The appointed auditor did not report this matter.

.45 *The Provincial Auditor Act* requires us to do additional audit procedures when we are unable to rely on the report of an appointed auditor. The appointed auditor's procedures were sufficient to allow us to form our opinions. Therefore, we did not have to do any additional procedures.

THE WATER APPEAL BOARD

.46 The Board hears and determines appeals made to it under *The Water Appeal Board Act*.

.47 The Board had revenue of \$68,000 in 1993 and held assets of \$43,000 at March 31, 1993. The Board's financial statements are included in the Public Accounts Compendium at page B435.

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Our Audit Findings

.48 In our opinion, the Board's financial statements are reliable. The Board had adequate rules and procedures to safeguard and control its assets. The Board complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Rules of Practice and Procedure Need Approval

.49 The Lieutenant Governor in Council (Cabinet) has not approved the Board's current rules of practices and procedures.

.50 Section 6 of *The Water Appeal Board Act* gives the Board the authority to make rules of practice and procedure for the purpose of carrying out its functions, duties or powers. The section also states such rules of practice and procedure require Cabinet's approval.

.51 The Board currently uses practices and procedures adopted by a previous Board in 1989. However, these policies and procedures never received Cabinet's approval.

.52 In our opinion, the Board did not comply with Section 6 of *The Water Appeal Board Act*.

We Recommend

.53 The Board should obtain the Lieutenant Governor in Council's approval for its practices and procedures for carrying out its functions, duties or powers.

WESTERN DEVELOPMENT MUSEUMS

.54 The Museum acquires objects of historical value and importance to the economic and cultural development of Western Canada and collects, preserves, restores, and exhibits the objects to the public.

.55 The Museum had revenue of \$3.6 million in 1993 and held assets of \$12.9 million at March 31, 1993. The Museum's financial statements are included in the Public Accounts Compendium at page B413.

Our Audit Findings

.56 In our opinion, the Museum's financial statements are reliable. The Museum complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and

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investing. The Museum had adequate rules and procedures to safeguard and control its assets except for the following significant deficiency.

Segregation of Duties
Required

.57 The Museum has not adequately segregated the duties of employees handling investments.

.58 Segregation of duties is inadequate when one person can conceal an error or fraud.

.59 One employee is responsible for buying, selling and accounting for investments. This employee also has access to investments stored at the Museum.

.60 Also, the Museum did not restrict employees' access to the investments. All office employees had access to the investments.

.61 This deficiency in the Museum's rules and procedures allows investments to be lost or stolen without timely detection.

We Recommend

.62 The Museum should segregate the duties of employees handling investments.

.63 The Museum told us it has now segregated the duties of employees handling investments.

Chapter 11

Department of Economic Development

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Chapter 11

Department of Economic Development

Introduction	.01 The Department is to expand and diversify the Saskatchewan economy in partnership with stakeholders.																														
Consolidated Fund	<p>.02 In 1993, the Department managed Consolidated Fund appropriations of \$27 million and revenues of \$.3 million. Information about the Department's revenues and appropriations appears on pages 8 and 64 of Volume II of the Public Accounts.</p> <p>.03 The following is a list of the Department's major programs and spending.</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Original Estimates</u></th> <th style="text-align: right;"><u>Actual</u></th> </tr> <tr> <th></th> <th colspan="2" style="text-align: center;">(in millions of dollars)</th> </tr> </thead> <tbody> <tr> <td>Tourism</td> <td style="text-align: right;">\$ 9.0</td> <td style="text-align: right;">\$ 7.7</td> </tr> <tr> <td>Diversification & Investment</td> <td style="text-align: right;">5.8</td> <td style="text-align: right;">8.8</td> </tr> <tr> <td>Administration & Human Resources</td> <td style="text-align: right;">3.5</td> <td style="text-align: right;">2.4</td> </tr> <tr> <td>Business Services & Co-operatives</td> <td style="text-align: right;">3.3</td> <td style="text-align: right;">2.8</td> </tr> <tr> <td>Advanced Technology Development</td> <td style="text-align: right;">2.8</td> <td style="text-align: right;">1.7</td> </tr> <tr> <td>Payments to Saskatchewan Property Management Corporation</td> <td style="text-align: right;">2.7</td> <td style="text-align: right;">2.1</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>4.7</u></td> <td style="text-align: right;"><u>1.6</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$31.8</u></td> <td style="text-align: right;"><u>\$27.1</u></td> </tr> </tbody> </table>		<u>Original Estimates</u>	<u>Actual</u>		(in millions of dollars)		Tourism	\$ 9.0	\$ 7.7	Diversification & Investment	5.8	8.8	Administration & Human Resources	3.5	2.4	Business Services & Co-operatives	3.3	2.8	Advanced Technology Development	2.8	1.7	Payments to Saskatchewan Property Management Corporation	2.7	2.1	Other	<u>4.7</u>	<u>1.6</u>		<u>\$31.8</u>	<u>\$27.1</u>
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Other	<u>4.7</u>	<u>1.6</u>																													
	<u>\$31.8</u>	<u>\$27.1</u>																													
Special Purpose Fund	.04 The Department was also responsible for managing the Northern Saskatchewan Economic Development Revolving Fund.																														

Our Audit Findings

.05 In our opinion, the Department had adequate rules and procedures to safeguard and control its Consolidated Fund appropriations and revenues. The Department complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. However, we report a perceived conflict of interest related to Community Bonds in paragraphs .21 to .26.

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**NORTHERN
SASKATCHEWAN
ECONOMIC
DEVELOPMENT
REVOLVING
FUND**

.06 The Department uses the Fund to finance loans to northern residents.

.07 The Fund had revenues of \$1.1 million in 1993 and held assets of \$11 million at March 31, 1993. The Fund's financial statements are included in the Public Accounts Compendium at page A325.

Our Audit Findings

.08 In our opinion, the financial statements are reliable. The Department complied with the authorities governing the activities of the Fund as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .16 to .20. The Department had adequate rules and procedures to safeguard and control the assets of the Fund except for the following significant deficiencies.

Loan Recovery Plan
Required

.09 The Department lacks a system or management plan for recovering loans significantly in arrears. Several loans have been in arrears for a number of years.

We Recommend

.10 The Department should establish a plan for loans in arrears. The plan should address the collection and recovery of loans more than three months in arrears.

.11 The Department told us it has developed a new management plan for all loans.

Collateral Required

.12 The Department lacks a system to ensure it maintains sufficient collateral for its loans.

.13 The Department should have rules and procedures for monitoring the value of collateral over the life of a loan. For many loans, the collateral held was insufficient to recover the amounts outstanding.

We Recommend

.14 The Department should establish a system to ensure it maintains sufficient collateral for its loans.

.15 The Department told us it suspended commercial lending. For existing loans, the new management plan will ensure the value

Chapter 11 Department of Economic Development

of the collateral will be continually monitored and appropriate action is taken as necessary.

Expenditure Limit
Exceeded

.16 The Department exceeded the Fund's maximum accumulated net expenditure limit set by Order-in-Council.

.17 Order-in-Council 1046/88 set a maximum limit of \$1,500,000 for the Fund's accumulated net expenditure. The Department exceeded this limit for the years ended March 31, 1992, and March 31, 1993.

.18 The Fund had accumulated net expenditures of \$1,851,945 for the year ended March 31, 1992, and \$1,916,294 for the year ended March 31, 1993.

We Recommend

.19 The Department should comply with the accumulated net expenditure limit for the Fund.

.20 Management told us a system would be developed whereby a sufficient subsidy amount would be transferred from the Consolidated Fund to ensure the accumulated net expenditure remains below the prescribed limit.

Perceived Conflict
of Interest

.21 Section 27 of *The Community Bonds Act* states:

The Securities Act, 1988 does not apply to:

a) *The distribution, offering, promotion, advertising, sale, disposition or transfer of:*

i) *a community bond; or*

ii) *a security that, on compliance with this Act and the regulations, will be a community bond;*

b) *the exchange, of a project bond for securities of the eligible business in which moneys from the project bond were invested or the conversion of those securities to equity shares of the eligible business in accordance with any terms or conditions of the securities;*

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- c) *any trade of securities from an eligible business to the community bond corporation which has invested its moneys in the eligible business; or*
- d) *the deemed conversion in accordance with this Act of a community bond into voting shares of a community bond corporation at the full term maturity date of the community bond.*

.22 Community Bond Corporations issue community bonds under *The Community Bonds Act*. The Government guarantees the principal amount of these community bonds. Under the Act, the Government approves a Community Bond Corporation's disclosure document. The community bondholders receive the disclosure document when the Corporation wants investors to exchange their guaranteed bonds for shares in a Project company. A disclosure document may include information such as a business plan, and the size and terms of the investment. It also may include a description of the securities to be issued and the redemption and exchange provisions relating to the securities.

.23 In our opinion, there is a perceived conflict of interest. The Government approves a Bond Corporation's disclosure document. The Government also has a direct interest in having guaranteed bonds converted to shares to relieve the Government of its guarantee. Accordingly, it is important that required disclosure is adequate and perceived to be adequate.

We Recommend

.24 The Government should consider whether it continues to be appropriate to exempt Community Bond Corporations from *The Securities Act, 1988*.

.25 If the Community Bond Program was subject to *The Securities Act*, the Saskatchewan Securities Commission would review and approve disclosures contained within documents proposing conversions of guaranteed bonds to shares.

.26 On February 15, 1994, the Government introduced legislative changes to repeal section 27 of *The Community Bonds Act*.

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Chapter 12

Department of Education

Introduction	<p>.01 The Department is responsible for providing leadership and funding in the development and operation of education and training in the Province.</p>																																							
Consolidated Fund	<p>.02 In 1993, the Department managed Consolidated Fund revenues of \$20 million and appropriations of \$904 million. Information about the revenues and appropriations appears in Volume II of the Public Accounts at pages 9 and 71 respectively.</p> <p>.03 The following is a list of the Department's major programs and spending.</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Original Estimates</u></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Actual</u></th> </tr> <tr> <th style="text-align: left;"></th> <th colspan="2" style="text-align: center; font-size: small;">(in millions of dollars)</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Grants to operate schools</td> <td style="text-align: right;">\$366</td> <td style="text-align: right;">\$366</td> </tr> <tr> <td style="text-align: left;">Grants to Universities</td> <td style="text-align: right;">181</td> <td style="text-align: right;">181</td> </tr> <tr> <td style="text-align: left;">Payments to Saskatchewan Institute of Applied Science and Technology (SIAST)</td> <td style="text-align: right;">73</td> <td style="text-align: right;">73</td> </tr> <tr> <td style="text-align: left;">Grants to construct schools</td> <td style="text-align: right;">65</td> <td style="text-align: right;">64</td> </tr> <tr> <td style="text-align: left;">Teacher pensions and benefits</td> <td style="text-align: right;">124</td> <td style="text-align: right;">114</td> </tr> <tr> <td style="text-align: left;">Student Aid Fund operations</td> <td style="text-align: right;">34</td> <td style="text-align: right;">31</td> </tr> <tr> <td style="text-align: left;">Training Programs</td> <td style="text-align: right;">15</td> <td style="text-align: right;">15</td> </tr> <tr> <td style="text-align: left;">Official Minority Language Office</td> <td style="text-align: right;">10</td> <td style="text-align: right;">11</td> </tr> <tr> <td style="text-align: left;">Payments to Regional Colleges</td> <td style="text-align: right;">6</td> <td style="text-align: right;">6</td> </tr> <tr> <td style="text-align: left;">Other</td> <td style="text-align: right; border-top: 1px solid black;">46</td> <td style="text-align: right; border-top: 1px solid black;">43</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><u>\$920</u></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><u>\$904</u></td> </tr> </tbody> </table>		<u>Original Estimates</u>	<u>Actual</u>		(in millions of dollars)		Grants to operate schools	\$366	\$366	Grants to Universities	181	181	Payments to Saskatchewan Institute of Applied Science and Technology (SIAST)	73	73	Grants to construct schools	65	64	Teacher pensions and benefits	124	114	Student Aid Fund operations	34	31	Training Programs	15	15	Official Minority Language Office	10	11	Payments to Regional Colleges	6	6	Other	46	43		<u>\$920</u>	<u>\$904</u>
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Special Purpose Funds and Crown Agencies	<p>.04 The Department is also responsible for the operation of several Crown agencies and special purpose funds. These are:</p> <ul style="list-style-type: none"> Carlton Trail Community College Correspondence School Revolving Fund Cumberland Regional College Cypress Hills Regional College North West Regional College Northlands College Parkland Regional College 																																							

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Prairie West Regional College
Saskatchewan Book Bureau Revolving Fund
Saskatchewan Communications Network Corporation
Saskatchewan Indian Regional College
Saskatchewan Institute of Applied Science and
Technology (SIAST)
Southeast Regional College
Student Aid Fund
Teachers Superannuation Commission

Our Audit Findings

.05 In our opinion, the financial statements for the agencies and funds listed in paragraphs .04 are reliable except where we report otherwise in this Chapter.

.06 The rules and procedures to safeguard and control the assets of the agencies and funds listed in paragraphs .04 were adequate except where we report otherwise in this Chapter. The Department's rules and procedures to safeguard and control its Consolidated Fund appropriations for operating and capital grants to schools were adequate except where we report otherwise in this Chapter.

.07 The Department and its agencies complied with the authorities governing operating and capital school grants and the activities of the agencies and funds listed in paragraphs .04 as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

.08 To meet established priorities, we did not do sufficient audit work to report on the Department's compliance with governing authorities and the Department's rules and procedures to safeguard and control its Consolidated Fund appropriations and revenue except for operating and capital grants to schools.

.09 We have not yet completed our audit of the Correspondence School Revolving Fund at the date of this Report. We will include the final results of this audit in a future Report to the Legislative Assembly.

Capital Grants Paid Incorrectly

.10 The Department paid capital grants to school divisions incorrectly.

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.11 Part VII of the School Grant 1992 Regulations govern capital grants to school divisions. The regulations require the Department to calculate a space use factor and use this factor to determine the school division's grant. The smaller the factor the larger the school division's grant.

.12 The Department did not calculate a space use factor for all schools. For many grants the Department arbitrarily set the factor at 0% when calculating the school division's grant. Therefore, the Department may have paid more than required under the Regulations.

We Recommend

.13 **The Department should comply with the School Grant Regulations.**

.14 Management told us the School Grant 1993 Regulations will be amended to apply utilization factors to major projects only.

Contingency Plan
Needed

.15 The Department does not have a written and tested plan to ensure it can operate in the event of a major loss or destruction of its records.

.16 The Department uses computers to keep most of its records including student loan records. The Department needs a written and tested contingency plan because its operations depend on the reliability of its information systems.

We Recommend

.17 **The Department should evaluate its information systems, prepare a written contingency plan and test the plan.**

**SASKATCHEWAN
INSTITUTE OF
APPLIED
SCIENCE AND
TECHNOLOGY**

.18 SIAST provides adult career education and operates under the authority of *The Institute Act*. SIAST has four Institutes.

.19 SIAST had revenues of \$118 million in 1992 and held assets of \$74 million at June 30, 1992. SIAST's financial statements are included in the Public Accounts Compendium at page A240.

Our Audit Findings

.20 In 1993, our Office decided to audit SIAST directly. In the past, we carried out our audit responsibilities through an auditor appointed by the Government. We made this decision because we

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had not previously audited SIAST directly and many issues were being brought to our attention. After discussion with SIAST, we decided to work with its newly appointed auditor for the audit of SIAST's 1993 financial statements. We plan to continue to be directly involved in this audit.

.21 We completed sufficient work to report on SIAST's 1992 and 1993 rules and procedures to safeguard and control its assets. We also completed sufficient work to report on the reliability of SIAST's 1992 and 1993 financial statements and SIAST's compliance with its governing authorities for 1992 and 1993.

.22 In our opinion, SIAST's 1993 financial statements are reliable. SIAST's 1992 financial statements are reliable except for the matter described in paragraphs .88 to .97. SIAST complied with the authorities governing its 1992 and 1993 activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. SIAST had adequate rules and procedures to safeguard and control its assets except for the significant deficiencies reported in paragraphs .51 to .52 for 1992 and paragraphs .23 to .87 for 1993.

Written Policies and Procedures Required

.23 SIAST's Board should strengthen its management structure and should prepare written financial and accounting policies and procedures. A weak management structure and a lack of written policies and procedures caused most of the following problems.

.24 SIAST needs written policies and procedures for its:

- financial control and security systems;
- monthly and year end financial reporting policies including the month end and year end cut off procedures;
- revenue and accounts receivable collection and write-offs;
- payroll, payments, accounts payable and adjusting entry procedures;
- financial and human resource plans;

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- job descriptions for all positions;
- staff grievances and disputes; and
- information system development procedures.

Management Structure Needs Strengthening

.25 SIAST's ability to make decisions, provide direction to employees, and to set long term priorities requires strengthening.

.26 The Board established a management team composed of the president, an assistant to the president and four principals. The team is accountable to the Board for the operation of SIAST.

.27 From November 30, 1992, until the fall of 1993, the position of president and three of the four principal positions were vacant. These positions were filled by persons in an acting capacity.

.28 Persons serving in an acting capacity have difficulty setting long term priorities and new directions. Having most of a management team serving in an acting capacity for an extended period reduces a team's effectiveness. This situation weakens the ability of a management team and a Board to make decisions, provide clear direction and to set long term priorities.

.29 We also found the lines of authority, responsibility and control for financial and accounting matters were not clearly defined and understood. Employees lacked clear direction on what needs to be done and how it should be done. As a result, SIAST was unable to produce timely and accurate financial reports.

We Recommend

.30 **The Board should fill vacant positions promptly.**

Board Needs Adequate Information to Oversee Management

.31 The Board does not receive appropriate financial information to oversee management of SIAST's four Institutes and SIAST as a whole.

.32 The Board is responsible for the financial management of SIAST. This responsibility includes approving financial policies, approving the operating budget, setting the organizational structure, appointing the chief executive officer, and approving the annual report and financial statements.

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.33 To fulfil these responsibilities, the Board must receive appropriate financial information from management.

.34 To provide appropriate financial information, management needs a process to know responsibilities are properly carried out. Management needs to develop and recommend financial and accounting policies to the Board. These financial and accounting policies should assure the Board:

- managers obtain the best possible value from public resources;
- managers make decisions in light of timely, relevant and reliable financial information, analysis, and advice;
- management has cost-effective controls, to safeguard assets and to ensure transactions comply with the law;
- managers understand and report appropriately on their financial accountability; and
- the financial management organization, systems and processes meet SIAST's needs.

.35 Management has not prepared and recommended appropriate financial and accounting policies and procedures to the Board for approval. The financial and accounting policies and procedures used by SIAST are not adequate to administer the activities described in paragraph .24. Also, the financial information received by the Board is not adequate to oversee management (see paragraphs .45 to .72). Accordingly, the Board lacks assurance management adequately discharges its responsibilities (see paragraph .34).

.36 SIAST is a decentralized organization. Accordingly, it is essential SIAST's four Institutes have consistent operating policies and procedures. Written policies and procedures provide guidance to employees, ready and clear directions under various circumstances, and ensure consistent treatment of financial transactions.

.37 Written policies and procedures also reinforce the delegation of authority and responsibility, for all employees. SIAST does not have any staff responsible for developing

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appropriate written operating and financial policies for all of its Institutes.

We Recommend

.38 The Board should establish a central financial and accounting policy development function to assist in developing uniform financial and operating policies and procedures.

.39 SIAST should establish written financial and accounting policies as described in paragraph .24.

The Board Needs an
Internal Audit
Function

.40 The Board cannot properly oversee management because it lacks an internal audit function.

.41 The Executive Committee of the Board serves as the Audit Committee. A responsibility of an audit committee is to oversee the financial and accounting policies of an organization.

.42 In a large decentralized organization such as SIAST, the Board needs independent assurance management is complying with the Board's policies. The Audit Committee, through an internal auditor, can assure the Board that management is complying with the policies and procedures issued by the Board.

.43 We believe, without the assistance of an internal auditor, it is difficult for the Audit Committee to fulfil its responsibilities.

We Recommend

.44 SIAST should establish an internal audit function that reports directly to the Audit Committee.

Accurate and Timely
Financial Statements
Needed

.45 The Board lacks adequate financial information to hold management accountable for the operation of SIAST. The Board did not receive any monthly financial reports during the first seven months of the 1993 year. The monthly reports received for the balance of the year were timely but not adequate or accurate.

.46 The Board is responsible for control of the financial affairs of SIAST. To do this, the Board needs adequate and accurate financial reports. Financial reports must provide complete, accurate and timely information. They must also permit the comparison of operating results to the operating plan (annual budget). Unreliable financial reports can result in incorrect decisions.

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.47 Management does not use generally accepted accounting principles to prepare monthly financial reports for the Board. Accordingly, the reports do not show properly results of operations.

.48 Management is unable to prepare accurate monthly financial reports because its accounting systems do not operate effectively. Because SIAST lacks written financial and accounting policies and procedures, staff do not know who should do what, how, and when. SIAST needs to define more clearly the lines of authority to ensure staff properly carry out their work.

.49 In addition, SIAST started new accounting systems in 1992-93. These systems do not operate effectively. SIAST lacked appropriate controls to start the new accounting systems as described in paragraphs .73 to .80. The lack of controls also contributed to SIAST's inability to prepare accurate financial reports.

.50 Following are examples of problems with the accounting records used to prepare monthly financial reports:

- The accounting records lack integrity because SIAST did not reconcile its recorded bank balance to the bank's records for the whole year. Also, SIAST did not reconcile the accounts receivable records to the general ledger for the whole year.
- SIAST lacks rules and procedures to match revenues with appropriate expenses. For example, SIAST receives certain revenues from various sponsoring entities. Contracts govern this source of revenue. Sometimes, SIAST records contract revenue before providing services. At other times, SIAST records contract revenue when or after it provides services. Some amounts involved were greater than \$1 million. The failure to match revenues and expenses results in inaccurate financial reports.
- We also found instances where Institutes did not record expenses properly. For example, SIAST recorded books bought for resale as an expense when purchased. SIAST should not record these books as an expense until after it sells the books. As a result, financial

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statements were inaccurate because revenues were not matched with expenses.

.51 In addition, SIAST lacked proper financial reporting in 1992. The financial reports provided to the Board during 1992 did not follow generally accepted accounting principles. Also, SIAST lacked adequate rules and procedures to prepare accurate financial forecasts.

.52 In March 1992, management told the Board that SIAST would have an operating surplus of \$.5 million for the year ended June 30, 1992. In August 1992, management prepared more accurate financial reports showing an operating surplus of \$3.5 million for the year ended June 30, 1992.

We Recommend

.53 SIAST should use generally accepted accounting policies to prepare monthly financial reports.

.54 Management should establish written policies and procedures to govern the proper recording of transactions.

Budget and Actual Comparison Needed

.55 SIAST's monthly financial reports lack appropriate budget to actual comparisons. As a result, the Board and its managers do not know if SIAST met its financial operating objectives and whether corrective action is necessary.

.56 SIAST's monthly financial reports do not allow the Board and management to compare effectively actual results to budget.

.57 Monthly financial reports only present annual budget information. Monthly and year-to-date budgets are not available. Also, the reports do not provide a projection of revenues and expenses for the year based on the results to date and other current information.

We Recommend

.58 SIAST should prepare monthly financial reports to show a comparison between actual operations and budget for the month and year to date.

.59 SIAST should prepare a monthly financial report projecting revenues and expenses to the end of the year based on current information.

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Financial Reporting
Needs to be
Consistent

.60 SIAST reports revenue and expenses, in the financial reports given to the Board, differently than what it reports to program managers.

.61 Some program managers told us they have difficulty with their reported expenses because they do not know if the reported expenses are reliable. Accordingly, managers have difficulty explaining variances to the Board.

.62 We also found the reports were not useful for monitoring revenues, except for revenue received from the Consolidated Fund.

We Recommend

.63 SIAST should prepare monthly financial reports that meet the needs of the Board and management.

Long Term Human
Resource Plan Needed

.64 SIAST lacks a long term human resource plan and appropriate job descriptions for administrative positions. Also SIAST does not have adequate written policies and procedures to handle staff grievances.

.65 SIAST must be able to determine staffing needs and have a plan to meet those needs. SIAST needs a human resource plan related to its mission and objectives. Without a plan, requests for staffing may be at odds with the mission and objectives, resulting in an inadequate or excessive work force.

.66 Principals and deans approved staffing requests based on their Institutes current needs. Without a central human resource plan, Institutes may not be aware that other Institutes have surplus staff available.

.67 There are no specific criteria for hiring casual employees. As a result, persons may be hired who do not meet management's requirements. This could result in unqualified employees, irregularities or conflicts of interest.

.68 We found job descriptions do not exist for all administrative positions. Without proper job descriptions, employees may not understand their duties and responsibilities.

.69 SIAST lacked timely and adequate rules and procedures for dealing with staff grievances. If SIAST does not handle grievances appropriately and promptly, it risks large legal liabilities. SIAST

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has difficulty accurately determining the extent of its liability.

We Recommend

.70 SIAST should establish a long term human resources plan.

.71 SIAST should establish written job descriptions for all positions.

.72 SIAST should establish written policies and procedures to handle staff grievances.

**System Development
Controls Needed**

.73 SIAST lacks appropriate information systems development controls.

.74 SIAST should have written rules and procedures for systems development and maintenance to ensure systems achieve desired results effectively. These rules and procedures will ensure employees and consultants follow prescribed procedures and obtain approvals before starting new systems or making system changes.

.75 To ensure proper development of new systems, SIAST should have rules and procedures to ensure:

- it knows what information people need when considering new systems;
- new systems provide the information people need;
- procedures are in place to convert information from old systems to new systems;
- it has standards to measure the actual and expected performance of new systems;
- it has an approved development and acquisition plan to measure progress;
- all personnel involved in system development and acquisition activities have adequate training and supervision;
- it adequately tests systems and computer programs before using them;

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- it plans, schedules, and documents changes to computer systems;
- all changes to systems are approved;
- access to computer information and programs is controlled;
- there are backup and recovery plans to allow people using systems to resume operations if an interruption in computer processing occurs;
- emergency, backup and recovery plans are documented and tested regularly; and
- people using the system review information for completeness, accuracy, and consistency.

.76 SIAST started new accounting systems in July 1992. The systems did not operate effectively. We describe some problems below:

- SIAST was unable to keep accurate and timely accounting records;
- there were inadequate procedure manuals for the system applications, and staff working with the new system were not adequately trained;
- SIAST did not have sufficient resources and technical skills;
- critical problems with the financial system were not corrected on a timely basis;
- SIAST was unable to reconcile its recorded bank balance to bank records for more than a year;
- SIAST was unable to reconcile the accounts receivable records to the general ledger for more than a year;
- managers had difficulty using and understanding financial reports because of their poor design;

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- accounting records can be changed without managements' knowledge because the system cannot restrict access to authorized personnel only;
- the system has cost more than originally projected; and
- many managers at the Institutes lack confidence in the reliability of the reports generated by the new systems.

We Recommend

.77 SIAST should establish appropriate system development controls.

.78 SIAST should establish policies and procedures to ensure employees follow such controls.

.79 SIAST should set priorities and correct the critical problems in the financial system.

.80 SIAST should assess the costs of any further developments and assess the alternatives to determine whether SIAST should continue with the new systems.

Segregation of Duties

.81 SIAST did not adequately segregate the duties of employees. Segregation of duties is inadequate when one person can conceal an error or fraud without timely detection.

.82 Deposit clerks at the Institutes handle cash receipts, prepare bank deposits, record the payments in the accounting records, and can change the accounting records without management's knowledge. There is no independent check to ensure employees deposit all receipts.

.83 Persons responsible for accounts payable can initiate payment transactions and approve them without management's knowledge. The clerical control established by management does not fully compensate for this deficiency. Also, accounts payable personnel can change accounting records without management's knowledge.

.84 These deficiencies are especially serious because SIAST had not reconciled its recorded bank balance to the bank's records for more than a year. Also, SIAST had not reconciled its accounts receivable records to its general ledger for more than a year.

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We Recommend

.85 SIAST should segregate the duties of its employees.

.86 SIAST should establish rules and procedures to ensure accounting records cannot be changed without management's knowledge.

.87 SIAST should reconcile its recorded bank balance to the bank's records and reconcile its accounts receivable records to its general ledger.

Financial Statements May Not be Reliable

.88 SIAST's June 30, 1992 financial statements comply with generally accepted accounting principles (GAAP) except for the following matters:

- we were unable to determine if a \$1.4 million grievance liability was properly recorded; and
- the notes to the financial statements did not disclose the required information about SIAST's contingent liabilities.

.89 SIAST employees have filed grievances under their collective agreement. Management prepared schedules of grievances stating their assessment of the outcome. These schedules stated it was likely certain grievances would be settled in the employees' favour while others were not determinable. Management estimated a liability of \$1.4 million for grievances and recorded that amount as a liability and an expense in SIAST's June 30, 1992 financial statements.

.90 We could not form an opinion on the accuracy of the \$1.4 million estimated liability from the appointed auditor's files. Accordingly, we tried to perform additional audit procedures at SIAST to verify the accuracy of this liability.

.91 We could not perform the additional audit procedures because SIAST's records did not show the basis for the estimated liability. In our opinion, SIAST lacked rules and procedures to determine accurately its estimated liability for grievances.

.92 GAAP require SIAST to record losses for these grievances if the losses are likely and can be reasonably estimated. Both conditions must be met before a liability can be recorded. If the

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outcome of a grievance is not determinable, SIAST should not record a liability.

.93 Accordingly, we are unable to verify the accuracy of the \$1.4 million liability and expense recorded in the June 30, 1992 financial statements.

.94 GAAP requires SIAST to make note disclosure in its financial statements for contingent liabilities. The information disclosed depends on management's ability to estimate the amount of the liability. Note disclosure is also required if the outcome of a grievance is not determinable. According to GAAP, the notes to the financial statements should disclose the following information about SIAST's contingent liabilities:

- the nature of its contingent liabilities for grievances;
- a statement that the outcome of certain grievances is not determinable; and
- a statement that settlements, if any, will be charged to income in the period the settlement occurs.

We Recommend

.95 SIAST should establish rules and procedures to determine accurately its liability for grievances.

.96 SIAST should determine and disclose contingent liabilities using generally accepted accounting principles.

.97 SIAST should prepare accurate financial reports for the Board.

Appointed Auditor's Reports for 1992

.98 For 1992, we relied on the appointed auditor's 1992 report on compliance with authorities.

.99 For 1992, we relied on the appointed auditor's report on SIAST's 1992 financial statements, except for SIAST's contingent liability disclosure and the liability recorded for grievances. The appointed auditor accepted SIAST's contingent liability disclosure and the liability recorded for grievances. We are unable to verify the liability for grievances. We believe SIAST's disclosure of its contingent liability is inadequate.

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.100 For 1992, we relied on the appointed auditor's 1992 report on internal control except for the matters reported in paragraphs .51 to .52. The appointed auditor did not report these matters.

.101 *The Provincial Auditor Act* requires us to do additional audit procedures when we are unable to rely on the report of an appointed auditor.

.102 Our additional audit procedures consisted of discussions with SIAST management and examining the financial reports that management presented to the Board of Directors during 1992. Also, we examined the rules and procedures used by SIAST to handle grievances.

STUDENT AID FUND

.103 The Department uses the Fund to finance and account for student loans and other student financial assistance.

.104 The Fund had revenues of \$66 million in 1993. The Fund had assets of \$95 million and an accumulated deficit of \$5 million at March 31, 1993. The Fund's financial statements are included in the Public Accounts Compendium at page B404.

Our Audit Findings

.105 In our opinion, the Fund's financial statements are reliable. The Department complied with the authorities governing the activities of the Fund as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing and investing except as reported in paragraphs .122 to .139. The Department's rules and procedures to safeguard and control the assets of the Fund were adequate except for the significant deficiencies reported in paragraphs .107 to .130 and .140 to .143.

.106 Also, we include audit findings from our 1992 audit. Our 1992 Annual Report states we had not finished our audit of the Department when we prepared our Annual Report. Paragraphs .107 to .113 describes 1992 findings that are not repeated in 1993.

System Testing Needed

.107 The Department did not adequately test a new student loans system before using the system. Because the new system did not function properly or produce reliable information, the Department could not prepare timely and accurate monthly financial statements during 1991/1992.

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.108 The Department started a new loans system for the Fund during the 1991/92 fiscal year. It decided not to run the new system parallel with the old system as part of system testing. The Department also underestimated the time required to install the new system. It quit using the old system in May, 1991.

.109 The new system did not work properly and staff had to calculate student loans manually for nearly 3 months.

.110 By March 31, 1992, the Department could make loans to students using the new system. But the system was not fully operational and user manuals were not available for the staff.

.111 Due to the start up problems, the Department did not prepare monthly financial statements. Timely financial statements are necessary to allow management to react promptly, make decisions, and assess performance.

We Recommend

.112 The Department should adequately test any new information systems before using them.

.113 The Department should ensure rules and procedures are adequate to allow preparation of timely and accurate monthly financial statements.

Board of Trustees Need to Oversee Fund Operations

.114 The Trustees of the Fund are not fulfilling their responsibility to administer the Fund.

.115 Section 3(2) of *The Student Assistance and Student Aid Fund Act* states "The trustees shall administer the fund in accordance with this Act and the regulations."

.116 The Trustees need to receive and consider financial information from the Department to monitor the Fund's activities. We found the Trustees did not meet regularly or receive adequate financial information to monitor the operations of the Fund.

We Recommend

.117 The Trustees should meet regularly and review financial information to oversee the administration of the Fund.

Timely Financial Reporting

.118 During 1992/93, the Department did not prepare monthly financial statements for the Fund for management's review.

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We Recommend

.119 Timely financial information is necessary to allow management to assess performance and make informed decisions.

.120 The Department should establish adequate rules and procedures for the preparation of timely and accurate financial statements.

.121 Subsequently, the Department prepared a quarterly financial statement for the period ended June 30, 1993.

Verification of Student Loan Application

.122 During 1992/93, the Department did not adequately verify critical information on student loan applications.

.123 The Department made student loans of approximately \$44.5 million. The Department must be responsive to the applicant's financial needs, but must ensure only eligible applicants receive aid in the correct amounts. To do this, the Department needs to verify student status and financial status of applicants. Applicants are responsible for providing accurate financial, personal and demographic information. We found there was insufficient verification of critical information on student loan applications before loans were disbursed.

.124 Inadequate resources limit the Department's ability to verify the information provided by applicants. Therefore, the Department sometimes grants loans in error or in amounts greater than the law permits.

.125 During 1993, the Department improved its method for auditing student loans to determine the amount of ineligible student loans. However, the Department told us it will take two years to complete the audits. Therefore, the extent of ineligible student loans for 1992/93 will not be known until late 1994.

.126 Until the Department completes the audits, it does not know the extent of ineligible loans. The Department needs to know this information to assess the adequacy of its procedures for verifying student eligibility information. The Department needs to assure the public the program is only helping those eligible for assistance.

.127 We also need the information on the extent of ineligible loans. We need this information to form our opinion on the Department's rules and procedures for ensuring only eligible

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persons receive appropriate assistance. We are unable to report the Department complied with the authorities governing the granting of student loans because of the lack of information.

We Recommend

.128 The Department should determine promptly the extent of ineligible loans.

.129 The Department should change its procedures for verifying student information if ineligible loans are significant.

.130 We previously reported this matter in our 1991 Annual Report.

Lack of Authority to Limit Interest Write-down Subsidies

.131 The Department withheld certain interest write-down subsidies from students.

.132 On May 1, 1986, the Government introduced an interest write-down program for student loans obtained for courses commencing between May 1, 1986 and July 31, 1989. "The Interest Write-down Program" applied to all students receiving either Canada Student Loans or Saskatchewan Student Loans during this period. This program subsidized interest rates to a rate of 6%.

.133 When the Department started the program, the Student Guide explained the program. Neither the Student Guide nor the promissory notes signed by the students placed restrictions on the subsidy period. We think there is a continuing subsidy for students who received loans the first year (loans issued from May 1, 1986 to July 31, 1987) for the full term of the loan.

.134 The Department sought legal advice regarding the subsidy period. The question was whether the subsidy should be for the loan repayment term or if it could be applied to some lesser, fixed period.

.135 The legal opinion stated, if a limited benefit period was not communicated to the students either in the Student Guide, in the promissory loan agreements or in another form, students may be in a legal position to expect the Department to grant the subsidy for the term of the loan. This subsidy applies only to loans issued the first year as the Student Guide for the next year limits the subsidy period to 36 months.

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.136 Contrary to its legal advice, the Department limited Interest Write-down subsidies to a 36 month benefit period on loans issued in 1986/87. Officials informed us they have no legal advice to support this practice.

We Recommend

.137 The Department should not limit the interest subsidy period for students who received loans in 1986/87.

.138 In January, 1992, Cabinet directed this issue be handled on a case-by-case basis. Any students who received a loan in 1986/87 and request a review of their repayment obligations regarding their eligibility for an interest rate subsidy, will have the interest on those loans reduced to 6% for the repayment period.

.139 We previously reported this matter in our 1991 Annual Report.

Timely Write-Offs of
Student Loans
Required

.140 The Department lacks procedures to write-off student loans in default on a timely basis.

.141 Since October 1990, the Department has not asked the Board of Revenue Commissioners to write-off student loans in default.

.142 Timely write-offs of loans in default help ensure the financial statements present fairly amounts due from students.

We Recommend

.143 The Department should establish procedures for the timely write-off of student loans in default.

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TEACHERS' SUPERANNUATION COMMISSION

.144 The Commission manages the Teachers' Superannuation Fund (Fund) and the Teachers' Voluntary Contribution Fund (Voluntary Fund). The Fund is a defined benefit final average pension plan. The Voluntary Fund receives and invests voluntary contributions from teachers.

.145 In 1992, the Fund received contributions of \$26.2 million from teachers and \$56.2 million from the Minister of Finance (Minister). Also, in 1992, the Fund paid \$114.7 million in pensions to retired teachers. At June 30, 1992, the Fund held assets of \$866 million and had liabilities of \$2.727 billion. The financial statements for the Fund are included in the Public Accounts Compendium at page A78.

.146 The Voluntary Fund received contributions of \$17,000 in 1992 and held assets of \$1.7 million at June 30, 1992. The financial statements for the Voluntary Fund are included in the Public Accounts Compendium at page A87.

Our Audit Findings

.147 In our opinion, the financial statements for both funds are reliable. The Commission had adequate rules and procedures to safeguard and control the funds assets except for the significant deficiency reported in paragraphs .148 to .155. The Commission complied with the authorities governing the activities of the funds as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .156 to .165.

Lack of Control Over Computer System Development

.148 Management did not set and use proper standards to control the development of its new pension information system. This resulted in a loss of public money.

.149 To develop a new system successfully, management must ensure each phase of a project is complete before continuing to the next phase. Management needs standards to decide when a phase is complete. The standards should be in place before executing any contract for system development. Treasury Board also requires agencies to have proper system development standards. The Treasury Board Accounting and Reporting Policy Manual requires agencies to:

"Establish a management structure for the

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development of a new financial system to ensure the development undertaken is effectively managed."

.150 In December 1988, the Saskatchewan Property Management Corporation prepared a strategic plan for the Commission. The plan included a cost benefit analysis for a new pension system. In January 1990, the Commission signed a contract with a consultant to develop a new pension system for an estimated \$1.4 million. The contract had a fixed price for the business specification phase and an estimate for the remaining phases.

.151 We found no evidence the Commission set any evaluation standards for the business specification phase and no evidence they approved this phase. If proper standards existed, approval of this phase would have firmly established the full costs and benefits of the system before purchasing the hardware and software.

.152 The Commission paid \$582,000 to the consultant for system development and \$342,000 for hardware and software. Later, the Commission transferred the hardware and software to the Department. The project was over budget and behind schedule when the Commission cancelled the contract in March 1992, without completing the new system.

.153 The Commission paid \$582,000 for a system it did not receive. In our opinion, the lack of proper standards to control the development of the new pension system resulted in a \$582,000 loss to the Crown.

.154 In addition, there is no evidence other suppliers tendered for this contract.

We Recommend

.155 **The Commission should develop and use standards to control the development of new computer systems.**

Uncertainty
Regarding the
Minister of Finance's
Contributions

.156 *The Teachers' Superannuation Act* does not clearly state the amount the Minister must pay to the Fund. Accordingly, we are unable to form an opinion the amount paid by the Minister is the amount required by law.

.157 Our uncertainty relates to Section 18 of *The Teachers' Superannuation Act*. This section governs the payments the Minister must make to the Fund. Under this section, the Minister

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must pay the Fund an amount equal to the amount contributed by the teachers. The Minister also must pay additional amounts to the Fund. Subclause 18(1)(a)(i) describes the additional amounts the Minister must pay:

"The Minister of Finance shall cause to be paid into the Teachers' Superannuation Fund sufficient money, as may be required from time to time, to make it possible at all times to pay the allowances granted under this Act or a former Act; ..."

.158 This subclause is subject to interpretation. It may mean the Minister can pay the exact amount of allowances paid in a year. It also could mean the Minister may pay another amount if the Fund can meet allowances currently due. The amount to be paid is also affected by the requirement to maintain a minimum balance of assets in the Fund.

.159 Subclause 18(1)(a)(iii) requires the Minister to pay additional money into the Fund when the assets of the Fund are less than the amount set out in subsection 14(1) of the Act. The assets cannot be less than the accumulated contributions and interest for teachers who have not yet retired. At June 30, 1992, the assets were \$170 million (\$132 million in 1991, \$160 million in 1990) more than the minimum required under this subsection.

.160 The Commission obtained legal advice on this matter in 1986 to ensure it was operating within the law. The legal advice stated the Act was unclear and should be changed to reflect clearly the Legislature's intentions.

We Recommend

.161 The Government should propose changes to *The Teachers' Superannuation Act* to set out clearly the amount the Minister of Finance must pay to the Fund.

.162 We previously reported this matter. In January 1994, the Department told the Standing Committee on Public Accounts that appropriate legislative changes are planned.

Public Accountability

.163 The Commission did not comply with *The Tabling of Documents Act*. The Act required the Commission to table its 1991 annual report by December 20, 1991.

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.164 The Commission tabled its annual report on May 14, 1992.

We Recommend

.165 The Commission should comply with *The Tabling of Documents Act*.

CORRESPONDENCE SCHOOL REVOLVING FUND

.166 The Department uses the Fund to finance administrative support and delivery costs for grade 9 to 12 credit courses provided to high school students and to adults.

.167 The Fund had revenues of \$1.7 million in 1993 and held assets of \$0.2 million at March 31, 1993. The Fund's financial statements are included in the Public Accounts Compendium at page A300.

Our Audit Findings

.168 In our opinion, the Fund's financial statements are reliable except for the matters described in paragraphs .170 to .172.

.169 We have not finished our audit work to report on the Department's rules and procedures to safeguard and control the assets of the Fund. Also, we have not finished our work to report on the Department's compliance with authorities governing the Fund's safeguarding of assets, financial reporting, revenue raising, spending, borrowing, and investing activities. We will report the results of this work in a future Report to the Legislative Assembly.

Reservation in Our Auditor's Report

.170 Our auditor's report on the Fund's 1993 financial statements contains a reservation of opinion. We could not verify the value of the inventory.

.171 To meet established priorities, we informed the Department in January 1993, we would not be auditing this Fund unless the Department paid our costs. In November 1993, the Department decided to pay our costs. Because we did not observe the inventory count at March 31, 1993, we were unable to determine whether the value of inventory recorded in the Fund's financial statements was accurate.

.172 Our auditor's report reads in part as follows:

I was not able to observe the counting of physical inventories at March 31, 1993 and could not satisfy myself concerning these inventory quantities by

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alternative means. Since inventory at March 31, 1993 enters into the determination of the financial position, the results of operations and changes in financial position, I was unable to determine whether adjustments to inventory at March 31, 1993, cost of sales and net loss for the year, and amount financed by operations might be necessary.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to examine inventory quantities at March 31, 1993, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

CARLTON TRAIL REGIONAL COLLEGE

.173 The Carlton Trail Regional College operates under *The Regional Colleges Act*. It provides learning opportunities in the regional community it serves.

.174 The College had revenues of \$2.5 million in 1992 and held assets of \$1 million at June 30, 1992. The College's financial statements are included in the Public Accounts Compendium at page A141.

Our Audit Findings

.175 In our opinion, the College's financial statements are reliable except for the matters described in paragraphs .176 to .182. The College complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The College's rules and procedures to safeguard and control its assets were adequate.

Capital Assets Not Properly Recorded

.176 The College did not record the purchase of \$59,713 of capital assets as an expense.

.177 The Regional Colleges Accounting and Reporting Manual established by the Regional Colleges Regulations govern the

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accounting policies for regional colleges. The Manual states College's should record the cost of capital assets as an operating fund expense in the year the College buys capital assets.

.178 The College bought capital assets totalling \$59,713 during the year. The College did not record the cost of these assets as an operating fund expense. As a result, the financial statements understate operating fund expenses and overstate operating fund surplus by \$59,713.

We Recommend

.179 The College should prepare its financial statements according to the accounting policies described in the *Regional Colleges Accounting and Reporting Manual*.

Donations Not
Properly Recorded

.180 The College did not record a donation as revenue. Generally accepted accounting principles (GAAP) require donations be recorded as revenue.

.181 During the year, the College received a \$33,500 donation. The College recorded the donation in the statement of changes in fund balances instead of revenue. As a result, the financial statements understate revenue and operating fund balance by \$33,500.

We Recommend

.182 The College should use generally accepted accounting principles to record donations.

Appointed Auditor's
Reports

.183 We relied on the appointed auditor's report on internal control.

.184 We relied on the appointed auditor's report on the College's financial statements except for the matters described in paragraphs .176 to .182. The appointed auditor accepted the way the College accounted for capital assets and donations.

.185 We relied on the appointed auditor's report on compliance with authorities.

.186 *The Provincial Auditor Act* requires us to do additional audit work when we are unable to rely on the report of an appointed auditor.

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.187 Our additional audit work consisted of discussion with the College's management.

NORTHLANDS COLLEGE

.188 Northlands College operates under *The Regional Colleges Act*. It provides learning opportunities in the regional community it serves.

.189 The College had revenues of \$8.4 million in 1992 and held assets of \$5.7 million at June 30, 1992. The College's financial statements are included in the Public Accounts Compendium at page A183.

Our Audit Findings

.190 The College's financial statements are reliable. The College complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The College's rules and procedures to safeguard and control its assets were adequate except for the following significant deficiency.

Timely and Accurate Records Required

.191 The College's rules and procedures to prepare timely and accurate financial statements were inadequate. The College's Board needs timely and accurate financial statements to hold management accountable.

.192 The College did not regularly reconcile its record of the amounts due from individual course sponsors and funding agencies (clients) to the total amount due from clients. Also, management did not regularly follow up the collection of client accounts. Because the total amount recorded as due from clients was inaccurate, interim financial statements prepared from these records were not reliable. At year end, the accounting records required many corrections to make them accurate.

.193 The College has established procedures requiring employees to reconcile bank records to the College's recorded bank balance. Employees did not regularly do this during the year.

.194 These deficiencies in the College's rules and procedures impair the accuracy of the accounting records. If the accounting records are inaccurate, reports prepared from them will be inaccurate. Inaccurate financial reports may result in incorrect decisions. Also, overdue client accounts may escape the attention

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of senior management and the Board.

We Recommend

.195 The College should establish rules and procedures to reconcile individual records of amounts due from clients to the total amount due from clients.

.196 The College should follow its established procedures to control its bank accounts.

.197 The College should establish rules and procedures to ensure the timely collection of client accounts.

PRAIRIE WEST REGIONAL COLLEGE

.198 Prairie West Regional College operates under *The Regional Colleges Act* and provides learning opportunities in the regional community it serves.

.199 The College had revenues of \$2.5 million in 1992 and held assets of \$1.2 million at June 30, 1992. The College's financial statements are included in the Public Accounts Compendium at page A204.

Our Audit Findings

.200 In our opinion, the College's financial statements are reliable. The College complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The College's rules and procedures to safeguard and control its assets were adequate except for the following significant deficiency.

Timely and Accurate Records Required

.201 The College has established procedures requiring employees to reconcile the bank's records to the College's recorded bank balance. Employees did not do this during the year. At year end, when employees reconciled these records, the College was unable to account for \$5,700.

.202 Also, the College did not balance its general ledger for several months during the year.

.203 These deficiencies in the College's rules and procedures impair the accuracy of the accounting records. If the accounting records are inaccurate, reports prepared from them will be inaccurate. Inaccurate financial reports may result in incorrect

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decisions.

We Recommend

.204 The College should follow its established rules and procedures to control its bank accounts.

.205 The College should keep accurate accounting records.

**SASKATCHEWAN
INDIAN
REGIONAL
COLLEGE**

.206 The Saskatchewan Indian Regional College Board is accountable to the Minister of Education for the management of the College. The College is also accountable through the Minister to the Legislative Assembly.

.207 The College had revenues of \$5.7 million in 1992 and held assets of \$1.6 million at June 30, 1992. The College's financial statements are included in the Public Accounts Compendium at page A213.

Our Audit Findings

.208 In our opinion, the College's financial statements are reliable. The College had adequate rules and procedures to safeguard and control its assets. The College complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, spending, revenue raising, borrowing, and investing activities except for the following matters.

*The Regional
Colleges Act*

.209 The College is subject to *The Regional Colleges Act*. The Act requires the members of the Board to be appointed by an Order-in-Council. There was no Order appointing three persons regularly taking part in Board meetings.

.210 The College paid these three persons allowances and expenses. Also, the College paid the other members of the Board at rates more than the rates approved by Order-in-Council. In 1992, the total amount paid to the members of the Board was approximately \$103,200. The College lacked proper authority to make these payments.

.211 The Act states the Board shall, subject to the approval of the Minister, appoint an auditor to audit the records, accounts, and financial transactions of the College. The Minister did not approve the appointment of the auditor.

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.212 The Act requires the Minister to approve the College's budget before the Board adopts it. The Minister did not approve the budget before adoption by the Board.

.213 We also reported this matter in our 1989, 1990, 1991 and 1992 Annual Reports. The Standing Committee on Public Accounts (PAC) considered this matter on January 7, 1992, on February 4, 1993, and again on January 19, 1994.

.214 On January 19, 1994, the Deputy Minister reported to PAC the Department had formed a committee jointly with the College to examine its legislative status and relationship with the College system.

We Recommend

.215 The College should comply with *The Regional Colleges Act*. Alternatively, the Department should propose changes to the Act to exempt the College from the financial requirements of the Act.

.216 During the year, the College made several payments totalling \$18,000. We are unable to determine whether the College used this money for educational purposes.

SOUTHEAST REGIONAL COLLEGE

.217 The College operates under *The Regional Colleges Act*. It provides learning opportunities in the regional community it serves.

.218 The College's financial statements report revenues of \$4.2 million in 1992 and assets of \$2.2 million at June 30, 1992. The College's financial statements are included in the Public Accounts Compendium at page A250.

Our Audit Findings

.219 In our opinion, the College's financial statements are reliable except for the matters reported in paragraphs .220 to .225. The College had adequate rules and procedures to safeguard and control its assets. The College complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing.

Reservation in Our Auditor's Report

.220 Our auditor's report on the College's 1992 financial statements contains a reservation of opinion.

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.221 To improve comparability and understanding, the Canadian Institute of Chartered Accountants (CICA) recommends accounting standards for financial reporting for Canadian organizations. CICA publishes these standards in its Handbook. In 1989, CICA stated the Handbook applies to organizations such as regional colleges.

.222 In 1992, the College changed its accounting policy for capital expenditure reserves to comply with the CICA standards. The CICA standards also require this accounting policy to be applied retroactively.

.223 The College, however, did not change this policy retroactively. Accordingly, the 1991 comparative figures do not comply with the CICA standards and, therefore, are not comparable with the 1992 figures.

.224 Following is the effect on the 1991 comparative figures if the College prepared its financial statements following the CICA standards. Capital expenditures - future projects would be reduced by \$100,000 and excess of revenue (expenditures) would be increased by \$100,000.

We Recommend

.225 The College should prepare its financial statements using the accounting standards recommended by the Canadian Institute of Chartered Accountants.

Appointed Auditor's Reports

.226 We relied on the appointed auditor's reports on internal control and compliance with authorities.

.227 We relied on the appointed auditor's report on the financial statements except for the change in accounting policy. The College should have applied the change in accounting policy retroactively. The appointed auditor accepted the way the College applied the change in accounting policy.

.228 *The Provincial Auditor Act* requires us to do additional audit procedures when we are unable to rely on the report of an appointed auditor.

.229 Our additional audit procedures consisted of discussions with the College's management.

Chapter 13 Department of Energy and Mines

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Chapter 13

Department of Energy and Mines

Introduction

.01 The Department is responsible for achieving full and responsible development of Saskatchewan's energy and mineral resources, creating jobs and sustaining economic activity in the Province, and optimizing revenues to fund government programs and services.

Consolidated Fund

.02 The Department managed Consolidated Fund appropriations of \$404 million and revenues of \$12 million. Information about the revenues and appropriations appears in Volume II of the Public Accounts at pages 8 and 87 respectively.

.03 The Departments major tax and royalty revenues follow.

	<u>Original Estimates</u>	<u>Actual</u>
(in millions of dollars)		
Oil	\$213	\$262
Potash	61	57
Natural Gas	40	34
Uranium	19	26
Coal	15	13
Other	<u>10</u>	<u>12</u>
	<u>\$358</u>	<u>\$404</u>

Special Purpose Funds

.04 The Department also operates two special purpose funds. These are:

- Oil and Gas Environmental Fund
- Oil and Gas Revolving Fund

Our Audit Findings

.05 In our opinion, the Department had adequate rules and procedures to safeguard and control its Consolidated Fund revenues and appropriations. The Department complied with the authorities governing its activities for Consolidated Fund appropriations and revenues as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .07 to .18.

Chapter 13 Department of Energy and Mines

.06 In our opinion, the financial statements for the funds listed in paragraph .04 are reliable. The Department had adequate rules and procedures to safeguard and control the assets of the funds. The Department complied with the authorities governing the activities of the funds as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing.

NewGrade Payments Require Authority

.07 The Department paid \$1,427,590 to NewGrade Energy Inc. (NewGrade). The Department called this payment "NewGrade Royalty Rebate". The Department used Order-in-Council 7/89 as its authority for the payment. The stated authority to issue this Order is Section 60 of *The Financial Administration Act*.

.08 Section 60 of the Act allows the Lieutenant Governor-in-Council (Cabinet) to remit (forgive) or exempt any person from liability to pay any tax, royalty, rental or fee to the Crown.

.09 The Order authorized the remission (forgiveness) of certain natural gas royalties required by law. The remission was for natural gas supplied to NewGrade and used directly for NewGrade's benefit in the heavy oil upgrader at Regina, subject to the following conditions.

.10 Producers of the gas must pay the Department the full amount of royalties due under the law. They also must assign to NewGrade their right to the remissions under this Order. The Department must pay the amount of the remissions to NewGrade for a minimum of fifteen years or until NewGrade's debt, guaranteed by the Government in December 1986, is paid.

.11 In our opinion, the producers' liabilities to pay royalties were not forgiven because they had to pay the full amount of royalties due under the law. Therefore, the effect of the Order was not a remission to producers but a grant to NewGrade.

.12 In our opinion, Section 60 of the Act gives Cabinet the power to remit royalties but not the power to make grants. Accordingly, the payment of \$1,427,590 to NewGrade does not have legislative authority.

.13 The Department believes it has authority to make the payment under Section 60 of the Act.

Chapter 13 Department of Energy and Mines

.14 We also reported this matter in our 1990, 1991, and 1992 Annual Reports.

We Recommend

.15 **The Estimates should present future payments to NewGrade under this agreement as expenditures.**

.16 The Standing Committee on Public Accounts (PAC) considered this matter. On May 25, 1992, the PAC recommended "if the remission of natural gas royalties is to continue to be paid to NewGrade Energy Inc. the amount to be provided should be included in the Estimates and presented to the Legislative Assembly for their consideration".

.17 The PAC considered this matter again on February 2, 1993 and on March 18, 1993 repeated its recommendation to the Legislative Assembly on this matter.

.18 The Assembly concurred in the 1992 and 1993 recommendations.

.19 On January 19, 1994, the Department told the PAC the Department of Finance has not directed the Department to change its practices to include the payments to NewGrade as expenditures.

Chapter 14
Department of Environment and Public Safety

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Chapter 14

Department of Environment and Public Safety

Introduction

.01 The Department protects and enhances the environment in a manner that promotes the physical, economic, and social well-being of the people of Saskatchewan today and in the future. The Department also provides and maintains safety standards for industry and the general public.

Consolidated Fund

.02 In 1993, the Department managed Consolidated Fund appropriations of \$10.6 million and revenues of \$1.9 million. Information about the Department's appropriations and revenues appears in Volume II of Public Accounts at pages 8 and 93 respectively.

.03 The following is a list of the Department's major programs and spending:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Environmental Protection and Enforcement	\$ 4.6	\$ 4.6
Public Safety	1.8	1.8
Planning and Assessment	1.5	1.6
Corporate Services	1.4	1.4
Other	<u>1.5</u>	<u>1.2</u>
	<u>\$10.8</u>	<u>\$10.6</u>

Special Purpose Fund

.04 The Department is also responsible for the Environmental Protection Fund.

Our Audit Findings

.05 In our opinion, the Department had adequate rules and procedures to safeguard and control its Consolidated Fund appropriations and revenues. The Department complied with the authorities governing its Consolidated Fund appropriations and revenues as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing.

.06 Paragraph .09 describes our audit findings on the Environmental Protection Fund.

Chapter 14 Department of Environment and Public Safety

ENVIRONMENTAL PROTECTION FUND

.07 The Fund receives environmental handling charges and refundable deposits on designated beverage containers. Refunds of container deposits, costs of administering the program and environmental expenditures approved by the Minister are paid out of the Fund.

.08 The Fund had revenue of \$22.4 million in 1993 and held assets of \$1.9 million at March 31, 1993. The Fund's financial statements are included in the Public Accounts Compendium at page B183.

Our Audit Findings

.09 In our opinion, the Fund's financial statements are reliable. The Department had adequate rules and procedures to safeguard and control the assets of the Fund. The Department complied with the authorities governing the activities of the Fund as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Deficit Requires Authority

.10 For the year ended March 31, 1993, the Fund had an operating loss of \$2.4 million and at March 31, 1993, the Fund had an accumulated deficit of \$264,757. In our opinion, there is no authority for the Fund to have a deficit.

.11 *The Litter Control Act* (the Act) does not contain any specific provision for the Fund to incur expenses beyond the revenues the Legislative Assembly directed to the Fund.

.12 In substance, the Fund is operating on borrowed money when more money is spent from the Fund than the Fund receives. There is no authority in the Act to borrow money. In our opinion, an act must give specific authority to borrow money; the authority cannot be assumed.

We Recommend

.13 **The Department should operate special purpose funds within their designated revenues.**

.14 The Fund was disestablished in 1993/94 and its activities continue in the Department.

Chapter 15

Department of Finance

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Chapter 15

Department of Finance

Introduction	<p>.01 The Department:</p> <ul style="list-style-type: none">• administers various provincial taxes, grant, and refund programs;• arranges government financing, manage the banking, and investment and public debt functions; and• provides policy and financial analysis to the Treasury Board and Cabinet. <p>.02 The Department develops tax policy alternatives, provides economic forecasting, and economic and social statistical data, and annually produces the budget speech. The Department also assists the Government and the Legislature with their responsibility of managing and accounting for public money, and manages several of the Government's pension and benefit plans.</p>
Consolidated Fund	<p>.03 The Department is responsible for controlling appropriations from the Consolidated Fund and for ensuring the receipt of all revenue for the Fund. In addition, in 1993, the Department managed specific Consolidated Fund appropriations of \$141 million and public debt expenses of \$1.387 billion. The Department also manages Consolidated Fund revenues of \$4.239 billion including money received from Crown agencies related to public debt costs of \$647 million in 1993. Information about these Consolidated Fund revenues and appropriations appears in Volume II of the Public accounts at pages 9, 105, and 116 and Volume I of the Public Accounts at page 15.</p>

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.04 The following is a list of major programs and spending.

	Original Estimates (in millions of dollars)	Actual
Interest-General Programs	\$ 760	\$ 740
Interest-User Fee Enterprises	<u>642</u>	<u>647</u>
 Total Interest on the Public Debt	 1,402	 1,387
Employee Benefits	118	115
Tax Collection Expenses	7	6
Provincial Comptroller	6	5
Budget Analysis Division	4	4
Other	<u>9</u>	<u>10</u>
	 <u>\$1,546</u>	 <u>\$1,527</u>

.05 The Department's major revenue sources are:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Individual Income Taxes	\$1,140	\$1,075
Interest-User Fee Enterprises	642	647
Sales Taxes	611	539
Transfers from Government of Canada		
Equalization	600	531
Established Programs Financing	430	469
Other	67	52
Fuel Taxes	322	303
Corporation Capital and Income Taxes	243	224
Tobacco Taxes	115	115
Transfers from Saskatchewan Liquor Board	150	115
Other	<u>101</u>	<u>169</u>
	 <u>\$4,421</u>	 <u>\$4,239</u>

Pension Plans and
Special Purpose
Funds

.06 The Department is also responsible for the operation of the following pension plans and special purpose funds.

Members of the Legislative Assembly Superannuation
Fund
Public Employees Disability Income Fund

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Public Employees Dental Fund
Public Employees Benefits Agency Revolving Fund
Public Employees (Government Contributory) Annuity Fund
Public Employees (Government Contributory) Superannuation Fund
Public Employees Group Life Insurance Fund
Public Service Superannuation Plan
Saskatchewan Pension Plan
Sinking Funds

.07 In addition to the funds and pension plans listed in paragraph .06, the Department also prepares the financial statements for the Judges of the Provincial Court Superannuation Plan, Liquor Board Superannuation Plan, Municipal Employees Superannuation Plan, and the Workmens' Compensation Board Superannuation Plan.

Our Audit Findings

.08 In our opinion, the Government's Summary Financial Statements included in Volume I of the Public Accounts are reliable except for the matters reported in paragraphs .28 to .30. The Consolidated Fund financial statements included in Volume I of the Public Accounts are reliable except for the matters reported in paragraphs .31 to .33.

.09 In our opinion, the Department had adequate rules and procedures to safeguard and control its Consolidated Fund appropriations and revenues except for the significant deficiency reported in paragraphs .20 to .24. The Department complied with the authorities governing its activities for its Consolidated Fund appropriations and revenues as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .13 to .16. We also bring concerns with loan guarantees and Sinking Fund financial statements to the attention of the Members of the Legislative Assembly in paragraphs .17 to .19 and .25 to .27 respectively.

.10 In our opinion, the financial statements for the pension plans and special funds listed in paragraphs .06 are reliable. The Department and Saskatchewan Pension Plan complied with the authorities governing the activities of the pension plans and special funds listed in paragraph .06 as those activities relate to financial

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reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

.11 For the pension plan and special funds we audited, in our opinion, the Department and the Saskatchewan Pension Plan had adequate rules and procedures to safeguard and control the assets of the pension plan and special funds except where we report otherwise in this Chapter.

.12 To meet established priorities, we did not do sufficient work to report on the adequacy of the Department's rules and procedures to safeguard and control the assets of the following pension plan and special purpose funds.

Public Employees Dental Plan
Public Employees Group Life Insurance Plan
Public Employees Disability Income Fund
Public Employees Revolving Fund
Members of the Legislative Assembly Superannuation Fund
Sinking Funds

List of Entities
Required

.13 Treasury Board needs a list of entities required to follow its directives.

.14 Section 13(d) of *The Financial Administration Act* allows Treasury Board to designate which entities are subject to its directives. Section 14(1) of that Act and section 25(f) of *The Revenue and Financial Services Act* require the Comptroller to ensure, as far as is practicable, designated entities follow Treasury Board's directives.

.15 The Treasury Board Accounting and Reporting Policy Manual contains Treasury Board's directives. Treasury Board does not have a list of entities required to follow the Manual. Without this list, we do not know if the Comptroller's Division ensures designated entities follow Treasury Board's directives.

We Recommend

.16 Treasury Board should prepare a list of entities required to follow its directives.

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Information Needed
for Guarantees

.17 The Government does not give the Legislative Assembly reasons for payments made on all guarantees.

.18 Section 62 of *The Financial Administration Act, 1993* requires the Minister of Finance to inform the Legislative Assembly of the facts connected with payments made on guarantees authorized by the Minister. There is no similar requirement when another minister authorized the guarantees. Accordingly, the Government does not give the Assembly reasons for payments made on all guarantees.

We Recommend

.19 The Government should give the Legislative Assembly reasons for payments made on all guarantees.

Assurance Needed
For Income Tax
Estimates

.20 The Department needs more assurance that its income tax revenue is complete and properly measured.

.21 The Government of Saskatchewan has a tax collection agreement with the Federal Government. The Federal Government assesses and collects provincial income taxes. The Federal Government pays Saskatchewan its income tax revenues based on estimates.

.22 Subsequently, the Government of Saskatchewan receives limited assurance from an audited "Statement of Income Taxes Payable to the Provinces and Territories" from the Auditor General of Canada. Saskatchewan's income taxes are small when compared to the total included in this statement. Because this statement includes other provinces and territories, it does not provide the Government with enough assurance that Saskatchewan's income tax revenue is complete and properly measured.

.23 We think the Department needs more assurance that Saskatchewan's income tax revenue is complete and properly measured. The Department should request the Federal Government to provide an audited Statement of Income Taxes Payable to Saskatchewan. An audit of such a specific statement would provide more assurance Saskatchewan's income tax revenue is complete and properly measured.

We Recommend

.24 The Department should request the Federal Government to provide an audit of Saskatchewan's income tax revenue.

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Sinking Fund
Statements Needed

.25 The Department does not prepare general purpose financial statements for the Consolidated Fund's Sinking Fund. For some Government borrowing, the law requires the Consolidated Fund to have a sinking fund.

.26 We think the Department should prepare general purpose financial statements for the Consolidated Fund's Sinking Fund. These financial statements should show the Sinking Fund's assets and liabilities as well as its revenues and expenses. This information is necessary for the Department to show how it administers the public money in the Sinking Fund.

We Recommend

.27 The Department should prepare general purpose financial statements for the Consolidated Fund's Sinking Fund.

Reservation of
Opinion on the
Summary Financial
Statements

.28 *The Provincial Auditor Act* requires us to give details of any reservation in our auditor's report.

.29 Our auditor's report on the Government's Summary Financial Statements contains a reservation of opinion for the following reasons:

- the Government did not properly account for and report the Government's pension expenses and pension liabilities; and
- the Government did not record \$25 million of the Government's share of New Grade Investment Inc.'s losses.

.30 Our opinion on the Government's Summary Financial Statements is included in Appendix VI.

Reservation of
Opinion on the
Consolidated
Fund's Financial
Statements

.31 Our auditor's report on the Consolidated Fund Financial Statements contains a reservation of opinion for the following reasons:

- the Department prepared the financial statements using the modified cash basis of accounting. This basis of accounting is inappropriate because, when used, the financial statements are incomplete;

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- the Department did not properly record pension costs and pension liabilities; and
- the 1992 and 1993 figures presented in the financial statements are not comparable. In 1993, the Department properly recorded loan and investment losses as expenditures. However, in the 1992 comparative figures the Department did not record 1992 loan and investment losses.

.32 Our audit report also contains a notice to the Members of the Legislative Assembly informing them these financial statements do not include all the financial activities of the Government. We also inform Members they should refer to the Government's Summary Financial Statements to understand and assess the Government's management of public financial affairs and resources as a whole.

.33 Our opinion on the Consolidated Fund financial statements follows:

I have audited the statement of financial position of the Consolidated Fund as at March 31, 1993 and the statements of revenue and expenditure, accumulated deficit and changes in financial position for the year then ended. These financial statements are the responsibility of Treasury Board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. My assessment and evaluation was based on the recommendations of The Canadian Institute of Chartered Accountants.

Reservations

These financial statements should follow accounting principles that result in fair disclosure of financial information. They should include information to provide a clear understanding of the Fund's financial condition and its use of financial resources during the year. The accounting principles used to prepare these financial statements are inadequate as follows:

- a) These financial statements are prepared using a modified cash basis of accounting. This basis of accounting does not properly account for all amounts due (assets) to the Fund and all amounts owed (liabilities) by the Fund. Assets of \$346 million (1992 - \$489 million) and liabilities of \$1,294 million (1992 - \$1,060 million) are not recorded in these financial statements. In my view, those assets and liabilities should be recorded to present the financial position and results of operations of the Fund.*
- b) The Fund is responsible for the liabilities of several pension plans. Pension liabilities of \$3,007 million (1992 - \$2,905 million) and pension related expenditures of \$82 million (1992 - \$182 million) are not recorded in these financial statements. In my view, those pension liabilities and pension related expenditures should be recorded to present the financial position and results of operations of the Fund.*
- c) As described in Note 1c to the financial statements, write-offs and provisions for losses on loans and investments are included as expenditures in 1993. In prior years, those expenditures were charged to accumulated deficit. The comparative figures presented in the statement of revenue and expenditure were not restated*

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to show \$778 million of write-offs and provisions for losses on loans as expenditures for 1992. In my view, these write-offs and provisions for losses were uses of resources during 1992 and should be included as expenditures in that period.

In summary, if adequate accounting principles were used to prepare these financial statements, the financial statements would change as follows:

- cash and short term investments would decrease by \$40 million (1992 - increase by \$53 million);*
- receivables of \$386 million (1992 - \$436 million) would be recorded;*
- payables of \$1,294 million (1992 - \$1,060 million) would be recorded;*
- pension liabilities of \$3,007 million (1992 - \$2,905 million) would be recorded;*
- deficit for the year would increase by \$448 million (1992 - \$1,382 million); and*
- accumulated deficit would increase by \$3,955 million (1992 - \$3,476 million).*

Opinion

In my opinion, except for the failure to use appropriate accounting principles referred to in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Consolidated Fund as at March 31, 1993 and the results of its operations and the changes in its financial position for the year then ended following the accounting policies disclosed in Note 1 to the financial statements.

Special Warrants

.34 The law requires us to report when a special warrant

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authorized the payment of public money. In 1992-93, the Government authorized the spending of approximately \$746 million by special warrant. We report that all payments made by authority of special warrants were included in the next Appropriations Act.

Timely Actuarial
Valuations Needed

.35 The Department did not obtain timely actuarial valuations for the following funds and pension plans.

Public Employees Group Life Insurance Fund
Public Employees Disability Income Fund
Liquor Board Superannuation Plan
Municipal Employees Superannuation Plan.

.36 The Department needs timely actuarial valuations to determine the liabilities for the funds and pension plans listed in paragraph .06. The valuation must be completed promptly to allow the Department to prepare financial statements by the dates required by law.

We Recommend

.37 The Department should obtain timely actuarial valuations.

**MEMBERS OF
THE
LEGISLATIVE
ASSEMBLY
SUPERANNUATION
FUND**

.38 The Department manages the Members of the Legislative Assembly Superannuation Fund. The Fund receives contributions from Members and the Consolidated Fund and receives investment income. The Department uses the money to pay pensions, annuities and administration costs.

.39 In 1993, the Fund had investment income of \$.6 million and the Department paid pensions of \$1.9 million from the Fund. The Fund had assets of \$9.9 million at March 31, 1993. The Fund's financial statements are included in the Public Accounts Compendium at page A17.

Our Audit Findings

.40 In our opinion, the Fund's financial statements are reliable. The Department complied with the authorities governing the activities of the Fund as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .42 to .48. We also bring our concerns with annuity underwriting to the attention of the Members of the Legislative Assembly in paragraphs .49 to .54.

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.41 To meet established priorities, we did not do sufficient audit work to report on the adequacy the Department's rules and procedures to safeguard and control the assets of the Fund.

Payments Require
Authority

.42 The Department should comply with Section 26.1 of *The Members of the Legislative Assembly Superannuation Act, 1979* or seek changes to support its payments.

.43 Section 26.1 of *The Members of the Legislative Assembly Superannuation Act, 1979* states:

Where a person who was a member and:

a) is entitled to or in receipt of a supplementary monthly allowance pursuant to section 25, 25.1 or 26; or

b) was entitled to a supplementary monthly allowance pursuant to section 25, 25.1 or 26 that has been discontinued under Section 37.1;

dies leaving a spouse, 60% of the supplementary monthly allowances that he was receiving or that he was or would have been entitled to pursuant to sections 25, 25.1 and 26 shall be paid to his spouse for life.

.44 Currently, when a member dies while receiving the annual allowance and the supplementary allowance, the spouse's pension is 60% of both the annual (section 19) and the supplementary allowance (section 26.1). In the years following the death of a member, the spouse receives 100% of the new annual supplementary allowances granted.

.45 We believe the amount in excess of the 60% rule paid to surviving spouses is contrary to the law.

.46 We also reported this matter in previous Annual Reports.

We Recommend

.47 **The Department should comply with this law or seek changes to this law to allow these payments.**

.48 In August 1993, the Deputy Minister of Finance told us the

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Department would continue to seek a legislative change to clarify section 26.1.

Annuity Underwriting

.49 *The Members of the Legislative Assembly Act, 1979* does not set out how the Department should administer profits or losses from underwriting annuities.

.50 The Department underwrites annuities for Members and pays these annuities out of the Fund. When annuity contracts are written, money should be set aside to make future payments. Due to uncertainties related to future trends and events, such as investment earnings and changes in mortality rates, the amount set aside may be insufficient to make future payments.

.51 The law does not specify the source of funding for any future losses.

.52 We have reported this matter in past years. We report this matter again as the number of annuities paid out of the Fund is increasing.

We Recommend

.53 **The law should be amended to provide direction for the handling of profits or losses from annuity underwriting.**

.54 In 1989, the Minister responsible for the Act informed us the Department of Finance would seek a change to the law concerning this matter.

SASKATCHEWAN PENSION PLAN

.55 The Saskatchewan Pension Plan (Plan) was established to assist low income earners to save for their retirement.

.56 The Plan received \$15.8 million in contributions in 1992 and held assets of \$137 million at December 31, 1992. The Plan's financial statements are included in the Public Accounts Compendium at page A65.

Our Audit Findings

.57 In our opinion, the Plan's 1992 financial statements are reliable. The Plan's rules and procedures to safeguard and control its assets were adequate. The Plan complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing and investing except for the following matter.

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Withdrawal Fee
Needs Authority

.58 The Plan charged a withdrawal fee to Plan members withdrawing from the Plan. The fee lacked appropriate authority.

.59 *The Saskatchewan Pension Plan Amendment Act, 1992* changed *The Saskatchewan Pension Plan Act*. The changes provided Plan members the opportunity to withdraw from the Plan. Members could withdraw from the Plan during the six month period ending March 29, 1993.

.60 Section 7(4) of *The Saskatchewan Pension Plan Act* states the costs of administering the Plan are a charge on and shall be paid by the Plan. However, section 3(3) of *The Saskatchewan Pension Plan Amendment Act* states the costs of changing the Plan caused by this Amendment Act shall be paid by the Minister of Finance.

.61 The changes to the Plan made by *The Saskatchewan Pension Plan Amendment Act* caused many Plan members to withdraw their money from the Plan. Because of the significant number of Plan members withdrawing from the Plan, the Plan incurred investment transaction costs. The Minister of Finance did not reimburse the Plan for these costs.

.62 Management told us the Board of Trustees felt these costs should be paid by members withdrawing from the plan rather than those remaining in the Plan. Therefore, the Board of Trustees approved a \$10 withdrawal fee.

.63 During 1992, the Plan charged withdrawal fees of \$66,700. Also, management told us the plan charged withdrawal fees of \$178,170 in 1993.

.64 In our opinion, the Plan did not have appropriate authority to charge the withdrawal fee.

We Recommend

.65 All fees charged by the Plan should have appropriate legislative authority.

Chapter 16

Department of Health

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Introduction

.01 The Department provides leadership and vision to the health system to protect and improve the health and well-being of the people of Saskatchewan. The Department provides policy direction, direct services, and funding.

Consolidated Fund

.02 In 1993, the Department managed Consolidated Fund appropriations of \$1.548 billion and revenues of \$31 million. Information about the Department's revenues and appropriations appears at pages 9 and 119 respectively.

.03 The following is a list of major programs and spending on those programs.

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Hospital Services	\$ 684	\$ 684
Doctors Services	266	276
Home and Special Care Services	286	282
Prescription Drugs	68	77
Mental Health Services	39	38
Payments to Cancer Foundation	26	26
Payments to Saskatchewan Property Management Corporation	15	14
Payments to Saskatchewan Alcohol & Drug Abuse Commission	15	15
Grants to Medical Education System	15	15
Other	<u>128</u>	<u>121</u>
	<u>\$1,542</u>	<u>\$1,548</u>

Special Purpose Funds and Crown Agencies

.04 The Department is also responsible for the operations of the following Crown agencies and special purpose funds.

- Battlefords Regional Care Centre
- Board of Governors, Lakeside Home
- Health Services Utilization and Research Commission
- LaRonge Hospital Board
- Palliser Regional Care Centre
- Parkland Regional Care Centre
- Prince Albert District Health Board

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Regina District Health Board
Saskatchewan Alcohol & Drug Abuse Commission
Saskatchewan Cancer Foundation
Saskatchewan Health Research Board
Saskatchewan Prescription Drug Fund
Saskatoon District Health Board
Souris Valley Regional Care Centre
St. Louis Alcoholism Centre
Whitespruce Youth Treatment Centre

Our Audit Findings

.05 To meet established priorities, we limited our audit of the Department's Consolidated Fund appropriations and revenues to payments for doctors' services under Sub-vote 28.

.06 In our opinion, the Department had adequate rules and procedures to safeguard and control payments from the Medical Care Insurance sub-vote. The Department complied with the authorities governing payments from the Medical Care Insurance sub-vote as those authorities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing.

.07 In our opinion, the financial statements for the special purpose funds and Crown agencies listed in paragraph .04 are reliable except where we report otherwise in this Chapter. The Department and its Crown agencies complied with the authorities governing the activities of those agencies and funds as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except where report otherwise in this Chapter. The Department and its agencies had adequate rules and procedures to safeguard and control the assets of these funds and Crown agencies except where we report otherwise in this Chapter.

.08 In addition, we designed a plan for auditing the 29 District Health Boards created under *The Health Districts Act* for the year ended March 31, 1994. We describe our audit plan in paragraphs .09 to .23.

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DISTRICT HEALTH BOARDS

.09 *The Health Districts Act* (the Act) creates district health boards. Following is a list of District Health Boards.

Assiniboine Valley District Health Board
Battlefords District Health Board
Central Plains District Health Board
East Central District Health Board
Gabriel Springs District Health Board
Greenhead District Health Board
Living Sky District Health Board
Midwest District Health Board
Moose Jaw-Thunder Creek District Health Board
Moose Mountain District Health Board
North Central District Health Board
North-East District Health Board
North Valley District Health Board
Northwest District Health Board
Parkland District Health Board
Pasquia District Health Board
Pipestone District Health Board
Prairie West District Health Board
Prince Albert District Health Board
Regina District Health Board
Rolling Hills District Health Board
Saskatoon District Health Board
South Central District Health Board
South Country District Health Board
South East District Health Board
Southwest District Health Board
Swift Current District Health Board
Touchwood Qu'Appelle District Health Board
Twin Rivers District Health Board

District Health Board Accountability

.10 The Department is accountable to the Legislative Assembly for the effective and efficient delivery of health care. A key part of the Government's strategy to reform the Saskatchewan health system is the integration and co-ordination of health services at the community level by creating health districts, each governed by a board of directors. Currently, the Lieutenant Governor in Council (Cabinet) appoints the board members. In the future, the Government states it plans eventually to have a majority of the board members elected locally.

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.11 The Act makes boards accountable to residents of the district and to the Minister of Health for the effective and affordable delivery of health services. The Act sets out various accountability mechanisms for boards to follow including annual reports, auditing, and public meetings.

Our Audit Strategy

.12 Because Cabinet appoints the board members, the health boards are Crown agencies under *The Provincial Auditor Act*, and are subject to an audit by our Office. Our mandate is to help the Assembly hold the Government accountable for public money administered by these boards.

.13 Since the Government has stated it plans eventually to have a majority of the health board members elected, we decided to focus our audit work on six health boards for the year ended March 31, 1994. These are: Regina, Saskatoon, Prince Albert, Moose Jaw, Pipestone, and Twin Rivers. By focusing our work on the larger health boards and two small ones, we plan to identify best practices for all boards to follow.

.14 Also, we plan to help the Department and health boards during the transition to elected boards. Our help will include advice in various forums where the Department, health boards and public accounting firms exchange information and ideas on auditing, reporting, and other matters related to accountability and effective management.

.15 For example, we helped the Department prepare an "Accountability Guide" to help the health boards meet their accountability requirements. Also, we worked with the Department to prepare an "Audit Guide" to help public accounting firms meet departmental audit requirements. We are also helping the Department prepare a seminar for health boards and public accounting firms to orient them to the requirements of the Guides.

.16 As the transition to elected health boards progresses, we will focus our examinations on issues common to all health boards and how the Department and boards manage these issues. For example, we may look at how the Department ensures board members understand their roles, responsibilities and duties.

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Accountability and Audit Guides

.17 The Accountability and Audit Guides give the following guidance:

- the Guides direct the health boards to prepare their annual financial statements using generally accepted accounting principles (GAAP) recommended by the Canadian Institute of Chartered Accountants;
- the Guide presents illustrated financial statements based on GAAP; and
- the Guide requires boards to obtain independent audit reports on health board financial statements, internal controls and compliance with legislative and related authorities.

.18 The audit reports will give assurance to the Department, residents of the health district, and board members that:

- financial statements prepared by management present fairly the financial position and results of operations of the health board;
- internal control policies and procedures put in place by management (including management of facilities and agencies not yet integrated with the health board) are adequate to safeguard and control the assets of the health board; and
- management has complied with legislative and related authorities including service agreements with the Department.

.19 The Accountability Guide also deals with other reports required by *The Health Districts Act*. These are:

- a report on a health board's services and activities and costs; and
- a report on the health status of the residents of a health district and the effectiveness of its programs.

.20 These reports will help local residents and the Department assess whether health boards' programs are effective and delivered

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at a reasonable cost.

.21 Some time will be needed before health boards are fully able to prepare these reports, particularly the report on effectiveness. Given the importance of these reports, we encourage boards to begin reporting on these matters, and gather the kinds of information they will need to report more fully in the future. For example, health organizations often do not gather adequate information to measure costs of specific services. And, there is often little information on the outcomes of health care.

.22 The Audit Guide gives guidance to health board auditors on the audit scope, standards, criteria, procedures, and report format.

Department Accountability

.23 While health boards deliver most health services, the Department remains accountable to the Legislative Assembly for setting and maintaining health standards, licensing, broad planning and policy development, evaluation, and funding of the health system. It is important the Department provides the Assembly and the public the information needed to assess the Department's performance. As noted above, it appears the Department will be receiving the information it needs to assess the performance of health boards. It is important the Department provide similar, summarized information to the Assembly. Chapter 8 of our 1992 annual report, *Annual Reports of Government Departments*, provides a framework for such a report. In future years, we will assess the Department's annual report to ensure it provides the Assembly relevant performance information.

Financial Statements Require Correction

.24 In our opinion, the Government changed its funding practices for the costs of unused vacation leave and accounted for that change incorrectly. Our auditor's reports on the financial statements for the following boards, hospitals, and homes contain a reservation of opinion.

Battlefords Regional Care Centre
Board of Governors, Lakeside Home
LaRonge Hospital Board
Parkland Regional Care Centre
Palliser Regional Care Centre
Regina District Health Board
Saskatoon District Health Board
Souris Valley Regional Care Centre

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.25 Treasury Board is responsible for the financial statements of Crown-owned boards, hospitals, and homes. For many years, Treasury Board presented financial statements for Crown-owned hospitals and special care homes showing an amount due from the Consolidated Fund equal to the amounts owed by hospitals and homes to employees for unused vacation leave. In those prior years, the notes to the financial statements explained it was Government policy to fund these hospitals and homes for employee vacation leave in the period employees took the leave. Under this policy, the hospitals and homes were to receive future funding for the amounts they owed to employees at year end. Accordingly, those hospitals and homes managed their finances as if they were to be provided such funds (\$20 million) in the future.

.26 Crown-owned boards, hospitals, and homes prepared their 1993 financial statements based on past funding practices for vacation leave. We audited these financial statements and submitted them to Treasury Board for approval. Treasury Board withheld approval of these financial statements for an extended period.

.27 Later, the Department required these boards, hospitals and homes to prepare revised 1993 financial statements to show Government policy was now to fund vacation leave when earned. That is, the boards, hospitals and homes now receive the money for employee vacation leave before they need the money to pay the employees for vacation leave. The Department directed these boards, hospitals, and homes to account for the change in funding policy as a correction of prior years' financial statements.

.28 We audited the revised financial statements for these boards, hospitals and homes and concluded those statements were incorrect.

.29 We think the Government changed its funding policy for unused vacation leave during 1993. Under generally accepted accounting principles, current year events should be accounted for in the current year's financial statements not in prior years' financial statements. We think it was inappropriate for Treasury Board to show the change in funding policy for vacation leave in prior years' financial statements.

.30 The Department argues the Government did not change its funding policy during 1993. The Department states Treasury

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Board's past financial statements for Crown-owned hospitals and homes did not show correctly the Government's funding practice for vacation leave. The boards, hospitals, and homes will not receive further funding to pay employees for unused vacation leave.

We Recommend

.31 Treasury Board should ensure financial statements of Crown-owned boards, hospitals and homes properly account for change in funding policies.

.32 We think the Government's past funding policy for vacation leave for Crown-owned hospitals and homes was appropriate. That is, it is appropriate to give the hospitals and homes money when they need to pay the employees for vacation leave. It does not seem appropriate to give the hospitals and homes money before they need to pay employees because the Government would have to borrow money to do so.

.33 At March 31, 1993, the liability for unused vacation leave was approximately \$20 million. By not funding this liability until the boards, hospitals and homes needed to pay employees, the Government reduced its borrowing needs by an equal amount. Since the liability for vacation leave changes little from year to year, the Government did not need to borrow to pay this liability.

Board of Directors
Allowances and
Expenses Require
Authority

.34 Ten agencies listed in paragraph .04 paid their board members allowances and expenses without adequate authority. The agencies paid approximately \$.3 million to the board members.

.35 The Department prepared Orders-in-Council appointing boards of directors, but the Orders did not specify the allowances and expenses for the directors of the eleven boards. In our opinion, allowances and expenses must be specified in an Order-in-Council.

.36 We also reported this matter in our 1990, 1991, and 1992 Annual Reports.

We Recommend

.37 The Department should specify the allowances and expenses of Boards of Directors in Orders-in-Council.

.38 The Standing Committee on Public Accounts discussed this

Chapter 16 Department of Health

matter with the Department on January 20, 1994. The Department told the Committee it will specify allowances and expenses of boards of directors in future appointing Orders.

**BOARD OF
GOVERNORS,
LAKESIDE HOME**

.39 The Board operates, controls, and manages a special care home called Lakeside Home.

.40 The Board reported revenue of \$2.7 million in 1993 and held assets of \$.3 million at March 31, 1993. The Board's financial statements are included in the Public Accounts Compendium at page A376.

Our Audit Findings

.41 In our opinion, the Board's financial statements are reliable except for the matter reported in paragraphs .24 to .33. The Board complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .34 to .38 and .45 to .47. The Board had adequate rules and procedures to safeguard and control its assets except for the following significant deficiencies.

Records Need to be Kept Current

.42 The Board did not reconcile its recorded bank balance to the bank's records for the whole year.

.43 The failure to reconcile the Board's recorded bank balance to the bank's records allows unauthorized or incorrect transactions to occur without timely detection.

We Recommend

.44 The Board should reconcile its recorded bank balance to the bank's records on a timely basis.

Board and Committee Minutes Need Approval

.45 Some Board and committee minutes lacked approval.

.46 The lack of approved minutes increases the risk of unauthorized transactions. Without approval of the Board minutes, Board decisions may be improperly documented and management actions may be inconsistent with the Board's intentions.

We Recommend

.47 The Board should authorize all minutes on a timely basis.

Chapter 16 Department of Health

SASKATCHEWAN ALCOHOL AND DRUG ABUSE COMMISSION

.48 The Commission's mandate is to reduce alcohol and other drug problems.

.49 The Commission had revenues of \$15 million and held assets of \$2 million at March 31, 1993. The Commission's financial statements are included in the Public Accounts Compendium at page B274.

Our Audit Findings

.50 In our opinion, the Commission's financial statements are reliable. The Commission complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The Commission had adequate rules and procedures to safeguard and control its assets except for the following significant deficiency.

Financial Statements Need to be Timely

.51 The Commission did not prepare timely financial statements.

.52 The Commission funds other agencies. These agencies must account to the Commission for the money they receive. Some money not spent at year end belongs to the Commission.

.53 The Commission lacks appropriate rules and procedures to determine the amount of unspent money recoverable from funded agencies on a timely basis. The Commission must determine this amount to prepare accurate financial statements.

.54 Lack of timely and accurate financial information can result in incorrect decision making.

.55 We also reported this matter in our 1992 Annual Report.

.56 The Commission was disestablished in 1993 and its activities continue in the Department.

We Recommend

.57 The Department should establish appropriate rules and procedures to determine the money recoverable from funded agencies on a timely basis.

Chapter 16 Department of Health

SASKATCHEWAN CANCER FOUNDATION

.58 The Foundation conducts programs for the treatment and prevention of cancer.

.59 The Foundation had revenues of \$27 million in 1993 and held assets of \$27 million at March 31, 1993. The Foundation's financial statements are included in the Public Accounts Compendium at page B319.

Our Audit Finding

.60 In our opinion, the Foundation's financial statements are reliable. The Foundation had adequate rules and procedures to safeguard and control its assets. The Foundation complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matters.

Members of the Foundation Require Proper Appointment

.61 Two members of the Foundation have not been appointed as required by *The Cancer Foundation Act* (the Act).

.62 The Act requires the Lieutenant Governor in Council (Cabinet) to appoint board members. The Act also requires the members of the board must include a person from the College of Medicine of the University of Saskatchewan and a person from the Saskatchewan Division of the Canadian Cancer Society. The Minister responsible for the Act must agree with the persons proposed for appointment by the College and the Society.

.63 One person from the College and one from the Society have been attending meetings of the Foundation as non-voting members. The Minister has not approved these persons and Cabinet has not appointed them.

.64 Three members of the Foundation continued in office beyond the period allowed by the Act.

.65 The Act states no board member shall hold office for more than two consecutive terms.

.66 The second consecutive term of three members of the Foundation expired in 1992/93, yet these members continue to function as members of the Foundation.

Chapter 16 Department of Health

.67 In our opinion, the Foundation has not complied with the above legislation.

We Recommend

.68 **The Government should appoint Foundation board members according to *The Cancer Foundation Act*.**

Chapter 17

Department of Highways and Transportation

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Further Actions Required	.15
HIGHWAYS REVOLVING FUND	.17
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Recovery Rates Require Authority	.20

Chapter 17

Department of Highways and Transportation

Introduction	<p>.01 The Department builds, maintains and regulates the Province's transportation systems. Those systems include public highways, winter roads, bridges, provincial airports, and short-line railways.</p>																					
Consolidated Fund	<p>.02 The Department manages Consolidated Fund appropriations of \$165 million and revenues of \$2 million. Information about the Department's appropriations and revenues appears in Volume II of the Public Accounts on pages 140 and 9.</p> <p>.03 The following is a list of major programs and spending.</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Original Estimates</u></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Actual</u></th> </tr> <tr> <th style="text-align: left;"></th> <th colspan="2" style="text-align: center; font-size: small;">(in millions of dollars)</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Maintenance of Highways and Transportation Facilities</td> <td style="text-align: right;">\$ 82</td> <td style="text-align: right;">\$ 71</td> </tr> <tr> <td style="padding-left: 20px;">Construction and Rehabilitation of Highways</td> <td style="text-align: right;">65</td> <td style="text-align: right;">63</td> </tr> <tr> <td style="padding-left: 20px;">Payments to Saskatchewan Property Management Corporation</td> <td style="text-align: right;">8</td> <td style="text-align: right;">8</td> </tr> <tr> <td style="padding-left: 20px;">Other</td> <td style="text-align: right; border-bottom: 1px solid black;">24</td> <td style="text-align: right; border-bottom: 1px solid black;">23</td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 1px solid black;"><u>\$179</u></td> <td style="text-align: right; border-bottom: 1px solid black;"><u>\$165</u></td> </tr> </tbody> </table>		<u>Original Estimates</u>	<u>Actual</u>		(in millions of dollars)		Maintenance of Highways and Transportation Facilities	\$ 82	\$ 71	Construction and Rehabilitation of Highways	65	63	Payments to Saskatchewan Property Management Corporation	8	8	Other	24	23		<u>\$179</u>	<u>\$165</u>
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Special Purpose Fund	<p>.04 The Department is also responsible for the operation of the Highways Revolving Fund.</p>																					

Our Audit Findings

.05 To meet established priorities, we restricted our work on the Department's Consolidated Fund appropriations and revenues to specific follow-up procedures. These procedures are sufficient for us to report on the Department's progress in applying recommendations from our 1992 Annual Report. These procedures do not constitute an audit. Paragraphs .07 to .16 reports on the procedures used and the Department's progress in applying our recommendations.

.06 Paragraph .19 reports our audit findings on the Highways Revolving Fund.

Chapter 17 Department of Highways and Transportation

Value-for-Money Audits

.07 In 1992, we reported on the adequacy of the Department's procedures to meet the goals of its surface repair maintenance plan for pavements and thin membrane (oil treated) highways in a cost effective manner. We, also, reported on the adequacy of the Department's procedures to manage, at a reasonable cost, its contracts with private sector highway builders (contractors).

.08 We recommended:

- *The Department should document the knowledge possessed by its senior staff, and address the future need for more formal communications and reporting strategies before these staff retirements occur.*

.09 With respect to the Department's surface repair maintenance plan, we recommended:

- *The Department should assess, over the next few years, the effect of its maintenance activities on maximizing the remaining service lives of highways;*
- *The Department should set performance bench marks for maintenance activities and compare those bench marks to actual results; and*
- *The Department should prepare its maintenance budget based on current highway conditions, technologies used, and related highway construction activities.*

.10 Since the Department had adequate procedures to manage its contracts with private sector road builders, we did not make recommendations.

Actions Taken by the Department

.11 Based on our follow-up procedures, the Department is working towards applying our recommendations. Our procedures consisted of reviewing the Department's surface condition manual, correspondence, meeting minutes, course material, and planning documents. We also discussed the Department's actions with various departmental officials.

.12 The Department's current initiatives centre on its maintenance activities. As a part of these initiatives, the Department is documenting knowledge possessed by its senior

Chapter 17 Department of Highways and Transportation

maintenance staff; the Department is requiring more formal reporting by its maintenance staff; and the Department is using various committees and training sessions to transfer maintenance knowledge.

.13 Also, the Department is updating its capital asset management and maintenance program management methods. The Department is researching methods to evaluate the condition of the highways and to produce cost-effective approaches to repair highways. The Department is collecting highway condition data. The Department plans to study highway conditions over time to predict a highway's future condition.

.14 The Department is working towards preparing its maintenance budget based on current highway conditions, technologies used, and related highway construction activities.

Further Actions
Required

.15 We encourage the Department to continue with the above initiatives. A good surface repair maintenance program protects the Province's \$6 billion investment in highways, and ensures the safety and reliability of the highway system.

.16 We will continue to monitor the Department's progress in the coming year. We will report our results in a future Report to the Legislative Assembly.

**HIGHWAYS
REVOLVING
FUND**

.17 The Department uses the Highways Revolving Fund to finance and account for equipment, materials, and labour acquired for certain departmental programs and custom work programs.

.18 The Fund had revenues of \$28.2 million in 1993 and held assets of \$44.6 million at March 31, 1993. The Fund's financial statements are included in the Public Accounts Compendium at page A307.

Our Audit Findings

.19 In our opinion, the financial statements for the Fund are reliable. The Department had adequate rules and procedures to safeguard and control the assets of the Fund. The Department complied with the authorities governing the activities of the Fund as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except

Chapter 17 Department of Highways and Transportation

for the following matter.

Recovery Rates
Require Authority

.20 The Department did not obtain required Treasury Board approval for the rates the Department uses to recover its costs (recovery rates) used from November 1, 1992 to March 31, 1993.

.21 Section AR 1010 of Treasury Board Accounting and Reporting Policy Manual requires that Treasury Board approve revolving funds' recovery rates included in their budget documents. The Manual also requires Treasury Board to approve changes to those rates before their use.

.22 The Department normally revises its recovery rates approximately every six months. The Department included recovery rates used from April 1, 1992 to October 31, 1992 in its 1992-93 budget documents. Treasury Board approved the Department's recovery rates in the 1992-93 budget documents. The Department did not obtain Treasury Board's approval for its revised rates used from November 1, 1992 to March 31, 1993.

We Recommend

.23 The Department should obtain Treasury Board's approval for the Fund's recovery rates before their use.

Chapter 18

Department of Justice

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Chapter 18

Department of Justice

Introduction

.01 The Department is to maintain public order and safety through the operation of an independent, impartial, and effective justice system which upholds the rule of law and defines and protects the basic legal rights of citizens.

.02 The Department administers justice, police services, and adult corrections in the Province. The Department also administers registry systems for corporations and for real and personal property.

Consolidated Fund

.03 The Department managed Consolidated Fund appropriations of \$170 million and revenues of \$50 million. Information about these revenues and appropriations appears in Volume II of Public Accounts at pages 10 and 158 respectively.

.04 The following is a list of major programs and spending.

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Policing Services	\$ 61.2	\$ 60.9
Adult Corrections	40.4	39.6
Court Services	17.6	17.0
Registry and Regulatory Services	16.7	15.9
Payments to Saskatchewan Property Management Corporation	15.2	15.1
Legal Services	10.6	10.3
Other	<u>11.6</u>	<u>11.7</u>
	<u>\$ 173.3</u>	<u>\$ 170.5</u>

Special Purpose Funds and Crown Agencies

.05 The Department is also responsible for the operations of several trust and special purpose funds and Crown agencies. These are:

- Agricultural Implements Board
- Assurance Fund
- Correctional Facilities Industries Revolving Fund
- Judges of the Provincial Court Superannuation Plan
- Law Reform Commission of Saskatchewan

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Office of the Rentalsman Trust Account
Provincial Mediation Board Trust Account
Public Trustee for Saskatchewan
Queen's Printer Revolving Fund
Trust accounts for courts, local registrars, and sheriffs
Victims' Fund

Our Audit Findings

.06 In our opinion, for the Department's Consolidated Fund revenues and appropriations, the Department complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .38 to .50. The Department had adequate rules and procedures to safeguard and control its Consolidated Fund appropriations and revenues except for the significant deficiencies reported in paragraphs .11 to .37.

.07 In our opinion, the financial statements for the funds and Crown agencies listed in paragraph .05 are reliable except where we report otherwise in this Chapter.

.08 In our opinion, the Department and its Crown agencies listed in paragraph .05 complied with the authorities governing these funds and agencies as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

.09 The Department and its agencies had adequate rules and procedures to safeguard and control the assets of the Law Reform Commission of Saskatchewan, Correctional Facilities Industries Revolving Fund, Public Trustee for Saskatchewan, Queen's Printer Revolving Fund, Victims' Fund, Agricultural Implements Board, and trust accounts for courts, local registrars, and sheriffs offices.

.10 To meet established priorities, we did not do sufficient work to report on the adequacy of the Department's rules and procedures to safeguard and control the assets of the following funds:

Assurance Fund
Judges of the Provincial Court Superannuation Fund
Office of the Rentalsman Trust Account

Chapter 18 Department of Justice

Provincial Mediation Board Trust Account

Internal Audit
Findings Require
Management's
Attention

.11 The Department did not take timely action on major concerns raised by its internal auditor.

.12 The Department is decentralized. Regional offices are responsible for collecting revenue and complying with both the law and the Department's rules and procedures. Regional offices include Correction Centres, Provincial Courts, Land Title Offices, Sheriffs Offices and Local Registrar Offices.

.13 The Department has an internal auditor who examines regional offices and reports the results to management.

.14 In 1992, the Department adopted an operating and reporting policy for its internal auditor. The policy states the internal auditor should submit his report on each audit to management officials. The official must reply to the auditor's major concerns within one month of receiving the report.

.15 We examined 29 reports issued by the internal auditor during the year. We found 27 cases where responsible officials did not respond to the auditor's major concerns within one month of receipt of the report (see paragraphs .38 to .40).

We Recommend

.16 The Department should take timely action on major concerns raised by the internal auditor.

.17 The Department now has an Audit Committee to help it address issues raised by the internal auditor.

Complete and
Accurate Financial
Reports Needed

.18 The Deputy Minister is responsible for delivering the activities assigned to the Department within established spending limits. The Department's appropriations provide the money to carry out the Department's activities.

.19 The Deputy Minister is also responsible for the integrity of the whole financial process, including revenue collection, within the Department.

.20 The Deputy Minister and other senior officials need accurate periodic financial reports. These reports should compare

Chapter 18 Department of Justice

actual results to budgeted results and highlight and explain major variances. If staff do the highlights and variance analysis well, the reports can be an immense aid to senior management. Senior management can then focus on trouble spots and overall supervision of the Department.

.21 During the year, we examined the Department's periodic financial reports. The Department uses the monthly expenditure forecasts and quarterly revenue forecasts prepared for Treasury Board as the Department's internal reports. We plan to do similar examinations in other departments and Crown agencies in the future.

.22 We assessed the Department's rules and procedures for preparing periodic financial reports. We wanted to know if the Department had:

- written rules and procedures for preparing its reports;
- identified the financial information needs of program managers;
- adequate rules and procedures to know its actual results; and
- adequate rules and procedures to prepare budget information based on levels of activity.

.23 We assessed the Department's periodic financial reports. We wanted to know if the reports:

- contained accurate actual costs;
- contained revenue and expenditure forecasts to the year end compared to the budget;
- contained the level of detail needed by each level of management and were consistently prepared;
- highlighted and explained significant variances requiring senior management's attention;
- compared actual results for the period to budgeted results for the period;

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- contained accurate budget information for the period based on level of activity; and
- were approved by the persons responsible for them.

.24 Paragraphs .25 to .37 contain our audit findings resulting from our assessment of the Department's policies and procedures for financial reporting and its financial reports.

Policy and Procedures
for Financial Reports
Needed

.25 The Department does not have written policies and procedures for preparing periodic financial reports.

.26 Periodic financial reports should:

- provide a suitable level of information to each level of management and highlight and explain major variances. The Department has not identified the financial information needs of program managers;
- show budget information based on levels of activity. The Department does not have rules and procedures to prepare budgets based on levels of activity; and
- show actual results using accrual accounting. The Government prepared its 1993-94 Estimates using the accrual basis of accounting. The accrual basis of accounting is consistent with the accounting standards for the public sector recommended by the Canadian Institute of Chartered Accountants. The Department does not have rules and procedures to prepare actual results using the accrual basis of accounting.

.27 Also, several persons in the Department are responsible for preparing the reports used to monitor the financial activities of the Department. Since several persons prepare reports, the lack of written policies and procedures increases the risk reports may not contain the information needed by senior management. Also, the information in the reports may not report results, budgets, and variances consistently. Inconsistent and inadequate reports do not provide suitable information for decision making.

We Recommend

.28 The Department should establish written policies and procedures for preparing periodic financial reports. The

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policies and procedures should include the following:

- the financial information needs of program managers;
- rules and procedures for preparing budgets based on levels of activity wherever possible;
- variances considered significant for highlight and explanation by each level of management; and
- rules and procedures for preparing actual results using the accrual basis of accounting.

Financial Reports
Need to be Reviewed
and Approved

.29 There is a lack of evidence the person responsible for periodic financial reports reviewed the reports before submitting them to senior management.

.30 The persons responsible for preparing financial reports have delegated this work to their staff. Responsible officials need to document their review of the reports prepared by their staff. This process would help ensure the reports are accurate and variance explanations provide suitable detail. The written approval would also acknowledge responsibility and accountability for achieving intended results.

.31 In only one case, the person responsible signed the reports prepared by staff as evidence of review and approval of the reports.

We Recommend

.32 The Department should require the written approval of the person responsible for reports.

Financial Reports
Need to Provide
Suitable Information

.33 In our opinion, the Department's periodic financial reports are not adequate to safeguard and control the Department's Consolidated Fund appropriations and revenues.

.34 The financial reports do not show year-to-date actual expenditure results. Also, the reports do not compare actual revenues and expenditures to the budget for the year to date.

.35 The financial reports show only revenue and expenditure

Chapter 18 Department of Justice

forecasts to the year end compared to budget. However, these forecasts are based on actual costs on a cash basis, and not on actual costs using the accrual basis of accounting. Also, the budget information does not include information for the period based on level of activity.

.36 The financial reports do not contain the level of detail required by program managers and do not highlight and explain significant variances requiring management attention.

We Recommend

.37 The Department should improve its periodic financial reporting to show:

- a comparison of actual results using the accrual basis of accounting for the period to budgeted results for the period based on levels of activity wherever possible;
- highlights and explain major variances for senior management on a consistent basis; and
- forecasts of revenue and expenditures to the year end showing budget information based on levels of activity wherever possible.

Provincial Comptroller's Guidelines Need to be Followed

.38 Regional offices do not always follow the Financial Administration Manual (FAM) guidelines issued by the Provincial Comptroller for the receipt and deposit of public money.

.39 We examined 29 reports issued by the internal auditor during the year. We found the following instances where the Department did not comply with FAM:

- 18 offices did not record all money received immediately upon receipt;
- 12 offices did not have a second person reconcile bank deposits to money received;
- 13 offices did not deposit money as often as required;
- 13 offices did not endorse cheques immediately upon receipt;

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- 8 offices had one person opening incoming mail; and
- 6 offices did not properly restrict employees' access to money.

We Recommend

.40 The Department should ensure regional offices follow FAM guidelines for the receipt and deposit of money. Alternatively, the Department should seek an exemption from the requirements of FAM from the Provincial Comptroller.

Write-Offs of Fines Require Authority

.41 The Department wrote off fines it could not collect without obtaining approval from the Board of Revenue Commissioners.

.42 Treasury Board requires the Board of Revenue Commissioners to authorize the write-off of uncollectible fines receivable. Treasury Board's change in accounting policies to accrual accounting resulted in the Public Accounts reporting unpaid fines as accounts receivable for the first time at March 31, 1993. This change caused the Department to consider seeking Board of Revenue Commissioner's approval for writing-off uncollectible fines receivable.

.43 We also reported this matter in our 1992 Annual Report.

We Recommend

.44 The Department should obtain the Board of Revenue Commissioners' authority to write-off uncollectible fines receivable.

.45 The Department told us it would ask the Board of Revenue Commissioners to authorize write-offs in 1993/94.

Fees Not Collected

.46 The Department did not collect fees charged in excess of money on deposit at the Saskatoon Land Titles Office as required by The Land Titles Fee Regulations.

.47 Frequent users of the services of land title offices may establish deposit accounts. Fees may be charged to a deposit account in excess of money on deposit.

.48 The Regulations require the Department to collect charges in excess of money on deposit in the month following the month in which the service was rendered.

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.49 The Saskatoon Land Titles Office had 67 deposit accounts with charges in excess of money on deposit totalling \$86,000 at December 31, 1992. The Department did not collect this money by January 31, 1993 as required.

We Recommend

.50 The Department should comply with the Land Titles Fees Regulations.

Loss of Public Money

.51 An employee defrauded the Department of \$45,000 over a four year period.

.52 The Department sends tapes of court proceedings to transcript firms. The firms transcribe the tapes into typewritten form and bill the Department for their services.

.53 In March 1992, the Department found an employee also did work for two private firms. This employee caused the firms to unknowingly file false invoices on the employee's behalf. The employee held a position of trust in the Department and approved the invoices for payment.

**CORRECTIONAL
FACILITIES
INDUSTRIES
REVOLVING
FUND**

.54 The Department uses the Fund to finance and account for work programs intended to reduce the costs of operating, maintaining, and repairing correctional facilities as well as improving inmate work productivity.

.55 The Fund had revenues of \$.9 million in 1993 and held assets of \$.7 million at March 31, 1993. The Fund's financial statements are included in the Public Accounts Compendium at page A293.

Our Audit Findings

.56 In our opinion, the Fund's financial statements are reliable except for the matter reported in paragraphs .57 to .59. The Department had adequate rules and procedures to safeguard and control the assets of the Fund. The Department complied with the authorities governing the activities of the Fund as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing.

**Reservation in Our
Auditor's Report**

.57 Our auditor's report on the Fund's 1993 financial statements contains a reservation of opinion. We could not verify

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the value of the inventory.

.58 To meet established priorities, we informed the Department in January 1993, we would not be auditing this Fund unless the Department paid our costs. In November 1993, the Department decided to pay our costs. Because we did not observe the inventory count at March 31, 1993, we were unable to determine whether the value of inventory recorded in the Fund's financial statements was accurate.

.59 Our auditor's report reads in part as follows:

Audit arrangements for the year ended March 31, 1993 were not finalized until after March 31, 1993. Therefore, I did not observe the taking of physical inventories at the end of the year and I was not able to satisfy myself concerning inventory quantities by alternative means. Accordingly, I was not able to determine whether adjustments to inventories might be required. Also, since ending inventories enter into the determination of the results of operations and changes in financial position, I was unable to determine whether adjustments to cost of goods sold, net loss after subsidy for the year, accumulated operating deficit, end of year, financing requirements of operations, and accumulated net expenditure, end of year, might be necessary.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to examine ending inventory quantities, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the revolving fund at March 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chapter 19

Department of Social Services

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Chapter 19

Department of Social Services

Introduction	<p>.01 The Department:</p> <ul style="list-style-type: none"> • helps families care for and support their members; • provides basic income support for those in need; • works to reduce the risks and disadvantages of poverty; • protects children from abuse and neglect; • provides services for youth in conflict with the law; • promotes a standard quality of day care; and • supports independent community based services for people with mental and physical disabilities. 																																				
Consolidated Fund	<p>.02 The Department managed Consolidated Fund appropriations of \$425 million and revenues of \$195 million. Information about these revenues and appropriations appears in Volume II of the Public Accounts at pages 11 and 230 respectively.</p> <p>.03 The following is a list of major programs and spending:</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Original Estimates</u></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Actual</u></th> </tr> <tr> <th></th> <th colspan="2" style="text-align: center; font-size: small;">(in millions of dollars)</th> </tr> </thead> <tbody> <tr> <td>Social Assistance Plan</td> <td style="text-align: right;">\$233</td> <td style="text-align: right;">\$251</td> </tr> <tr> <td>Child Care and Children's Services</td> <td style="text-align: right;">41</td> <td style="text-align: right;">40</td> </tr> <tr> <td>Community Living</td> <td style="text-align: right;">41</td> <td style="text-align: right;">41</td> </tr> <tr> <td>Regional Operations</td> <td style="text-align: right;">29</td> <td style="text-align: right;">28</td> </tr> <tr> <td>Family and Youth Services</td> <td style="text-align: right;">21</td> <td style="text-align: right;">23</td> </tr> <tr> <td>Payments to Saskatchewan Property Management Corporation</td> <td style="text-align: right;">11</td> <td style="text-align: right;">11</td> </tr> <tr> <td>Payments to New Careers Corporation</td> <td style="text-align: right;">9</td> <td style="text-align: right;">9</td> </tr> <tr> <td>Payments to Saskatchewan Legal Aid Commission</td> <td style="text-align: right;">8</td> <td style="text-align: right;">8</td> </tr> <tr> <td>Other</td> <td style="text-align: right; border-top: 1px solid black;">16</td> <td style="text-align: right; border-top: 1px solid black;">14</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><u>\$409</u></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><u>\$425</u></td> </tr> </tbody> </table>		<u>Original Estimates</u>	<u>Actual</u>		(in millions of dollars)		Social Assistance Plan	\$233	\$251	Child Care and Children's Services	41	40	Community Living	41	41	Regional Operations	29	28	Family and Youth Services	21	23	Payments to Saskatchewan Property Management Corporation	11	11	Payments to New Careers Corporation	9	9	Payments to Saskatchewan Legal Aid Commission	8	8	Other	16	14		<u>\$409</u>	<u>\$425</u>
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Payments to Saskatchewan Legal Aid Commission	8	8																																			
Other	16	14																																			
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Chapter 19 Department of Social Services

.04 The Department is also responsible for the operations of the following trust fund and Crown agencies:

Central Trust Account
New Careers Corporation
Saskatchewan Legal Aid Commission

Our Audit Findings

.05 To meet established priorities, we limited our audit of the Department's appropriations and revenues to its social assistance appropriation.

.06 In our opinion, the Department had adequate rules and procedures to control social assistance payments except for the significant deficiencies reported in paragraphs .08 to .22. The Department complied with the authorities governing social assistance payments as those authorities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for social assistance overpayments referred to in paragraphs .08 to .15 and the matter reported in paragraphs .23 to .26.

.07 In our opinion, the financial statements for the Fund and Crown agencies listed in paragraph .04 are reliable. The Department and its agencies had adequate rules and procedures to safeguard and control the assets of the Fund and Crown agencies except where we report otherwise in this Chapter. The Department and its Crown agencies complied with the authorities governing the activities of the Fund and Crown agencies as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

Social Assistance
Payments Need
Monitoring

.08 The Department needs to strengthen its rules and procedures for monitoring social assistance clients' ongoing eligibility and amount of assistance.

.09 *The Saskatchewan Assistance Act* and supporting regulations set out eligibility criteria and levels of assistance. The Department should have rules and procedures to provide reasonable assurance only eligible clients receive eligible amounts of social assistance.

.10 Errors in payments to clients often cannot be prevented due

Chapter 19 Department of Social Services

to the nature of social assistance. Instead, the Department has to detect errors later. This is true because:

- the Department cannot always properly assess the client's eligibility before it provides assistance due to the client's immediate need. Therefore, errors in assistance payments will occur; and
- the circumstances of clients often change, resulting in a change in eligible assistance. Clients do not always immediately report such changes to the Department. Changes to client circumstances include changes in living arrangements, employment status and personal income. Unreported changes in circumstances cause errors in assistance payments.

.11 Since errors are unavoidable, the Department needs to monitor the errors and change its rules and procedures if the rate of errors exceeds a target error rate. The Department has set its target error rate at 4% of total social assistance payments. However, for the 1992-93 year, the Department did not determine its actual error rate.

.12 In prior years, the Department had a process for determining its actual error rate. The Department determined its actual error rate by independently verifying the eligibility of a random sample of social assistance clients. The table below shows the Department's error rates and net overpayment (overpayment minus underpayment) for the past 7 years.

	<u>Department Caused Error Rate</u>	<u>Client Caused Error Rate</u>	<u>Total Error Rate</u>	<u>Overpayment \$Millions</u>
1985-86	4.4%	9.5%	13.9%	27.3
1986-87	2.5%	7.5%	10.0%	20.4
1987-88	1.3%	7.4%	8.7%	17.3
1988-89	1.9%	4.5%	6.4%	12.6
1989-90	1.5%	1.3%	2.8%	5.3
1990-91	0.9%	1.8%	2.7%	5.1
1991-92	0.4%	1.6%	2.0%	4.1

.13 During 1985-86, in response to a 13.9% error rate, the Department set a target error rate of 4%. It then designed rules and procedures to bring the error rate down to the target error

Chapter 19 Department of Social Services

rate. By 1989-90, the error rate was below 4%, and remained below the target error rate for the next two years.

.14 As noted above, in the current year, the Department did not estimate the error rate for social assistance payments. Without reliable information about the extent and cause of errors, we believe the Department lacks a firm basis to assess the appropriateness of its current rules and procedures.

We Recommend

.15 The Department should strengthen its rules and procedures for monitoring clients' ongoing eligibility and amount of assistance.

.16 The Department told us it had intended to determine the error rate for social assistance payments in 1992-93, but could not due to a lengthy labour strike and a significantly increased case load. In May 1993, the Department determined an error rate for social assistance payments made in April 1993 using a new method. The Department told us it plans to continue monitoring the error rate using its new method.

.17 We will assess the adequacy of the Department's new method next year.

Contingency Plan Needed

.18 The Department does not have a written and tested contingency plan to ensure it can operate if a major loss or destruction of its social assistance records occurs.

.19 The Department uses computers to keep its social assistance records. A written and tested contingency plan is particularly important to the Department because its social assistance operations depend on the reliability of its information systems.

.20 In our opinion, the Department may not be able to continue to operate in a timely and effective manner if a major loss or destruction of its social assistance records occurs.

We Recommend

.21 The Department should prepare a written contingency plan and test the plan.

.22 The Department told us it will contract for a contingency plan when it renews its computer services contract in the fall of 1993.

Chapter 19 Department of Social Services

Appropriation
Misapplied

.23 The Department applied an appropriation in a manner not intended by the Legislature.

.24 The Department paid \$8.8 million out of the appropriation "payments to New Careers Corporation for Training and Employment of Social Assistance Recipients", subvote 36-58. The Department paid \$8.3 million to the Corporation and \$.5 million to others.

.25 In our opinion, the Department lacked authority to pay \$.5 million to others.

We Recommend

.26 The Department should apply its appropriation in the manner intended by the Legislature.

**NEW CAREERS
CORPORATION**

.27 New Careers Corporation (NCC) provides social assistance clients with opportunities for greater independence and employment. NCC provides these opportunities through career planning, job-search training, counselling, skills development, educational upgrading, and work experience.

.28 For the eleven month period ended March 31, 1993, NCC had revenues of \$19 million and held assets of \$3.9 million at March 31, 1993. NCC's financial statements are included in the Public Accounts Compendium at page B35.

Our Audit Findings

.29 In our opinion, NCC's financial statements are reliable. NCC complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .38 to .46. NCC had adequate rules and procedures to safeguard and control its assets except for the significant deficiencies reported in paragraphs .30. to .37.

Improvements
to Saskatchewan
Skills Development
Program Payments
Needed

.30 NCC needs to improve its rules and procedures to ensure its payments under the Program comply with the Saskatchewan Skills Development Regulations. The Regulations require payments under the Program be for vocational preparation and training of social assistance clients.

.31 In 1992/93, NCC spent \$5.7 million on the Program. NCC administers the Program with the assistance of the Department of

Chapter 19 Department of Social Services

Education (Education). NCC refers social assistance clients to educational institutions to receive work preparation and training under the Program. Education approves invoices received from the educational institutions. Education then provides NCC these invoices for payment. NCC reviews these invoices noting Education's approval. NCC does not ensure approved invoices meet the requirements of the Regulations.

.32 Also, during 1992/93, NCC paid \$69,783 under the Program for material and supplies used in the construction of a day care centre for the Saskatchewan Institute of Applied Science and Technology. These payments do not comply with the Regulations.

We Recommend

.33 NCC should improve its rules and procedures to ensure its payments comply with the law.

Clear Construction
Contracts
Required

.34 NCC's construction contracts do not clearly describe the parties' legal obligations if a contract cancellation occurs.

.35 NCC needs to ensure its construction contracts clearly describe the parties' legal obligations to control against loss of public money.

.36 In 1992/93, NCC entered into contracts for various construction projects. These contracts do not have contract cancellation provisions. In 1992/93, NCC cancelled two construction contracts. NCC paid the contractors \$118,756 to cancel the contracts.

We Recommend

.37 NCC should ensure its construction contracts clearly describe the parties' legal obligations.

Borrowing Limit
Exceeded

.38 NCC exceeded its borrowing limit four times without proper authority.

.39 Section 4(7)(g) of Order-in-Council 448/92 states NCC may:

"...borrow money on those terms and conditions and with those times of repayment that the corporation thinks advisable and necessary provided that the total of such loans outstanding from time to

Chapter 19 Department of Social Services

time shall not exceed the sum of \$200,000, except with the prior approval of the Lieutenant Governor in Council."

We Recommend

.40 NCC should comply with its borrowing limit or obtain the necessary prior approval of the Lieutenant Governor in Council.

Board of Director Allowances and Expenses Require Proper Approval and Support

.41 In 1992/93, NCC paid \$20,674 to Board members for expenses other than allowances without proper authority. NCC also paid \$6,365 of allowances to Board members without proper support.

.42 Section 16 of *The Interpretations Act* states the person who has the power to make an appointment also decides the pay and expenses of the person appointed.

.43 NCC's Board is appointed by Order-in-Council. As a result, an Order should be used to set the pay and expenses of the persons appointed. Order 337/90 provides authority for NCC to pay allowances to Board members for each day they spend on NCC's business. The Order does not provide authority for NCC to pay Board members' expenses.

.44 Also, NCC was unable to provide us with documentation that all payments for allowances were for NCC business.

We Recommend

.45 NCC should obtain proper authority for the expenses of its board members.

.46 NCC should obtain sufficient and appropriate documentation to support all allowances to Board members.

Spending Direction Required

.47 In 1992/93, NCC did not receive adequate direction from the Department to ensure its expenditures meet departmental program objectives and cost-sharing requirements of the Federal Government.

.48 NCC received \$8 million from the Department for training and employment of social assistance clients. NCC delivers various programs with these monies. Some of the \$8 million NCC received from the Department can be cost-shared with the Federal

Chapter 19 Department of Social Services

Government. For the Department to meet its program objectives including maximizing federal/provincial cost-sharing, the Department must provide spending direction to NCC.

.49 In our opinion, the lack of adequate direction could result in NCC spending money for purposes not intended by the Department. Also, this may result in lost revenue for the Department if NCC expenditures are not cost-sharable with the Federal Government.

We Recommend

.50 The Department should provide written spending direction to ensure NCC's spending meets departmental objectives and cost sharing requirements.

Chapter 20 Indian and Metis Affairs Secretariat

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Chapter 20

Indian and Metis Affairs Secretariat

Introduction	<p>.01 The Secretariat's objective is to promote and facilitate partnerships between aboriginal and non-aboriginal peoples in achieving common goals and enhancing quality of life.</p>
Consolidated Fund	<p>.02 The Secretariat managed Consolidated Fund appropriations of \$17 million in 1993. Information about the Secretariat's spending appears in Volume II of the Public Accounts at page 153.</p>

Our Audit Findings

.03 The Secretariat had adequate rules and procedures to safeguard and control its Consolidated Fund appropriations except for the significant deficiencies reported in paragraphs .04 to .09. The Secretariat complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .11 to .14.

Verification Procedures Required

.04 The Secretariat's rules and procedures were not adequate to verify that only eligible persons received eligible assistance for the Secretariat's two major grant programs. In addition, the Secretariat's rules and procedures were not adequate for us to verify that grant recipients used the money for approved purposes.

.05 The Secretariat manages two major conditional grant programs. These are the Metis Business Development Program (MBDP) and the Indian Economic Development Program (IEDP). The Secretariat spent \$1.4 million on these programs in 1993.

.06 The Secretariat needs rules and procedures to verify that only those eligible receive grants and the grants are for the correct amount. The Secretariat also needs to verify that recipients use grants for the approved purposes.

.07 The Secretariat's rules and procedures do not require staff to document what they did to verify an applicant's eligibility and a grant recipient's use of grant money. Accordingly, there is a lack of evidence for us to know if only eligible applicants received MBDP and IEDP grants. Also, there is a lack of evidence for us to know if grant recipients used the money they received for

Chapter 20 Indian and Metis Affairs Secretariat

approved purposes.

.08 We also reported this matter in our 1992 Annual Report.

.09 Order-in-Council 177/93 dated March 17, 1993, transferred responsibility and funding for MBDP and IEDP to the Department of Economic Development.

We Recommend

.10 The Department should establish rules and procedures to ensure staff document how they:

- verify eligibility for grants; and
- verify that grant recipients use their money for approved purposes.

Agreement Requires Authority

.11 The Secretariat did not obtain the approval of the Lieutenant Governor in Council for an agreement. In our opinion, payments required by the agreement lacked proper authority.

.12 The Secretariat entered into an agreement to rent space. The Secretariat is required to pay rent until October, 1994. Payments made to March 31, 1993 totalled \$21,000.

.13 Section 17 of *The Government Organization Act* requires the approval of the Lieutenant Governor in Council for agreements where the Government of Saskatchewan is liable to make expenditures in excess of \$10,000.

We Recommend

.14 The Secretariat should obtain the prior approval of the Lieutenant Governor in Council for its agreements.

Chapter 21 Investment Corporation of Saskatchewan

Introduction	.01
Ability to Discharge our Duties	.04

Chapter 21

Investment Corporation of Saskatchewan

Introduction

.01 The Investment Corporation of Saskatchewan (ICS) acts as an investment manager for several Government agencies.

.02 *The Investments Provisions Act* came into force June 1, 1988. It permits certain government agencies to contract for investment management services.

.03 ICS was incorporated under *The Business Corporations Act* of Saskatchewan to provide investment management services. Government agencies hold the majority of voting shares of ICS.

Ability to Discharge our Duties

.04 ICS has not permitted us to audit its accounts since it was formed. ICS's actions result in a lack of public accountability to the Legislative Assembly for its activities.

.05 ICS is a Crown controlled corporation because the majority of its shares are held by Government agencies. Therefore, it is subject to an audit under *The Provincial Auditor Act*. Our legal advice supports this view.

.06 The following Government agencies hold the majority of ICS shares:

Saskatchewan Government Insurance
Workers' Compensation Board
Power Corporation Superannuation Board
SaskTel Superannuation Board
Minister of Finance for the Teachers' Superannuation
Commission

.07 ICS has legal advice it is not subject to an audit by the Provincial Auditor. ICS believes it is an independent competitive investment counsel, not a Crown controlled corporation.

.08 If the Legislative Assembly wishes ICS to be accountable to the Assembly then the Assembly should recommend the Government direct ICS to allow our Office to audit its accounts and to present its financial statements to the Assembly.

.09 The Standing Committee on Public Accounts considered this matter on January 20, 1994. The PAC's discussion centred

Chapter 21 Investment Corporation of Saskatchewan

on:

- the ability of the Assembly to see information about ICS through the financial statements of Crown agencies that hold shares in ICS and that table their statements in the Legislative Assembly; and
- an understanding the shares of ICS are held by the shareholders as trustees for the beneficial owners of the shares who are plan members.

.10 The financial statements of Crown agencies that table financial statements in the Assembly do not include information about the revenues, expenditures, assets and liabilities of ICS. Accordingly, the Assembly cannot see relevant information about ICS through the financial statements of other Crown agencies.

.11 Regarding the beneficial ownership of pension plan assets, plan members are not the beneficial owners, but are the beneficiaries only. Our legal advice supports this view. Plan members do not benefit directly from the prudent management of money in the plan, but have a promise from the Crown for a specific pension. The Crown benefits directly from the prudent management of money in defined benefit pension plans. The greater the return on money invested the less the Crown needs to pay into the pension plan in the future to discharge its pension promise. The Crown assumes the final liability for the promised pensions to plan members.

We Recommend

.12 ICS should table its financial statements in the Legislative Assembly.

.13 ICS should allow us to audit its accounts.

Chapter 22 Public Service Commission

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Chapter 22

Public Service Commission

Introduction

.01 The Public Service Commission (PSC) is the central human resource agency for government departments and several Crown agencies.

.02 PSC managed Consolidated Fund appropriations of \$8.7 million and revenues of \$3,000 in 1993. Information about PSC's revenues and appropriations appears in Volume II of the Public Accounts on pages 10 and 204 respectively.

Our Audit Findings

.03 In our opinion, PSC complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. PSC had adequate rules and procedures to safeguard and control its Consolidated Fund appropriations and revenues. In addition, we bring the following matters to the attention of the Legislative Assembly.

Monthly Commission Meetings Required

.04 The Commission did not meet from September, 1992 to December, 1992. Section 7(1) of *The Public Service Act* requires the Commission to meet at least once a month except for the months of July and August.

We Recommend

.05 **The Commission should meet as required by *The Public Service Act*.**

Chair's Report Needed

.06 Accountability is the obligation to answer for (or report on) a responsibility conferred. Sections 5 and 6 of *The Public Service Act* require the chair of PSC and the Commission to make reports to the Lieutenant Governor in Council. In addition, the Act requires the report of the Commission be laid before the Legislative Assembly.

.07 Section 5(4)(c) of *The Public Service Act* states:

The chairman shall investigate and report at least annually to the Lieutenant Governor in Council upon the degree to which uniformity of treatment of employees in the public service has been attained, under collective bargaining agreements or otherwise, with respect to pay, hours of work,

Chapter 22 Public Service Commission

attendance, holidays, sick leave, severance pay, gratuities and other conditions of employment relating to pay, hours of work and working conditions.

.08 Section 6(2) and (3) of *The Public Service Act* state:

The commission shall make to the Lieutenant Governor in Council an annual report, and such special reports as it considers desirable regarding personnel administration in the public service and recommendations for improvement with respect thereto.

The annual report shall be laid before the Legislative Assembly within 15 sitting days from the commencement of the session following the end of the year for which the report is made.

.09 The Commission prepared and submitted its annual report for the year ended March 31, 1993 to the Lieutenant Governor in Council. This report provides information on PSC and personnel administration in the public service. The report includes information on PSC's goals, activities, results of activities, and future activities. However, the report does not provide specific information on the degree to which uniform treatment of employees in the public service has been attained. PSC was unable to provide us a report that contained this information.

We Recommend

.10 The Chair should report at least annually to the Lieutenant Governor in Council upon the degree to which uniformity of treatment of employees in the public service has been attained as required by *The Public Service Act*.

VFM Audit

.11 In 1993, we started a value-for-money audit at PSC. This audit was to focus on the adequacy of PSC's human resource management systems. Due to numerous changes at PSC, we agreed to defer this audit until 1994. We will report our results in a future Report.

Chapter 23

Saskatchewan Economic Development Corporation

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Loss to the Crown	.10

Chapter 23

Saskatchewan Economic Development Corporation

Introduction

.01 The Corporation (SEDCO) conducts lending and other programs for the purpose of economic development in Saskatchewan.

.02 SEDCO's financial statements report revenue of \$16.4 million in 1992 and assets of \$210 million at December 31, 1992. SEDCO's financial statements are included in its annual report.

Our Audit Findings

.03 We stated in our 1992 Annual Report we had not finished our audit of SEDCO for the year ended December 31, 1991. This Chapter contains the results of our work on SEDCO for the year ended December 31, 1991.

.04 In our opinion, SEDCO's 1991 financial statements are reliable. SEDCO had adequate rules and procedures at December 31, 1991 to safeguard and control its assets except for the matters described in paragraphs .10 to .19. SEDCO complied with authorities governing its 1991 activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .06 to .09.

.05 To meet established priorities, we did not audit SEDCO for the year ended December 31, 1992.

Financial Assistance Exceeds Authority

.06 During the year ended December 31, 1991, SEDCO provided assistance to two companies without obtaining required Orders-in-Council.

.07 Section 22 of *The Industrial Development Act* requires SEDCO to obtain an Order-in-Council for financial assistance to a company when the financial assistance would exceed \$2,500,000.

.08 During the year, SEDCO provided financial assistance to two companies by capitalizing their overdue interest. This action increased the principal amount of their loans. The new principal amounts exceeded the principal amounts previously approved by Orders-in-Council by \$703,000.

Chapter 23 Saskatchewan Economic Development Corporation

We Recommend	.09 SEDCO should obtain required Orders-in-Council when providing financial assistance.
<hr/>	<hr/>
Loss to the Crown	<p>.10 SEDCO lost \$410,000 because of inadequate rules and procedures to safeguard and control cheques received that are payable to another organization.</p> <p>.11 During 1989, SEDCO made loans to GigaText Translation Systems Inc. (GigaText). During 1990, GigaText defaulted on those loans and SEDCO assumed control over GigaText and a related company.</p> <p>.12 By a sale agreement dated June 27, 1990, SEDCO agreed to sell all of its shares in GigaText and a related company. The agreement provided for SEDCO to realize cash from refundable tax credits to be claimed in GigaText's name from Revenue Canada.</p> <p>.13 In April 1991, SEDCO received a cheque from Revenue Canada representing the refundable tax credits. The cheque was payable to GigaText for approximately \$410,000.</p> <p>.14 SEDCO asked the principal of GigaText (the principal) to come in and endorse the cheque over to SEDCO. However, when the principal visited SEDCO's offices on April 24, 1991, he was given the cheque and left with it.</p> <p>.15 SEDCO asked the principal to return the money. When he did not, SEDCO started legal action to recover the money. In October 1991, the principal presented a settlement proposal.</p> <p>.16 SEDCO's management recommended not accepting the proposal. SEDCO's Executive Committee reviewed the proposal on October 9, 1991. The Executive Committee unanimously decided to accept the proposed settlement.</p> <p>.17 The principal and SEDCO signed a settlement agreement on October 15, 1991. SEDCO agreed to drop its action and amend the original sale agreement. The principal agreed to release SEDCO from claims arising out of the original agreement. Also, the principal agreed to keep the settlement confidential and to pay penalties if the principal released information relating to the settlement before October 22, 1991.</p>

Chapter 23 Saskatchewan Economic Development Corporation

.18 On October 17, 1991 the SEDCO Board of Directors approved the October 9, 1991 Minutes of the Executive Committee meeting.

We Recommend

.19 SEDCO should improve its rules and procedures to safeguard and control cheques received that are payable to other organizations.

Chapter 24

Saskatchewan Forest Products Corporation

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Chapter 24

Saskatchewan Forest Products Corporation

Introduction

.01 The Corporation (SFPC) produces plywood and dimension lumber.

.02 SFPC earned revenues of \$29.4 million and held assets of \$22.6 million at October 31, 1992. SFPC's financial statements are included in its annual report.

Our Audit Findings

.03 In our opinion, SFPC's financial statements are reliable. SFPC had adequate rules and procedures to safeguard and control its assets. SFPC complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matters.

Insufficient Board Meetings

.04 Order-in-Council 1899/49 states the Board of Directors must meet once in every three months. SFPC's Board only met two times during the year.

.05 In our opinion, the Board did not comply with Order-in-Council 1899/49.

.06 We also reported this matter in our 1992 Annual Report.

We Recommend

.07 **The Board should meet at least once every three months as required by the Order.**

Head Office Requires Approval

.08 *The Crown Corporations Act, 1978* requires the Lieutenant Governor in Council to approve the location of SFPC's head office. SFPC relocated its head office from Prince Albert to Hudson Bay. The Lieutenant Governor in Council had not approved this relocation.

.09 In our opinion, SFPC had not complied with the Act.

.10 On June 8, 1993, Order-in-Council 448/93 approved the relocation of SFPC's head office.

Chapter 25 Saskatchewan Gaming Commission

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Chapter 25

Saskatchewan Gaming Commission

Introduction

.01 The Commission licenses organizations to conduct and manage bingo, casinos, raffles, and Nevada break open ticket sales. The Commission also regulates gaming by registering all event suppliers and gaming employees.

.02 The Commission had revenue of \$8.6 million in 1993 and held assets of \$1.5 million at March 31, 1993. The Commission's financial statements are included in the Public Accounts Compendium at page B80.

Our Audit Findings

.03 In our opinion, the Commission's financial statements are reliable. The Commission had adequate rules and procedures to safeguard and control its assets except for the significant deficiency reported in paragraphs .04 to .10. The Commission complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

Revenue may be Incomplete and Gaming Proceeds may be Improperly Used

.04 The Commission lacks a proper audit plan to ensure it receives all money due from licensees. Also, because of the inadequate audit plan, the Commission does not know if licensees use gaming proceeds for authorized purposes.

.05 The Commission established some rules and procedures to audit licensees. However, it lacks a complete plan for auditing licensees.

.06 The Commission's revenue depends on the accuracy of returns submitted by licensees. Also, the Commission is responsible for ensuring licensees use gaming proceeds for authorized purposes.

.07 To ensure the Commission receives all of its revenues and licensees use gaming proceeds for authorized purposes, the Commission needs to audit licensees.

.08 In our opinion, the lack of a proper audit plan allows licensees to report incorrect information without detection. This could result in lost revenue. Also, the Commission does not know if licensees use gaming proceeds for authorized purposes.

Chapter 25 Saskatchewan Gaming Commission

.09 We also reported this matter in our 1992 Annual Report.

We Recommend

.10 The Commission should establish an audit plan that ensures the accuracy of licensees' returns and appropriate use of gaming proceeds.

Chapter 26
Saskatchewan Government Growth Fund Management Corporation

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Chapter 26

Saskatchewan Government Growth Fund Management Corporation

Introduction

.01 The Corporation established and manages a wholly owned share capital subsidiary Saskatchewan Government Growth Fund Ltd. (SGGF). SGGF is a government administered venture capital fund under the Federal Government's Immigrant Investor Program. Under this program, SGGF intended to raise \$100 million through three offerings of preferred shares. The marketing of all three offerings has been completed as of December 31, 1992.

.02 The Corporation's financial statements include the accounts of SGGF. The Corporation had revenues of \$3.3 million in 1992 and at December 31, 1992 held assets of \$84.4 million including investments of \$20.3 million. The Corporation's financial statements are included in the Public Accounts Compendium at page B95.

Our Audit Findings

.03 In our opinion, the Corporation's financial statements are reliable. The Corporation's rules and procedures to safeguard and control its assets were adequate except for the significant deficiency reported in paragraphs .04 to .08. The Corporation complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing.

New Investment Agreement Needed

.04 The Corporation did not follow its established investment rules and procedures for ensuring repayment of immigrant investors on the agreed dates.

.05 The Corporation agreed to repay immigrant investors on specified dates. Accordingly, the Corporation needs to manage its investments to ensure it has money available to repay the immigrant investors on the agreed dates.

.06 One of the Corporation's investments is a loan to a Saskatchewan company. At December 31, 1992, the amount of the loan was \$13 million including capitalized interest of \$2 million. The Corporation acquired this loan from Saskatchewan Economic Development Corporation (SEDCO) a related party, by agreement dated October, 1990.

.07 The agreement with SEDCO includes the Corporation's

right to transfer the loan back to SEDCO. However, the agreement does not specify an effective date for this transfer.

We Recommend

.08 The Corporation should manage its investments to ensure it has money available to repay immigrant investors on the agreed dates.

.09 The Corporation told us SEDCO has an agreement with the Saskatchewan Company specifying the date for the transfer of the loan back to SEDCO.

.10 We think the Corporation's agreements need to be sufficient in themselves to protect the Corporation's interests. Therefore, the Corporation should have included the transfer date in its agreement with SEDCO.

Chapter 27
Saskatchewan Power Corporation

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Chapter 27

Saskatchewan Power Corporation

Introduction

.01 The Corporation (SaskPower) provides electrical energy in the Province.

.02 SaskPower had revenues of \$720 million in 1992 and held assets of \$3.237 billion at December 31, 1992. SaskPower's financial statements are included in its annual report.

Our Audit Findings

.03 In our opinion, SaskPower's financial statements are reliable except for the matters reported in paragraphs .04 to .12. SaskPower had adequate rules and procedures to safeguard and control its assets and comply with authorities except for the matter reported in paragraphs .13 to .15. SaskPower complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .13 to .24.

Transactions Need Disclosure

.04 Notes to SaskPower's financial statements do not disclose separately a debt transfer from SaskTel nor a payment for a water right to Saskatchewan Water Corporation (Sask Water). It is important to disclose information about transactions among government agencies so members of the Legislative Assembly can understand and assess the effects of these transactions.

Debt Transfer Needs Disclosure

.05 SaskTel paid SaskPower \$123.1 million (\$98.88 US million) on November 16, 1992. SaskPower assumed SaskTel's obligations to the Consolidated Fund for debts of \$107.4 million (\$95.85 US million). SaskPower told us the amounts paid were based on amounts that would have been paid by SaskTel to the Consolidated Fund if the debt had been retired under the terms of the original loan.

.06 Generally accepted accounting principles (GAAP) require SaskPower's financial statements to disclose the nature and extent of transactions with other Government agencies. SaskPower's financial statements do not describe the debt transfer from SaskTel. In our view, SaskPower's financial statements do not comply with GAAP for the disclosure of this transaction.

Chapter 27 Saskatchewan Power Corporation

.07 SaskPower's financial statements show the debt transfer from SaskTel as additional borrowing from the Consolidated Fund. SaskPower's financial statements disclose borrowings from the Consolidated Fund. In SaskPower's view, the transfer from SaskTel did not require additional disclosure under GAAP.

Payment Needs
Disclosure

.08 In 1992, SaskPower paid Sask Water \$20.3 million for the right to use water from reservoirs that will be created from the Rafferty and Alameda Dams. SaskPower recorded the payment as an asset in its financial statements as part of property, plant and equipment.

.09 GAAP requires SaskPower to describe the nature and extent of transactions with other Government agencies. Notes to SaskPower's financial statements do not describe separately the \$20.3 million payment to Sask Water. In our view, SaskPower's financial statements do not comply with GAAP for the disclosure of this transaction.

.10 SaskPower did not view the reporting of the payment to Sask Water as significant in relation to its overall financial position. In SaskPower's view, the payment did not require separate disclosure in the financial statements under GAAP.

We Recommend

.11 SaskPower's financial statements should describe transactions with Government agencies.

.12 SaskPower told us that although it does not believe the above transactions require separate disclosure under GAAP, it plans to expand its disclosure for future related party transactions.

Lieutenant Governor
in Council Approval
Required

.13 SaskPower did not, in the following instances, follow its established procedures for obtaining required Order-in-Council approval.

.14 *The Power Corporation Act* limits SaskPower's authority to purchase or sell property. SaskPower requires the approval of the Lieutenant Governor in Council for purchases or sales of real property over \$150,000 and for personal property over \$1,000,000.

.15 SaskPower has rules and procedures to get appropriate

Chapter 27 Saskatchewan Power Corporation

approvals for purchases or sales of property. In 1992, SaskPower made the following sales and purchases of property without proper approval.

Water Rights
Purchase Requires
Authority

.16 As described in paragraph .08, SaskPower paid \$20.3 million for the right to use water from reservoirs that will be created from the Rafferty and Alameda Dams. In our view, *The Power Corporation Act* requires approval of the Lieutenant Governor in Council for the purchase of water rights. SaskPower did not obtain the required approval.

.17 SaskPower believes it does not require Lieutenant Governor in Council approval because it did not purchase personal property. SaskPower told us it has internal and external legal advice to support its position.

Construction Project
Requires Authority

.18 In 1992, SaskPower made payments of \$988,000 and \$330,000 to a contractor under separate purchase orders authorized in 1991. These separate purchase orders related to the same construction project. Since the cost of the project exceeds \$1,000,000, *The Power Corporation Act* requires approval of the Lieutenant Governor in Council for this project. SaskPower did not obtain the required approval.

.19 In addition, SaskPower's rules and procedures required this project to be approved by its Board of Directors and tendered. The Board did not approve the project. Also, the project was not tendered.

Sale and Lease
Transaction Requires
Authority

.20 In 1992, SaskPower recorded a loss on disposal of a parcel of land amounting to \$157,149. SaskPower sold the land to a contractor for \$1.00 in 1991. SaskPower recorded the loss in 1992 because financial personnel were not informed of the transaction during 1991.

.21 As part of the same agreement, the contractor agreed to construct a building on the property and to lease the building to SaskPower for ten years for total lease payments of \$1.4 million.

.22 In our view, *The Power Corporation Act* requires approval of the Lieutenant Governor in Council for this sale and lease

Chapter 27 Saskatchewan Power Corporation

transaction. SaskPower did not obtain the required approval for the sale and lease agreement.

We Recommend

.23 SaskPower should obtain proper approval for the purchase and sale of real and personal property.

.24 SaskPower told us it believes that Lieutenant Governor in Council approval was not required for the above transactions.

Appointed Auditor's Reports

.25 We relied on the appointed auditor's report on SaskPower's financial statements except for the disclosure matters reported in paragraphs .04 to .12. The appointed auditor accepted SaskPower's disclosure of these transactions.

.26 We relied on the appointed auditor's report on internal control.

.27 We relied on the appointed auditor's report on compliance with authorities except for the water rights purchase described in paragraphs .16 to .17. The appointed auditor relied on SaskPower's legal advice that it had proper authority for the purchase. The appointed auditor's reports did not include the matters reported in paragraphs .16 to .17.

.28 *The Provincial Auditor Act* requires us to do additional audit procedures when we are unable to rely on the report of an appointed auditor.

.29 Our additional work consisted of examining Orders-in-Council and discussing the repayment of debt matter with Department of Finance officials. We also obtained legal advice on the payment to Sask Water.

Chapter 28
Saskatchewan Property Management Corporation

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Chapter 28

Saskatchewan Property Management Corporation

Introduction

.01 The Corporation (SPMC) provides services, accommodation, and facilities to public agencies.

.02 SPMC had revenues of \$140 million in 1993 and held assets of \$528 million at March 31, 1993. SPMC's financial statements for 1993 are included in the Public Accounts Compendium at page B131.

Our Audit Findings

.03 We prepared our 1992 Annual Report before we completed our 1992 audit of SPMC. Therefore, this Chapter includes our audit findings for the years ended March 31, 1992 and March 31, 1993.

.04 SPMC's financial statements for 1992 and 1993 are reliable. For both years, SPMC's rules and procedures to safeguard and control its assets were adequate except for the significant deficiency reported in paragraphs .05 to .07. For both years, SPMC complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter described in paragraphs .05 to .07. In addition, we bring the matters in paragraphs .09 to .15 to the attention of the Legislative Assembly.

Purchasing Agency

.05 SPMC did not have a system to ensure public agencies buy their supplies through SPMC.

.06 SPMC administers *The Purchasing Act* (Act). Section 5(1) of the Act requires public agencies to buy their supplies through SPMC.

We Recommend

.07 **SPMC should establish rules and procedures to ensure public agencies buy their supplies through SPMC as required by *The Purchasing Act*.**

.08 SPMC told us it is creating a list of public agencies subject to the Act. In addition, SPMC is developing procedures to ensure these agencies buy their supplies through SPMC.

Chapter 28 Saskatchewan Property Management Corporation

Follow up on Special Assignment

.09 In January, 1992 the Standing Committee on Public Accounts (PAC) asked us to do a special assignment. The PAC asked us to review the following practices reported by government officials:

- payments made to employees not working for employer organizations;
- payments made to advertising agencies for goods or services not received;
- goods or services provided without charge to ministers; and
- goods or services provided by one government organization to another without charge.

We did this assignment for the years ending March 31, 1990 and 1991. We reported our findings to the PAC in April, 1992.

.10 Chapter 6 of our 1992 Annual Report included a follow up on these findings for the year ended March 31, 1992. Because our audit work on SPMC was not complete then, the follow up did not include matters relating to SPMC.

.11 The review procedures consisted primarily of asking SPMC to inform us the extent to which these practices continued in 1991-92 and 1992-93.

.12 SPMC reported the following matters for 1991-92:

- SPMC paid \$285,023 to persons who were performing services solely for the benefit of other organizations.
- SPMC provided goods or services to other organizations without charge. The value of these goods or services totalled \$2,813,496. Most of this amount was for accommodation services of approximately \$2.3 million provided to the Norman McKenzie Art Gallery.

.13 SPMC reported the following matters for 1992-93:

- SPMC paid \$21,170 to persons who performed

services solely for the benefit of other organizations.

- SPMC provided goods or services to other organizations without charge. The value of these goods or services totalled \$2,034,900. Most of this amount was for accommodation services of approximately \$2 million provided to the Norman McKenzie Art Gallery.

Follow up on a
Recommendation of
the PAC

.14 In 1992, the PAC made the following recommendation that directly relates to SPMC.

"The Saskatchewan Property Management Corporation should perform an inventory of the furnishings for which it has responsibility and identify the assets by department location."

.15 SPMC told us they have undertaken a review of the costs and ways of keeping an inventory of furniture. They intend to weigh the costs against the benefits that will result. SPMC has not yet completed its review, and therefore, has not yet taken an inventory of furniture.

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Chapter 29

Saskatchewan Telecommunications

Introduction

.01 Saskatchewan Telecommunications (SaskTel) markets and supplies a range of voice, data, text, and image products, systems, and services.

.02 SaskTel's financial statements report revenues of \$621 million in 1992 and assets of \$1.145 billion at December 31, 1992. SaskTel's financial statements are included in its annual report.

Our Audit Findings

.03 We stated in our 1992 Annual Report we had not finished our audit of SaskTel for the year ended December 31, 1991. Accordingly, this Report includes the results of our work on SaskTel for 1991 and 1992.

.04 In our opinion, SaskTel's financial statements for 1991 and 1992 are reliable except for the matters reported in paragraphs .08 to .21.

.05 SaskTel had adequate rules and procedures at December 31, 1991 to safeguard and control its assets. Also, SaskTel complied with the authorities governing its 1991 activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .22 to .27.

.06 To meet established priorities, we have not finished our 1992 audit work on SaskTel's rules and procedures to safeguard and control its assets and SaskTel's compliance with authorities; and we have not finished our 1992 work on the financial statements, rules and procedures to safeguard and control the assets, and compliance with authorities for:

Saskatchewan Telecommunications Superannuation Fund
Saskatchewan Telecommunications International Inc.

.07 We will report on this unfinished work in our next Report to the Legislative Assembly.

1992 Financial Statements

.08 Our audit of SaskTel's 1992 financial statements disclosed two transactions which, in our opinion, should have been accounted for differently. The first transaction relates to a transfer

Chapter 29 Saskatchewan Telecommunications

of debt to SaskPower and the Consolidated Fund. The second transaction relates to the cost of an early retirement program.

Related Party Transactions

.09 During 1992, the Government, through an order in council, directed SaskTel to pay \$152.1 million to discharge debts of \$132.4 million SaskTel owed the Consolidated Fund. SaskTel paid SaskPower \$123.1 million and the Consolidated Fund \$29.0 million (\$152.1 million). SaskTel recorded a \$19.7 million loss as a result of this transaction.

.10 Under generally accepted accounting principles, these transactions are called "related party transactions" because they involve organizations under common control, i.e., the Government controls SaskTel, SaskPower and the Consolidated Fund. There is no specific accounting rule setting out how to record related party transactions. Therefore, the Government must decide the most appropriate method to record these transactions and disclose information describing these transactions.

.11 There are two alternative methods for recording the debt transfer. The first method is to record the transfer at SaskTel's book value, i.e., \$132.4 million. The second method is to record the transfer at another value. SaskTel advises that it recorded the transaction at \$152.1 million because this amount approximates the market value. If SaskTel used the first method, it would not record a gain or loss. If the second method is used, a loss is recorded.

.12 The Government does not usually transfer debt among its own organizations. As a result, guidance on how to account for such transfers has not been provided to government organizations.

.13 In our discussions with officials of the Government, we advised the most appropriate method of accounting for such transfers involving related parties is to do so at book value, i.e., \$132.4 million. We advocate this method because it ensures the Government records gains or losses only when such transactions involve organizations outside of the Government. The Government does not make or lose money when it transfers debt or capital assets among its agencies. Accordingly, in our opinion, SaskTel's 1992 financial statements understate net income by \$19.7 million.

.14 During our discussions with officials of Government, we noted the importance of taking a government-wide perspective when deciding the most appropriate method of accounting for transactions among government organizations. We noted that, in a previous year, when SaskPower transferred capital assets to SaskEnergy, the Government decided no gain or loss should be recorded. We also reviewed trends in accounting rules which are beginning to provide clearer guidance on when to use book value or another value. For example, when a debt or capital asset is transferred to an organization which is only partly owned by the Government, there are circumstances when the accounting method should be the negotiated transfer value instead of the book value.

We Recommend

.15 **The Government should ensure its organizations:**

- **account for transfers of debt and capital assets among government-controlled organizations at the book value of the debt and capital assets; and**
- **disclose, in the notes to financial statements, the full details of related party transactions.**

.16 After discussion, the Government told us the Crown Investments Corporation (CIC) will issue a limited set of guidelines to its subsidiary Crown corporations, including guidelines addressing the specific related party transaction identified in this Chapter. CIC's guidelines will permit the transfer of debt and capital assets between related parties at other than book value under defined conditions.

.17 Our Office will carefully monitor how the Government accounts for future related party transactions.

Early Retirement Plans

.18 SaskTel's 1992 financial statements include a \$12.3 million expense for a planned 1993 early retirement program.

.19 We advised officials of SaskTel, in our opinion, the cost should be recorded in 1993 rather than in 1992. We pointed out other Crown corporations and departments had not recorded an expense in 1992 to reflect the costs of similar early retirement programs. The cost should be recorded in 1993 because the Assembly authorized the early retirement program in May 1993. Accordingly, 1992 net income was understated by \$12.3 million.

Chapter 29 Saskatchewan Telecommunications

We Recommend

.20 The Government should ensure its departments and agencies account for decisions of the Assembly in the period the decision is taken.

.21 After discussion, the Government told us it is always interested in a clear understanding of approval authorities. The Government also told us CIC maintains a list of decisions requiring various levels of approval by its subsidiary Crown corporations. CIC will review and update that list as required.

Severance Payment Lacks Authority

.22 In 1991, SaskTel paid its former President \$406,062 for damages, a bonus and other salary amounts without proper authority.

.23 In February of 1991, the vice-chair of SaskTel ended the employment of the President of SaskTel. The vice-chair also arranged for a process to reach a settlement with the President. The vice-chair hired a lawyer to negotiate a settlement with the former President's lawyer. SaskTel paid \$406,062 to settle with the former President.

.24 SaskTel has rules and procedures that set out the authority required to end the employment of a President and to authorize expenditures. Only a Board can end a President's employment. Also, payments in excess of \$250,000 need the approval of the President. We think, because there was no President, payments in excess of \$250,000 required Board approval.

.25 There are no minutes of the Board approving ending the President's employment, the process to reach settlement or payment of \$406,062. Also, there was no written authorization from the vice-chair approving the settlement.

.26 In our opinion, the vice-chair lacked authority to end the President's employment and to arrange the process to reach a settlement. In addition, the Board should have approved the amount paid in settlement.

We Recommend

.27 SaskTel's Board should ensure that the corporation's transactions are properly authorized.

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Appointed Auditor's
Reports

.28 We relied on the appointed auditor's 1991 report on SaskTel's financial statements and internal control.

.29 We relied on the appointed auditor's 1991 report on compliance with authorities, except for a severance payment to a former president. The appointed auditor did not report SaskTel's lack of authority for the severance payment.

.30 We relied on the appointed auditor's report on SaskTel's 1992 financial statements, except for the loss on transfer of debt and the expense for an early retirement plan described in paragraphs .08 to .21. The appointed auditor accepted SaskTel's 1992 financial statements.

.31 *The Provincial Auditor Act* requires us to do additional audit procedures when we are unable to rely on the report of an appointed auditor.

.32 Our additional work consisted of examining authorizing Orders-in-Council and reviewing records at SaskPower related to money received from SaskTel. Also, we discussed all reported matters with SaskTel management and the repayment of debt matter with Department of Finance officials.

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Saskatchewan Transportation Company

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Chapter 30

Saskatchewan Transportation Company

Introduction

.01 STC provides passenger service transportation, parcel express and freight services.

.02 STC had revenue of \$15.4 million in 1992 and held assets of \$18.1 million at October 31, 1992. STC's financial statements are included in its annual report.

Our Audit Findings

.03 We stated in our 1992 Annual Report we had not finished our audit of STC for the year ended October 31, 1991. This Chapter contains the results of our work on STC for the year ended October 31, 1991.

.04 In our opinion, STC's 1991 financial statements are reliable except for the matter described in paragraph .09. STC had adequate rules and procedures to safeguard and control its assets except for the matters described in paragraphs .06 to .10. STC complied with the authorities governing its activities as those activities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraph .09.

.05 To meet established priorities, we did not audit the accounts of STC for the year ended October 31, 1992. We are auditing the accounts of STC for the year ended October 31, 1993. We will report our audit findings for 1993 in our next Report to the Legislative Assembly.

Policies and Procedures Needed

.06 In our 1991 annual report, we stated STC's policies and procedures for 1990 were deficient in the following areas:

- management of capital construction;
- management and employee expenses;
- segregation of duties;
- follow-up and collection of amounts owing from customers;
- tendering; and

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- systems development.

.07 During 1991, these significant systems deficiencies continued.

.08 Policies and procedures for orderly and efficient conduct of business should be in place to provide guidance to all levels of management. These policies should be approved and monitored by the Board. Without appropriate policy guidance, STC cannot carry out business in an orderly or efficient manner.

.09 In our opinion, the lack of appropriate policies and procedures was a significant cause of the following problems:

- We found many instances where the Board did not approve expenditures over \$50,000. Expenditures over \$50,000 require the Board's approval;
- STC wrote off \$150,000 due from customers and agents. The write-offs resulted from a lack of policies and procedures for follow-up and collection of customer accounts and systems development;
- STC cancelled a contract and lost a deposit of \$100,000. The loss resulted from a lack of policies and procedures for tendering and subsequent contracts;
- STC reimbursed the company President \$9,360 for expenses without the Board's approval. While we did not find any instances of inappropriate expenses, we think the Board should approve these expenses; and
- We had to reserve our opinion on STC's 1991 financial statements. We were unable to verify the amounts STC recorded as revenue and owing from customers because of inadequate records. This resulted from STC's lack of policies and procedures for follow-up and collection of customer accounts and system development.

We Recommend

.10 STC should establish operating and financial policies and procedures. These policies and procedures should be monitored by the Board.

Chapter 30 Saskatchewan Transportation Company

.11 STC told us it has now established financial policies and procedures. We will be examining those policies and procedures and will include our audit findings in our next Report.

Appendix I

Office of the Provincial Auditor Saskatchewan

Report on Operations for the year ended March 31, 1993

Appendix I

Mission Statement

We serve the public through the Legislative Assembly. We independently examine and report on the management of public resources entrusted to the Government of Saskatchewan. We encourage accountability and effective management in government operations.

Our Values

We believe in...

Accountability. We value public accountability for performance.

Integrity. We value honesty, independence and professionalism.

Our employees. We value fairness and equity; personal development; creativity, challenge and innovation; teamwork and leadership; and open and honest communication in the workplace. We also value balance and harmony amongst work, home and the community.

Well-performing organizations. We value effective management and quality service.

Good working relationships. We value courteous and equitable treatment of public servants and professional colleagues.

Those we serve. We value earning the respect and confidence of the public and its elected representatives.

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Office of the Provincial Auditor Saskatchewan

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WHAT WE DO

Our Role

.01 The role of the Office of the Provincial Auditor is to assist the Legislative Assembly hold the Government accountable for how it manages public money. Our Office is to audit all public money entrusted to the Government and report our findings to the Assembly. Our responsibilities are contained in *The Provincial Auditor Act* (see Exhibit 3).

.02 We fulfil our role by a comprehensive audit approach, by preparing individual audit reports to the Assembly and to government officials, and by presenting an Annual Report to the Assembly. We also advise the all-party Standing Committees on Public Accounts and Crown Corporations.

.03 As an officer of the Assembly, the Provincial Auditor works for the Assembly. Accordingly, the Office of the Provincial Auditor is independent of the Government. The all-party Board of Internal Economy considers our budget. We employ our staff and buy goods and services directly. We have access to all government information. Our independence is a safeguard ensuring we can audit and report fairly and impartially.

Those We Serve

.04 Our mission states "We serve the public through the Legislative Assembly." Accordingly, our ultimate client is the public -- the people of Saskatchewan. Our primary client, however, is the Legislative Assembly. We are directly accountable and report to the Assembly. Members of the Assembly benefit from and make direct use of our examinations and reports. They are able to build on our efforts to encourage accountability and effective management.

.05 Our secondary clients are the elected or appointed officials, managers and employees who together make up the Government. They use our examinations and reports, and are assisted by our efforts to encourage accountability and effective management.

.06 There are several economic, political and technological forces and trends significantly affecting the information needs of those we serve. We continuously assess what we do in the context of those changing forces and trends.

.07 A key economic force is the **increasing pressure on scarce**

Appendix I

public resources and the changing demand for public services. Those we serve have a greater concern about the Government's ability to tax, service debt and provide services, and a greater demand that the Government demonstrate value for money. As a result, our Office is examining and reporting on broader and more indepth issues.

.08 A key political force is the **increasing demand for improved public accountability.** Those we serve have an increased need for useful information provided in a more understandable and timely manner, and an increased need for information on broader and more indepth issues. As a result, our Office is examining broader and more indepth issues, working to provide more useful reports, and taking a more proactive role in explaining accountability issues.

.09 A key technological force is a **more powerful and user-friendly technology.** Those we serve have more decentralized information systems with more end users, more real-time and online systems and larger databases, with more nonfinancial and financial information in those systems and databases. As a result, our Office is strengthening our audit methods and training, and we are becoming more involved when information systems are created.

What We Do

.10 Our mission states "We encourage accountability and effective management in government operations." We do this by examining and reporting on:

- the reliability of financial information;
- compliance with legislative authorities;
- the adequacy of management systems and practices related to financial reporting, compliance with authorities and safeguarding assets; and
- the adequacy of management systems and practices related to due regard to economy, efficiency and effectiveness.

.11 Our approach is called "comprehensive auditing."

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.12 Our examinations and reports focus on the Government as a whole, sectors or programs of government, and individual government organizations. Appendix IV contains examples of our audit opinions we provide in our reports.

.13 We also:

- serve the Standing Committees on Public Accounts and Crown Corporations;
- develop trained professionals; and
- enhance awareness of accountability and management issues.

.14 When we audit financial reports, we address the question - can readers rely on the financial information provided by the Government? If we think they can, we say so. If we think they cannot, we explain why.

.15 When we audit compliance with authorities, we address the question -- has the Government complied with the main financial legislative authorities governing its activities? If we think it has, we say so. If we think it has not, we identify the authorities and explain the circumstances.

.16 When we audit management systems and practices, we address the question -- has the government established sound methods for ensuring financial reports are reliable, assets are safeguarded and there is due regard to economy, efficiency and effectiveness? If we think it has, we say so. If we think it has not, we explain why.

.17 We are accountable to the Assembly for examining and reporting on the spending of all public money carried out by or through all forms of government organizations. Those organizations include departments, regulatory bodies, education and health institutions, and energy, communications and insurance enterprises. Exhibit 4 contains a listing of these organizations.

.18 Our audit examinations are not designed to find all errors, fraud or non-compliance with the law because we do not examine all transactions. We emphasize the importance of management establishing sound systems and practices. We examine those

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systems by testing samples of transactions.

.19 Our auditing standards are those recommended by the Public Sector Accounting and Auditing Board of The Canadian Institute of Chartered Accountants. When a public accounting firm is appointed to audit a government organization, we work with the appointed auditor to ensure the Assembly receives appropriate assurances and information.

Role of Other Auditors

.20 Internal auditors perform audits for management. Generally, internal audits focus on management controls for safeguarding public assets, preparing financial information, and for managing finances and resources effectively. We rely, where possible, on work done and on reports issued by internal auditors.

.21 Public accounting firms. The Government may hire private sector auditors to audit Crown agencies. Our Office also hires private sector auditors to audit Crown agencies. We remain responsible for these audits.

Our Reports

.22 We report our audit findings to the Government and to the Assembly.

.23 At the end of each audit, we usually prepare a draft report of our conclusions and findings. We discuss the draft with senior officials of the related organization and revise the draft when necessary. We issue a final report to the Minister responsible, to senior officials of the organization and, if applicable, to the chair of the board of directors. Also, we normally send a copy to the Chair and to the Secretary of Treasury Board, and to the Provincial Comptroller.

.24 In addition, we provide audit opinions on the reliability of financial statements issued by government organizations. Our opinions or audit reports are provided to the Assembly.

.25 Each year, we prepare our "Annual Report". This Report contains the matters we think are significant to the Assembly and the public. We decide what matters to report in the context of the following questions:

- does the matter affect the Assembly's ability to control

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the financial activities of the Government?

- does the matter affect the Assembly's ability to hold the Government accountable for how it administers public money?
- does the matter involve improving how the Government administers public money? or
- does the matter involve non-compliance with legislative authorities?

.26 We assess these questions of what to report in the context of specific government sectors, programs or organizations as well as the Government as a whole.

.27 Our Annual Report contains the results of our audits of government organizations primarily for their respective fiscal years ending in the period April 1, 1992 to March 31, 1993. In addition, some matters reported reflect issues that relate to sectors or programs of government or to the Government as a whole.

.28 When, in our opinion, an organization's financial statements, compliance with authorities and rules and procedures to safeguard assets are satisfactory we do not usually comment on the organization in our Annual Report.

.29 When an appointed auditor advises our Office that a matter or issue should be reported to the Assembly and we have completed our work, we reproduce the report of the appointed auditor in our Annual Report. Appendix II contains those reports. Appendix II also contains a list of the reports received from appointed auditors indicating no significant matters to report to the Assembly.

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OUR PRIORITIES

Introduction

.30 Our priorities provide a framework for shaping "what we do." Our priorities reflect our mission and values, as well as the information needs of those we serve. We continuously assess our priorities in the context of our ongoing contact with those we serve. Our priorities show the key forces and trends affecting those we serve also affect what we do.

.31 Our priorities reflect two fundamental goals. Our first goal is to **encourage accountability and effective management**. Our second goal is to **improve our performance**. These two goals are interrelated. Seeking opportunities to improve our performance will ensure the assurances and advice we provide encourages better accountability and effective management.

Encouraging Accountability and Effective Management

.32 This goal is shaped by viewing government in three dimensions -- the Government as a whole, key sectors or programs of government, and individual government organizations.

The Government as a whole

.33 The first dimension is the Government as a whole. The Legislative Assembly needs useful information on how the Government as a whole plans, manages and reports. More useful information and more focus on this dimension will help the public, the Assembly, and the Government, understand and assess key resource allocation decisions and alternatives.

.34 During 1992-93, we emphasized several government-wide matters including the importance of the Summary Financial Statements as a key accountability and decision-making document, and the importance of preparing a financial plan for the Government as a whole and providing that plan to the Assembly.

.35 We will continue our emphasis on the Government as a whole. Our efforts will include auditing the Summary Financial Statements and explaining what messages those statements convey. We will encourage the Government to provide interim financial statements as recommended by the Standing Committee on Public Accounts. We will also examine what information needs to be presented in the Government's annual budget documents to help Members of the Assembly and others understand and assess

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resource allocation choices and decisions.

Government sectors or programs

.36 The second dimension is sectors and programs of government. These often involve more than one government organization. Key sectors or programs include the Crown Investments Corporation (CIC) and its related corporations, the health sector including the new district health boards, the education sector, and the Government's pension benefit program.

.37 During 1992-93, we focused on CIC, the health sector and the Government's pension benefit programs. Through our audit of CIC, we were able to bring forward several key issues to the attention of the Assembly and the Board of CIC. Our examination of the health sector focused on the accountability of the new district health boards. Through our work on the Government's many pension plans, we were able to identify several key issues which need to be better managed.

.38 In addition, we are now advising, at its request, the Standing Committee on Crown Corporations.

.39 We plan to continue the initiatives of 1992-93. Also, we will examine the systems and practices CIC uses to manage its many investments.

Individual government organizations

.40 The third dimension is individual government organizations. Most of our work and reports relate to auditing individual government organizations. Through our three-pronged approach, we examine the reliability of financial statements, the adequacy of internal controls, and compliance with legislative authorities. We also examine the information legislators look for in annual reports of government organizations, and we encourage more organizations to adopt the accounting recommendations of The Canadian Institute of Chartered Accountants.

.41 In addition to continuing these efforts, we are examining several more indepth issues including how the Government ensures the roles, responsibilities and duties of boards of directors are clearly defined, communicated and understood.

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Improving Our Performance

.42 All organizations seek opportunities for improving performance. For our Office, this goal is shaped by four ongoing objectives related to improving the usefulness of our work and reports; building our skills, knowledge, training and information technology; strengthening the audit system; and, adhering to our values.

Improving the usefulness of our work and reports

.43 During 1992-93, we implemented a new audit methodology based on that of the Auditors General of Alberta and Canada. This methodology helps our Office examine broader and more indepth issues, and provides us better access to valuable advice, research and training. We initiated audits of broader and more indepth issues, building on our pilot value-for-money audits which were well received by both members of the Public Accounts Committee and by government officials.

.44 A key target for next year, and future years, will be to complete our work and issue reports to government officials and the Assembly in a more timely manner. In 1994, for example, we plan to issue a fall report.

.45 One of our success indicators is the extent to which our work and recommendations are supported by the Assembly and adopted by the Government. We note in this Report most of our past recommendations are supported by the Assembly and are being adopted by the Government.

Building our skills, knowledge, training and information technology

.46 The organizations and issues we examine are diverse and complex. Accordingly, our Office must continuously improve and update our skills, knowledge, training, and information technology. During 1992-93, we began a new training program involving extensive use of materials and advice of other legislative audit offices. We also link our training plan to the performance development strategies of each of our employees, and to the priorities of our Office. One key part of our training program continues to be developing professional accountants.

.47 We now plan to make some of our training programs available to officials in government organizations. We also work

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on projects with other legislative audit offices. During the last few years, several Canada-wide working groups were established to examine such issues as agricultural insurance programs, government financial planning, and how best to examine compliance with legislative authorities. Joint working groups bring more focus, skills and a broader perspective to key issues facing all legislators and the public in Canada. Work also is beginning on issues related to health programs and managing physical assets.

Strengthening the audit system

.48 Over the past several years, much has been said about how the existing audit system works, or fails to work, when the Government chooses to appoint another auditor. When this choice is made, our Office remains responsible for the audit. However, we have found it difficult to ensure key issues are brought to the attention of the Assembly.

.49 In early 1994, a task force was formed to examine how the existing audit system can work more effectively. The task force is co-sponsored by the President of the Crown Investments Corporation and by our Office. We look forward to the advice and recommendations of the task force.

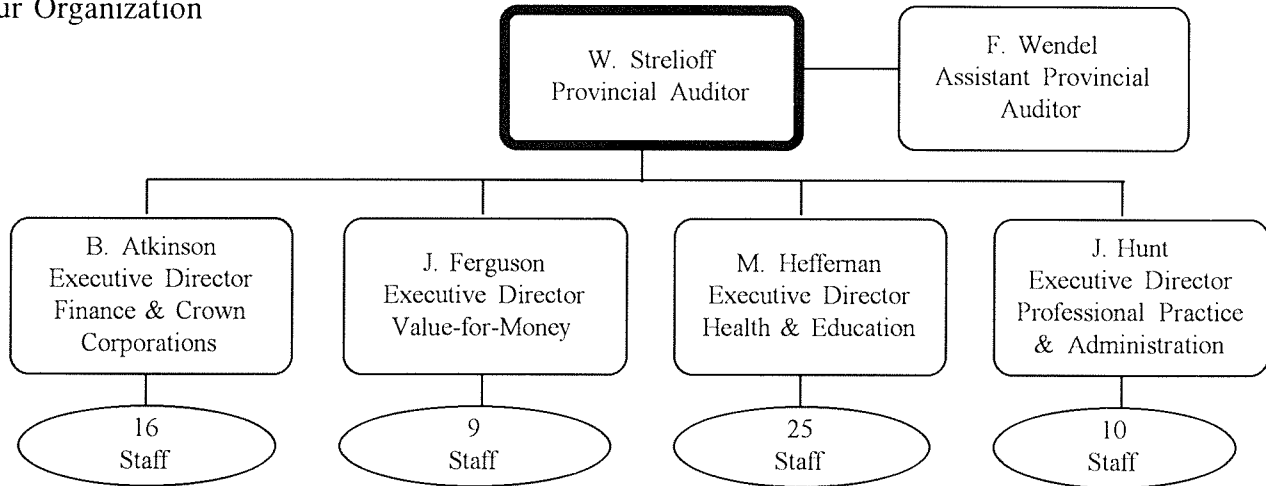
Adhering to our values

.50 Our Office has begun to monitor our performance in the context of our values. Such monitoring is an important part of our ongoing efforts to improve our performance.

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OUR ORGANIZATION AND RESOURCES

Our Organization



.51 Our Finance and Crown Corporation Division's responsibilities include examining the Government's programs carried out through the Department of Finance and through the Crown Investments Corporation. Those programs are complex and affect almost all aspects of government.

.52 Our Value-for-Money Division's responsibilities include examining broader and more indepth issues. Emphasis has been on identifying opportunities to improve the annual reports of Crown agencies, and how the Government ensures the roles, responsibilities and duties of boards of directors are defined, communicated and understood.

.53 Our Health and Education Division's responsibilities include examining the Government's programs carried out through those departments. A key focus has been the 29 district health boards recently created by the Government.

.54 Our Professional Practice's Division's responsibilities include research, methodology, training and information technology. The Division's recent focus is implementing our new audit methodology and new training program as well as taking a more proactive role at the time new information systems are developed by the Government.

.55 At the date of this Report, February 28, 1994, our Office employed 66 people. Thirty-six of our employees are professional

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accountants. Sixteen are training to become professional accountants.

.56 Recently, we obtained the services of three professionals with health, social services and general management backgrounds. One person is with us for a six month secondment from the Department of Social Services. The skills, experience and perspectives of these professionals will be particularly valuable as we continue to examine broader and more indepth issues.

.57 Our employees are our most valuable resource because "what we do" depends on their knowledge and skill. Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to our success.

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Resources

	1992-93		1993-94	
	<u>Planned</u>	<u>Actual</u>	<u>Planned</u>	<u>Forecast</u>
	(in \$ thousands)		(in \$ thousands)	
Revenue				
Appropriation	\$4,405	\$3,815	\$4,678	\$3,815
Accruals	---	89	---	---
Audit Fees	<u>18</u>	<u>141</u>	<u>---</u>	<u>527</u>
	\$4,423	\$4,045	\$4,678	\$4,342
Expenditure				
Salaries	\$3,434	\$3,097	\$3,665	\$3,155
Rent	* 304	259	293	267
Other	<u>667</u>	<u>552</u>	<u>720</u>	<u>660</u>
	\$4,405	\$3,908	\$4,678	\$4,082
Net Revenue/ Expenditure	18	137	---	260
Payments to Consolidated Fund	<u>18</u>	<u>20</u>	<u>---</u>	<u>---</u>
Available Resources	---	117	---	260
* For comparative purposes, this figure is restated to be consistent with 1993-94 plan.				

1992-93

.58 For 1992-93, we developed our audit plan to carry out our responsibilities under *The Provincial Auditor Act*. The plan called for funding of \$4.423 million. We presented the audit plan to the Board of Internal Economy and asked the Board to recommend an appropriation of \$4.423 million to carry out the plan.

.59 The Board recommended an appropriation of \$3.815 million and encouraged our Office to charge audit fees and use those fees to pay for the costs of carrying out our audit plan.

.60 During the year, we received \$141 thousand in audit fees. We received fees from organizations which had previously paid audit fees to others, i.e., the Crown Investments Corporation of Saskatchewan and the Saskatchewan Liquor Board. We also had to record \$89 thousand in revenue because of the Government's change to accrual accounting (see Exhibit 1, note 8 to our financial statements).

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.61 Because we did not receive sufficient funding, we did not complete all our work and we deferred some work to 1993-94. Our Annual Report sets out what audit work we decided to defer or not to do (see Appendix III). When we make these decisions our key consideration is, with our limited resources, how can we best serve Members of the Legislative Assembly.

1993-94

.62 For 1993-94, our audit plan to carry out our responsibilities under *The Provincial Auditor Act* called for funding of \$4.678 million. The increase from 1992-93 was due primarily to new work the Government wanted performed at the Crown Investments Corporation, the Liquor Board and at three new district health boards.

.63 The Board recommended an appropriation of \$3.815 million and, once again, encouraged our Office to charge fees and use those fees to pay the costs of carrying out our audit plan. For 1993-94, we forecast \$527 thousand in audit fees.

.64 Because we will not receive sufficient funding, we will not complete all of our work and we will defer some work to 1994-95. In addition, we were not certain we would receive the fees; and, we deferred obtaining the required staff resources until we received the fees late in the year. Our next Report will set out what work we deferred and we did not do.

Auditor's Report

.65 The Act requires an audit of our Office. Arscott & Partners Chartered Accountants audits our Office and reports to the Standing Committee on Public Accounts. Exhibit 1 is the audit opinion of Arscott & Partners together with our audited financial statements. Exhibit 2 is the audit opinion of Arscott & Partners on our system of control and compliance with legislative authorities.

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Exhibit 1

AUDITORS' REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the statement of financial position of the Office of the Provincial Auditor as at March 31, 1993, and the statements of revenue and expenditure and changes in financial position for the year then ended. These financial statements are the responsibility of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 1993, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The prior year's comparatives and the budgeted information included on Statement 2 were not audited as explained in Notes 6 and 7.

June 30, 1993
Regina, Saskatchewan

ARSCOTT & PARTNERS
Chartered Accountants

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Statement 1

**OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>1993</u>	<u>1992</u> (Note 7)
Financial assets:		
Cash	\$ 324,194	\$ 53,829
Travel advances	6,469	4,152
Accounts receivable - Consolidated Fund (Note 8)	149,433	60,066
Prepaid expenses	<u>18,662</u>	<u>80,321</u>
	<u>498,758</u>	<u>198,368</u>
Liabilities:		
Accounts payable	89,937	57,981
Accrued vacation pay (Note 2(d))	129,667	119,361
Salary payable (Note 2(e))	38,428	21,026
Unamortized rent inducement (Note 4)	<u>123,962</u>	<u>---</u>
	<u>381,994</u>	<u>198,368</u>
Net financial assets	<u>\$ 116,764</u>	<u>\$ ---</u>
Investment in physical assets (Note 2(c) and 3)	<u>\$ 724,777</u>	<u>\$ 635,728</u>

(See accompanying notes)

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Statement 2

OFFICE OF THE PROVINCIAL AUDITOR STATEMENT OF REVENUE AND EXPENDITURE For the Year Ended March 31

	1993		1992
	Budget	Actual	Actual
	(Note 6)		(Note 7)
REVENUE:			
Consolidated Fund			
- Appropriation	\$ 4,405,500	\$ 3,815,000	\$ 3,614,945
- Accrued (Note 8)	---	89,367	7,341
Audit fees (Note 2(b))	18,000	141,014	20,940
Total revenue	4,423,500	4,045,381	3,643,226
EXPENDITURE:			
Salaries	3,121,000	2,840,477	2,652,264
Other	422,350	395,272	280,799
Rent (Note 4)	135,550	259,242	262,541
Employee Benefits	312,500	256,578	248,284
Travel	259,100	156,786	179,743
Total expenditure	4,250,500	3,908,355	3,623,631
Excess of revenue over expenditure	173,000	137,026	19,595
Net financial assets, beginning of year	---	---	---
	173,000	137,026	19,595
Payments to Consolidated Fund			
- Audit fees	18,000	20,262	19,595
- Rent inducement (Note 4)	155,000	---	---
	173,000	20,262	19,595
Net financial assets, end of year	\$ ---	\$ 116,764	\$ ---

(See accompanying notes)

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Statement 3

**OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended March 31**

	<u>1993</u>	<u>1992</u> (Note 7)
Cash resources received for (used in)		
Operating activities		
Excess of revenue over expenditure	\$ 137,026	\$ 19,595
Change in net financial assets		
Decrease (increase) in travel advances	(2,317)	16,803
(Increase) in accounts receivable	(89,367)	(7,341)
Decrease (increase) in prepaid expenses	61,659	(39,930)
Increase (decrease) in accounts payable	31,956	(33,259)
Increase in accrued vacation pay	10,306	29,622
Increase in salary payable	17,402	17,649
Increase in unamortized rent inducement	<u>123,962</u>	<u>---</u>
Net cash from operating activities	290,627	3,139
Other activities		
Payments to Consolidated Fund	<u>20,262</u>	<u>19,595</u>
Net increase (decrease) in cash for the year	270,365	(16,456)
Cash, beginning of year	<u>53,829</u>	<u>70,285</u>
Cash, end of year	<u>\$ 324,194</u>	<u>\$ 53,829</u>

(See accompanying notes)

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OFFICE OF THE PROVINCIAL AUDITOR NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31

1. General Information

The Office of the Provincial Auditor is part of the Legislative Branch of Government. The Office:

- audits the administration of government programs and activities carried out by government departments, health and education institutions, commission, boards and Crown corporations;
- reports the results of all audits annually to the Legislative Assembly and the public; and
- helps the Standing Committees on Public Accounts and Crown Corporations in their review of the Provincial Auditor's reports, the Public Accounts and other reports.

2. Summary of Accounting Policies

This is the first time we have prepared a full set of financial statements. We used the accounting principles recommended by the Canadian Institute of Chartered Accountants for governments. The following accounting principles are considered to be significant:

(a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

(b) Revenue

The appropriation from the Consolidated Fund is recorded when received or receivable.

The collection of audit fees is subject to the government paying them. Due to this uncertainty, audit fees are recorded as revenue when received. At March 31, 1993 the government had not paid audit fees totalling \$299,584 (1992 - \$nil).

(c) Physical Assets

Physical assets are charged to expenditure when purchased. For accountability purposes these assets are recorded as an investment in physical assets. The cost of assets disposed is removed from the accounts at cost in the year of disposal. In addition, depreciation is not recorded.

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(d) Accrued Vacation Pay

The value of vacation entitlements earned to the year end but not taken are recorded as a liability.

(e) Salary Payable

The Provincial Auditor is entitled, on the expiry of his agreement to be Provincial Auditor or on termination of his employment by the Legislative Assembly, to an amount equal to two months salary for each year of employment as Provincial Auditor to a maximum of 12 months salary.

3. Physical Assets

	<u>1993 Cost</u>	<u>1992 Cost</u>
Office furniture and equipment	\$ 213,176	\$ 199,536
Computer hardware and software	<u>511,601</u>	<u>436,192</u>
	<u>\$ 724,777</u>	<u>\$ 635,728</u>

4. Unamortized Rent Inducement

On September 27, 1991, a lease agreement for office space was renewed for five years. The agreement is effective April 1, 1992 and has provision for escalation on taxes and operating costs. The agreement calls for future annual lease payments, before escalation adjustments, as follows:

1993-94	\$ 254,179
1994-97	\$ 255,079

The lease provided an inducement of \$154,953 in the first year of the lease. This amount is being amortized over the life of the lease.

5. Pension Plan

The Office participates in a defined contribution pension plan for the benefit of its employees. The Office's financial obligation to the plan is limited to making regular payments to match the amounts contributed by employees for current service. The Office's annual pension expense for 1993 amounted to \$100,752 (1992 - \$108,621).

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6. Budget

These amounts represent the Consolidated Fund appropriation requested from the Board of Internal Economy to discharge the Provincial Auditor's duties under *The Provincial Auditor Act*. The Board approved an appropriation of \$3,815,000. The budgeted information is unaudited.

7. Comparative Information

These financial statements have been prepared in this format for the first time. The comparative information is unaudited.

8. Accounts Receivable - Consolidated Fund

Section 37 of *The Financial Administration Act* states that any unpaid expenditures at April 30, 1993 relating to any period prior to the 1993-94 fiscal year may be set up as an accrual and be charged to the accumulated deficit of the Consolidated Fund. It also states that any expenditure that has been set up may be paid at any time from the Consolidated Fund without further appropriation.

For the Office of the Provincial Auditor the accruals to be set up and charged to the accumulated deficit of the Consolidated Fund are:

	<u>1993</u>	<u>1992</u>
Accrued vacation pay	\$ 129,667	\$ 119,361
Salary payable	<u>38,428</u>	<u>21,026</u>
	168,095	140,387
Less: Prepaid expenses	<u>18,662</u>	<u>80,321</u>
Receivable from the Consolidated Fund	<u>\$ 149,433</u>	<u>\$ 60,066</u>

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Exhibit 2

To the Members of the Standing Committee of the
Legislative Assembly on Public Accounts,
Province of Saskatchewan

We have made a study and evaluation of the system of internal control of the Provincial Auditor of Saskatchewan in effect as at 31 March 1993. Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of the Provincial Auditor of Saskatchewan is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute assurance that:

- a) the accounts are faithfully and properly kept;
- b) all public money is fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, the system of internal control of the Provincial Auditor of Saskatchewan in effect as at 31 March 1993, taken as a whole, was sufficient to meet the objectives stated above and no matters came to our attention which would require reporting under Section 12 of *The Provincial Auditor Act*.

30 June 1993
Regina, Saskatchewan

ARSCOTT & PARTNERS
Chartered Accountants

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Exhibit 3

An Act respecting the Provincial Auditor and the Auditing of Certain Accounts

SHORT TITLE AND INTERPRETATION

- 1 This Act may be cited as *The Provincial Auditor Act*.
- 2 In this Act:
- (a) "acting provincial auditor" means the acting provincial auditor appointed pursuant to section 5;
 - (a.1) "appointed auditor" means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;
 - (b) "audit" means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;
 - (c) "Crown" means Her Majesty the Queen in right of Saskatchewan;
 - (d) "Crown agency" means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:
 - (i) are appointed by an Act or by the Lieutenant Governor in Council; or
 - (ii) are, in the discharge of their duties, public officers or servants of the Crown;and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;
 - (e) "Crown-controlled corporation" means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;
 - (f) "fiscal year" means the period commencing on April 1 in one year and ending on March 31 in the next year;
 - (g) "provincial auditor" means the Provincial Auditor for Saskatchewan appointed pursuant to section 3;

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(h) "public money" means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) "public property" means property held or administered by the Crown.

APPOINTMENT AND OFFICE

3(1) After consultation with the Chairman of the Standing Committee of the Legislative Assembly on Public Accounts, the Lieutenant Governor in Council shall appoint a person as the Provincial Auditor for Saskatchewan.

(2) The provincial auditor is an officer of the Legislative Assembly and holds office during good behaviour.

(3) Repealed.

(4) The provincial auditor may resign his office at any time by forwarding a written notice addressed to:

(a) the Speaker; or

(b) where there is no Speaker or the Speaker is absent from Saskatchewan, the President of the Executive Council.

(5) The Lieutenant Governor in Council may suspend or remove the provincial auditor from office only for cause and on the address of the Legislative Assembly.

4(1) Subject to subsection (2), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Where, as a result of a calculation made pursuant to subsection (1), the provincial auditor's salary would be less than his previous salary, he is to be paid not less than his previous salary.

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- (3) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided to deputy ministers.
- (4) The provincial auditor's salary is a charge on the consolidated fund.
- 5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.
- (2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).
- (3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.
- 6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.
- 7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary.
- 8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.
- (2) Employees of the office of the provincial auditor are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.
- (3) The disability income plan, the public employees dental plan and the group insurance plan applicable to the public servants of Saskatchewan and any plan introduced to replace or substitute for those plans apply or continue to apply, as the case may be, to the provincial auditor and the employees of the office of the provincial auditor.
- (4) *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act* apply to the provincial auditor and the permanent and full-time employees of the office of the provincial auditor, and all credits in any superannuation plan or funds established pursuant to those Acts for the provincial auditor and the employees of the office of the provincial auditor and accumulated under those Acts, prior to the coming into force of this section, are preserved and continued in accordance with those Acts.
- (5) The provincial auditor shall administer, manage and control the office of the provincial auditor and the general business of the office and shall oversee and direct the staff of the office.

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9 The provincial auditor shall require every person employed in his office who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

10 The provincial auditor may delegate to any member of his office the authority to exercise any power or to perform any duty conferred on him pursuant to this Act, other than the duty to make his annual report or a special report to the Legislative Assembly.

DUTIES AND POWERS

11(1) The provincial auditor is the auditor of the accounts of the Government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

- (a) the accounts have been faithfully and properly kept;
 - (b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
 - (c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
 - (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.
- (2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).
- (3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

11.1(1) In the fulfillment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

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(2) Where the provincial auditor determines pursuant to subsection (1) that he is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(3) Where the provincial auditor has performed additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (2), he shall report in his annual report pursuant to this section:

- (a) the reason that he was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;
- (b) the nature of the additional audit work he conducted; and
- (c) the results of the additional audit work.

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservations of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

- (a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;
- (b) any public money was not duly accounted for and paid into the appropriate fund;
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;
- (d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;
- (e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;
- (f) a special warrant authorized the payment of public money; or
- (g) essential records were not maintained or the rules and procedures applied were not sufficient:
 - (i) to safeguard and control public money;

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(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

14 Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, his annual report prepared pursuant to section 12 and any special report that is prepared by him pursuant to section 13; and

(b) the Speaker shall, as soon as practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

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- (b) Crown agencies;
- (c) Crown-controlled corporations; and
- (d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

- (i) requests the provincial auditor to perform a special assignment; and
- (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

- (i) requests the provincial auditor to perform a special assignment; and

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(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act,

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself that the securities described in clause (a) have been properly cancelled; and

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities.

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the items described in clause (a).

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AUDIT COMMITTEE

20(1) An audit committee, composed of not more than five persons appointed by the Lieutenant Governor in Council, is established.

(2) No Member of the Legislative Assembly is eligible to be a member of the audit committee.

(3) The Lieutenant Governor in Council shall designate one member of the audit committee as chairman.

(4) The audit committee may determine its rules of procedure.

21 On the request of the provincial auditor or the Minister of Finance, the chairman of the audit committee shall call a meeting of the audit committee to review any matter that, in the opinion of the provincial auditor or the Minister of Finance, as the case may be, should be considered by the committee.

22 The provincial auditor may give the audit committee any information that he considers appropriate to enable the audit committee to advise the Lieutenant Governor in Council on the result of any audit or examination made by him.

23 The provincial auditor shall present to the audit committee:

(a) his annual report; and

(b) any special report prepared pursuant to section 13;

before he submits the report to the Speaker.

GENERAL

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled

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corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

25 The provincial auditor may examine any person or any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

27(1) An accountant, who is:

- (a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;
- (b) not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the office of the provincial auditor; and
- (c) appointed by the Lieutenant Governor in Council;

shall audit the accounts of the office of the provincial auditor.

(2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the office of the provincial auditor that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(3) The auditor of the office of the provincial auditor shall submit his report to the Standing Committee of the Legislative Assembly on Public Accounts.

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28 The provincial auditor may charge a reasonable fee for professional services provided by his office.

29 The provincial auditor, the employees in his office and any advisor, specialist or consultant engaged pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

30 The provincial auditor, any employee in his office, an appointed auditor, any employee of an appointed auditor or any advisor, specialist or consultant engaged pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Act, and

(b) shall not communicate those matters to any person, other than when he is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

31 Subject to subsection 4(4), any sums required by the provincial auditor for the purposes of this Act are to be paid from moneys appropriated by the Legislature for the purpose.

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Finance Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

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Exhibit 4

Exhibit 4 lists the departments, Crown agencies, Crown controlled corporations, special purpose and trust funds, offices of the Legislative Assembly and other organizations subject to an audit examination under *The Provincial Auditor Act* at March 31, 1993.

Departments and Secretariats:

- Department of Agriculture and Food
- Department of Community Services
- Department of Economic Development
- Department of Education
- Department of Energy and Mines
- Department of Environment and Public Safety
- Department of Finance
- Department of Health
- Department of Highways and Transportation
- Department of Justice
- Department of Labour
- Department of Natural Resources
- Department of Rural Development
- Department of Social Services
- Executive Council
- Indian and Metis Affairs Secretariat
- Provincial Secretary
- Public Service Commission
- Seniors Secretariat
- Women's Secretariat

Crown Agencies:

- 582099 Saskatchewan Ltd.
- 586643 Saskatchewan Ltd.
- Agricultural Credit Corporation of Saskatchewan
- Agricultural Implements Board
- Agriculture Development Fund
- Bayhurst Gas Ltd.
- Board of Governors, Battlefords Regional Care Centre
- Board of Governors, Lakeside Home
- Board of Governors, Parkridge Centre
- Board of Governors, Whitespruce Youth Treatment Centre
- Carlton Trail Regional College
- CIC Industrial Interests Inc.

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Crown Agencies (continued):

CIC Pulp Ltd.
CIC Mineral Interests Inc.
CIC Mining Corporation
CMB Fertilizer Inc.
Crown Investments Corporation of Saskatchewan
Cumberland Regional College
Cypress Hills Regional College
Health Insurance Commission
Health Services Utilization and Research Commission
Hospital Laundry Services of Regina
Investment Corporation of Saskatchewan
La Ronge Hospital Board
Law Reform Commission of Saskatchewan
Many Islands Pipe Lines (Canada) Ltd.
Many Islands Natural Gas (Canada) Ltd.
Milk Control Board
Municipal Employees' Superannuation Commission
Municipal Financing Corporation of Saskatchewan
Municipal Potash Tax Sharing Administration Board
New Careers Corporation
North West Regional College
Northern Enterprise Fund Inc. (formerly SaskPower Northern Enterprise Fund Inc.)
Northern Forest Operations Ltd.
Northlands College
Nu-Net Communications Limited
Palliser Regional Care Centre
Parkland Regional Care Centre
Parkland Regional College
Power Greenhouses Inc.
Prairie Agricultural Machinery Institute
Prairie West Regional College
Prince Albert Health Board
Provincial Mediation Board
Pulse Crop Development Board
Regina General Hospital
Regina Health Board
Royal University Hospital
RT and CC Investment Corporation
Saskatchewan Alcohol and Drug Abuse Commission
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency

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Crown Agencies (continued):

Saskatchewan Auto Fund
Saskatchewan Beef Stabilization Board
Saskatchewan Broiler Hatching Egg Producers' Marketing Board
Saskatchewan Cancer Foundation
Saskatchewan Canola Development Commission
Saskatchewan Centre of the Arts
Saskatchewan Chicken Marketing Board
Saskatchewan Communications Advanced Network Corporation
Saskatchewan Crop Insurance Corporation
Saskatchewan Development Fund Corporation
Saskatchewan Economic Development Corporation
Saskatchewan Commercial Egg Producers' Marketing Board
Saskatchewan Energy Conservation and Development Authority
Saskatchewan Forest Products Corporation
Saskatchewan Gaming Commission
Saskatchewan Government Growth Fund Limited
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Grain Car Corporation
Saskatchewan Horse Racing Commission
Saskatchewan Housing Corporation
Saskatchewan Indian Regional College
Saskatchewan Institute of Applied Science and Technology
Saskatchewan Legal Aid Commission
Saskatchewan Liquor Board
Saskatchewan Lotteries Trust Fund for Sports, Recreation and Culture
Saskatchewan Municipal Board
Saskatchewan Power Corporation
Saskatchewan Property Management Corporation
Saskatchewan Research Council
Saskatchewan Sheep Development Board
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications International Inc.
Saskatchewan Transportation Company
Saskatchewan Turkey Producers' Marketing Board
Saskatchewan Vegetable Marketing and Development Board
Saskatchewan Water Corporation
Saskatchewan Wetland Conservation Corporation
Saskatoon Health Board
SaskEnergy Incorporated

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Crown Agencies (continued):

SaskPen Properties Ltd.
SGI Canada Insurance Services Ltd.
Souris Valley Regional Care Centre
Southeast Regional College
South Saskatchewan Hospital Centre, The
South Saskatchewan River Irrigation District No. 1
SP Two Properties Ltd.
SPI Marketing Group
St. Louis Alcoholism Rehabilitation Centre
Teachers' Superannuation Commission
TransGas Limited
Tripartite Beef Administration Board
Wanuskewin Heritage Park Corporation
Wascana Rehabilitation Centre
Water Appeal Board
Western Development Museum
Workers' Compensation Board

Special Purpose and Trust Funds:

Anti-Tuberculosis League Employees Superannuation Plan
Capital Pension Plan Inc. (formerly Crown Investments Corporation Pension Plan)
Cattle Marketing Deductions Fund
Commercial Revolving Fund
Consolidated Fund
Correctional Facilities Industries Revolving Fund
Correspondence School Revolving Fund
Crop Reinsurance Fund of Saskatchewan
Department of Justice Victims' Fund
Doukhobors of Canada C.C.U.B. Trust Fund
Environmental Protection Fund
Fish and Wildlife Development Fund
Forest Renewal and Development Fund
Highways Revolving Fund
Horned Cattle Fund
Judges of the Provincial Court Superannuation Plan
Members of the Legislative Assembly Superannuation Plan
Northern Revenue Sharing Trust Account
Northern Saskatchewan Economic Development Revolving Fund
Oil and Gas Environmental Fund
Power Corporation Superannuation Plan

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Special Purpose and Trust Funds (continued):

Prepaid Funeral Services Assurance Fund
Provincial Mediation Board Trust Account
Public Employees Benefit Agency Revolving Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees (Government Contributory) Annuity Fund
Public Employees Group Life Insurance Fund
Public Employees (Government Contributory) Superannuation Plan
Public Service Superannuation Board
Public Trustee for Saskatchewan
Queen's Printer Revolving Fund
Resource Protection and Development Revolving Fund
Saskatchewan Agriculture Returns Stabilization Fund
Saskatchewan Book Bureau Revolving Fund
Saskatchewan Development Fund
Saskatchewan Government Insurance Superannuation Plan
Saskatchewan Heritage Foundation
Saskatchewan Liquor Board Superannuation Plan
Saskatchewan Pension Plan
Saskatchewan Prescription Drug Fund
Saskatchewan Research Council Employees' Pension Plan
Saskatchewan Student Aid Fund
Saskatchewan Telecommunications Superannuation Fund
Saskatchewan Transportation Company Employees Superannuation Plan
Sinking Fund
Social Services Central Trust Account
Trust Funds at Court House, Local Registrars and Sheriff's Offices
Workmen's Compensation Board Superannuation Fund

Other Organizations subject to examination under *The Provincial Auditor Act*:

Legal Aid Clinic Trust Funds
Legislative Assembly Office
Ombudsman, Office of the
Provincial Auditor, Office of the
Saskatchewan Archives Board
University of Regina, The
University of Saskatchewan, The

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Exhibit 5

List of salaries of employees that earned \$2,500 or more for the year ended March 31, 1993.

Ahmad, Mobashar	\$ 78,873	Markewich, Dale	45,343
Ashdown, Leanne M.	43,150	Martens, G. Andrew	74,379
Atkinson, Brian	87,804	McIntyre, Scott W.	114,340
Beck, Paul H.	23,023	McLeod, Shanna G.	21,283
Beisel, Thomas A.	14,075	Melnyk, Marvin A.	23,023
Black, Robert L.	77,866	Menard, Glyn W.	27,265
Bohn, Raymond	77,866	Mitchell, Corinna	6,077
Borys, Angele M.	27,055	Montgomery, Edward	77,866
Burns, Lorraine G.	20,301	Morrison, Kim A.	48,727
Coward, Deann	25,216	Nyhus, Glen D.	69,233
Creaser, Philip M.	77,866	Orrange, Loyd	62,430
Dencsak, Theresa	10,794	Paisley, Robert	20,603
Earis, Lorianne M.	23,023	Peters, Cory D.	22,439
Ellard, Margaret	26,153	Pradhan, Karim S.	78,914
Evelt, Rosemarie M.	55,500	Raimbault, Roseann M.	24,058
Ferguson, Judy D.	73,727	Rathgeber, Garnet D.	40,565
Grabarczyk, Rod	62,614	Sarada, Twila L.	15,849
Hansen, Wendy R.	40,748	Schwab, Victor A.	40,998
Harasymchuk, William	43,150	Shearer, Robert J.	23,571
Heffernan, Michael A.	87,804	Sills, Sandra M.	37,863
Herdzik, Tony M.	22,292	Spelliscy, Robert C.	44,458
Hoffman, John B.	58,281	Strelieff, Wayne K.	121,810
Hunt, John A.	84,689	Taylor, Kevin A.	19,260
Jersak, Rodd S.	48,328	Tchang, Patrick T.	21,112
Johnson, Clare H.	17,014	Tomlin, Heather D.	25,216
Kirchner, Carolyn	6,077	Viczko, Cheryl A.	23,615
Krip, Linda A.	32,290	Voss, Maureen	37,203
Kuntz, Angela M.	9,586	Walker, Sandra J.	38,820
Lacey, Barry C.	51,305	Walters, Charlene D.	5,865
Lacey, Kevin A.	27,129	Wendel, G. Fred	98,059
Lee, Donald	41,405	Wendel, Leslie E.	73,368
Lipon, Shelley J.	44,087	Employees under \$2,500	2,745
Mack, Terry S.	2,740	Increase in accrued vacation pay	<u>10,306</u>
Maier, Corrine P.	21,983		
			<u>\$2,840,477</u>

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List of persons or organizations that provided goods or services to the Provincial Auditor and statutory expenses for \$20,000 or more for the year ended March 31, 1993.

Ernst and Young	\$ 25,000
L & C Management Ltd.	225,935
Merchant Law Group	36,193
Microage	52,902
Public Employees Superannuation Plan	100,752
Receiver General for Canada - Canada Pension Plan	37,322
Receiver General for Canada - Unemployment Insurance	73,216
SaskTel	22,178
Persons or organizations under \$20,000	<u>494,380</u>
	<u>\$1,067,878</u>

Appendix II

Reports of Appointed Auditors - Part I

The following is a list of Crown agencies where the appointed auditors' reports indicated there was nothing of significance to report in accordance with Section 12 of *The Provincial Auditor Act*. As mentioned in Appendix I, the contents of these reports have not been reproduced.

We have reported earlier where we have determined that we were unable to rely on the reports of the appointed auditors.

Crown Agency

Appointed Auditor

586643 Saskatchewan Ltd. (December 1991 and 1992)	Ernst & Young
Capital Pension Plan Inc. (December 1991)	Ernst & Young
Carlton Trail Regional College	E.J.C. Dudley & Co.
CIC Pulp Ltd. (December 1991 and 1992)	Ernst & Young
CMB Fertilizer Inc. (December 1991 and 1992)	Ernst & Young
Cumberland Regional College	T. A. Jellicoe
Cypress Hills Regional College	Stark & Company
Northern Forest Operations Ltd.	Price Waterhouse
NorthWest Regional College	Downie Meena Johnson
	Gress Holm & Svenkeson
Parkland Regional College	Skilnick & Partners
Power Corporation Superannuation Fund	Ernst & Young
Saskatchewan Communications Network Corporation	Coopers & Lybrand
SaskEnergy Incorporated	Ernst & Young
Saskatchewan Grain Car Corporation	Skilnick & Partners
Saskatchewan Institute of Applied Science and Technology	Deloitte & Touche
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (March 1992)	Peat Marwick Thorne
Saskatchewan Telecommunications (December 1991)	Deloitte & Touche
Saskatchewan Telecommunications International, Inc. (December 1990 and 1991)	Deloitte & Touche
Saskatchewan Telecommunications Superannuation Fund (December 1991)	Deloitte & Touche
Saskatchewan Water Corporation	Peat Marwick Thorne
SaskPen Properties Ltd. (March 1992)	Deloitte & Touche
Southeast Regional College	Doug Court
SP Two Properties Ltd. (March 1992)	Deloitte & Touche
TransGas Limited	Ernst & Young
Wanuskewin Heritage Park Corporation	Peat Marwick Thorne
Westank Industries Ltd.	Deloitte & Touche

Appendix II

Reports of Appointed Auditors - Part II

Where the appointed auditors' reports indicated there were matters to be reported in accordance with Section 12 of *The Provincial Auditor Act*, the contents of these reports are reproduced in this Part.

We have reported earlier where we have determined that we were unable to rely on the reports of the appointed auditors.

The contents of the following reports are included:

	<u>Page</u>
Agricultural Credit Corporation of Saskatchewan (March 1993)	II - 3
CIC Industrial Interests Inc. (December 1991)	II - 5
Crown Investments Corporation of Saskatchewan (December 1991)	II - 6
Northlands College (June 1992)	II - 7
Prairie West Regional College (June 1992)	II - 9
Saskatchewan Diversification Corporation (March 1992)	II - 10
Saskatchewan Diversification Corporation (September 1992)	II - 11
Saskatchewan Economic Development Corporation (December 1991)	II - 13
Saskatchewan Forest Products Corporation (October 1992)	II - 15
Saskatchewan Government Growth Fund Management Corporation (December 1991)	II - 15
Saskatchewan Government Growth Fund Management Corporation (December 1992)	II - 17
Saskatchewan Indian Regional College (June 1992)	II - 19
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (March 1992)	II - 21
Saskatchewan Pension Plan (December 1992)	II - 22
Saskatchewan Power Corporation (December 1992)	II - 23
Saskatchewan Property Management Corporation (March 1992)	II - 29
Saskatchewan Property Management Corporation (March 1993)	II - 33
Saskatchewan Transportation Company (October 1991)	II - 36

Appendix II

AGRICULTURAL CREDIT CORPORATION OF SASKATCHEWAN YEAR ENDED MARCH 31, 1993

We have made a study and evaluation of the system of internal control of Agricultural Credit Corporation of Saskatchewan in effect as at March 31, 1993. We did not study and evaluate certain aspects of internal control concerning the effectiveness, economy and efficiency of certain management decision-making processes. The criteria for this study and evaluation consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of Agricultural Credit Corporation of Saskatchewan is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that:

- (a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with generally accepted accounting principles;
- (b) all public money is fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of public money;
- (c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following condition in the system of internal control of the Agricultural Credit Corporation of Saskatchewan as at March 31, 1993 which in our opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud, in amounts that would be material in relation to the corporation, may occur and not be detected within a timely period.

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Computer environment controls

The corporation has not documented and tested a disaster recovery plan for its computerized operations. In the event of a disaster, the corporation may find it difficult to recover in a timely manner.

Management have advised that a plan is now in the development process to be implemented before December 31, 1993.

Price Waterhouse
May 18, 1993

AGRICULTURAL CREDIT CORPORATION OF SASKATCHEWAN YEAR ENDED MARCH 31, 1993

We have made an examination to determine whether Agricultural Credit Corporation of Saskatchewan complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 1993:

- The Agricultural Credit Corporation of Saskatchewan Act
- The Agricultural Credit Corporation of Saskatchewan Amendment Act, 1989
- The Agricultural Credit Corporation of Saskatchewan Regulations, 1989
- The Financial Administration Act
- The Department of Revenue and Financial Services Act, 1988
- The Interpretation Act
- The Farm Financial Stability Act

Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, Agricultural Credit Corporation of Saskatchewan has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 1993. There is, however, one matter which we believe should be brought to your attention.

Capital loan allowance fee

The corporation continues to charge borrowers a 2% fee on all new capital loan disbursements approved after October 1987. The corporation's management believes that section 10(2) of the Agricultural Credit Corporation of Saskatchewan Act provides the corporation broad powers, including the authority

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to charge the 2% fee. The corporation's position is supported by the opinion of its legal counsel and by the conclusion of the Saskatchewan Justice Department.

Based upon our review of the relevant legislation, the opinion of the corporation's legal counsel and the conclusions of the Saskatchewan Justice Department, we also continue to be of the opinion that the corporation has the legislative authority to charge the capital loan allowance fee.

We understand you are of the opinion that the corporation acted beyond its authority when it began charging the 2% fee on all capital loans approved after October 1987 and that in your opinion the fee increases the effective rate of interest charged. We understand that your position is also supported by legal advice.

We acknowledge that the reporting of this matter is subject to professional judgement.

Price Waterhouse
May 18, 1993

CIC INDUSTRIAL INTERESTS INC. YEAR ENDED DECEMBER 31, 1991

We have, with regard to CIC Industrial Interests Inc. (CIC III), examined and reported without reservation to the Legislative Assembly on:

- the financial statements for the period ended December 31, 1991
- the system of internal control as at December 31, 1991
- compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the period ended December 31, 1991.

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

During the course of examinations, we found the following:

- (1) CIC III held shares in corporations. These shares had a total cost of \$38,076,125 [1990 - \$7,910,049].

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- (2) CIC III provided loans to five corporations totalling \$155,291,300 [1990 - \$20,578,000] and provided a loan guarantee of \$980,000 [1990 - \$980,000] to one of those corporations.

In the opinion of CIC III's legal counsel, these activities are within CIC III's powers and do not require to be specified in Orders In Council. Legal counsel for the Provincial Auditor has expressed a contrary view.

This is a legal issue on which differing legal views exist. In these circumstances we are unable to determine whether CIC III had appropriate legislative authority for the activities noted in (1) and (2) above.

Based on our examinations referred to in this report, there are no matters, other than those reported herein, that we consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly pursuant to Section 12(1) subsections (a) through (g) of the Provincial Auditor Act.

Ernst & Young
April 28, 1992

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN YEAR ENDED DECEMBER 31, 1991

We have, with regard to Crown Investments Corporation of Saskatchewan examined and reported without reservation to the Legislative Assembly on:

- the financial statements for the period ended December 31, 1991
- the system of internal control as at December 31, 1991
- compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the period ended December 31, 1991.

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

During the course of our examination, we found the following:

Members of the Board of Directors of Crown Investments Corporation of Saskatchewan are appointed by Order in Council as required by subsection 23(2) of the Crown Corporations Act, 1989. The Orders

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in Council have not specified the remuneration and expenses to be paid to the members of the Board.

In the opinion of the Corporation's legal counsel, remuneration and expenses are not required to be specified in Orders in Council. Legal counsel for the Provincial Auditor has expressed a contrary view.

This is a legal issue on which differing legal views exist. In these circumstances we are unable to determine whether the Corporation had appropriate legislative authority for payments made to its Board members.

Based on our examinations referred to in this report, there are no matters, other than those reported herein, that we consider to be of significance and of a nature which we believe should be brought to the attention of the Legislative Assembly pursuant to Section 12(1) subsections (a) through (g) of the Provincial Auditor Act.

Ernst & Young
April 30, 1992

NORTHLANDS COLLEGE YEAR ENDED JUNE 30, 1992

We have made a study and evaluation of the system of internal control of Northlands College in effect as at June 30, 1992. Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The Management of Northlands College is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to your responsibilities under Section 11(1) of The Provincial Auditor Act, you are required to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

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- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitation in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following conditions in the system of internal control of Northlands College as at June 30, 1992 which in our opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to Northlands College may occur and not be detected within a timely period:

- 1) Accounts receivable were not monitored on a systematic or consistent basis throughout the year. The accounts receivable subledger was not reconciled to the accounts receivable control account until June 30, 1992. While reliable information was available for use in preparation of the financial statements, the accounts were not properly kept to allow for preparation of reliable financial statements on a timely basis.

The above weakness is a result of the absence of control procedures as opposed to non-compliance with control procedures.

This weakness could result in accounts receivable not being followed up in a timely manner which could result in inappropriate or incorrect information being provided to the Board of Directors for decision making.

- 2) Bank reconciliations were not prepared on a timely basis. In preparing annual financial statements significant adjustments were required to these accounts.

The above weakness is a result of non-compliance with control procedures as opposed to absence of control procedures.

The weakness could result in inaccuracies in accounts affecting revenues, expenditures, accounts receivable and accounts payable which could result in inappropriate or incorrect information being provided to the Board of Directors for decision making.

Moline & Currie
November 13, 1992

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PRAIRIE WEST REGIONAL COLLEGE YEAR ENDED JUNE 30, 1992

I have made a study and evaluation of the system of internal control of Prairie West Regional College in effect as at June 30, 1992. I did not study and evaluate certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for this study and evaluation consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

My study and evaluation was conducted in accordance with generally accepted standards and accordingly, included such tests and other procedures as I considered necessary in the circumstances.

The management of Prairie West Regional College is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following conditions in the system of internal control of Prairie West Regional College as at June 30, 1992 which in my opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to Prairie West Regional College may occur and not be detected within a timely period.

1. Bank Reconciliation

A monthly bank reconciliation was not performed for the year under review resulting in differences

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between bank and book balances. While the differences were resolved, a weakness exists due to a lack of control of cash. Consequently, essential procedures have not been maintained and proper control of money against loss from unauthorized use or disposition is inadequate.

2. General Ledger

The accounting system is computerized, but the general ledger was out of balance for several months. While this discrepancy was resolved, again, a weakness exists due to a lack of control to ensure accuracy and completeness of information. As a result, essential records were not being properly maintained. Steps have been taken by the College to rectify the situations as outlined above.

Gilchrist & Co.
October 26, 1992

SASKATCHEWAN DIVERSIFICATION CORPORATION YEAR ENDED MARCH 31, 1992

We have, with regard to Saskatchewan Diversification Corporation (SDC), examined and reported without reservation to the Legislative Assembly on:

- the financial statements for the year ended March 31, 1992
- the system of internal control as at March 31, 1992
- compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 1992.

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

During the course of our examinations, we found the following:

- (1) SDC incurred expenses of \$1,334,168 for administration of the Community Bond Program.
- (2) SDC bought shares in a number of companies for a total cost of \$2,102,000.
- (3) SDC provided a loan guarantee of \$500,000 to a corporation at March 31, 1992.
- (4) SDC guaranteed 50 per cent of a performance bond of \$790,800 to a corporation at March 31,

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1992.

- (5) SDC provided grants of \$9,500 to organizations.
- (6) SDC incurred costs of \$82,200 under a consulting contract for which services to be delivered were to be provided to the Executive Council. This contract was terminated on November 14, 1991.
- (7) SDC paid expenses of \$37,974 for a government official to move to the Province's Ottawa office in the fiscal year ended March 31, 1991. In the year ended March 31, 1992, a further \$1,157 in expenses was paid. This official, in fact, took up residence in the Toronto area and resigned approximately 3 months after the move.

In the opinion of SDC's legal counsel, the activities in items (1) to (5) were within SDC's powers and did not require to be specified in Orders in Council. Legal counsel for the Provincial Auditor has expressed a contrary view.

This is a legal issue on which differing legal views exist. In these circumstances we are unable to determine whether SDC had appropriate legislative authority for the activities noted in items (1) to (5) above. Items (6) and (7) are expenditures that were not properly vouchered or certified.

In our opinion, except for the matters referred to in the preceding paragraphs, SDC has complied in all significant respects with the legislative and related authorities specified.

Based on our examinations referred to in this report, there are no matters, other than those reported herein, that we consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly pursuant to Section 12(1) subsections (a) through (g) of the Provincial Auditor Act.

Ernst & Young
December 4, 1992

SASKATCHEWAN DIVERSIFICATION CORPORATION FIVE MONTH PERIOD ENDING SEPTEMBER 3, 1992

We have, with regard to Saskatchewan Diversification Corporation (SDC), examined and reported without reservation to the Legislative Assembly on:

- the financial statements for the five month period ending September 3, 1992
- the system of internal control as at September 3, 1992

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- compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the five month period ending September 3, 1992.

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

During the course of our examinations, we found the following:

- (1) SDC incurred expenses of \$47,509 for administration of the Community Bond Program.
- (2) SDC bought shares in a number of companies for a total cost of \$50,914.
- (3) SDC had provided a loan guarantee of \$500,000 to a corporation prior to March 31, 1992. In May 1992 SDC paid \$500,135 under this guarantee.
- (4) SDC guaranteed 50 per cent of a performance bond of \$790,800 to a corporation at September 3, 1992.

In the opinion of SDC's legal counsel, the activities were within SDC's powers and did not require to be specified in Orders in Council. Legal counsel for the Provincial Auditor has expressed a contrary view.

This is a legal issue on which differing legal views exist. In these circumstances we are unable to determine whether SDC had appropriate legislative authority for the activities noted in (1) to (4) above.

In our opinion, except for the matters referred to in the preceding paragraphs, SDC has complied in all significant respects with the legislative and related authorities specified.

Based on our examinations referred to in this report, there are no matters, other than those reported herein, that we consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly pursuant to Section 12(1) subsections (a) through (g) of the Provincial Auditor Act.

Ernst & Young
December 4, 1992

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SASKATCHEWAN ECONOMIC DEVELOPMENT CORPORATION YEAR ENDED DECEMBER 31, 1991

We have made an examination to determine whether Saskatchewan Economic Development Corporation complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended December 31, 1991.

- The Industrial Development Act, 1984
- The Industrial Development Regulations
- The Financial Administration Act
- Orders in Council, pursuant to the above legislation
- Board of Directors' bylaws, policies and directives
- The Members of the Legislative Assembly Conflict of Interests Act

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, except as explained in the following paragraph, Saskatchewan Economic Development Corporation has complied in all significant respects with the provisions of the aforementioned legislative and related authorities during the year ended December 31, 1991.

The Industrial Development Act requires that approval by Order in Council be obtained in any case where financial assistance to a corporation exceeds \$2,500,000. During the year the Corporation capitalized interest on two accounts which caused the financial assistance to the corporations to exceed the amount previously approved by Order in Council, which contravenes the requirements of the Industrial Development Act.

Deloitte & Touche
March 13, 1992

SASKATCHEWAN ECONOMIC DEVELOPMENT CORPORATION YEAR ENDED DECEMBER 31, 1991

We have examined the financial statements of Saskatchewan Economic Development Corporation as at December 31, 1991 and have issued our report dated February 4, 1992 thereon to the Legislative Assembly. We have examined the system of internal control at December 31, 1991 and have issued our report dated March 13, 1992 thereon to you. We have also made an examination to determine whether Saskatchewan Economic Development Corporation complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising,

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borrowing and investing activities during the year ended December 31, 1991 and have issued our report dated March 13, 1992 to you. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating that internal controls were inadequate or not complied with, substantive tests were performed to detect any cases in which:

- 1) any officer or employee of Saskatchewan Economic Development Corporation has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
- 2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
- 3) an expenditure was made which was not properly vouchered or certified.

In April, 1991 J. Kolody, President of Kwent Investments obtained control of, and retained, income tax credits applicable to Gigatext Translation System Inc. that were assigned as security to SEDCO, resulting in a loss of \$410,000 to SEDCO. Representations by each of the parties concerning events at that time are contradictory and unclear, and as a result, are inconclusive. The Board of Directors of the day initiated legal action against Kolody, which was subsequently discontinued by way of a Settlement Agreement in October, 1991. We are unable to conclude whether the events that gave rise to this loss constitute an exception within the scope of the following paragraph.

During the course of these examinations, except for the uncertainty of events about which we are unable to conclude as explained in the preceding paragraph, nothing came to our attention that would indicate to us that:

- 1) any officer or employee of Saskatchewan Economic Development Corporation has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
- 2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
- 3) any transaction was made without probity, prudence, or in any other manner which has resulted or could result in diminished accountability to the Legislative Assembly.

Deloitte & Touche
March 13, 1992

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SASKATCHEWAN FOREST PRODUCTS CORPORATION YEAR ENDED OCTOBER 31, 1992

We have made an examination to determine whether Saskatchewan Forest Products Corporation complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended October 31, 1992.

The Crown Corporations Act, 1978
Orders-In-Council

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, Saskatchewan Forest Products Corporation has not complied with the provisions of the aforementioned legislative and related authorities during the year ended October 31, 1992 in the instances noted below:

The Crown Corporations Act, 1978	Relevant section
<ul style="list-style-type: none">• The corporation's new head office has not been designated as such by the Lieutenant Governor in council.	8
Orders-In-Council	Relevant section
<ul style="list-style-type: none">• The corporation's board of directors did not meet at least once in every three months during the fiscal year.	O.C. 1899-49 Para. 8

Price Waterhouse
December 11, 1992

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION YEAR ENDED DECEMBER 31, 1991

We have made a study and evaluation of the system of internal control of Saskatchewan Government Growth Fund Management Corporation (SGGFMC) and Saskatchewan Government Growth Fund Ltd. (SGGF) in effect as at December 31, 1991. We did not study and evaluate certain aspects of internal control concerning the effectiveness, economy and efficiency of certain management decision-making processes. The criteria for this study and evaluation consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

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Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of SGGFMC and SGGF is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but no absolute, assurance that:

- (a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with generally accepted accounting principles;
- (b) all public money is fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of public money;
- (c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following condition in the system of internal control of SGGFMC and SGGF Ltd. as at December 31, 1991 which in our opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud, in amounts that would be material in relation to the corporation may occur and not be detected within a timely period.

During our examination of loans receivable, we noted that the resale terms of the Flexi-coil loan from the Saskatchewan Government Growth Fund Ltd. (SGGF) to Saskatchewan Economic Development Corporation (SEDCO) were not formally documented.

Pursuant to SGGF's Confidential Offering Memorandum, investments in eligible businesses in Saskatchewan were to be made, insofar as possible, so that capital was due and payable to the Fund to coincide with the dates set for the repurchase of the Preferred Shares.

On May 18, 1989, Cabinet approved a repurchase of the Flexi-coil loan by SEDCO for the "*fair market value*" of the loan. A draft agreement was prepared in 1989 which tentatively outlined the terms and conditions in which SEDCO agreed to purchase the loan in August, 1994 at "*fair market value*". This agreement was never executed. Subsequent to December 31, 1992, a second draft agreement was

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negotiated between SGGF and SEDCO. This new agreement outlined the conditions in which an impairment in value could occur resulting in a reduction of carrying value of the Flexi-coil loan held by SGGF. This resulting impairment would allow the purchase price to be paid by SEDCO to be adjusted. This agreement was approved by the SGGF Board of Directors, but not by SEDCO's Board of Directors.

A formal repurchase agreement which defines "*fair market value*" must be adopted to allow SGGF to redeem investors shares. This agreement would allow SGGF to properly evaluate whether an impairment in value has occurred in the Flexi-coil loan which could result in a cash flow deficiency.

Deloitte & Touche
January 29, 1993

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION YEAR ENDED DECEMBER 31, 1992

We have made a study and evaluation of the system of internal control of Saskatchewan Government Growth Fund Management Corporation (SGGFMC) and Saskatchewan Government Growth Fund Ltd. (SGGF) in effect as at December 31, 1992. We did not study and evaluate certain aspects of internal control concerning the effectiveness, economy and efficiency of certain management decision-making processes. The criteria for this study and evaluation consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of SGGFMC and SGGF is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but no absolute, assurance that:

- (a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with generally accepted accounting principles;
- (b) all public money is fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of public money;
- (c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures

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have adequate statutory authority; and

- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following condition in the system of internal control of SGGFMC and SGGF Ltd. as at December 31, 1992 which in our opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud, in amounts that would be material in relation to the corporation may occur and not be detected within a timely period.

During our examination of loans receivable, we noted that the resale terms of the Flexi-coil loan from the Saskatchewan Government Growth Fund Ltd. (SGGF) to Saskatchewan Economic Development Corporation (SEDCO) were not formally documented.

Pursuant to SGGF's Confidential Offering Memorandum, investments in eligible businesses in Saskatchewan were to be made, insofar as possible, so that capital was due and payable to the Fund to coincide with the dates set for the repurchase of the Preferred Shares.

On May 18, 1989, Cabinet approved a repurchase of the Flexi-coil loan by SEDCO for the "*fair market value*" of the loan. A draft agreement was prepared in 1989 which tentatively outlined the terms and conditions in which SEDCO agreed to purchase the loan in August, 1994 at "*fair market value*". This agreement was never executed. Subsequent to December 31, 1992, a second draft agreement was negotiated between SGGF and SEDCO. This new agreement outlined the conditions in which an impairment in value could occur resulting in a reduction of carrying value of the Flexi-coil loan held by SGGF. This resulting impairment would allow the purchase price to be paid by SEDCO to be adjusted. This agreement was approved by the SGGF Board of Directors, but not by SEDCO's Board of Directors.

A formal repurchase agreement which defines "*fair market value*" must be adopted to allow SGGF to redeem investors shares. This agreement would allow SGGF to properly evaluate whether an impairment in value has occurred in the Flexi-coil loan which could result in a cash flow deficiency.

Deloitte & Touche
January 29, 1993

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SASKATCHEWAN INDIAN REGIONAL COLLEGE YEAR ENDED JUNE 30, 1992

We have made an examination to determine whether the Saskatchewan Indian Regional College complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended June 30, 1992:

The Regional Colleges Act and Regulations
The Department of Finance Act, 1983
The Regional Colleges Accounting and Reporting Manual
The Interpretation Act

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Saskatchewan Indian Regional College has not complied with the provisions of the aforementioned legislative and related authorities during the year ended June 30, 1992 in the instances noted below:

Regional Colleges Act and Regulations	Relevant section
• Not all board members have been appointed by the Lieutenant Governor in Council.	7(1)
• There are ten members on the board instead of the prescribed four to seven. Seven of the members have been approved by the Lieutenant Governor in Council and three are acting without approval.	7(2)
• Budgets are not approved by the Minister prior to adoption.	15(2)
• The appointment of auditors is not approved by the Minister of Education.	17(1)
• Board members can serve for an unlimited length of time instead of the prescribed two terms.	7(5)
• The lease of land or buildings is not approved by the Minister of Education.	14(b)
• The college's personnel policy has not been approved by the Minister of Education.	Reg 7(4)

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Regional Colleges Accounting and Reporting Manual

- The college records depreciation on its capital assets (excluding land). --

Interpretation Act

- Per diem amounts and reimbursements paid to Board members were in excess of amounts authorized by Order-in-Council for the college. 16

Price Waterhouse
December 2, 1992

SASKATCHEWAN INDIAN REGIONAL COLLEGE YEAR ENDED JUNE 30, 1992

We have examined the financial statements of the Saskatchewan Indian Regional College for the year ended June 30, 1992 and have issued our report dated September 25, 1992 thereon. We have examined the system of internal control as at June 30, 1992 and have issued our report to you dated December 2, 1992. We have also made an examination to determine whether the Saskatchewan Indian Regional College complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended June 30, 1992 and have issued our report to you dated December 2, 1992. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating that internal controls were inadequate or not complied with, substantive tests were performed to detect any cases in which: (1) any officer or employee of the Saskatchewan Indian Regional College has wilfully or negligently omitted to collect or receive public money belonging to the Crown; (2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and (3) an expenditure was made which was not properly vouchered or certified.

Our examination disclosed the following matters that should be brought to your attention:

- Per diem amounts and reimbursements to Board members were in excess of amounts authorized by Order in Council for the college. Also, the expenses of three unapproved Board members were paid. The unauthorized Board expenses paid during the year amounted to approximately \$76,000.

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- Certain payments were made during the year which do not appear to be of an educational nature. These payments totalled approximately \$18,000.

Price Waterhouse
December 2, 1992

SASKATCHEWAN LOTTERIES TRUST FUND FOR SPORT, CULTURE AND RECREATION YEAR ENDED MARCH 31, 1992

We have audited Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation's compliance with the criteria established by the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended at March 31, 1992.

The Interprovincial Lotteries Act, 1984
The Interprovincial Lotteries Regulations
Lottery License dated March 28, 1992

Compliance with the criteria established by the provisions of the legislative and related authorities is the responsibility of the management of Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation complied with the criteria established by the provisions of the legislative and related authorities referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance, and where applicable, assessing the accounting principles used and significant estimates made by management.

Section 5(2) of the Interprovincial Lotteries Regulations specifies that lottery proceeds may only be disbursed to organizations incorporated as non-profit organizations and which have as their objective the promotion of sport, culture, recreation or other charitable or benevolent purposes. We observed that at the direction of the Minister responsible for the Interprovincial Lotteries Act and in accordance with the terms of the Lottery License dated March 28, 1991, the Trust disbursed \$3,500,000 to the Saskatchewan Arts Board, \$1,483,750 to the Western Development Museum, \$345,000 to the Saskatchewan Heritage Foundation and \$56,000 to other smaller organizations, non of which appear to be incorporated as non-profit corporations but do appear to have as their objective the promotion of sport, culture, recreation or other charitable or benevolent purpose.

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In addition payments totalling \$2,254,081 were made during the year to 800 community recreation boards, which are not incorporated as non-profit organizations. These organizations were also included on the eligibility list in accordance with the terms of the Lottery License dated March 28, 1991 issued by the Minister responsible for the Interprovincial Lotteries Act.

In our opinion, except for the payment of grants to organizations either on the eligibility list issued by the Minister responsible for the Interprovincial Lotteries Act, or made at the direction of the Minister under the terms of the Lottery License, which may not be eligible under section 5(2) of the Interprovincial Lottery Regulations, Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation was in compliance, in all material respects, with the criteria established by the provisions of the aforementioned legislative and related authorities during the year ended March 31, 1992.

This report is provided solely in connection with the request of management and should not be referred to or published or used for any other purpose without our previous consent.

Peat Marwick Thorne
May 6, 1992

SASKATCHEWAN PENSION PLAN YEAR ENDED DECEMBER 31, 1992

We have, with regard to Saskatchewan Pension Plan ("the Plan"), examined and reported to the Legislative Assembly:

- without reservation on the financial statements for the year ended December 31, 1992;
- without reservation on the system of internal control as at December 31, 1992; and
- with reservation, as described below, on compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended December 31, 1992.

Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

As a result of the changes in the Saskatchewan Pension Plan Amendment Act, 1992, Plan members were provided the opportunity to withdraw from the Plan during the six month period ending March 29, 1993. The Plan incurred certain costs which were directly related to members withdrawing from the Plan that were not reimbursed by the Minister of Finance. Consequently, the Board of Trustees approved a ten dollar termination fee to be charged to those members.

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Section 3(3) of the Saskatchewan Pension Plan Amendment Act, 1992, stipulates that the cost of implementing changes to the Plan caused by the enactment of this Act shall be paid for by the Minister of Finance. Further, section 7(4) of the Saskatchewan Pension Plan Act stipulates that costs of administering the Plan shall be paid by the Plan. As such, we are of the view the Plan did not have the authority to charge the termination fee. During 1992, the Plan charged a total of \$66,700 to members who withdrew from the Plan. Management has also informed us that a further \$178,790 has been charged in 1993.

Based on the examinations referred to in this report, there are no other matters that we consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly pursuant to Section 12(1) subsections (a) through (g) of The Provincial Auditor Act.

Ernst & Young
February 26, 1993

SASKATCHEWAN POWER CORPORATION YEAR ENDED DECEMBER 31, 1992

We have made a study and evaluation of the system of internal control of Saskatchewan Power Corporation in effect as at August 31, 1992. We did not study and evaluate certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for this study and evaluation consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our study and evaluation was conducted in accordance with generally accepted auditing standards, and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of Saskatchewan Power Corporation is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

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- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss for unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following conditions in the system of internal control of Saskatchewan Power Corporation as at August 31, 1992 which in our opinion, based on the above criteria, resulted in more than relatively low risk that errors or fraud in amounts that would be material in relation to Saskatchewan Power Corporation may occur and not be detected within a timely period:

1. During 1992 the Corporation recorded a loss on disposal of a parcel of land amounting to \$157,149. The land had been sold to a contractor in January 1991 for proceeds of \$1.00. The contractor had contracted, in accordance with an accepted tender offer, to construct a building on the property and to lease the building to the Corporation for a ten year period, for aggregate lease payments of \$1.4 million. The loss was not recorded until 1992 because financial personnel were not informed of the transaction during 1991. Neither the sale of land nor the lease of the building was approved by the Board of Directors, contrary to the Corporation's policies.
2. During 1992 the Corporation made payments of \$988,000 and \$330,000 to a contractor under separate purchase orders which had been authorized during November 1991. We understand that these purchase orders related to the same construction project and therefore should have been combined under one expenditure authority totalling \$1,318,000. This transaction was neither approved by the Corporation's Board of Directors nor was it tendered, contrary to the Corporation's policies.

In our opinion, these weaknesses existed due to non-compliance with established controls. We are advised that steps have been taken to rectify these concerns.

Ernst & Young
February 5, 1993

Appendix II

SASKATCHEWAN POWER CORPORATION YEAR ENDED DECEMBER 31, 1992

We have made an examination to determine whether Saskatchewan Power Corporation complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended December 31, 1992:

The Power Corporation Act
The Power Corporation Superannuation Act
The Superannuation (Supplementary Provisions) Act
The Crown Corporations Act, 1978
The Financial Administration Act
Treasury Board Accounting and Reporting Policies
Orders-in-Council

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

1. During 1992 the Corporation recorded a loss on disposal of a parcel of land amounting to \$157,149. The land had been sold to a contractor in January 1991 for proceeds of \$1.00. The contractor had contracted, in accordance with an accepted tender offer, to construct a building on the property and to lease the building to the Corporation for a ten year period, for aggregate lease payments of \$1.4 million. The loss was not recorded until 1992 because financial personnel were not informed of the transaction during 1991.

The Power Corporation Act requires that all purchases or sales of land exceeding \$150,000 and all purchases of personal property exceeding \$1,000,000 require approval by Order-in-Council. There is evidence to suggest that the market value of the land exceeded \$150,000. The Corporation did not obtain an Order-in-Council approving either the sale of the land or the lease of the building.

2. During 1992 the Corporation made payments of \$988,000 and \$330,000 to a contractor under separate purchase orders which had been authorized during November 1991. We understand that these purchase orders related to the same construction project and therefore should have been combined under one expenditure authority totalling \$1,318,000. *The Power Corporation Act* requires that all purchases of personal property exceeding \$1,000,000 require approval by Order-in-Council. The Corporation did not obtain an Order-in-Council approving the project.

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In our opinion, except for the failure to obtain proper approvals with respect to the matters explained in the above three paragraphs, Saskatchewan Power Corporation has complied, in all material respects, with the provisions of the aforementioned legislative and related authorities during the year ended December 31, 1992.

Ernst & Young
February 5, 1993

SASKATCHEWAN POWER CORPORATION YEAR ENDED DECEMBER 31, 1992

We have, with regard to Saskatchewan Power Corporation, conducted our audits and reported as described in this report.

We reported under date of February 5, 1993 on the financial statements for the year ended December 31, 1992, without reservation.

We reported under date of February 5, 1993 on the system of internal control as at August 31, 1992. Our report contained the following observations:

1. During 1992 the Corporation recorded a loss on disposal of a parcel of land amounting to \$157,149. The land had been sold to a contractor in January 1991 for proceeds of \$1.00. The contractor had contracted, in accordance with an accepted tender offer, to construct a building on the property and to lease the building to the Corporation for a ten year period, for aggregate lease payments of \$1.4 million. The loss was not recorded until 1992 because financial personnel were not informed of the transaction during 1991. Neither the sale of land nor the lease of the building was approved by the Board of Directors, contrary to the Corporation's policies.
2. During 1992 the Corporation made payments of \$988,000 and \$330,000 to a contractor under separate purchase orders which had been authorized during November 1991. We understand that these purchase orders related to the same construction project and therefore should have been combined under one expenditure authority totalling \$1,318,000. This transaction was neither approved by the Corporation's Board of Directors nor was it tendered, contrary to the Corporation's policies.

In our opinion, these weaknesses existed due to non-compliance with established controls. We are advised that steps have been taken to rectify these concerns.

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We reported under date of February 5, 1993 to provide assurance that we had conducted substantive tests where our study and evaluation of internal controls indicated that there were weaknesses. Our report referred to the above-mentioned incidents.

We reported under date of February 5, 1993 on compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended December 31, 1992. Our report referred to the above-mentioned incidents and reported the following:

1. *The Power Corporation Act* requires that all purchases or sales of land exceeding \$150,000 and all purchases of personal property exceeding \$1,000,000 require approval by Order-in-Council. There is evidence to suggest that the market value of the land exceeded \$150,000. The Corporation did not obtain an Order-in-Council approving either the sale of the land or the lease of the building.
2. *The Power Corporation Act* requires that all purchases of personal property exceeding \$1,000,000 require approval by Order-in-Council. The Corporation did not obtain an Order-in-Council approving the project.

Our audits were subject to the limitations described in each of the reports. The reports referred to above should be considered to be part of this report.

Based on the audits referred to in this report, there are no other matters that we consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly pursuant to section 12(1) subsections (a) through (g) of The Provincial Auditor Act.

Ernst & Young
February 5, 1993

SASKATCHEWAN POWER CORPORATION YEAR ENDED DECEMBER 31, 1992

We have examined the financial statements of Saskatchewan Power Corporation for the year ended December 31, 1992 and have issued our report dated February 5, 1993 thereon. We have examined the system of internal control as at August 31, 1992 and have issued our report to you dated February 5, 1993. We have also made an examination to determine whether Saskatchewan Power Corporation complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended December 31, 1992 and have issued our report to you dated February 5, 1993.

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Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating that internal controls were inadequate or not complied with, substantive tests were performed to detect any cases in which: (1) any officer or employee of Saskatchewan Power Corporation has willfully or negligently omitted to collect or receive public money belonging to the Crown; (2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person, and (3) an expenditure was made which was not properly vouchered or certified.

Our examination disclosed the following matters that should be brought to your attention.

1. During 1992 the Corporation recorded a loss on disposal of a parcel of land amounting to \$157,149. The land had been sold to a contractor in January 1991 for proceeds of \$1.00. The contractor had contracted, in accordance with an accepted tender offer, to construct a building on the property and to lease the building to the Corporation for a ten year period, for aggregate lease payments of \$1.4 million. The loss was not recorded until 1992 because financial personnel were not informed of the transaction during 1991. Neither the sale of land nor the lease of the building was approved by the Board of Directors, contrary to the Corporation's policies.

The Power Corporation Act requires that all purchases or sales of land exceeding \$150,000 and all purchases of personal property exceeding \$1,000,000 require approval by Order-in-Council. There is evidence to suggest that the market value of the land exceeded \$150,000. The Corporation did not obtain an Order-in-Council approving either the sale of the land or the lease of the building.

2. During 1992 the Corporation made payments of \$988,000 and \$330,000 to a contractor under separate purchase orders which had been authorized during November 1991. We understand that these purchase orders related to the same construction project and therefore should have been combined under one expenditure authority totalling \$1,318,000. This transaction was neither approved by the Corporation's Board of Directors nor was it tendered, contrary to the Corporation's policies. *The Power Corporation Act* requires that all purchases of personal property exceeding \$1,000,000 require approval by Order-in-Council. The Corporation did not obtain an Order-in-Council approving the project.

Except as noted in the preceding three paragraphs, during the course of our examinations, nothing came to our attention that would indicate to us that: (1) any officer or employee of Saskatchewan Power Corporation has willfully or negligently omitted to collect or receive public money belonging to the Crown; (2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and (3) an expenditure was made which was not properly vouchered or certified.

Ernst & Young
February 5, 1993

Appendix II

SASKATCHEWAN PROPERTY MANAGEMENT CORPORATION YEAR ENDED MARCH 31, 1992

We have made a study and evaluation of the system of internal control of Saskatchewan Property Management Corporation in effect as at March 31, 1992. We did not study and evaluate certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for this study consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of Saskatchewan Property Management Corporation is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable but not absolute assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following conditions in the system of internal control of Saskatchewan Property Management Corporation in effect as at March 31, 1992, which in our opinion, based on the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to Saskatchewan Property Management Corporation may occur and not be detected within a timely period.

Appendix II

SPMC was responsible for the administration of the Purchasing Act. Section 5(1) of the Purchasing Act required every public agency, as defined in the act, to purchase its supplies through the Purchasing Agency. SPMC did not have an effective system to ensure that all purchases of supplies by these agencies were made through the Purchasing Agency.

SPMC is developing a comprehensive list of public agencies which are required to purchase through the Purchasing Agency. In addition, SPMC is developing a system of monitoring which will ensure that all purchases of supplies made by these agencies are made through the Purchasing Agency. However, during the year ended March 31, 1992, SPMC could not ensure compliance with Section 5(1) of the Purchasing Act.

Deloitte & Touche
June 25, 1992

SASKATCHEWAN PROPERTY MANAGEMENT CORPORATION YEAR ENDED MARCH 31, 1992

We have made an examination to determine whether Saskatchewan Property Management Corporation complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 1992:

- The Saskatchewan Property Management Corporation Act;
- The Financial Administration Act;
- The Purchasing Act;
- Saskatchewan Regulation 10/76 made pursuant to The Purchasing Act;
- The Builders' Lien Act;
- The Tabling of Documents Act;
- The Members of the Legislative Assembly Conflict of Interests Act; and
- Orders in Council, pursuant to the above legislation.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

SPMC was responsible for the administration of the Purchasing Act. Section 5(1) of the Purchasing Act required every public agency, as defined in the act, to purchase its supplies through the Purchasing Agency. SPMC did not have an effective system to ensure that all purchases of supplies by these agencies were made through the Purchasing Agency.

Appendix II

SPMC is developing a comprehensive list of public agencies which are required to purchase through the Purchasing Agency. In addition, SPMC is developing a system of monitoring which will ensure that all purchases of supplies made by these agencies are made through the Purchasing Agency. However, during the year ended March 31, 1992, SPMC could not ensure compliance with Section 5(1) of the Purchasing Act.

In our opinion, except for the matter described in the previous paragraphs, Saskatchewan Property Management Corporation has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 1992.

Deloitte & Touche
June 25, 1992

SASKATCHEWAN PROPERTY MANAGEMENT CORPORATION YEAR ENDED MARCH 31, 1992

We report that the audit examination of Saskatchewan Property Management Corporation for the year ended March 31, 1992 did not disclose any cases in which:

- a) any officer or employee has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;
- b) any public money was not duly accounted for and paid into the appropriate fund;
- c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;
- d) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;
- e) a special warrant authorized the payment of public money that was not subsequently included in an appropriation bill.

Our examination disclosed the following matters:

A. *Payment to employees not working for SPMC*

Management of SPMC reported that SPMC made payments for six employees who were performing services solely for the benefit of other organizations. The total of these payments was \$285,023. SPMC was not reimbursed for these costs.

Appendix II

B. *Goods and services provided without charge*

1. Management of SPMC reported the following instances where SPMC provided accommodation services without charge:
 - i) for the Norman MacKenzie Art Gallery for the Family Foundation. The total amount of the accommodation services not charged was \$2,297,600.
 - ii) for the Echo Valley Conference Centre for the Department of Natural Resources. The total amount of the accommodation services not charged was \$364,400.
 - iii) for tenant improvements to the Ottawa office of Executive Council. The total amount not charged was \$60,600.
 - iv) for tenant improvements to the Ottawa office of SaskTel. The total amount not charged was \$29,300.
2. Management of SPMC reported that SPMC provided a vehicle for ministerial use at the Saskatoon airport for the department of Community Services. The total amount not charged was \$9,117.
3. Management of SPMC reported that SPMC incurred the following costs to provide the following security services to the Office of the Executive Council. No charge was made by SPMC for these costs:
 - i) for the Premier's vehicle and autophone - \$7,656
 - ii) for the closure of the Legislative Drive from April 1991 to September 1991 - \$9,453
 - iii) for a Security Consultation and Report undertaken to review security in all administrative offices as well as ministerial travel - \$25,000
 - iv) for monitoring and maintaining a security system in the Premier's residence - \$700
 - v) for monitoring and maintaining a security system in the Lieutenant Governor's residence - \$1,200
4. Management of SPMC reported that they incurred costs of \$8,470 relating to other services provided for Executive Council. SPMC did not charge for these services.

Deloitte & Touche
June 25, 1992

Appendix II

SASKATCHEWAN PROPERTY MANAGEMENT CORPORATION YEAR ENDED MARCH 31, 1993

We have made a study and evaluation of the system of internal control of Saskatchewan Property Management Corporation in effect as at March 31, 1993. We did not study and evaluate certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for this study consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of Saskatchewan Property Management Corporation is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable but not absolute assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following conditions in the system of internal control of Saskatchewan Property Management Corporation in effect as at March 31, 1993, which in our opinion, based on the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to Saskatchewan Property Management Corporation may occur and not be detected within a timely period.

Appendix II

SPMC was responsible for the administration of the Purchasing Act. Section 5(1) of the Purchasing Act required every public agency, as defined in the act, to purchase its supplies through the Purchasing Agency. SPMC did not have an effective system to ensure that all purchases of supplies by these agencies were made through the Purchasing Agency.

SPMC is developing a comprehensive list of public agencies which are required to purchase through the Purchasing Agency. In addition, SPMC is developing a system of monitoring which will ensure that all purchases of supplies made by these agencies are made through the Purchasing Agency. However, during the year ended March 31, 1993, SPMC could not ensure compliance with Section 5(1) of the Purchasing Act.

Deloitte & Touche
June 22, 1993

SASKATCHEWAN PROPERTY MANAGEMENT CORPORATION YEAR ENDED MARCH 31, 1993

We have made an examination to determine whether Saskatchewan Property Management Corporation complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 1993:

- The Saskatchewan Property Management Corporation Act;
- The Financial Administration Act;
- The Purchasing Act;
- Saskatchewan Regulation 10/76 made pursuant to The Purchasing Act;
- The Builders' Lien Act;
- The Tabling of Documents Act;
- The Members of the Legislative Assembly Conflict of Interests Act; and
- Orders in Council, pursuant to the above legislation.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

SPMC was responsible for the administration of the Purchasing Act. Section 5(1) of the Purchasing Act required every public agency, as defined in the act, to purchase its supplies through the Purchasing Agency. SPMC did not have an effective system to ensure that all purchases of supplies by these agencies were made through the Purchasing Agency.

Appendix II

SPMC is developing a comprehensive list of public agencies which are required to purchase through the Purchasing Agency. In addition, SPMC is developing a system of monitoring which will ensure that all purchases of supplies made by these agencies are made through the Purchasing Agency. However, during the year ended March 31, 1993, SPMC could not ensure compliance with Section 5(1) of the Purchasing Act.

In our opinion, except for the matter described in the previous paragraphs, Saskatchewan Property Management Corporation has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 1993.

Deloitte & Touche
June 22, 1993

SASKATCHEWAN PROPERTY MANAGEMENT CORPORATION YEAR ENDED MARCH 31, 1993

We report that the audit examination of Saskatchewan Property Management Corporation for the year ended March 31, 1993 did not disclose any cases in which:

- a) any officer or employee has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;
- b) any public money was not duly accounted for and paid into the appropriate fund;
- c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;
- d) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;
- e) a special warrant authorized the payment of public money that was not subsequently included in an appropriation bill.

Our examination disclosed the following matters:

A. *Payment to employees not working for SPMC*

Management of SPMC reported that SPMC made payments for two employees who were performing services solely for the benefit of other organizations. The total of these payments was \$21,170. SPMC was not reimbursed for these costs.

Appendix II

B. *Goods and services provided without charge*

1. Management of SPMC reported the following instances where SPMC provided accommodation services without charge:
 - i) for the Department of Labour. The total amount of the accommodation services not charged was \$28,000.
 - ii) for Community Services. The total amount of the accommodation services not charged was \$17,500.
 - iii) for the Norman MacKenzie Art Gallery for the Family Foundation. The total amount of the accommodation services not charged was \$1,989,400.
2. Management of SPMC reported that SPMC provided a vehicle for ministerial use at the Saskatoon airport for the department of Community Services. The total amount not charged was \$2,232.

Deloitte & Touche
June 22, 1993

SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1991

We have, with regard to Saskatchewan Transportation Company, conducted our audits and reported as described in this report.

We reported under date of March 6, 1992 on the financial statements for the year ended October 31, 1991, with the reservation described in the following paragraph:

Owing to inadequate internal controls over express revenue [recorded as \$6,157,000] and related receivables [recorded as \$2,270,000] the accuracy and completeness of such revenues were not susceptible of satisfactory audit verification. Accordingly, we were unable to determine whether adjustments might have been required to accounts receivable, revenues, loss for the year and deficit at end of year.

We reported under date of March 6, 1992 on the system of internal control as at October 31, 1991. Our report contained a number of observations concerning revenue and receivables, inventory, information systems and financial reporting.

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We reported under date of March 6, 1992 to provide assurance that we had conducted substantive tests where our study and evaluation of internal controls indicated there were weaknesses. Our report contained references to the risk of loss due to the lack of timeliness of the rendering of customer statements, the ongoing legal proceedings against certain former executives and suppliers of the Company, the loss arising from cancellation of a systems contract, the lack of Order in Council approval of directors' fees and expenses, the approval process for the President's expenses, and the non-compliance with the Delegation of Authority for payments over \$50,000.

We reported under date of March 6, 1992 on compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended October 31, 1991.

Our audits were subject to the limitations described in each. The reports referred to above should be considered to be a part of this report.

Based on the audits referred to in this report, there are no other matters that we consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly pursuant to section 12(1) subsections (a) through (g) of the Provincial Auditor Act.

Ernst & Young
March 6, 1992

SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1991

We have made a study and evaluation of the system of internal control of Saskatchewan Transportation Company (STC) in effect as at October 31, 1991. Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of STC is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to our responsibility under Section 11(1) of The Provincial Auditor Act, we are required to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;

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- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitation in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation disclosed the following conditions in the system of internal control of STC as at October 31, 1991 which in our opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to STC may occur and not be detected within a timely period:

Policies and procedures

As reported by the Provincial Auditor in the chapter in his 1991 Annual Report covering the STC's 1989 and 1990 fiscal years, the company needs to prepare written policies and procedures to govern many of its activities, including pay and personnel policies for out of scope employees, follow up and collection of accounts receivable, and systems development. Many of the observations that follow are a result of this lack, and management's ongoing efforts to develop such policies and procedures will ensure that, in time, these deficiencies are resolved.

Segregation of duties

There was inadequate segregation of duties in the interline revenue billing, data entry, and customer queries areas. One person was responsible for all of these functions.

Due to staffing constraints during the year, there were instances where journal entries were prepared and approved by the same person.

In our opinion, these weaknesses existed due to both the absence of and non-compliance with controls. It is unlikely that a material error occurred as a result. We are advised that steps have been taken to rectify these concerns.

Appendix II

Revenue and receivables

The computer system could not keep up with the volumes of data, primarily in the processing of express revenue. This backlog caused customer invoices to be out dated and therefore of little meaning to the customer. System problems caused data to be lost at various stages of processing, causing out of balance situations to occur between receivables statements, reports and the general ledger. Reasons for the discrepancies could not be identified and only monitoring action was possible.

There was a significant number of instances where there were errors in posting of express waybills to customer accounts.

There were no reconciliations of interline express statements because the volume of such transactions is so extensive. This is an industry wide problem and for STC, carrier identification is a serious concern.

There were only limited controls over the issue and usage of express waybills and passenger tickets. These are STC's two major sources of revenue and, when combined with the lack of cash registers and cash balancing procedures, there is a risk that revenue is being lost.

Because the preparation of waybills, STC passenger tickets and other revenue are manual operations, they are susceptible to documentation errors. As waybills and tickets are individually small amounts, and the probability that customers would detect any errors, the likelihood of significant errors is small.

There was a breakdown of batch controls over interline, charter, work order and miscellaneous revenue during the year when the processing of these transactions was transferred temporarily to a separate system to relieve the pressures on the primary system.

In our opinion, these weaknesses existed due to both the absence of and non-compliance with controls. Accordingly the accuracy and completeness of express revenues and related receivables were not susceptible of satisfactory audit verification and we were unable to determine whether adjustments might have been required to accounts receivable, revenue, loss for the year and deficit at end of year. We are advised that some corrective measures have been taken to lessen the risk of error or omission as a result of these weaknesses.

Cash Handling Procedures

The company does not get the full benefit of having someone independent of accounts receivable open the mail because no initial record is made of cheques received in the mail for later balancing to the daily deposit.

Cash boxes, rather than cash registers, are used at depots for passenger and express sales. Because there is no record, such as a till tape, to balance to, there is no means of ensuring that all cash is accounted for.

Appendix II

In our opinion, these weaknesses existed due to the absence of controls. It is unlikely that a material error occurred as a result, but we were unable to perform substantive tests to satisfy ourselves that a material error did not occur.

Inventory and property, plant and equipment

The inventory distribution summary generated by the perpetual inventory system was susceptible to error. Erroneous accounting entries were being made based on this summary, and because there was no monthly reconciliation between perpetual and book inventory records, this problem was not discovered until after year end.

With the exception of coaches, there are no detailed records of the capital assets owned by STC. Such records would provide better information to safeguard the assets and provide support for the insurance coverages carried by STC. They would also assist in producing more accurate depreciation figures for costing and financial reporting purposes.

In our opinion, this weakness existed due to the absence of a control. It is unlikely that material inventory usage would be omitted or depreciation would be calculated erroneously and not detected within a timely period.

Information Systems

STC does not have a formal recovery plan to aid in the restoration of computer processing following a prolonged disruption of computer processing or a disaster. Such a plan would be to include a business continuity plan to maintain day to day business activities until normal computer processing is restored.

In our opinion, this weakness exists due to the absence of a control. There is the possibility of a business loss in the event of a disaster.

Financial reporting

Financial reporting is not being provided on a timely basis. Management and the board of directors did not have the necessary information to be able to make timely and informed decisions related to STC's business.

In our opinion, this weakness existed due to non-compliance with a control. Consequently, it could result in business decisions not being made on a timely basis.

Ernst & Young
March 6, 1992

Appendix II

SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1991

We have audited the financial statement of Saskatchewan Transportation Company for the year ended October 31, 1991 and have issued our report dated March 6, 1992 thereon. We have examined the system of internal controls as at October 31, 1991 and have issued our report dated March 6, 1992. We have also made an examination to determine whether Saskatchewan Transportation Company complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended October 31, 1991 and have issued our report dated March 6, 1992. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating that internal controls were inadequate or not complied with, substantive tests were performed to detect any cases in which: (1) any officer or employee of Saskatchewan Transportation Company has willfully or negligently omitted to collect or receive public money belonging to the Crown; (2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person, and (3) an expenditure was made which was not properly vouchered or certified.

Our examination disclosed the following matters that should be brought to your attention.

- We observed that the present systems do not accommodate the rendering of customer statements and follow-up of amounts due from customers on a timely basis. As a result, the Company is subject to increased risk of loss from undue exposure to collectibility problems. During the year, approximately \$220,000 of accounts were written off. While it is not possible to quantify exactly, it is our opinion that the problems with the computer system were at least a contributing factor to the extent of bad-debt write-offs. Subsequent to the year end, actions were taken to improve the timeliness of billings to customers. There was also a noticeable decline in the amount of bad-debt write-offs.
- During the year ended October 31, 1991, legal proceedings against certain former executives and suppliers of the Company continued. The proceedings arise from alleged irregularities between these parties in the conduct of the Company's business in the company's 1989 and prior fiscal years. At the date of this report the legal proceedings continue and the total deficiency, loss or recovery to the Crown, if any, is not determinable.
- On August 22, 1991, the Board of Directors authorized management to negotiate with Bull Systems to acquire software and hardware at a cost no greater than \$500,000 plus taxes, as well as \$100,000 in regard to site preparation and installation. Management signed a contract with Bull in October, 1991. The new Board of Directors agreed to terminate the contract with Bull on November 21, 1991. Because of the change in the Board of Directors, the contract with Bull was never ratified by the Board. As a result of the termination, the company has forfeited the \$100,000 deposit paid under the contract.
- Members of the Board of Directors of the company are appointed by Order in Council, as required by subsection 23(2) of the Crown Corporations Act, 1989. The Order in Council has not specified the

Appendix II

remuneration and expense to be paid to the members of the Board. During the year ended October 31, 1991, fees and expenses totalling \$42,200 were paid to the Directors in their capacity as Directors. In addition, the Chairman received consulting fees of \$9,186.

- The Board's Delegation of Authority instrument provides that the President's expense reports be approved by the President and the Controller. The total of expenses approved in this manner during the year amounted to \$9,360. While we did not find any instances of inappropriate expenses, we believe it would be more appropriate for such expenses to be approved by the Board. Subsequent to the year end, this process has been introduced.
- The Company's Delegation of Authority instrument calls for all payments in excess of \$50,000 to be approved by the Board. Such payments were not being approved by the Board during the fiscal year. Subsequently, all payments over \$10,000, other than contractual obligations and payroll-related expenditures, are reviewed and approved by the audit committee who then report to the Board.
- The Company's Delegation of Authority instrument requires all bad debt write offs in excess of \$20,000 to be approved by the Board. During the year, a bad debt of \$24,937 was written off without such approval.

Except as described in the preceding paragraphs, during the course of these examinations, nothing came to our attention that would indicate to us that: (1) any officer or employee of the Company has willfully or negligently omitted to collect or receive public money belonging to the Crown; (2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and (3) an expenditure was made which was not properly vouchered or certified.

Ernst & Young
March 6, 1992

SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1991

We have made an examination to determine whether Saskatchewan Transportation Company complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended October 31, 1991.

- The Crown Corporations Act, 1978 - Part I
- The Financial Administration Act, 1988 (as amended 1989) - Part VII, Sections 41(1), 43 and 59
- Orders in Council

Appendix II

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Subsection 18(1) of the Crown Corporations Act, 1978 - Part I requires the Company to submit to the minister an annual report and related financial statements ("annual report") in accordance with The Tabling of Documents Act. The October 31, 1991 annual report was not submitted to the minister by the required date of January 29, 1992. The Company notified the Minister's office with respect to the non-compliance and provide draft financial statements until the audited financial statements could be provided.

In our opinion, except for the failure to submit an annual report in accordance with the Tabling of Documents Act as described in the preceding paragraph, Saskatchewan Transportation Company has complied, in all material respects, with the provisions of the aforementioned legislative and related authorities during the year ended October 31, 1991.

Ernst & Young
March 6, 1992

Appendix III

Audits Not Completed at February 28, 1994

The Standing Committee on Public Accounts recommended an audit of every government agency every year.

Our Annual Report includes all audits completed at February 28, 1994 for fiscal periods ended March 31, 1993 or earlier. Since 1988, we have prepared our Annual Reports without completing all audits. We consider this practice necessary to improve the timeliness of the information given to the Members of the Legislative Assembly.

Audits completed after February 28, 1994 for fiscal periods ended March 31, 1993 or earlier will be reported to the Legislative Assembly in a future Annual Report.

We have three categories of audits not completed at February 28, 1994.

Category I

We reported in separate chapters several organizations where, because of established priorities, we limited our audit work and we are not doing further audit work on those organizations for fiscal periods ended March 31, 1993.

Category II

We have not completed the audits of the following organizations at February 28, 1994, because of established priorities, and we will report our audit findings in a future Report to the Legislative Assembly.

Commercial Revolving Fund
Correspondence School Revolving Fund
Forest Renewal and Development Fund
Provincial Secretary
Resource Protection Revolving Fund
Saskatchewan Crop Insurance Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Superannuation Fund
SaskTel International Inc.
Saskatchewan Vegetable Marketing and Development Board
Saskatchewan Wetland Conservation Corporation
Women's Secretariat

Appendix III

Category III

To meet established priorities, we did not plan to do any audit work to report on the following organizations for fiscal periods ended March 31, 1993. Accordingly, we are unable to report to the Assembly on these organizations.

Agriculture Development Fund

Department of Agriculture and Food - Consolidated Fund appropriations and revenues

Department of Community Services- Consolidated Fund appropriations and revenues

Department of Highways and Transportation - Consolidated Fund appropriations and revenues

Department of Natural Resources- Consolidated Fund appropriations and revenues

Department of Rural Development- Consolidated Fund appropriations and revenues

Investment Corporation of Saskatchewan 1988, 1989, 1990, 1991, and 1992

Municipal Financing Corporation

Northern Enterprise Fund Inc.

Power Greenhouses Inc. 1991 and 1992

Saskatchewan Auto Fund

Saskatchewan Broiler Hatching Egg Producers' Marketing Board

Saskatchewan Chicken Marketing Board

Saskatchewan Commercial Egg Producers' Marketing Board

Saskatchewan Development Fund

Saskatchewan Development Fund Corporation

Saskatchewan Economic Development Corporation

Saskatchewan Government Insurance

Saskatchewan Government Insurance Superannuation Fund

Saskatchewan Lotteries Trust Fund for Sport, Recreation, and Culture

Saskatchewan Pulse Crop Development Board

Saskatchewan Transportation Company

Saskatchewan Turkey Producers' Marketing Board

SaskPen Properties Ltd.

SGI Canada Insurance Services Ltd.

Souris Basin Development Authority

SP Two Properties Ltd.

Workers Compensation Board

Workmen's Compensation Board Superannuation Fund

Appendix IV

Examples of Opinions we form on Departments, Crown Agencies and Crown-Controlled Corporations

1. Following is an example of the opinion we form on the adequacy of the control systems used by an agency to safeguard and control public money.

I have examined the system of internal control of (Crown Agency X) in effect as at (date). I did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

My examination was conducted in accordance with generally accepted auditing standards. Those standards require that I plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The Management of (Crown Agency X) is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to your responsibilities under Section 11(1) of *The Provincial Auditor Act*, you are required to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Appendix IV

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In my opinion, based upon the above criteria, the system of internal control of (Crown Agency X) in effect as at (date), taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to (Crown Agency X).

Or if the examination disclosed conditions that, individually or in combination result in one or more material weaknesses, the opinion paragraph should be modified as follows:

My examination disclosed the following conditions in the system of internal control of (Crown Agency X) as at (date) which in my opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to (Crown Agency X) may occur and not be detected with in a timely period.

The report should go on to describe all material weaknesses, state whether they resulted from the absence of control procedures or the degree of compliance with them, and describe the general nature of the potential errors or fraud that may occur as a result of the weaknesses.

City
Date

Signed

2. Following is an example of the opinion we form on an agency's compliance with the law regarding its spending, revenue-raising, borrowing and lending activities.

I have made an examination to determine whether (name of entity) complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended (date):

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

Appendix IV

In my opinion, (name of entity) has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended (date).

(The report should provide adequate explanation with respect to any reservation contained in the opinion together with, if relevant and practicable, the monetary effect.)

City

Date

Signed

3. Following is an example of the opinion we form on the financial statements prepared by management of an agency.

I have audited the balance sheet of (name of entity) as at (date) and the statements of income, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the (name of entity) management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the (name of entity) as at (date) and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

City

Date

Signed

Appendix V

Status Report on Recommendations of the Standing Committee on Public Accounts

Preamble

In March, 1993, the Standing Committee on Public Accounts (PAC) tabled its second and third reports of the twenty-second Legislature. Included with the third report was a request for a response from the Government within 120 days. A response prepared by the Department of Finance on behalf of the Government, dated October 27, 1993, was tabled with the Public Accounts Committee on January 18, 1994. In addition, the Government released a progress report in January, 1993, outlining actions taken to implement the recommendations of the second PAC report.

The following table identifies recommendations from the second and third reports together with outstanding recommendations from previous Committee reports. The "Status - January, 1994" column describes actions or announcements known to us at the end of that month.

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1975	The Committee recommended aggregate amounts paid to persons across all departments that exceed the threshold for disclosure should be shown. In 1991, the Committee agreed this was not necessary. However, that portion of the first Committee report of this Legislature was not agreed to by the present Committee. Accordingly, the 1975 Committee recommendation stands.	Partially Implemented - From 1975 to 1983 the Public Accounts reported aggregate amounts paid to persons across all departments. This practice was discontinued in 1984. In 1991-92 and 1992-93, Supplementary Volumes list payments across all departments, other than for personal services. However, payments made for personal services are reported only by department.
1987	The Committee recommended the Government prepare legislation to ensure duly audited financial statements for Crown Agencies established pursuant to <i>The Business Corporations Act</i> are tabled in the Legislative Assembly, providing that the competitive position of the Crown Corporation is not prejudiced.	Not Implemented - No legislation has been enacted that specifically deals with this recommendation. <i>The Crown Corporations Act, 1993</i> requires annual reports and financial statements to be tabled by all Crown corporations and designated subsidiary Crown corporations. Regulations made under the Act in December, 1993 do not include Crown Agencies established under <i>The Business Corporations Act</i> as designated subsidiary corporations, although the power to do so is provided for in the Act.
	First Report of PAC - 22nd Legislature	
1992	The Government should consider the implementation of an annual capital budget in addition to the current annual operating budget as part of an overall review of its budgeting and accounting procedures.	Information not available - The Estimates include a recap of the capital portion of budgetary estimates. The requested response to the 1992 PAC report was not received from the government.

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1992	The Saskatchewan Property Management Corporation (SPMC) should perform an inventory of the furnishings for which it has responsibility and identify the assets by departmental location.	Under Review - SPMC is reviewing the costs and ways of keeping an inventory of furniture. Once complete, SPMC intends to weigh the costs against the benefits which will result.
1992	If the remission of natural gas royalties is to continue to be paid to NewGrade Energy Inc. (re remissions granted to producers who supplied natural gas to NewGrade), the amount to be provided should be included in the Estimates and presented to the Legislative Assembly for their consideration.	Not Implemented - In public hearings of the Committee in February, 1993 and January, 1994, officials of the Department of Energy and Mines argued against changing the Department's practice so as to include the payments to NewGrade in its expenditure estimates. Upon the conclusion of hearings in both years, the Committee agreed to reiterate the 1992 recommendation in its third and sixth reports, respectively.
	Second Report of PAC - 22nd Legislature	
1993	Ministers should ensure employees do not provide services to others, except by secondment.	Implemented - Documentation of a secondment policy by Treasury Board and the inclusion of associated procedures in the Financial Administration Manual and the Human Resources Manual (issued by PSC) will promote the consistent application of those policies and procedures.
1993	Before any employee is seconded for a period in excess of 60 days, proper documentation of the arrangements should be made including the amount of reimbursement to be paid by the recipient organization. If less than full reimbursement is to be made reasons should be included in the documentation.	Implemented - The Treasury Board Accounting and Reporting Policy Manual was amended in June, 1993 to provide that for a secondment greater than two months in duration, the organization receiving the benefit, in terms of employee services, is responsible for paying the employee's salary. The Financial Administration Manual was amended in support of this policy to require a written letter of agreement outlining mutually agreed terms and conditions and details of compensation arrangements. The PSC Human Resources Manual is being amended to provide guidance on the form of secondment agreements.
1993	Ministerial assistants should work only for the Executive Government (and be restricted from working in a constituency or caucus office).	Implemented - The Ministerial Assistant Employment Regulations were revised in November, 1993 to prohibit the posting of assistants in constituency or caucus offices during employment terms, except during a leave of absence without pay.
1993	Contracts with Ministerial assistants should show the appropriation to be charged, as required by regulations.	Information not available - Contracts provide space for this information but it has not always been completed in the past. Completion of this information in recent contracts has been observed. We will continue to monitor.

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	Monthly time reports for Ministerial assistants should be certified by Ministers and should show attendance and the Executive Government activity undertaken to support the payroll payments.	Partially Implemented - Monthly attendance reports signed by 'supervisors' are required but the reports do not describe the Executive Government activities undertaken to support the payments. The reports note only the amount and nature of leave taken during the month.
1993	Each payment voucher for advertising goods or services should include sufficient documentation to support the payment.	Implemented - Treasury Board policy was revised in February, 1993 to require all budgeted communications (advertising) costs for the fiscal year to be approved by the Communications Policy and Planning Branch of the Provincial Secretary through established communications policy. A policy was issued by this branch in August, 1992, requiring a contract or letter of understanding between a government entity and its communications service provider (confirming the allocation from the communications supplier data base). For each specific project undertaken contact reports are to be issued by the service providers detailing what has been asked for, deadlines to follow and other pertinent information including cost estimates. Ad. agencies are advised they can progress bill to 90% without backup but the balance of the billing to 100% must be accompanied by tearsheets/proofs. Invoices are to include a copy of supplier invoices when applicable. Agency fees are to be shown separately from other charges and itemized where necessary.
1993	The Office of Executive Council should be responsible for Ministers' salaries.	Implemented - Beginning in 1992-93, salaries of Ministers related to their ministerial duties are budgeted in the Office of the Executive Council and payments will be disclosed correspondingly in the Public Accounts.
1993	Ministers should not accept goods or services without charge from Saskatchewan government organizations.	Implemented - A policy on acceptance of goods or services by Ministers was developed by Finance and Executive Council and approved by Treasury Board and Cabinet with effect from August 1, 1992. Gifts are not to be accepted in situations which may be perceived as compromising government integrity. Each gift over \$200 in value and each group of gifts and benefits exceeding \$200 in total, received from one source within a twelve month period, are to be reported to the Premier at four month intervals. A twelve month report will be gazetted in August of each year.

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	Appropriate departments, agencies and Crown corporations which are legally permitted and which appear before the Committee of Finance should provide all furniture, support services, ministerial assistants and any other goods or services required for the operation of Ministers' offices.	<p>Implemented - This recommendation coincides with the action taken as described in the Government's January, 1993 progress report. However, the report stated the matter was then being reviewed with a view to further improving accountability in this area.</p> <p>The PAC reiterated this recommendation during its October hearings on our 1992 annual report in response to a recommendation that the Government consider the merits of having the Office of the Executive Council provide and report the cost of all goods or services required for the operations of Minister' offices.</p>
1993	Ministerial salaries, travel and other expenses should be identified in the Public Accounts. Where goods and services provided to Ministers' offices do not appear in the Public Accounts documents, the expenses incurred should be disclosed in the annual report of the appropriate entity.	<p>Implemented - Beginning in 1992-93, all Ministers' salaries are paid from the Office of Executive Council and are so identified in the 1992-93 Public Accounts. Beginning with the 1991-92 Public Accounts, ministerial travel is highlighted in each department.</p>
1993	The Office of the Executive Council should record all furniture and equipment for Ministers' offices and should account for the furniture and equipment when there are ministerial changes.	<p>Implemented - In July, 1992, Executive Council initiated a system of logging and tracking the location of all equipment in Ministers' offices.</p>
1993	Organizations should have clear mandates to ensure they know which goods or services may be provided to others without charge and which goods or services that must be billed.	<p>Information not available - The January, 1993 Government progress report indicated agreement with the recommendation. Ministers were to ensure their permanent heads were aware of and adhere to existing policies and procedures. In our 1992 annual report we recommended policies established should be documented in the Treasury Board Accounting and Reporting Manual or in a comprehensive document with similar authority and that the policies should apply to all government organizations. This recommendation was adopted by the PAC in its October, 1993 hearings for inclusion in its sixth report to the Legislature.</p>
1993	Organizations should have properly authorized contracts before providing goods or services to others.	<p>Information not available - See above</p>
1993	Organizations should charge for all significant goods/services provided to others when required by their mandates.	<p>Information not available - See above</p>

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	The Government should establish consistent policies for entertainment, employee recognition, advertising and donations for all organizations and the policies should be made public.	Policies under development - The January, 1993 Government progress report indicated Finance, in conjunction with Executive Council and the Public Service Commission, is developing policies in these areas. In June, 1993 a policy was issued for inclusion in the TBARM concerning gifts which may be acquired by the protocol office for presentation to official visitors.
1993	The above policies should be made public.	Implemented - The Government has indicated agreement with the recommendation and has also indicated that, as new policies are developed, they will be made public.
1993	The <u>Legislative Secretary Expense Regulations</u> should be changed to specify conditions for assigning vehicles.	Not Implemented - No changes have been made to these regulations as yet.
1993	The appropriate departments should be responsible for Secretaries' travelling expenses.	Information not available - The Governments position was not included in the January, 1993 progress report since the recommendation was made subsequently. For the time being this matter is not applicable since no Legislative Secretaries have been appointed during this Legislature.
1993	The Public Accounts should identify all Secretaries' travelling expenses, when they are incurred.	See above.
Third Report of PAC - 22nd Legislature		
1993	The Government should study the implications and issues related to the preparation of a multi-year financial plan for the Government as a whole. The Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance should undertake discussions on this issue, and return to PAC with a joint report. During these discussions, the committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.	Under Study - In its official response to the third report the Government indicated as follows: ". . .there are many complex issues to resolve surrounding government-wide planning, managing and reporting which must be studied, in depth. The government believes this issue is worthy of study."
1993	The Government should provide to the Legislative Assembly information about the objectives of making and keeping investments in mixed corporations and the Legislative Assembly should instruct the Crown Corporations Committee to study how the above recommendation should be implemented.	Reference needed - Although the PAC report was concurred in by the Legislative Assembly, the Crown Corporations Committee had not included this item on its agenda through December, 1993 meetings. In its response to the third report the Government agreed the Crown Corporations Committee was the appropriate forum to discuss the issue.

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	The Government should work co-operatively with the Provincial Auditor by involving him in the process of choosing appointed auditors, establishing audit plans, maintaining solid communications through frequent audit updates, and ensuring that the Provincial Auditor has sufficient time to comment on the final audit report prior to its public release.	<p>Under Study - In its response to the third report, the Government said it "...recognizes the need for the Provincial Auditor to have an overall view of the commercial Crown sector. To improve his vantage, the Government appointed the Provincial Auditor as (the sole) auditor of CIC and established a framework and guidelines to improve public accountability and communication between the appointed auditor and the Provincial Auditor. The Government believes this is a very workable solution to having a positive relationship between the appointed auditor and the Provincial Auditor."</p> <p>In addition, a task force jointly sponsored by the Provincial Auditor and the Crown Investments Corporation has been formed to recommend an audit process that would work within the existing legislation and the PAC recommendation.</p>
1993	The Government should adopt the accounting principles and reporting standards established by the Public Sector Accounting and Auditing Committee (PSAAC) of the Canadian Institute of Chartered Accountants (CICA) and is encouraged to move towards the use of these principles for the preparation of financial plans and budgets.	<p>Partially Implemented - In its response to the third report, the Government indicates it uses PSAAB recommendations as a bench mark for determining its accounting policies and now follows many standards set by PSAAB, including most recently, accrual accounting. The response further stated "The Government researches and considers all implications of PSAAB recommendations. The Government believes a number of the standards require further research before they can be considered for implementation."</p>

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	<p>With regard to strengthening the ability of legislators to hold Crown corporations accountable:</p> <ul style="list-style-type: none"> • Decisions to create Crown corporations should be properly reported to and debated by the Assembly; • A (statement of) mandate for each Crown corporation should be prepared and provided to the Assembly, setting out the corporation's purpose and accountabilities; • Crown corporations should have the same public reporting requirements as do Government departments unless otherwise stated in the mandate of the corporation; and • Financial statements for each and every subsidiary within the purview of the Crown Investments Corporation of Saskatchewan should be provided to the Assembly on a timely basis. 	<p>Partially Implemented - In its response to the third report, the Government indicated the following with regard to each issue:</p> <ul style="list-style-type: none"> • The Government will disclose appropriate information when a Crown is created in accordance with recent changes to <i>The Crown Corporations Act</i>. The changes require the Government to table a report which sets out the objectives and purposes of the Crown corporation. (Edit note - this is true for CIC & Treasury Board Crown corporations only; for bodies incorporated by Crown corporations or designated subsidiary Crown corporations, a report is to be tabled outlining the name and reasons for incorporation; if not designated in regulations as a designated subsidiary corporation, no law applies.) • Treasury Board Crowns are now expected to follow reporting requirements similar to government departments. The Government discloses financial information for commercial Crowns that is similar to information provided by private sector public companies. Any changes to commercial Crown corporation reporting are appropriately discussed and determined by the Crown Corporations Committee. • The Government now tables the financial statements for the remaining share capital subsidiary responsible to CIC, CIC Industrial Interests Inc.
1993	<p>To enable legislators to better assess the relative merits of transactions or commitments before they are entered into, the Government should set out clearly specific objectives, criteria to be used to determine whether those objectives are being achieved, expected costs and a management plan for each significant transaction and commitment.</p>	<p>Not Implemented - In its response to the third report the Government said it "...believes this is generally a sound management practice and believes this information is necessary to ensure appropriate decisions. However, there are sensitivities respecting the provision and timing of the flow of this information, for example, the potential impact on competitive advantage."</p>
1993	<p>All Government corporations should table annual financial statements in the Assembly, including those where the Crown owns less than 100 per cent of the issued share capital.</p>	<p>Not Implemented - In its response to the third report the Government stated it "...provides full, appropriate disclosure of its investments through tabling financial statements of Crowns and other government organizations that hold the investments".</p>

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	The Public Accounts should include the financial statements for all Government corporations.	Not Implemented - In its response to the third report the Government indicated as follows: " The 1993 Public Accounts Compendium will include the financial statements of all government organizations responsible to Treasury Board. CIC prepares and has available a compendium of annual reports of CIC subsidiary Crown corporations. The Government believes that reproducing the financial statements in the Public Accounts Compendium provides no additional information to the Legislative Assembly. "
1993	All Government departments, agencies, and Crown corporations reporting to Treasury Board should provide a list of persons who have received money.	Being Implemented - In its response to the third report the Government said it had addressed this concern and that Treasury Board Crowns are expected to follow expanded reporting requirements.
1993	The Legislative Assembly should ask the Crown Corporations Committee to consider whether those corporations designated under Part II of <i>The Crown Corporations Act</i> should report the same kind of information as is required by departments.	Reference needed - In its response to the third report the Government said it believes the Crown Corporations Committee should participate in a decision on the type and format of information provided by Crowns to assess how well the corporations are achieving their objectives. The Government stated it does not support reporting information that may jeopardize a corporation's competitive position. No reference has been made by the Assembly to the Committee nor was the matter placed on the Committee agenda in 1993.
1993	<i>The Provincial Auditor Act</i> should be amended to require the Board of Internal Economy to approve the spending plans of the Provincial Auditor.	Not Implemented - Legislative changes have not been introduced but the Government indicated in its response to the third report that it supports legislative changes to require approval of the Provincial Auditor's budget by the Board of Internal Economy.
1993	(Crown) agencies should obtain proper authority for pay and expenses of directors.	Being Implemented - In its response to the third report the Government stated it had "...established a new policy on Board remuneration and will endeavour to ensure that proper authority is in place in accordance with the policy. In addition, recent revisions to <i>The Crown Corporations Act, 1993</i> address this issue."

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	<p>Regarding Information Systems Controls:</p> <ul style="list-style-type: none"> • The Government should establish a policy on the timing and frequency of security audits of any service bureau in order to ensure the protection of data files and programs; • Government organizations should improve their controls over the access of computer programmers to government records; and • Government organizations should have adequate written and tested contingency plans. 	<p>Being Implemented - The Government in its response to the third report said it "... agrees with the recommendation and has established a policy on the frequency of service bureau security audits. The Government also agrees with improved control over programmer access to government records and the need for contingency planning. The Government has taken steps toward improvements in this regard."</p>
1993	<p>The recommendation made in the first report is reiterated, namely, that if the remissions of natural gas royalties is to continue to be paid to NewGrade Energy Inc. (by the Department of Energy and Mines), the amount to be provided should be included in the Estimates and presented to the Legislative Assembly for consideration.</p>	<p>Not Implemented - In its response to the third report the Government indicated it provides remissions to NewGrade and continues to fully disclose the amount of the remissions in the Public Accounts. In January, 1994 Public Accounts Committee hearings the department indicated that it does not intend to change its practice so as to include the payments to NewGrade in its expenditure estimates. The Committee agreed to reiterate once again in its sixth report the recommendation made in its first and third reports.</p>
1993	<p>CIC (Crown Investments Corporation) should prepare financial statements that show how it managed the assets entrusted to it by the Assembly.</p>	<p>Implemented - In its response to the third report the Government stated it "...has resolved this issue through tabling financial statements of CIC (non-consolidated) and CIC Industrial Interests Inc., not previously tabled. The Government holds many of its investments through these corporations and now provides information to show how it manages its investments."</p>
1993	<p>The Consolidated Fund (General Revenue Fund) should pay the expenses of the Community Bond Program.</p>	<p>Implemented - In its response to the third report the Government said it "...has resolved this issue through the elimination of the Saskatchewan Development Corporation in 1992. The Community Bond Program is now the responsibility of the Department of Economic Development and all program expenses are paid through the General Revenue Fund."</p>
1993	<p>CIC should obtain proper authority for share purchases, advances, loans, assistance and loan guarantees before undertaking such transactions.</p>	<p>Being Implemented - In its response to the third report the Government said it "...recognizes that this issue is a matter of differing legal opinions. However the Government will continue to ensure that proper authority is in place prior to entering into transactions of this nature. In addition, recent amendments to <i>The Crown Corporations Act, 1993</i> address this issue."</p>

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	Special warrants presented to the Lieutenant Governor should comply with <i>The Financial Administration Act</i> .	Information not Available - The Government's response to the third report did not deal with this matter.
1993	The Provincial Auditor and the provincial government should enter into discussions with the federal government, the Auditor General of Canada, and the appropriate organizations representing aboriginal people, concerning the question of accountability for the Saskatchewan Indian Regional College and similar institutions.	Being Resolved - The Public Accounts Committee considered this matter during January, 1994 hearings concerning the 1992 Provincial Auditor's report. The Committee was informed that the Department has formed a committee jointly with the College to examine its legislative status and relationship within the college system. The Department expects the issue to be solved within the next year through this process.
1993	The Government should attempt to resolve the issue of the amount the Minister of Finance must pay to the Teachers' Superannuation Fund.	Being Resolved; Legislation to come - In its response to the third report the Government stated that "During the last round of contract negotiations, an agreement was reached which addresses this issue. Amendments to <i>The Teachers' Superannuation Act</i> to incorporate the resolution are planned for the near future."
1993	The Government should review the matter of its relationship with ICS (Investment Corporation of Saskatchewan) and the obligations of the Provincial Auditor in this regard.	Further Review Needed - In its response to the third report the Government stated "At present, the Provincial Auditor does not directly audit the Investment Corporation of Saskatchewan (ICS). The Provincial Auditor, however, audits all of the shareholder pension plans whose investments are managed by ICS."
1993	The Boards of Governors, Lakeside Home and the La Ronge Hospital Board, should table their annual reports in the Legislative Assembly as required by <i>The Tabling of Documents Act</i> .	Not Consistently Implemented - Annual reports for these two boards were tabled on time for the 1991 fiscal year but not for the 1992 fiscal year. The Government response to the third report did not deal with this matter.
1993	When the department (of Health) is involved in the transfer of hospital operations to provincial control, proper arrangements should be in place to permit accurate asset determinations for the purpose of financial statement preparation.	Information not Available - The Government response to the third report did not deal with this matter.
1993	The Souris Valley Regional Care Centre should include audited financial statements in its annual report.	Not Consistently Implemented - The annual report for the Centre was tabled on time for the 1991 fiscal year but not for the 1992 fiscal year. The Government response to the third report did not deal with this matter.

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	<p>With regard to STC (Saskatchewan Transportation Company):</p> <ul style="list-style-type: none"> • appointed auditors should give required reports to the Provincial Auditor on a timely basis; • the Board of Directors of STC should control management; • STC should work with CIC: a) to improve efficiencies within STC, b) to identify uneconomical routes and quantify the cost of those routes so decisions can be made on their continuation, and c) to ensure any decisions made are reported to the Crown Corporations Committee for review; • STC should prepare written policies and procedures to govern the following activities: <ul style="list-style-type: none"> • pay and personnel policies for out of scope employees; • management and employee expenses; • tendering; • management of capital construction; • expenditure approvals; • segregation of employee duties; • follow up in collection of accounts receivable; • systems development. 	<p>Information not available - The Government response to the third report did not deal with this matter. Management has informed us most of these recommendations have been addressed.</p>

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	<p>With regard to the Agricultural and Food Products Development and Marketing Council:</p> <ul style="list-style-type: none"> • the Government should review the matter of the Agricultural and Food Products Development and Marketing Council and the financial statements of marketing boards under its control being included in the annual report; • the Council should monitor the activities of the marketing boards it controls to ensure they comply with authorities and have adequate rules and procedures to safeguard and control their assets. 	<p>The Government response to the third report did not deal with these matters.</p> <p>Review not completed - During PAC public hearings in January, 1994, the Committee noted the Department is in basic agreement but that there may be some logistical problems because of different fiscal years; review continues in the broader context of the accountability discussions involving the Council.</p> <p>Partially implemented - During PAC hearings in January, 1994, the Committee noted that the Council has taken some steps to implement this (1991 & 1992) recommendation and will continue to do so.</p>
1993	<p>With regard to the Saskatchewan Sheep Development Board (SSDB):</p> <ul style="list-style-type: none"> • SSDB should document its policies and procedures to safeguard and control its assets and comply with the law; • SSDB should comply with the law and have an annual general meeting of producers; • SSDB should keep minutes of its annual meetings; • SSDB should establish proper systems to verify registration of breeding ewes and payment of required service fees as required by law or (seek to) change the law; • SSDB should assess penalties to producers who are late in paying service fees and charges as required by law or (seek to) change the law; • SSDB should buy insurance for the sheep and lamb it markets as required by law or (seek to) change the law; • SSDB should include its audited financial statements in its annual report. 	<p>Partially Implemented - Minutes are now kept for regional meetings and the board has begun to document its policies and procedures. The other recommendations have not been implemented but the PAC in its January, 1994 hearings were satisfied that the matters (reported again in the 1992 report) were satisfactorily resolved or were in the process of being resolved. The Government response to the third report did not deal with these matters.</p>
1993	<p>The Saskatchewan Vegetable Marketing Board should establish a system to ensure all eligible producers are registered as required by law or (seek to) change the law.</p>	<p>Implemented - The Board has established an adequate system.</p>

Appendix V

DATE	RECOMMENDATION	STATUS - JANUARY, 1994
1993	Appointed auditors for Agricultural Corporation of Saskatchewan (ACS) should submit required reports and information to the Provincial Auditor on a timely basis. (PAC noted that this now appears to be taking place).	Implemented - Reports are now received in a timely fashion.
1993	ACS should prepare a written contingency plan (in the event of a major loss or destruction of computerized records) and test the plan.	Not implemented - The Government response to the third report did not deal with this matter. In hearings before the PAC in January, 1994, corporation officials indicated their intentions to complete this work before the March 31, 1994 year end. The Committee was satisfied this issue was in the process of being resolved.
1993	The department (of Agriculture) should charge farmers lease rates for Crown lands as required by law.	Partially Implemented - Charges for 1991-92 were properly assessed. Retroactive adjustments were not made to correct 1990-91 lease rates charged.
1993	The department (of Agriculture) should obtain proper authority for all its borrowing in the future. (PAC noted, however, the Saskatchewan Hog Assured Returns Program (SHARP) was discontinued March 31, 1991).	Information not Available - The Government response to the third report did not deal with this matter.
1993	The department (of Agriculture) should table the annual report for The Saskatchewan Agricultural Returns Stabilization Fund in the Legislative Assembly as required by <i>The Tabling of Documents Act</i> . (PAC noted the department reported the 1990-91 annual report was tabled on time).	Not Consistently Implemented - Although the 1990-91 report was tabled on time, the 1991-92 report was not tabled on time.
1993	In future, the department (of Agriculture) should obtain the proper authority for any and all payments it makes.	Information not Available - The Government response to the third report did not deal with this matter.
1993	The department (of Agriculture) should establish procedures to ensure that in future the department pays interest from trust funds to beneficiaries on a timely basis.	Information not Available - The Government response to the third report did not deal with this matter.
1993	The Minister responsible should comply with <i>The Interprovincial Lotteries Act</i> when directing Sask Sport Inc. to make payments (from) the lotteries trust fund created under the Act.	Implemented - Based on testimony heard by the Public Accounts Committee at January, 1994 public hearings, the Committee agreed this issue (and other related issues as expressed in our 1992 Report) was resolved satisfactorily. The Government response to the third report did not deal with this matter.
1993	The Government should appoint the directors of new corporations before commencement of operation.	Information not Available - The Government response to the third report did not deal with this matter.

Appendix VI

The Government's 1992-93 Summary Financial Statements

Appendix VI

Responsibility for Summary Financial Statements

These statements provide a comprehensive view of the financial situation of the Government. They report the financial activities of organizations which are accountable to the Government and are owned or controlled by the Government.

The Government is responsible for the integrity and objectivity of the Summary Financial Statements. To ensure accurate and reliable financial statements are prepared, the Government maintains a system of internal accounting and administrative controls, in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained.

The Provincial Auditor of Saskatchewan provides an independent opinion on the Summary Financial Statements. The Auditor's report states the extent of his audit examination and his opinion on the Summary Financial Statements.

The Summary Financial Statements are tabled in the Legislature as part of the Public Accounts. The financial statements are referred to the Standing Committee on Public Accounts, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of The Province of Saskatchewan.

October, 1993

Janice MacKinnon,
Minister of Finance

John Wright,
Deputy Minister of Finance

Gerry Kraus,
Provincial Comptroller

Appendix VI

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of financial position of the Government of the Province of Saskatchewan as at March 31, 1993 and the statements of operations and accumulated deficit and changes in financial position for the year then ended. These summary financial statements are the responsibility of Treasury Board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. My assessment and evaluation was based on the recommendations of The Canadian Institute of Chartered Accountants.

Reservations

- a) The Government is responsible for the liabilities of several pension plans. Pension liabilities of \$3,007 million (1992 — \$2,905 million) and pension related expenses of \$82 million (1992 — \$182 million) are not recorded in these financial statements. In my view, those pension liabilities and pension related expenses should be recorded to present the financial position and results of operations of the Government.
- b) Schedule 4 to the financial statements describes the Government's investment in NewGrade Energy Inc. (NewGrade). NewGrade's accumulated losses exceed the Government's investment. As a result, the Government reduced the recorded value of its investment to nil. Because the Government has guaranteed indebtedness of NewGrade, the Government should continue to record its share of NewGrade's losses in these financial statements. The Government's \$25 million share of NewGrade's losses in excess of its investment in NewGrade is not recorded in these financial statements. In my view, because the Government is likely to share in NewGrade's losses, expenses are understated and long term investments are overstated by \$25 million in these financial statements.

In summary, if pension liabilities and losses on the NewGrade investment were recorded, the financial statements would change as follows:

- pension liabilities of \$3,007 million (1992 — \$2,905 million) would be recorded;
- loss for the year would increase by \$107 million (1992 — \$182 million); and
- accumulated deficit would increase by \$3,032 million (1992 — \$2,905 million).

Opinion

In my opinion, except for the effects of the failure to record pension liabilities and losses on an investment as described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Government of the Province of Saskatchewan as at March 31, 1993 and the results of its operations and the changes in its financial position for the year then ended following accounting principles for governments recommended by The Canadian Institute of Chartered Accountants.

Regina, Saskatchewan
October 18, 1993

W. K. Strelloff, C.A.,
Provincial Auditor

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Statement of Financial Position

As At March 31, 1993

(In thousands of dollars)

Assets	1993	1992 (Restated)
Schedule		
Cash and temporary investments	\$ 365,850	\$ 550,832
Prepaid expenses	21,008	15,817
1 Accounts receivable	324,289	356,907
Inventories held for resale	8,398	7,462
Deferred charges	53,594	54,904
2 Loans receivable	701,483	782,940
3 Investment in government enterprises	1,633,813	1,305,056
4 Long-term investments	1,404,473	1,369,114
Land held for resale	137,583	148,252
	\$ 4,650,491	\$ 4,591,284

Liabilities and Accumulated Deficit

5 Accounts payable and accrued liabilities	\$ 1,203,942	\$ 946,748
Deferred revenue	70,192	61,684
6&7 Public debt	9,933,346	9,380,994
8 Other liabilities	610,952	678,781
	11,818,432	11,068,207
Unrealized foreign exchange gain	38,397	70,993
Accumulated deficit	(7,206,338)	(6,547,916)
	\$ 4,650,491	\$ 4,591,284

Pension liabilities (note 6)

9 Guaranteed debt, contingencies and commitments (notes 7 and 8)

(See accompanying notes)

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Statement of Operations and Accumulated Deficit

For the Year Ended March 31, 1993

(In thousands of dollars)

	1993	1992 (Restated)
Revenue		
Schedule		
10 Taxation	\$ 2,304,253	\$ 2,163,405
10 Contributions from the federal government	1,139,493	1,302,317
10 Natural resources	392,904	322,047
10 Other revenue	629,874	698,114
	4,466,524	4,485,883
Expenses		
Agriculture	480,738	400,481
Debt charges	1,089,848	948,649
Education	926,764	870,528
Health	1,614,237	1,641,345
Natural resources and economic development	79,262	187,111
Protection of persons and property	210,898	194,630
Recreation and culture	130,025	137,483
Regional planning and development	208,565	239,297
Social services	416,919	400,435
Transportation	171,502	208,574
Other	289,609	287,308
	5,618,367	5,515,841
Loss from government service organizations	(1,151,843)	(1,029,958)
Non-recurring items	-	(619,578)
3 Income from government enterprises	493,421	116,925
Loss for the year	(658,422)	(1,532,611)
Accumulated deficit, beginning of year, as restated (note 2)	(6,547,916)	(5,015,305)
Accumulated deficit, end of year	\$ (7,206,338)	\$ (6,547,916)

(See accompanying notes)

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Statement of Changes in Financial Position

For the Year Ended March 31, 1993

	(In thousands of dollars)	
	1993	1992 (Restated)
Operating Activities		
Loss for the year	\$ (658,422)	\$ (1,532,611)
Add (deduct) non-cash items:		
Income from government enterprises	(493,421)	(116,925)
Non-recurring items	-	619,578
Amortization of foreign exchange gain	(11,719)	(12,365)
Other	(1,362)	(28,775)
Net changes in non-cash working capital	292,753	99,728
Other operating activities:		
Decrease (increase) in loans receivable	81,457	(249,831)
Decrease (increase) in deferred charges	1,310	(21,318)
Cash required for operating activities	(789,404)	(1,242,519)
Investing Activities		
Disposal of land held for resale	10,669	6,670
Acquisition of long-term investments	(420,243)	(308,955)
Disposition of long-term investments	385,686	259,357
(Increase) decrease in equity advances to enterprises	(97,500)	(5,000)
Cash used in investing activities	(121,388)	(47,928)
Cash before financing activities	(910,792)	(1,290,447)
Financing Activities		
Redemption of public debt	(1,521,734)	(1,241,857)
Proceeds from issuance of public debt	2,053,209	2,152,274
Dividends from government enterprises	262,164	65,000
(Decrease) increase in other liabilities	(67,829)	253,038
Cash provided by financing activities	725,810	1,228,455
Net (decrease) in cash and temporary investments	(184,982)	(61,992)
Cash and temporary investments, beginning of year	550,832	612,824
Cash and temporary investments, end of year	\$ 365,850	\$ 550,832

(See accompanying notes)

Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

For the Year Ended March 31, 1993

1. Significant Accounting Policies

These summary financial statements are prepared using accounting principles appropriate for government and reflect the following significant accounting policies:

a) Reporting entity

These financial statements report the financial activities of organizations which are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature and which are owned or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital.

Trusts administered by the Government and universities are excluded from the reporting entity.

A listing of organizations included in the reporting entity is provided in schedule 11.

b) Method of consolidation

The accounts of all government organizations, except those designated as government enterprises, are consolidated after adjusting them to a basis consistent with the accounting policies described below. These organizations are referred to as government service organizations. Significant inter-organization accounts and transactions are eliminated.

Government enterprises are defined as organizations that have the financial and operating authority to carry on a business. This includes contracting in their own name, and selling goods and services to individuals and non-government organizations as their principal activity and source of revenue. Government enterprises also include certain insurance plans whose assets are to be used for a specific purpose.

Government enterprises are recorded using the modified equity method. The Government's investment at cost is adjusted annually to include the net earnings/losses and other net equity changes of the enterprise without adjusting them to conform with the accounting policies described below. Inter-organization accounts and transactions are not eliminated.

Financial results of government organizations whose fiscal year-ends are not March 31 are not adjusted unless the effect of such an adjustment would be significant to the consolidated operating results.

c) Basis of accounting

The accrual basis of accounting is used with the following exceptions.

Revenues are recorded on the accrual basis except where the amounts cannot be determined with a reasonable degree of certainty or where their estimation is impractical. The exceptions relate to payments from the federal government for corporate and personal income taxes, which are recorded on the cash basis.

d) Reported assets

Reported assets are those assets on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations.

Temporary investments are recorded at the lower of cost and market.

Inventories held for resale are recorded at the lower of cost and net realizable value. Inventories of supplies are expensed.

Loans receivable are recorded at the lower of cost and estimated net realizable value.

Long-term investments in bonds and debentures are recorded at amortized cost. Long-term investments in shares of public and private companies are recorded at cost and dividends from these shares are recorded as income when receivable. Long-term investments in shares where the Government exercises significant influence but has less than controlling interest, are accounted for by the equity method. Long-term investments are written down where there is evidence of a permanent decline in their value.

Land held for resale is valued at the lower of cost or net realizable value, on an aggregate basis.

The Government has a significant investment in acquired physical assets. Acquired physical assets include assets on hand and available for use by the Government in the near future such as inventories of supplies and equipment, and assets for use over a longer period such as buildings and land. For government service organizations, acquired physical assets are expensed in the period acquired. Physical assets acquired in the current year cost \$103.5 million (1992 — \$225.4 million). The financial statements of the Saskatchewan Property Management Corporation and the Saskatchewan Housing Corporation disclose information that describes a substantial portion of the acquired physical assets on hand and available for use by government service organizations. The financial statements of government enterprises disclose information that describes their acquired physical assets (see schedule 3).

The Government has a significant investment in infrastructure made available to the public. Infrastructure includes assets such as highways, bridges and dams. Infrastructure that cannot generate revenue to recover its cost or that is not intended to generate revenue is expensed in the period acquired.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

e) Reported liabilities

Reported liabilities include financial obligations to outside organizations and individuals as a result of transactions and events occurring during the year. They are the result of contracts, agreements and legislative provisions which require the Government to repay borrowings or to pay for goods and services acquired or provided during the year.

Public debt consists of promissory notes, treasury bills, debentures and annuities of government service organizations. These obligations are recorded at principal less sinking fund balances where applicable. The amount of public debt recorded is net of amounts reimbursable from government enterprises.

Public debt is recorded at par. Premiums and discounts are recorded as deferred charges and amortized on a straight-line basis over the remaining life of the debt issue. Where borrowing is used to finance loans to government enterprises, all expenses are charged directly to government enterprises.

Certain debenture issues require payments into a sinking fund. Sinking fund payments are invested in securities issued or guaranteed by provincial governments, municipal governments, or the Government of Canada until they are required to retire debt.

All debentures due in foreign currency have been converted to the Canadian dollar equivalent at the exchange rate in effect at March 31. Realized foreign exchange gains and losses are recorded in the statement of operations. Unrealized foreign exchange gains and losses are amortized on a straight line basis over the remaining life of the debt issue.

2. Adjustment of Prior Years

a) Consolidated Fund

During the year, the Government completed an accrual accounting review. As a result of the review, it was found that certain accruals were not recorded in prior years' Summary Financial Statements. The Government has retroactively restated the financial statements to record amounts not previously accrued.

b) Government enterprises

During the year, the Government redefined the Government reporting entity to include the financial results of certain funds. The Government has retroactively restated prior years' financial statements to include the financial results of the Public Employees Dental Fund, Public Employees Disability Income Fund and Public Employees Group Life Insurance Fund as government enterprises. In prior years these funds were recorded as trusts.

In addition, the Government has retroactively restated prior years' financial statements for accounting policy changes and other prior year restatements recorded during the year by certain government enterprises.

The net effect of these restatements is as follows:

	(In thousands of dollars)			
	Increase (decrease)			
	March 31, 1992			
	Accumulated deficit March 31, 1991	Loss for the year	Investment in government enterprises	Liabilities*
Consolidated Fund accruals	\$ 421,429	\$ (34,452)	\$ -	\$ 386,977
Government enterprises:				
Employee insurance plans	(4,613)	6,367	(1,754)	-
Other	(6,129)	(2,683)	8,812	-
Net change	\$ 410,687	\$ (30,768)	\$ 7,058	\$ 386,977
As previously reported	4,604,618	1,563,379	1,297,998	1,300,236
As restated	\$ 5,015,305	\$ 1,532,611	\$ 1,305,056	\$ 1,687,213

* Liabilities include accounts payable and accrued liabilities, deferred revenue and other liabilities.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

3. Expenses by Object

Expenses on the statement of operations are reported by object as follows:

	(In thousands of dollars)	
	1993	1992 (Restated)
Grants and contributions	\$ 2,555,620	\$ 2,645,433
Debt charges	1,089,847	948,649
Salaries and benefits	1,058,285	1,030,438
Operating costs	629,503	465,365
Asset acquisitions	103,461	225,443
Other	181,651	200,513
Total expenses	\$ 5,618,367	\$ 5,515,841

4. Trust Funds

Amounts held and administered by the Government at March 31, 1993 totalled \$3,651 million (\$3,578 million — March 31, 1992). See schedule 12.

5. Comparison of Planned and Actual Results

A comparison of budgeted and actual net loss (income) is as follows:

	(In thousands of dollars)		
	1993		1992
	Budget	Actual	Actual
Consolidated Fund			
Deficit for the year	<u>\$517,300</u>	\$592,103	\$ 842,409
Write-off and provision for loss		-	848,591
Adjustments to an accrual basis of accounting (See note 1(c))		365,743	51,640
Government enterprises (Income) for the year		(493,421)	(116,925)
Other government service organizations (Income) for the year		(68,167)	(158,104)
Dividends received by the Consolidated Fund		115,000	65,000
Dividends received by the Crown Investments Corporation		147,164	-
Loss for the year		\$658,422	\$1,532,611

The budgeted and actual figures are before elimination of inter-entity transactions.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

6. Unfunded Pension Liability

Substantially all employees of government service organizations and government enterprises included in these financial statements are participants in either defined benefit or defined contribution pension plans.

The Government is the sponsor of several defined benefit pension plans. These plans along with the Public Employees (Government Contributory) Annuity Fund, an annuity underwriting operation, are included in the table below.

Actuarial valuations are generally performed at least triennially using the accrued benefit actuarial cost method with salary projection. The actuarial valuation was based on a number of assumptions about future events such as inflation rates, interest rates, wage and salary increases, employee turnover and mortality. The assumptions used reflect the Government's

best estimates of expected long-term rates and short-term forecasts.

The unfunded pension liability is not recorded in the financial statements.

Fully funded defined benefit pension plans of government enterprises do not appear in the table. Based on the latest actuarial valuations to December 31, 1992, the present value of the accrued pension benefits of the defined benefit pension plans for government enterprises is \$928 million (1991 — \$868 million). The market value of the pension funds' assets as at December 31, 1992 is \$926 million (1991 — \$872 million).

The Government is also the sponsor of several defined contribution pension plans. The Government has fully funded its share of contributions to these plans.

(In thousands of dollars)

Plan name	Actuarial valuation Valuation date	Unfunded liability	Projected unfunded liability*	
			March 31, 1993	March 31, 1992
Public Service Superannuation Plan	March 31, 1992	\$ 892,978	\$ 905,699	\$ 834,683
Teachers' Superannuation Plan	June 30, 1992	1,877,892	1,938,236	2,036,724
Members of the Legislative Assembly Superannuation Plan	March 31, 1991	19,657	20,078	19,852
Judges of the Provincial Court Superannuation Plan	March 31, 1991	10,517	12,894	11,758
Anti-TB League Employees Superannuation Plan	March 31, 1991	2,127	2,535	2,333
Saskatchewan Transportation Company Employees Superannuation Plan	March 31, 1991	1,695	2,217	2,039
Public Employees (Government Contributory) Annuity Fund	March 31, 1993	2,108	2,108	1,752
Total pension liability		\$ 2,806,974	\$ 2,883,767	\$ 2,909,141

* Projections to March 31, 1993 were calculated by an actuary in March, 1993.

7. Contingencies

a) Guaranteed debt

At March 31, 1993, \$1,221 million (\$1,537 million — March 31, 1992) in loans to other parties were guaranteed by the Government. Amounts payable on guarantees are treated as expenses. No payments were pending at year end. Schedule 9 provides a listing of guaranteed debt.

b) Lawsuits

There are a number of outstanding lawsuits against the Government. Up to \$20 million may be paid and up to 50,000 acres of land claimed in the future, depending on the outcome of lawsuits in progress.

c) Indian and Northern Affairs Canada

The Government pays for certain social services provided to status Indians and submits claims to the federal government for the cost of these services. The Government believes these costs are the responsibility of the federal government and believes they are fully reimbursable. However, the federal government denies responsibility for a portion of these costs.

The Government is unable to determine whether or not the outstanding amounts will be reimbursed. The Government will account for any recovery resulting from the resolution of this contingency at the time of settlement. No provision for such a recovery has been made in these financial statements.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

8. Commitments

Major financial commitments include:

a) Government service organizations

- capital expenditure commitments valued at approximately \$64.6 million;
- treaty land entitlement agreement commitments valued at approximately \$246.6 million;
- outstanding projects and other commitments valued at approximately \$61.1 million;
- capital leases whereby substantially all of the benefits and risks of ownership have been transferred to the Government from the lessor. Commitment information related to these leases is as follows:

(In thousands of dollars)	
<u>Future minimum lease payments</u>	
1993-94	\$ 15,890
1994-95	15,185
1995-96	14,759
1996-97	14,782
1997-98 and thereafter	165,534
<u>Total future minimum lease payments</u>	<u>226,150</u>
<u>Less interest and executory costs</u>	<u>(152,346)</u>
<u>Capital lease obligations</u>	<u>\$ 73,804</u>

- other operating leases with future minimum lease payments as follows:

(In thousands of dollars)	
<u>Operating lease commitments</u>	
1993-94	\$ 28,291
1994-95	24,741
1995-96	21,262
1996-97	18,497
Thereafter	79,221
<u>Operating lease commitments</u>	<u>\$ 172,012</u>

b) Government enterprises

- forward purchase commitments of \$1,681 million for coal and \$1,154 million for natural gas contracted for future minimum deliveries valued at current prices;
- other commitments including capital expenditure commitments valued at approximately \$485.8 million;
- capital leases whereby substantially all of the benefits and risks of ownership have been transferred to the Government from the lessor. Commitment information related to these leases is as follows:

(In thousands of dollars)	
<u>Future minimum lease payments</u>	
1993-94	\$ 10,212
1994-95	6,231
1995-96	1,285
1996-97	260
1997-98 and thereafter	39
<u>Total future minimum lease payments</u>	<u>18,027</u>
<u>Less interest and executory costs</u>	<u>(2,177)</u>
<u>Balance of obligation</u>	<u>15,850</u>
<u>Less current portion</u>	<u>(7,580)</u>
<u>Capital lease obligations</u>	<u>\$ 8,270</u>

- other operating leases with future minimum lease payments as follows:

(In thousands of dollars)	
<u>Operating lease commitments</u>	
1993-94	\$ 33,719
1994-95	29,879
1995-96	17,376
1996-97	7,315
1997-98	7,214
Thereafter	5,772
<u>Operating lease commitments</u>	<u>\$ 101,275</u>

9. Subsequent Events

- Subsequent to March 31, 1993, the Government and Consumer's Co-operative Refineries Ltd. (CCRL) agreed to a Statement of Settlement Principles for the financial restructuring of NewGrade Energy Inc. Under the Statement, the Government would contribute \$75 million (\$50 million in 1993 and the remaining \$25 million over the following three years) and CCRL would contribute \$75 million (\$50 million in 1993 through an asset purchase and the remaining \$25 million over the following three years). While the Government's loan guarantee for NewGrade Energy Inc. would be reduced as a result of this financial restructuring, the amount of the reduction depends on future negotiations with the federal government.
- Subsequent to March 31, 1993, the Government obtained a release from two guarantees provided to Royal Trust on certain equipment leased by Potash Corporation of Saskatchewan (PCS Inc.) with the purchase of the equipment by PCS Inc. The Government remains contingently liable for indemnity related to damages caused by the equipment and provisions governing the payment of taxes for the period during which its guarantees to Royal Trust were in place. The Government's guarantee to London Life on the lease jointly held by Royal Trust and London Life remains in place (\$4.802 million at March 31, 1993).

10. Comparative Figures

Certain of 1992 figures have been reclassified to conform with the current year's presentation.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Accounts Receivable

Schedule 1

As at March 31, 1993

	(In thousands of dollars)	
	1993	1992 (Restated)
Taxes receivable	\$ 149,427	\$ 87,514
Receivable from the federal government	70,651	42,149
Trade accounts receivable	66,461	89,738
Accrued interest receivable	18,977	43,867
Farm loans and leases receivable	15,489	28,462
Dividends receivable	3,284	65,177
	\$ 324,289	\$ 356,907

Government of the Province of Saskatchewan Summary Financial Statements Loans Receivable

Schedule 2

As at March 31, 1993

	(In thousands of dollars)	
	1993	1992 (Restated)
Agricultural loans		
Production loan programs	\$ 307,191	\$ 392,773
Capital loan program	275,381	233,513
Livestock cash advance programs	104,840	141,804
Counselling and Assistance for Farmers	69,810	72,000
Saskatchewan spring seeding	15,577	28,698
Investment loan program	9,981	5,655
Other	59	115
	782,839	874,558
Allowance for loan losses	(219,785)	(205,727)
	563,054	668,831
Student loans		
Student loans	105,874	83,836
Allowance for loan losses	(32,101)	(22,300)
	73,773	61,536
Housing mortgages and loans		
Housing mortgages and loans	24,604	25,374
Other	40,052	27,199
	\$ 701,483	\$ 782,940

Government of the Province of Saskatchewan Summary Financial Statements Loans Receivable

Schedule 2 — (continued)

As at March 31, 1993

Production loan programs

Production loans bear interest at 6 per cent repayable in equal principal instalments over a term of three years. Amounts in arrears are at a prime plus 2 per cent. Amendments to the program allow the borrowers to reschedule their outstanding loans at interest of 9³/₄ per cent to mature in 1997. Promissory notes and, where applicable, shareholder guarantees and general security agreements are held as security for the loans. The programs operate under *The Agricultural Credit Corporation of Saskatchewan Act*.

Capital loan program

Loans are repayable, with interest, over terms not exceeding twenty-five years. The loans bear interest at rates between 6 per cent and 14 per cent. Security on individual loans varies and may include mortgages on real property, security agreements and guarantees. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

Livestock cash advance programs

The program provides livestock producers with interest free loans on 70 per cent of their livestock inventory. The loans are for twelve months or less if the number of livestock is reduced, and may be extended for one year periods based upon herd inventory. Commencing August 1, 1992 new loans and loans renewed on the program bear interest at prime plus 2 per cent. Loans approved prior to August 1, 1992 were interest free for twelve months. Arrears resulting from inventory shortages bear interest at 11³/₄ per cent or prime plus 2 per cent. The programs operate under *The Agricultural Credit Corporation of Saskatchewan Act*.

Counselling and Assistance for Farmers Program

The Government pays out guarantees on loans granted by financial institutions under the program. New guarantees are not being issued under this program. The existing guarantees may be renewed until March 31, 1995 at which time the program will be terminated.

The majority of the loans under the program are in default, have judgements obtained on them and bear interest at 5 per cent. The guarantees are for 100 per cent of the outstanding principal balance to a maximum limit of the lending financial institution's yearly pre-established pool of funds, as defined in the regulations of *The Farm Financial Stability Act*.

Saskatchewan spring seeding loans

The Government paid out guarantees on 1990 crop year spring seeding loans granted by financial institutions. The loans assumed by the Government bear interest at prime plus 2 per cent. The loans are assumed pursuant to *The Agricultural Credit Corporation of Saskatchewan Act*.

Investment loan program

Investment loans bear interest at rates between 9³/₄ per cent and 11¹/₂ per cent and are repayable over terms not exceeding twenty-five years. Security on the loans varies and may include mortgages on real property, security agreements and guarantees. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

Student loans

The program operates under the authority of *The Student Assistance and Student Aid Fund Act, 1985*. Loans are interest free for a six-month period of discontinuance of studies or graduation. Interest rates are prescribed by the Minister of Education.

Interest write-down grants are provided to borrowers who receive loans for studies commencing between May 1, 1986 and July 31, 1989. Interest write-down grants are also provided on loans under the Canada Student Loan Program. Special Incentive Loan remission and/or loan forgiveness is granted to all students who meet specific criteria.

Housing mortgages and loans

Housing mortgages and loans are provided pursuant to provisions of Section 15 of *The Saskatchewan Housing Corporation Act*. The loans and mortgages are repayable, at various interest rates, over terms not exceeding thirty-five years. Security on the loans and mortgages may include promissory notes or charges against residential property.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Investment in Government Enterprises

As at March 31, 1993

	SaskEnergy Incorporated Dec. 31, 1992	Saskatchewan Power Corporation Dec. 31, 1992	Saskatchewan Water Corporation Dec. 31, 1992	Saskatchewan Telecom- munications Dec. 31, 1992	Saskatchewan Government Insurance Dec. 31, 1992	Saskatchewan Economic Development Corporation Dec. 31, 1992	Saskatchewan Auto Fund** Dec. 31, 1992
Assets							
Cash and temporary investments	\$ 9,107	55,030	32,169	30,795	46,934	-	77,349
Accounts receivable	66,092	102,998	6,161	75,998	22,451	29,124	20,409
Inventories	-	12,143	-	6,915	-	-	-
Prepaid expenses	3,481	53,439	199	13,352	15,478	63	1,716
Other long-term investments	-	33,152	916	30,600	152,627	178,057	336,050
Property, plant and equipment	714,869	2,829,137	24,361	964,145	14,998	1,542	25,252
Other assets	71,101	150,948	353	23,585	-	983	15,102
Total assets	864,650	3,236,847	64,159	1,145,390	252,488	209,769	475,878
Liabilities							
Bank indebtedness	1,435	-	-	509	3,912	257	-
Accounts payable	62,244	146,883	5,226	81,829	99,540	10,549	343,567
Dividends payable	28,375	58,697	-	51,700	8,392	-	-
Notes payable	-	-	-	-	-	30,598	-
Deferred revenue current	-	-	27,989	10,490	63,256	-	128,651
Long-term debt current portion	5,352	120,167	-	13,669	-	65,000	-
Deferred revenue long-term	34,635	286,575	8,694	2,898	-	-	-
Long-term debt	602,077	1,761,659	606	616,182	-	195,566	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	734,118	2,373,981	42,515	777,277	175,100	301,970	472,218
Net assets (liabilities)	\$ 130,532	862,866	21,644	368,113	77,388	(92,201)	3,660
Revenue							
Revenue from operations	\$ 334,126	732,002	16,055	629,025	130,363	16,351	307,881
Transfer from government service organizations	-	-	5,140	-	-	-	-
Total revenue	334,126	732,002	21,195	629,025	130,363	16,351	307,881
Expenses							
Expenses from operations	279,364	594,243	21,672	570,666	110,130	63,175	331,722
Provincial taxes	3,163	31,037	262	6,177	4,975	470	10,746
Total expenses	282,527	625,280	21,934	576,843	115,105	63,645	342,468
Income (loss) before non-recurring items	51,599	106,722	(739)	52,182	15,258	(47,294)	(34,587)
Non-recurring items	-	-	-	27,734	-	-	-
Net income (loss) for the year	51,599	106,722	(739)	79,916	15,258	(47,294)	(34,587)
Net assets (deficiency) - beginning, as previously reported	27,830	154,848	10,606	89,897	15,522	(117,907)	38,247
Restatement of prior years	7,947	-	11,077	-	-	-	-
Net assets (deficiency) - beginning, as restated	35,777	154,848	21,683	89,897	15,522	(117,907)	38,247
Dividends to government service organizations	87,376	261,570	20,944	169,813	30,780	(165,201)	3,660
Equity advances/ share capital	(28,375)	(58,697)	-	(51,700)	(8,392)	-	-
	71,531	659,993	700	250,000	55,000	73,000	-
Net assets (deficiency) - end of year	\$ 130,532	862,866	21,644	368,113	77,388	(92,201)	3,660
Inter-entily assets	\$ 14,303	1,730	2,761	3,722	28,305	-	54,689
Inter-entily liabilities	\$ 659,388	1,671,510	3,794	518,506	8,780	299,803	11,031

* Adjustments eliminate the unrealized gain on sale of assets to Saskatchewan Oil and Gas Corporation (Saskoil) and record the cumulative effect of the Government's share of the earnings of Saskoil; record the conversion of Saskatchewan Transportation Company notes payable to non-interest bearing equity advances; eliminate SaskEnergy Incorporated prior period adjustment, adjusted in prior year's Summary Financial Statements; eliminate inter-entily revenue recorded and deferred by Saskatchewan Water Corporation and expense capital assets recorded by Saskatchewan Power Corporation; and, eliminate inter-entily expense recorded on transfer of debt from Saskatchewan Telecommunications to Saskatchewan Power Corporation.

Appendix VI

Schedule 3

(In thousands of dollars)

Saskatchewan Crop Insurance Corporation Mar. 31, 1993	Workers' Compensation Board** Dec. 31, 1992	Saskatchewan Transportation Company Oct. 31, 1992	Saskatchewan Government Growth Fund Management Corporation Dec. 31, 1992	Saskatchewan Forest Products Corporation Oct. 31, 1992	Saskatchewan Liquor Board and Licensing Commission Mar. 31, 1993	Employee Insurance Plans** Dec. 31, 1992	Adjustments*	Total 1993	Total 1992 (Restated)
86,286	47,341	-	57,855	4,928	116,478	6,389	\$ (147,164)	\$ 423,497	\$ 343,200
248,590	11,194	1,662	217	2,885	790	39,618	-	628,189	664,755
-	-	-	-	3,532	12,094	-	-	34,684	42,656
229	-	740	14	137	286	-	-	89,134	84,660
-	402,902	-	20,378	-	-	-	(22,747)	1,131,935	1,123,537
2,748	40,320	15,505	-	11,148	14,796	-	(20,207)	4,638,614	4,521,739
-	-	224	5,985	-	-	-	27,682	295,963	162,583
337,853	501,757	18,131	84,449	22,630	144,444	46,007	(162,436)	7,242,016	6,943,130
-	-	363	-	-	-	-	-	6,476	22,823
124,739	413,094	2,817	9,889	4,458	8,000	54,429	-	1,367,264	1,444,047
-	-	-	-	-	-	-	(147,164)	-	-
166,708	-	21,500	-	-	-	-	(21,500)	197,306	548,659
-	-	-	-	-	-	-	(12,595)	217,791	187,517
-	-	-	-	-	-	-	-	204,188	226,583
-	-	-	-	-	-	-	-	332,802	269,863
-	-	-	71,250	-	-	-	-	3,247,340	2,906,236
3,446	24,611	-	-	-	6,979	-	-	35,036	32,346
294,893	437,705	24,680	81,139	4,458	14,979	54,429	(181,259)	5,608,203	5,638,074
42,960	64,052	(6,549)	3,310	18,172	129,465	(8,422)	18,823	\$ 1,633,813	\$ 1,305,056
607,957	135,485	15,429	3,320	29,443	291,201	19,166	-	\$ 3,267,804	\$ 3,166,093
346,827	-	-	-	-	-	-	-	351,967	261,303
954,784	135,485	15,429	3,320	29,443	291,201	19,166	-	3,619,771	3,427,396
754,247	123,477	20,399	3,172	25,994	168,305	25,834	(14,763)	3,077,637	3,209,931
-	-	-	-	2,125	9,787	-	-	68,742	91,332
754,247	123,477	20,399	3,172	28,119	178,092	25,834	(14,763)	3,146,379	3,301,263
200,537	12,008	(4,970)	148	1,324	113,109	(6,668)	14,763	473,392	126,133
-	-	-	-	-	-	-	(7,705)	20,029	(9,208)
200,537	12,008	(4,970)	148	1,324	113,109	(6,668)	7,058	493,421	116,925
(155,234)	52,044	(35,812)	3,332	(23,352)	131,356	-	(1,795)	189,582	133,973
(2,343)	-	248	(170)	-	-	(1,754)	(7,947)	7,058	10,742
(157,577)	52,044	(35,564)	3,162	(23,352)	131,356	(1,754)	(9,742)	196,640	144,715
42,960	64,052	(40,534)	3,310	(22,028)	244,465	(8,422)	(2,684)	690,061	261,640
-	-	-	-	-	(115,000)	-	-	(262,164)	(65,000)
-	-	33,985	-	40,200	-	-	21,507	1,205,916	1,108,416
42,960	64,052	(6,549)	3,310	18,172	129,465	(8,422)	18,823	\$ 1,633,813	\$ 1,305,056
182,987	28,091	50	25,054	-	116,118	6,377	-	\$ 464,187	\$ 506,111
174,740	-	21,673	-	127	-	-	-	\$ 3,369,352	\$ 3,396,170

** The net assets of the Saskatchewan Auto Fund are to be used for the future benefit of Saskatchewan's motor public and cannot be used for the payment of general dividends. The net assets of the Workers' Compensation Board accrue to employers and cannot be used for the payment of general dividends. The net assets of Employee Insurance Plans are for the benefit of employees and cannot be used for the payment of general dividends.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Investment in Government Enterprises

Schedule 3 — (continued)

As at March 31, 1993

SaskEnergy Incorporated (formerly Saskatchewan Energy Holdings Ltd.) (SaskEnergy)

SaskEnergy operates a province-wide natural gas distribution system and a transmission system.

Saskatchewan Power Corporation (SaskPower)

SaskPower's main functions include the generation, purchase, transmission, distribution and sale of electrical energy.

Saskatchewan Water Corporation (Sask Water)

Sask Water's main responsibility and authority is to manage, administer, develop, control and protect the water and related land resources of Saskatchewan.

Saskatchewan Telecommunications (SaskTel)

SaskTel is responsible for providing local and long distance voice, data, image and text transmission services to the people of Saskatchewan. Through its membership in Stentor, an alliance of Canada's major telecommunications companies, SaskTel provides a full range of national and world-wide long distance communications services.

Saskatchewan Government Insurance (SGI) & Saskatchewan Auto Fund

SGI's competitive general insurance business, known as SGI CANADA, offers a comprehensive line of home, tenant, farm, automobile extension, and commercial coverages. The Saskatchewan Auto Fund, the Province's compulsory automobile insurance program, is administered by SGI CANADA on behalf of the Provincial Government.

Saskatchewan Economic Development Corporation (SEDCO)

SEDCO provides a number of programs to promote and facilitate economic development and diversification in the Province. SEDCO's mandate is to assist viable Saskatchewan businesses to create jobs. SEDCO provides a wide range of financial and property services to businesses in nearly all sectors of the provincial economy, with special emphasis on small business.

Saskatchewan Crop Insurance Corporation (SCIC)

SCIC's general purpose is to provide reasonably priced crop insurance to Saskatchewan farmers against yield losses resulting from various natural disasters and to provide gross revenue protection to Saskatchewan farmers against price fluctuations.

Workers' Compensation Board (Saskatchewan) (WCB)

WCB's primary function is to provide workers' compensation insurance to Saskatchewan workers and employers.

Saskatchewan Transportation Company (STC)

STC is charged with the responsibility of providing a comprehensive bus transportation service for the people of Saskatchewan.

Saskatchewan Government Growth Fund Management Corporation (SGGFMC)

SGGFMC is responsible for the management and administration of its subsidiary, the Saskatchewan Government Growth Fund Ltd. (the Fund), a venture capital fund under the federal government's immigrant investor program. The corporation engages the services of SEDCO to provide advice and personnel to ensure the ongoing management of the Fund.

The Fund acts as a vehicle for foreign investors to invest in Saskatchewan businesses and to facilitate the investor's qualification as a permanent Canadian resident.

Saskatchewan Forest Products Corporation (SFPC)

SFPC produces dimensional lumber and studs at its Carrot River sawmill and plywood sheathing at its plywood plant at Hudson Bay.

Saskatchewan Liquor Board (SLB) and Liquor Licensing Commission (LLC)

SLB's main functions are to control the manufacturing and distribution of beverage alcohol throughout the Province as well as oversee the licensing of all establishments selling alcohol in the Province. The latter function is done through the Liquor Licensing Commission.

Subsequent to March 31, 1993, under *The Alcohol Control Amendment Act 1993* (the Act), the activities of the SLB were continued as the new Saskatchewan Liquor and Gaming Authority and amalgamated with the LLC and the Saskatchewan Gaming Commission. The Act has been passed by the Legislative Assembly and comes into force on a day to be fixed by proclamation of the Lieutenant Governor.

Employee Insurance Plans (EIP)

The EIP include the Public Employees Group Life Insurance Fund, Public Employees Dental Fund and Public Employees Disability Income Fund.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Long-Term Investments

Schedule 4

As at March 31, 1993

(In thousands of dollars)

	Voting Percentages	1993	1992
Investments:			
Cameco Corporation*			
17,543,623 (1992 — 17,543,623) common shares	33.8%	\$ 309,664	\$ 315,740
2,666,667 (1992 — 2,666,667) common shares held in trust	5.1%	39,333	39,333
Potash Corporation of Saskatchewan Inc.*			
578,559 (1992 — 0) common shares	1.5%	10,414	—
3,630,566 (1992 — 14,726,211) common shares held in trust	9.4%	65,641	265,362
Bi-Provincial Upgrader, Lloydminster, Saskatchewan*			
joint venture interest	17.5%	185,089	133,616
Saskatchewan Oil and Gas Corporation*			
5,842,910 (1992 — 5,842,910) common shares	9.4%	63,355	63,355
Saskferco Products Inc.*			
66,692,212 (1992 — 38,075,976) common shares	49.0%	66,692	38,076
Meadow Lake Pulp Limited Partnership			
partnership interest	49.0%	9,072	9,800
NewGrade Energy Inc.*			
common shares and debentures	50.0%	—	—
Other share investments — equity basis		3,916	1,912
Other share investments — cost basis		2,461	2,707
		755,637	869,901
Bonds and Debentures:			
Municipal debentures — market value 1993 — \$137,300			
(1992 — \$159,934)		121,444	142,597
Haro Financial Corporation*		271,000	—
Weyerhaeuser Canada Ltd.*			
income debenture		—	142,291
Meadow Lake Pulp Limited Partnership*			
participating debentures		186,454	132,392
Other bonds and debentures		11,409	18,350
		590,307	435,630
Loans, Notes and Mortgages Receivable:			
Cadillac Fairview Corporation Limited*		40,963	41,351
Dairy Producers Co-operative Limited		10,500	10,500
Other loans, notes and mortgages receivable		7,066	11,732
		58,529	63,583
		\$ 1,404,473	\$ 1,369,114

* (See accompanying notes)

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Long-Term Investments

Schedule 4 — (continued)

As at March 31, 1993

Cameco Corporation (Cameco)

The Government owns 17,543,623 unencumbered voting common shares of Cameco. The Government accounts for these shares using the equity method.

In addition, the Government holds 2,666,667 voting common shares of Cameco which were placed in trust under the terms of a Custodian Agreement to satisfy the possible exercise of a Purchase Warrant sold in September, 1991. The holder of each full Purchase Warrant may purchase one Cameco voting share for \$14.75 on or before October 1, 1994. Any shares remaining in trust after October 1, 1994, will be transferred to the Government. These shares are accounted for using the cost method.

The Government holds one Class B share which allows them to exercise the right of deciding the location of Cameco's head office.

Potash Corporation of Saskatchewan Inc. (PCS Inc.)

As at December 31, 1991, the Government held 11,095,644 voting common shares of PCS Inc. in trust to fulfil the exchangeability feature of the Potash Ownership Bonds issued by the Government in 1989. During the year, bonds with a face value of \$189,472,300 were exchanged for 10,517,086 common shares with a book value of \$189,307,548. After maturity of the Potash Ownership Bonds on December 1, 1992, the 578,588 shares remaining in trust were transferred to the Government. These shares are accounted for using the cost method.

In addition, the Government holds 3,630,566 (December 31, 1991 — 3,630,566) voting common shares of PCS Inc. in trust to satisfy the possible exercise of the Common Share Purchase Warrants (Purchase Warrants) sold in September, 1991. The holder of each full Purchase Warrant may purchase one PCS Inc. voting common share from the Government for \$18.75 on or before September 30, 1994. Any shares remaining in trust after September 30, 1994, will be transferred to the Government. These shares, representing a 9.4 per cent ownership interest, are accounted for using the cost method.

Bi-Provincial Upgrader Joint Venture

The Government owns a 17.5 per cent equity interest in the Bi-Provincial Upgrader Joint Venture (the Joint Venture) established to construct and operate a heavy oil upgrader located near Lloydminster, Saskatchewan. The Government's initial commitment was to fund its proportionate share, or \$221.7 million, of the original estimated capital cost of the project of \$1,267 million. The project has experienced cost overruns of \$365 million, in which the Government's share of these overruns would have been \$63.9 million. The Government has agreed to fund \$30.6 million of this amount while the funding for the remaining \$33.3 million will be funded by the other joint venturers. To December 31, 1992, the Government had funded its initial investment of \$221.7 million in addition to the \$30.6 million for the cost overruns.

In addition, the Government has agreed to fund up to 17.5 per cent of a \$50 million revolving operating line of credit, or \$8.8 million in non-interest bearing cash advances. To December 31, 1992, \$3.9 million had been advanced on the line of credit.

The Government recorded a provision for loss on this investment of \$63.9 million in the prior year. The Joint Venture commenced commercial operations on September 16, 1992.

Saskatchewan Oil and Gas Corporation (Saskoil)

The Government uses the cost method to account for its investment in Saskoil.

Saskferco Products Inc. (Saskferco)

The Government has fully funded its obligation to provide initial equity to Saskferco of \$66.5 million. The Government may, in certain circumstances, be obligated to provide additional financial support to Saskferco. This includes the Government's pro rata share (49 per cent) of up to \$10 million of further equity for any construction cost overruns that may occur, and 50 per cent of up to \$5 million of other equity to the extent required to fund any working capital deficiencies in the first two years of operations. To December 31, 1992, the Government has advanced \$0.2 million in the construction cost overruns facility. Saskferco commenced commercial operations on October 13, 1992.

Newgrade Energy Inc. (NewGrade)

The Government initially agreed to provide funding to NewGrade, to a maximum of \$158.8 million for the purpose of assisting NewGrade in the construction and start-up of a heavy oil upgrader in Regina, Saskatchewan. The Government subsequently agreed to provide additional amounts to NewGrade to fund cash deficiencies experienced as a result of start-up difficulties. The Government has invested \$234.4 million in NewGrade up to December 31, 1992 (1991 — \$232 million).

NewGrade recorded accumulated losses of \$278.4 million to October 31, 1992 (1991 — \$231.3 million). Accordingly, the Government reduced the carrying value of its investment to nil to reflect the decline in value.

The Government owns 100 per cent of the outstanding subordinated debentures of NewGrade and certain promissory notes due from NewGrade. The debentures bear interest at Royal Bank prime plus 2 per cent. The promissory notes bear interest at fixed rates ranging from 6.25 per cent to 9 per cent. The total interest owing to the Government at December 31, 1992, was \$80 million (1991 — \$60.3 million). The receipt of the interest is uncertain, and no interest income has been accrued in these financial statements.

The Government has pledged all of the shares and debentures purchased from NewGrade as collateral security for NewGrade's loans. In addition, the Government has guaranteed indebtedness of NewGrade to a maximum of \$360 million.

**Government of the Province of Saskatchewan
Summary Financial Statements
Long-Term Investments**

Schedule 4 — (continued)

As at March 31, 1993

Haro Financial Corporation (Haro)

The Government entered into various agreements with Haro to provide a loan to Haro up to a maximum of \$275 million. Haro used the funds to repay a previous loan facility used to finance the acquisition of an ownership interest in Crown Life Insurance Company (Crown Life). The Government had advanced \$271 million to December 31, 1992 (1991 — 0). The loan is for an initial five-year term commencing on December 15, 1992, with a maximum of four five-year renewal terms at the option of Haro. Provision is made whereby, under certain conditions, the principal amount of the loan may be increased after the first five-year term if no refinancing has occurred.

Interest during the term is calculated at the Royal Bank of Canada's Bankers' Acceptance Rate, determined on a quarterly basis, plus 1³/₈ per cent per annum. Interest for each subsequent five-year renewal term, as established at the beginning of each renewal term, shall be the effective yield rate for five-year Province of Saskatchewan bonds plus 1 per cent per annum.

Payment of principal and interest is subject to available cash flow as defined in the loan agreement. Unpaid interest is compounded annually and added to the principal. There are no fixed payments of either principal or interest other than payments from available cash flow. Due to the uncertainty of the timing of future cash payments, interest income earned will be recorded when the payments are received under the cash flow formula.

All amounts outstanding are due and payable on December 15, 2017. On December 15, 2017, the balance of principal and interest outstanding, if any, will be converted into a maximum of 94 per cent of Haro equity shares at the time. The type of Haro equity shares will be subject to certain regulatory approvals and is not presently determinable. In addition, the Government can exercise a unilateral right, prior to December 15, 2017, to 94 per cent of Haro's assets (which are held as security for the loan) at any time after Haro's preferred shares in Crown Life are converted into common shares (or a non-voting equivalent). The conversion of Haro's preferred shares is to occur no later than June 30, 1996. The Government's unilateral right to 94 per cent of Haro's assets is subject to regulatory compliance.

Weyerhaeuser Canada Ltd. (Weyerhaeuser)

On January 12, 1993, the Government entered into agreements which provided for the extinguishment of the Weyerhaeuser income debenture in exchange for a lump sum payment from Weyerhaeuser of \$150 million. Accordingly, the Government recorded a gain of \$7.7 million.

Meadow Lake Pulp Ltd. Partnership (MLPLP)

The Government has entered into various agreements with MLPLP and its agent, Millar Western Pulp (Meadow Lake) Ltd., to provide loans to MLPLP up to a maximum of \$191.5 million. The Government had advanced \$186.5 million to December 31, 1992, (1991 — \$132.4 million) under these agreements. Due to the completion of construction, the Government is no longer committed to provide the remainder of the funds available.

Interest on the loans is calculated at rates varying from prime plus 1/4 per cent to a fixed rate of 11.15 per cent. Certain interest and principal payments to be made by MLPLP are subject to the MLPLP achieving certain cash flows as defined in the loan agreements.

All loans mature in the year 2014. A special cash flow calculation shall be performed on the maturity date and 90 per cent of the result of this calculation will be applied to any loans outstanding. Any unpaid interest outstanding on the Participating Debenture portion of the agreement, after the application of this payment, will be forgiven. Any other amounts outstanding will bear interest at prime plus 5 per cent compounded monthly.

Cadillac Fairview Corporation Limited

The Government holds a \$32.9 million (1992 — \$33.3 million) mortgage receivable at 9⁵/₈ per cent and \$8.0 million (1991 — \$8.0 million) mortgage receivable at 11⁵/₈ per cent from Cadillac Fairview Corporation Limited. The unamortized balances are due December 1, 2001.

Market Values

The market values of the Government's publicly traded investments in securities not held in trust at March 31, 1993 were as follows (millions of dollars):

Cameco	\$331.1
Saskoil	\$ 35.8
PCS Inc.	\$ 13.8

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Accounts Payable and Accrued Liabilities

Schedule 5

As at March 31, 1993

(In thousands of dollars)

	1993	1992 (Restated)
Due to government enterprises:		
Due to Saskatchewan Crop Insurance Corporation*	\$ 168,244	\$ 150,944
Accrued interest payable	339,550	315,709
Grants and entitlements	221,990	131,036
Due to the federal government	247,195	58,324
Trade accounts payable	157,315	119,441
Accrued employee benefits	54,051	44,326
Other accrued liabilities	15,597	126,968
	\$ 1,203,942	\$ 946,748

* Net liability for claim payments from the reinsurance fund.

Government of the Province of Saskatchewan Summary Financial Statements Public Debt

Schedule 6

As at March 31, 1993

(In thousands of dollars)

	1993				1992 Net Public Debt (Restated)
	Gross Public Debt	Sinking Funds	Net Public Debt	Average Interest Rate	
Consolidated Fund*	\$ 9,944,009	\$ 47,340	\$ 9,896,669	9.73%	\$ 9,333,823
Municipal Financing Corporation of Saskatchewan	20,000	-	20,000	10.81%	26,000
Saskatchewan Development Fund Corporation	10,804	-	10,804	12.56%	12,814
Regina District Health Board	4,900	-	4,900	12.13%	5,192
Other	973	-	973	12.02%	3,165
Debt of government service organizations**	9,980,686	47,340	9,933,346		9,380,994
Saskatchewan Crop Insurance Corporation ..	166,708	-	166,708	5.90%	181,402
Saskatchewan Economic Development Corporation	291,164	-	291,164	9.70%	296,697
SaskEnergy Incorporated	616,286	8,857	607,429	10.70%	843,016
Saskatchewan Government Growth Fund Management Corporation***	71,250	-	71,250	4.00%	27,450
Saskatchewan Power Corporation	2,160,607	278,781	1,881,826	9.25%	1,574,380
Saskatchewan Telecommunications	751,318	121,467	629,851	10.76%	739,355
Saskatchewan Transportation Company	-	-	-		18,411
Saskatchewan Water Corporation	1,030	424	606	7.74%	767
	4,058,363	409,529	3,648,834		3,681,478
Net increase to March 31	510,970	15,845	495,125		188,821
Debt of government enterprises****	4,569,333	425,374	4,143,959		3,870,299
Total public debt	\$ 14,550,019	\$ 472,714	\$ 14,077,305		\$ 13,251,293

Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

* Consolidated Fund debt is shown net of \$3,656.2 million (1992 — \$3,419.1 million) reimbursable from government enterprises.

Consolidated Fund debt includes amounts borrowed on behalf of government service organizations.

** This amount includes Canada Pension Plan debentures of \$1,096.9 million as at March 31, 1993. See schedule 7 for information on debt by maturity.

*** Preferred shares of Saskatchewan Government Growth Fund Management Corporation have been restated as debt.

**** The debt of government enterprises is as presented in their audited financial statement closest to March 31, 1993. The balance is adjusted for the net change to March 31, 1993. This amount includes Canada Pension Plan debentures of \$656.6 million as at March 31, 1993.

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Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Public Debt by Maturity

Schedule 7

As at March 31, 1993

(In thousands of dollars)

Year of Maturity	1993				1992	
	Canadian Dollar Debt	U.S. Dollar Debt (CDN \$)	Total Canadian Debt	Average Interest Rate	Total Canadian Debt	Average Interest Rate
Short-term promissory notes . . .	\$ 4,900	\$ -	\$ 4,900	12.13%	\$ 457,912	-
Treasury bills and debentures . . .						
1992-1993	-	-	-	-	660,344	10.21%
1993-1994	447,140	-	447,140	9.92%	697,134	9.80%
1994-1995	1,209,364	-	1,209,364	9.97%	1,232,302	9.97%
1995-1996	745,673	-	745,673	11.03%	743,632	11.02%
1996-1997	1,076,082	-	1,076,082	8.91%	861,803	9.02%
1997-1998	1,115,905	-	1,115,905	8.09%	546,778	9.20%
1998-2003	3,164,079	-	3,164,079	10.39%	2,962,763	10.53%
2003-2008	23,680	-	23,680	11.92%	23,695	11.98%
2008-2013	603,767	502,880	1,106,647	9.11%	541,062	10.13%
2013-2022	584,336	502,880	1,087,216	9.68%	682,760	9.70%
Total debt of government service organizations issued at face value	<u>\$8,974,926</u>	<u>\$1,005,760</u>	<u>9,980,686</u>		9,410,185	
Less: sinking funds			(47,340)		(29,191)	
Total debt of government service organizations*			\$9,933,346		\$ 9,380,994	

The debentures in U.S. dollars have been converted to Canadian dollars at the exchange rate in effect at March 31, 1993.

* This amount includes Canada Pension Plan debentures of \$1,096.9 million as at March 31, 1993.

Government of the Province of Saskatchewan Summary Financial Statements Other Liabilities

Schedule 8

As at March 31, 1993

(In thousands of dollars)

	1993	1992 (Restated)
Funds held on behalf of government enterprises and others:		
Saskatchewan Crop Insurance Corporation	\$ 208,991	\$ 237,828
Saskatchewan Liquor Board and Liquor Licensing Commission	116,118	117,519
Queen's Bench Court Account	9,484	9,546
Public Employees' Dental Fund	6,214	6,465
Public Trustee's Trust Account	2,492	1,508
Others	11,249	12,103
Capital grants payable	182,554	217,292
Capital lease obligations (note 8(a))	73,804	76,510
Miscellaneous	46	10
	<u>\$ 610,952</u>	<u>\$ 678,781</u>

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Guaranteed Debt

Schedule 9

As at March 31, 1993

(In thousands of dollars)

	1993	1992
CIC Mineral Interests Corporation		
Royal Trust, London Life Lease*	\$ 22,811	\$ 25,335
T.D., Mutual Life, London Life Lease	31,300	34,074
Royal Trust Lease*	21,230	22,944
Crown Investments Corporation of Saskatchewan (non-consolidated)		
IPSCO Inc.	65,000	65,000
Saskferco Products Inc.	38,200	38,162
The Community Bond Act	12,785	7,475
The Farm Financial Stability Act		
The Breeder Associations Loan Guarantees	11,580	8,463
The Feeder Associations Loan Guarantees	24,094	22,269
The Farmers' Counselling and Assistance Act	17,927	33,461
The Industry and Commerce Development Act		
Haro Financial Corporation	-	210,122
Saskferco Products Inc.	290,413	274,867
The NewGrade Energy Inc. Act		
NewGrade Energy Inc. (note 9(a))	350,243	341,263
The Power Corporation Act		
I.A.C. Limited — Dragline Lease	23,471	24,464
Manalta Coal**	37,930	39,111
The Pulp and Paper Mills Act		
Weyerhaeuser Canada Ltd.	-	51,249
Saskatchewan Economic Development Corporation		
Loan guarantees	11,050	11,375
The Saskatchewan Housing Corporation Act		
Home Improvement Loan Program	222,100	281,800
Mortgage Guarantee Program	27,100	31,500
Other***	13,576	14,005
	\$ 1,220,810	\$ 1,536,939

* Subsequent to March 31, 1993, the Government obtained a release from these two guarantees, but remains contingently liable for certain indemnity related to damages.

** The amount is net of \$7.1 million (1992 — \$5.9 million) which is Manalta's equity in the sinking fund administered by the Minister of Finance.

*** Includes all guarantees under \$10 million.

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Revenue

Schedule 10

For the Year Ended March 31, 1993

(In thousands of dollars)

	1993	1992 (Restated)
Taxation:		
Corporation capital	\$ 132,560	\$ 117,296
Corporation income	91,509	75,487
Fuel	302,822	225,685
Individual income	1,075,066	1,022,560
Sales	538,371	577,729
Tobacco	115,350	104,478
Other	48,575	40,170
	2,304,253	2,163,405
Contributions from the federal government:		
Canada Assistance Plan	194,220	176,037
Equalization	336,602	620,314
Established Programs Financing	462,437	370,446
Housing subsidy	13,262	13,878
Other	132,972	121,642
	1,139,493	1,302,317
Natural resources:		
Coal	13,260	15,827
Natural gas	33,990	42,764
Oil	262,210	198,168
Potash	57,076	50,781
Uranium	26,368	14,507
	392,904	322,047
Other revenue:		
Investments	139,489	197,813
Fees/permits/licences	262,947	262,559
Insurance	40,036	25,279
Miscellaneous	187,402	212,463
	629,874	698,114
	\$ 4,466,524	\$ 4,485,883

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Listing of Entities

Schedule 11

March 31, 1993

Government Service Organizations (Consolidated)

Agricultural Credit Corporation of Saskatchewan	Prairie West Regional College
Agricultural Implements Board	Prince Albert District Health Board
Agriculture Development Fund	Public Employees Benefits Agency Revolving Fund
Assurance Fund	Queen's Printer Revolving Fund
Battlefords Regional Care Centre	Regina District Health Board
Board of Governors, Lakeside Home	Resource Protection and Development Revolving Fund
Carlton Trail Regional College	Saskatchewan Agricultural Returns Stabilization Fund
Cattle Marketing Deductions Fund	Saskatchewan Alcohol and Drug Abuse Commission
CIC Industrial Interests Inc.	Saskatchewan Archives Board
CIC Mineral Interests Corporation	Saskatchewan Arts Board
Commercial Revolving Fund	Saskatchewan Book Bureau Revolving Fund
Consolidated Fund	Saskatchewan Cancer Foundation
Correctional Facilities Industries Revolving Fund	Saskatchewan Centre of the Arts Fund
Correspondence School Revolving Fund	Saskatchewan Communications Network Corporation
Crop Reinsurance Fund of Saskatchewan	Saskatchewan Development Fund Corporation
Crown Investments Corporation of Saskatchewan (non-consolidated)	Saskatchewan Energy Conservation and Development Authority
Cumberland Regional College	Saskatchewan Gaming Commission
Cypress Hills Regional College	Saskatchewan Grain Car Corporation
Environmental Protection Fund	Saskatchewan Heritage Foundation
Fish and Wildlife Development Fund	Saskatchewan Horse Racing Commission
Forest Renewal and Development Fund	Saskatchewan Housing Corporation
Health Services Utilization and Research Commission	Saskatchewan Indian Regional College
Highways and Transportation Revolving Fund	Saskatchewan Institute of Applied Science and Technology
Horned Cattle Fund	Saskatchewan Legal Aid Commission
Interprovincial Lotteries Act Trust Account	Saskatchewan Mining Development Corporation
La Ronge Hospital Board	Saskatchewan Prescription Drug Fund
Milk Control Board	Saskatchewan Property Management Corporation
Municipal Financing Corporation of Saskatchewan	Saskatchewan Research Council
New Careers Corporation	Saskatchewan Student Aid Fund
North West Regional College	Saskatchewan Western Development Museum
Northern Revenue Sharing Trust Account	Saskatchewan Wetlands Conservation Corporation
Northern Saskatchewan Economic Development Revolving Fund	Saskatoon District Health Board
Northlands College	Souris Basin Development Authority
Oil and Gas Environmental Fund	Souris Valley Regional Care Centre
Oil and Gas Revolving Fund	South Saskatchewan River Irrigation District No. 1
Palliser Regional Care Centre	Southeast Regional College
Parkland Regional Care Centre	St. Louis Alcoholism Rehabilitation Centre
Parkland Regional College	Victims' Fund
Prairie Agricultural Machinery Institute	Water Appeal Board
	Whitespruce Youth Treatment Centre

Government Enterprises (Modified Equity Method)

Public Employees Dental Fund	Saskatchewan Government Insurance
Public Employees Disability Income Fund	Saskatchewan Liquor Board and Liquor Licensing Commission
Public Employees Group Life Insurance Fund	Saskatchewan Power Corporation
Saskatchewan Auto Fund	Saskatchewan Telecommunications
Saskatchewan Crop Insurance Corporation	Saskatchewan Transportation Company
Saskatchewan Economic Development Corporation	Saskatchewan Water Corporation
SaskEnergy Incorporated	Workers' Compensation Board (Saskatchewan)
Saskatchewan Forest Products Corporation	
Saskatchewan Government Growth Fund Management Corporation	

Appendix VI

Government of the Province of Saskatchewan Summary Financial Statements Trusts Under Administration

Schedule 12

As at March 31, 1993

(In thousands of dollars)

	1993	1992 (Restated)
Superannuation funds and pension plans*	\$ 3,532,630	\$ 3,457,430
Public Trustee's Trust Account	90,779	88,315
Other trusts**	27,512	31,771
	\$ 3,650,921	\$ 3,577,516

* The balance reflects the latest audited financial statements of the funds and plans closest to March 31, 1993.

** Includes other trusts under \$10 million.

The Public Employees' Dental Fund, Disability Fund and Group Life Insurance Fund have been reclassified as government enterprises. The change has been applied retroactively. See note 2.