

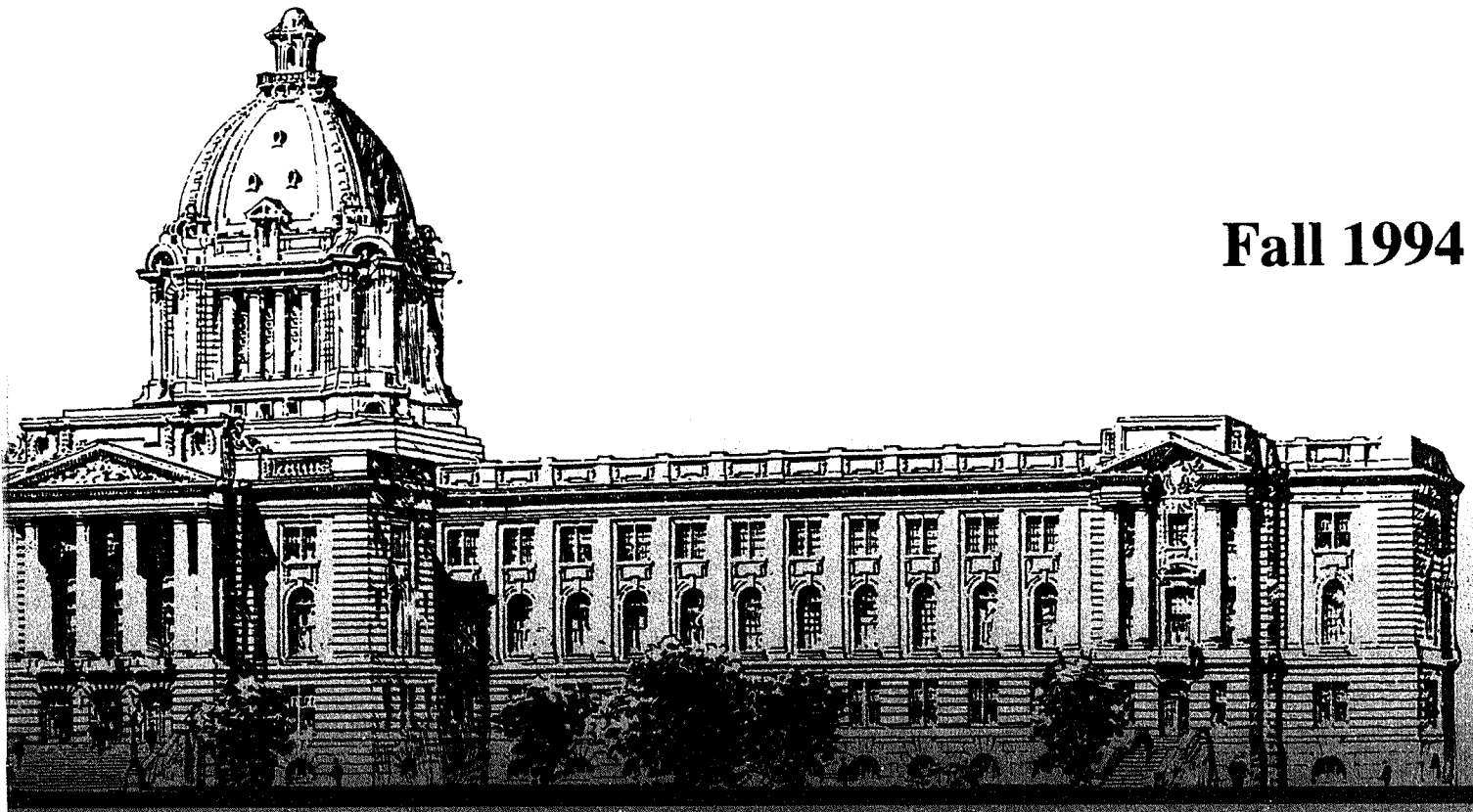


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# Report of the Provincial Auditor

To The Legislative Assembly  
of Saskatchewan

Fall 1994



Additional copies of this Report  
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Provincial Auditor Saskatchewan

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October 21, 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 first Fall Report, 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 first Fall Report to the Legislative Assembly. This Report focuses on my Office's examination of the financial results of the Government as reported in the Government's March 31, 1994 Summary Financial Statements. This Report also covers my examination of those government organizations with fiscal years ending on or before December 31, 1993.

I wish to thank the staff and officials of 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 in fulfilling my responsibilities.

*Wayne Strelhoff*

Regina, Saskatchewan  
September 30, 1994

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

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# Chapter 1 Observations

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# Chapter 1

## Observations

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### Introduction

**.01** This is my first Fall Report to the Legislative Assembly. I plan to issue a Fall and a Spring Report each year. The purpose of two Reports, instead of one Annual Report, is to improve the timeliness and, thus, the usefulness of the work of my Office. When necessary, I will also continue to issue Special Reports.

**.02** In June, 1994, the Assembly approved changes to *The Provincial Auditor Act* (see Appendix I). The changes ensure that, if the Assembly is not in session when my Office issues a Report, the Report is automatically referred to the Standing Committee on Public Accounts and made public. This important legislative change ensures Members of the Assembly receive all Reports of my Office in a timely manner. The change was initiated by members of the Standing Committee on Public Accounts and is supported by my Office.

**.03** This Fall Report focuses on my Office's examination of the financial results of the Government, as reported in the Government's March 31, 1994 Summary Financial Statements. The Government issued the Statements on September 30. This Fall Report also covers our examinations of those government organizations with fiscal years ending on or before December 31, 1993.

**.04** My Spring Report will focus on our examinations of government organizations with fiscal years ending March 31, 1994. My Spring Report will also serve as my Annual Report in which I describe the goals, objectives, operations and performance of my Office.

The Government's  
Summary Financial  
Statements are  
Reliable

**.05** For the first time, I can advise the Assembly and the public the Government's Summary Financial Statements are reliable. These Statements present fairly the Government's financial position and results of operations for the year ended March 31, 1994 in accordance with accounting principles recommended for governments by The Canadian Institute of Chartered Accountants.

**.06** In previous years, I reported the Government's Summary Financial Statements were not fully reliable because the Government chose not to record the full annual cost of pension benefits provided to its current and former employees and to teachers. The Government also chose not to record its \$3 billion unfunded pension liability. The Government has now recorded the

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## Chapter 1 Observations

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annual cost of pension benefits and the unfunded pension liability.

**.07** I encourage all legislators, government managers 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. The Summary Statements also provide information necessary to understand and assess the full economic impact of government.

**.08** Unfortunately, most current discussion of our Province's finances centres on the Government's General Revenue Fund (GRF). The GRF should not be considered the Government's key financial decision-making and accountability document because the GRF reflects only a portion of Government finances. The decisions faced by the Government, the Assembly and the public are too important to be made and assessed in the context of incomplete information.

**.09** I urge legislators, government managers and the public to assess how best to manage the public's scarce resources in the context of the Government's full responsibilities as shown in the Government's Summary Financial Statements.

**.10** The Government has now prepared Summary Financial Statements for the last four years. The Statements show the following revenue, expenditure and deficit trends.

	Revenue, Expenditure and Deficit For the Years Ended March 31 (in \$ millions)			
	1991 (unaudited)	1992	1993	1994
Revenue	\$ <u>7,509</u>	<u>7,913</u>	<u>8,081</u>	<u>8,447</u>
Expenditure	\$ <u>8,214</u>	<u>9,650</u>	<u>8,874</u>	<u>8,492</u>
Increase in Accumulated Deficit	\$ <u>705</u>	<u>1,737</u>	<u>793</u>	<u>45</u>
Accumulated Deficit	\$ <u>7,738</u>	<u>9,475</u>	<u>10,268</u>	<u>10,313</u>

## Chapter 1 Observations

**.11** In Chapter 2, **Understanding the Finances of the Government**, I provide additional information to help legislators, government managers and the public understand and assess our Provinces's finances. A copy of the Government's audited Summary Financial Statements is in Appendix VI.

A Complete Business and Financial Plan is Needed

**.12** In previous Reports, I urged the Government to present the Assembly a complete financial plan. I continue to do so. The decisions faced by the Government, the Assembly and the public are too important to be made and assessed in the context of incomplete information.

**.13** Currently, the Government publishes only selected planning information. The planning information most commonly referred to is the budget estimates document (called the Estimates) for the General Revenue Fund (GRF). The Estimates focus on a single year's financial activity of a single government fund. The Government, however, carries out a significant and growing proportion of its financial responsibilities through other funds, agencies and corporations. Over 40% of government financial responsibilities are carried on outside of the GRF.

**.14** The incomplete planning information set out in the Government's Estimates is apparent when we compare the 1993-94 Estimates to information derived from the Government's 1993-94 Summary Financial Statements.

	1994 (in \$ millions)		<b>Government as a Whole</b>
	<b>General Revenue Fund</b>		
	<b>Budget Estimates</b>	<b>Actual Results</b>	
<b>Revenue</b>	\$ 4,632	\$ 4,680	\$ 8,447
<b>Expenditure</b>	<u>4,928</u>	<u>4,952</u>	<u>8,492</u>
<b>Annual Deficit</b>	<u>\$ 296</u>	<u>\$ 272</u>	<u>\$ 45</u>

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## Chapter 1 Observations

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**.15** In Chapter 3, **Planning Information**, I discuss why a summary business and financial plan is important. I also describe the key elements of such a plan. A business plan sets out what will be done, how and when it will be done, and how it will be evaluated. A financial plan sets out how resources will be managed to carry out the business plan.

**.16** In Chapter 3, I recommend the Government publish multi-year, government-wide summary planning information.

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### Opportunities to Continue Improving Management and Accountability Practices

**.17** In this Report, I identify important opportunities to continue improving government management and accountability practices. I say continue, because I find practices are improving. The improvements are being led by many of our elected officials who are focusing on opportunities to improve practices. I observe the improvements in the results of the work of my Office and in my many meetings with officials.

**.18** The opportunities to improve practices outlined below should be considered in the context of continuous improvement.

**.19** In Chapter 4, **Annual Reports of Crown Agencies**, I note most annual reports of the Government's Crown agencies do not provide MLAs and the public with information they need to assess the performance of Crown agencies. In Chapter 4, I discuss why annual reports are important and why they need to be improved. In addition, I advise how to make annual reports more useful accountability documents.

**.20** In Chapter 6, **Pensions**, I note concerns with how the Government manages its pension plans. I note different rates of return are earned in the plans, and investment earnings are allocated to plan members differently.

**.21** In Chapter 7, **Crown Investments Corporation of Saskatchewan (CIC)**, I identify several management and accountability practices CIC needs to continue improving. The practices primarily relate to the planning information provided to its Board and to the Assembly.

**.22** In Chapter 8, **Department of Agriculture and Food**, I identify concerns with how the Saskatchewan Crop Insurance Corporation manages its responsibilities. I note changes were made to the Crop Insurance Plan and to the Gross Revenue Insurance



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## Chapter 1 Observations

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Program without proper authority and without evidence of adequate analysis. As a result, money from the General Revenue Fund was lent to the Corporation to finance losses. The losses relate to unauthorized increases in insurance coverage.

**.23** In Chapter 10, **Department of Education**, I note the Teachers' Superannuation Commission does not have evidence that it had determined the cost of additional pension benefits provided to teachers in their last collective agreement with the Government. As a result, the Commission does not have the information necessary to prepare accurate and timely financial statements for its June 30, 1993 year end. The Commission manages the Teachers' Superannuation Plan, which holds nearly \$900 million of assets and has liabilities of over \$2.7 billion.

**.24** In Chapter 12, **Saskatchewan Transportation Company**, I note the Company continues to have problems with its information systems. The problems relate primarily to ensuring its revenues are properly collected, managed and reported.

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Working With Other  
Auditors

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**.25** In my previous Reports, I expressed concern with the effectiveness of the audit system. In my last Report, I advised the Assembly that the President of CIC and I had agreed to cosponsor a task force on how the existing audit system for CIC Crown corporations could be made more effective.

**.26** In Chapter 5, **Working with Other Auditors**, I set out the conclusions and recommendations of the Task Force. I also note the President of CIC and I support the Task Force's conclusions and recommendations. We are now implementing the recommendations.

**.27** The Task Force's conclusions and recommendations provide a useful framework for strengthening our audit system. The framework envisions an audit system in which government managers, appointed auditors and my Office work together more closely in establishing audit plans, resolving key issues, and agreeing on reports. The framework is consistent with recommendations of the Standing Committee on Public Accounts.

**.28** When the framework is implemented, the Assembly will receive the views of my Office in a more timely manner, and I will be better able to assure the Assembly key issues are brought to its attention.

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## Chapter 1 Observations

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.29 The Task Force, through considerable effort, has provided opportunity for a much needed strengthening of our audit system. A strong audit system is an essential ingredient to public confidence in government.

\* \* \*

.30 This Report contains several appendices showing:

- the organizations we are required to audit (Appendix II);
- the organizations we did not audit (Appendix III);
- the organizations where we found no significant matters to report to the Legislative Assembly (Appendix IV);
- the kinds of audits we do (Appendix V); and
- the reports of appointed auditors (Appendix VII).

## Chapter 2 Understanding the Finances of the Government

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## Chapter 2

# Understanding the Finances of the Government

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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. The overview is based on the information provided in the Government's Summary Financial Statements. (Appendix VI contains a copy of the 1994 audited Summary 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 for government recommended by The Canadian Institute of Chartered Accountants.

**.04** In this Chapter, we condense the information contained in the Summary Financial Statements. 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.

General Programs and  
User Fee Enterprises

**.05** This Chapter shows the Government's finances, 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 through organizations funded by government departments, e.g., regional colleges and hospitals. These programs are financed primarily through 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 and Gaming Authority. 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.

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## Chapter 2 Understanding the Finances of the Government

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### Revenue, Expenditure and Annual Deficit

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

**.09** Schedule 1 and Exhibit 1 show that during 1994:

- total revenue is \$8.447 billion compared to 1993 total revenue of \$8.081 billion, an increase of 5%.
- total expenditure is \$8.492 billion compared to 1993 total expenditure of \$8.874 billion, a decrease of 4%.
- the annual deficit is \$45 million compared to the 1993 annual deficit of \$793 million, a decrease of 94%. The annual deficit is the annual increase in the accumulated deficit.

**.10** Schedule 1 also shows that from 1991 to 1994:

- revenue from general programs increased \$208 million or 4%.
- revenue from user fee enterprises increased \$730 million or 26%.
- total revenue increased \$938 million or 12%.
- expenditure on general programs decreased \$223 million or 4%.
- expenditure on user fee enterprises increased \$501 million or 21%.
- total expenditure increased \$278 million or 3%.

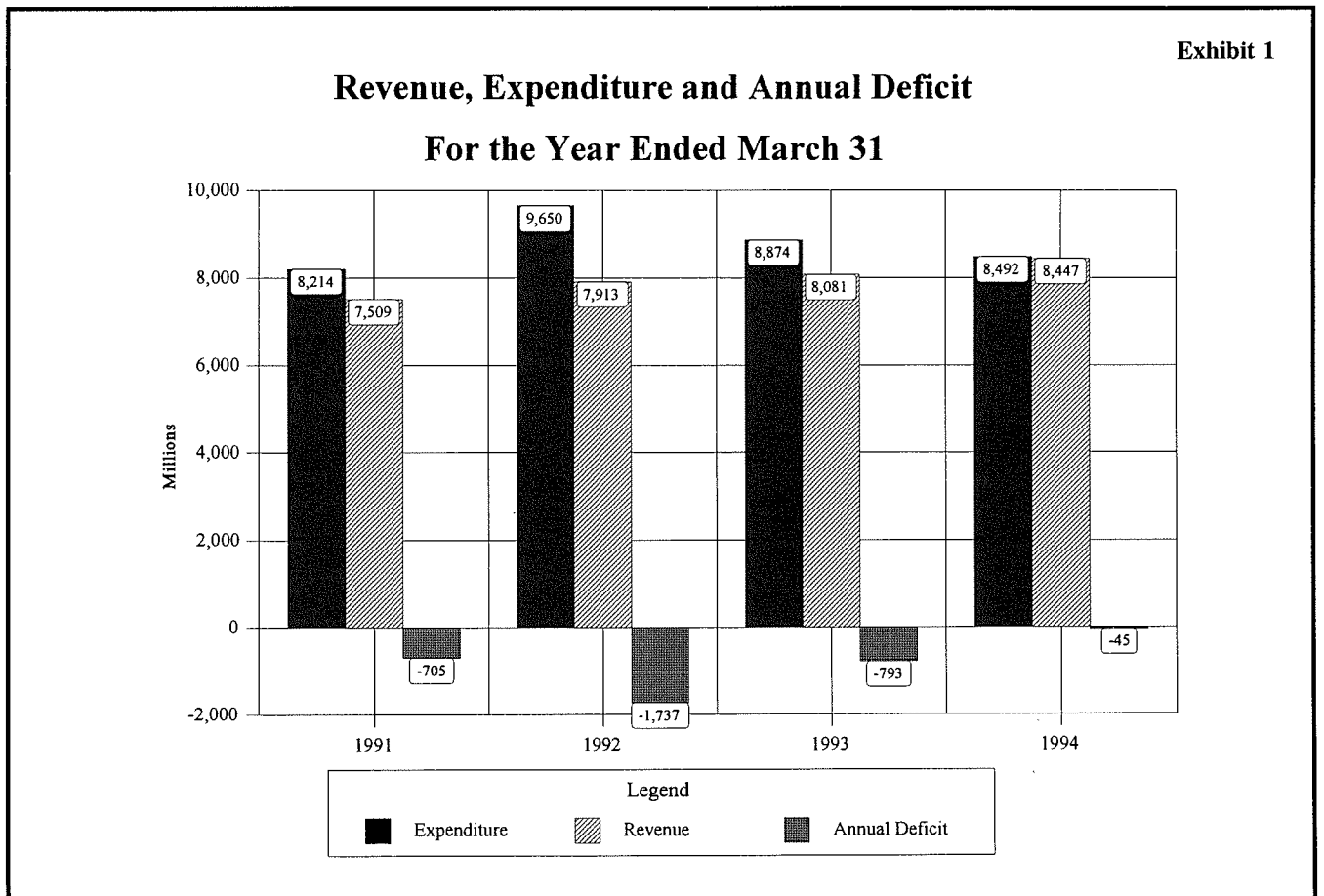
**.11** Schedule 5 shows the Government's total revenue and total expenditure in more detail.

**.12** The unaudited information for 1991 is derived from an accounting prepared by the Government for the Financial Management Review Commission.

## Chapter 2 Understanding the Finances of the Government

Revenue, Expenditure and Annual Deficit For the Year Ended March 31 (in \$ millions)				Schedule 1
	1991 (unaudited)	1992	1993	1994
<b>Revenue</b>				
General programs	\$ 4,699	\$ 4,486	\$ 4,462	\$ 4,907
User fee enterprises	<u>2,810</u>	<u>3,427</u>	<u>3,619</u>	<u>3,540</u>
Total revenue	<u>7,509</u>	<u>7,913</u>	<u>8,081</u>	<u>8,447</u>
<b>Expenditure*</b>				
General programs	5,774	6,338	5,747	5,551
User fee enterprises	<u>2,440</u>	<u>3,312</u>	<u>3,127</u>	<u>2,941</u>
Total expenditure	<u>8,214</u>	<u>9,650</u>	<u>8,874</u>	<u>8,492</u>
<b>Annual deficit</b> (Increase in Accumulated Deficit)	<u>\$ 705</u>	<u>\$ 1,737</u>	<u>\$ 793</u>	<u>\$ 45</u>

\* The cost of physical assets acquired for general programs is recorded as an expenditure in the year those assets are acquired. This cost was \$86 million in 1993-94 and \$104 million in 1992-93. The cost of physical assets acquired for user fee enterprises is recorded as an expenditure over the useful economic life of those assets.



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## Chapter 2 Understanding the Finances of the Government

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### Assets, Liabilities and Accumulated Deficit

.13 Schedule 2 and Exhibit 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.

.14 Schedule 2 and Exhibit 2 show at March 31, 1994:

- total assets are \$10.547 billion.
- total liabilities are \$20.860 billion.
- the accumulated deficit is \$10.313 billion.

.15 The accumulated deficit equals the difference between total liabilities of \$20.860 billion and total assets of \$10.547 billion. During 1994, the accumulated deficit increased by \$45 million.

.16 From 1991 to 1994, total assets increased \$343 million or 3%, total liabilities increased \$2.918 billion or 16%, and the accumulated deficit increased \$2.575 billion or 33%.

.17 Schedule 6 shows the Government's assets and liabilities in more detail.

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### Difference Between Debt and Deficit

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

.19 Debt means "that which is owed or due". The total debt of the Government at March 31, 1994 is its total liabilities -- \$20.860 billion. The total liabilities of \$20.860 billion include borrowings, unfunded pension obligations, accrued interest and various accounts payable. The Government also has guaranteed \$1.176 billion in loans owed by others at March 31, 1994.

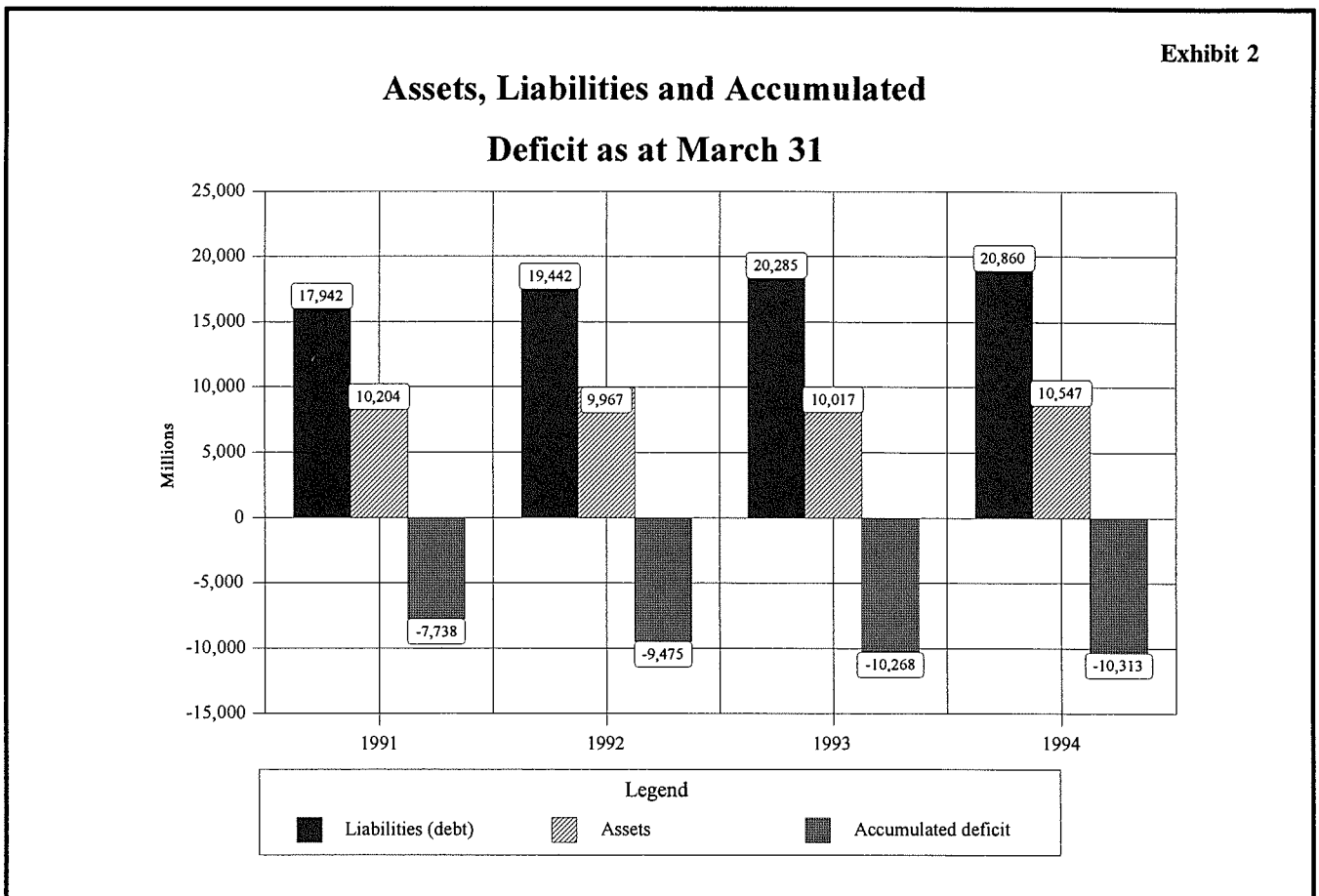
.20 There are two types of deficits -- an annual deficit and an accumulated deficit. The annual deficit shows the extent to which revenues raised during a year were not sufficient to meet expenditures of that year. The annual deficit for 1994 was \$45 million and is shown on Schedule 1 and Exhibit 1.

.21 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, 1994 was \$10.313 billion. Schedule 2 and Exhibit 2 shows the accumulated deficit.

## Chapter 2 Understanding the Finances of the Government

Assets, Liabilities and Accumulated Deficit				Schedule 2
As at March 31				
(in \$ millions)				
	1991 (unaudited)	1992	1993	1994
<b>Assets</b>				
General programs	\$ 3,647	\$ 3,057	\$ 2,867	\$ 2,877
User fee enterprises	<u>6,557</u>	<u>6,910</u>	<u>7,150</u>	<u>7,670</u>
Total assets	<u>10,204</u>	<u>9,967</u>	<u>10,017</u>	<u>10,547</u>
<b>Liabilities (debt) *</b>				
General programs	12,620	13,835	14,761	15,252
User fee enterprises	<u>5,322</u>	<u>5,607</u>	<u>5,524</u>	<u>5,608</u>
Total liabilities	<u>17,942</u>	<u>19,442</u>	<u>20,285</u>	<u>20,860</u>
<b>Accumulated deficit</b>	<u>\$ 7,738</u>	<u>\$ 9,475</u>	<u>\$ 10,268</u>	<u>\$ 10,313</u>

\* The Government also has \$1.176 billion in loan guarantees outstanding at March 31, 1994 (1993 - \$1.221 billion; 1992 - \$1.537 billion).





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## Chapter 2 Understanding the Finances of the Government

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### Cash Flows

.22 Schedule 3 shows how the Government's operating, investing and financing activities affect its cash flows and balances. This is the first year this information is included in our Report. We include two years of information, i.e., 1993 and 1994.

.23 Cash provided by operating activities shows the net effect of the Government's revenue, expenditure and other operating activities on its cash requirements. In general, when cash received from revenue is less than cash used for expenditure, the Government meets its cash requirements by borrowing or by using existing cash balances and temporary investments.

- In 1994, operating activities provided \$344 million of cash. In 1993, operating activities used \$134 million of cash.

.24 Cash provided by investing activities shows the net effect that purchasing and disposing of long-term investments and physical assets has on the cash requirements of the Government.

- In 1994, the Government used \$471 million of cash to carry out its investing activities. In 1993, the Government used \$463 million of cash to carry out its investing activities. Most of the investing activities relate to the acquisition of energy producing assets for user fee enterprises.

.25 Cash provided by financing activities shows the net effect of the Government's borrowings and debt repayments on its cash flows and balances.

- In 1994, the Government increased its borrowings by \$339 million. This borrowed money plus cash from operating activities was used to finance investing activities and to increase cash and temporary investments by \$212 million.
- In 1993, the Government increased its borrowings by \$500 million and decreased its cash and temporary investments by \$97 million. This money was used to finance investing and operating activities.

.26 During 1994, cash and temporary investments increased from \$395 million to \$607 million.

## Chapter 2 Understanding the Finances of the Government

	Schedule 3	
Cash Flow For the Year Ended March 31 (in \$ millions)	1993	1994
<b>Cash provided by (used in) operating activities</b>		
- General programs	\$ (735)	\$ (290)
- User fee enterprises	<u>601</u>	<u>634</u>
	<u>(134)</u>	<u>344</u>
<b>Cash provided by (used in) investing activities</b>		
- General programs	(24)	13
- User fee enterprises	<u>(439)</u>	<u>(484)</u>
	<u>(463)</u>	<u>(471)</u>
<b>Cash provided by (used in) financing activities</b>		
- General programs	700	463
- User fee enterprises	<u>(200)</u>	<u>(124)</u>
	<u>500</u>	<u>339</u>
<b>Net increase (decrease) in cash and temporary investments</b>	(97)	212
<b>Cash and temporary investments, beginning of year</b>	<u>492</u>	<u>395</u>
<b>Cash and temporary investments, end of year</b>	<u>\$ 395</u>	<u>\$ 607</u>

.27 Schedule 7 shows the Government's cash flows and balances in more detail.

### Incomplete Financial Plan

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

.29 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

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## Chapter 2 Understanding the Finances of the Government

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extent they expect to require money from, or expect to provide money to, the General Revenue Fund.

.30 The incomplete plan is apparent when comparing the revenue and expenditure of the Government, as set out in the 1994 Budget Estimates, to the actual results of the Government as a whole, as set out in this Chapter.

			Schedule 4
1994 (in \$ millions)			
	General Revenue Fund		Government as a Whole (Schedule 1)
	Budget Estimates	Actual Results	Actual Results
Revenue	\$ 4,632	\$ 4,680	\$ 8,447
Expenditure	<u>4,928</u>	<u>4,952</u>	<u>8,492</u>
Annual Deficit	<u>\$ 296</u>	<u>\$ 272</u>	<u>\$ 45</u>

.31 Chapter 3, **Planning Information**, describes the importance and the key elements of a business and financial plan.

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Interim Financial  
Reporting

.32 In the Fall of each year, the Government usually publishes a "mid-year financial report." The report provides a brief economic and financial update. In the financial update section, the report compares the budget estimates for the year with the forecast of actual results.

.33 We note the 1993-94 mid-year financial report does not provide an accounting of actual results and compare those results to planned results. We also note this report focuses on the general program activities financed through the General Revenue Fund. Accordingly, the report does not provide a financial update for the Government as a whole.

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## Chapter 2 Understanding the Finances of the Government

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.34 In March 1994, the Standing Committee on Public Accounts recommended to the Legislative Assembly that the interim financial reports issued by the Government show:

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

.35 We look forward to the Government providing this important information in its 1994-95 mid-year financial report.

.36 The following Tables show the finances of the Government in more detail.

## Chapter 2 Understanding the Finances of the Government

Schedule 5

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

	1991		1992	
	Revenue	Expenditure (unaudited)	Revenue	Expenditure
<b>General programs</b>				
Taxes	\$ 1,988		\$ 2,163	
Federal government transfers	1,547		1,302	
Natural resources	423		323	
Other	<u>741</u>		<u>698</u>	
	<u>4,699</u>		<u>4,486</u>	
Agriculture *		\$ 578		\$ 400
Education		970		871
Health		1,659		1,641
Natural resources and economic development		143		187
Protection of persons and property		180		195
Recreation and culture		150		137
Regional planning and development		265		239
Social services		373		400
Transportation		236		209
Interest costs		862		922
Other		<u>358</u>		<u>1,137</u>
		<u>5,774</u>		<u>6,338</u>
<b>User fee enterprises</b>				
Energy (SaskPower & SaskEnergy)	1,010	866	1,016	871
Insurance - Saskatchewan Crop Insurance Corporation *	319	316	871	1,020
Insurance - Other **	536	480	556	545
Telecommunications (SaskTel)	574	527	569	518
Other (SEDCO, Liquor Board and others)	<u>371</u>	<u>251</u>	<u>415</u>	<u>358</u>
	<u>2,810</u>	<u>2,440</u>	<u>3,427</u>	<u>3,312</u>
<b>Total revenue and expenditure</b>	<u>7,509</u>	<u>8,214</u>	<u>7,913</u>	<u>9,650</u>
<b>Annual deficit</b>		<u>705</u>		<u>1,737</u>
<b>Accumulated deficit, beginning of year, April 1</b>		<u>7,033</u>		<u>7,738</u>
<b>Accumulated deficit at March 31</b>		<u>\$ 7,738</u>		<u>\$ 9,475</u>

\* Agriculture expenditures include amounts paid to Saskatchewan Crop Insurance Corporation (\$175 million in 1993-94, \$297 million in 1992-93, \$245 million in 1991-92, \$120 million in 1990-91). 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 2 Understanding the Finances of the Government

**Schedule 5**  
(continued)

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

	1993		1994	
	Revenue	Expenditure	Revenue	Expenditure
<b>General programs</b>				
Taxes	\$ 2,304		\$ 2,550	
Federal government transfers	1,140		1,270	
Natural resources	393		449	
Other	<u>625</u>		<u>638</u>	
	<u>4,462</u>		<u>4,907</u>	
Agriculture *		\$ 481		\$ 344
Education		992		974
Health		1,614		1,553
Natural resources and economic development		154		165
Protection of persons and property		211		190
Recreation and culture		55		48
Regional planning and development		208		187
Social services		454		486
Transportation		171		181
Interest costs		1,084		1,076
Other		<u>323</u>		<u>347</u>
		<u>5,747</u>		<u>5,551</u>
<b>User fee enterprises</b>				
Energy (SaskPower & SaskEnergy)	1,066	908	1,164	1,015
Insurance - Saskatchewan Crop Insurance Corporation *	947	749	672	416
Insurance - Other **	574	586	625	618
Telecommunications (SaskTel)	629	549	630	544
Other (SEDCO, Liquor Board and others)	<u>403</u>	<u>335</u>	<u>449</u>	<u>348</u>
	<u>3,619</u>	<u>3,127</u>	<u>3,540</u>	<u>2,941</u>
<b>Total revenue and expenditure</b>	<u>8,081</u>	<u>8,874</u>	<u>8,447</u>	<u>8,492</u>
<b>Annual deficit</b>		<u>793</u>		<u>45</u>
<b>Accumulated deficit, beginning of year, April 1</b>		<u>9,475</u>		<u>10,268</u>
<b>Accumulated deficit at March 31</b>		<u>\$10,268</u>		<u>\$10,313</u>

\* Agriculture expenditures include amounts paid to Saskatchewan Crop Insurance Corporation (\$175 million in 1993-94, \$297 million in 1992-93, \$245 million in 1991-92, \$120 million in 1990-91). 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 2 Understanding the Finances of the Government

Schedule 6				
Assets and Liabilities (in more detail)				
As at March 31				
(in \$ millions)				
	1991		1992	
	Assets	Liabilities	Assets	Liabilities
	(unaudited)			
<b>General programs</b>				
Cash and temporary investments	\$ 1,047		\$ 303	
Other short-term financial assets	---		462	
Long-term financial assets	<u>2,600</u>		<u>2,292</u>	
	<u>3,647</u>		<u>3,057</u>	
Short-term liabilities		\$ 579		\$ 1,439
Long-term liabilities		9,318		9,452
Unfunded pension liabilities		<u>2,723</u>		<u>2,944</u>
		<u>12,620</u>		<u>13,835</u>
<b>User fee enterprises</b>				
Cash and temporary investments	982		212	
Other short-term financial assets	---		910	
Long-term financial assets	1,302		1,265	
Physical assets	<u>4,273</u>		<u>4,523</u>	
	<u>6,557</u>		<u>6,910</u>	
Bank indebtedness		---		23
Other short-term liabilities		1,875		1,856
Long-term liabilities		<u>3,447</u>		<u>3,728</u>
		<u>5,322</u>		<u>5,607</u>
<b>Total assets and liabilities</b>	<u>10,204</u>	<u>17,942</u>	<u>9,967</u>	<u>19,442</u>
<b>Accumulated deficit or amount owed by future taxpayers</b>		<u>\$ 7,738</u>		<u>\$ 9,475</u>
* At March 31, 1994:				
	<ul style="list-style-type: none"> <li>• General programs include assets receivable from user fee enterprises of approximately \$55 million and liabilities payable to user fee enterprises of approximately \$680 million; and</li> <li>• User fee enterprises include assets receivable from general programs of approximately \$680 million and liabilities payable to general programs of approximately \$55 million.</li> </ul>			

## Chapter 2 Understanding the Finances of the Government

Assets and Liabilities (in more detail) As at March 31 (in \$ millions)				Schedule 6 (continued)
	1993		1994	
	Assets	Liabilities	Assets	Liabilities
<b>General programs</b>				
Cash and temporary investments	\$ 244		\$ 430	
Other short-term financial assets	439		485	
Long-term financial assets	<u>2,184</u>		<u>1,962</u>	
	<u>2,867</u>		<u>2,877</u>	
Short-term liabilities		\$ 1,763		\$ 1,884
Long-term liabilities		9,971		10,264
Unfunded pension liabilities		<u>3,027</u>		<u>3,104</u>
		<u>14,761</u>		<u>15,252</u>
<b>User fee enterprises</b>				
Cash and temporary investments	157		188	
Other short-term financial assets	958		1,198	
Long-term financial assets	1,401		1,473	
Physical assets	<u>4,634</u>		<u>4,811</u>	
	<u>7,150</u>		<u>7,670</u>	
Bank indebtedness		6		11
Other short-term liabilities		1,778		2,037
Long-term liabilities		<u>3,740</u>		<u>3,560</u>
		<u>5,524</u>		<u>5,608</u>
<b>Total assets and liabilities</b>	<u>10,017</u>	<u>20,285</u>	<u>10,547</u>	<u>20,860</u>
<b>Accumulated deficit or amount owed by future taxpayers</b>		<u>\$10,268</u>		<u>\$10,313</u>
* At March 31, 1994:				
<ul style="list-style-type: none"> <li>• General programs include assets receivable from user fee enterprises of approximately \$55 million and liabilities payable to user fee enterprises of approximately \$680 million; and</li> <li>• User fee enterprises include assets receivable from general programs of approximately \$680 million and liabilities payable to general programs of approximately \$55 million.</li> </ul>				



## Chapter 2 Understanding the Finances of the Government

Schedule 7

Cash Flows  
For the Year Ended March 31  
(in \$ millions)

	1993			1994		
	General Programs	User Fee Enterprises	Total	General Programs	User Fee Enterprises	Total
<b>Operating Activities</b>						
Revenue	\$ 4,462	\$ 3,619	\$ 8,081	\$ 4,907	\$ 3,540	\$ 8,447
Expenditure	(5,747)	(3,127)	(8,874)	(5,551)	(2,941)	(8,492)
Surplus (deficit) for year	(1,285)	492	(793)	(644)	599	(45)
Add (deduct) non-cash items						
Consumption of physical assets*	---	275	275	---	301	301
Sinking Fund earnings	---	(61)	(61)	---	(43)	(43)
Other non-cash items	39	(2)	37	84	(23)	61
Net change in non-cash working capital	511	(103)	408	270	(200)	70
Cash provided by (used in) operating activities	(735)	601	(134)	(290)	634	344
<b>Investing Activities</b>						
Acquisition of long-term investments	(420)	(444)	(864)	(50)	(710)	(760)
Disposition of long-term investments	386	437	823	61	646	707
Acquisition of physical assets*	---	(384)	(384)	---	(464)	(464)
(Increase) decrease in other long-term financial assets	10	(48)	(38)	2	44	46
Cash provided by (used in) investing activities	(24)	(439)	(463)	13	(484)	(471)
<b>Financing Activities</b>						
Redemption of public debt	(1,522)	(887)	(2,409)	(507)	(634)	(1,141)
Proceeds from issuance of public debt	2,053	790	2,843	805	644	1,449
Increase (decrease) in equity advances	(98)	98	---	73	(73)	---
Capital restructuring of user fee enterprises	---	---	---	(191)	191	---
Dividend	267	(267)	---	283	(283)	---
(Decrease) increase in other long-term liabilities	---	66	66	---	31	31
Cash provided by (used in) financing activities	700	(200)	500	463	(124)	339
<b>Net increase (decrease) in cash and temporary investment</b>	(59)	(38)	(97)	186	26	212
<b>Cash and temporary investments, beginning of year</b>	303	189	492	244	151	395
<b>Cash and temporary investments, end of year</b>	\$ 244	\$ 151	\$ 395	\$ 430	\$ 177	\$ 607

\* The cost of physical assets acquired for general programs is recorded as an expenditure in the year those assets are acquired. This amounted to \$86 million in 1993-94 and \$104 million in 1992-93. The cost of physical assets acquired for user fee enterprises is recorded as an expenditure over the useful economic life of those assets.

# Chapter 3 Planning Information

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## Chapter 3 Planning Information

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### Introduction

**.01** Accountability is important for democratic government. To be accountable, governments everywhere need to give legislators and the public information that will guide decisions and help assess the results of government actions.

**.02** In Chapter 3 of my 1993 Annual Report, we urged the Government to present the Legislative Assembly with a complete financial plan and to use that plan to manage the Government as a whole. During 1994, we discussed business and financial plans and their key elements with officials of the Department of Finance and of the Crown Investments Corporation of Saskatchewan (CIC).

**.03** This Chapter further describes business and financial plans and sets out their key elements. We hope this Chapter will stimulate more discussion about, and improvement in, the planning information provided to the Legislative Assembly and the public.

### Current Situation

**.04** The Legislative Assembly is responsible for overseeing the affairs of the Government on behalf of the public. Currently, the Assembly requires the Government, by law, to provide several key accountability documents. These documents include summary financial statements, annual reports, and budget estimates (*Estimates*).

**.05** Each year, the Government publishes audited summary financial statements for the Government as a whole (see Chapter 2) and annual reports on the activities of individual departments and Crown agencies (see Chapter 4). These accountability documents contain primarily historical rather than future oriented information. For future oriented information, the Assembly and the Government historically have focussed on the *Estimates* which report on a single year's activities of a single government fund, i.e., the General Revenue Fund.

**.06** However, the Government carries out a significant proportion of its activities through other funds or Crown agencies. Over 40% of Government financial activity occurs outside of the General Revenue Fund (based on the Government's 1994 Summary Financial Statements). As a result, the financial planning information the Government provides to the Assembly is incomplete.

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## Chapter 3 Planning Information

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.07 Traditionally, the Government has not provided the Assembly with the revenue raising and spending plans of Crown agencies not directly funded by the General Revenue Fund. These Crown agencies typically include CIC Crown corporations like SaskPower and other Crown agencies like the Saskatchewan Liquor and Gaming Authority. The revenues and expenditures of Crown agencies are only included in the *Estimates* to the extent they expect to require money from or expect to provide money to the General Revenue Fund.

.08 There is no single document that helps legislators and the public understand the financial plan of the Government as a whole.

.09 The Government, however, is improving the planning information provided to the Assembly. For example, from time to time the Government releases planning information on key Government initiatives in vision documents (e.g., *A Saskatchewan Vision for Health; Partnership for Renewal; Agriculture 2000; The Environmental Agenda*). Annually, the Government publishes the *Throne Speech* and the *Budget Address* to present some of its goals and objectives.

.10 The Budget Papers accompany the *Budget Address*. In recent years, the Budget Papers have provided a multi-year economic forecast (three to five years) and detailed information on borrowing and debt for the Government as a whole. The Budget Papers also contain basic economic assumptions, the financial outlook, forecasts of future revenue and expenditure, and comparisons of Saskatchewan's taxes and charges (e.g. utility rates) to those of other provinces. The forecasts are based on historical patterns and actions planned or taken to change trends. The Budget Papers identify some of the financial goals of the Government. For example, both in 1993-94 and in 1994-95 the Budget Papers discussed the goal of a "Balanced Budget Plan" for the General Revenue Fund.

.11 In summary, the planning information now provided by the Government presents an incomplete and unclear picture. Only knowledgeable and determined readers can follow the pattern of what was planned, what happened, and what is planned for the future. A comprehensive business and financial plan, published together in summary form, would clarify the picture for legislators and the public.

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## Chapter 3 Planning Information

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### Definitions

**.12** A business plan outlines what will be done, how and when it will be done, and how it will be evaluated.

**.13** A financial plan outlines how resources will be managed to achieve the business plan. In 1988, the Auditor General of Canada recommended financial plans of governments include three years of historical data and at least two years of forecasted targets.

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### Improving Understanding of Government Activity

**.14** Each year, the Government determines how it will raise money through taxation, fees and borrowing. Each year, alternatives are considered and priorities explored for the allocation of this money to various Government activities. For example, choices may be made between raising money and reducing spending, or between spending in one area over others (e.g., education, health, energy or telecommunications).

**.15** The Government should more clearly communicate the choices it makes to the Legislative Assembly and the public for two main reasons:

- to promote sound decision-making, and
- to help assess government performance.

**.16** Summary planning information promotes sound decision-making. The Government's use of a public, complete, multi-year business and financial plan will:

- provide legislators with useful information about the plans of the Government as a whole;
- assist legislators and senior public employees in the prudent management of government resources and programs particularly when exploring alternatives and when setting priorities; and
- increase public understanding of the Government's planned actions.

**.17** Without summary planning information, it is difficult for the Legislative Assembly to scrutinize the Government's activities and assess its performance.

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## Chapter 3 Planning Information

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.18 Multi-year, summary planning information for the Government as a whole would:

- help legislators and the public assess the Government's decisions in the context of the impact on all parts of the Government, i.e., all departments and all Crown agencies;
- strengthen the Government's accountability to the public and to legislators, allowing them to make judgements about the effectiveness of strategies used to achieve the established goals of the Government as a whole; and
- assist legislators and the public to assess the performance of the Government through comparison of the results (Summary Financial Statements) to the financial plan for the Government as a whole.

.19 The Assembly needs to ensure it receives the necessary information from the Government to fulfil its oversight responsibility on behalf of the public.

### We Recommend

**.20 The Legislative Assembly should ask the Government to publish multi-year, government-wide summary planning information.**

.21 Summarized planning information in a government-wide business and financial plan would create an environment of open and clear communication. Public understanding of government activities would improve. Open and clear communication is fundamental for public confidence in government.

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### Current Planning in Organizations

.22 Many departments and Crown agencies use business and financial plans to manage their operations. However, these plans are seldom accessible to legislators or to the public.

.23 Departments and Crown agencies recognize business and financial plans as key management tools. They use them as a guide for achieving a successful future for their organizations. Business and financial plans help management implement their long-term strategy, determine their priorities, design their programs and services, and evaluate their performance in achieving their goals.

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## Chapter 3 Planning Information

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.24 Departments and Crown agencies should publish multi-year, summary business and financial planning information. Several organizations now include some planning information in their annual reports or vision documents.

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### Key Elements of Public Business and Financial Plans

.25 We researched the key elements of business and financial plans of governments and private sector corporations. Business and financial plans generally answer five critical questions.

What is the organization doing?

Where does the organization want to go?

How does the organization want to proceed?

How will the organization know it has been successful?

How will the organization finance its plan?

.26 In our view, these questions are relevant to government planning information for both the Government as a whole and individual government organizations.

.27 The following sets out the key elements of business and financial plans. We have not assessed the adequacy of the Government's planning information for the Government as a whole or for individual organizations against these key elements. Rather, we provide these elements to enhance the legislators' and the public's understanding of business and financial plans.

What is the Government doing?

.28 As a minimum, plans describe:

- Mission, mandate and legislative authority

What is the role of Government in our Province?  
Is legislation changing? What external factors  
influence the role of Government?

- Profile

What is unique about Saskatchewan? What  
information needs to be shared to allow legislators  
and the public to view our Province in context with  
other provinces and historically?

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## Chapter 3 Planning Information

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Where does the Government want to go?

.29 As a minimum, plans describe:

- Vision, values and principles

What are the broad policy directions the Government is taking? What kind of Province does the Government plan to create?

- Goals, objectives and priorities

What is the Government trying to achieve? What specific objectives or targets have been set and which choices are priorities?

How does the Government want to proceed?

.30 As a minimum, plans describe:

- Actions planned over at least two years

How will the goals and objectives be accomplished and by whom? What milestones should legislators and the public watch for and what time frames should they expect?

- Implications of plan

How will the plan influence future choices? Are the costs justifiable? Does the plan require major changes in organizational structure or the provincial infrastructure?



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## Chapter 3 Planning Information

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How will the Government know it has been successful?

.31 As a minimum, plans include:

- Performance measurements

How can success be measured? What performance indicators will alert legislators and the public that policies have been effective? Can the desired results be achieved efficiently?

- Key economic indicators and assumptions

What economic assumptions are made, e.g., inflation and interest rates? What economic consequences are expected? What unintended consequences are at risk if economic assumptions are incorrect? What are the key contingency plans?

How will the Government finance its plan?

.32 As a minimum, plans describe:

- Actual revenue and expenditures for previous two years; forecast for current year; and estimates for two future years.

What will the plan cost relative to current spending? Does the plan have implications for future spending?

- Financial activities or changes necessary to accommodate the plan

What choices are made? What reductions in other spending is needed to fund the plan? Does the plan change the need for taxes, fees, or borrowing?

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Public Discussion  
Needed

.33 The planning information the Government provides to the Assembly and the public is changing.

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## Chapter 3 Planning Information

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**.34** When providing summary planning information to the Assembly and the public, several questions require consideration. These include:

- Can business plans be made public without limiting the flexibility of Government to respond in a timely way to a changing world? Will legislators and the public accept the need to make changes to published plans?
- How much and what information should governments make public? How much information should a publicly owned Crown agency be expected to disclose?
- To what extent would published planning information influence the processes the legislature and the Government use?
- What benefits can we expect in exchange for the time and effort needed to produce summary planning information? Who benefits?

**.35** In April 1994, the Standing Committee on Crown Corporations noted the importance of planning information. In their Fourth Report (1994), the Committee asked for an overview of the plans of Crown corporations. They specifically asked for CIC's mandate, goals, objectives, performance indicators and relevant financial information.

**.36** The Standing Committee on Public Accounts discussed the importance of planning information on various occasions. On April 26, 1994, the Chair reminded the Assembly of the Committee's request for a report on the implications and issues related to the preparation of a multi-year financial plan for the Government as a whole. We view the proposals in this Chapter as a necessary first step in fulfilling the request of the Committee. We continue to discuss these proposals with CIC and the Department of Finance.

**.37** We recognize the need for discussions among legislators and the public on this matter. We hope this Chapter will contribute to improving public planning information.

# Chapter 4

## Annual Reports of Crown Agencies

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## Chapter 4

### Annual Reports of Crown Agencies

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#### Introduction

**.01** Annual reports of government organizations are key accountability documents. Legislators and the public use information in annual reports to understand and assess the performance of the Government. Accordingly, it is important annual reports contain useful information.

**.02** In our 1992 Annual Report, we reported on the adequacy of information contained in annual reports of government departments. In our 1993 Annual Report, we reported on actions taken by the Government and the Standing Committee on Public Accounts in response to our 1992 audit.

**.03** Also in our 1992 Annual Report, we stated our plan to examine the adequacy of information contained in annual reports prepared by Crown agencies. This Chapter contains our findings and conclusions.

#### Audit Purpose

**.04** The purpose of our audit was to determine whether annual reports of Crown agencies provide Members of the Legislative Assembly (MLAs) and the public with the information they need to assess a Crown agency's performance.

**.05** Our audit examined the reporting requirements and practices of Crown agencies existing at March 31, 1993, except those affected by *The Health Districts Act*. Appendix II of this Report lists all Crown agencies. We examined the most recent annual reports available from either the 1991-92 or the 1992-93 fiscal years of 17 Crown agencies.

**.06** We performed our examination in accordance with recommendations of The Canadian Institute of Chartered Accountants for the public sector and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

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#### Overall Conclusion

**.07** Crown agencies need to improve their annual reports. Current government guidance does not adequately outline the general purpose and content of annual reports of Crown agencies.

**.08** Most reports we examined do not provide MLAs and the public with information they need to assess the performance of Crown agencies. Also, the law does not require nearly 20% of all

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## Chapter 4 Annual Reports of Crown Agencies

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Crown agencies to give the Assembly either an annual report or financial statements. Over half of these Crown agencies are created under *The Business Corporations Act (Saskatchewan)*.

**.09** Current laws outline reasonable time frames to prepare annual reports. Current laws also provide adequate guidelines to ensure annual reports of the Crown Investments Corporation of Saskatchewan (CIC) and Crown agencies reporting to CIC are available to MLAs and the public when the Assembly is not in session. However, similar laws do not exist for the release of annual reports of Crown agencies reporting to Treasury Board (Treasury Board Crown agencies).

**.10** The Assembly does not refer more than 65% of annual reports prepared by Crown agencies to a Standing Committee for review. On March 29, 1994, the Standing Committee on Public Accounts (PAC) recommended all annual reports of government Departments and Treasury Board Crown agencies be referred to PAC to assist its review. We support PAC's recommendation. The adoption of this recommendation will improve the ability of the Assembly to hold the Government accountable.

### We Recommend

**.11** The Government should propose changes to the law to ensure timely public release of annual reports of all Crown agencies.

**.12** The Government should develop and issue annual report guidelines to ensure annual reports are more useful accountability documents. Guidelines should ensure annual reports describe: what the Crown agency is all about; what the Crown agency has done; where the Crown agency is now; and what the Crown agency plans to do.

**.13** The Assembly should refer all Crown agencies' annual reports to a Standing Committee of the Assembly to help legislators review the performance of Crown agencies.

**.14** We asked the Government to comment on our recommendations. Paragraph .62 contains that response.

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### Purpose of Annual Reports

**.15** Crown agencies operate many different and complex businesses. MLAs and the public need information on Crown agencies: to understand their operations; to assess their future operating, financing, and investing needs; to assess the impact of

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## Chapter 4 Annual Reports of Crown Agencies

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their needs on the Province as a whole; and to make meaningful comparisons with others in the same industry. The information needs of MLAs and the public have expanded beyond traditional financial statements. To meet these expanded needs, Crown agencies should communicate timely, reliable, and relevant information in an annual report. Each report should meet the information needs of MLAs, the public, and special interest groups and should reflect the messages management needs to convey.

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### What Information Should be Contained in Annual Reports

**.16** When preparing annual reports, a challenging task faced by Crown agency management is determining and balancing the different information needs of readers. A balance must be struck among the needs of MLAs, the public, and various special interest groups.

**.17** First, we began an assessment of the needs of the readers of annual reports by updating the detailed criteria developed in our 1992 audit of annual reports of government departments. We consulted with ministers and presidents of Crown agencies, Crown agency officials, central agency officials responsible for issuing guidance on annual reports, and our colleagues in other legislative audit offices in Canada.

**.18** Next, we provided our proposed criteria or bench marks to Crown agency officials and to central agency officials. They reviewed the criteria and suggested improvements. Using their suggestions, we changed the criteria, when necessary.

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## Chapter 4 Annual Reports of Crown Agencies

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Criteria We Used	.19	<p>Our general criteria are:</p> <ol style="list-style-type: none"><li>1. Legislation and government policies should provide Crown agencies with adequate guidance on the purpose, form, content, and timing of annual reports.</li><li>2. Annual reports should provide useful information on a timely basis. Annual reports should describe:<ul style="list-style-type: none"><li>• What the Crown agency is all about;</li><li>• What the Crown agency has done;</li><li>• Where the Crown agency is now; and</li><li>• What the Crown agency plans to do.</li></ul></li></ol> <p>For annual reports to be useful, consideration must be given to:</p> <ul style="list-style-type: none"><li>• How effectively the information is communicated; and</li><li>• When the information is available.</li></ul> <ol style="list-style-type: none"><li>3. Annual reports should be referred to a Standing Committee of the Legislative Assembly for review when tabled.</li></ol>
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### Audit Findings and Results

#### What We Did

- .20 We did the following audit procedures.
- We interviewed key government officials of various Crown agencies and central agencies;
  - We reviewed legislation governing Crown agencies existing at March 31, 1993, including legislation enacted after March 31, 1993, e.g., *The Financial Administration Act, 1993*, *The Crown Corporations Act, 1993*;
  - We analyzed the most current annual report available for 17 Crown agencies. We selected 16 agencies randomly and included 1 agency that asked to participate; and

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## Chapter 4 Annual Reports of Crown Agencies

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- We reviewed and analyzed government manuals and directives, legislative handbooks and manuals, minutes and verbatim reports of various Standing Committees of the Assembly, and the debates and proceedings of the Assembly.

.21 We provided each Crown agency we examined with a detailed assessment of its annual report. We discussed our assessment with officials of each agency. We encourage agencies to view our assessments as an opportunity to evaluate the strengths and weaknesses of their reports and to improve their future reports.

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.22 The following is a summary of our findings for each criterion.

Criterion 1	<b>Legislation and Government policies should provide Crown agencies with adequate guidance on the purpose, form, content, and timing of annual reports.</b>
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What We Looked For

.23 We examined legislation and government policies to determine if they clearly set out the general purpose, content, and timing of annual reports.

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What We Found

**.24 Legislative requirements for providing accountability reports are incomplete.** The law does not require all Crown agencies to give annual reports to the Assembly.

.25 We reviewed legislation governing approximately 110 Crown agencies. The law requires: nearly 60% of all Crown agencies to give both an annual report and financial statements to the Assembly, almost 20% of all Crown agencies to give financial statements only, and a few Crown agencies to give an annual report only. As a result, the law does not require more than 20% of all Crown agencies to give either an annual report or financial statements to the Assembly.

.26 54% of the Crown agencies not required to table an annual report or financial statements are created under *The Business Corporations Act (Saskatchewan)*; 22% are created under *The Agri-Food Act*; 10% are created as pension plans for subsidiary Crown corporations; and 14% are created under various other Acts. A



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## Chapter 4 Annual Reports of Crown Agencies

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few of these Crown agencies give an annual report to the Assembly without being required to by law.

.27 On March 17, 1993, the PAC recommended " . . . *all government corporations table annual financial statements in the Assembly, including those where the Crown owns less than 100 per cent of the issued share capital.*" The Assembly concurred with this recommendation. The Government's response to this report on October 27, 1993 states "*the Government provides full, appropriate disclosure of its investments through tabling financial statements of Crowns and other government organizations that hold the investments.*" It appears the Government does not plan to require all government corporations to table annual reports.

**.28 Crown agencies need clearer guidance on the general purpose and content of annual reports.** Some Crown agencies do not have such guidance. Current guidance should be broadened to address all the information needs of MLAs and the public.

.29 When the law requires an annual report and financial statements, it provides broad guidance on the general purpose and content of those reports. Most laws require the Crown agency to "*report upon its business or activities for its preceding fiscal year*" annually. Most laws also require Crown agencies to provide financial statements showing their business for the preceding fiscal year in a form required by Treasury Board. The Provincial Comptroller or CIC annually reviews and approves the format of financial statements for Treasury Board.

.30 The Government provides brief and general guidelines on annual reports to Treasury Board Crown agencies. The guidelines define the structure, visual format and, to a limited extent, the content of annual reports. Although the guidelines are useful, they do not address fully the information needed by MLAs and the public to assess the performance of Crown agencies.

.31 Also, the Government's current guidelines do not apply to agencies that report to CIC. CIC does not provide guidelines.

**.32 Crown agencies have adequate guidance on when to prepare and issue annual reports when the Assembly is in session.** However, when the Assembly is not in session, Treasury Board agencies need additional guidance to ensure reports are available to MLAs and the public within a reasonable time.

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## Chapter 4 Annual Reports of Crown Agencies

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.33 Usually, the law directs Crown agencies to provide their annual report to a Minister within 90 days after the fiscal year end. The law also requires the Minister or representative to submit the report to the Assembly within 15 sitting days after receiving the report. When the Assembly is in session, this results in a timely release of annual reports to MLAs and the public.

.34 The law rarely provides guidance for releasing the reports when the Assembly is not in session. On March 29, 1994, the PAC recommended the Assembly change the law to release publicly information when the Assembly is not in session. The Assembly concurred with this recommendation. Also, when the Assembly is not in session, Section 35 of *The Crown Corporations Act, 1993*, provides for the timely public release of annual reports of CIC and agencies reporting to CIC.

Criterion 2	Annual reports should provide useful information on a timely basis.
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What We Looked For

.35 For the annual reports of 17 Crown agencies, we examined how their annual reports describe:

- what the Crown agency is all about;
- what the Crown agency has done;
- where the Crown agency is now; and
- what the Crown agency plans to do.

And for those 17 Crown agencies, we also looked at:

- how effectively the information in their annual reports is communicated; and
- when their annual reports are available to MLAs and the public.

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What We Found

.36 **Descriptions of what the Crown agency is all about are incomplete.** Most annual reports should better describe the agency's annual goals and its financial and operating objectives. MLAs and the public need such information to help them understand the Crown agency's operating, investing and financing

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## Chapter 4 Annual Reports of Crown Agencies

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activities.

.37 Annual reports of most Crown agencies provide an adequate overview of the agency. Typically, reports include a concise description of the agency's business and identify the agency's significant legislation. However, less than 55% of these reports describe the agency's broad objectives or measures of success. And, these reports rarely provide annual goals or financial and operating objectives established by the agency to accomplish its broad objectives.

.38 Most reports adequately describe the agency's lines of business and major programs. But, usually, their related goals are not clear so the reader can not assess whether the agency has met these goals.

.39 All reports identify most of the Crown agency's assets (e.g., infrastructure, employees, and information) that are critical to the success of its operations. Most reports partially show how the agency safeguards these assets from loss that could threaten its operations.

.40 Almost 65% of these reports partially describe the working environment within their agency such as human resource strategies, recruiting, and staff development.

.41 Most reports include "management's statement of responsibility" in a management report. The management report briefly explains in one place, the roles of the auditors and audit committee (if any). Also, it states that management prepares and takes responsibility for the financial information contained in the report and presented for Treasury Board format approval. The president or chief financial officer of the agency usually signs this report.

.42 **Descriptions of what the Crown agency has done are incomplete.** Annual reports should provide better information on why activities and programs exist and on what the Crown agency accomplished.

.43 Almost 50% of the reports clearly describe the major activities undertaken in the year. Other reports provide a partial description of these activities. Since annual goals are not provided, the reports rarely show what the agency accomplished.

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## Chapter 4 Annual Reports of Crown Agencies

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Therefore, it is difficult to assess what the agency achieved and to assess if management is effective.

**.44 Descriptions of where the Crown agency is now are adequate.** Financial information on actual performance is sufficient. However, reports do not compare actual financial results to planned results.

**.45** All reports include audited financial statements. Over 50% of the reports provide financial highlights and some analysis of financial information beyond the audited financial statements.

**.46** Some Crown agencies receive all or a portion of their funding directly from the General Revenue Fund. The annual reports of these Crown agencies present financial information that can be compared to the Saskatchewan Estimates and Public Accounts.

**.47** Most reports provide adequate actual financial information by segment of operations or line of business. However, most reports provide limited productivity information. This information could include physical output by principal lines of businesses, average capacity used compared to normal industrial practice, or ratio analysis on productivity or efficiency measures used for the Crown agency's industry.

**.48 Descriptions of what the Crown agency plans to do are too general.** Descriptions provide readers with the general direction the Crown agency is planning to undertake.

**.49** Most agencies briefly discuss plans, future events that affect them, and significant work in progress in their reports. However, such discussions are usually general.

**.50 Communication of information included in the report is effective.** Good communication helps the reader understand the information presented.

**.51** Most Crown agencies present information in annual reports in an attractive and professional manner. However, the level of detail and terminology used in the reports varies greatly from agency to agency. Although the language used in most reports is clear and understandable, the language is for readers with at least a post-secondary level of education. In a few cases, reports do not

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## Chapter 4 Annual Reports of Crown Agencies

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define technical terms and acronyms. In a few cases, reports include a glossary of technical terms.

**.52** Most Crown agencies adequately structure information in their annual reports. A few reports use visual aids, e.g., graphs and tables, to help readers understand information.

**.53** Most Crown agencies promptly prepare their annual reports. Over 60% of the agencies provided their reports to their Minister within 90 days.

**.54** Usually, the Minister tables the report within 15 sitting days of the start of the session. The Assembly then releases the report to MLAs and the public. When the Assembly is not in session, the Minister can not table the report. As a result, when the Assembly is not in session, MLAs and the public do not receive timely reports.

**.55** Effective January 1, 1994, when the Assembly is not in session, *The Crown Corporations Act, 1993*, provides for the timely public release of annual reports of CIC and agencies reporting to CIC.

Criterion 3	<b>Annual reports should be referred to a Standing Committee of the Legislative Assembly for review when tabled.</b>
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What We Looked For

**.56** We examined whether the Assembly refers annual reports of Crown agencies to a Standing Committee of the Legislative Assembly for review. For annual reports referred, we determined if Committees used them to review the performance of Crown agencies.

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What We Found

**.57** The Assembly does not refer most reports to a Standing Committee for review. As a result, the Assembly does not have a formal process to use the information contained in most annual reports when reviewing the performance of Crown agencies.

**.58** Each session, the Assembly directs that "*the annual reports and financial statements of the various Crown corporations and related agencies be referred as tabled to the Standing Committee on Crown Corporations*" (CCC). The CCC interprets this motion to include CIC and its subsidiary Crown agencies, all agencies created under *The Crown Corporations Act, 1978*, and

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## Chapter 4 Annual Reports of Crown Agencies

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approximately ten other Treasury Board Crown agencies. These Crown agencies account for approximately 30% of all Crown agencies. The CCC reviews these annual reports to assess the Crown agencies' operations, and reports the completion of their review to the Assembly.

.59 In the spring of 1994, the CCC reviewed its terms of reference and operating procedures. On April 21, 1994, the CCC agreed to review, as a priority, those Crowns that obtain significant resources or revenue outside the General Revenue Fund. According to the CCC, these agencies include CIC, Crown agencies reporting directly to CIC, Saskatchewan Crop Insurance Corporation, Saskatchewan Liquor and Gaming Authority, and the Workers' Compensation Board.

.60 On March 29, 1994, the Standing Committee on Public Accounts recommended to the Assembly: "*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 of the Report of the Provincial Auditor.*" The Assembly concurred with this recommendation. These Crown agencies account for approximately 53% of all Crown agencies.

.61 If the Assembly adopts PAC's recommendation, all annual reports currently submitted to the Assembly would be referred to a Standing Committee.

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### Government's Response

.62 We asked the Government to comment on our Recommendations and the findings contained in this chapter. Their comments are as follows.

*The Government of Saskatchewan is committed to having its annual reports and other documents provide the public with useful and timely information to assess the Government's operations.*

*The Government supports the Provincial Auditor's view on the importance of annual reports and recognizes that there are a number of ways to achieve the common objective of better accountability.*

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## Chapter 4 Annual Reports of Crown Agencies

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*Recently, the Government issued annual report guidelines to standardize and improve the information reported by departments and the Government supports the development of similar guidelines for Treasury Board Crown agencies. The Government has also made recent changes to The Crown Corporations Act and The Financial Administration Act to improve timeliness of Crown corporation and Government reporting. The Government will continue to work towards improving information timeliness.*

*The Legislature's Standing Committees on Public Accounts and Crown Corporations play a valuable function through their review of Government and Crown activities. Annual reports are an important tool for the Committees to review these activities. Once annual reports are provided to the Legislature, they are available to the Committees and the public.*

*The Government recognizes its responsibility to provide appropriate information for the public to assess Government management of resources and continues to work towards improving Government accountability.*

# Chapter 5 Working With Other Auditors

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## Chapter 5

### Working With Other Auditors

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#### Introduction

**.01** In previous Reports to the Legislative Assembly, I expressed concern with the effectiveness of the audit system. My concern focused on the ability of my Office to carry out our responsibilities when the Government appoints another auditor. When this happens, I stated, the Assembly does not receive our views in a timely manner, and I cannot assure the Assembly all key issues are brought to its attention because my Office does not participate directly in the audit.

**.02** In 1993, the Standing Committee on Public Accounts discussed my concerns. The Committee recommended to the Assembly and the Assembly concurred "that the Government 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."

**.03** Following this recommendation and after much discussion with many officials, I decided to ask the President of the Crown Investments Corporation of Saskatchewan (CIC) to co-sponsor, with my Office, a task force to examine how the existing audit system for CIC Crown corporations could be made more effective. He agreed.

#### Task Force Created

**.04** From October, 1993, to January, 1994, the President of CIC and I sought and gained support for a task force from the Standing Committee on Public Accounts, from the Standing Committee on Crown Corporations, and from the Audit Committee created under *The Provincial Auditor Act*.

**.05** We then sought members for the task force from several key stakeholder groups. Those groups are CIC, CIC Subsidiary Crown corporations, Appointed Auditors and my Office. In addition, a chair and secretary were needed. After consultation with key stakeholder groups, the following individuals were asked to participate and agreed:

- Richard Hornowski, MBA, of CIC, represented CIC;
- Greg Mrazek, CA, of SaskEnergy, represented CIC Subsidiary Crown Corporations;

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## Chapter 5 Working With Other Auditors

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- Bob Bundon, FCA, of Deloitte & Touche, represented appointed auditors; and
- Brian Atkinson, CA, of my Office, represented my Office.

**.06** George Baxter, PhD, FCA, agreed to chair the Task Force. Dr. Baxter is a professor of accounting at the University of Saskatchewan. Judy Ferguson, CA, agreed to serve as the secretariat to the Task Force. Ms. Ferguson works with my Office.

**.07** In February, 1994, the Task Force was formed and provided terms of reference. The Task Force was asked to reach a consensus on and recommend how the existing audit system could work more effectively. The Task Force was also asked to function in a manner consistent with the publication, Building Consensus for a Sustainable Future - Guiding Principles, prepared by Canadian Round Tables, August, 1993.

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Task Force  
Conclusions and  
Recommendations are  
Useful and will be  
Implemented

**.08** During March through June, 1994, the Task Force held 16 days of meetings and met with many individuals and groups. On June 30, 1994, the Task Force released its report. Its conclusions and recommendations are set out at the end of this Chapter.

**.09** The President of CIC and I support the Task Force's conclusions and recommendations and are implementing them.

**.10** In my view, the Task Force's report provides a useful framework for strengthening our audit system. The framework envisions an audit system in which government managers, appointed auditors and my Office work together more closely in establishing audit plans, resolving key issues, and agreeing on reports.

**.11** My Office will join appointed auditors at key meetings with Crown corporation managers and audit committees. Appointed auditors will join my Office at meetings of the Standing Committees on Crown Corporations and Public Accounts.

**.12** When the framework is implemented, the Assembly will receive the views of my Office in a more timely manner, and I will be better able to assure the Assembly key issues are brought to its attention. As a result, the Assembly and the public will be

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## Chapter 5 Working With Other Auditors

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better served. In addition, the roles, responsibilities and duties of participants in the audit system will be better understood.

.13 Since the Report was released, much effort has taken place to ensure the framework is implemented. CIC is advising its subsidiary Crown corporations and appointed auditors to work within the framework. My Office has developed an implementation approach and has discussed the approach with appointed auditors. Initial audit planning meetings with managers and audit committees of Crown corporations are taking place.

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### Ongoing Evaluation and Implementation

.14 The Task Force recommends CIC and my Office jointly evaluate the implementation of the framework in each of the next two years, and communicate the results of each evaluation to key constituents. I plan to ensure this is done. My Office has prepared, and circulated for comment, a proposed evaluation questionnaire. The questionnaire will serve as a basis for the evaluations that will be included in my future Reports.

.15 Although the framework of recommendations focuses on the audit system for CIC Crown corporations, e.g., SaskPower, SaskEnergy and SaskTel, the Task Force also suggested its framework could apply to other government organizations which employ appointed auditors. I agree. I am asking government officials to support implementing the framework in all circumstances where the Government chooses to employ an appointed auditor. So far, this broader implementation is moving forward reasonably well.

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### Appreciation

.16 I thank the Task Force members, chair and secretariat for their considerable effort and for a job well done. The Task Force has provided the opportunity for a much needed new beginning for, and a strengthening of, our audit system. A strong audit system is an essential ingredient to public confidence in government.

### Task Force Conclusions and Recommendations

#### 1. Saskatchewan's Audit System Environment

The Task Force concludes that:

- the Legislative Assembly has created one overall auditor, the Provincial Auditor, to audit the accounts of the Government of Saskatchewan; and
- Appointed Auditors are not agents of the Provincial Auditor.

As a basis for its following recommendations, the Task Force concludes that:

- "public money" includes moneys managed or administered by CIC and its Subsidiary Crown Corporations;
- "the accounts of the Government of Saskatchewan" include the accounts of CIC and its Subsidiary Crown Corporations; and
- the duties and responsibilities of the Provincial Auditor, as defined in *The Provincial Auditor Act*, apply to the audits of commercial Crown corporations, (i.e., CIC Subsidiary Crown Corporations) either directly or through reliance on Appointed Auditors.

#### 2. Professional Relationships

Based on the appointment process and the resulting professional relationships, the Task Force concludes that:

- the Provincial Auditor's client is the Assembly;
- because Appointed Auditors of CIC Subsidiary Crown Corporations must serve and interact with many stakeholder groups, a conventional auditor-client relationship can not be defined for Appointed Auditors.

Instead, the Task Force chose to define the Appointed Auditors' professional relationships as follows:

- the Appointed Auditors' appointment authority is the Crown Investments Corporation of Saskatchewan;
- the Appointed Auditors address their reports to the Legislative Assembly;
- the Appointed Auditors communicate and work cooperatively with other Stakeholder groups (i.e., CIC, CIC Subsidiary Crown Corporation's Board and Audit Committee, the Standing Committees of the Legislative Assembly on Public Accounts and on Crown Corporations); and
- the Appointed Auditors and the Provincial Auditor maintain good working relationships to enable the Provincial Auditor to fulfil his responsibilities.
- auditors must maintain and follow clear conflict of interest guidelines which reflect the complexity of the interrelationships within Government to preserve their independence on audit engagements.

#### 3. Reliance by the Provincial Auditor

The Task Force recommends the Provincial Auditor rely on the work and reports of the Appointed Auditors.

The Task Force recommends that to enable the Provincial Auditor to rely on the work and reports of Appointed Auditors and to ensure an effective audit system, procedures for reliance encompass the following:



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Appointed Auditors are charged with statutory responsibilities under *The Provincial Auditor Act*.

To enable the Provincial Auditor to rely on the reports of Appointed Auditors and to discharge his responsibilities under *The Provincial Auditor Act*, the Provincial Auditor communicate the following, in writing, to the Appointed Auditors upon notice of their appointments and at least annually thereafter:

- The Provincial Auditor's intention to rely on the work and reports of the Appointed Auditors to assist the Provincial Auditor in discharging his statutory responsibilities related to CIC Subsidiary Crown Corporations audited by the Appointed Auditors.
- The Provincial Auditor's reliance requirements. These requirements would include requesting the Appointed Auditors to provide him with:
  - their audit plans;
  - audit opinions on the reliability of the CIC Subsidiary Crown Corporation's financial statements; the Corporation's compliance with legislative authorities; and the adequacy of the Corporation's management systems and practices related to financial reporting, compliance with authorities and safeguarding of assets;
  - an opportunity to review their audit working papers;
  - a representation indicating that the Appointed Auditors have no involvement or relationships with the Government of Saskatchewan, CIC, and/or its Subsidiary Crown Corporations that would impair their objectivity and that the Provincial Auditor can rely on their work and reports; and
  - their reports (i.e., Section 12 report) to be compiled in the Provincial Auditor's Report to the Assembly.
- The Provincial Auditor's request that Appointed Auditors advise him of any significant issues when these issues arise during the audits.

#### 4. Audit Objective and Scope

The Task Force recommends that:

- the Appointed Auditor's audit plan recognize the dual audit objectives of examining and reporting on the reliability of the CIC Subsidiary Crown Corporation's financial statements and on other matters required by *The Provincial Auditor Act*;
- the Appointed Auditor and the Provincial Auditor agree on the audit's objectives and scope;
- the audit plan set out how the Appointed Auditor and the Provincial Auditor will work together to complete the audit within the time frame designated by CIC, the management of the its Subsidiary Crown Corporation, and the Provincial Auditor;
- the Appointed Auditor and the Provincial Auditor discuss the audit plan with the CIC Subsidiary Crown Corporation's management. The Appointed Auditor will take the lead role at these meetings with the Provincial Auditor's support; and
- the Appointed Auditor, the Provincial Auditor, and the CIC Subsidiary Crown Corporation's management discuss the audit plan with the CIC Subsidiary Crown Corporation's Audit Committee. The Appointed Auditor will take the lead role at this meeting with the Provincial Auditor's support.

#### 5. Communication and Cooperation

Because maintaining knowledge of both the individual Corporation and the Government environment is essential, the Task Force recommends that:



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- Appointed Auditors assist the Provincial Auditor in maintaining an appropriate level of knowledge of CIC Subsidiary Crown Corporations' business to enable the Provincial Auditor to fulfil his responsibilities; and
- the Provincial Auditor assist Appointed Auditors in maintaining an appropriate level of knowledge of the operations of the Government of Saskatchewan.

### 6. Audit Examination

To maintain ongoing communications through frequent audit updates and to resolve issues in a timely manner, the Task Force recommends that:

- the Appointed Auditor keep the Provincial Auditor informed of the audit progress and key issues;
- the Appointed Auditor, Provincial Auditor and management of the CIC Subsidiary Crown Corporation meet to discuss and resolve key issues as they arise. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and
- the Provincial Auditor complete his review of the Appointed Auditor's audit work before CIC's and its Subsidiary Crown Corporation's annual financial statements are approved.

### 7. Audit Report on the Financial Statements

To ensure the Provincial Auditor has sufficient time to comment on the Appointed Auditor's report prior to its public release, the Task Force recommends that:

- upon completion of the audit but prior to the Appointed Auditor finalizing the audit report on the reliability of the financial statements, the Appointed Auditor and the Provincial Auditor discuss the audit findings and agree on the contents of the audit report;
- upon finalizing the audit report on the reliability of the CIC Subsidiary Crown Corporation's financial statements, the Appointed Auditor and the Provincial Auditor discuss the audit report with the Corporation's management. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and
- the Appointed Auditor and the Provincial Auditor, then, discuss the audit report with the Corporation's audit committee. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support.

To ensure the Assembly is informed of the Provincial Auditor's participation in the audits of CIC Subsidiary Crown Corporations, the Task Force recommends that:

- the Provincial Auditor provide to the Assembly a report listing those CIC Subsidiary Corporations in whose audits he participated; and
- the Provincial Auditor provide the above report in the same time frame as the tabling of those Subsidiary Crown Corporations' annual reports in the Assembly.

To ensure the Appointed Auditor and management of the CIC Subsidiary Crown Corporation are aware of the Provincial Auditor's intentions, the Task Force recommends that when the Provincial Auditor does not intend to participate in the audit of a CIC Subsidiary Crown Corporation, the Provincial Auditor advise the Appointed Auditor and the management of the CIC Subsidiary Crown Corporation that he will not be participating in the audit.

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## Chapter 5 Working With Other Auditors

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### 8. Section 12 Report

To ensure the Assembly receives consistent information from the Provincial Auditor and the Appointed Auditor, the Task Force recommends that upon completing the audit examination of a CIC Subsidiary Crown Corporation and prior to finalizing reportable matters, the Appointed Auditor and the Provincial Auditor discuss the audit findings and agree on the contents of the Appointed Auditor's Section 12 report.

To ensure the Members of the Assembly and the public are aware of the Provincial Auditor's position, the Task Force recommends that when the Provincial Auditor does not participate in the audit of a CIC Subsidiary Crown Corporation that:

- the Provincial Auditor advise the Members of the Assembly and the public in his Report of such cases where he has not participated in the audit of a CIC Subsidiary Crown Corporation; and
- the Provincial Auditor include the Appointed Auditor's Section 12 report, if any, in his Report along with an appropriate disclaimer of involvement in the audit.

### 9. Reliance Process and Reporting

In order to facilitate reliance by the Provincial Auditor on the Appointed Auditor, the Task Force recommends that:

- before the Appointed Auditor issues his audit opinions requested by the Provincial Auditor, the Appointed Auditor and the Provincial Auditor agree on these opinions. Matters reported in these opinions must be consistent with matters included in the Appointed Auditor's Section 12 report;
- after the Appointed Auditor issues his audit opinions, the Appointed Auditor and the Provincial Auditor discuss the opinions with the Corporation's and CIC's management. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support; and
- the Appointed Auditor and the Provincial Auditor, then, discuss these opinions with the Corporation's audit committee. The Appointed Auditor will take the lead role in these discussions with the Provincial Auditor's support.

### 10. Constructive Services Letter to Management

The Task Force recommends that before discussing the constructive services letters with management and the Corporation's Audit Committee, the Appointed Auditor and the Provincial Auditor agree on the contents of the letter.

### 11. Reporting by the Provincial Auditor to the Legislative Assembly

In order to improve the reporting to the Assembly, the Task Force recommends that:

- prior to the finalization of the Provincial Auditor's Report to the Legislative Assembly, the Provincial Auditor and the Appointed Auditor agree on the contents of the applicable Chapter in the report. The Appointed Auditor must comply with the Provincial Auditor's confidentiality requirements;
- the applicable chapter in the Report to the Assembly recognize the contribution of the Appointed Auditor; and
- where there are no reportable matters with respect to CIC Subsidiary Crown Corporations, that the Provincial Auditor's Report to the Legislative Assembly identify (e.g., in an appendix) Corporations for which there are no reportable matters.



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## Chapter 5 Working With Other Auditors

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### 12. Auditors Serving the Standing Committees of the Legislative Assembly

In order to serve the Standing Committees and to involve the Appointed Auditors in the review process, the Task Force recommends that:

- the Provincial Auditor ensure the applicable Appointed Auditor is informed of both Committees' agendas for the review of corporation(s) they audited;
- the Provincial Auditor and the Appointed Auditor agree on a presentation to the Committees, if any. The Provincial Auditor takes the lead role with the Appointed Auditor's support; and
- the Provincial Auditor and the Appointed Auditor agree on the protocol for responding to questions from the Committees.

### 13. Responsibility for Implementation and Monitoring

The Task Force recommends that at the completion of each audit, the Corporation's Audit Committee evaluate the implementation of the Task Force recommendations in their audit process, in consultation with management, the Appointed Auditor and the Provincial Auditor.

The Task Force recommends that the Corporation's Audit Committee communicate the results of this evaluation to management of the Corporation, CIC, the Appointed Auditor, and the Provincial Auditor.

The Task Force recommends that CIC and the Provincial Auditor jointly evaluate, in consultation with key constituents the implementation of the Task Force's recommendations in each of the next two years and communicate the results of each evaluation to key constituents.



# Chapter 6

## Pensions

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## Chapter 6 Pensions

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### Purpose

**.01** This Chapter provides an overview of the investment earnings of pension plans sponsored by the Government. The purpose of this Chapter is to help Members of the Legislative Assembly and the public compare investment earnings and earnings allocations for these pension plans. We note the plans earned different rates of return and the plans allocated investment earnings to plan members differently.

**.02** The Government manages a large amount of investment capital in its sponsored pension plans. The pension plans have assets of approximately \$4.126 billion. Exhibit 1 shows the assets for each of the pension plans.

### Two Types of Plans

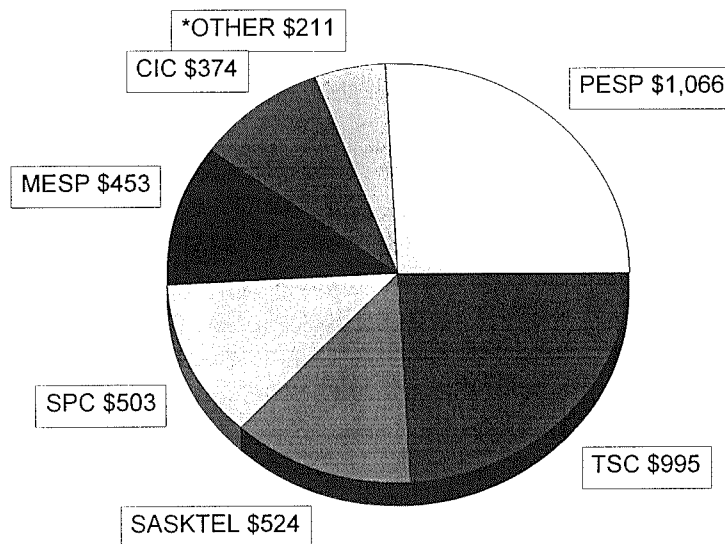
**.03** The Government sponsors two types of pension plans. They are called defined benefit and defined contribution plans.

**.04** In defined benefit plans, the Government promises to pay each plan member a pension based on the member's salary and years of service. The pension promised to each plan member is not directly affected by return on investment and security of the investment. The Government must pay the promised pension regardless of its investment earnings or losses. The Government incurs the risks associated with return on investment and security of the investment. The greater the investment earnings the less the Government has to contribute towards a person's final pension. Likewise, if the value of the investment declines the Government has to contribute more.

**.05** In defined contribution plans, plan members and plan sponsors pay contributions into a fund. The plan member's pension is based on accumulated contributions and investment earnings. The plan member incurs the risks associated with return on investment and security of the investment. The greater the investment earnings the larger the plan member's final pension. Likewise, if the value of an investment declines the plan member's pension is smaller.

Exhibit 1

Pension Plan Assets (in \$ millions)



Total \$4.126 billion

CIC	Capital Pension Plan
MESP	Municipal Employees Superannuation Plan
SPC	Power Corporation Superannuation Plan
PESP	Public Employees (Government Contributory) Superannuation Plan
SASKTEL	Saskatchewan Telecommunications Superannuation Plan
TSC	Teachers' Superannuation Plan

**\*OTHER (\$211 million)**

JDG	Judges of the Provincial Court Superannuation Plan (\$5 million)
MLA	Members of the Legislative Assembly Superannuation Plan (\$12 million)
LB	Liquor Board Superannuation Plan (\$15 million)
SRC	Saskatchewan Research Council Employees Pension Plan (\$18 million)
WCB	Workers' Compensation Board Superannuation Plan (\$18 million)
PSSB	Public Service Superannuation Plan (\$22 million)
SGI	Saskatchewan Government Insurance Superannuation Plan (\$40 million)
SPP	Saskatchewan Pension Plan (\$81 million)

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## Chapter 6 Pensions

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### Return on Investment

**.06** The Government appoints boards and officials to manage its pension plans.

**.07** These boards and officials make the investment decisions. The boards and officials follow different investment policies. Some have more concern for the security of the investment; others have more concern for the rate of return earned by the investment. This results in the pension plans earning different rates of return.

**.08** Also, operating costs affect the net return on investment. Operating costs paid from a plan reduce investment earnings. We note some plans pay for more kinds of operating costs than others. Sometimes, other Government agencies, e.g., CIC, pay part of the cost of operating a pension plan. This also results in pension plans earning different rates of return.

**.09** Exhibit 2 shows the average rates of return, after operating costs, earned by Government sponsored pension plans for the past four years. The average return for the four years varied from 7.19% to 11.68%. The weighted average return for all the plans for the four years was 11.23%.

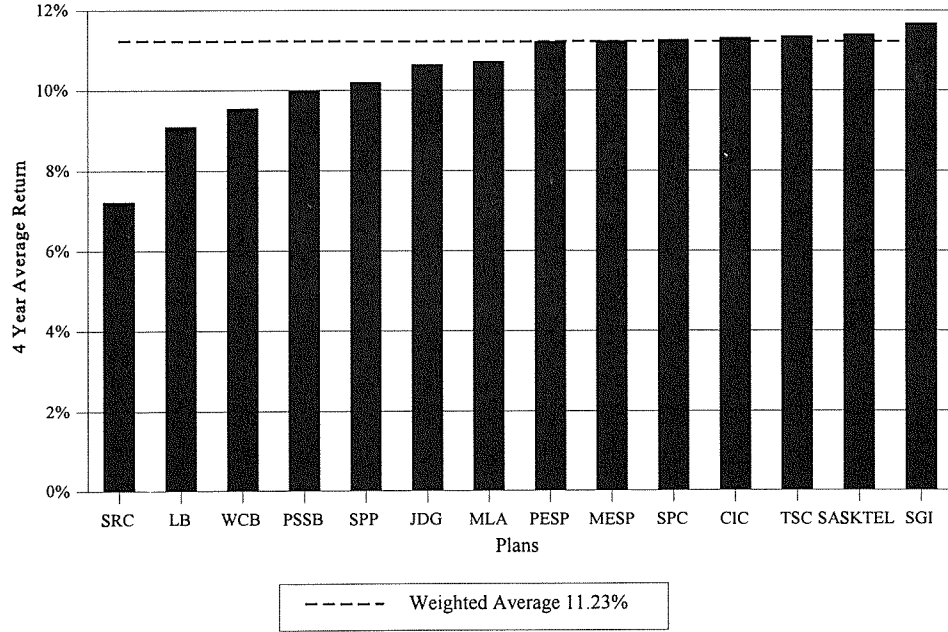
**.10** Exhibit 3 shows the effect of the average operating costs paid by the plans for the past four years on the rate of return. Operating costs reduced the rates of return by 0.02% to 1.06%. On weighted average, operating costs reduced the rate of return by 0.15%

### We Recommend

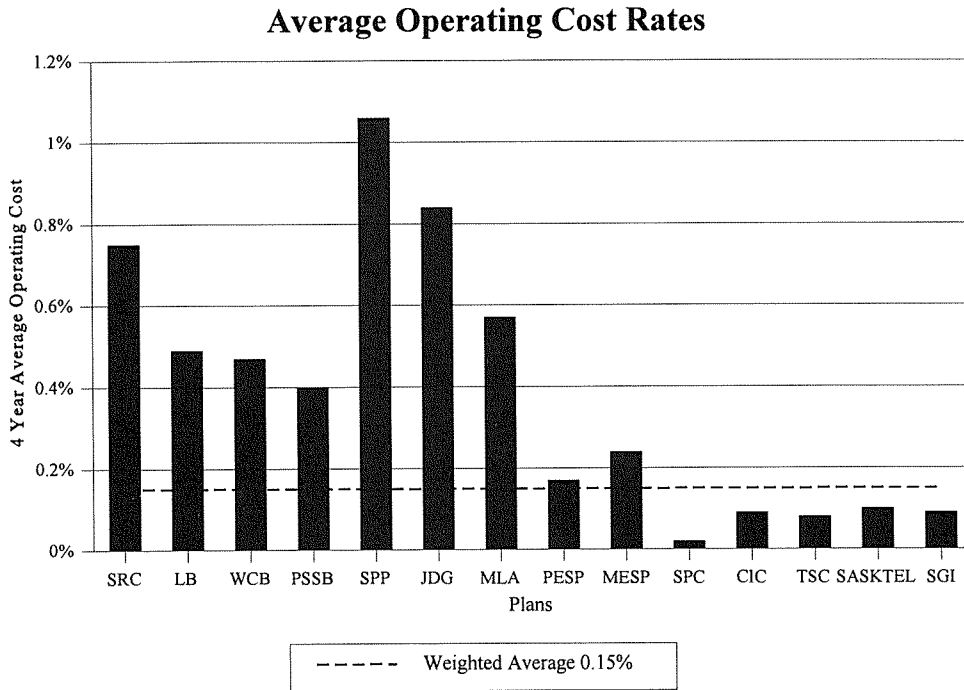
**.11** The Government should study its pension plans to determine whether it is appropriate for the Government to have consistent investment and operating cost policies. If consistent policies are not considered appropriate, the Government should explain why.

# Chapter 6 Pensions

## Exhibit 2 Net Average Rates of Return



## Exhibit 3 Average Operating Cost Rates



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## Chapter 6 Pensions

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### Allocation of Investment Earnings

.12 In defined contribution plans, the allocation of investment earnings to plan members directly affects plan members' final pension. When plan members retire or leave, they receive their contributions, sponsors' contributions and investment earnings allocated to them. Typically, plan members use the money received to buy a retirement annuity.

.13 Plan members receive an annual allocation of investment earnings based on contributions and the investment earnings of the pension fund. Plan members also receive an allocation of investment earnings when they retire or leave.

.14 The Government's appointed boards and officials follow different policies for allocating investment earnings to plan members. Some boards allocate more of the annual investment earnings to plan members than others. We note only CIC and SRC have allocated all investment earnings to plan members. Other plans have investment earnings not yet allocated to plan members. These plans have the following unallocated amounts at their last fiscal year end: MESP \$0.3 million; MLA \$0.8 million; PESP \$31.7 million; and SPP \$4.0 million.

.15 Exhibit 4 shows the average annual investment earnings allocated by the Government's defined contribution pension plans for the past four years. The amount allocated varied from 7.19% to 12.60%. The weighted average investment earnings allocated was 10.41%.

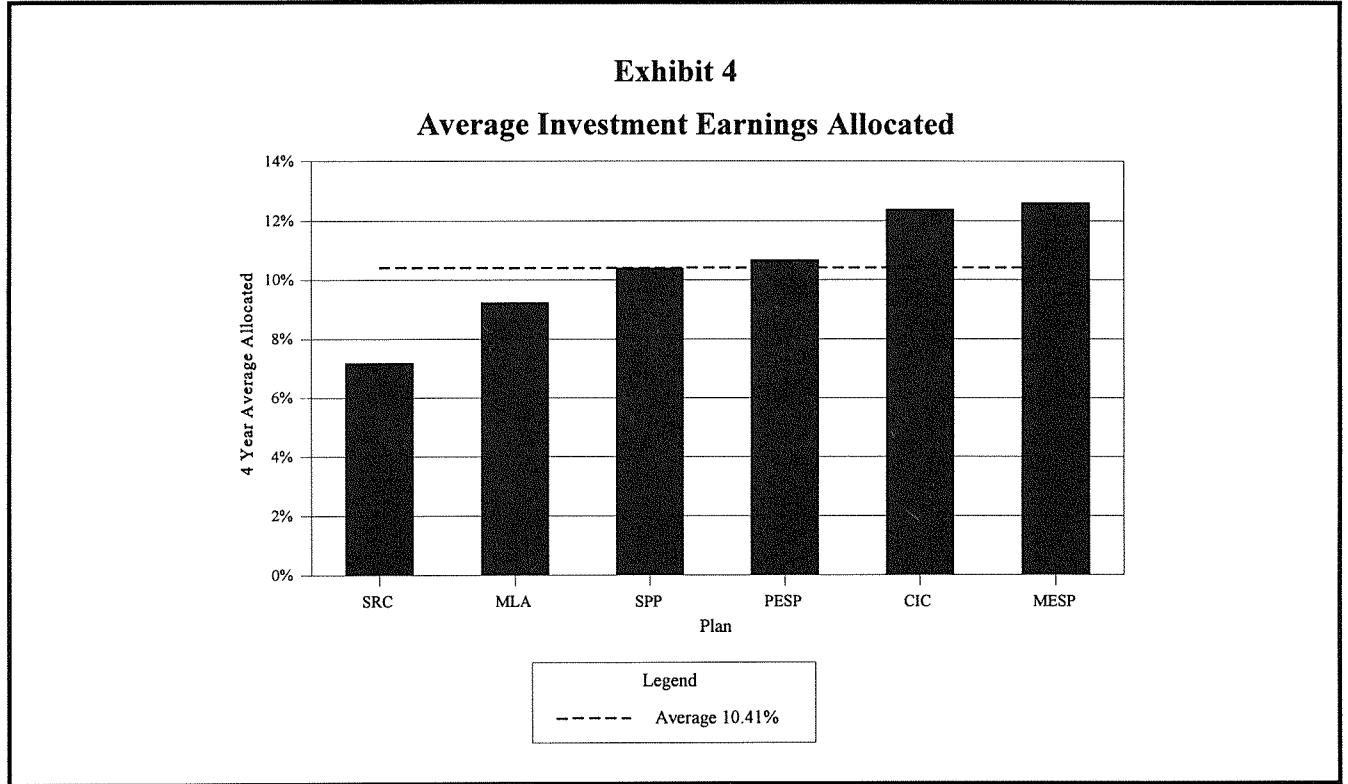
.16 Exhibit 5 shows the net return on investment and investment earnings allocated to plan members for the Government's defined contribution pension plans for the period 1991 to 1994. Exhibit 5 shows significant differences between the annual net return on investment and the annual amount allocated to plan members.

.17 Since plan members' final pensions are directly affected by the earnings allocated to them it is important the allocation is appropriate. This is particularly important the year a member retires if a plan smooths investment earning allocations in that year.

### We Recommend

.18 **The Government should study the investment earnings allocation policies for its defined contribution pension plans to determine whether it is appropriate to have a consistent policy. If consistent policies are not considered appropriate, the Government should explain why.**

## Chapter 6 Pensions



**Exhibit 5**  
**Net Return on Investment and Earnings Allocated**  
(%)

	4 Year Average		1993/94		1992/93		1991/92		1990/91	
	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated
<b>SRC</b>	7.19	7.19	17.30	17.30	8.07	8.07	11.16	11.16	(7.76)	(7.76)
<b>SPP</b>	10.20	10.40	15.76	21.00	5.36	6.30	14.36	7.50	2.51	6.80
<b>MLA</b>	10.73	9.23	11.41	9.63	11.27	9.11	7.28	7.78	13.29	10.40
<b>PESP</b>	11.22	10.68	12.92	13.76	11.41	11.16	8.10	8.21	12.27	9.57
<b>MESP</b>	11.24	12.60	20.27	19.40	5.03	10.00	14.96	10.50	2.51	10.50
<b>CIC</b>	11.32	12.39	20.01	24.25	5.08	7.92	15.04	10.07	2.40	7.31

**Chapter 7**  
**Crown Investments Corporation of Saskatchewan**

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## Chapter 7

# Crown Investments Corporation of Saskatchewan

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### Introduction

**.01** The Crown Investments Corporation of Saskatchewan (CIC) holds shares in several companies and provides advice to Executive Council concerning Crown corporations subject to CIC's control (subsidiaries). These subsidiaries include SaskPower, SaskTel, SaskEnergy, Saskatchewan Government Insurance (SGI), and Saskatchewan Transportation Company (STC).

**.02** CIC has one major subsidiary with share capital, CIC Industrial Interests Inc. (CIC III). CIC also manages the Capital Pension Plan. The Plan's financial statements for the year ended December 31, 1993, and for previous years have not been tabled in the Legislative Assembly.

**.03** CIC's annual report contains three sets of financial statements. The first set shows CIC's financial results combined with those of its subsidiaries. The second set shows the non-consolidated financial results of activities managed directly by CIC. The third set shows the financial results of CIC's activities managed through CIC III.

**.04** The second set of financial statements shows CIC had revenue of \$229 million in 1993 and held assets of \$2.7 billion at December 31, 1993.

### Our Audit Findings

**.05** In our opinion, CIC's financial statements are reliable. CIC had adequate rules and procedures to safeguard and control its assets except for the matters reported in paragraphs .16 to .31. CIC complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing except for the matters reported in paragraphs .32 to .34. We also note other matters for the Legislative Assembly's attention.

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### Assembly Review of Crown Corporation Plans

**.06** CIC provides guidelines to its subsidiaries to ensure they submit consistent business and financial plans to CIC. CIC's Board reviews these plans in detail. Some items CIC's subsidiaries include in their plans are:

- the corporation's mandate, mission, and objectives;
- strategic issues and opportunities facing the corporation;

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## Chapter 7 Crown Investments Corporation of Saskatchewan

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- the corporation's operational objectives and its strategies to meet them;
- the corporation's operational and financial targets, including a description of performance indicators used to measure success; and
- the corporation's financial forecasts including a five year operations plan and a detailed one year plan for operations, capital expenditures, debt servicing, and staffing. Also, CIC requires descriptions of planned projects.

**.07** In our 1993 Annual Report, we recommended CIC present its plans to the Assembly to help legislators understand and assess the performance of CIC. We said those plans should include a summary of the plans of CIC's subsidiaries.

### We Recommend

**.08** CIC should provide a summary of the plans for CIC and its subsidiaries to the Assembly for use by the Crown Corporations Committee.

**.09** CIC and its subsidiaries should provide a comparison of planned activities to actual results to the Assembly for use by the Crown Corporations Committee.

**.10** We think a comparison of plans to actual results will help Members of the Legislative Assembly and the public understand and assess the performance of CIC and its subsidiaries.

**.11** We note the Government will be improving the planning information provided to legislators. Beginning in late 1994, the Standing Committee on Crown Corporations operates using new terms of reference. The new terms of reference require Crown corporation management to provide the Committee information about their objectives and performance indicators.

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Annual Reports Not  
Provided to the  
Assembly

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**.12** The Standing Committee on Public Accounts (PAC) continued to recommend to the Assembly, and the Assembly concurred, that financial statements for all subsidiaries under CIC's control be given to the Assembly. In 1993, CIC did not give the Assembly financial statements for CIC III's subsidiaries, CIC Pulp Ltd. and National Pig Development (Canada) Ltd. Also, CIC did not give the Assembly financial statements for its pension plan, the

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## Chapter 7 Crown Investments Corporation of Saskatchewan

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Capital Pension Plan.

.13 The PAC also recommended, and the Assembly concurred, that all government corporations should give financial statements to the Assembly, including those where the Crown owns less than 100% of the issued share capital.

.14 CIC did not ensure the Assembly received financial statements for the following entities: CIC Mining Corporation, Bayhurst Gas Limited, Channel Lake Petroleum Ltd., Northern Enterprise Fund Inc., Power Greenhouses Inc., Power Corporation Superannuation Plan, Many Islands Natural Gas (Canada) Limited, Many Islands Pipelines (Canada) Limited, TransGas Limited, Saskatchewan Telecommunications International, Inc., LCL Cable Communications Ltd., Saskatchewan Telecommunication Employees' Superannuation Plan, Saskatchewan Government Growth Fund Ltd., Saskatchewan Government Growth Fund II Ltd., and Saskatchewan Government Insurance Superannuation Plan.

### We Recommend

**.15 CIC should ensure the Assembly receives the financial statements of all subsidiaries and pension plans.**

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CIC's Corporate  
Planning and  
Reporting

.16 Each year, CIC reports its financial performance through three sets of financial statements. Each set of statements are important performance reports of CIC. The first set of statements shows the financial results of CIC's total activities. The statements show the financial performance of CIC's subsidiaries and investments as one economic unit.

.17 The second set of statements shows how CIC, as a parent company, finances or pays for its investments, losses and dividend transfers to the General Revenue Fund.

.18 The third set of statements shows the financial results of several large investments managed by CIC through its share capital subsidiary, CIC III.

.19 In 1993, management of CIC prepared a business and financial plan for its parent company activities. These are the activities reported in CIC's second set of financial statements.

.20 Business and financial plans are important because they set goals in terms of expected results. The Board can then monitor

progress by comparing expected to actual results. Such monitoring helps the Board decide if changes are required. In Chapter 3, Planning Information, the importance and basic elements of a business and financial plan are described.

.21 In 1993, however, management did not provide its Board a business and financial plan for CIC's total activities, nor for its activities managed through CIC III.

.22 We think CIC's Board would be better able to plan and manage its enormous responsibilities if business and financial plans were also prepared to guide its total activities and to guide its activities carried out through CIC III. An important part of managing is monitoring actual financial results, and comparing those results to what was planned.

**We Recommend**

**.23 The Board of CIC should be provided a business and financial plan for CIC's total financial activities, and a business and financial plan for the activities CIC plans to carry out through CIC III.**

.24 We also note CIC prepares interim financial reports showing CIC's parent company financial activities only. CIC does not prepare interim reports for its total financial activities, nor for CIC III. Interim financial reports show actual results compared to planned results to the accounting date. Such reports are important management tools.

**We Recommend**

**.25 The Board of CIC should be provided complete and timely interim financial reports for CIC's total activities and for the activities carried out through CIC III. The reports should include a comparison of planned and actual results.**

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Investment  
Management System

.26 One of CIC's duties is to manage investments in commercial enterprises such as Saskferco Products Inc., Haro Financial Corporation, Bi-Provincial Upgrader, and NewGrade Energy Inc. At December 31, 1993, these investments exceeded \$1.6 billion.

.27 In our 1992 and our 1993 Annual Reports, we recommended CIC should give the Assembly information about each investment including: its objectives, the criteria for determining if those objectives are achieved, its expected costs and revenues including source of funding, and the structure for managing the investment. The Gass Commission made similar recommendations in its 1992

Report.

**.28** When we discussed investment management with CIC, CIC shared our view it must manage investments well to be successful. CIC encouraged us to audit its investment management system. We did research and developed the following draft audit criteria.

- CIC should have a clear framework that outlines the methods it uses to manage its investments in commercial enterprises.
- CIC should establish clear and measurable objectives for each investment. CIC's Board should approve these objectives.
- CIC should appropriately monitor each investment to maintain a current knowledge of its status and of variables that affect the achievement of its stated objectives.
- CIC should adequately evaluate progress towards each investment's stated objectives and consider if additional action is needed.
- CIC should provide adequate reports about each investment to higher management levels (ie., the President, Board of Directors and Executive Council) and to the Legislative Assembly.

**.29** CIC agreed these criteria were reasonable. Accordingly, we developed more specific audit sub-criteria and sent them to CIC for comment. We planned to compare the sub-criteria to CIC's current practices. We were advised by officials of CIC that, before proceeding with the audit, they first required further guidance. Recently, we discussed our audit with CIC's Board. CIC's Board wishes to discuss further the audit with our Office before considering how best to proceed.

**.30** We think CIC's Board and the Assembly will benefit from our Office examining the systems CIC uses to manage its investments. Our audit will provide assurance where CIC has adequate investment management systems and will note where improvement is required.

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## Chapter 7 Crown Investments Corporation of Saskatchewan

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**.31** We will advise the Legislative Assembly in a future report as to our progress on this important audit.

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Investments in  
Corporations Require  
Authority

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**.32** When the Legislative Assembly creates a Crown agency, legislation defines the powers the agency may exercise. A Crown agency can not expand those powers. A Crown agency can not create a subsidiary corporation to do what the Crown agency can not do. *The Crown Corporations Act, 1978 (Act)* allows CIC to buy shares in a corporation, but requires CIC to obtain an Order-in-Council.

**.33** In the past, we reported CIC acted beyond its authority when it purchased shares without obtaining required Orders-in-Council. We also said CIC thinks it is within its authority to buy shares through its subsidiaries without obtaining required Orders. In our opinion, CIC continued to act beyond its authority when it bought shares in the following corporations through a subsidiary without obtaining required Orders.

	<u>Accumulated Cost to December 31, 1993</u>
Saskferco Products Inc. (1992 - \$66,692,212)	\$ 70,949,080
BIOSTAR Inc. (1992 - \$0)	515,000
Advanced Test Technology Inc. (1992 - \$0)	500,000
Vitality Health and Food Corporation (1992 - \$50,000)	250,000
Sci-Tec Instruments Inc. (1992 - \$200,000)	201,037

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**We Recommend**

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**.34** **CIC should obtain Orders-in-Council for all share purchases.**

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Matters Carried  
Forward From  
Previous Annual  
Reports

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**.35** In our 1993 Annual Report, we reported several matters to the Legislative Assembly related to broad issues that take time to address. We have not made additional comments on these matters in this Report. However, we continue to monitor progress on them.

.36 We continue to monitor the following matters previously reported to the Assembly:

- Identifying and reporting of Crown corporations' public policy and business objectives;
- Identifying and reporting of public policy expenditures;
- Preparing pension accounting guidelines for Crown corporations;
- Preparing guidelines for reporting transactions between related parties; and
- Identifying and reporting information on CIC's investments using the criteria recommended by the Gass Commission.

**Chapter 8**  
**Department of Agriculture and Food**

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## Chapter 8

### Department of Agriculture and Food

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Introduction

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

**.02** The Department carries out some of its activities through Crown agencies.

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Crown Agencies

**.03** The Department is responsible for the operation of several Crown agencies. This Chapter contains our audit findings for the following Crown agencies with fiscal years ending on or before December 31, 1993. The Crown agencies are the Saskatchewan Grain Car Corporation, and The Milk Control Board.

**.04** This Chapter contains our audit finding for the development and marketing boards listed in paragraph .26. The Agricultural and Food Products Development and Marketing Council is responsible for these agencies.

**.05** This Chapter also contains our audit findings for Saskatchewan Crop Insurance Corporation for the year ended March 31, 1993. Our 1993 Annual Report stated we had not completed our work in time for that report. The work is now complete.

Our Audit Findings

**.06** In our opinion, the financial statements for the Crown agencies listed in paragraph .03 to .05 are reliable except where we report otherwise in this Chapter.

**.07** The Crown agencies listed in paragraph .03 to .05 had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter.

**.08** The Crown agencies listed in paragraph .03 to .05 complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

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## Chapter 8 Department of Agriculture and Food

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### SASKATCHEWAN CROP INSURANCE CORPORATION

.09 The Saskatchewan Crop Insurance Corporation (SCIC) provides crop insurance to Saskatchewan farmers for losses arising from natural disaster. SCIC also insures farmers against price fluctuations.

.10 SCIC had revenues of \$842.5 million in 1993 and held assets of \$337.9 million at March 31, 1993. The financial statements for SCIC for the year ended March 31, 1993 appear in the 1992-93 Public Accounts Compendium of Financial Statements at page B 62.

### Changes to Crop Insurance Plan Require Authority

.11 SCIC made changes to the Crop Insurance Plan that did not comply with *The Crop Insurance Act*.

.12 Sections 12(2)(a) and (b) of *The Crop Insurance Act* state:

*"... the corporation may:*

*(a) if, in the opinion of the board, sufficient actuarial data is available, insure insurable persons under any plans of crop insurance prescribed by the corporation;*

*(b) fix any rates for premiums for insurance that the corporation considers sufficient to cover claims for losses of insured crops, having regard to the payments provided for in subsection 11(4), and provide as expeditiously as possible a reasonable reserve against unforeseen losses;"*

.13 For the 1988 to 1992 crop years, SCIC increased its crop insurance coverage three times without making changes to its premiums to cover potential insurance payments resulting from the increased coverage. As of March 31, 1993, SCIC has paid \$20.3 million to producers for the increased insurance coverage. The Minister of Finance lent SCIC money from the General Revenue Fund to finance the payments to producers.

.14 The Board of SCIC approved only one of the three changes in insurance coverage. For all of the three increases to crop insurance coverage, SCIC was unable to provide evidence the Board reviewed or considered the financial impact of the increased crop insurance coverage, (e.g., the actuarial data). As well, SCIC did not fix adequate premium rates to cover potential crop insurance claims resulting from the increased insurance coverage. As a result, SCIC did not comply with *The Crop Insurance Act*.

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## Chapter 8 Department of Agriculture and Food

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### We Recommend

**.15** SCIC should ensure changes to the Crop Insurance Plan are actuarially sound and comply with the law.

**.16** In December 1993, the Executive Council decided SCIC did not have to repay \$19.1 million of the loans from the General Revenue Fund. The result of this decision is general tax revenue financed the benefits paid to producers.

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### Changes to Gross Revenue Insurance Program Require Authority

**.17** SCIC made changes to the Gross Revenue Insurance Program (GRIP) that did not comply with *The Agricultural Safety Net Act* and the GRIP agreement with the Federal Government.

**.18** Sections 4(1)(d), 4(1)(e), and 4.2(2) of *The Agricultural Safety Net Act* state:

*"4(1) Each agreement respecting a gross revenue insurance program must:*

*(d) provide that the gross revenue insurance program be funded through premiums paid by the Government of Canada, the Government of Saskatchewan and producers participating in that program;*

*(e) require that the premiums mentioned in clause (d) be sufficient to allow the gross revenue insurance program to be self-sustaining;...*

*4.2(2) The corporation shall, on behalf of the Crown, administer the gross revenue insurance program and the revenue insurance program in accordance with:*

*(a) the GRIP agreement;*

*(b) this Act and the regulations;*

*(c) The Crop Insurance Act and the regulations made pursuant to that Act; and*

*(d) any direction from the minister.*

**.19** For the 1992 crop year, SCIC increased its insurance coverage under the GRIP. As of March 31, 1993, SCIC has paid \$10.75 million to producers for the increased insurance coverage.

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## Chapter 8 Department of Agriculture and Food

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The Minister of Finance agreed to pay SCIC \$10.75 million from the General Revenue Fund to cover losses resulting from the increased GRIP insurance coverage.

**.20** The Board of SCIC did not approve the change in the GRIP coverage. Also, SCIC was unable to provide evidence the Board considered the financial impact of the increase in GRIP insurance coverage. Premiums must be sufficient to keep the program self-sustaining.

**.21** In addition, the GRIP agreement was not revised to cover the change to insurance coverage made for the 1992 crop year.

**.22** As a result, SCIC did not administer the gross revenue insurance program according to the GRIP agreement and *The Agricultural Safety Net Act*.

### We Recommend

**.23 SCIC should ensure changes to the GRIP program are actuarially sound, comply with the law, and are included in the GRIP agreement with the Federal Government.**

---

### Appointed Auditor's Reports

**.24** We relied on Peat Marwick Thorne's (appointed auditor) report on SCIC's financial statements and internal control. We relied on the appointed auditor's report on compliance with authorities except for the following matter and the matters reported in paragraphs .11 to .23. The appointed auditor did not report the matters in paragraphs .11 to .23 except for SCIC's non-compliance with the GRIP agreement. Also, the appointed auditor reported doubt whether SCIC can receive \$10.75 million from the Minister of Finance. We think SCIC has adequate legislative authority under *The Crop Insurance Act* to receive the \$10.75 million from the Minister of Finance.

**.25** *The Provincial Auditor Act* requires us to do additional audit work when we do not rely on the report of an appointed auditor. Our additional work consisted of examining relevant Acts, Orders-in-Council, the Canada/Saskatchewan Crop Insurance agreement with amendments, the Gross Revenue Insurance agreement with amendments, related Board minutes and discussing the issues with management.

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## Chapter 8 Department of Agriculture and Food

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

**.26** 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 Producers' 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

**.27** *The Agri-Food Act* makes the Council responsible for the administration of these nine boards.

**Our Audit Findings**

**.28** To discharge its responsibilities, the Council needs to ensure the boards have adequate rules and procedures to safeguard and control their assets, and to ensure the boards are properly accountable for their financial activities. The Council also needs to ensure Boards comply with the Regulations and Marketing Orders governing their activities.

**.29** In previous Annual Reports, we have reported deficiencies in the rules and procedures used by the boards to safeguard and control their assets. We also reported several instances where boards did not comply with governing authorities.

**.30** In our 1993 Annual Report, we stated we had not completed our 1992 audit of the Saskatchewan Vegetable Marketing and Development Board. Our work is still not complete because of delays in receiving information from the Board and our established priorities. The Board's failure to prepare financial statements impairs its public accountability both to producers and the Council.

**.31** The Saskatchewan Sheep Development Board has not yet prepared financial statements for the year ended December 31, 1993. The Board's failure to prepare financial statements impairs its public accountability to producers and the Council.

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## Chapter 8 Department of Agriculture and Food

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.32 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

.33 We did complete our audit of the Saskatchewan Canola Development Commission and SPI Marketing Group. In our opinion, the financial statements for these boards are reliable. These boards had adequate rules and procedures to safeguard and control their assets. These boards complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

### We Recommend

**.34 The Council should monitor the activities of the boards to ensure they are publicly accountable for their financial activities, comply with governing authorities and have adequate rules and procedures to safeguard and control their assets.**

**Chapter 9**  
**Department of Education, Training and Employment**

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**Chapter 9**  
**Department of Education, Training and Employment**

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## Chapter 9

### Department of Education, Training and Employment

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Introduction

**.01** The Department is responsible for providing leadership and funding in the development and operation of education and training in the Province as well as labour market planning. The Department carries out some of these activities through Crown agencies.

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Crown Agencies

**.02** The Department is responsible for the operation of several Crown agencies. This Chapter contains our audit findings for the following Crown agencies with fiscal years ending on or before December 31, 1993.

Carlton Trail Community College  
Cumberland Regional College  
Cypress Hills Regional College  
North West Regional College  
Northlands College  
Parkland Regional College  
Prairie West Regional College  
Saskatchewan Indian Regional College  
Saskatchewan Institute of Applied Science and Technology  
(SIAST)  
Southeast Regional College  
Teachers' Superannuation Commission

Our Audit Findings

**.03** In our opinion, the financial statements for the Crown agencies listed in paragraph .02 are reliable except where we report otherwise in this Chapter.

**.04** The Crown agencies listed in paragraph .02 had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter. Our 1993 Annual Report contains our audit findings regarding SIAST's rules and procedures for safeguarding its assets.

**.05** The Crown agencies listed in paragraph .02 complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

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## Chapter 9 Department of Education, Training and Employment

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### TEACHERS' SUPERANNUATION COMMISSION

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

.07 The Commission has not prepared financial statements for the Plan or the Voluntary Fund for the year ended June 30, 1993. Accordingly, financial information is not available for 1993.

.08 In 1992, the Plan received contributions of \$26.2 million from teachers and \$56.2 million from the Minister of Finance. At June 30, 1992, the Plan held assets of \$866 million and had liabilities of \$2.727 billion.

.09 The Voluntary Fund received contributions of \$17,000 in 1992 and held assets of \$1.7 million at June 30, 1992.

### Our Audit Findings

.10 In our opinion, the Commission complied with the authorities governing the activities of the Plan and the Voluntary Fund relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing except for the matter reported in paragraphs .12 to .19. The Commission had adequate rules and procedures to safeguard and control the assets of the Plan and the Voluntary Fund except for the matter reported in paragraphs .12 to .19.

.11 Since the Commission has not prepared financial statements for the Plan and the Voluntary Fund, we could not finish our audit at the Commission. We will report on the reliability of the financial statements for the Plan and the Voluntary Fund in a future report to the Assembly.

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### Public Accountability

.12 The Commission did not prepare timely financial statements.

.13 *The Tabling of Documents Act, 1991* requires the Commission to give its 1993 annual report including financial statements to the Assembly by February 28, 1994. The Commission has not yet prepared financial statements for the Plan and the Voluntary Fund for the year ended June 30, 1993. The Commission lacks essential information to prepare the Plan's financial statements.

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## Chapter 9 Department of Education, Training and Employment

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.14 The Commission can not provide evidence of the cost of additional pension benefits given to teachers in their last collective agreement with the Government. The agreement covers the period January 1, 1992 to December 31, 1994.

.15 The Commission had an actuarial valuation at June 30, 1992 before the increased benefits. However, the Commission decided the 1992 valuation would not be adequate to prepare accurate financial statements for 1993. Therefore, in November 1993, the Commission asked its actuary to do a valuation of the Plan at June 30, 1993 to determine the new cost of the Plan. However, the Commission did not provide the actuary with the information to do the evaluation in a timely manner.

.16 The Commission cannot prepare accurate financial statements until it receives the actuary's report.

.17 We note the Commission was also late tabling its 1992 and 1991 annual reports with the Legislative Assembly.

.18 In our opinion, the Commission's failure to make its annual reports available to the Legislative Assembly on time impairs its public accountability.

### We Recommend

**.19 The Commission should establish systems so it can prepare timely financial statements.**

<b>CYPRESS HILLS REGIONAL COLLEGE</b>	<p>.20 The Cypress Hills Regional College operates under <i>The Regional Colleges Act</i>. The College provides learning opportunities in the regional community it serves.</p> <p>.21 The College had revenues of \$2.6 million in 1993 and held assets of \$1.3 million at June 30, 1993. The College's financial statements are included in its annual report.</p>
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### Our Audit Findings

.22 In our opinion, the College's financial statements are reliable, except for the matter described in paragraphs .23 to .27. The College had adequate rules and procedures to safeguard and control its assets. The College complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing.

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## Chapter 9 Department of Education, Training and Employment

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Financial Statements  
Overstate Revenue

.23 The College's 1993 financial statements overstate revenue by \$83,000.

.24 During the year, the College transferred \$83,000 from its "appropriated fund balance" account to its "other revenue" account. The College's 1993 financial statements show the \$83,000 as revenue.

.25 The Regional College Accounting and Reporting Manual requires colleges to follow generally accepted accounting principles (GAAP) for transfers to and from appropriated fund balance accounts. GAAP requires the College's financial statements to show any transfer from its appropriated fund balance account as a transfer to its unappropriated fund balance account. Since the College did not record the transfer correctly, its financial statements overstate "other revenue", and excess of revenue over expenditure before appropriations by \$83,000.

We Recommend

**.26 The College should use generally accepted accounting principles to record transfers to and from its appropriated fund balance account.**

.27 The College told us its 1994 financial statements will correct this error.

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Appointed Auditor's  
Reports

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.28 We relied on Stark & Company's (appointed auditor) reports on internal control and compliance with authorities.

.29 We relied on the appointed auditor's report on the College's financial statements except for the matter reported in paragraphs .23 to .27. The appointed auditor accepted the way the College accounted for transfers to and from appropriated fund balance accounts.

.30 *The Provincial Auditor Act* requires us to do additional work when we do not rely on the report of an appointed auditor.

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

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## Chapter 9 Department of Education, Training and Employment

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### **PRAIRIE WEST REGIONAL COLLEGE**

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

.33 The College had revenues of \$2.7 million in 1993 and held assets of \$1.4 million at June 30, 1993. The College's financial statements are included in its annual report.

#### Our Audit Findings

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

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#### Branch Operations Require Monitoring

.35 The College's branch offices do not always comply with the College's established policies and guidelines.

.36 To ensure the accuracy of its financial reporting system, the College established accounting policies and guidelines for branch office operations. During the year, we noted the following conditions at various branch offices:

- branches did not always deposit receipts intact and on a timely basis;
- branches did not always forward class information to the College on time; and
- branches sometimes did not send accounting information to head office.

.37 The branches' failure to follow established procedures could result in errors or fraud occurring without ready detection in the College's accounts. Also, interim financial statements prepared, without necessary information from branches, may not be accurate and could result in incorrect decisions by the Board of Directors.

#### We Recommend

.38 The College should establish procedures to monitor branch office operations.



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## Chapter 9 Department of Education, Training and Employment

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Appointed Auditor's  
Reports

.39 We relied on Gilchrist & Co.'s reports on the College's financial statements, internal control and compliance with authorities.

SASKATCHEWAN  
INDIAN  
REGIONAL  
COLLEGE

.40 The Saskatchewan Indian Regional College is accountable to the Minister of Education, Training and Employment for the management of the College. The College is also accountable through the Minister to the Legislative Assembly.

.41 The College had revenues of \$6.3 million in 1993 and held assets of \$1.6 million at June 30, 1993. The College's financial statements are included in its annual report.

Our Audit Findings

.42 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 relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing except for the following matters.

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*The Regional Colleges  
Act*

.43 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 four persons who regularly took part in Board meetings.

.44 The College paid these four persons allowances and expenses. Also, the College paid other members of the Board at rates more than the rates approved by Order-in-Council. In 1993, the total amount paid to the members of the Board was \$59,658. The College lacked proper authority to make these payments.

.45 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.

.46 The Act requires the Minister to approve the College's budget before the Board adopts it. The Minister did not approve the budget before the Board adopted it.

.47 *The Regional Colleges Regulations* requires the Minister to approve the College's personnel policy. The Minister did not approve the College's personnel policy.

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## Chapter 9 Department of Education, Training and Employment

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.48 We also reported this matter in our 1989, 1990, 1991, 1992, and 1993 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.

.49 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

.50 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.

.51 During the year the College made several payments totalling \$13,000. We were unable to determine whether the College used the money for educational purposes.

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### Appointed Auditor's Reports

.52 We relied on Price Waterhouse's reports on the College's financial statements, internal control and compliance with authorities.

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### SOUTHEAST REGIONAL COLLEGE

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

.54 The College had revenues of \$4.2 million in 1993 and held assets of \$2.2 million at June 30, 1993. The College's financial statements are included in its annual report.

### Our Audit Findings

.55 In our opinion, the College's financial statements are reliable except for the matters reported in paragraphs .56 to .59. The College complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing. The College had adequate rules and procedures to safeguard and control its assets.

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### Financial Statements Overstate Revenue and Expenditures

.56 The College's financial statements overstated revenue and expenditures by \$148,000.

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## Chapter 9 Department of Education, Training and Employment

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.57 For the year ended June 30, 1993, the College allocated certain internal costs among its departments totalling \$148,000. The College recorded this amount as other revenue and an equal amount as contractual and professional expenditures. The College included these amounts in its annual financial statements.

.58 Generally accepted accounting principles require the College to eliminate internal revenue and expenditures from its financial statements. Accordingly, the financial statements overstate revenue and expenditures by \$148,000.

### We Recommend

**.59 The College should use generally accepted accounting principles to record revenue and expenditures in its financial statements.**

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### Appointed Auditor's Reports

.60 We relied on Doug Court's (appointed auditor) reports on internal control and compliance with authorities. We relied on the appointed auditor's report on the College's financial statements, except for the matter described in paragraphs .56 to .59. The appointed auditor accepted the way the College accounted for internal revenue and expenditures.

.61 *The Provincial Auditor Act* requires us to do additional audit work when we do not rely on the report of an appointed auditor.

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



**Chapter 10**  
**Department of Finance**

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## Chapter 10

### Department of Finance

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#### Introduction

#### **.01** The Department:

- administers various provincial tax, grant, and refund programs;
- arranges government financing, and manages government banking, investment, and public debt functions; and
- provides policy and financial analysis to the Treasury Board and Executive Council.

**.02** The Department develops tax policy alternatives, provides economic forecasting, and economic and social and statistical data, and annually produces the Budget Address. The Department also assists the Government and the Legislature with their responsibility of managing and accounting for public money.

**.03** The Department also manages several pension and benefit plans.

**.04** This Chapter contains our audit findings for the Government's financial statements included in Volume I of the 1993-94 Public Accounts. This Chapter also contains our audit findings for the following pension and benefit plans with years ending on or before December 31, 1993.

Liquor Board Superannuation Plan  
Municipal Employees Superannuation Plan  
Public Employees Disability Income Fund  
Public Employees Dental Fund  
Public Employees Group Life Insurance Fund  
Saskatchewan Pension Plan  
Workers' Compensation Board Superannuation Plan

#### Our Audit Findings

**.05** In our opinion, the Government's Summary Financial Statements included in Volume I are reliable. The General Revenue Fund financial statements included in Volume I of the Public Accounts are reliable except for the matter reported in paragraphs .07 to .09.

**.06** In our opinion, the Department and its agencies had adequate rules and procedures to safeguard and control the assets

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## Chapter 10 Department of Finance

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of the benefit and pension plans listed in paragraph .04. The Department and its agencies complied with the authorities governing the activities of its pension and benefit plans listed in paragraph .04 relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter. The financial statements for the pension and benefit plans in paragraph .04 are reliable except where we report otherwise in this Chapter.

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### Reservation of Opinion on the General Revenue Fund's Financial Statements

**.07** Our auditor's report on the General Revenue Fund's financial statements contains a reservation of opinion. We reserved our opinion because the Department did not properly record annual pension costs and total pension liabilities.

**.08** Our auditor's report also informs Members of the Legislative Assembly of the following matters:

- the General Revenue Fund's financial statements do not include all the financial activities of the Government. Members 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; and
- the 1993 and 1994 figures presented in the financial statements are not comparable because the Department used two different bases of accounting. The Department prepared the 1993 figures using the modified cash basis of accounting, and the 1994 figures using the accrual basis of accounting.

**.09** Our opinion on the General Revenue Fund follows:

*These financial statements report transactions and events of the General Revenue Fund only. Significant financial activities of the Government occur outside this Fund. Therefore, readers should not use the General Revenue Fund's financial statements to understand and assess the Government's management of public financial affairs and resources as a whole.*

*Volume 1 of the Public Accounts includes a more complete set of financial statements. Those statements are called the Government of the Province of Saskatchewan Summary Financial Statements. Their purpose is to report the full nature and extent of the financial affairs and resources for which the Government is responsible. Please refer to those summary statements to understand and assess the Government's management of public financial affairs and resources as a whole.*

*I have audited the statement of financial position of the General Revenue Fund as at March 31, 1994 and the statements of revenue and expense, 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.*

### **Reservation**

*The Fund is responsible for the liabilities of several pension funds. Note 4 indicates those pension liabilities are not recorded in these financial statements. In my opinion, pension liabilities should be recorded in the financial statements. Had pension liabilities been recorded, liabilities and accumulated deficit would increase by \$3,104*

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## Chapter 10 Department of Finance

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million (1993 - \$3,027 million) and expenses and deficit for the year would increase by \$77 million (1993 - \$83 million).

### *Opinion*

*In my opinion, except for the effects of the failure to record pension liabilities as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the General Revenue Fund as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended following accounting principles recommended by The Canadian Institute of Chartered Accountants.*

### *1993 Comparative Figures*

*As described in Note 1c., the 1994 financial statements are prepared using an accrual basis of accounting. However, the 1993 comparative figures are prepared using a modified cash basis of accounting. My auditor's report on the 1993 financial statements stated the modified cash basis of accounting was not an appropriate basis of accounting. Had an appropriate basis of accounting been used to prepare the 1993 financial statements, assets would have increased \$146 million, liabilities would have increased \$4,032 million (including the pension liabilities referred to above), the deficit for the year would have increased \$371 million, and the accumulated deficit would have increased \$3,886 million.*

<b>SASKATCHEWAN PENSION PLAN</b>	<p><b>.10</b> The Saskatchewan Pension Plan was established to assist low income earners save for their retirement.</p> <p><b>.11</b> The Plan received \$3.6 million in contributions in 1993 and held assets of \$100.2 million at December 31, 1993. The Plan's financial statements are included in its annual report.</p>
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**Our Audit Findings**

**.12** In our opinion, the Plan's financial statements are reliable. The Plan had adequate rules and procedures to safeguard and control its assets. The Plan complied with the authorities

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## Chapter 10 Department of Finance

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governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

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Annuity Underwriting

**.13** Currently, the law does not specify how the Plan should administer profits and losses from annuity underwriting.

**.14** *The Saskatchewan Pension Plan Act* permits the Lieutenant Governor in Council to make regulations to establish a system governing the Plan's profits and losses. Current regulations do not set out how the Plan should fund future losses or how it should allocate future profits from underwriting annuities.

**.15** The Plan underwrites annuities for members and pays these annuities out of the annuity fund. When writing annuity contracts, the Plan sets aside money 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 or more than the requirement for future payments.

**.16** At December 31, 1993 the annuity fund had a surplus of \$17,228.

**We Recommend**

**.17** **The Regulations should be amended to provide direction for the handling of profits or losses from annuity underwriting.**

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Appointed Auditor's Reports

**.18** We relied on Ernst & Young's reports on Saskatchewan Pension Plan's financial statements, internal control, and compliance with authorities.

**LIQUOR BOARD  
SUPERANNUATION  
PLAN**

**.19** The Liquor Board Superannuation Plan provides a pension plan for certain employees of the Liquor and Gaming Authority.

**.20** Treasury Board has not yet approved the 1993 financial statements for the Plan. Therefore, 1993 figures are not available. In 1992, the Plan had revenues of \$2.9 million and held assets of \$12.9 million at December 31, 1992.

Our Audit Findings

**.21** In our opinion, the Department had adequate rules and procedures to safeguard and control the assets of the Plan. The Department complied with the authorities governing the activities of the Plan relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing except for the

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## Chapter 10 Department of Finance

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matter reported in paragraphs .23 to .29.

**.22** Since the 1993 financial statements are not yet completed, we cannot finish our work on them. We will report our audit findings on the Plan's financial statements in a future report to the Legislative Assembly.

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### Public Accountability

**.23** The Legislative Assembly did not receive the Plan's annual report and financial statements on time.

**.24** Section 54 of *The Liquor Board Superannuation Act* requires the Commission to comply with *The Tabling of Documents Act, 1991*.

**.25** *The Tabling of Documents Act, 1991* required the Plan's 1993 annual report and financial statements to be given to the Legislative Assembly by April 25, 1994.

**.26** The Department does not yet have final financial statements for the Plan. Treasury Board has not yet approved the financial statements.

**.27** We note the Assembly also received the Plan's 1992 annual report and financial statements almost one year late.

**.28** In our opinion, the delays in providing the Plan's annual report and financial statements to the Assembly impair the Department's public accountability for the management of the Plan.

### We Recommend

**.29** The Department should prepare the Plan's annual report and financial statements in time to meet the requirements of *The Tabling of Documents Act, 1991*.

**Chapter 11**  
**Saskatchewan Power Corporation**

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## Chapter 11

# Saskatchewan Power Corporation

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Introduction

**.01** The Corporation (SaskPower) provides electrical energy in the Province.

**.02** SaskPower had revenues of \$790 million in 1993 and held assets of \$3.201 billion at December 31, 1993. SaskPower's financial statements are included in its annual report.

Our Audit Findings

**.03** In our opinion, SaskPower's financial statements are reliable. SaskPower had adequate rules and procedures to safeguard and control its assets. SaskPower complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the following matter.

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Investment Requires Authority

**.04** SaskPower loaned Channel Lake Petroleum Limited (Channel Lake) \$25 million without adequate authority.

**.05** SaskPower owns all the shares of Channel Lake. SaskPower used Channel Lake to buy the assets of an Alberta company. SaskPower loaned Channel Lake the money to buy the assets.

**.06** Subsection 12(1) of *The Power Corporation Act* requires SaskPower to obtain an Order-in-Council to lend money to Channel Lake. SaskPower did not obtain an Order approving its loan to Channel Lake.

**.07** In our opinion, SaskPower lacked authority to lend money to Channel Lake.

**.08** On September 13, 1994, SaskPower obtained an Order-in-Council authorizing the loan.

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Appointed Auditor's Reports

**.09** We relied on Ernst & Young's reports on SaskPower's financial statements, internal control, and compliance with authorities.

**Chapter 12**  
**Saskatchewan Transportation Company**

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## Chapter 12

### Saskatchewan Transportation Company

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Introduction

**.01** Saskatchewan Transportation Company (STC) provides a public transportation system and express delivery service for the Province.

**.02** STC earned revenue of \$15.1 million, incurred a loss of \$3.5 million and held assets of \$15.3 million at October 31, 1993. STC's annual report includes its financial statements.

Our Audit Findings

**.03** In our opinion, STC's 1993 financial statements are reliable. STC complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing. STC had adequate rules and procedures to safeguard and control its assets except for the following significant deficiencies.

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Information System  
Need Improvements

**.04** STC continues to have problems with its computer system. Because of STC's lack of confidence in its computer system, STC's employees do many manual procedures to ensure the computer processes information accurately. This is inefficient.

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Information Security  
Policy Required

**.05** STC does not have an information security and confidentiality policy. STC lacks adequate rules and procedures to ensure the security and confidentiality of its information systems.

**.06** STC's Board of Directors should authorize an information security and confidentiality policy for the Company. Management has not presented such a policy to STC's Board for approval.

**.07** An information and security policy should include rules and procedures for the following:

- passwords to control access to computer systems and information;
- reports listing changes to computer programs and information;
- locked doors and cabinets;

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## Chapter 12 Saskatchewan Transportation Company

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- signed confidentiality agreements for employees and consultants; and
- making one person responsible to carry out and monitor the policy.

**.08** The lack of an information security and confidentiality policy may result in STC's information not remaining secure or confidential. Customer accounts information should be secure to prevent losses.

**.09** STC has established rules and procedures regarding passwords for controlling access to its computer systems. STC did not follow its established procedures.

**.10** For example, we noted the following lack of security over customer accounts. STC hired consultants to maintain its computer systems. STC gave the consultants uncontrolled access to its computer systems and related information. STC did not receive or review reports listing the consultants' access. While correcting processing errors, these consultants created invoices and changed customer statement information files.

### We Recommend

**.11** STC should establish a written information security and confidentiality policy that includes adequate rules and procedures to monitor and control access to its computer system.

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### Controls Over Systems Changes Required

**.12** STC lacks adequate rules and procedures to control changes to its computer programs and information stored on its computer systems.

**.13** STC's rules and procedures for changing its computer systems and storing information on its computer systems should include processes for:

- recording, ranking, and scheduling changes;
- approving changes to ensure they meet STC's needs;
- testing changes before their use;
- documenting changes; and

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## Chapter 12 Saskatchewan Transportation Company

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- ensuring security over computer programs and data files.

**.14** STC lacks written rules and procedures to ensure changes are properly approved, meet STC's needs, and are tested before use. Also, STC has not adequately documented its computer programs, and does not adequately document changes to its computer programs and information stored on its computer system.

**.15** STC's lack of adequate rules and procedures to control changes to its computer programs and information stored on computer systems can result in STC's inability to produce accurate information efficiently. STC needs accurate information to manage the company.

**.16** We note employees do many manual procedures to help ensure the accuracy of the information produced by STC's computer systems.

**.17** We also note STC's computer system had problems processing information. This resulted in errors. STC hired consultants to help correct the processing problems and errors. The consultants made changes to STC's computer programs and related information.

**.18** STC did not have a system to know what changes the consultants made to its computer programs and information. Also, STC did not use a formal process to review or approve the consultants' changes to STC's computer programs and information.

**.19** STC's documentation of changes made by the consultants consists of a brief narrative included on the consultant's billing. The brief narrative on the billing does not provide an adequate explanation of the changes to computer programs and information.

### We Recommend

**.20** STC should adequately control changes made to its computer programs and information stored on its computer systems.

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Controls Over Cash  
Sales Need  
Strengthening

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**.21** STC lacks adequate rules and procedures to ensure it records all cash sales from passenger tickets and express waybills, and deposits all cash received in STC's bank account.

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## Chapter 12 Saskatchewan Transportation Company

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**.22** STC employees at various depots receive cash for passenger and express sales. STC lacks rules and procedures to ensure employees record all cash at the time of sale.

**.23** Employees at the depots prepare and submit cash and sales reports daily to STC's head office. STC records these sales based on the sales reports. The lack of rules and procedures to record all cash at the time of sale could result in inaccurate and incomplete cash and sales reports. This deficiency could result in cash losses without timely detection.

**We Recommend**

**.24** STC should establish adequate rules and procedures for recording cash sales.

**.25** STC states it has established other rules and procedures for ensuring it receives all cash collected by depot employees. STC advises that head office employees reconcile passenger tickets issued to depots to the tickets listed as sold on depot sales reports. However, we could not find evidence head office employees did these reconciliations.

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Contingency Plan  
Required

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**.26** STC needs a written and tested contingency plan to ensure it can operate effectively if a major loss or destruction of its records occurs. The lack of a contingency plan increases STC's risk of a financial loss.

**.27** STC depends on its computer systems to keep its records and to monitor and control its business. STC needs a written and tested contingency plan because its operations depend on the reliability of its computer systems.

**We Recommend**

**.28** STC should prepare a written contingency plan and test the plan.

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Appointed Auditor's  
Reports

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**.29** We relied on Ernst & Young's reports on STC's financial statements, internal control and compliance with authorities.

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## Appendix I

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### 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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## Appendix I

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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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## Appendix I

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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.

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

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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.

(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

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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;
  - (ii) to effectively check the assessment, collection and proper allocation of public money; or

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(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(1) Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as practicable:

(a) his annual report prepared pursuant to section 12;

(b) any supplemental report based on the financial statements of the Government of Saskatchewan; and

(c) any special report that is prepared by him pursuant to section 13;

and the Speaker shall, as soon as practicable, lay before the Legislative Assembly each report received by him pursuant to this subsection.

(2) Where the Legislature is not in session when the Speaker is required to lay the reports referred to in subsection (1) before the Legislative Assembly, the Speaker shall submit the reports to the Clerk of the Legislative Assembly, whereupon such reports shall be deemed to be tabled.

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(3) On receipt of the reports referred to in subsection (1), the Clerk of the Legislative Assembly shall:

- (a) cause copies of the reports to be delivered to all members of the Legislative Assembly; and
- (b) make the reports available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(4) Where the Speaker submits the reports referred to in subsection (1) to the Clerk of the Legislative Assembly pursuant to subsection (2), those reports shall be deemed referred to the Standing Committee of the Legislative Assembly on Public Accounts.

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);
- (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*:

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(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

(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

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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).

### 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.

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### 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 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,



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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.

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

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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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## Appendix II

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Appendix II 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 December 31, 1993.

<b>Departments and Secretariats:</b>	<b>Year End</b>
Department of Agriculture and Food	March 31
Department of Economic Development	March 31
Department of Education, Training and Employment	March 31
Department of Energy and Mines	March 31
Department of Environment and Resource Management	March 31
Department of Finance	March 31
Department of Health	March 31
Department of Highways and Transportation	March 31
Department of Justice	March 31
Department of Labour	March 31
Department of Municipal Government	March 31
Department of Social Services	March 31
Executive Council	March 31
Indian and Metis Affairs Secretariat	March 31
Provincial Secretary	March 31
Public Service Commission	March 31
Women's Secretariat	March 31
<b>Crown Agencies:</b>	
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Saskatchewan Indian Regional College	June 30
Saskatchewan Institute of Applied Science and Technology	June 30
Saskatchewan Vegetable Marketing and Development Board	June 30
Southeast Regional College	June 30
Teachers' Superannuation Commission	June 30
Saskatchewan Canola Development Commission	July 31
Saskatchewan Grain Car Corporation	July 31
National Pig Development (Canada) Ltd.	September 30
Saskatchewan Forest Products Corporation	October 31
Saskatchewan Transportation Company	October 31

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Crown Agencies (continued):	Year End
586643 Saskatchewan Ltd.	December 31
Bayhurst Gas Limited	December 31
Channel Lake Petroleum Ltd.	December 31
CIC Industrial Interests Corporation	December 31
CIC Mineral Interests Inc.	December 31
CIC Mining Corporation	December 31
CIC Pulp Ltd.	December 31
CMB Fertilizer Inc.	December 31
Crown Investments Corporation of Saskatchewan (CIC)	December 31
Investment Corporation of Saskatchewan	December 31
Many Islands Natural Gas (Canada) Limited	December 31
Many Islands Pipelines (Canada) Limited	December 31
Milk Control Board, The	December 31
Municipal Employees' Superannuation Commission	December 31
Municipal Financing Corporation of Saskatchewan	December 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Enterprise Fund Inc. (formerly SaskPower Northern Enterprise Fund Inc.)	December 31
Nu-Net Communications Limited	December 31
Power Greenhouses Inc.	December 31
Power Corporation Superannuation Board	December 31
Saskatchewan Assessment Management Agency	December 31
Saskatchewan Auto Fund	December 31
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31
Saskatchewan Chicken Marketing Board	December 31
Saskatchewan Commercial Egg Producers' Marketing Board	December 31
Saskatchewan Development Fund Corporation	December 31
Saskatchewan Economic Development Corporation	December 31
Saskatchewan Government Growth Fund Limited	December 31
Saskatchewan Government Growth Fund II Limited	December 31
Saskatchewan Government Growth Fund Management Corporation	December 31
Saskatchewan Government Insurance	December 31
Saskatchewan Horse Racing Commission	December 31
Saskatchewan Housing Corporation	December 31
Saskatchewan Pension Plan Board of Trustees	December 31
Saskatchewan Power Corporation	December 31
Saskatchewan Sheep Development Board	December 31
Saskatchewan Telecommunications	December 31
Saskatchewan Telecommunications Holding Corporation	December 31
Saskatchewan Telecommunications International Inc.	December 31
Saskatchewan Telecommunications Superannuation Board	December 31
Saskatchewan Turkey Producers' Marketing Board	December 31
Saskatchewan Water Corporation	December 31

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Crown Agencies (continued):	Year End
SaskEnergy Incorporated	December 31
SaskPen Properties Ltd.	December 31
SGI Canada Insurance Services Ltd.	December 31
South Saskatchewan River Irrigation District No. 1	December 31
SPI Marketing Group	December 31
The Liquor Board Superannuation Commission	December 31
TransGas Limited	December 31
Workers' Compensation Board	December 31
Workers' Compensation Board Superannuation Board	December 31
582099 Saskatchewan Ltd.	February 28
RT and CC Investment Corporation	February 28
Agricultural Credit Corporation of Saskatchewan	March 31
Agricultural Implements Board	March 31
Agriculture Development Fund	March 31
Assiniboine Valley District Health Board	March 31
Battlefords District Health Board	March 31
Board of Governors, Battlefords Regional Care Centre	March 31
Board of Governors, Lakeside Home	March 31
Board of Governors, Parkridge Centre	March 31
Central Plains District Health Board	March 31
East Central District Health Board	March 31
Gabriel Springs District Health Board	March 31
Greenhead District Health Board	March 31
Health Services Utilization and Research Commission	March 31
La Ronge Hospital Board	March 31
Law Reform Commission of Saskatchewan	March 31
Living Sky District Health Board	March 31
Midwest District Health Board	March 31
Moose Jaw - Thunder Creek District Health Board	March 31
Moose Mountain District Health Board	March 31
New Careers Corporation	March 31
North Central District Health Board	March 31
North-East District Health Board	March 31
North Valley District Health Board	March 31
Northwest District Health Board	March 31
Palliser Regional Care Centre	March 31
Parkland District Health Board	March 31
Parkland Regional Care Centre	March 31
Pasquia District Health Board	March 31
Pipestone District Health Board	March 31
Prairie Agricultural Machinery Institute	March 31
Prairie West District Health Board	March 31
Prince Albert Health Board	March 31

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<b>Crown Agencies (continued):</b>	<b>Year End</b>
Provincial Mediation Board	March 31
Public Employees (Government Contributory) Superannuation Plan	March 31
Public Service Superannuation Board	March 31
Regina District Health Board	March 31
Rolling Hills District Health Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Beef Stabilization Board	March 31
Saskatchewan Cancer Foundation	March 31
Saskatchewan Centre of the Arts	March 31
Saskatchewan Communications Advanced Network Corporation	March 31
Saskatchewan Crop Insurance Corporation	March 31
Saskatchewan Energy Conservation and Development Authority	March 31
Saskatchewan Legal Aid Commission	March 31
Saskatchewan Liquor and Gaming Authority	March 31
Saskatchewan Lotteries Trust Fund for Sports, Recreation and Culture	March 31
Saskatchewan Municipal Board	March 31
Saskatchewan Property Management Corporation	March 31
Saskatchewan Pulse Crop Development Board	March 31
Saskatchewan Research Council	March 31
Saskatchewan Wetland Conservation Corporation	March 31
Saskatoon District Health Board	March 31
Souris Valley Regional Care Centre	March 31
South Central District Health Board	March 31
South Country District Health Board	March 31
South East District Health Board	March 31
Southwest District Health Board	March 31
SP Two Properties Ltd.	March 31
St. Louis Alcoholism Rehabilitation Centre	March 31
Swift Current District Health Board	March 31
Touchwood Qu'Appelle District Health Board	March 31
Tripartite Beef Administration Board	March 31
Twin Rivers District Health Board	March 31
Wanuskewin Heritage Park Corporation	March 31
Water Appeal Board	March 31
Western Development Museum	March 31
Whitespruce Youth Treatment Centre	March 31
<b>Special Purpose and Trust Funds:</b>	
Doukhobors of Canada C.C.U.B. Trust Fund	May 31
Capital Pension Plan (formerly Crown Investments Corporation Pension Plan)	December 31
Public Employees Dental Fund	December 31

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<b>Special Purpose and Trust Funds (continued):</b>	<b>Year End</b>
Public Employees Disability Income Fund	December 31
Public Employees Group Life Insurance Fund	December 31
Saskatchewan Development Fund	December 31
Saskatchewan Government Insurance Superannuation Plan	December 31
Saskatchewan Research Council Employees' Pension Plan	December 31
Cattle Marketing Deductions Fund	March 31
Commercial Revolving Fund	March 31
Correctional Facilities Industries Revolving Fund	March 31
Correspondence School Revolving Fund	March 31
Crop Reinsurance Fund of Saskatchewan	March 31
Department of Justice Victims' Fund	March 31
Fish and Wildlife Development Fund	March 31
Forest Renewal and Development Fund	March 31
General Revenue Fund	March 31
Highways Revolving Fund	March 31
Horned Cattle Fund	March 31
Judges of the Provincial Court Superannuation Fund	March 31
Members of the Legislative Assembly Superannuation Fund	March 31
Northern Revenue Sharing Trust Account	March 31
Northern Saskatchewan Economic Development Revolving Fund	March 31
Oil and Gas Environmental Fund	March 31
Prepaid Funeral Services Assurance Fund	March 31
Provincial Mediation Board Trust Account	March 31
Public Employees Benefit Agency Revolving Fund	March 31
Public Trustee for Saskatchewan	March 31
Queen's Printer Revolving Fund	March 31
Resource Protection and Development Revolving Fund	March 31
Saskatchewan Agriculture Returns Stabilization Fund	March 31
Saskatchewan Book Bureau Revolving Fund	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Prescription Drug Fund	March 31
Saskatchewan Student Aid Fund	March 31
Sinking Funds	March 31
Trust Funds at Court House, Local Registrars and Sheriff's Offices	March 31

**Other Organizations subject to examination under *The Provincial Auditor Act*:**

Clinic Trust Funds	March 31
Legislative Assembly Office	March 31
Ombudsman, Office of the	March 31
Provincial Auditor, Office of the	March 31
Saskatchewan Archives Board	March 31
University of Regina, The	April 30

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**Other Organizations subject to examination under *The Provincial Auditor Act*  
(continued):**

**Year End**

University of Saskatchewan, The

April 30



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## Appendix III

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### Audits Not Completed at September 30, 1994

The Standing Committee on Public Accounts recommends an audit of every government agency every year.

This Report includes all audits completed at September 30, 1994 for fiscal periods ended December 31, 1993 or earlier. Since 1988, we have prepared our Annual Reports without completing all audits. This practice is necessary to improve the timeliness of the information given to the Members of the Legislative Assembly.

We will report audits completed after September 30, 1994 for fiscal periods ended December 31, 1993 or earlier to the Legislative Assembly in a future Report.

We have two categories of audits not completed at September 30, 1994.

#### Category I

We have not completed the audit of the following organizations at September 30, 1994, and we will report our audit findings in a future Report to the Legislative Assembly.

Investment Corporation of Saskatchewan (1988, 1989, 1990, 1991, 1992 and 1993)  
Saskatchewan Government Growth Fund Limited  
Saskatchewan Government Growth Fund II Limited  
Saskatchewan Government Growth Fund Management Corporation  
Saskatchewan Government Insurance Superannuation Plan  
Saskatchewan Sheep Development Board  
Saskatchewan Vegetable Marketing and Development Board (1992)  
Teachers' Superannuation Commission  
The Liquor Board Superannuation Commission  
Workers' Compensation Board Superannuation Board

#### Category II

To meet established priorities, we did not plan to do any audit work to report on the following organizations for fiscal periods ended December 31, 1993 or earlier. Accordingly, we are unable to report to the Assembly on these organizations.

586643 Saskatchewan Ltd.  
CIC Mineral Interests Corporation  
CIC Mining Corporation  
CIC Pulp Ltd.  
CMB Fertilizer Inc.  
National Pig Development (Canada) Ltd.

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### Category II (continued):

Northern Enterprise Fund Inc. (1992 and 1993)  
Nu-Net Communications Limited  
Power Greenhouses Inc. (1991, 1992 and 1993)  
Saskatchewan Broiler Hatching Egg Producers' Marketing Board  
Saskatchewan Chicken Marketing Board  
Saskatchewan Commercial Egg Producers' Marketing Board  
Saskatchewan Development Fund (1992 and 1993)  
Saskatchewan Development Fund Corporation (1992 and 1993)  
Saskatchewan Housing Corporation  
Saskatchewan Mining Development Corporation  
Saskatchewan Pulse Crop Development Board  
Saskatchewan Telecommunications  
Saskatchewan Telecommunications Holding Corporation  
Saskatchewan Telecommunications International Inc.  
Saskatchewan Telecommunications Superannuation Board  
Saskatchewan Turkey Producers' Marketing Board  
Saskatchewan Vegetable Marketing and Development Board (1993)  
SaskPen Properties Ltd.  
SP Two Properties Ltd.

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## Appendix IV

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Appendix IV lists government organizations with fiscal periods ended December 31, 1993 or earlier that, in our opinion, had:

- reliable financial statements;
- adequate rules and procedures to safeguard and control their assets;
- complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing; and
- no other matters requiring the attention of the Legislative Assembly.

We report elsewhere in this Report on those government organizations where we found matters or issues requiring the attention of the Legislative Assembly.

We report in Appendix III those government organizations where we did not complete our audit for this Report.

### **Departments and Secretariats:**

Provincial Secretary  
Women's Secretariat

### **Crown Agencies:**

582099 Saskatchewan Ltd.  
Bayhurst Gas Limited  
Carlton Trail Regional College  
Cumberland Regional College  
Many Islands Natural Gas (Canada) Limited  
Many Islands Pipelines (Canada) Limited  
Milk Control Board, The  
Municipal Employees' Superannuation Commission  
Municipal Financing Corporation of Saskatchewan  
Municipal Potash Tax Sharing Administration Board  
North West Regional College  
Parkland Regional College  
RT and CC Investment Corporation  
Saskatchewan Auto Fund  
Saskatchewan Canola Development Commission  
Saskatchewan Economic Development Corporation  
Saskatchewan Energy Holdings Ltd.

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## Appendix IV

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### **Crown Agencies (continued):**

Saskatchewan Forest Products Corporation  
Saskatchewan Government Insurance  
Saskatchewan Grain Car Corporation  
Saskatchewan Horse Racing Commission  
Saskatchewan Housing Corporation  
Saskatchewan Water Corporation  
Saskatchewan Wetland Conservation Corporation  
SaskEnergy Incorporated  
SGI Canada Insurance Services Ltd.  
South Saskatchewan River Irrigation District No. 1  
SPI Marketing Group  
TransGas Limited  
Workers' Compensation Board

### **Special Purpose and Trust Funds:**

Commercial Revolving Fund  
Correspondence School Revolving Fund  
Doukhobors of Canada C.C.U.B. Trust Fund  
Forest Renewal and Development Fund  
Public Employees Dental Fund  
Public Employees Disability Income Fund  
Public Employees Group Life Insurance Fund  
Resource Protection and Development Revolving Fund  
Saskatchewan Research Council Employees' Pension Plan

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## Appendix V

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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 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.

Our examinations and reports focus on the Government as a whole, sectors or programs of government, and individual government organizations. Appendix V contains examples of the audit opinions we form to provide our assurances on financial statements, compliance with authorities, and management practices in this Report. We use the auditing standards recommended by the Canadian Institute of Chartered Accountants for the public sector to form our opinions.

### **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,

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## Appendix V

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estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to my responsibilities under Section 11(1) of *The Provincial Auditor Act*, I am 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.

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

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## Appendix V

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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.

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.

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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



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## Appendix VI

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### The Government's 1993-94 Summary Financial Statements

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## Appendix VI

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### **Responsibility for Summary Financial Statements**

The Government is responsible for the Summary Financial Statements. The Government maintains a system of accounting and administrative controls to ensure accurate and reliable financial statements are prepared and to get reasonable assurance transactions are authorized, assets are safeguarded, and financial records maintained.

The Provincial Comptroller prepares these statements following the Government's stated accounting policies and using management's best estimates and judgement where appropriate. He uses information from the accounts of the General Revenue Fund, Crown corporations, agencies, and other funds to prepare these statements.

The Provincial Auditor expresses an independent opinion on these statements. His report stating the scope of his audit and his opinion appears on the following page.

Treasury Board approves the Summary Financial Statements. The Minister of Finance tables the statements in the Legislative Assembly as part of the Public Accounts. The Legislative Assembly refers the Public Accounts to the Standing Committee on Public Accounts for review.

On behalf of the Government of the Province of Saskatchewan.

Janice MacKinnon  
Minister of Finance

John Wright  
Deputy Minister of Finance

Gerry Kraus  
Provincial Comptroller

Regina, Saskatchewan  
September, 1994

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## Appendix VI

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### **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, 1994 and the statements of operations and accumulated deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the 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.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of the Province of Saskatchewan as at March 31, 1994 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  
September 2, 1994

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, 1994

		(In thousands of dollars)	
		1994	1993 (Restated)
<b>Assets</b>			
<b>Schedule</b>			
	Cash and temporary investments .....	\$ 429,610	\$ 365,850
	Prepaid expenses .....	21,416	21,008
1	Accounts receivable .....	371,655	324,289
	Inventories held for resale .....	8,536	8,398
	Deferred charges.....	84,160	86,397
2	Loans receivable .....	583,961	701,483
3	Investment in government enterprises .....	2,061,905	1,626,132
4	Long-term investments .....	1,242,719	1,343,775
	Land held for resale .....	135,203	137,583
<b>Total assets</b>		<b>\$ 4,939,165</b>	<b>\$ 4,614,915</b>
 <b>Liabilities and Accumulated Deficit</b>			
5	Accounts payable and accrued liabilities .....	\$ 1,438,384	\$ 1,460,300
	Unearned revenue.....	60,830	70,192
6&7	Public debt .....	10,356,249	9,933,346
	Pension liabilities (note 2) .....	3,103,804	3,026,571
8	Other liabilities.....	385,152	354,594
		15,344,419	14,845,003
	Unrealized foreign exchange (loss) gain.....	(91,762)	38,397
	Accumulated deficit .....	(10,313,492)	(10,268,485)
<b>Total liabilities and accumulated deficit</b>		<b>\$ 4,939,165</b>	<b>\$ 4,614,915</b>

(See accompanying notes)

9 Guaranteed debt, contingencies and commitments (notes 6 and 7)

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Statement of Operations and Accumulated Deficit

For the Year Ended March 31, 1994

(In thousands of dollars)

	1994	1993 (Restated)
<b>Revenue</b>		
<b>Schedule</b>		
10 Taxation .....	\$ 2,549,932	\$ 2,304,253
10 Contributions from the federal government .....	1,269,813	1,139,493
10 Natural resources .....	448,941	392,904
10 Other revenue .....	637,703	625,384
<b>Total revenue</b>	<b>4,906,389</b>	<b>4,462,034</b>
<b>Expenses</b>		
Agriculture .....	344,305	480,738
Debt charges .....	1,076,065	1,083,903
Education .....	974,221	991,764
Health .....	1,552,890	1,614,237
Natural resources and economic development .....	164,697	153,944
Protection of persons and property .....	190,371	210,898
Recreation and culture .....	48,042	55,343
Regional planning and development .....	187,059	208,565
Social services .....	485,636	453,644
Transportation .....	181,091	171,502
Other .....	347,314	322,783
<b>Total expenses</b>	<b>5,551,691</b>	<b>5,747,321</b>
Deficit from government service organizations .....	(645,302)	(1,285,287)
3 Income from government enterprises .....	600,295	491,808
<b>Deficit for the year</b> .....	<b>(45,007)</b>	<b>(793,479)</b>
Accumulated deficit, beginning of year, as restated (note 8) .....	(10,268,485)	(9,475,006)
<b>Accumulated deficit, end of year</b>	<b>\$ (10,313,492)</b>	<b>\$ (10,268,485)</b>

(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, 1994

	(In thousands of dollars)	
	1994	1993 (Restated)
<b>Operating Activities</b>		
Deficit for the year .....	\$ (45,007)	\$ (793,479)
Add (deduct) non-cash items		
Income from government enterprises .....	(600,295)	(491,808)
Amortization of foreign exchange gain .....	(6,070)	(11,719)
Other .....	90,294	50,958
Net change in non-cash operating activities .....	117,802	414,710
<b>Cash required for operating activities</b>	<b>(443,276)</b>	<b>(831,338)</b>
<b>Investing Activities</b>		
Disposal of land held for resale .....	2,380	10,669
Acquisition of long-term investments .....	(49,959)	(420,243)
Disposition of long-term investments .....	60,721	385,686
(Increase) decrease in equity advances to enterprises .....	73,000	(97,500)
Capital restructuring of government enterprises .....	(191,184)	-
<b>Cash used in investing activities</b>	<b>(105,042)</b>	<b>(121,388)</b>
<b>Cash before financing activities</b>	<b>(548,318)</b>	<b>(952,726)</b>
<b>Financing Activities</b>		
Redemption of public debt .....	(506,622)	(1,521,734)
Proceeds from issuance of public debt .....	805,436	2,053,209
Dividends from government enterprises.....	282,706	266,654
Increase (decrease) in other liabilities .....	30,558	(30,385)
<b>Cash provided by financing activities</b>	<b>612,078</b>	<b>767,744</b>
<b>Net increase (decrease) in cash and temporary investments</b> .....	<b>63,760</b>	<b>(184,982)</b>
Cash and temporary investments, beginning of year.....	365,850	550,832
<b>Cash and temporary investments, end of year</b>	<b>\$ 429,610</b>	<b>\$ 365,850</b>

(See accompanying notes)

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

For the Year Ended March 31, 1994

#### 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 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 in Note 1(c). 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, which is initially recorded 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 which is specifically expressed as follows:

##### Revenue

Revenue is recorded on the accrual basis except for payments from the federal government for corporate and personal income taxes, which are recorded on the cash basis.

##### Expenses

Expenses are recorded on the accrual basis and include the cost of capital property and inventories of supplies received during the year.

#### 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.

*Deferred charges* include issue costs and net discounts or premiums incurred on the issue of long-term debt. They are initially recorded at cost and amortized on a straight line basis over the remaining life of the debt issue.

*Loans receivable* are recorded at the lower of cost and estimated net realizable value.

*Long-term investments* in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies are recorded at cost and dividends from these shares are recorded as income when receivable. Where the Government has investments in shares and exercises significant influence but has less than a controlling interest, the investments are accounted for by the equity method whereby the carrying value of the investment is adjusted for the Government's share of the investee's net earnings or losses and reduced by dividends received from these shares. Long-term investments are written down to their net realizable value 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 *capital property* which has a useful life of greater than one year. For government service organizations, capital property is expensed in the period acquired. In the current year, government service organizations acquired capital property costing \$86.1 million (1993 - \$103.5 million).

The Saskatchewan Property Management Corporation and the Saskatchewan Housing Corporation hold a substantial portion of the capital property on hand and available for use by the Government. The table shown below includes the capital property held by these and most other government service organizations.

	(In thousands of dollars)		
	Cost	Accumulated Depreciation	Net Book Value
Land .....	\$ 73,105	\$ -	\$ 73,105
Buildings.....	1,363,689	246,133	1,117,556
Vehicles .....	53,842	34,363	19,479
Machinery and equipment .....	411,104	203,421	207,683
Aircraft .....	2,026	770	1,256
Furniture.....	10,197	5,720	4,477
Capital leases.....	78,402	24,278	54,124
Other .....	4,445	2,756	1,689
<b>Total</b>	<b>\$ 1,996,810</b>	<b>\$ 517,441</b>	<b>\$ 1,479,369</b>

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## Appendix VI

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### Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

The table shown previous does not include the following:

- capital property held by government enterprises. This information is disclosed in schedule 3;
- infrastructure, such as highways, bridges, and dams;
- land acquired for parks and recreation, highway construction, or held for resale;
- capital property held by the General Revenue Fund. However, the majority of capital property used to deliver General Revenue Fund programs is held by the Saskatchewan Property Management Corporation; and,
- capital property purchased with the Government's grant monies. The Government provides monies to other governments, authorities or individuals in the form of capital grants and contributions which are specifically used to acquire capital property or property that is available for public use.

#### **Liabilities**

Reported liabilities include financial obligations to outside organizations and individuals as a result of transactions and events occurring prior to year end. 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 prior to year end.

*Public debt* consists of promissory notes, debentures and annuities of government service organizations which are recorded net of amounts reimbursable from government enterprises. These obligations are recorded at principal less sinking fund balances where applicable.

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 Canadian dollar equivalent at the exchange rate in effect at March 31. Realized foreign exchange gains and losses are included in the annual net income or loss. Unrealized foreign exchange gains and losses are amortized on a straight-line basis over the remaining life of the debt issue.

The *pension liability* is calculated using the projected benefit method prorated on services. Pension fund assets are valued at market related values. Changes in the pension liability as a result of estimation adjustments due to experience gains and losses and changes in actuarial assumptions are amortized over the expected average remaining service life of the related employee group. Gains or losses as a result of plan amendments are recognized in the period of the plan amendment.

## **2. Pension Liability**

### **a) Contributory defined benefit pension plans**

#### **Government service organizations**

The Government of Saskatchewan sponsors several defined benefit pension plans for substantially all of its employees and for members of the Legislative Assembly. These plans along with the Public Employees (Government Contributory) Annuity Fund, an annuity underwriting operation, are included in the following table. The defined benefit plans, except for the Judges of the Provincial Court Superannuation Plan, are closed membership pension plans.

The defined benefit pension plans provide pensions based on length of service and pensionable earnings. The Teachers' Superannuation Plan (TSP) provides for inflation protection equal to 80% of the annual increase in the Consumer Price Index. The other plans provide inflation indexing at the discretion of the Lieutenant Governor in Council.

The membership data of these plans are as follows:

Number of active members .....	13,665
Average age of active members.....	45.6
Former members entitled to deferred pension benefits.....	1,922
Number of superannuates and surviving spouses.....	12,329

Benefit payments were \$216 million in 1994 (1993 – \$206 million).

A separate pension fund is not maintained for the Public Service Superannuation Plan (PSSP). Instead, employee contributions are recorded as revenue of the General Revenue Fund (GRF) and pension benefits are paid out of the GRF. Separate pension funds are maintained for the other plans. Contributions are deposited in the separate funds and benefits to plan members are payable from them.

The unfunded pension liability is as follows:



## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

(In thousands of dollars)

Plan Name	Actuarial Valuation Date	Accrued Benefit Obligation	Pension Fund Assets	Net Obligation	Unamortized Estimation Adjustments	March 31, 1994	March 31, 1993 (Restated)
Public Service Superannuation Plan .....	March 31/92	\$ 1,087,420	\$ -	\$ 1,087,420	\$ -	\$ 1,087,420	\$ 1,073,600
Teachers' Superannuation Plan .....	June 30/92	3,049,000	1,056,000	1,993,000	(29,300)	1,963,700	1,901,000
Members of the Legislative Assembly Superannuation Plan .....	March 31/94	25,037	50	24,987	(641)	24,346	24,189
Judges of the Provincial Court Superannuation Plan..	March 31/94	21,152	4,742	16,410	308	16,718	16,101
Anti-TB League Employees Superannuation Plan .....	March 31/94	7,450	3,028	4,422	(652)	3,770	3,499
Saskatchewan Transportation Company Employees Superannuation Plan .....	March 31/94	23,691	18,075	5,616	44	5,660	6,074
Public Employees (Government Contributory) Annuity Fund .....	March 31/94	30,280	28,090	2,190	-	2,190	2,108
<b>Total pension liability</b>		<b>\$ 4,244,030</b>	<b>\$ 1,109,985</b>	<b>\$ 3,134,045</b>	<b>\$ (30,241)</b>	<b>\$ 3,103,804</b>	<b>\$ 3,026,571</b>

The unamortized estimation adjustments are amortized on a straight-line basis over the expected average remaining service life of the related employee group.

Actuarial valuations are performed at least triennially using the projected benefit method prorated on services. These valuations are extrapolated by an actuary when a valuation is not performed in the current fiscal year. Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions reflect the Government's best estimates in determining the actuarial value of accrued pension benefits. The expected long-term inflation rate for the TSP, PSSP and the other pension plans is 3%, 4% and 4.5%, respectively.

The total pension related expenses include the following components:

	(In thousands of dollars)	
	1994	1993
Current period benefit cost.....	\$ 76,853	\$ 76,914
Amortization of estimation adjustments .....	1,700	-
	78,553	76,914
Less: Plan amendments .....	(4,972)	(5,369)
Employee contributions ....	(31,189)	(29,543)
Pension expenses .....	42,392	42,002
Cost of financing unfunded pension obligation (pension interest expenses) .....	207,181	210,918
<b>Total pension related expenses</b>	<b>\$ 249,573</b>	<b>\$ 252,920</b>

The total pension related expenses are included in the Statement of Operations and Accumulated Deficit as components of education and other expenses.

#### **Government enterprises**

Defined benefit pension plans of government enterprises are closed membership plans. Based on the latest actuarial valuations to December 31, 1993, the present value of the accrued pension benefits of these plans is \$1,015 million (1992 - \$928 million). The market value of the pension funds' assets as at December 31, 1993 is \$1,035 million (1992 - \$926 million).

#### **b) Contributory defined contribution pension plans**

The Government is also the sponsor of several defined contribution pension plans. The Government has fully funded its share of contributions to these plans.

### **3. District Health Boards**

During the period, 26 new district health boards were established. Due to the uncertainty of the Government's control of these boards in the long-term, they have not been included in the reporting entity of these financial statements. The Regina, Saskatoon, and Prince Albert District Health Boards, which were established prior to March 31, 1993, are included in the reporting entity. This is consistent with the previous period's treatment.

The total net assets, as expressed in the accounting policies described in Note 1(c), held by the 26 new boards at March 31, 1994 was approximately \$17.4 million.

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

#### 4. Expenses by Object

Expenses on the Statement of Operations and Accumulated Deficit are reported by object as follows:

	(In thousands of dollars)	
	1994	1993 (Restated)
Grants and contributions .....	\$ 2,133,477	\$ 2,355,620
Debt charges .....	1,076,065	1,083,903
Operating costs .....	813,310	679,503
Salaries and benefits .....	1,294,774	1,290,864
Asset acquisitions .....	86,090	103,461
Other .....	147,975	233,970
<b>Total expenses</b>	<b>\$ 5,551,691</b>	<b>\$ 5,747,321</b>

#### 5. Comparison of Planned and Actual Results

A comparison of budgeted and actual (deficit) surplus is as follows:

	(In thousands of dollars)	
	Budget	Actual
General Revenue Fund (Deficit) for the year .....	\$ (296,342)	\$ (271,796)
Government enterprises Income for the year .....		600,295
Other government service organizations (Deficit) for the year .....		(14,120)
Dividends received from government enterprises .....		(282,706)
Adjustments necessary to conform to the basis of accounting described in Note 1(c) .....		(76,680)
<b>(Deficit) for the year</b>		<b>\$ (45,007)</b>

The budgeted and actual figures are before elimination of inter-entity transactions.

#### 6. Contingencies

##### a) Loan guarantees

At March 31, 1994, \$1,176 million (1993 – \$1,221 million) in loans to other parties were guaranteed by the Government. These amounts are treated as expenses when it becomes likely that a payment will be required. Schedule 9 provides a listing of loan guarantees.

##### b) Lawsuits

There are a number of outstanding lawsuits against the Government. Up to \$4.7 million may be paid 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.

##### d) Other

IPSCO Inc. has the option to purchase leased equipment. In the event that IPSCO Inc. does not purchase the equipment by the end of the lease term, the Government is obligated to purchase the equipment for \$13 million.

#### 7. Commitments

Major financial commitments include:

##### a) Government service organizations

- capital expenditure commitments valued at approximately \$223.1 million;
- treaty land entitlement agreement commitments valued at approximately \$224.6 million;
- outstanding projects and other commitments valued at approximately \$43.0 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)	
Future minimum lease payments		
1994-95 .....	\$	16,201
1995-96 .....		15,757
1996-97 .....		15,646
1997-98 .....		15,749
1998-99 and thereafter .....		155,624
<b>Total future minimum lease payments .....</b>		<b>218,977</b>
<b>Less interest and executory costs .....</b>		<b>(144,724)</b>
<b>Capital lease obligations</b>	<b>\$</b>	<b>74,253</b>

- other operating leases with future minimum lease payments as follows:

	(In thousands of dollars)	
1994-95 .....	\$	40,627
1995-96 .....		36,280
1996-97 .....		33,090
1997-98 .....		31,213
1998-99 and thereafter .....		56,609
<b>Operating lease commitments</b>	<b>\$</b>	<b>197,819</b>

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

#### b) Government enterprises

- forward purchase commitments of \$1,918 million for coal and \$1,145 million for natural gas contracted for future minimum deliveries valued at current prices;
- other commitments including capital expenditure commitments valued at approximately \$477.8 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)	
Future minimum lease payments	
1994-95 .....	\$ 1,859
1995-96 .....	1,367
1996-97 .....	3,750
1997-98 .....	108
1998-99 and thereafter .....	—
Total future minimum lease payments .....	7,084
Less interest and executory costs .....	(792)
Capital lease obligations	\$ 6,292

- other operating leases with future minimum lease payments as follows:

(In thousands of dollars)	
1994-95 .....	\$ 35,949
1995-96 .....	33,837
1996-97 .....	27,698
1997-98 .....	25,170
1998-99 and thereafter .....	27,918
Operating lease commitments	\$ 150,572

#### 8. Comparative Figures

To conform with current year's presentation, certain comparative figures for the previous year have been restated as follows:

##### a) Pension liability

This change in accounting policy increases the deficit for the year by \$77.2 million. The Government has retroactively restated comparative figures to record the pension liability of the Government.

##### b) NewGrade Energy Inc. (NewGrade)

The Government, which has an investment in NewGrade, also holds guarantees in NewGrade. As a result, the Government is required to record its share of the losses of NewGrade which exceed its investment. This change in accounting policy increases the deficit for the year by \$74.4 million. The Government has retroactively restated comparative figures to record the Government's share of NewGrade's losses in excess of its investment.

##### c) General Revenue Fund

At April, 1, 1993, the General Revenue Fund converted from the modified cash to the accrual basis of accounting. All accruals identified at the time were estimated and recorded in the 1992-93 Summary Financial Statements. The Government has retroactively restated comparative figures to record the impact of accruals not previously identified.

##### d) Government enterprises

The Government has retroactively restated comparative figures 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)			
	Accumulated Deficit March 31, 1992	March 31, 1993		
		Deficit for the Year	Assets	Liabilities
Pension liability .....	\$ 2,943,992	\$ 82,579	\$ —	\$ 3,026,571
NewGrade Energy Inc. ....	8,378	52,320	(60,698)	—
General Revenue Fund .....	(26,858)	(5,945)	32,803	—
Government enterprises .....	1,578	6,103	(7,681)	—
Net change .....	\$2,927,090	135,057	(35,576)	3,026,571
As previously reported .....	6,547,916	658,422	4,650,491	11,818,432
As restated	\$ 9,475,006	\$ 793,479	\$ 4,614,915	\$ 14,845,003

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## Appendix VI

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### Government of the Province of Saskatchewan Summary Financial Statements Notes to the Financial Statements

#### 9. Trust Funds

Amounts held and administered by the Government at March 31, 1994, were as follows:

	(In thousands of dollars)	
	1994	1993
Superannuation funds and pension plans* .....	\$ 4,113,635	\$ 3,532,630
Public Trustee's Trust Account....	94,729	90,779
Other trusts** .....	29,153	27,512
	<u>\$ 4,237,517</u>	<u>\$ 3,650,921</u>

\* The balance reflects the latest audited financial statements of the funds and plans closest to March 31, 1994.

\*\* Includes other trusts under \$10 million.

#### 10. Subsequent Events

##### a) NewGrade Energy Inc. (NewGrade)

Subsequent to March 31, 1994, the Government signed a Memorandum of Understanding (MOU) with the federal government (Canada) and Consumer's Co-operative Refineries Ltd. (CCRL) providing for federal participation in the financial restructuring of NewGrade. The MOU supplements the Statement of Settlement Principles for the financial restructuring of NewGrade agreed to by the Government and CCRL on August 18, 1993. Pursuant to these agreements, Canada will make a \$125 million non-repayable contribution to NewGrade in 1994 while the Government will contribute \$75 million (\$55 million in 1994 and \$20 million over the following two years) and CCRL will contribute \$75 million (\$55 million in 1994 primarily through an asset purchase and \$20 million over the following two years). In addition, the Government will indemnify Canada in the event that there is any call on the remaining outstanding loan guarantees by Canada. The financial restructuring will reduce NewGrade's debt thereby reducing the amount of the debt outstanding currently guaranteed by the Government and Canada.

##### b) Bi-Provincial Upgrader Joint Venture (Bi-Provincial Upgrader)

Subsequent to March 31, 1994, the Government entered into an agreement in principle with Husky Oil Ltd. (Husky), the federal government (Canada) and the Government of Alberta (Alberta), whereby, the Government and Husky will purchase Canada's and Alberta's equity ownership in the Bi-Provincial Upgrader in Lloydminster, Saskatchewan. Pursuant to this agreement in principle, the Government will increase its ownership of the Bi-Provincial Upgrader from 17.5 per cent to 50 per cent at a cost of \$43 million. In addition, the agreement in principle contains provisions for:

- Canada and Alberta to share in a small portion of the Bi-Provincial Upgrader's profits over the next 20 years;
- Canada and Alberta to receive the benefit of any higher purchase price if either the Government or Husky buy or sell any equity or interest in the Bi-Provincial Upgrader over the next 2 years; and,
- Alberta and Saskatchewan to equally supply the heavy oil feedstock used by the Bi-Provincial Upgrader.

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Accounts Receivable

Schedule 1

As at March 31, 1994

	(In thousands of dollars)	
	1994	1993
Taxes receivable .....	\$ 164,041	\$ 149,427
Receivable from the federal government .....	48,273	70,651
Trade accounts receivable .....	121,406	66,461
Accrued interest receivable .....	15,850	18,977
Farm loans and leases receivable .....	22,070	15,489
Dividends receivable .....	15	3,284
<b>Total accounts receivable</b>	<b>\$ 371,655</b>	<b>\$ 324,289</b>

### Government of the Province of Saskatchewan Summary Financial Statements Loans Receivable

Schedule 2

As at March 31, 1994

	(In thousands of dollars)	
	1994	1993
<b>Agricultural loans</b>		
Capital loan program .....	\$ 280,203	\$ 275,381
Production loan program .....	225,934	307,191
Livestock cash advance program .....	80,431	104,840
Counselling and Assistance for Farmers program .....	68,595	69,810
Saskatchewan spring seeding loans .....	9,459	15,577
Investment loan program .....	6,379	9,981
Other .....	34	59
	<b>671,035</b>	782,839
Allowance for loan losses .....	<b>(207,462)</b>	(219,785)
	<b>463,573</b>	563,054
<b>Student loans</b> .....	<b>114,523</b>	105,874
Allowance for loan losses .....	<b>(34,900)</b>	(32,101)
	<b>79,623</b>	73,773
<b>Housing mortgages and loans</b> .....	<b>22,238</b>	24,604
<b>Other</b> .....	<b>18,527</b>	40,052
<b>Total loans receivable</b>	<b>\$ 583,961</b>	<b>\$ 701,483</b>

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## Appendix VI

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### Government of the Province of Saskatchewan Summary Financial Statements Loans Receivable

Schedule 2 - (continued)

As at March 31, 1994

#### 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 13¾ 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*.

#### Production loan program

Production loans bear interest at 6 per cent repayable in equal principal instalments over a term of three years. Amounts in arrears are at prime plus 2 per cent. Amendments to the program allow the borrowers to reschedule their outstanding loans at interest of 9¾ per cent to mature in 1997. Promissory notes and, where applicable, guarantees and general security agreements are held as security for the loans. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

#### Livestock cash advance program

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. Effective August 1, 1993, clients with Livestock Cash Advances are required to repay their loans over a maximum five year period. The program operates 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 9¾ per cent and 11½ 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, Training and Employment.

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, 1994

	SaskEnergy Incorporated Dec. 31, 1993	Saskatchewan Power Corporation Dec. 31, 1993	Saskatchewan Telecom- munications Holding Corporation Dec. 31, 1993	Saskatchewan Transportation Company Oct. 31, 1993	Saskatchewan Water Corporation Dec. 31, 1993	Saskatchewan Forest Products Corporation Oct. 31, 1993	Saskatchewan Liquor and Gaming Authority Mar. 31, 1994
<b>Assets</b>							
Cash and temporary investments ....	\$ 20,338	78,578	52,942	—	21,966	14,367	2,623
Due from the Government .....	2,462	1,135	2,108	37	2,528	—	140,220
Other accounts receivable .....	58,950	110,359	78,854	1,924	3,368	3,778	2,282
Inventories .....	—	12,963	6,493	—	—	2,615	11,712
Prepaid expenses .....	3,907	58,119	15,062	621	293	113	2,247
Long-term investments							
in the Province .....	—	—	—	—	—	—	—
Other long-term investments .....	—	21,093	20,668	—	925	—	—
Capital property .....	744,417	2,943,498	950,518	12,481	42,164	11,907	45,898
Other assets .....	74,586	162,722	29,254	200	328	—	—
<b>Total assets</b>	<b>904,660</b>	<b>3,388,467</b>	<b>1,155,899</b>	<b>15,263</b>	<b>71,572</b>	<b>32,780</b>	<b>204,982</b>
<b>Liabilities</b>							
Bank indebtedness .....	490	—	6,157	135	—	—	—
Due to the Government .....	23,232	62,303	11,213	33	101	127	—
Other accounts payable and accrued liabilities .....	43,678	102,270	59,281	2,599	5,879	5,160	16,694
Dividends payable .....	41,221	40,664	58,400	—	—	—	—
Debt owing to the Government .....	599,119	1,808,077	492,970	1,000	15,439	—	23,787
Other debt .....	—	166,094	118,681	—	—	—	—
Deferred revenue .....	38,906	319,083	10,170	—	20,273	—	—
Other liabilities .....	—	—	767	—	—	—	8,900
<b>Total liabilities</b>	<b>746,646</b>	<b>2,498,491</b>	<b>757,639</b>	<b>3,767</b>	<b>41,692</b>	<b>5,287</b>	<b>49,381</b>
<b>Net assets (liabilities)</b>	<b>\$ 158,014</b>	<b>889,976</b>	<b>398,260</b>	<b>11,496</b>	<b>29,880</b>	<b>27,493</b>	<b>155,601</b>
<b>Revenue</b>							
Revenue from operations .....	\$ 353,307	811,338	629,530	15,100	19,037	40,367	327,472
Transfers from government service organizations .....	—	—	—	—	7,496	—	—
<b>Total revenue</b>	<b>353,307</b>	<b>811,338</b>	<b>629,530</b>	<b>15,100</b>	<b>26,533</b>	<b>40,367</b>	<b>327,472</b>
<b>Expenses</b>							
Expenses from operations .....	279,438	709,547	537,902	18,555	19,548	28,786	186,300
Provincial taxes .....	5,166	34,017	5,656	—	274	2,260	—
<b>Total expenses</b>	<b>284,604</b>	<b>743,564</b>	<b>543,558</b>	<b>18,555</b>	<b>19,822</b>	<b>31,046</b>	<b>186,300</b>
Income (loss) before non-recurring items .....	68,703	67,774	85,972	(3,455)	6,711	9,321	141,172
Non-recurring items .....	—	12,973	2,575	—	—	—	—
<b>Net income (loss) for the year</b>	<b>68,703</b>	<b>80,747</b>	<b>88,547</b>	<b>(3,455)</b>	<b>6,711</b>	<b>9,321</b>	<b>141,172</b>
Net assets (deficiency) — beginning, as previously reported ..	59,001	202,873	118,113	(40,534)	20,944	(22,028)	129,465
Restatement of prior years .....	—	—	—	—	1,525	—	964
Net assets (deficiency) — beginning, as restated .....	59,001	202,873	118,113	(40,534)	22,469	(22,028)	130,429
Dividends to government service organizations .....	127,704	283,620	206,660	(43,989)	29,180	(12,707)	271,601
Capital restructuring .....	(41,221)	(53,637)	(58,400)	—	—	—	(116,000)
Equity advances/share capital .....	71,531	659,993	250,000	55,485	700	40,200	—
<b>Net assets (deficiency) — end of year</b>	<b>\$ 158,014</b>	<b>889,976</b>	<b>398,260</b>	<b>11,496</b>	<b>29,880</b>	<b>27,493</b>	<b>155,601</b>

\* Adjustments eliminate the unrealized gain on sale of assets to Wascana Energy Inc. and record the cumulative effect of the Government's share of the earnings of Wascana Energy Inc.; eliminate inter-entity revenue recorded and deferred by Saskatchewan Water Corporation and expense capital property recorded by

Saskatchewan Power Corporation; eliminate inter-entity expense recorded on transfer of debt from Saskatchewan Telecommunications Holding Corporation to Saskatchewan Power Corporation; eliminate SaskEnergy Incorporated prior period adjustment, adjusted in prior year's Summary Financial Statements;

# Appendix VI

## Schedule 3

(In thousands of dollars)

Saskatchewan Economic Development Corporation Dec. 31, 1993	Saskatchewan Government Growth Fund Management Corporation Dec. 31, 1993	Saskatchewan Crop Insurance Corporation** Mar. 31, 1994	Saskatchewan Government Insurance Dec. 31, 1993	Saskatchewan Auto Fund Dec. 31, 1993	Workers' Compensation Board (Saskatchewan)** Dec. 31, 1993	Employee Insurance Plans** Dec. 31, 1993	Adjustments*	Total 1994	Total 1993 (Restated)
420	45	219,963	49,927	71,677	26,413	11	(153,733)	\$ 405,537	\$ 243,147
958	—	243,988	—	—	—	5,435	(19,859)	379,012	319,902
23,778	201	81,635	23,816	21,420	10,683	46,749	—	467,797	427,863
—	—	—	—	—	—	—	—	33,783	34,684
91	41	101	16,264	1,747	—	—	—	98,606	89,150
—	—	—	16,935	42,642	32,457	—	—	92,034	112,025
149,347	1	—	149,639	351,070	411,405	—	(16,311)	1,087,837	999,532
1,303	67	2,269	14,081	27,752	33,931	—	(19,462)	4,810,824	4,633,545
716	—	—	—	15,300	—	—	11,193	294,299	289,978
<b>176,613</b>	<b>355</b>	<b>547,956</b>	<b>270,662</b>	<b>531,608</b>	<b>514,889</b>	<b>52,195</b>	<b>(198,172)</b>	<b>7,669,729</b>	<b>7,149,826</b>
—	—	—	4,307	—	—	—	—	11,089	6,476
7,014	22	42,643	188	11,959	—	—	—	158,835	110,587
2,694	117	14,568	15,237	10,028	425,151	50,014	—	753,370	836,017
—	—	—	13,448	—	—	—	(153,733)	—	—
306,139	—	191,520	—	—	—	—	(138,042)	3,300,009	3,210,793
—	150	—	—	—	—	—	—	284,925	438,041
—	—	—	66,520	140,356	—	—	(4,990)	590,318	549,068
—	—	2,318	84,608	384,395	28,290	—	—	509,278	372,712
<b>315,847</b>	<b>289</b>	<b>251,049</b>	<b>184,308</b>	<b>546,738</b>	<b>453,441</b>	<b>50,014</b>	<b>(296,765)</b>	<b>5,607,824</b>	<b>5,523,694</b>
<b>(139,234)</b>	<b>66</b>	<b>296,907</b>	<b>86,354</b>	<b>(15,130)</b>	<b>61,448</b>	<b>2,181</b>	<b>98,593</b>	<b>\$ 2,061,905</b>	<b>\$1,626,132</b>
14,768	1,155	460,232	143,117	341,530	139,671	24,178	—	\$ 3,320,802	\$ 3,275,145
—	—	211,270	—	—	—	—	—	218,766	344,107
<b>14,768</b>	<b>1,155</b>	<b>671,502</b>	<b>143,117</b>	<b>341,530</b>	<b>139,671</b>	<b>24,178</b>	<b>—</b>	<b>3,539,568</b>	<b>3,619,252</b>
61,377	1,090	415,847	115,493	348,746	137,123	13,574	15,745	2,889,071	3,076,638
424	—	—	5,210	11,574	—	—	—	64,581	68,742
<b>61,801</b>	<b>1,090</b>	<b>415,847</b>	<b>120,703</b>	<b>360,320</b>	<b>137,123</b>	<b>13,574</b>	<b>15,745</b>	<b>2,953,652</b>	<b>3,145,380</b>
(47,033)	65	255,655	22,414	(18,790)	2,548	10,604	(15,745)	585,916	473,872
—	—	—	—	—	—	—	(1,169)	14,379	17,936
<b>(47,033)</b>	<b>65</b>	<b>255,655</b>	<b>22,414</b>	<b>(18,790)</b>	<b>2,548</b>	<b>10,604</b>	<b>(16,914)</b>	<b>600,295</b>	<b>491,808</b>
(165,201)	3,310	42,960	22,388	3,660	64,052	(8,423)	(2,683)	427,897	189,582
—	(3,310)	(1,708)	—	—	(5,152)	—	—	(7,681)	5,480
(165,201)	—	41,252	22,388	3,660	58,900	(8,423)	(2,683)	420,216	195,062
(212,234)	65	296,907	44,802	(15,130)	61,448	2,181	(19,597)	1,020,511	686,870
—	—	—	(13,448)	—	—	—	—	(282,706)	(266,654)
—	—	—	—	—	—	—	191,183	191,183	—
73,000	1	—	55,000	—	—	—	(72,993)	1,132,917	1,205,916
<b>(139,234)</b>	<b>66</b>	<b>296,907</b>	<b>86,354</b>	<b>(15,130)</b>	<b>61,448</b>	<b>2,181</b>	<b>98,593</b>	<b>\$ 2,061,905</b>	<b>\$1,626,132</b>

record the conversion of Saskatchewan Economic Development Corporation (SEDCO) long-term debt to equity advances and the cancellation of this and previous equity advances to reduce the accumulated deficit of SEDCO; and, to reclassify dividends paid prior to March 31, 1994.

\*\* Net assets are restricted as disclosed in the narrative portion of this schedule on the pages following.



**Government of the Province of Saskatchewan  
Summary Financial Statements  
Investment in Government Enterprises**

**Schedule 3 - (continued)**

As at March 31, 1994

**SaskEnergy Incorporated (SaskEnergy)**

SaskEnergy's mandate is to promote, transport, store and distribute natural gas.

**Saskatchewan Power Corporation (SaskPower)**

SaskPower's main functions include the generation, purchase, transmission, distribution and sale of electrical energy.

**Saskatchewan Telecommunications  
Holding Corporation (SaskTel)**

SaskTel is responsible for providing local and long distance voice, data, image and text transmission services throughout Saskatchewan. As a member of Stentor, an alliance of Canada's major telecommunications companies, SaskTel provides a full range of national and world-wide long distance communications services.

**Saskatchewan Transportation Company (STC)**

STC is charged with the responsibility of providing a comprehensive bus transportation service for the people of Saskatchewan.

**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 Forest Products Corporation (SFPC)**

SFPC produces dimensional lumber and studs at its Carrot River Sawmill and plywood sheathing at its Plywood Plant in Hudson Bay.

**Saskatchewan Liquor and Gaming Authority (SLGA)  
(formerly the Saskatchewan Liquor Board, the  
Liquor Licensing Commission and the  
Saskatchewan Gaming Commission)**

SLGA's main functions are to control the manufacturing and distribution of beverage alcohol throughout the Province, oversee the licensing of all establishments selling alcohol in the Province, and maintain the integrity of all licensed gaming while ensuring maximum benefit to Saskatchewan charities. Subsequent to March 31, 1994, under *The Alcohol and Gaming Regulation Amendment Act, 1994* (the Act), the activities of the Saskatchewan Horse Racing Commission were amalgamated with the SLGA. 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.

**Saskatchewan Economic Development Corporation  
(SEDCO)**

SEDCO was established to conduct lending and other programs which promote and facilitate economic development in Saskatchewan. As a result of a recent review of SEDCO's role and mandate, SEDCO will be wound down and a new government enterprise with a different mandate established. Consequently, SEDCO's mission is to contain its deficit, reduce administrative expenses, reorganize and downsize, decrease lending activity, implement a property divestiture strategy and restructure key client accounts.

**Saskatchewan Government Growth Fund  
Management Corporation (SGGFMC)**

SGGFMC manages two venture capital funds under the federal government's Immigrant Investor Program. Under this program, the venture capital funds act as a vehicle for foreign investors to invest in Saskatchewan businesses and to facilitate the investor's qualification as a permanent Canadian resident.

**Saskatchewan Crop Insurance Corporation (SCIC)**

SCIC's general purpose is to provide reasonably priced crop insurance to Saskatchewan farmers. This includes protection against yield losses resulting from various natural disasters, waterfowl damage compensation, and gross revenue protection against price fluctuations through the Gross Revenue Insurance Program (GRIP).

The Government has withdrawn from the GRIP effective March 31, 1995. Upon withdrawing from the program, the Government will be entitled to/responsible for, up to 25 per cent of any surplus or 35 per cent of any deficiency. At March 31, 1994, the net assets of the GRIP was approximately \$296 million. These net assets are not available for general use by the Government.

**Saskatchewan Government Insurance (SGI)  
and Saskatchewan Auto Fund (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 Auto Fund, the Province's compulsory automobile insurance program, is administered by SGI CANADA on behalf of the Government.

**Workers' Compensation Board (Saskatchewan)  
(WCB)**

WCB's primary function is to provide workers' compensation insurance to Saskatchewan workers and employers. The net assets of the WCB accrue to employers and cannot be used for the payment of dividends to the Government.

**Employee Insurance Plans (EIP)**

The EIP include the Public Employees Group Life Insurance Fund, Public Employees Dental Fund and Public Employees Disability Income Fund. The net assets of the EIP are restricted for the payment of claims and benefits to plan members and participants.

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Long-Term Investments

**Schedule 4**

As at March 31, 1994

(In thousands of dollars)			
	Voting Percentages	1994	1993 (Restated)
<b>Investments</b>			
Cameco Corporation*			
17,543,623 (1993 – 17,543,623) common shares .....	33.7%	\$ 325,506	\$ 309,664
2,657,367 (1993 – 2,666,667) common shares held in trust .....	5.1%	39,196	39,333
Potash Corporation of Saskatchewan Inc.*			
1 (1993 – 578,559) common shares .....	–	–	10,414
3,630,566 (1993 – 3,630,566) common shares held in trust .....	8.5%	65,641	65,641
Bi-Provincial Upgrader, Lloydminster, Saskatchewan* joint venture interest .....	17.5%	170,368	185,089
Wascana Energy Inc.*			
5,842,910 (1993 – 5,842,910) common shares .....	7.4%	63,355	63,355
Saskferco Products Inc.*			
68,449,080 (1993 – 66,692,212) class B common shares .....			
2,500,000 (1993 – 0) class D common shares .....	49.0%	63,740	66,692
Meadow Lake Pulp Limited Partnership partnership interest .....	49.0%	(21,435)	9,072
NewGrade Energy Inc.* common shares and debentures .....	50.0%	(135,103)	(60,698)
Other share investments – equity basis .....		4,495	3,916
Other share investments – cost basis .....		1,851	2,461
		<b>577,614</b>	694,939
<b>Bonds and Debentures</b>			
Municipal debentures – market value			
1994 – \$124,454 (1993 – \$137,300) .....		104,986	121,444
HARO Financial Corporation* .....		271,000	271,000
Meadow Lake Pulp Limited Partnership* participating debentures .....		187,009	186,832
Other bonds and debentures .....		45,119	10,562
		<b>608,114</b>	589,838
<b>Loans, Notes and Mortgages Receivable</b>			
Cadillac Fairview Corporation Limited* .....		40,535	40,963
Dairy Producers Co-operative Limited .....		10,500	10,500
Other loans, notes and mortgages receivable .....		5,956	7,535
		<b>56,991</b>	58,998
<b>Total long-term investments</b>		<b>\$ 1,242,719</b>	\$ 1,343,775

\* (See accompanying notes)

**Government of the Province of Saskatchewan  
Summary Financial Statements  
Long-Term Investments**

**Schedule 4 - (continued)**

As at March 31, 1994

**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 2,657,367 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, 1992, the Government owned 578,559 unencumbered voting common shares of PCS Inc. On December 23, 1993, the Government sold 578,558 of these shares for proceeds of \$16.9 million, resulting in a gain on sale of \$6.4 million. The Government continues to own one unencumbered share.

In addition, the Government holds 3,630,566 (December 31, 1992 - 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 an 8.5 per cent ownership interest, are accounted for using the cost method.

**Bi-Provincial Upgrader Joint Venture  
(Bi-Provincial Upgrader)**

The Government owns a 17.5 per cent equity interest in the Bi-Provincial Upgrader 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. The Government has fully funded its initial commitment 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, 1993, the entire amount (1992 - \$3.9 million) had been advanced on the line of credit.

The Bi-Provincial Upgrader commenced commercial operations on September 16, 1992.

Subsequent to March 31, 1994, the Government entered into an agreement in principle whereby the Government and Husky Oil Ltd. will purchase the federal government's and the Government

of Alberta's equity ownership in the Bi-Provincial Upgrader. For details on this agreement, see Note 10(b).

**Wascana Energy Inc. (formerly Saskatchewan Oil and Gas Corporation)**

The Government uses the cost method to account for its investment in Wascana Energy Inc.

**Saskferco Products Inc. (Saskferco)**

The Government has fully funded its obligation to provide initial equity to Saskferco of \$66.4 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. Saskferco has determined that construction cost overruns will be to a maximum of \$4.6 million. The Government is also committed to funding 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, 1993, the Government had advanced \$2.0 million (1992 - \$0.2 million) in the form of Class B shares under the construction cost overruns facility and \$2.5 million (1992 - Nil) in the form of Class D shares to fund working capital deficiencies. Saskferco commenced commercial operations on October 14, 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 \$236.7 million in NewGrade up to December 31, 1993 (1992 - \$234.4 million).

NewGrade recorded accumulated losses of \$371.8 million to March 31, 1994 (1993 - \$295.0 million). Accordingly, the Government reduced the carrying value of its investment to negative \$135.1 million (1993 - negative \$60.7 million) which represents the Government's 100 per cent share of NewGrade's losses in excess of its investment.

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 the Royal Bank of Canada's prime plus 2 per cent. The promissory notes bear interest at fixed rates ranging from 5¼ per cent to 9 per cent. The total interest owing to the Government at December 31, 1993, was \$98.2 million (1992 - \$80 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 in NewGrade of \$368 million at March 31, 1994.

Subsequent to March 31, 1994, the Government signed a Memorandum of Understanding (MOU) with the federal government and Consumer's Co-operative Refineries Ltd. providing for federal participation in the financial restructuring of NewGrade. For details on this MOU, see Note 10(a).

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## Appendix VI

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### Government of the Province of Saskatchewan Summary Financial Statements Long-Term Investments

**Schedule 4 – (continued)**

#### **HARO Financial Corporation (HARO)**

The Government entered into various agreements with HARO to provide a loan to HARO up to a maximum initial principal amount 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, 1993 (1992 – \$271 million). 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 initial principal amount of the loan may be increased after the first five-year term if no refinancing has occurred.

Interest during the initial term is calculated at the Royal Bank of Canada's Bankers' Acceptance Rate, determined on a quarterly basis, plus 1½ 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. 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. There were no payments made during the year. Total interest owing to the Government at December 31, 1993 was \$19.6 million (1992 – \$1.1 million).

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.

#### **Meadow Lake Pulp Limited Partnership (MLPLP)**

The Government has entered into various agreements with the MLPLP and its agent, Millar Western Pulp (Meadow Lake) Ltd., to provide loans to the MLPLP up to a maximum of \$191.5 million to assist in the construction of a chemi-thermomechanical pulp mill located near Meadow Lake, Saskatchewan. The Government had advanced \$186.3 million to December 31, 1993 (1992 – \$186.3 million) under these agreements. Due to the completion of construction, the Government is no longer committed to provide the remainder of the funds available under the initial agreements.

Interest on the loans is calculated at rates varying from prime plus ¼ per cent to a fixed rate of 11.15 per cent. Certain interest and principal payments to be made by the 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 \$32.5 million (1992 – \$32.9 million) mortgage receivable at 9½ per cent and an \$8.0 million (1992 – \$8.0 million) mortgage receivable at 11½ 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, 1994 were as follows (millions of dollars):

Cameco .....	\$	421.0
Wascana Energy Inc. ....	\$	47.5

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Accounts Payable and Accrued Liabilities

### Schedule 5

As at March 31, 1994

	(In thousands of dollars)	
	1994	1993 (Restated)
Due to government enterprises		
Due to Saskatchewan Crop Insurance Corporation* .....	\$ 184,333	\$ 168,244
Accrued interest payable .....	334,425	339,550
Grants and entitlements .....	347,095	404,544
Due to the federal government.....	222,211	247,195
Trade accounts payable .....	196,919	157,315
Capital lease obligations (note 7(a)) .....	74,253	73,804
Accrued employee benefits .....	64,356	54,051
Other accrued liabilities .....	14,792	15,597
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 1,438,384</b>	<b>\$ 1,460,300</b>

\* Net liability for claim payments from the Crop Reinsurance Fund of Saskatchewan.

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Public Debt

**Schedule 6**

As at March 31, 1994

(In thousands of dollars)

	1994				1993
	Gross Public Debt	Sinking Funds	Net Public Debt	Weighted Average Interest Rate	Net Public Debt (Restated)
<b>Government Service Organizations</b>					
General Revenue Fund* .....	\$ 8,600,607	\$ 66,267	\$ 8,534,340	9.44%	\$ 8,119,417
Crown Investments Corporation of Saskatchewan (non-consolidated)** ..	863,475	-	863,475	9.01%	828,634
Agricultural Credit Corporation of Saskatchewan .....	559,843	-	559,843	10.74%	581,647
Saskatchewan Housing Corporation .....	287,304	-	287,304	12.33%	287,304
Municipal Financing Corporation of Saskatchewan .....	96,667	-	96,667	10.14%	99,667
Saskatchewan Development Fund Corporation .....	8,630	-	8,630	12.46%	10,804
Regina Health Board .....	5,285	-	5,285	12.01%	4,900
Other .....	705	-	705	11.95%	973
<b>Debt of government service organizations***</b>	<b>10,422,516</b>	<b>66,267</b>	<b>10,356,249</b>		<b>9,933,346</b>
<b>Government Enterprises</b>					
Saskatchewan Power Corporation .....	2,193,131	218,960	1,974,171	9.53%	1,881,826
Saskatchewan Telecommunications Holding Corporation .....	718,288	106,637	611,651	10.37%	629,851
SaskEnergy Incorporated .....	610,935	11,816	599,119	10.74%	607,429
Saskatchewan Economic Development Corporation .....	306,139	-	306,139	7.92%	291,164
Saskatchewan Crop Insurance Corporation .....	191,520	-	191,520	5.89%	166,708
Saskatchewan Liquor and Gaming Authority .....	23,787	-	23,787	5.89%	-
Saskatchewan Water Corporation .....	16,030	591	15,439	9.55%	606
Saskatchewan Transportation Company .....	1,000	-	1,000	4.80%	-
Saskatchewan Government Growth Fund Management Corporation .....	150	-	150	-	-
	<b>4,060,980</b>	<b>338,004</b>	<b>3,722,976</b>		<b>3,577,584</b>
Net increase to March 31 .....	2,394	(20,850)	23,244		469,775
<b>Debt of government enterprises****</b>	<b>4,063,374</b>	<b>317,154</b>	<b>3,746,220</b>		<b>4,047,359</b>
<b>Total public debt</b>	<b>\$ 14,485,890</b>	<b>\$ 383,421</b>	<b>\$ 14,102,469</b>		<b>\$ 13,980,705</b>

Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

\* General Revenue Fund debt is shown net of \$3,523.9 million (1993 - \$3,656.2 million) reimbursable from government enterprises and \$1,790.3 million (1993 - \$1,777.3 million) reimbursable from government service organizations.

\*\* Crown Investments Corporation of Saskatchewan (non-consolidated) is shown net of \$186 million (1993 - \$295.7 million) reimbursable from government enterprises.

\*\*\* This amount includes Canada Pension Plan debentures of \$1,056.6 million (1993 - \$1,096.9 million) at a weighted average interest rate of 11.11%, ranging from 7.61% to 17.51%. Of this amount, \$48.2 million is payable within

one year. These debentures are redeemable in whole or in part before maturity, on six months prior notice, at the option of the Minister of Finance of Canada.

\*\*\*\* The debt of government enterprises is as presented in their audited financial statements closest to March 31, 1994. The balance is adjusted for the net change to March 31, 1994. This amount includes Canada Pension Plan debentures of \$649.0 million (1993 - \$656.6 million) at a weighted average interest rate of 10.84%, ranging from 8.46% to 14.06%. Of this amount, \$7.4 million is payable within one year. These debentures are redeemable in whole or in part before maturity, on six months prior notice, at the option of the Minister of Finance of Canada.

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Public Debt by Maturity

**Schedule 7**

As at March 31, 1994

(In thousands of dollars)

	Year of Maturity	1994				1993	
		Canadian Dollar Debt	U.S. Dollar Debt (CDN \$)	Total Canadian Debt	Average Interest Rate	Total Canadian Debt	Average Interest Rate
<b>Government Service Organizations</b>							
Short-term promissory notes..		\$ -	\$ -	\$ -	-	\$ 4,900	12.13%
Debentures .....	1993-1994	-	-	-	-	447,140	9.92%
	1994-1995	1,128,694	-	1,128,694	10.30%	1,209,364	9.97%
	1995-1996	749,239	-	749,239	11.02%	745,673	11.03%
	1996-1997	1,086,019	-	1,086,019	8.92%	1,076,082	8.91%
	1997-1998	1,099,859	-	1,099,859	8.11%	1,115,905	8.09%
	1998-1999	1,095,673	-	1,095,673	8.99%	849,573	9.82%
	1999-2004	2,625,871	-	2,625,871	10.39%	2,328,337	10.60%
	2004-2009	30,868	-	30,868	10.63%	9,952	12.60%
	2009-2014	603,797	864,813	1,468,610	8.71%	1,106,677	9.12%
	2014-2023	584,203	553,480	1,137,683	9.66%	1,087,083	9.68%
<b>Total debt of government service organizations issued at face value</b>		<b>\$ 9,004,223</b>	<b>\$ 1,418,293</b>	<b>10,422,516</b>		<b>9,980,686</b>	
Less: sinking funds				(66,267)		(47,340)	
<b>Debt of government service organizations*</b>				<b>10,356,249</b>		<b>9,933,346</b>	
<b>Government Enterprises</b>							
Short-term promissory notes..		\$ 250,500	\$ -	250,500	5.89%	-	-
Debentures .....	1993-1994	-	-	-	-	422,005	9.52%
	1994-1995	369,918	-	369,918	9.49%	369,830	10.03%
	1995-1996	-	-	-	-	3,857	9.34%
	1996-1997	174,746	-	174,746	11.53%	182,911	11.74%
	1997-1998	1,030	-	1,030	8.88%	31,030	7.79%
	1998-1999	84,971	-	84,971	8.64%	88,407	9.42%
	1999-2004	1,056,842	69,185	1,126,027	11.09%	1,145,996	11.37%
	2004-2009	745,641	345,925	1,091,566	9.40%	1,533,458	9.29%
	2009-2014	42,358	103,778	146,136	8.05%	42,359	9.90%
	2014-2023	265,000	553,480	818,480	9.15%	652,880	9.09%
<b>Total debt of government enterprises issued at face value</b>		<b>\$ 2,991,006</b>	<b>\$ 1,072,368</b>	<b>4,063,374</b>		<b>4,472,733</b>	
Less: sinking funds				(317,154)		(425,374)	
<b>Debt of government enterprises*</b>				<b>3,746,220</b>		<b>4,047,359</b>	
<b>Total public debt</b>				<b>\$14,102,469</b>		<b>\$13,980,705</b>	

The debentures in U.S. dollars have been converted to Canadian dollars at the exchange rate in effect at March 31, 1994.

\* The debt of government service organizations includes Canada Pension Plan debentures of \$1,056.6 million (1993 - \$1,096.9 million) at a weighted average interest rate of 11.11%, ranging from 7.61% to 17.51%. Of this amount, \$48.2 million is payable within one year. The debt of government enterprises includes Canada Pension Plan debentures of \$649.0 million (1993 - \$656.6 million) at a weighted average interest rate of 10.84%, ranging from 8.46% to 14.06%. Of this amount, \$7.4 million is payable within one year. These debentures are redeemable in whole or in part before maturity, on six months prior notice, at the option of the Minister of Finance of Canada.

Included in total public debt are the following amounts:

- debentures totalling 32.0 billion Yen (1993 - 44.8 billion) which have been fully hedged to \$289.1 million Canadian (1993 - \$389.9 million).
- debentures totalling 160.0 million U.S. Dollars (1993 - 10.0 million) which have been fully hedged to \$203.5 million Canadian (1993 - \$11.7 million).
- debentures totalling 900.0 million German Deutschmarks (1993 - 900.0 million) which have been fully hedged to \$616.6 million Canadian (1993 - \$616.6 million).
- debentures totalling 650.0 million Swiss Francs (1993 - 650.0 million) which have been fully hedged to \$478.9 million Canadian (1993 - \$478.9 million).

From time to time, government service organizations and government enterprises enter into interest rate swap agreements and forward rate agreements. At March 31, 1994, the amounts hedged were not significant.

## Appendix VI

### Government of the Province of Saskatchewan Summary Financial Statements Other Liabilities

Schedule 8

As at March 31, 1994

	(In thousands of dollars)	
	1994	1993 (Restated)
Funds held on behalf of government enterprises and others		
Saskatchewan Crop Insurance Corporation .....	\$ 218,548	\$ 208,991
Saskatchewan Liquor and Gaming Authority .....	140,233	116,118
Queen's Bench Court Account .....	10,333	9,484
Public Employees Dental Fund .....	5,017	6,214
Public Trustee's Trust Account .....	2,940	2,492
Others .....	6,675	11,249
Miscellaneous .....	1,406	46
<b>Total other liabilities</b>	<b>\$ 385,152</b>	<b>\$ 354,594</b>

### Government of the Province of Saskatchewan Summary Financial Statements Guaranteed Debt

Schedule 9

As at March 31, 1994

	(In thousands of dollars)	
	1994	1993
CIC Mineral Interests Corporation		
London Life Lease* .....	\$ 4,209	\$ 22,811
T. D., Mutual Life, London Life Lease .....	28,173	31,300
Royal Trust Lease .....	-	21,230
Crown Investments Corporation of Saskatchewan (non-consolidated)		
IPSCO Inc. ....	65,000	65,000
Saskferco Products Inc. ....	17,968	38,200
The Community Bond Act .....	16,655	12,785
The Farm Financial Stability Act		
The Breeder Associations Loan Guarantees .....	13,881	11,580
The Feeder Associations Loan Guarantees .....	25,881	24,094
The Industry and Commerce Development Act		
Saskferco Products Inc. ....	319,635	290,413
The NewGrade Energy Inc. Act		
NewGrade Energy Inc. (Note 10(a))** .....	368,286	350,243
The Power Corporation Act		
Xerox Canada Finance Ltd. ....	22,398	23,471
Manalta Coal*** .....	91,549	37,930
The Saskatchewan Housing Corporation Act		
Home Improvement Loan Program .....	164,596	222,100
Mortgage Guarantee Program .....	23,700	27,100
Other**** .....	13,793	42,553
<b>Total guaranteed debt</b>	<b>\$ 1,175,724</b>	<b>\$ 1,220,810</b>

\* In 1993, this was referred to as the "Royal Trust, London Life Lease". During the year, CIC obtained a release from Royal Trust's portion of the guarantee.

\*\* A significant portion of this guarantee pertains to debt denominated in U.S. Dollars. Thus, the amount of the guarantee is influenced by changes in the value of the U.S. Dollar relative to the Canadian Dollar.

\*\*\* The amount is net of \$8.2 million (1993 - \$7.0 million) which is Manalta's equity in a 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, 1994

(In thousands of dollars)

	1994	1993 (Restated)
<b>Taxation</b>		
Corporation capital .....	\$ 171,179	\$ 132,560
Corporation income .....	145,616	91,509
Fuel .....	343,563	302,822
Individual income .....	1,067,585	1,075,066
Sales .....	666,055	538,371
Tobacco .....	110,813	115,350
Other .....	45,121	48,575
	<b>2,549,932</b>	2,304,253
<b>Contributions from the federal government</b>		
Canada Assistance Plan .....	227,955	194,220
Equalization .....	546,413	336,602
Established Programs Financing .....	407,535	462,437
Housing subsidy .....	12,890	13,262
Other .....	75,020	132,972
	<b>1,269,813</b>	1,139,493
<b>Natural resources</b>		
Coal .....	15,280	13,260
Natural gas .....	50,263	33,990
Oil .....	300,377	262,210
Potash .....	51,314	57,076
Uranium .....	31,707	26,368
	<b>448,941</b>	392,904
<b>Other revenue</b>		
Investments .....	93,086	139,489
Fees/permits/licences .....	308,900	258,457
Insurance .....	37,226	40,036
Miscellaneous .....	198,491	187,402
	<b>637,703</b>	625,384
<b>Total revenue</b>	<b>\$ 4,906,389</b>	<b>\$ 4,462,034</b>

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## Appendix VI

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### Government of the Province of Saskatchewan Summary Financial Statements Listing of Organizations

Schedule 11

As at March 31, 1994

#### Government Service Organizations (Consolidated)

Agricultural Credit Corporation of Saskatchewan  
Agricultural Implements Board  
Agriculture Development Fund  
Battlefords Regional Care Centre  
Board of Governors, Lakeside Home  
Carlton Trail Regional College  
Cattle Marketing Deductions Fund  
CIC Industrial Interests Inc.  
CIC Mineral Interests Corporation  
Commercial Revolving Fund  
Correctional Facilities Industries Revolving Fund  
Correspondence School Revolving Fund  
Crop Reinsurance Fund of Saskatchewan  
Crown Investments Corporation of Saskatchewan  
(non-consolidated)  
Cumberland Regional College  
Cypress Hills Regional College  
Fish and Wildlife Development Fund  
Forest Renewal and Development Fund  
General Revenue Fund  
Health Services Utilization and Research Commission  
Highways Revolving Fund  
Horned Cattle Fund  
La Ronge Hospital Board  
Milk Control Board  
Municipal Financing Corporation of Saskatchewan  
New Careers Corporation  
North West Regional College  
Northern Revenue Sharing Trust Account  
Northern Saskatchewan Economic Development  
Revolving Fund  
Northlands College  
Oil and Gas Environmental Fund  
Palliser Regional Care Centre  
Parkland Regional College  
Prairie Agricultural Machinery Institute  
Prairie West Regional College  
Prince Albert District Health Board  
Public Employees Benefits Agency Revolving Fund  
Queen's Printer Revolving Fund  
Regina District Health Board  
Resource Protection and Development Revolving Fund  
Saskatchewan Agricultural Returns Stabilization Fund  
Saskatchewan Archives Board  
Saskatchewan Arts Board  
Saskatchewan Book Bureau Revolving Fund

Saskatchewan Cancer Foundation  
Saskatchewan Centre of the Arts Fund  
Saskatchewan Communications Network Corporation  
Saskatchewan Development Fund Corporation  
Saskatchewan Energy Conservation and Development Authority  
Saskatchewan Grain Car Corporation  
Saskatchewan Heritage Foundation  
Saskatchewan Horse Racing Commission  
Saskatchewan Housing Corporation  
Saskatchewan Indian Regional College  
Saskatchewan Institute of Applied Science and Technology  
Saskatchewan Legal Aid Commission  
Saskatchewan Lotteries Trust Fund For Sport, Culture and  
Recreation  
Saskatchewan Prescription Drug Fund  
Saskatchewan Property Management Corporation  
Saskatchewan Research Council  
Saskatchewan Student Aid Fund  
Saskatchewan Western Development Museum  
Saskatchewan Wetland Conservation Corporation  
Saskatoon District Health Board  
Souris Valley Regional Care Centre  
South Saskatchewan River Irrigation District No. 1  
Southeast Regional College  
St. Louis Alcoholism Rehabilitation Centre  
Victims' Fund  
Water Appeal Board  
Whitespruce Youth Treatment Centre

#### Government Enterprises (Modified Equity Method)

Public Employees Dental Fund  
Public Employees Disability Income Fund  
Public Employees Group Life Insurance Fund  
Saskatchewan Auto Fund  
Saskatchewan Crop Insurance Corporation  
Saskatchewan Economic Development Corporation  
SaskEnergy Incorporated  
Saskatchewan Forest Products Corporation  
Saskatchewan Government Growth Fund Management  
Corporation  
Saskatchewan Government Insurance  
Saskatchewan Liquor and Gaming Authority  
Saskatchewan Power Corporation  
Saskatchewan Telecommunications Holding Corporation  
Saskatchewan Transportation Company  
Saskatchewan Water Corporation  
Workers' Compensation Board (Saskatchewan)

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## Appendix VII

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Part I of Appendix VII lists the reports received from appointed auditors indicating nothing of significance to report to the Legislative Assembly. Part II of Appendix VII lists and contains the reports of appointed auditors indicating a matter or issue that should be reported to the Assembly.

Appendix VII does not contain the reports of appointed auditors when we have not done our work. Appendix III contains a list of work not done.

We have reported earlier when we have determined that we were unable to rely on the reports of the appointed auditors.

### Reports of Appointed Auditors - Part I

#### Crown Agency

#### Appointed Auditor

Carlton Trail Regional College	E.J.C. Dudley & Co.
Cumberland Regional College	T. A. Jellicoe
Cypress Hills Regional College	Stark & Company
Municipal Financing Corporation of Saskatchewan	E.J.C. Dudley & Co.
Northern Forest Operations Ltd.	Price Waterhouse
Northlands College	Moline & Currie
NorthWest Regional College	Downie Meena Johnson
	Gress & Svenkeson
Parkland Regional College	Skilnick & Partners
Power Corporation Superannuation Board	Ernst & Young
Saskatchewan Auto Fund	Peat Marwick Thorne
Saskatchewan Economic Development Corporation	Deloitte & Touche
Saskatchewan Forest Products Corporation	Price Waterhouse
Saskatchewan Government Insurance	Peat Marwick Thorne
Saskatchewan Grain Car Corporation	Skilnick & Partners
Saskatchewan Telecommunications (December 1992)	Deloitte & Touche
Saskatchewan Telecommunications International Inc. (December 1992)	Deloitte & Touche
Saskatchewan Telecommunications Superannuation Board (December 1992)	Deloitte & Touche
Saskatchewan Wetland Conservation Corporation	Price Waterhouse
SaskEnergy Incorporated	Ernst & Young
SGI Canada Insurance Services Ltd.	Peat Marwick Thorne
Southeast Regional College	Doug Court
Workers' Compensation Board	Peat Marwick Thorne
Workers' Compensation Board Superannuation Board	Pear Marwick Thorne

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## Appendix VII

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### Reports of Appointed Auditors - Part II

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Prairie West Regional College (June 30, 1993)	VII - 3
Saskatchewan Crop Insurance Corporation (March 31, 1993)	VII - 4
Saskatchewan Indian Regional College (June 30, 1993)	VII - 5
Saskatchewan Pension Plan (December 31, 1993)	VII - 7
Saskatchewan Power Corporation (December 31, 1993)	VII - 8
Saskatchewan Transportation Company (October 31, 1993)	VII - 12

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### **PRAIRIE WEST REGIONAL COLLEGE YEAR ENDED JUNE 30, 1993**

I have made a study and evaluation of the system of internal control of Prairie West Regional College in effect as at June 30, 1993. 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, 1993 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.

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### 1. Branch Office Accounting Function

A review of branch office accounting indicated a weakness in reporting to the Biggar office. Branch policies and guidelines for accounting procedures have been put in place by the Biggar office. However, it would appear these procedures are not always being performed at the Branch offices. Our review of branch accounting indicated weaknesses as follows:

- receipts are not always deposited intact
- receipts are not always deposited on a timely basis
- cancelled receipts are not attached to other documentation
- information on classes as forwarded to the College office is not always timely, and at times, is incomplete
- accounting information from branch offices is sometimes held back pending certain events yet to occur.

In our opinion, a weakness results due to a lack of compliance with procedures and policies. Funds could be misplaced or used improperly and discovery could be difficult and untimely. In the course of our audit, no errors or omissions were discovered.

Gilchrist & Co.  
November 30, 1993

### **SASKATCHEWAN CROP INSURANCE CORPORATION YEAR ENDED MARCH 31, 1993**

We have made an examination to determine whether Saskatchewan Crop Insurance 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 Crop Insurance Act and Regulations  
The Financial Administration Act  
The Crown Corporations Act  
The Canada/Saskatchewan Crop Insurance Agreement  
The Tabling of Documents Act  
The Agricultural Safety Net Act and Regulations  
The Gross Revenue Insurance Plan Agreement

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.

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Schedule A of the Gross Revenue Insurance Plan Agreement specified the methods to be used to determine a producer's probable yield. We observed that at the direction of Cabinet, producers were allowed to select a method not specified in the Agreement. In addition, the Department of Finance for the Province of Saskatchewan has confirmed that they will pay the estimated \$10,750,000 federal government portion of the incremental costs associated with those producers selecting this yield determination method under the Gross Revenue Insurance Plan. There is some doubt as to whether or not this revenue can be received by the Corporation under section 5(4) of *The Agriculture Safety Net Act*.

In our opinion, except for the two items noted above, Saskatchewan Crop Insurance Corporation has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 1993.

Peat Marwick Thorne  
October 15, 1993

### **SASKATCHEWAN INDIAN REGIONAL COLLEGE YEAR ENDED JUNE 30, 1993**

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, 1993:

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, 1993 in the instances noted below:

	<b>Relevant section</b>
<b>Regional Colleges Act and Regulations</b>	
<ul style="list-style-type: none"><li>Not all board members have been appointed by the Lieutenant Governor in Council.</li></ul>	7(1)

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- There are eleven 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 four 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)

### 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  
November 2, 1993

### SASKATCHEWAN INDIAN REGIONAL COLLEGE YEAR ENDED JUNE 30, 1993

We have examined the financial statements of the Saskatchewan Indian Regional College for the year ended June 30, 1993 and have issued our report dated September 30, 1993 thereon. We have examined the system of internal control as at June 30, 1993 and have issued our report to you dated November 2, 1993. 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, 1993 and have issued our report to you dated November 2, 1993. 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)



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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 four unapproved Board members were paid. The unauthorized Board expenses paid during the year amounted to approximately \$40,000.
- Certain payments were made during the year which do not appear to be of an educational nature. These payments totalled approximately \$13,000.

Price Waterhouse  
November 2, 1993

### **SASKATCHEWAN PENSION PLAN YEAR ENDED DECEMBER 31, 1993**

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, 1993;
- without reservation on the system of internal control as at December 31, 1993; and
- with reservation on compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, revenue-raising, borrowing and investing activities during the year ended December 31, 1993.

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.

Subsection 20(2) of the Saskatchewan Pension Plan Act requires **the Plan** to submit an annual report of the Board of Trustees and related financial statements ("annual report") in accordance with the Tabling of Documents Act. The December 31, 1992 annual report was tabled on April 26, 1993. It was required to be tabled on April 23, 1993.

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Based on the examinations referred to in this report, there are not 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 25, 1994

### **SASKATCHEWAN POWER CORPORATION YEAR ENDED DECEMBER 31, 1993**

We have, with regard to Saskatchewan Power Corporation, conducted our audits and reported as described in this report.

We reported under date of February 4, 1994 on the financial statements for the year ended December 31, 1993, without reservation.

We reported under date of February 4, 1994 on the system of internal control as at August 31, 1993 without reservation.

We reported under date of February 4, 1994 to provide assurance that we had conducted substantive tests where our study and evaluation of internal controls indicated that there were weaknesses, if any. No such reportable weaknesses came to our attention.

We reported under date of February 4, 1994 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, 1993. We report the following matter:

During 1993 the Corporation provided its wholly-owned subsidiary Channel Lake Petroleum Ltd. with financing and acquired in return a \$25 million interest-bearing promissory note. The Power Corporation Act requires the approval of the Lieutenant Governor in Council to acquire certain securities which would include a promissory note. The Corporation did not obtain the approval of the Lieutenant Governor in Council for the acquisition of the promissory note.

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.

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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 4, 1994

### **SASKATCHEWAN POWER CORPORATION YEAR ENDED DECEMBER 31, 1993**

We have examined the system of internal control of **Saskatchewan Power Corporation** in effect as at August 31, 1993. We 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.

Our examination was conducted in accordance with generally accepted auditing standards. Those standards require that we 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 **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. Pursuant to our responsibilities under Section 11(1) of The Provincial Auditor Act, we are required to determine if 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

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- 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.

In our opinion, based upon the above criteria, the system of internal control of **Saskatchewan Power Corporation** in effect as at August 31, 1993, taken as a whole, was sufficient to meet with 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 **Saskatchewan Power Corporation**.

Ernst & Young  
February 4, 1994

### **SASKATCHEWAN POWER CORPORATION YEAR ENDED DECEMBER 31, 1993**

We have examined the consolidated financial statements of **Saskatchewan Power Corporation** for the year ended December 31, 1993 and have issued our report thereon dated February 4, 1994. We have examined the system of internal control of **Saskatchewan Power Corporation** as at August 31, 1993 and have issued our report to you dated February 4, 1994. 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, 1993 and have issued our report to you dated February 4, 1994.

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 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 persons; and
- 3) an expenditure was made which was not properly vouchered or certified.

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During the course of these examinations, nothing came to our attention that would indicate to us that:

- 1) any officer or employee of **Saskatchewan Power 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.

Ernst & Young  
February 4, 1994

### **SASKATCHEWAN POWER CORPORATION YEAR ENDED DECEMBER 31, 1993**

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, 1993:

- The Power Corporation Act
- The Power Corporation Superannuation Act
- The Superannuation (Supplementary Provisions) Act
- The Crown Corporations Act, 1978
- The Financial Administration Act, 1993
- 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.

During 1993 the Corporation provided its wholly-owned subsidiary Channel Lake Petroleum Ltd. with financing and acquired in return a \$25 million interest-bearing promissory note. The Power Corporation Act requires the approval of the Lieutenant Governor in Council to acquire certain securities which would include a promissory note. The Corporation did not obtain the approval of the Lieutenant Governor in Council for the acquisition of the promissory note.

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In our opinion, except for the failure to obtain approval of the Lieutenant Governor in Council with respect to the matter explained in the above paragraph, **Saskatchewan Power Corporation** has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended December 31, 1993.

Ernst & Young  
February 4, 1994

### **SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1993**

We have, with regard to **Saskatchewan Transportation Company**, conducted our audits and reported as described in this report.

We reported under date of December 23, 1993 on the financial statements for the year ended October 31, 1993.

We reported under date of December 23, 1993 on the system of internal control as at October 31, 1993. Our report contained a number of observations concerning computer processing and information systems.

We reported under date of December 23, 1993 to provide assurance that we has conducted substantive tests where our study and evaluation of internal controls indicated there were weaknesses. Our report contained references to the ongoing legal proceedings against certain former executives and suppliers of the Company.

We reported under date of December 23, 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 October 31, 1993.

Our audits were subject to the limitations described in each of the reports. The reports referred to above should be considered 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  
December 23, 1993

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### **SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1993**

We have audited the statement of financial position of **Saskatchewan Transportation Company** as at October 31, 1993 and the statements of operations and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 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.

In our report dated December 18, 1992, our opinion on the October 31, 1992 financial statements contained a reservation because of inadequate internal controls over express revenue, resulting in our inability to verify accounts receivable as at October 31, 1991 and express revenue, loss for the year, deficit and cash used in operating activities for the year ended October 31, 1992.

Ernst & Young  
December 23, 1993

### **SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1993**

We have examined the system of internal control of **Saskatchewan Transportation Company (STC)** in effect as at October 31, 1993. We did not examine 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 examination was conducted in accordance with generally accepted auditing standards. Those standards require that we 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

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operate effectively.

The management of STC 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 judgment 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 if 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 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, 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 STC may occur and not be detected within a timely period:

### *Integrity of computer processing*

STC's accounting staff performed a considerable number of manual procedures to find processing errors because of recurring computer system failures. These failures caused the deletion of invoice records and corruption of waybill data.

STC engaged a third party consultants to correct certain of these computer processing errors. In the course of correcting errors, these consultants created invoices and changed customer statement data files. This direct manipulation of data exposed the Company to the risk that incorrect edits were not discovered as these changes were not subject to the Company's internal control system.



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In our opinion, these weaknesses existed due to the absence of controls. It is unlikely that a material error occurred as a result.

### *Cash handling procedures*

Cash boxes, rather than cash registers, were used at depots for passenger and express sales. There was no means of ensuring that all transactions were recorded as no record of cash received, such as a till tape was procedures.

In our opinion, this weakness existed due to the absence of controls. It is unlikely that a material error occurred as a result.

### *Corporate information security policy*

The Company did not have a policy on information security to set standards for information system security and confidentiality. Users were not being held accountable for the integrity and security of their data.

In our opinion, this weakness existed due to the absence of a control. Though it is unlikely that a material error has occurred there is a possibility that integrity of data could be compromised in the future.

### *Information Systems*

STC did 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 include a business continuity plan to maintain day to day business activities until normal computer processing is restored.

In our opinion, this weakness existed due to the absence of a control. There is the possibility of a business loss in the event of a disaster.

Ernst & Young  
December 23, 1993

### **SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1993**

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, 1993.

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- The Crown Corporations Act, 1978 - Part I
- The Financial Administration Act, 1993 - Part VIII, Sections 46(1) and 48
- 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 Transportation Company** has complied, in all material respects, with the provisions of the aforementioned legislative and related authorities during the year ended October 31, 1993.

Ernst & Young  
December 23, 1993

### **SASKATCHEWAN TRANSPORTATION COMPANY YEAR ENDED OCTOBER 31, 1993**

We have audited the financial statements of **Saskatchewan Transportation Company** for the year ended October 31, 1993 and have issued our report dated December 23, 1993 thereon. We have examined the system of internal controls as at October 31, 1993 and have issued our report dated December 23, 1993. 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, 1993 and have issued our report dated December 23, 1993.

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, 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.

- During the year ended October 31, 1993, legal proceedings against certain former executives and suppliers of the Company continued. The proceedings arose 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.

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- Members of the Board of Directors of STC are appointed by Order-in-Council under section 23(2) of *The Crown Corporation Act, 1978*. This Order did not specify the pay and expenses for the members of the Board. For the year ended October 31, 1993, the Directors received pay and expenses totalling \$26,700.

Except as described in the preceding paragraphs, 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  
December 23, 1993