

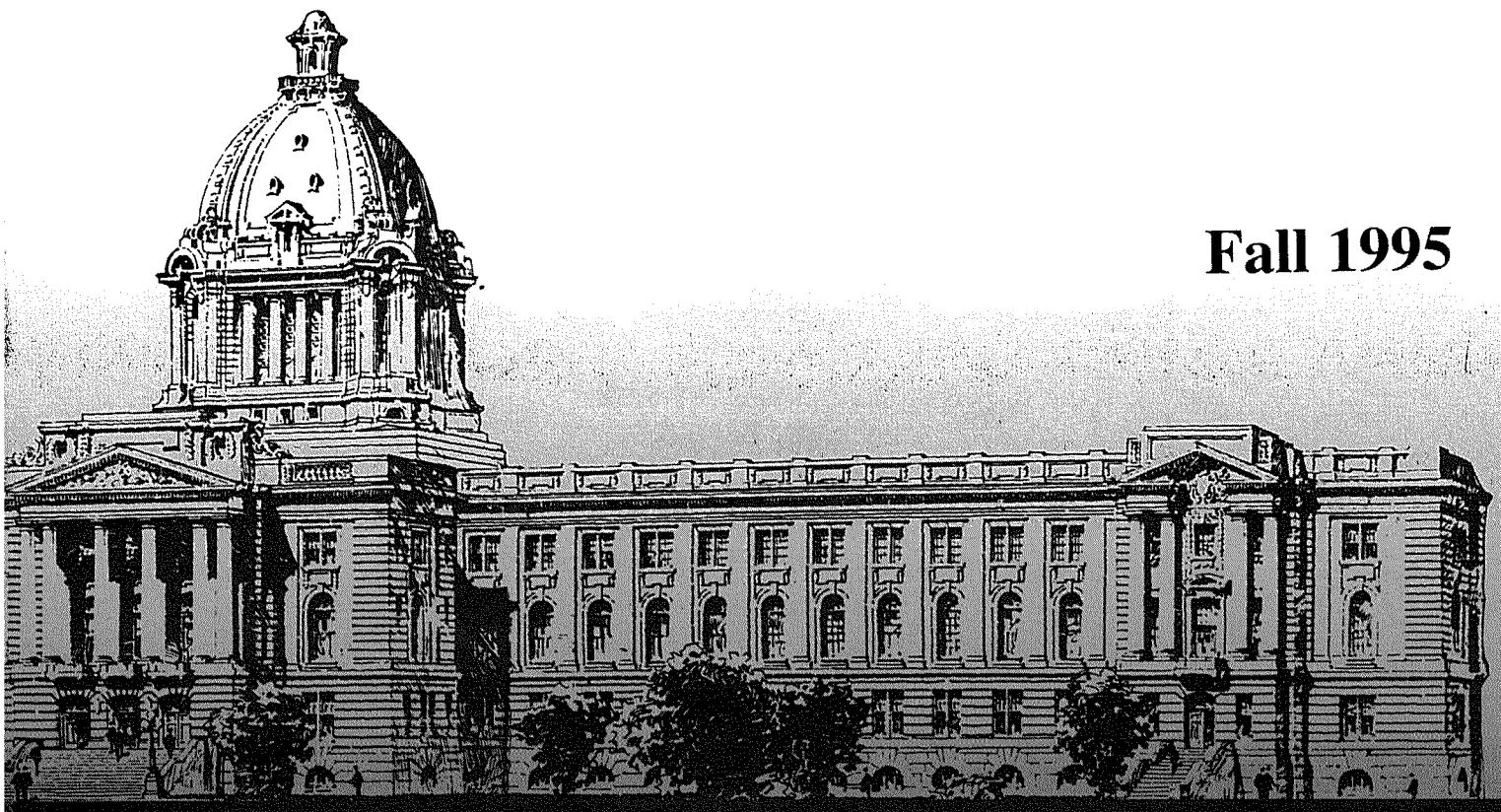


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# Report of the Provincial Auditor

To The Legislative Assembly  
of Saskatchewan

Fall 1995



Additional copies of this Report  
may be obtained from:

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Provincial Auditor Saskatchewan

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October 24, 1995

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 1995 Fall Report, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully yours,

*Wayne Strelieff*

Wayne Strelieff, CA  
Provincial Auditor

/lk

## **Our Vision**

We envision effective, open and accountable government.  
We are committed to making a difference by encouraging excellence  
in public sector management and reporting practices.

## **Our Mission**

Our Office serves the people of Saskatchewan through the Legislative Assembly.  
We encourage accountability and effective management in government operations through  
our independent examinations, advice and reports on the management of public  
resources entrusted to government.

## **Our Values**

- ❖ **Accountability** - taking responsibility for and explaining one's actions.
- ❖ **Objectivity** - independence, integrity and professionalism.
- ❖ **Open communication** - understandable, fair, clear and honest.
- ❖ **Effectiveness** - economic, efficient and effective management.
- ❖ **Courtesy** - polite and equitable treatment for all.
- ❖ **Public confidence** - earning and keeping the respect and confidence of the public and their elected representatives.
- ❖ **Our employees** - our employees are our strength and major resource in achieving our mission and values. We value fairness and equity; personal development; creativity, challenge, and innovation; teamwork; and leadership. We also value balance and harmony between work, home and community responsibilities.

## Foreword

I am pleased to present my 1995 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, 1995 Summary Financial Statements. This Report also covers several general issues and my examination of those government organizations with fiscal years ending on or before December 31, 1994.

I wish to thank the staff and officials of government organizations audited by my Office for their co-operation and assistance. Also, I wish to thank the staff of my Office for their efforts and dedication in this period of tighter deadlines, more frequent reports and constant challenge.

*Wayne Strelieff*

Regina, Saskatchewan  
September 30, 1995

Wayne Strelieff, CA  
Provincial Auditor

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# Chapter 1

## Observations

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### Introduction

**.01** This is my second 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** This Fall Report focuses on my Office's examination of the financial position of the Government, as reported in the Government's March 31, 1995 Summary Financial Statements. The Government issued these Statements on September 27th. This Fall Report also covers several more general issues and our examinations of those government organizations with fiscal years ending on or before December 31, 1994.

The Government's Summary Financial Statements are reliable

**.03** I am pleased to 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, 1995 in accordance with accounting principles recommended by The Canadian Institute of Chartered Accountants.

**.04** I encourage all legislators, government managers and the public to use the Summary Financial Statements as a key financial decision-making and accountability document. These Statements provide essential information for understanding our Province's finances and for assessing resource allocation alternatives and decisions.

**.05** In Chapter 2, **The Government's Summary Financial Statements**, I discuss further these Statements.

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The Government should publish an annual report

**.06** I am often asked by Members of the Legislative Assembly (MLAs), government officials and the public to explain the state of the Government's finances. They seek 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.

**.07** Currently, the Government does not prepare an annual report. Such a report could contribute significantly to the

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## Chapter 1 Observations

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information needs of MLAs, government officials and the public.

**.08** In Chapter 3, **Understanding the Finances of the Government**, I recommend the Government prepare an annual report, and publish that report as soon as possible after March 31st of each year. I also identify some of the financial and economic information that would be useful to include in an annual report.

**.09** An annual report is an important accountability document for every organization. In an annual report, the Government could set out its key financial and economic measures, its targets for each of those measures, and its thinking on the underlying financial and economic issues.

**.10** The Government's annual report should be based on the financial information included in its Summary Financial Statements. This is particularly important. MLAs, government officials and the public need to be assured that the information reported is complete.

**.11** The following table is a summary of several measures that could be included in an annual report of the Government of Saskatchewan.

Summary of Key Financial and Economic Measures					
For the Year Ended March 31					
(in millions)					
	1991	1992	1993	1994	1995
Accumulated Deficit	\$ 7,905	9,575	10,421	10,674	10,490
Gross Domestic Product (GDP) *	\$ 20,923	20,731	21,001	21,953	23,185
Total Personal Income of Saskatchewan residents *	\$ 18,000	18,078	18,450	18,867	18,919
Accumulated Deficit as a % of GDP	38%	46%	50%	49%	45%
Federal Government Transfers as a % of Total Revenues	22%	22%	19%	18%	17%
Debt Costs as a % of Total Revenues	19%	19%	21%	20%	19%

\* Amounts for GDP and Total Personal Income of Saskatchewan residents were obtained from the Saskatchewan Bureau of Statistics for the years ending December 31.

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## Chapter 1 Observations

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.12 Each of these measures provide important signals about the Government's state of finances. Each measure can and should be analysed in more detail, combined with other information, and monitored over time.

.13 In Chapter 3, I provide additional information related to each of these measures. The information is based on that provided in the Government's Summary Financial Statements and by its Bureau of Statistics.

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Boards of directors  
need help  
understanding their  
responsibilities,  
roles and duties

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.14 Many government organizations, i.e., Crown agencies, have boards of directors. Members of boards of directors are assigned important responsibilities through laws and through the policies and practices of the Government of the day. The Government, through Orders in Council, chooses and appoints almost all members of boards of directors.

.15 In Chapter 4, **Boards of Directors of Crown Agencies**, I set out the results of our audit of the systems and practices used by the Government to ensure boards of directors understand their responsibilities, roles and duties.

.16 We came to two conclusions. First, we concluded the Government does ensure boards of directors understand their responsibilities, roles and duties as set out in the enabling law of each Crown agency. An "enabling law" is the law which establishes the agency and sets out the purpose of the agency and the powers and duties of the board. An example of an enabling law is *The Power Corporation Act*.

.17 Second, we concluded the Government does not ensure boards of directors understand the extent to which "general laws" provide other elected and appointed government officials with responsibilities pertaining to Crown agencies. Most general laws prevail over enabling laws. Examples of general laws are *The Financial Administration Act, 1993* and *The Crown Corporations Act, 1993*.

.18 *The Financial Administration Act, 1993*, for example, provides the Treasury Board, the Minister of Finance and the Provincial Comptroller with broad powers and duties. When those powers are exercised or duties carried out, the activities of Crown agencies can be affected significantly.

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## Chapter 1 Observations

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.19 The Government needs to ensure boards of directors know which general laws affect their agency, in what circumstances those laws can be used, and by whom. With such knowledge, boards of directors would be better able to understand when they serve as a decision-making body, and when they serve as an advisory body.

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Information  
technology risks  
will be examined

.20 Increasingly, government managers are turning to new information technologies to help deliver programs and services more effectively. Across government, managers are replacing their information systems with new technologies. Such technologies include computer hardware and software as well as telecommunications.

.21 In Chapter 5, **Information Technology Risks**, I identify two key risks related to information technology (IT). The first risk occurs when purchasing or developing a new IT system. The second relates to managing IT security threats. We plan to examine how the Government is managing these two risks.

.22 First, we plan to examine how the Government manages the development of significant new IT systems. If the development of new systems is not managed well, costs increase, deadlines pass, and systems fail.

.23 We plan to begin by examining how well new systems are managed at the Department of Health. The Department is developing a new system linking its systems with the twenty-nine district health boards. The system will cost millions of dollars and take years to develop. We plan to compare the Department's system development practices with standards recommended by organizations such as the Office of the Auditor General of Canada.

.24 Second, we plan to examine how the Government manages threats and risks to IT security. Proper security management will help prevent financial losses and inappropriate release of confidential information. We plan to compare current practices with security standards recommended by organizations such as the RCMP.

.25 In this Report, we note examples of problems the Government is experiencing with its information technology. In Chapter 9, **Department of Education, Training and**

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## Chapter 1 Observations

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**Employment**, we note the Teachers' Superannuation Commission could not prepare accurate financial statements because the Commission's information systems were inadequate. The Commission manages the Teachers' Superannuation Plan, a pension plan. At June 30, 1992, that Plan had assets of \$866 million and liabilities of \$2.727 billion.

.26 In our Fall 1994 Report, we advised that the Commission could not provide evidence it knew the costs of additional pension benefits provided to teachers in their last collective agreement. Those benefits cost millions of dollars of public money.

.27 In Chapter 16, **Saskatchewan Transportation Company**, we note this Company continues to experience problems with its IT systems related to revenue.

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Complete financial plans and interim reports are valuable management tools

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.28 In previous Reports, I urged the Government to present the Assembly a complete financial plan. I continue to do so. I note the 1995-96 Budget presented to the Assembly by the Government is incomplete. As a result, legislators and the public are not provided the information necessary to fully understand, assess and debate the Government's financial proposals, and the alternatives.

.29 In this Report, I note examples of individual government organizations that also do not prepare complete financial plans. Those organizations also do not prepare complete interim financial reports.

.30 In Chapter 7, **Crown Investments Corporation of Saskatchewan (CIC)**, I note the Board of CIC does not receive and approve a financial plan for its consolidated group of corporations and investments. In addition, the Board does not receive interim financial reports setting out how its consolidated group of corporations and investments are performing.

.31 CIC supervises and coordinates the activities of several major Crown corporations and manages several large investments. The corporations include SaskEnergy, SaskPower, SaskTel and SGI. The investments include the Bi-Provincial Upgrader, HARO Financial Corporation, NewGrade Energy Inc., and Saskferco Products Inc.

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## Chapter 1 Observations

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.32 In Chapter 8, **Department of Agriculture and Food**, I note the Board of SPI Marketing Group does not have a complete financial plan for its group of companies, nor do they receive complete interim financial reports.

.33 Complete financial plans and interim reports are also particularly important to District Health Boards (DHBs). DHBs are integrating the operations of many separate organizations. Complete financial plans and interim reports will be an essential management tool. In my 1996 Spring Report, I plan to report on the results of our audits of DHBs.

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Good co-operation  
with a few exceptions

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.34 During this past year, my Office moved forward many important and complex initiatives. We could not have done so without the advice, support and co-operation of many individuals and groups within government and outside of government.

.35 One of those initiatives relates to implementing a new audit process recommended in 1994 by the Task Force on Roles, Responsibilities and Duties of Auditors. The new process involves more timely interaction among boards of directors, managers, appointed auditors and my Office. In Chapter 6, **Working With Other Auditors**, I describe this new process.

.36 I particularly appreciate the support of Treasury Board which has decided the new audit process should be followed by all Crown agencies using appointed auditors.

.37 A second important initiative relates to Chapter 4, **Boards of Directors of Crown Agencies**. To complete the work reported in this Chapter, my staff had to meet with many elected and appointed government officials of many Crown agencies. We received much valuable advice, support and co-operation.

.38 A third important and ongoing initiative relates to our audit of the Government's Summary Financial Statements. Those Statements report on the financial position and results of all Crown agencies. Our audit cannot be completed without the co-operation of many government officials and appointed auditors. Each year, those Statements improve in terms of their content and timeliness.

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## Chapter 1 Observations

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.39 Although my Office has received excellent co-operation, there are a few worrisome exceptions.

.40 The Workers' Compensation Board (see Chapter 4) refused to cooperate with my Office in our audit of the systems and practices used by the Government to ensure boards of directors understand their responsibilities, roles and duties.

.41 SaskPen Properties Ltd. and SP Two Properties Ltd. have advised their appointed auditor that he should not cooperate with my Office in the audits of these two organizations. In Chapter 10, **Department of Finance**, I discuss the status of these audits in more detail.

.42 Also, in my 1995 Spring Report, I advised that Greystone Capital Management Inc. (Greystone) has not permitted my Office to audit its accounts since it was formed. Greystone was formerly the Investment Corporation of Saskatchewan. One of Greystone's functions is to act as an investment manager for several Government agencies. I understand that Greystone has now created several mutual funds in which Government agencies invest.

.43 These are four exceptions to the good co-operation received by my Office. These exceptions, however, are worrisome. The actions of these four corporations result in a lack of accountability to the Legislative Assembly.

\* \* \*

This Report also includes several appendices showing:

- our legislative mandate (Appendix I);
- the organizations we are required to audit (Appendix II);
- the organizations where we did not complete our audit (Appendix III);
- the organizations where we found no significant matters to report to the Assembly (Appendix IV);
- the types of audits we do (Appendix V);

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## Chapter 1 Observations

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- the Government's 1994-95 Summary Financial Statements (Appendix VI); and
  - the reports of appointed auditors (Appendix VII).
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My colleagues at the Provincial Auditor Saskatchewan are:

Ahmad, Bashar	Knox, Jane
Atkinson, Brian	Kress, Jeff
Bachelu, Gaylene	Kuntz, Linda
Beblow, Jolene	Lacey, Kevin
Becker, Wendy	Lipon, Shelley
Black, Bob	Maier, Corrine
Bohn, Ray	Markewich, Dale
Borys, Angèle	Martens, Andrew
Brown, Sheri	Matchett, Joanne
Callander, Charlene	McNeely, Dawn
Coulter, Jill	Melnyk, Marvin
Creaser, Phil	Mitchell, Corinna
Deis, Kelly	Montgomery, Ed
Dickin, Deann	Nyhus, Glen
Drimmie, Twila	Orrange, Loyd
Drotar, Robert	Peters, Cory
Earis, Lorianne	Pion, Jason
Evelt, Rosemarie	Pion, Joshua
Ferguson, Judy	Pradhan, Karim
Fogg, Jonathan	Rathgeber, Garnet
Gavel-Mieyette, Charlene	Salman, Salma
Grabarczyk, Rod	Schiller, Rita
Hansen, Wendy	Schwab, Victor
Harasymchuk, Bill	Smith, Scott
Harrison, Garnet	Taylor, Kevin
Heffernan, Mike	Tomlin, Heather
Herdzik, Tony	Voss, Maureen
Ho, Matt	Walker, Sandy
Hutchison, Duane	Wendel, Fred
Jersak, Rodd	Wendel, Leslie
Kirchner, Carolyn	Zureski, Diane
Klisowsky, Cathy	



**Chapter 2**  
**The Government's Summary Financial Statements**

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## Chapter 2

# The Government's Summary Financial Statements

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### Introduction

**.01** I am pleased to advise the Legislative 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, 1995 in accordance with accounting principles recommended by The Canadian Institute of Chartered Accountants.

**.02** I congratulate the Government and in particular the officials of the Department of Finance who prepared a first class set of summary financial statements. The Statements were issued on September 27th, 1995 and are included in Volume 1 of the 1994-95 Public Accounts.

The Government's Summary Financial Statements include the financial results of all government organizations

**.03** The Government carries out programs and delivers services through many forms of organizations. The Government's Summary Financial Statements are particularly important because they report on the financial results of all of those organizations. Those organizations include:

- **departments**, e.g., the Departments of Education, Finance, Health and Social Services;
- **boards and commissions**, e.g., the Agricultural Implements Board, the Regina District Health Board and the Health Services Utilization and Research Commission;
- **educational institutions**, e.g., the Carlton Trail Regional College and the Saskatchewan Institute of Applied Science and Technology;
- **special purpose funds**, e.g., the General Revenue Fund, the Highways Revolving Fund, the Oil and Gas Environmental Fund, and the Saskatchewan Prescription Drug Fund;
- **Crown corporations related to the Crown Investments Corporation of Saskatchewan**, e.g., SaskEnergy, Saskatchewan Government Insurance, SaskPower and SaskTel.

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## Chapter 2 The Government's Summary Financial Statements

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- **Crown corporations which are often referred to as Treasury Board corporations or agencies**, e.g., Agricultural Credit Corporation of Saskatchewan, Saskatchewan Crop Insurance Corporation, the Saskatchewan Property Management Corporation and the Workers' Compensation Board.

**.04** The Government's Summary Financial Statements also provide important information in notes and schedules. In notes to the Statements, the Government describes the status of its many pension plans. In schedules to the Statements, the Government provides a concise summary of its enterprise Crown corporations, and describes its many large investments, e.g., Cameco Corporation, Saskferco Products Inc., and NewGrade Energy Inc. Also, in schedules, the Government sets out its guaranteed debt.

**.05** 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.

**.06** I find it worrisome that most of the public discussion of the state of the Government's finances takes place in the context of what the Government carries out through the General Revenue Fund. This special purpose Fund does not include significant financial activities of the Government. This Fund does, however, form the basis of the Government's financial plan.

**.07** Accordingly, the Government does not provide the Assembly a complete plan. I urge the Government to do so. The Government's financial plan should be based on the financial activities reported in the Government's Summary Financial Statements.

**.08** In Chapter 3, **Understanding the Finances of the Government**, I set out and explain in more detail the valuable information contained in the Government's Summary Financial Statements. Appendix VI of this Report includes a copy of those Statements.

# Chapter 3

## Understanding the Finances of the Government

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## **Background**

In this Chapter, we recommend the Government prepare an annual report. We also identify some of the economic and financial information that would be useful to include in an annual report.

The financial information is derived from the Government's Summary Financial Statements. Those Statements are first class. The information they include is very useful for identifying, analysing and monitoring trends in the state of the Government's finances.

In this Chapter, we show how the information in the Government's Summary Financial Statements can be used to analyse the state of the Government's finances. For this purpose, we show the total revenue, expense, assets and liabilities of the Government's general programs together with the totals for the Government's enterprises. With this information, we identify several useful measures. In an annual report, those measures can and should be analysed in more detail, combined with other information, and monitored over time. We recommend that the Government include in an annual report the status of key financial and economic measures, its targets for each measure, and its thinking on the underlying financial and economic issues.

The financial information in the Government's annual report should be based on the Government's Summary Financial Statements. This is particularly important. Readers of such a report need to know that the information is complete. The Summary Financial Statements report the full nature and extent of the financial affairs and resources for which the Government is responsible. The Government's annual report should include a copy of the Summary Financial Statements so that readers could carry out their own analyses.

Appendix VI at the end of this Report contains a copy of the Government's 1994-95 Summary Financial Statements. Tables 1 and 2 at the end of this Chapter show how we derive some of the information in this Chapter from the Government's Summary Financial Statements.

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## Chapter 3

# Understanding the Finances of the Government

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### Introduction

**.01** Our Office is often asked by Members of the Legislative Assembly (MLAs), government officials and the public to explain the state of the Government's finances. MLAs, government officials 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** Currently, the Government does not prepare an annual report. We think an annual report for the Government as a whole could contribute significantly to the information needs of MLAs, government officials and the public.

**.03** An annual report is a key accountability document for every organization. Most individual government organizations are required by law to publish an annual report and to table that report in the Legislature.

**.04** In this Chapter, we recommend the Government prepare an annual report and we identify some of the financial information that would be useful to include in an annual report.

### The Government should prepare an annual report

**.05** In previous Reports to the Assembly, we examined what information MLAs and the public look for in annual reports to assess the performance of government organizations.

**.06** We concluded that MLAs and the public look for information in annual reports to answer four questions:

- What the organization is all about?
- What the organization has done?
- Where the organization is now?
- What the organization plans to do?

**.07** The Government's annual report should include financial information to help answer these questions. An annual report should set out and explain the Government's financial health in terms of financial results, trends and indicators, and in terms of the Government's thinking on key financial issues.

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## Chapter 3 Understanding the Finances of the Government

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### We Recommend

**.08** The Government should publish an annual report as soon as possible after March 31st of each year.

**.09** Other governments, e.g., Alberta and Canada, publish annual reports. Those reports include concise summaries of the state of finances of those governments. When deciding what financial information to include in an annual report, those reports could be examined.

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The Government's annual report should include key financial and economic measures

**.10** An annual report should provide financial information to help MLAs, government officials and the public understand and assess the Government's state of finances.

**.11** Currently, The Canadian Institute of Chartered Accountants is considering whether the state of finances of a government could be usefully monitored in the context of three concepts, i.e., affordability, vulnerability and flexibility.

**Affordability** relates to the degree to which a government can meet its creditor requirements and program recipient expectations within its revenue base and without incurring deficits.

**Vulnerability** relates to the degree to which a government becomes dependent, and therefore vulnerable to sources of funding outside of its control or influence.

**Flexibility** relates to the degree to which a government can increase its financial resources to respond to changing economic and financial circumstances either by expanding its revenue sources, increasing its debt burden, or accessing resources from other levels of government.

**.12** The following financial and economic measures could help MLAs, government officials and the public understand and assess affordability, vulnerability and flexibility:

- the Government's accumulated deficit;
- the Province's gross domestic product (GDP);
- the total personal income of Saskatchewan residents;
- accumulated deficit as a percentage of GDP;

## Chapter 3 Understanding the Finances of the Government

- Federal government transfers as a percentage of the Government's total revenues; and
- debt costs as a percentage of total revenues.

	Summary of Key Financial and Economic Measures				Schedule 1
	For the Year Ended March 31				
	(in millions)				
	1991	1992	1993	1994	1995
Accumulated Deficit	\$ 7,905	9,575	10,421	10,674	10,490
Gross Domestic Product (GDP) *	\$ 20,923	20,731	21,001	21,953	23,185
Total Personal Income of Saskatchewan Residents *	\$ 18,000	18,078	18,450	18,867	18,919
Accumulated Deficit as a % of GDP	38%	46%	50%	49%	45%
Federal Government Transfers as a % of Total Revenues	22%	22%	19%	18%	17%
Debt Costs as a % of Total Revenues	19%	19%	21%	20%	19%
* GDP and Total Personal Income of Saskatchewan residents were obtained from the Saskatchewan Bureau of Statistics for the years ending December 31.					

**.13** Each of these measures provide important signals about the Government's state of finances. Each measure can and should be analysed in more detail, combined with other information, and monitored over time.

**.14** An annual report by the Government would be a useful vehicle for the Government to set out these measures, its targets for each of these measures, and its thinking on the underlying financial and economic issues.

### We Recommend

**.15** The Government should include in its annual report the status of key financial and economic measures, its targets for each measure, and its thinking on the underlying financial and economic issues.

**.16** The financial information in the Government's annual report should be based on the information provided in the Government's Summary Financial Statements.

**.17** In the following paragraphs, we set out additional information related to the state of the Government's finances. The information is based on that provided in the Government's



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## Chapter 3 Understanding the Finances of the Government

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Summary Financial Statements and by the Saskatchewan Bureau of Statistics. (Appendix VI contains a copy of the 1995 audited Summary Financial Statements).

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The Government's accumulated deficit compared to the Province's gross domestic product

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**.18** The accumulated deficit is the amount governments have spent in excess of the revenues that governments have raised. This deficit is the sum of all annual deficits or surpluses, and is the amount future generations of taxpayers and ratepayers are required to pay or finance. The accumulated deficit is often referred to when discussing intergenerational equity.

**.19** The gross domestic product (GDP) is the value of the goods and services produced in the Province in one year. When viewed together with the Government's accumulated deficit and with other financial statement amounts, the size of the Government's financial requirements and activities can be better understood and assessed.

**.20** Schedule 2 shows changes in the Government's accumulated deficit and the Province's GDP from 1991 to 1995.

**.21** During the period, the accumulated deficit increased from \$7.165 billion to \$10.490 billion, or \$3.325 billion. From 1991 to 1995, the Government's expenses were \$3.325 billion more than the revenues it raised.

**.22** Exhibit 1 shows the Government's accumulated deficit as a percentage of the Province's GDP. This measure reflects the level of deficit the Government is carrying as a proportion of the value of goods and services produced in the provincial economy. A rising value signals a government is losing its flexibility to respond to changing economic and social circumstances.

**.23** Exhibit 1 also shows that, during the period, the Government's accumulated deficit as a percentage of GDP increased from 38% to 50%, and then decreased to 45%.

**.24** Exhibit 2 shows the Government's total annual expense as a percentage of GDP. This measure shows the size of the Government relative to the value of the goods and services produced in the provincial economy. During the period, the measure increased from 39% to 45%, and then decreased to 37%.

## Chapter 3 Understanding the Finances of the Government

The Government's Accumulated Deficit and the Province's Gross Domestic Product (in millions)					Schedule 2
	1991	1992	1993	1994	1995
Accumulated Deficit Beginning of year	<u>\$ 7,165</u>	<u>7,905</u>	<u>9,575</u>	<u>10,421</u>	<u>10,674</u>
Total Revenue <sup>1</sup>	7,421	7,676	7,721	8,095	8,833
Total Expense <sup>1</sup>	<u>8,161</u>	<u>9,346</u>	<u>8,567</u>	<u>8,348</u>	<u>8,649</u>
	<u>740</u>	<u>1,670</u>	<u>846</u>	<u>253</u>	<u>(184)</u>
Accumulated Deficit End of year	<u>7,905</u>	<u>9,575</u>	<u>10,421</u>	<u>10,674</u>	<u>10,490</u>
Gross Domestic Product (GDP)	<u>20,923</u>	<u>20,731</u>	<u>21,001</u>	<u>21,953</u>	<u>23,185</u>

Exhibit 1

**The Government's Accumulated Deficit  
as a Percentage of GDP**

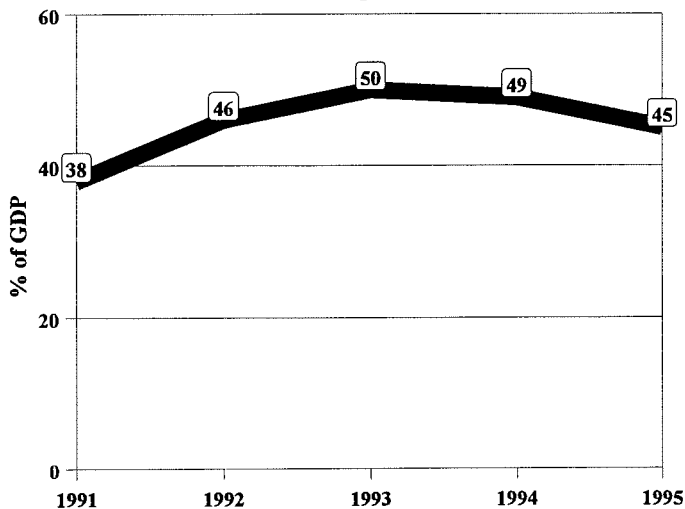
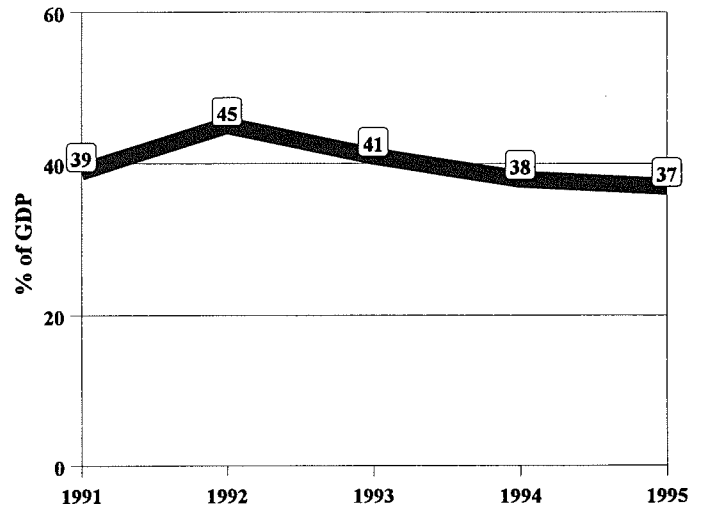


Exhibit 2

**The Government's Total Annual Expense  
as a Percentage of GDP**



1 Total revenue and expense amounts are derived from the Government's Summary Financial Statements. These amounts are the Government's general revenues and expenses and the Government's enterprise revenues and expenses, added together. The Government's general revenues included taxation and Federal government transfers; general expenses include agriculture, education and health expenses. The Government's enterprise revenues and expenses include those of SaskPower, SaskTel and SaskEnergy. Appendix VI at the end of this Report contains a copy of the Government's 1994-95 Summary Financial Statements. The 1995 revenue and expense amounts in Schedule 2 are shown on pages 34 and pages 44-45 of those Statements. Tables 1 and 2 at the end of this Chapter show how the amounts in Schedule 2 are derived from the Government's Summary Financial Statements.

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## Chapter 3 Understanding the Finances of the Government

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### Revenue and expense trends

.25 Schedule 3 shows the trends in the Government's revenue and expense in terms of two components, i.e., general programs and enterprises.

.26 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 district health boards. These programs are financed primarily by general revenues.

.27 The Government's enterprises include SaskPower, SaskEnergy, SaskTel and the Saskatchewan Liquor and Gaming Authority. These enterprises raise revenue through direct charges for goods and services.

.28 During the period, total revenues increased \$1.412 billion, from \$7.421 billion to \$8.833 billion, or 19%.

- general revenues, e.g., income taxes, sales taxes, and transfers from the Federal Government, increased \$824 million, or 17%.
- enterprise revenues, e.g., energy and telephone utility fees, insurance, and liquor and gaming revenues, increased \$588 million, or 24%.

.29 During the period, total expenses increased \$488 million, from \$8.161 billion to \$8.649 billion, or 6%.

- general program expenses, e.g., agriculture, education, health and social services, decreased \$118 million, or 2%.
- enterprise expenses increased \$606 million, or 29%.

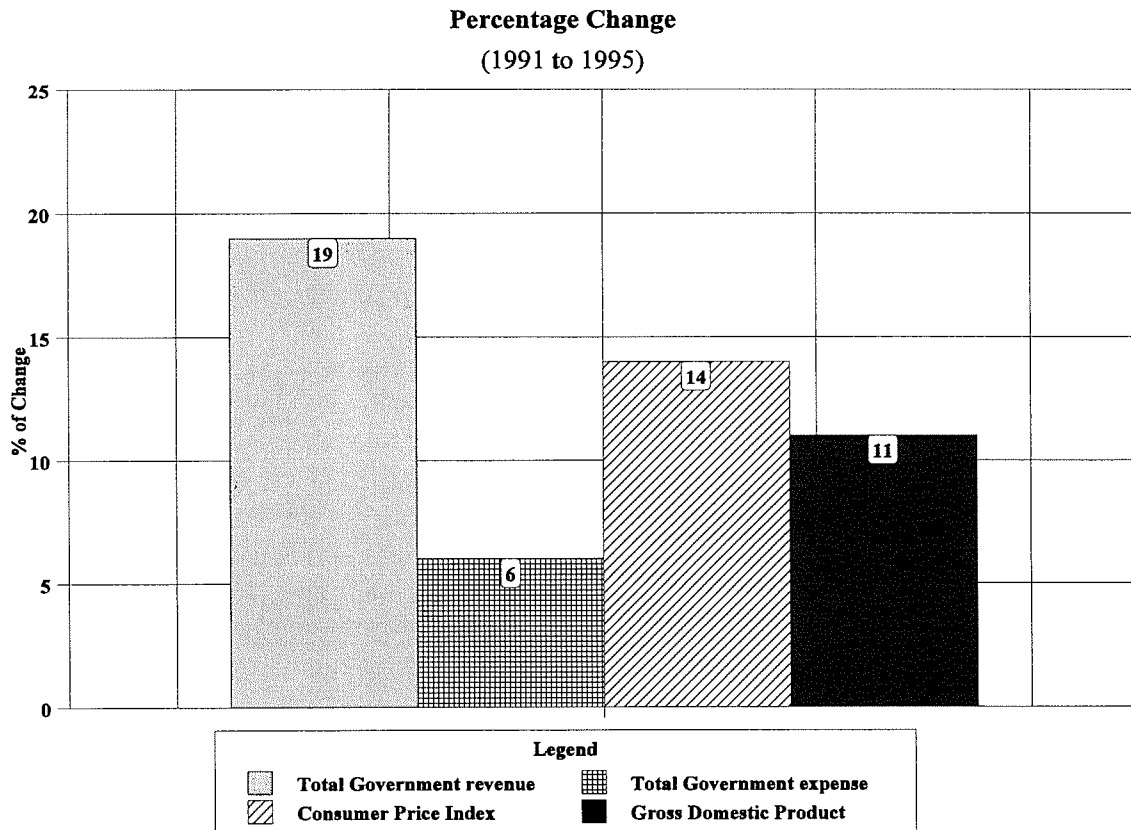
.30 The difference between revenue and expense is the annual deficit or surplus. During the period, the Government's revenue increased at a rate significantly greater than its expense. As a result, the annual deficit of \$740 million in 1991 changed to an annual surplus of \$184 million in 1995.

.31 Exhibit 3 shows, during the period, the Province's GDP increased \$2.262 billion, from \$20.923 billion to \$23.185 billion, or 11%. During the same period, the consumer price index (CPI) increased 14%.

## Chapter 3 Understanding the Finances of the Government

<b>Revenue and Expense</b>					Schedule 3
For the Year Ended March 31					
(in millions)					
	1991	1992	1993	1994	1995
<b>Revenue</b>					
General	\$ 4,956	5,153	5,073	5,261	5,780
Enterprises	<u>2,465</u>	<u>2,523</u>	<u>2,648</u>	<u>2,834</u>	<u>3,053</u>
Total revenue	<u>7,421</u>	<u>7,676</u>	<u>7,721</u>	<u>8,095</u>	<u>8,833</u>
<b>Expense</b>					
General programs	6,070	7,095	6,222	5,852	5,952
Enterprises	<u>2,091</u>	<u>2,251</u>	<u>2,345</u>	<u>2,496</u>	<u>2,697</u>
Total expense	<u>8,161</u>	<u>9,346</u>	<u>8,567</u>	<u>8,348</u>	<u>8,649</u>
<b>Annual (deficit) surplus</b>	<u>(740)</u>	<u>(1,670)</u>	<u>(846)</u>	<u>(253)</u>	<u>184</u>
<b>Gross Domestic Product</b>	<u>20,923</u>	<u>20,731</u>	<u>21,001</u>	<u>21,953</u>	<u>23,185</u>

Exhibit 3



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## Chapter 3 Understanding the Finances of the Government

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Revenue trends in more detail

**.32** Schedule 4 shows the sources of the Government's revenue in more detail. During the period, general revenues increased \$824 million, from \$4.956 billion to \$5.780 billion, or 17%. The increase consists of several important and divergent changes.

- tax revenue increased \$655 million, or 33%.
- transfers from the Federal Government decreased \$91 million, or 6%.
- natural resource revenue increased \$296 million, or 68%. Most of this increase occurred in 1995.

**.33** During the period, enterprise revenue increased \$588 million, from \$2.465 billion to \$3.053 billion, or 24%. The increase also consists of important changes.

- energy revenues increased \$231 million, or 23%.
- insurance revenues increased \$121 million, or 23%.
- liquor and gaming revenues increased \$134 million, or 45%. Most of this increase occurred in 1995.
- telecommunication revenues increased \$55 million, or 10%.

**.34** Exhibit 4 shows trends in the sources of the Government's revenue as a percentage of total revenue.

- enterprise revenue was 33% of total revenue, and is now 35%.
- tax revenue was 27% of total revenue, and is now 30%.
- transfers from the Federal Government were 22% of total revenue, and are now 17%.

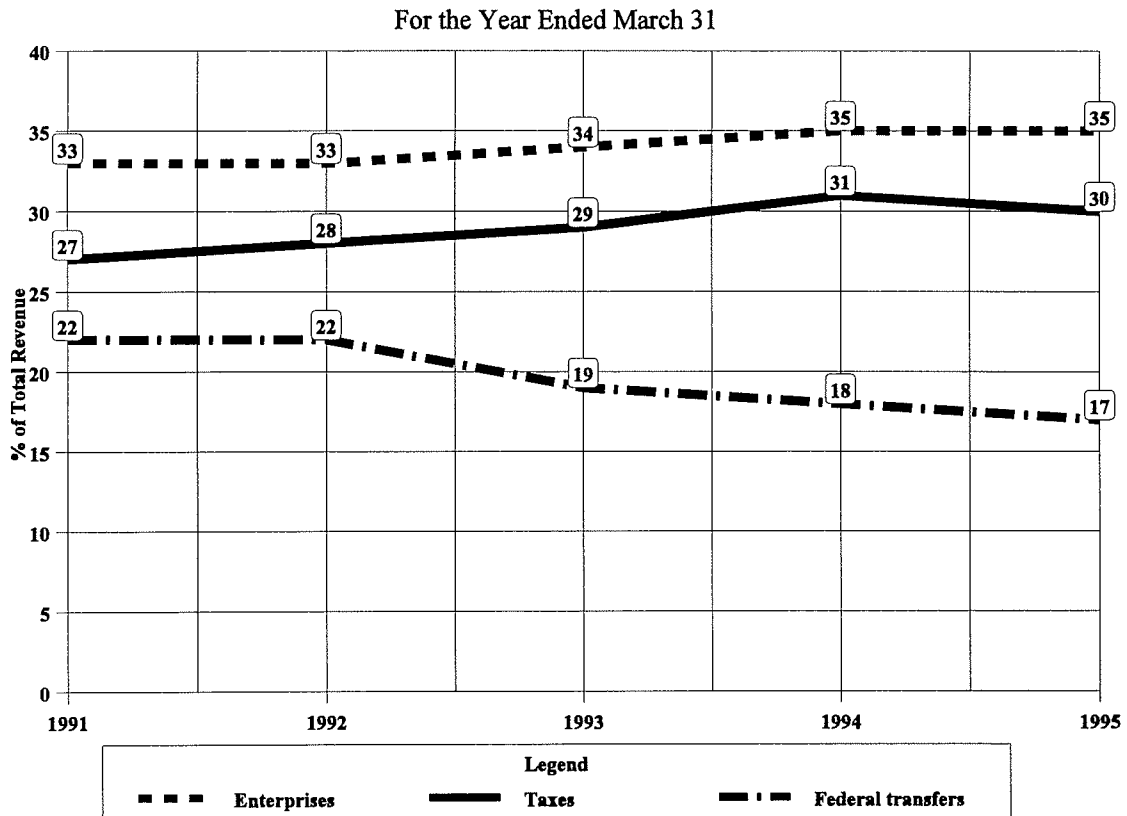
**.35** These trends reflect important changes in how the Government pays for its programs and public policy objectives.

## Chapter 3 Understanding the Finances of the Government

Sources of Government Revenue					Schedule 4
For the Year Ended March 31					
(in millions)					
	1991	1992	1993	1994	1995
<b>General</b>					
Taxes	\$ 1,988	2,163	2,276	2,536	2,643
Federal government transfers	1,603	1,706	1,447	1,488	1,512
Natural resources	437	337	406	469	733
Other	<u>928</u>	<u>947</u>	<u>944</u>	<u>768</u>	<u>892</u>
	<u>4,956</u>	<u>5,153</u>	<u>5,073</u>	<u>5,261</u>	<u>5,780</u>
<b>Enterprises</b>					
Energy (SaskPower & SaskEnergy)	\$ 1,010	1,016	1,066	1,164	1,241
Insurance	536	556	574	625	657
Liquor and Gaming	297	293	291	327	431
Telecommunications (SaskTel)	574	569	629	630	629
Other	<u>48</u>	<u>89</u>	<u>88</u>	<u>88</u>	<u>95</u>
	<u>2,465</u>	<u>2,523</u>	<u>2,648</u>	<u>2,834</u>	<u>3,053</u>
<b>Total revenue</b>	<u>\$ 7,421</u>	<u>7,676</u>	<u>7,721</u>	<u>8,095</u>	<u>8,833</u>

### Revenues as a Percentage of Total Revenue

Exhibit 4



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## Chapter 3 Understanding the Finances of the Government

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Expense trends in more detail

**.36** Schedule 5 shows the Government's expenses in more detail.

**.37** During the period, total expenses increased \$488 million, from \$8.161 billion to \$8.649 billion, or 6%. The increase consists of several important and divergent changes.

- agriculture expenses decreased \$273 million, from \$827 million to \$554 million, or 33%.
- social program expenses increased \$128 million, from \$2.952 billion to \$3.080 billion, or 4%. Social programs include education, health and social services.
- enterprise expenses increased \$606 million, from \$2.091 billion to \$2.697 billion, or 29%.
- debt charges (interest costs) increased \$279 million, from \$1.397 billion to \$1.676 billion, or 20%. Debt charges include those allocated to general programs and enterprises. Debt charges also include the amount incurred for the Government's unfunded pension liability.

**.38** Exhibit 5 shows trends in the expense of the Government as a percentage of total revenue.

- social program expense was 40% of total revenue, and is now 35%.
- enterprise expense was 28% of total revenue, and is now 31%.
- debt charges (interest costs) were 19% of total revenue, and again are 19%.
- agriculture expense was 11% of total revenue, then 15%, and is now 6%.

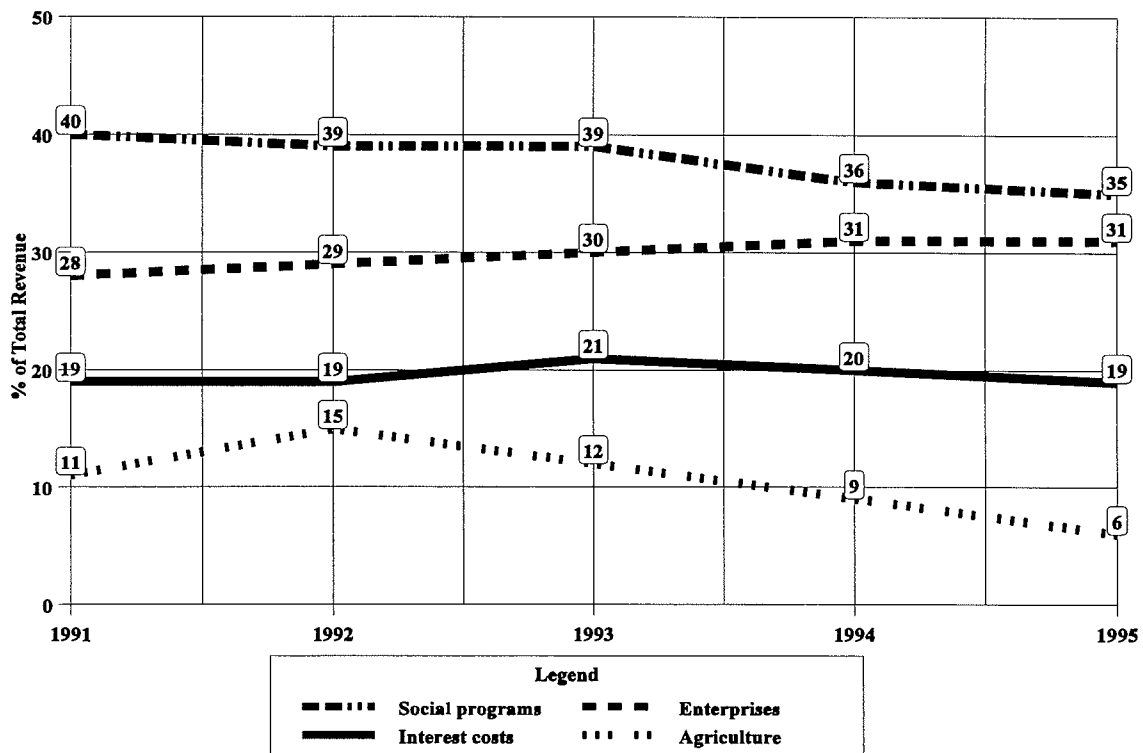
**.39** These trends reflect important changes in demands on the Government and how the Government is responding to those demands.

## Chapter 3 Understanding the Finances of the Government

Government Expenses and Trends For the Year Ended March 31 (in millions)					Schedule 5
	1991	1992	1993	1994	1995
<b>Total Government Expense</b>	<u>\$ 8,161</u>	<u>\$ 9,346</u>	<u>\$ 8,567</u>	<u>\$ 8,348</u>	<u>\$ 8,649</u>
<b>Agriculture</b>	<u>827</u>	<u>1,183</u>	<u>950</u>	<u>693</u>	<u>554</u>
<b>Social programs</b>					
Education	847	871	883	849	874
Health	1,659	1,641	1,614	1,553	1,622
Social services	<u>446</u>	<u>507</u>	<u>547</u>	<u>550</u>	<u>584</u>
	<u>2,952</u>	<u>3,019</u>	<u>3,044</u>	<u>2,952</u>	<u>3,080</u>
<b>Enterprises</b>	<u>2,091</u>	<u>2,251</u>	<u>2,345</u>	<u>2,496</u>	<u>2,697</u>
<b>Debt charges (interest costs)</b>					
General programs	1,053	1,147	1,299	1,285	1,338
Enterprises	<u>344</u>	<u>326</u>	<u>344</u>	<u>363</u>	<u>338</u>
	<u>1,397</u>	<u>1,473</u>	<u>1,643</u>	<u>1,648</u>	<u>1,676</u>

Exhibit 5

**Expenses as a Percentage of Total Revenue**  
For the Year Ended March 31





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## Chapter 3 Understanding the Finances of the Government

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The Government's accumulated deficit in more detail

**.40** Schedule 6 shows the Government's financial position in terms of its accumulated deficit, i.e., the difference between the total assets and total liabilities of the Government at the accounting date.

**.41** The accumulated deficit is the amount governments have spent in excess of the revenues that governments have raised. This deficit is the sum of all annual deficits or surpluses, and is the amount future generations of taxpayers and ratepayers are required to pay or finance. The accumulated deficit is often referred to when discussing intergenerational equity.

**.42** Schedule 6 shows that at March 31, 1995, the accumulated deficit is \$10.490 billion.

**.43** The Government's accumulated deficit consists of two components, i.e., its assets and its liabilities. The assets are what the Government has available to meet its liabilities. Assets include accounts receivable, investments in Cameco Corporation and the Bi-Provincial Upgrader, the financial investments managed by SGI and the Workers' Compensation Board (WCB), as well as the revenue-producing infrastructures of SaskPower, SaskEnergy and SaskTel.

**.44** The liabilities are what the Government owes, i.e., its debt. Debt includes bonds and debentures, unfunded pension liabilities, and other amounts.

**.45** Exhibit 6 shows the Government's liabilities (debt) and its accumulated deficit as a percentage of GDP. GDP is the value of the goods and services produced in the Province in one year.

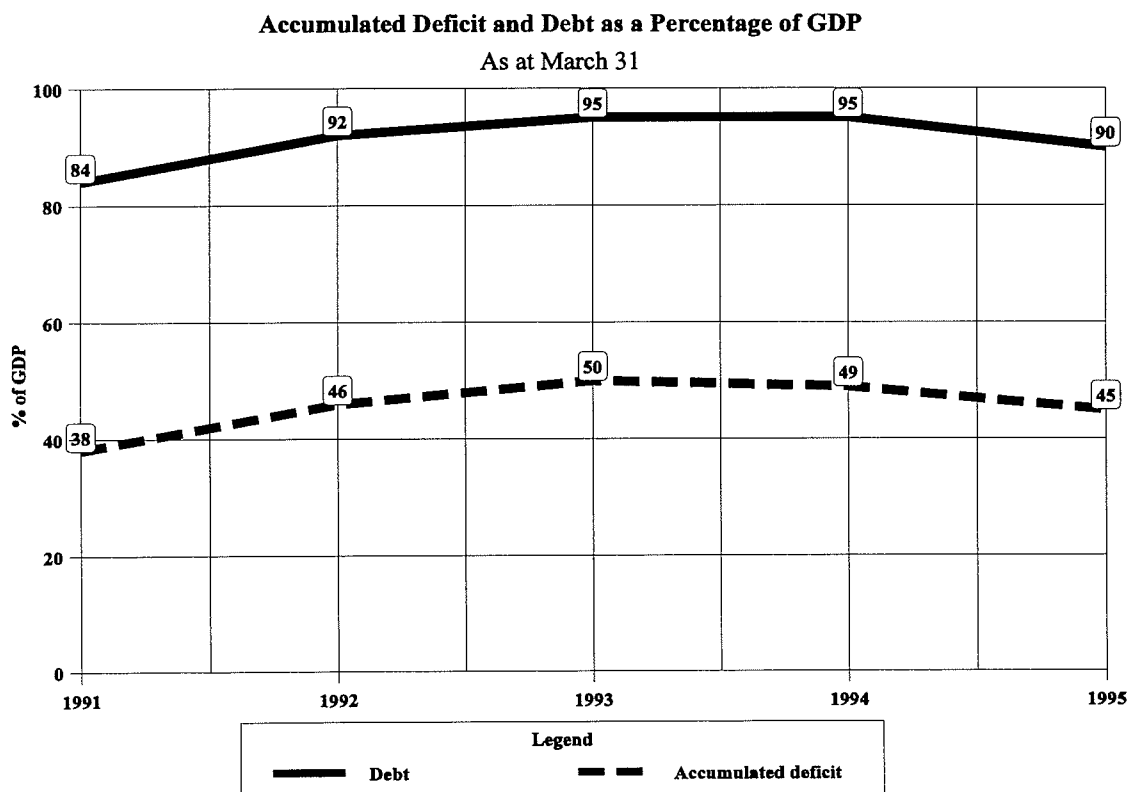
**.46** During the period, the Government's debt as a percentage of GDP increased from 84% to 95%, and then decreased to 90%.

**.47** During the period, the Government's accumulated deficit as a percentage of GDP increased from 38% to 50%, and then decreased to 45%. The change in this percentage indicates the Government's demands on the provincial economy compared to the total production of goods and services.

## Chapter 3 Understanding the Finances of the Government

Summary of Financial Position					Schedule 6
As at March 31 (in millions)					
	1991	1992	1993	1994	1995
<b>Assets<sup>1</sup></b>					
General programs	\$ 3,392	2,824	2,697	2,953	3,199
Enterprises	<u>6,279</u>	<u>6,673</u>	<u>6,834</u>	<u>7,168</u>	<u>7,138</u>
Total assets	<u>9,671</u>	<u>9,497</u>	<u>9,531</u>	<u>10,121</u>	<u>10,337</u>
<b>Liabilities (debt)<sup>1</sup></b>					
General programs	12,530	13,865	14,736	15,417	15,656
Enterprises	<u>5,046</u>	<u>5,207</u>	<u>5,216</u>	<u>5,378</u>	<u>5,171</u>
Total liabilities	<u>17,576</u>	<u>19,072</u>	<u>19,952</u>	<u>20,795</u>	<u>20,827</u>
<b>Accumulated (deficit)</b>	<u>(7,905)</u>	<u>(9,575)</u>	<u>(10,421)</u>	<u>(10,674)</u>	<u>(10,490)</u>
Gross Domestic Product	<u>20,923</u>	<u>20,731</u>	<u>21,001</u>	<u>21,953</u>	<u>23,185</u>

Exhibit 6



1 Asset and liability amounts are derived from the Government's Summary Financial Statements. These amounts are the Government's general program assets and liabilities and the Government's enterprise assets and liabilities, added together. Appendix VI at the end of this Report contains a copy of the Government's 1994-95 Summary Financial Statements. The 1995 asset and liability amounts in Schedule 6 are shown on pages 33 and pages 44-45 of those Statements. Tables 1 and 2 at the end of this Chapter show how the amounts in Schedule 6 are derived from the Government's Summary Financial Statements.

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## Chapter 3 Understanding the Finances of the Government

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The Government's liabilities (the debt) in more detail

**.48** Schedule 7 shows the Government's liabilities, i.e., its debt, in more detail. From 1991 to 1995, the Government's debt increased \$3.251 billion, from \$17.576 billion to \$20.827 billion, or 18%.

**.49** There are three general components of government debt, i.e., bonds and debentures, unfunded pensions, and other.

**.50** Bonds and debentures are the amounts the Government borrows from external markets. The Government's bonds and debentures increased from \$12.057 billion in 1991 to \$14.121 billion in 1994, and then decreased to \$13.574 billion in 1995.

**.51** Schedule 7 also shows that at March 31, 1995, 18% of the Government's bonds and debentures are to be paid in foreign currency, i.e., United States dollars.

**.52** The pension liability is the unfunded portion of the Government's pension obligation to its current and past employees. From 1991 to 1995, the Government's unfunded pension liability increased \$597 million, from \$2.723 billion to \$3.320 billion, or 22%.

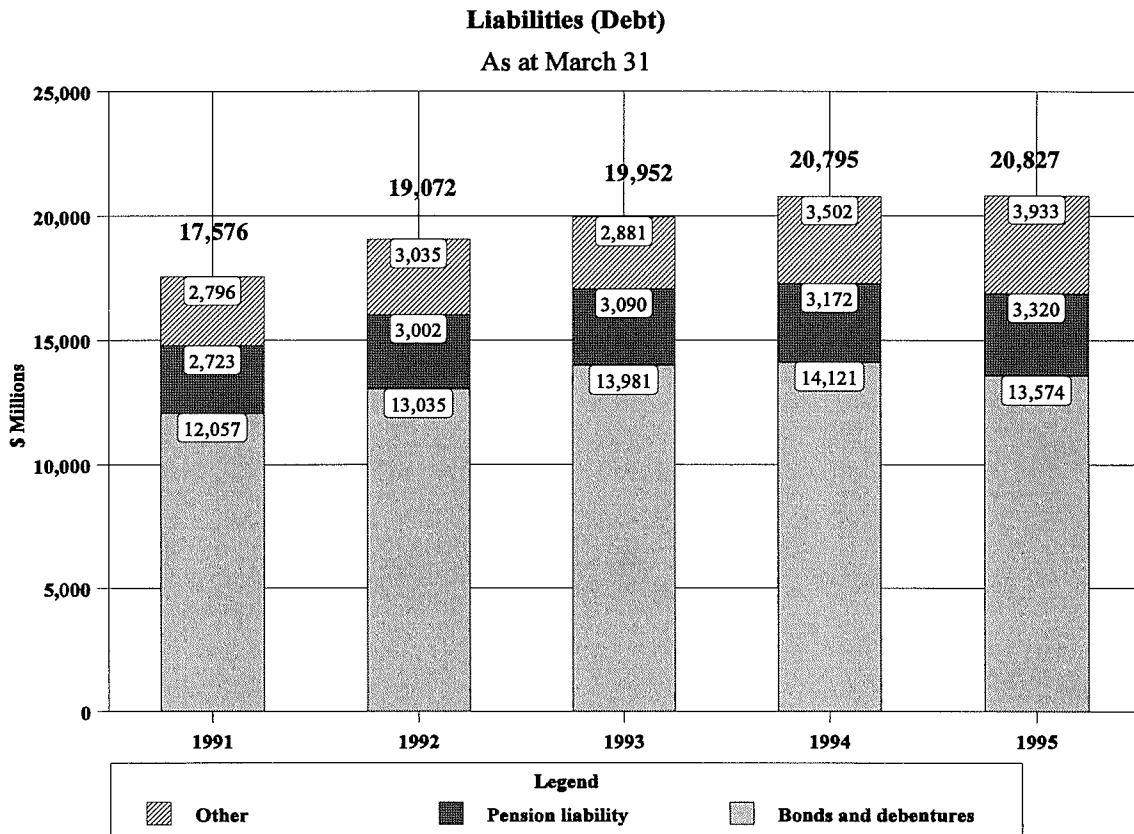
**.53** From 1991 to 1995, the Government's other liabilities increased \$1.137 billion. Other liabilities include trade accounts payable, accrued interest, unpaid claims of SGI and the WCB, as well as the amounts owing to producers and the Federal Government for the gross revenue insurance program (GRIP).

**.54** Exhibit 7 shows the trends in each component of the Government's debt.

## Chapter 3 Understanding the Finances of the Government

Summary of Liabilities (Debt)					Schedule 7
As at March 31 (in millions)					
	1991	1992	1993	1994	1995
<b>Liabilities (debt)<sup>1</sup></b>					
Bonds and debentures	\$ 12,057	13,035	13,981	14,121	13,574
Pension liability	2,723	3,002	3,090	3,172	3,320
Other	<u>2,796</u>	<u>3,035</u>	<u>2,881</u>	<u>3,502</u>	<u>3,933</u>
<b>Total liabilities (debt)</b>	<b><u>17,576</u></b>	<b><u>19,072</u></b>	<b><u>19,952</u></b>	<b><u>20,795</u></b>	<b><u>20,827</u></b>
Percent of bonds and debentures to be paid in foreign currency	14%	8%	16%	17%	18%

Exhibit 7



1 The liability (debt) amounts shown in Schedule 7 are derived from the Government's Summary Financial Statements. The amounts are the Government's general liabilities and the Government's enterprise liabilities, added together. Appendix VI at the end of this Report contains a copy of the Government's 1994-95 Summary Financial Statements. The 1995 liability amounts in Schedule 7 are shown on pages 33 and pages 44-45 of those Statements. Tables 1 and 2 at the end of this Chapter show how the amounts in Schedule 7 are derived from the Government's Summary Financial Statements.

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## Chapter 3 Understanding the Finances of the Government

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The Government's  
finances in more  
detail

**.55** In the following pages, the Government's revenue, expense, assets and liabilities are shown in more detail. The information is derived from the Government's Summary Financial Statements.

**.56** Table 1 shows the Government's revenue and expense.

**.57** Table 2 shows the Government's assets and liabilities.

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

## Chapter 3 Understanding the Finances of the Government

Table 1

**Revenue and Expense (in more detail)**  
For the Year Ended March 31  
(in millions)

	1991		1992	
	Revenue	Expense	Revenue	Expense
	(unaudited)			
<b>General programs</b>				
Taxes	\$ 1,988		\$ 2,163	
Federal government transfers	1,603		1,706	
Natural resources	437		337	
Other	<u>928</u>		<u>947</u>	
	<u>4,956</u>		<u>5,153</u>	
Agriculture		827		1,183
Community development		143		107
Debt charges (interest costs)		1,053		1,147
Economic development		86		125
Education		847		871
Environment and natural resources		184		20
Health		1,659		1,641
Protection of persons and property		262		274
Social services and assistance		446		507
Transportation		283		242
Other		<u>280</u>		<u>978</u>
		<u>6,070</u>		<u>7,095</u>
<b>Enterprises</b>				
Energy (SaskPower & SaskEnergy)	1,010	866	1,016	871
Insurance*	536	480	556	545
Liquor and Gaming	297	189	293	183
Telecommunications (SaskTel)	574	527	569	518
Other	<u>48</u>	<u>29</u>	<u>89</u>	<u>134</u>
	<u>2,465</u>	<u>2,091**</u>	<u>2,523</u>	<u>2,251**</u>
<b>Total revenue and expense</b>	<u>7,421</u>	<u>8,161</u>	<u>7,676</u>	<u>9,346</u>
<b>Annual surplus (deficit)</b>		<u>(740)</u>		<u>(1,670)</u>
<b>Accumulated (deficit), beginning of year</b>		<u>(7,165)</u>		<u>(7,905)</u>
<b>Accumulated (deficit), end of year</b>		<u>(7,905)</u>		<u>(9,575)</u>

\* Enterprises carrying out insurance programs include Saskatchewan Government Insurance, Saskatchewan Auto Fund and the Workers' Compensation Board.

\*\* Total enterprises' expenses include interest costs of \$338 million for 1994-95, \$363 million for 1993-94, \$344 million for 1992-93, \$326 million for 1991-92 and \$344 million for 1990-91.

## Chapter 3 Understanding the Finances of the Government

Revenue and Expense (in more detail) For the Year Ended March 31 (in millions)						Table 1 (continued)
1993		1994		1995		
Revenue	Expense	Revenue	Expense	Revenue	Expense	
2,276		2,536		2,643		
1,447		1,488		1,512		
406		469		733		
<u>944</u>		<u>768</u>		<u>892</u>		
<u>5,073</u>		<u>5,261</u>		<u>5,780</u>		
	950		693		554	
	104		145		180	
	1,299		1,285		1,338	
	81		79		79	
	883		849		874	
	87		151		116	
	1,614		1,553		1,622	
	248		178		187	
	547		550		584	
	201		212		208	
	<u>208</u>		<u>157</u>		<u>210</u>	
	<u>6,222</u>		<u>5,852</u>		<u>5,952</u>	
1,066	908	1,164	1,015	1,241	1,091	
574	586	625	618	657	744	
291	178	327	186	431	207	
629	549	630	544	629	531	
<u>88</u>	<u>124</u>	<u>88</u>	<u>133</u>	<u>95</u>	<u>124</u>	
<u>2,648</u>	<u>2,345**</u>	<u>2,834</u>	<u>2,496**</u>	<u>3,053</u>	<u>2,697**</u>	
<u>7,721</u>	<u>8,567</u>	<u>8,095</u>	<u>8,348</u>	<u>8,833</u>	<u>8,649</u>	
	(846)		(253)		184	
	<u>(9,575)</u>		<u>(10,421)</u>		<u>(10,674)</u>	
	<u>(10,421)</u>		<u>(10,674)</u>		<u>(10,490)</u>	

## Chapter 3 Understanding the Finances of the Government

Table 2

**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	\$ 1,068		317	
Other short-term financial assets	265		777	
Long-term financial assets	<u>2,059</u>		<u>1,730</u>	
	<u>3,392</u>		<u>2,824</u>	
Short-term liabilities		918		1,892
Long-term liabilities		8,889		8,971
Unfunded pension liabilities		<u>2,723</u>		<u>3,002</u>
		<u>12,530</u>		<u>13,865</u>
<b>Enterprises</b>				
Cash and temporary investments	696		175	
Other short-term financial assets	---		595	
Long-term financial assets	1,458		1,406	
Physical assets	<u>4,125</u>		<u>4,497</u>	
	<u>6,279</u>		<u>6,673</u>	
Short-term liabilities		1,528		1,392
Long-term liabilities		<u>3,518</u>		<u>3,815</u>
		<u>5,046</u>		<u>5,207</u>
<b>Total assets and liabilities</b>	<u>9,671</u>	<u>17,576</u>	<u>9,497</u>	<u>19,072</u>
<b>Accumulated (deficit) or amount owed by future taxpayers</b>		<u>(7,905)</u>		<u>(9,575)</u>

\* At March 31, 1995:

- General programs include assets receivable from enterprises of approximately \$13 million and liabilities payable to enterprises of approximately \$323 million; and
- Enterprises include assets receivable from general programs of approximately \$323 million and liabilities payable to general programs of approximately \$13 million.



## Chapter 3 Understanding the Finances of the Government

Assets and Liabilities (in more detail) As at March 31 (in millions)				Table 2 (continued)	
1993		1994		1995	
Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
280		447		220	
728		574		986	
<u>1,689</u>		<u>1,932</u>		<u>1,993</u>	
<u>2,697</u>		<u>2,953</u>		<u>3,199</u>	
	2,160		1,771		2,224
	9,486		10,474		10,112
	<u>3,090</u>		<u>3,172</u>		<u>3,320</u>
	<u>14,736</u>		<u>15,417</u>		<u>15,656</u>
115		168		43	
583		620		740	
1,521		1,594		1,551	
<u>4,615</u>		<u>4,786</u>		<u>4,804</u>	
<u>6,834</u>		<u>7,168</u>		<u>7,138</u>	
	1,392		1,901		1,670
	<u>3,824</u>		<u>3,477</u>		<u>3,501</u>
	<u>5,216</u>		<u>5,378</u>		<u>5,171</u>
<u>9,531</u>	<u>19,952</u>	<u>10,121</u>	<u>20,795</u>	<u>10,337</u>	<u>20,827</u>
	<u>(10,421)</u>		<u>(10,674)</u>		<u>(10,490)</u>

# Chapter 4

## Boards of Directors of Crown Agencies

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## Chapter 4

### Boards of Directors of Crown Agencies

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#### Introduction

**.01** In Saskatchewan, over 100 provincial Crown agencies have Boards of Directors. These Boards manage public monies with annual revenues in excess of \$3 billion (March 31, 1994). The Government, through Orders in Council, chooses and appoints almost all members of these Boards. Boards of Directors (Boards) are assigned important responsibilities through law and through the policies and practices of the Government.

**.02** Executive Council (i.e., Cabinet) is responsible for managing the Government of Saskatchewan. The Government of Saskatchewan is organized into various departments and Crown agencies.

**.03** In previous Reports, I expressed concern with the performance of certain Boards of Crown agencies. I advised that I planned to examine more fully the issues the Government needs to manage well to help ensure Boards can carry out their responsibilities effectively.

**.04** This Chapter sets out the results of our examination in paragraphs .09 to .57 and our follow-up work in paragraphs .58 and .59.

The Government must manage several key issues well

**.05** To begin our examination, we researched, surveyed and consulted literature and various groups on Board governance matters. We were assisted by a faculty member and a student at the College of Commerce, University of Saskatchewan.

**.06** The results of our research, surveys and consultations led us to five key issues the Government needs to manage well to help ensure Boards act effectively. The Government must ensure Boards:

- understand their responsibilities, roles and duties;
- understand the complex governance structure in which their Crown agency operates;
- collectively possess appropriate qualifications and expertise to carry out their responsibilities;

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## Chapter 4 Boards of Directors of Crown Agencies

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- establish and maintain adequate systems and practices to manage the affairs of their agency effectively; and
- report on their performance, and provide others, (e.g., the Legislative Assembly and the Minister responsible for the Crown agency) with the information necessary to assess their performance objectively.

**.07** In Exhibit 1 on page 52, we explain these five issues more fully. In Exhibit 2 on page 53, we compare these issues to recent thinking of the Canadian Comprehensive Auditing Foundation (CCAF). Our comparison shows these five issues are similar to the CCAF's six principles of effective governance.

**.08** Although each of these five issues is important, we focused our audit on the first issue. We think the Government must first ensure Boards understand their responsibilities, roles and duties. In the future, we plan to examine the other issues.

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Audit objective

**.09** In our audit, we examined whether the Government had adequate systems and practices to ensure Boards of Crown agencies understand their responsibilities, roles and duties. Our audit covered the period from April 1, 1992 to January 1, 1994. We examined the systems and practices related to Crown agencies in existence at March 31, 1993 except those affected by *The Health Districts Act*.

**.10** We used criteria (standards of performance) to assess the adequacy of the Government's systems and practices. We developed the criteria through consultation, review of the literature, and surveys. Government officials, including members of Boards, agreed to the criteria.

**.11** We identified the following three general criteria. The Government should:

- clearly define the responsibilities, roles and duties of Board members;
- appropriately communicate the responsibilities, roles and duties of individual Boards; and

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## Chapter 4 Boards of Directors of Crown Agencies

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- ensure Board members adequately understand and accept their responsibilities, roles and duties.

.12 We did our examination according to generally accepted auditing standards recommended by The Canadian Institute of Chartered Accountants for value for money audits. We did procedures and tests necessary to meet these standards.

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Audit conclusions  
and general findings

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.13 Legislation is the basis for all government activity. The Assembly provides direction on how to accomplish activities through laws. Some laws, i.e., enabling laws, are specific to an entity while others, i.e., general laws, are broad and delegate permissive powers to officials. We formed two conclusions because of this distinction.

.14 **First**, the Government maintains adequate systems and practices to ensure Boards of Crown agencies understand the responsibilities, roles and duties set out in their enabling law. Enabling law establishes Crown agencies and sets out the general powers and duties of Boards. For example, *The Water Corporation Act* and *The Power Corporation Act* define the powers and duties of those Boards.

.15 **Second**, the Government does not maintain adequate systems and practices to ensure Boards of Crown agencies understand the extent to which applicable general laws may prevail over enabling law.

.16 General laws provide broad powers and duties to certain government officials and groups (e.g., Cabinet, Treasury Board, Ministers, and the Board of CIC). The powers and duties contained in general laws provide the Government with the ability to coordinate the direction and activities of its many and diverse organizations. When these individuals or groups exercise their powers and duties, they can significantly affect the responsibilities, roles and duties of the Board of almost every Crown agency.

.17 For example, *The Financial Administration Act, 1993* provides Treasury Board, the Minister of Finance and the Provincial Comptroller with broad powers and duties over the finances of all government organizations. *The Crown Corporations Act, 1993* gives the Board of the Crown Investments Corporation of Saskatchewan (CIC) broad powers

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## Chapter 4 Boards of Directors of Crown Agencies

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and duties over the activities of designated Crown agencies. *The Government Organization Act* assigns members of Executive Council (i.e., Cabinet) any power, duty or function conferred or imposed by law on a Minister. Other examples of general laws include *The Interpretation Act, 1993* and *The Tabling of Documents Act, 1991*.

**.18** When Executive Council (i.e., Cabinet) decides its general policy direction, it can ask government officials or groups to use their broad powers and duties contained in general laws either extensively or moderately to direct others to carry out its policies.

### We Recommend

**.19** The Government should advise each Crown agency's Board of Directors which general law provides broad powers and duties to specific government officials or groups (e.g., Cabinet, Treasury Board, Ministers and the Board of CIC).

**.20** The responsible government official or group should provide the Board of Directors of each Crown agency with written guidance setting out how general laws affect the Board's decision-making ability.

**.21** The responsible government official or group should ensure the related Board of Directors are informed of the nature and effect of how the responsible government official or group uses general laws.

**.22** Officials of CIC have improved communication to Boards of designated Crown corporations. But, CIC needs to provide better documentation. When changes in key personnel occur, documentation will help ensure Boards carry out responsibilities properly.

**.23** Information provided to Boards of other Crown agencies that are not subject to CIC needs improvement. Officials of some government departments carry out this responsibility, in part.

**.24** Paragraph .61 contains the Government's response to our report.

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### Audit approach

**.25** We assessed the adequacy of the Government's systems and practices based on criteria. We discussed the criteria with

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## Chapter 4 Boards of Directors of Crown Agencies

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various Board chairs, officials of central agencies, and with various Crown agency officials. In these discussions, we obtained their agreement that our criteria are reasonable and appropriate.

.26 The following describes further our audit work.

.27 We examined enabling laws governing Crown agencies existing at March 31, 1993 and general laws in place. General laws include: *The Financial Administration Act, 1993*, *The Crown Corporations Act, 1978*, *The Government Organization Act*, and *The Interpretation Act, 1993*. We also examined significant subsequent changes in law, e.g., *The Crown Corporations Act, 1993*.

.28 We surveyed various Board chairs, Board members, and Crown agency chief executive officers.

.29 We interviewed key Crown agency and departmental officials.

.30 We analysed government manuals, government directives, and Legislative Assembly handbooks and manuals. We also reviewed verbatim reports of the Legislative Assembly and two of its Standing Committees.

.31 We analysed manuals, board minutes, and other related documents of a cross-section of Crown agencies. These agencies include: CIC, four designated CIC subsidiary Crown corporations, three educational or training bodies, one pension plan, six regulatory or advisory bodies, and two funding bodies.

.32 Each Crown agency we examined received our detailed assessment of the systems and practices it uses to ensure its Board understand its responsibilities, roles and duties. We discussed our assessment with officials of each Crown agency and received their agreement that our detailed assessment was accurate and complete.

.33 We thank the Boards' members, Boards' chairs, and management of the sixteen agencies for their cooperation and assistance.

.34 However, we were unable to obtain cooperation and assistance from the Chair of the Workers' Compensation Board.

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## Chapter 4 Boards of Directors of Crown Agencies

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Accordingly, our audit findings do not relate to the Workers' Compensation Board.

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Audit findings and results

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.35 The following is a summary of our key findings.

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All responsibilities, roles and duties are not clearly defined (criterion 1)

.36 The Government clearly defines those responsibilities, roles and duties of Boards contained in enabling laws. However, the Government does not clearly define the extent to which general laws provide broad powers and duties to certain elected and appointed government officials and groups (e.g., Cabinet, Treasury Board, Ministers and the Board of CIC).

.37 Crown agency Boards are subject to more than one source of legal direction. Enabling laws establish the agency and set out the general powers and duties of a Board. These laws are often general and broad. These laws do not precisely define the Board's terms of reference and often require much interpretation to apply.

.38 General laws provide certain government officials and groups with the ability to exercise powers and duties that may affect the decision-making ability of Boards. For example: various laws give Ministers specific powers; *The Financial Administration Act, 1993* gives Treasury Board specific powers over financial matters; and *The Crown Corporations Act, 1993* gives the Board of CIC powers over CIC and its subsidiary Crown corporations.

.39 The general laws usually allow these officials or groups to use their discretion in exercising the powers these laws assign. For example, officials or groups may choose to be more involved or less involved in the activities of a Crown agency. In a government environment that seeks greater responsiveness to public needs and greater productivity in the delivery of public service, these officials or groups must decide how best to use their assigned powers. Boards may help these government officials and groups in this decision.

.40 Usually, these officials and groups do not clearly define or explain the extent that they use the powers and duties general laws provide. Also, often these officials and groups give authority to their staff (support staff) to carry out their assigned



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## Chapter 4 Boards of Directors of Crown Agencies

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powers and duties. This delegation of authority is often not clearly defined or documented.

.41 These officials and groups rarely give written directives directly to Boards of Crown agencies. Instead, their support staff issue mainly verbal and informal policies or guidelines that may affect the Boards' responsibilities. At times, Boards may be uncertain of the authority of the support staff's guidance.

.42 Often, support staff provide their guidance directly to Crown agencies' management, as opposed to the Board. 67% of Crown agency chief executive officers (CEO) surveyed indicate that the support staff contacts them directly about corporate issues; and 67% of the CEOs surveyed contact the support staff directly. So Board members must rely on their management to bring forward relevant guidance.

.43 When defining a Board's responsibilities, roles and duties, the Government and the Board must continually identify legal authorities relevant to the Board. The responsible officials and groups must ensure the Board understands the impact of these authorities on their responsibilities.

.44 For example, *The Water Corporation Act* creates the Saskatchewan Water Corporation (SaskWater) Board. Under this Act, the Board is responsible for managing SaskWater's business and affairs and is responsible to a Minister designated under *The Government Organization Act*. In addition, SaskWater is a public agency under *The Financial Administration Act, 1993*. Also, Cabinet designated SaskWater as a designated subsidiary Crown corporation under *The Crown Corporations Act, 1993*. Accordingly, the Minister, the CIC Board, and Treasury Board can establish directives that can instruct the SaskWater Board to manage SaskWater's business and affairs in a specified way.

.45 As a result, Boards, such as the SaskWater Board, become responsible to many officials and groups. At any time, these officials or groups may or may not be exercising the powers assigned to them. Therefore, it is critical that these officials or groups clearly define their powers so a Board is aware of the parameters they impose and can appropriately manage within them.

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## Chapter 4 Boards of Directors of Crown Agencies

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Those responsibilities, roles and duties defined are appropriately communicated (criterion 2)

**.46** When a Board's responsibilities, roles and duties are defined in enabling law, Board members are appropriately informed. The Government, however, does not generally advise Boards of their responsibilities, roles and duties under general laws because the Government has not clearly defined the extent of its use of the powers in these laws. As a result, Boards are often left to define their responsibilities, roles and duties based on limited information and their understanding of the Government's policy.

**.47** Boards receive information and direction on their responsibilities, roles and duties from various groups and individuals. These groups and individuals include:

- the Minister responsible for the Crown agency,
- Treasury Board,
- the Board of CIC,
- government officials placed, as members, on various Boards, and
- support staff. Support staff include staff of individual Crown agencies, CIC, Department of Finance, and other related government departments or agencies.

**.48** These groups and individuals provide Boards with information and direction in various forms. Board members must understand the authority of each of these groups and individuals to deal appropriately with the information and direction they provide.

**.49** Government officials provide members with some information and direction on their responsibilities, roles and duties shortly after the member's appointment. The information, generally, does not include discussions or copies of general laws, and specific government directives or guidelines. Boards responsible to CIC receive more information than Boards responsible directly to Treasury Board.

**.50** For the agencies we examined, we note that:

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## Chapter 4 Boards of Directors of Crown Agencies

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- All Boards receive, at a minimum, a brief overview of their Crown agency's mandate, activities and plans either verbally or in writing.
- Most agencies hold tours of their facilities for their Boards.
- For over one-half of the agencies we examined, agency support staff provide their Board with a Board manual, guide or briefing book and a copy of the enabling law. These manuals typically interpret the Board's powers based on the Board's enabling law, and provide guidance on common boardroom practice. These manuals rarely refer to general laws to which the Board is subject and rarely refer to the impact of powers that other parties may exercise over the Board.
- Most Boards receive training shortly after their appointment. Training varies from a few hours to several days. Instructors include government officials or hired experts in the relevant field. Training topics range from discussions of the Crown agency's business to discussions of the Board's specific duties. On occasion, accountability relationships are discussed as part of a review of enabling laws.
- Most Boards receive other information through board meetings as needed, e.g., background information on an issue they plan to discuss.

**.51** CIC management plays a major role in defining the responsibilities, roles and duties of CIC Subsidiary Crown agencies' Boards. CIC invites these Board members, other than the Boards' Minister, to a seminar. This seminar discusses broad decision-making. It provides both verbal and written general guidance on the Board's responsibilities, roles and duties. Also, it reviews the Board's relationship to CIC and the Minister responsible for the Crown agency.

**.52** For CIC Subsidiary Crown agencies, the law requires the agency's chair to be the Minister responsible. Most often, the chair is also a member of the Board of CIC. In addition, CIC assigns one of its staff to each Board as the Board's corporate secretary. Both the Chair and the corporate secretary act as a liaison between the Crown agency's Board and CIC.

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## Chapter 4 Boards of Directors of Crown Agencies

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.53 Management of a few departments (e.g., Education, Training and Employment, and Agriculture and Food) plays a role similar to CIC's. These departments provide information and direction to Boards responsible to the Minister of their department. For example, the Department of Education, Training and Employment provides *Regional College Boards of Directors - Trustee* manuals to all Board members of Regional Colleges.

.54 Also, the Government places government officials, as members or chairs, on various Boards to act as liaisons between the Crown agency's Board and the related government department.

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Understanding and acceptance of board's responsibilities, roles and duties (criterion 3)

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.55 For those responsibilities, roles and duties which the Government has clearly defined and communicated, the Government ensures the Boards understand and accept them. For those responsibilities, roles and duties which the Government has not clearly defined and communicated, the Government cannot be certain whether Boards understand and accept them.

.56 Executive Council (i.e., Cabinet) appoints most members. The Government believes members understand and accept their responsibilities, roles and duties when they assume their Board position.

.57 To decide whether Boards satisfactorily understand and accept their responsibilities on an ongoing basis, the Government uses information provided by the Crown agency and makes informal assessments. For the Crown agencies surveyed and examined, agencies generally send reports to the Minister responsible, to the related deputy minister, and to the Treasury Board or Board of CIC. The extent of information that Boards provide varies greatly. Most often, information includes corporate plans, interim financial and operational reports, annual reports, and annual audited financial statements. Agencies provide other information upon request.

.58 In addition, the membership of most Boards include at least one of the following: the Minister responsible, a government official from a related central agency or a CIC corporate secretary. This membership enables the Government

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## Chapter 4 Boards of Directors of Crown Agencies

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to maintain direct ongoing communication with the Board and provides a source of ongoing information.

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### Follow-up work

**.59** To update our audit work to July, 1995, we carried out the following procedures:

- we examined general laws noting significant changes, if any;
- we surveyed CIC, Department of Finance, Department of Executive Council and four other government departments; and
- we interviewed key Crown agency and department officials.

**.60** Based on our follow-up procedures, the recommendations we make at paragraphs .19 to .21 continue to be valid.

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### The Government's response

**.61** We asked the Government to respond to our recommendations and our findings. The Government's response is as follows:

*The Government accepts the Auditor's opinion that the Government must work hard to ensure that appropriate mechanisms exist in order to provide Boards of Directors with the requisite tools to effectively undertake their responsibilities. One particular aspect of this concerns the collective qualifications and expertise of individual Boards of Directors. The Government remains committed to ensuring that Boards of Directors have appropriate business and professional expertise and are reflective of the Saskatchewan populace, taking into account a number of factors including gender and geography.*

*The Report references that over 100 provincial Crown agencies have a Board of Directors, with these Boards managing public monies with annual revenues exceeding \$3 billion. It is important to understand that the vast majority of business revenue is generated by those Crown corporations reporting to the Crown Investments Corporation. The Auditor has acknowledged that the structure and mechanisms in place, particularly in the CIC sector, are meeting most of his recommended requirements.*

*Boards of Directors are normally briefed on the important issues that may affect them and are informed of the specific legislative context, restraints and/or parameters within which they operate. In addition, briefings are usually held to outline the governance structure of the provincial government and related reporting relationships.*

*The Government has made significant progress in this area but acknowledges that a number of issues require further attention. The Government appreciates the comments on general laws and will take appropriate measures to ensure that Boards of Directors understand and appreciate the role these laws play in the Boards' decision-making and operating environments.*

## Chapter 4 Boards of Directors of Crown Agencies

### Exhibit 1

#### Detailed explanation of "Key Issues Facing a Board of Directors"

#	Key Issues Facing a Board of Directors	Description of Key issue
The Government must ensure a Board of Directors:		
1	Understands their responsibilities, roles and duties	The public, through laws, entrust most Boards to "manage the affairs and business" of a segment of public assets worth, in total, billions of dollars. The Government must ensure each Board clearly understands who it serves and what the public and Government expect. In addition, the Board must show the Government that the Board understands and carries out its assigned responsibilities, roles and duties.
2	Understands the complex governance structure their Crown agency operates within	Boards receive direction and information from various sources, e.g., legislators through laws, Ministers, Cabinet, government officials, and Crown agency management. Boards of Directors must understand the authority and responsibility of each of these sources. This understanding will enable them to set priorities and make proper decisions.
3	Collectively possesses appropriate qualifications and expertise to carry out their responsibilities	The Government, through Orders in Council, appoints most Board members of Crown agencies. Therefore, as a prerequisite, the Government must define the necessary qualifications of a Board. The collective skills, abilities and expertise of the Board effect the quality of the Board's decision making and ability to run the Crown agency. The Government should recruit Boards of Directors according to defined qualifications.
4	Establishes and maintains adequate systems and practices to manage the affairs of their agency effectively	Laws require Boards to protect the Crown agency's assets. This includes the integrity of the agency's management control systems. Boards must monitor these systems. They also must evaluate the effectiveness of these systems using information management and others provide.
5	Reports on their performance and provides others with the information necessary to assess this performance objectively	By law, Boards report to a Minister responsible for the Crown agency. The Minister is, in turn, responsible to the public and other legislators. The public and other legislators are interested in the performance of the Board. Boards must assess their effectiveness and tell others of their assessment, e.g., through their annual reports.

## Chapter 4 Boards of Directors of Crown Agencies

### Exhibit 2 Comparison of "Key Issues Facing a Board of Directors" to CCAF's "Six Principles of Effective Governance"

The Canadian Comprehensive Auditing Foundation's (CCAF) principles set out important attributes of effective governing bodies and, when taken together, are a framework that is helpful in assessing the organization's governance. The table below shows the key factors we developed cover all six CCAF principles.

CCAF's Six Principles of Effective Governance <sup>1</sup>	Key Issues Facing A Board of Directors <sup>2</sup> (from Exhibit 1)				
	Responsibilities	Governance Structures	Qualification and Expertise	Management Systems and Practices	Performance Reporting
Governing Bodies that . . .					
are comprised of people with the necessary knowledge, ability and commitment to fulfil their responsibilities			✓		
understand their purpose and whose interests they represent	✓				
understand the objectives and strategies of the organizations they govern		✓			
understand what constitutes reasonable information for good governance and obtain it				✓	
once informed, are prepared to act to ensure that the organization's objectives are met and that performance is satisfactory				✓	
fulfil their accountability obligations to those whose interests they represent by reporting on their organization's effectiveness					✓

1. Source: *The Canadian Comprehensive Auditing Foundation "In Search of Effective Governance", 1994.*
2. Source: Key issues that the Office of the Provincial Auditor developed in its research on corporate governance.

# Chapter 5 Information Technology Risks

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## Chapter 5

### Information Technology Risks

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#### Introduction

**.01** The objectives of this Chapter are to describe:

- the key risks information technology (IT) presents to management; and
- how we plan to examine and report on the management of those risks.

**.02** The key risks of IT arise from developing or purchasing new systems and from threats to security. To maximize the benefits of IT, these risks need to be managed well. Managing these risks is critical to the success of Crown agencies (departments, Crown corporations, boards and commissions).

#### Information technology

**.03** Information technology includes computers, software, and telecommunications. Crown agencies rely heavily on IT to deliver their programs and services and to keep their records. The cost of IT in government departments alone exceeds \$40 million each year.

**.04** Crown agencies are under ongoing pressure to provide their programs and services more effectively and for less cost. Management is turning to IT to provide better and more timely information about their programs and services. Managers need to know if their programs are meeting objectives and if their delivery is efficient. To meet these needs, managers need well-designed IT systems. These systems need to record data on costs and on performance and to report the results quickly and accurately.

**.05** Recent advances in IT are making better management possible. Many Crown agencies are replacing or are planning to replace their information systems. Agencies must carefully manage the development of these systems. Also, Crown agencies must carefully manage threats to IT security. If managers do not manage these risks, the costs of IT will increase and Crown agencies will not realize the full benefits of IT.

**.06** The following paragraphs describe two important IT issues and our planned approach to examining those issues. These issues are the management of IT system development projects and IT security.

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## Chapter 5 Information Technology Risks

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### System development risks

**.07** The first important issue we plan to examine is the management of system development projects.

**.08** Developing or purchasing new information systems is risky. Two questions sum up these risks. Are the right projects selected? Are the projects managed well? If management does not manage these risks well, costs increase, deadlines pass and systems fail.

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### Risk management for new systems

**.09** To manage the development of new systems, Crown agencies must have a strong project management climate. The three cornerstones of a strong project management climate are:

- management commitment to the projects;
- project selection based on business needs; and
- good project management systems and practices.

The absence of just one of these cornerstones threatens the success of an IT project.

**.10** Senior management plays a key role in establishing a strong project management climate. This role includes actively overseeing, funding and selling the projects. Their commitment is crucial from the start of a project to its finish.

**.11** Senior management also plays a key role in project selection. They must approve IT projects based on business needs and monitor the projects during their development to ensure IT projects continue to meet business needs. This monitoring is necessary because business needs may change over a long development period.

**.12** The third cornerstone, good project management systems and practices, is critical for controlling and directing projects. These systems and practices require project leaders with the necessary experience and skills to manage the projects. They also require clear and well documented project management standards. Management needs to know if IT projects are going smoothly or if they are in trouble. IT projects run the risk of not being done on time or within budget without capable project leaders and effective management systems.

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## Chapter 5 Information Technology Risks

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### Best practices

**.13** To examine systems under development, we plan to focus on the management of IT development projects. We plan to be involved early and throughout the system development process. We will compare management practices with the standards of best practices recommended by organizations like the Office of the Auditor General of Canada.

**.14** The standards of best practices require management to:

- establish a strong commitment to the project;
- ensure project development does not start before they satisfy themselves the project is the right one for the organization;
- ensure strong project management systems and practices. This includes management approval of:
  - the system development process and the management system that will permit project planning, and monitoring;
  - a project development plan, which sets out all technical and resource requirements, meets user needs, and sets target completion dates for all project tasks;
  - the project design after meeting all development plan needs;
  - an implementation plan that reflects the needs and resource constraints of the organization; and
  - a post implementation review of the project to ensure the completed project meets the organization's needs and to identify areas for improvement.

**.15** Management must be flexible when applying these standards. Adherence to these standards does not guarantee success. However, following the standards should reduce the

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## Chapter 5 Information Technology Risks

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risks of missed completion dates, cost overruns, and project failure.

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Examining and reporting on systems under development

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**.16** We plan to focus on larger system development projects. Our primary objectives will be to find out if Crown agencies have good systems and practices to:

- select the right IT projects; and
- control those projects.

**.17** The first major IT project we plan to examine is the Saskatchewan Health Information Network (SHIN). The Department of Health is developing this system. SHIN is to link the twenty-nine district health boards and the Department. It is to collect, maintain and distribute information to all health service managers in the province. The Department's objective is to give health service managers information that will permit them to do their jobs more effectively and efficiently.

**.18** The Department is funding the project. The Department expects the project to cost millions of dollars and take years to complete. We will report on the development of this project in a future Report to the Legislative Assembly.

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Security threats and risks

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**.19** The second important IT issue we plan to examine is the management of the threats and risks to IT security.

**.20** Information security is essential to the delivery of Crown agencies programs and services. If security is poor, Crown agencies run the risk of incurring financial losses or being embarrassed. This can occur by relying on incorrect data, by the loss of data, or by the release of confidential information.

**.21** New information technologies increase the threats and risks to IT security. Crown agencies are under pressure to conduct their business electronically and to connect their computer systems to external networks such as the Internet. However, before Crown agencies take these steps, they need to ensure their IT systems and data will remain secure.

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## Chapter 5 Information Technology Risks

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Threat and risk management

**.22** IT security is a management responsibility. Absolute security is not possible or even practical. Security costs money and often reduces efficiency. Given these constraints and limited resources, senior managers need to direct and monitor IT security practices. They must ensure policies and procedures are in place and are working to reduce security threats and risks to an acceptable level.

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Security best practices

**.23** To examine and report on IT security, we plan to compare current practices with accepted standards. We will use IT security standards recommended for business by organizations like the RCMP. These standards require management to:

- set clear security objectives;
- define the security function, including the roles and responsibilities of staff;
- set security policies and procedures that reduce the IT threats to an acceptable level;
- provide security awareness training to staff, including the spirit and intent of approved security policies and procedures; and
- review periodic reports on compliance with and the effectiveness of approved security policies and procedures.

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Examining and reporting on security

**.24** We plan to examine and report on IT security practices in Crown agencies. This year, we are conducting a survey in departments. In 1996, we plan extending this survey to Crown corporations.

**.25** Our survey focuses on significant financial and non-financial systems. We designed the survey to gather information on current security practices. We will assess the strengths and weaknesses of IT security using the security best practices described above. Our 1996 Spring Report will describe the results of our work on government departments.

**Chapter 6**  
**Working With Other Auditors**

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## Chapter 6

### Working With Other Auditors

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#### Introduction

**.01** In June 1994, the Task Force on Roles, Responsibilities and Duties of Auditors released its report. The Task Force recommended how the audit system could work more efficiently and effectively when the Government appoints private auditors to audit CIC Crown corporations (e.g., SaskPower, SaskTel). Our Office, appointed auditors, and CIC Crowns used the new audit process for the December 1994 audits.

**.02** Also, the Task Force recommended the Government consider applying the recommendations to the audits of other Crown corporations and agencies using appointed auditors. In April 1995, Treasury Board decided that all Treasury Board Crown corporations and agencies should comply with the Task Force's recommendations. As a result, we are extending the new audit process to include those Crown agencies.

**.03** This Chapter briefly describes how this process operates.

#### A new audit process

**.04** Under this new process, our senior staff work closely with appointed auditors and management at all stages of Crown agencies' audits. Important stages of an audit are planning the audit, doing the audit, and reporting the results of the audit.

**.05** We begin the process by advising appointed auditors we intend to use their work and reports to fulfil our responsibilities under *The Provincial Auditor Act*. Also, we advise them of our specific audit needs.

**.06** We meet with appointed auditors to discuss and to agree on the scope, objectives, and timing of the audits. Then, appointed auditors discuss audit plans with the agencies' management and Audit Committees. We attend and participate in these meetings.

**.07** During the audits, we talk with appointed auditors to ensure we are both aware of issues that may affect the audits. If there are issues to resolve, we meet with appointed auditors and with management.

**.08** When appointed auditors finish their audits, we review their work and draft reports. Then, we meet with appointed auditors to discuss audit findings and to agree on the contents of draft audit reports. After appointed auditors and our staff

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## Chapter 6 Working With Other Auditors

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agree on the contents of draft reports, the appointed auditors discuss their reports with the agencies' management and audit committees. We also attend and participate in these meetings.

.09 If audit findings include significant matters to report to the Legislative Assembly, we draft a chapter to include in our next Report to the Assembly. We agree the contents of this chapter with appointed auditors before we complete our Report.

.10 Our Office helps the Standing Committee on Public Accounts during the planning and review of the Public Accounts and the Provincial Auditor's Reports. Also, our Office helps the Standing Committee on Crown Corporations during its review of Crown corporations' annual reports. We inform appointed auditors of Committee agendas for the review of agencies they audited. Also, we agree with appointed auditors on presentations to the Committees, if any.

.11 Under the new system, we table reports in the Legislative Assembly when the Government tables agencies' annual reports. These reports summarize our involvement in audits of Crown agencies and give our views on the Crown agencies' financial statements. We completed our report called *1994 Financial Statements of CIC Subsidiary Crown Corporations* on March 20, 1995.

.12 One of the Task Force's recommendations was that CIC and my Office jointly evaluate the new system in each of the first two years. We plan to report on the joint evaluation for the 1994 audits in our next Report.



**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 advises Executive Council about 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, 1994, 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 \$181 million in 1994 and held assets of \$2.5 billion at December 31, 1994.

#### 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 .28. 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 .29 to .34. We also note other matters for the Legislative Assembly's attention.

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#### Public accountability

**.06** CIC's annual report and its subsidiaries' annual reports lack essential accountability information.

**.07** CIC's annual report and the annual reports of its subsidiaries do not include comparisons of planned activities to actual results. As a result, it is more difficult to understand and assess the performance of these public companies without knowing what they planned to achieve.

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## Chapter 7 Crown Investments Corporation of Saskatchewan

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**.08** Beginning in 1994, the Assembly's Crown Corporations Committee operates using new terms of reference. The Committee asks about the objectives and performance indicators of Crown corporations.

**.09** During 1994 and 1995, CIC and its subsidiaries made presentations to the Committee. Many of the presentations included information about financial and operational activities. Those presentations provided information about CIC and its subsidiaries' achievements, information about where they are currently and, in some cases, information about their future plans.

**.10** We encourage CIC and its subsidiaries to continue to give the Committee performance indicators and targets in clear measurable terms. A good first step is to provide planning information in their annual reports.

**.11** We recognize CIC and its subsidiaries operate under a different management structure than other government agencies, e.g., government departments. By law, CIC and its subsidiaries raise revenues and spend public money without annual pre-approval of their budgets by the Assembly.

**.12** Providing planning information in a Crown's annual report does not disturb this different management structure. In addition, providing planning information will not impede a Crown's viability. Other jurisdictions publish budget information for their Crowns. For example, federal Crowns provide five year plans to Parliament. Alberta Crowns report budgets in their annual reports.

**.13** We believe it is important to continue urging the Government to implement practices that will enhance its public accountability. CIC is responsible for overseeing a significant portion of the Government's activities. We think a clear and meaningful comparison of plans to actual results will help Members of the Legislative Assembly (MLAs) and the public understand and assess the performance of CIC and its subsidiaries.

**.14** We reported this matter previously in our 1994 Fall Report.

**We Recommend**

**.15** **CIC should ensure its annual report and the annual**

reports of its subsidiary Crown corporations include comparisons of planned activities to actual results.

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CIC's corporate  
planning

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.16 CIC's Board lacks essential information to manage CIC's activities on a consolidated basis and CIC III's activities. The Board does not receive a budget and business plan for CIC's consolidated activities or for CIC III.

.17 CIC reports its activities annually by preparing three sets of financial statements. The first set reports **CIC's activities on a consolidated basis** (ie., it includes CIC's subsidiaries), the second set reports **CIC's parent company activities** (ie., it excludes CIC's subsidiaries), and the third set reports the activities of CIC's subsidiary, **CIC III**.

.18 In 1994, the Board approved a budget and a business plan for **CIC's parent company activities**. But, the Board did not approve a budget and business plan for **CIC's activities on a consolidated basis** or for **CIC III**. Instead, the Board reviews information about individual subsidiary corporations and investments.

.19 An important part of CIC's mandate is to coordinate the direction of its subsidiary Crowns. CIC's Board approves all its subsidiaries' budgets and business plans.

.20 CIC's Board needs to set goals and objectives for **CIC's activities on a consolidated basis** before the Board approves the budget and business plans of its subsidiaries. The Board needs this information to assess how each of its subsidiaries contribute toward CIC's overall goals. In addition, the Board needs this information to coordinate the direction of its subsidiaries.

.21 Also, CIC's Board needs a budget and business plan for **CIC III**. CIC's Board is responsible for the overall corporate strategy for **CIC III**. By approving **CIC III's** budget and business plan, CIC's Board fulfils this key stewardship function.

.22 We reported these matters in our 1994 Fall Report and our 1993 Annual Report.

We Recommend

.23 The Board should approve a budget and business plan for **CIC on a consolidated basis (including its**

subsidiaries) and for the activities CIC plans to carry out through CIC III.

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CIC's interim reporting

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.24 Management does not give the Board interim financial statements showing a comparison of plans to actual results for CIC III, or for CIC's activities on a consolidated basis.

.25 CIC prepares interim financial statements for CIC's **parent company activities** in addition to financial information on each of its subsidiaries. CIC does not prepare interim financial statements showing a comparison of plans to actual results for **CIC III**, or for **CIC's activities on a consolidated basis**.

.26 CIC should prepare interim financial statements for **CIC's activities on a consolidated basis**. Then, CIC could compare plans to actual results during the year and at year end. Comparing actual results to plans would help CIC's Board manage, direct, and evaluate CIC's holding company activities. Similarly, CIC should prepare interim financial statements for **CIC III**.

.27 We reported these matters in our 1994 Fall Report and our 1993 Annual Report.

We Recommend

.28 **The Board should receive interim financial statements for CIC's activities on a consolidated basis and for the activities carried out through CIC III, including a comparison of planned and actual results.**

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Investments in corporations

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.29 CIC purchased shares in corporations without the approval of the Lieutenant Governor in Council.

.30 When the Legislative Assembly creates a Crown agency, legislation defines the powers the agency may exercise. A Crown agency cannot expand those powers. It cannot create a subsidiary organization under *The Business Corporations Act* to do what it cannot do. *The Crown Corporations Act, 1993* allows CIC to buy shares in corporations, but requires CIC to get Lieutenant Governor in Council approval.

.31 CIC created CIC III under *The Business Corporations Act*. CIC used CIC III to purchase shares.

## Chapter 7 Crown Investments Corporation of Saskatchewan

.32 In our opinion, CIC acted beyond its authority when it bought shares in the following corporations through CIC III without Lieutenant Governor in Council approval.

	<u>Cost</u>
BIOSTAR Inc.	\$234,000
National Pig Development (Canada) Co. Ltd.	\$1,250,000

.33 We reported this matter previously in our 1994 Fall Report and our 1993 and 1991 Annual Reports.

**We Recommend**

**.34 CIC should obtain Lieutenant Governor in Council approval for all share purchases.**

Financial statements not provided to the Assembly

.35 CIC did not give the Assembly financial statements for all its subsidiaries and superannuation plans.

.36 To be accountable, when the Government creates separate entities or funds, it should report their financial activities to the Assembly in separate financial statements. The Public Accounts Committee recommends all government corporations give the Assembly their financial statements.

.37 In 1994, CIC did not ensure the Assembly received financial statements for the following:

Related Organization	Statements Not Tabled
CIC	National Pig Development (Canada) Co. Ltd. CIC Pulp Ltd. Capital Pension Plan
Saskatchewan Government Growth Fund Management Corporation	Saskatchewan Government Growth Fund Ltd. Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Insurance	SGI Superannuation Plan
Saskatchewan Power Corporation	Power Greenhouses Inc. Channel Lake Petroleum Ltd. Northern Enterprise Fund Inc. Power Corporation Superannuation Plan

## Chapter 7 Crown Investments Corporation of Saskatchewan

Related Organization	Statements Not Tabled
Saskatchewan Telecommunications Holding Corporation	Saskatchewan Telecommunications International Inc. SaskTel UK Holdings Inc. LCL Cable Communications Ltd. Direct West Publishers Ltd. Saskatchewan Telecommunications Superannuation Plan
SaskEnergy Incorporated	TransGas Limited Many Islands Pipelines (Canada ) Limited Many Islands Natural Gas (Canada) Limited Bayhurst Gas Limited

**.38** We reported this matter previously in our 1994 Fall Report.

### We Recommend

**.39** **CIC should ensure the Assembly receives financial statements for all its subsidiaries and its superannuation plans.**

### Investment management system

**.40** 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, 1994, these investments exceeded \$1.4 billion.

**.41** In our 1994 Fall Report, we described our progress to audit CIC's investment management system. We researched and developed draft audit criteria. Then, CIC's officials advised us that before proceeding with the audit, they required further guidance. We discussed our audit with CIC's Board. CIC's Board wanted to discuss the audit further with our Office before considering how best to proceed.

**.42** Recently, CIC's officials advised my Office to proceed with the audit of its investment management system. We have resumed our audit. We plan to report the results of our audit in our 1996 Spring Report.

**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, 1994.

Saskatchewan Broiler Hatching Egg Producers' Marketing Board  
Saskatchewan Canola Development Commission  
Saskatchewan Commercial Egg Producers' Marketing Board  
Saskatchewan Chicken Marketing Board  
Saskatchewan Grain Car Corporation  
Saskatchewan Pulse Crop Development Board  
Saskatchewan Sheep Development Board  
Saskatchewan Turkey Producers' Marketing Board  
Saskatchewan Vegetable Marketing and Development Board  
SPI Marketing Group  
The Milk Control Board

#### Our audit findings

**.04** In our opinion, the Saskatchewan Canola Development Commission, SPI Marketing Group, the Saskatchewan Grain Car Corporation, and The Milk Control Board had:

- reliable financial statements;
- adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter; and
- 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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**.05** Due to established priorities, we have not completed our audit work on several of the Crown agencies listed in paragraph .03. We will report the results of our audit work on these agencies in a future report to the Legislative Assembly. Following are the Crown agencies where we have not completed our work:

Saskatchewan Broiler Hatching Egg Producers'  
Marketing Board  
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

**Saskatchewan  
Canola  
Development  
Commission**

**.06** The Commission improves and develops market opportunities for canola.

**.07** The Commission had revenue of \$1.2 million in 1994 and held assets of \$1.1 million at July 31, 1994. The Commission's annual report contains its financial statements.

Our audit findings

**.08** In our opinion, the Commission's financial statements are reliable. The Commission had adequate rules and procedures to safeguard and control its assets. The Commission 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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Annual report needs  
to be timely

**.09** The Commission submitted its annual report to the Agricultural and Food Products Development and Marketing Council late.

**.10** Section 8(4) of *The Saskatchewan Canola Development Plan Regulations* requires the Commission to submit an annual report to the Council. The Commission must submit its annual report before the end of September.

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## Chapter 8 Department of Agriculture and Food

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.11 The Commission did not prepare its annual report until December, 1994.

### We Recommend

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

.13 The Commission told us it cannot comply with the Regulation because Board Order No. 8/93 allows canola buyers 55 days to pay "check-off" fees collected each month to the Commission. The Commission thought this does not present sufficient time to prepare an annual report including audited financial statements. The Commission asked the Department to change the Regulation to require the Commission to submit its annual report within 150 days after the Commission's year end. The request was denied.

### SPI Marketing Group

.14 SPI was created by the Lieutenant Governor in Council to market hogs. SPI also operates a trucking, meat packing and customs brokerage business. SPI also manages a trust account for hog producers.

.15 SPI owns and controls the companies described in paragraph .18. SPI operates its customs brokerage business in a partnership called Portal Clearing Ltd.

.16 SPI prepares consolidated financial statements to report on its activities. The consolidated financial statements include the activities of SPI and the companies it owns and controls (subsidiaries).

.17 In 1994, SPI's consolidated financial statements report revenue of \$11.9 million, net income of \$0.3 million, and assets of \$7.8 million at December 31, 1994. The financial statements also show SPI managed a trust fund for hog producers that handled \$125 million. SPI's annual report contains its financial statements.

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## Chapter 8 Department of Agriculture and Food

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### Subsidiaries

**.18** At December 31, 1994, SPI owns and controls the following companies:

Krop Transport Ltd.  
Grenier Holdings Ltd.  
Moose Jaw Packers (1974) Ltd.  
Agricultural Diversification Investment Fund Ltd.

### Our audit findings

**.19** In our opinion, SPI's consolidated financial statements are reliable. SPI had adequate rules and procedures to safeguard and control its assets except for the matters reported in paragraphs .22 to .33. SPI complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .34 to .39.

**.20** Paragraphs .43 to .44 report our audit findings for Moose Jaw Packers (1974) Ltd.

**.21** Due to established priorities, we did not do sufficient audit work on the accounts of Krop Transport Ltd. and Grenier Holdings Ltd. to report separately on their financial statements, compliance with authorities and rules and procedures for safeguarding assets. We did do sufficient audit work on these companies to include their activities in SPI's consolidated financial statements. Agricultural Diversification Investment Fund Ltd. was inactive at December 31, 1994.

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### Better information required

**.22** The Board of Directors requires better information to govern the operations of SPI.

**.23** To properly govern the operations of SPI, the Board needs to approve a complete financial plan for SPI. The Board also needs monthly financial statements comparing actual results to the approved financial plan.

**.24** SPI operates several businesses including trucking, meat packing and customs brokerage. SPI carries out its trucking and meat packing businesses using two companies called Krop Transport Ltd. (KROP) and Moose Jaw Packers (1974) Ltd (MJP). SPI carries out its customs brokerage business as a partner in Portal Clearing Ltd.

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## Chapter 8 Department of Agriculture and Food

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**.25** Management presented an incomplete financial plan to the Board. The financial plan did not include SPI's trucking, meat packing and customs brokerage businesses.

**.26** Also, management presented inadequate monthly financial statements to the Board. The financial statements presented did not include SPI's trucking, meat packing, and customs brokerage businesses.

**We Recommend**

**.27** The Board should require management to prepare a complete financial plan for SPI.

**.28** The Board should approve SPI's financial plan before the beginning of the fiscal year.

**.29** The Board should require management to prepare monthly financial statements that compare actual results with the approved financial plan.

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Control systems  
require approval

**.30** SPI's Board of Directors has not approved SPI's control systems for safeguarding SPI's assets.

**.31** SPI's Board should ensure management has effective control systems for safeguarding SPI's assets. The Board could carry out this responsibility by approving a policies and procedures manual setting out management's rules and procedures for safeguarding SPI's assets.

**.32** Policies and procedures manuals help management and staff carry out their duties effectively. Manuals also reinforce the Board's delegation of authority and responsibility for all employees.

**We Recommend**

**.33** The Board should require management to prepare written policies and procedures for the Board's approval.

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Lack of authority to  
buy shares

**.34** SPI bought shares of a corporation without proper authority.

**.35** SPI bought the shares of Agriculture Diversification Investment Fund Ltd. (Fund) from the Department of Agriculture and Food.

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## Chapter 8 Department of Agriculture and Food

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.36 Subsection 6(1) of The SPI Marketing Group Regulations states the following:

"The Board has the power:

(1.1) to purchase, or acquire by any other means, in the open market or otherwise, shares, bonds, debentures, or other securities of any incorporated company, if a trustee would be permitted to invest in those shares, bonds, debentures or securities pursuant to *The Trustee Act*."

.37 In our opinion, the Fund's shares do not qualify as an investment under *The Trustee Act*. We note SPI's lawyer agrees with our opinion.

**We Recommend**

.38 **SPI should seek changes to the regulations governing its activities; or**

.39 **SPI should sell the Fund's shares.**

**Moose Jaw Packers (1974) Ltd.**

.40 Moose Jaw Packers (1974) Ltd. (MJP) was incorporated under *The Business Corporations Act*. MJP is a subsidiary of SPI Marketing Group.

.41 MJP operates a hog slaughter business primarily for its parent, SPI Marketing Group and on a custom basis. The company specializes in the process of recovering the hide from slaughtered hogs and marketing the hides.

.42 In 1994, MJP's financial statements report net sales of \$4.9 million, net income of \$0.1 million and assets of \$3.6 million.

**Our audit findings**

.43 Our office worked with Burlingham Associates, Chartered Accountants, MJP's appointed auditor using the framework recommended by the Task Force on the Roles, Responsibilities and Duties of Auditors. Our Office and Burlingham Associates formed the opinions referred to in paragraph .44.

.44 In our opinion, MJP's financial statements are reliable. MJP complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue

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## Chapter 8 Department of Agriculture and Food

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raising, spending, borrowing, and investing. MJP had adequate rules and procedures to safeguard and control its assets except for the matter reported in paragraphs .45 to .55.

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Better information  
required

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**.45** The Board of Directors requires better information to govern the operations of MJP.

**.46** To properly govern the operations of MJP, the Board needs to approve a financial plan for MJP. The Board also needs monthly financial statements comparing actual results to the approved financial plan.

**.47** Management did not prepare a budget for MJP for the 1994 fiscal year and present it to the Board for review and approval.

**We Recommend**

**.48** The Board should require management to prepare a financial plan for MJP.

**.49** The Board should approve MJP's financial plan before the beginning of the fiscal year.

**.50** The Board should require management to prepare monthly financial statements that compare actual results with the approved financial plan.

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Segregation of duties  
needed

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**.51** MJP did not adequately segregate the duties of its employees.

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

**.53** One employee handles cash, records the receipt of cash and keeps the records of who owes money to MJP.

**.54** In our opinion, this deficiency in control procedures allows for the misappropriation of money without ready detection.

**We Recommend**

**.55** MJP should adequately segregate the duties of its employees.

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## Chapter 8 Department of Agriculture and Food

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.56 MJP told us it changed its procedures and now adequately segregates employees' duties.



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

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## Chapter 9

### Department of Education, Training and Employment

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<b>Introduction</b>	<p><b>.01</b> 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.</p>
<b>Crown agencies</b>	<p><b>.02</b> 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, 1994.</p> <p style="text-align: center;">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</p>

**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 1995 Spring 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. The Plan consists of the Teachers' Superannuation Fund and the Voluntary Contribution 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 completed its financial statements for the Plan for the years ended June 30, 1993 and 1994. Accordingly, financial information is not available for 1993 and 1994.

**.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** Due to delays in receiving information, we have not completed our audit of the Commission. As stated earlier, the Commission has not completed financial statements for the Plan and the Voluntary Fund since June 30, 1992. We will report the results of our 1993 and 1994 audit work in a future report to the Legislative Assembly.

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### Public accountability lacking

**.11** The Commission is not properly accountable for its financial activities.

**.12** *The Tabling of Documents Act* requires the Commission to give its annual report including financial statements to the Assembly before a specified date. The Commission has not yet completed its financial statements for the years ended June 30, 1993 and June 30, 1994. The Commission lacked essential information to prepare timely financial statements.

**.13** The Commission could not prepare accurate financial statements until it received a report from its actuary on the valuation of the Plan at June 30, 1993 and June 30, 1994. The Commission lacked essential records to provide the actuary with timely accurate information necessary to do the valuation.

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## Chapter 9 Department of Education, Training and Employment

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.14 In our 1994 Fall Report, we state the Commission could not provide evidence of the cost of additional pension benefits given to teachers in their last collective agreement with the Government. The agreement covered the period January 1, 1992 to December 31, 1994. The Commission's pension records lacked essential information to calculate the cost of the increased benefits.

.15 In our 1994 Fall Report, we also stated the Commission needed to know the cost of the increased benefits to prepare accurate financial statements for its 1993 fiscal year. Since the Commission did not know the costs of the additional pension benefits, the Commission could not prepare financial statements for its 1993 year.

### We Recommend

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

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

### Prairie West Regional College

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

.19 The College had revenues of \$2.3 million in 1994 and held assets of \$1.2 million at June 30, 1994. The College's annual report contains its financial statements.

### Our audit findings

.20 In our opinion, the College's financial statements are reliable except for the matter reported in paragraphs .21 to .25. 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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The College's financial statements contain an error

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.21 The College's financial statements given to the Legislative Assembly incorrectly show expected 1995 costs for building renovations.

.22 Note 6 to the financial statements states the College made a contract for renovations of the College's office building

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## Chapter 9 Department of Education, Training and Employment

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after the year end. The note states the amount of the contract was \$46,233 plus applicable taxes. The note also states the College will fund the renovations from its capital bank account.

**.23** The College did not make a contract to renovate the College's office building after the year end. Accordingly, we believe this note is wrong.

**.24** We note the College did make and complete a contract to renovate the College's office building during 1994.

### We Recommend

**.25** The College should table a correction to its financial statements in the Legislative Assembly.

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### Appointed auditor's reports

**.26** We relied on Gilchrist and Company, the College's appointed auditor's reports on internal control and compliance with authorities.

**.27** We relied on the appointed auditor's report on the College's financial statements except for the matter reported in paragraphs .21 to .25. The appointed auditor accepted Note 6 to the College's financial statements.

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

**.29** We did not have to do additional work to form our opinion on the College's financial statements.

### Saskatchewan Indian Regional College

**.30** 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.

**.31** The College had revenues of \$7.0 million in 1994 and held assets of \$1.4 million at June 30, 1994. The College's annual report contains its financial statements.

### Our audit findings

**.32** Our Office worked with Price Waterhouse, the College's appointed auditor. Price Waterhouse and our Office formed the opinions referred to in paragraph .33.

.33 In our opinion, the Colleges 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*

.34 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.

.35 The College paid these four persons allowances and expenses. Also, the College paid all the members of the Board at rates more than the rates approved by Order in Council. In 1994, the total amount paid to the members of the Board for allowances was approximately \$44,150. The College lacked authority to make these payments.

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

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

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

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

.40 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.

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## Chapter 9 Department of Education, Training and Employment

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### We Recommend

.41 The College should comply with *The Regional Colleges Act*. Alternatively, the Department of Education, Training and Employment should propose changes to the Act to exempt the College from the requirements of the Act.

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### Other payments

.42 During the year, the College made several payments totalling \$5,900. We are unable to determine whether the College used the money for educational purposes.

.43 In addition, the College made the following payments to related organizations. We are unable to determine whether the College used the money for educational purposes.

- \$28,000 paid to Saskatchewan Indian Training Assessment Group (SITAG) to cover allowances and expenses for SITAG's Board of Directors.
- \$25,000 paid to the Federation of Saskatchewan Indian Nations, Inc. to cover costs for the May Chiefs' Assembly.

**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 1 of the 1994-95 Public Accounts. This Chapter also contains our audit findings for the following pension and benefit plans with years ending on or before December 31, 1994.

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 1 of the Public Accounts are reliable. The General Revenue Fund's financial statements included in Volume 1 of the Public Accounts are reliable except for the matter reported in paragraphs .08 to .10.

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## Chapter 10 Department of Finance

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

**.07** In paragraphs .24 to .40, we report we were not permitted to carry out our duties to audit two government corporations.

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Pension costs and liabilities not recorded

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**.08** 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.

**.09** Our auditor's report also informs Members of the Legislative Assembly of the following matter. 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.

**.10** Our opinion on the General Revenue Fund's financial statements 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 Summary Financial Statements of the Government of Saskatchewan. 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 balance sheet of the General Revenue Fund as at March 31, 1995 and the statements of revenue, expenses, and accumulated deficit and changes in cash and temporary investments 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 2 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*

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## Chapter 10 Department of Finance

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would increase by \$3,320 million (1994 - \$3,172 million) and expenses would increase and surplus for the year would decrease by \$148 million (1994 - expenses and deficit for the year would increase by \$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, 1995 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.*

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Late financial statements

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**.11** To be properly accountable, the Government must give the Legislative Assembly timely financial statements for the pension and benefit plans listed in paragraph .04.

**.12** The Government did not give the Legislative Assembly the 1994 financial statements for the Liquor Board Superannuation Plan, Municipal Employees' Superannuation Plan, and the Workers' Compensation Board Superannuation Plan during the 1995 Spring session of the Legislature.

**We Recommend**

**.13** The Government should give timely financial statements to the Legislative Assembly.

**Saskatchewan Pension Plan**

**.14** The Saskatchewan Pension Plan was established to assist low income earners save for their retirement.

**.15** The Plan received \$3.9 million in contributions in 1994 and held assets of \$101.6 million at December 31, 1994. The Plan's annual report contains its financial statements.

Our audit findings

**.16** My Office worked with Ernst & Young, the Plan's appointed auditor, using the framework recommended by the Task Force on Roles, Responsibilities and Duties of Auditors.

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## Chapter 10 Department of Finance

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Ernst & Young and my Office formed the opinions referred to in paragraph .17.

.17 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 governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing. We note the following matter for the Legislative Assembly's attention.

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Annuity underwriting

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

.19 *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.

.20 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 promised 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 promised future payments.

.21 At December 31, 1994 the annuity fund had a surplus of \$84,675.

.22 We also reported this matter in our 1994 Fall Report.

We Recommend

**.23 The Government should issue Regulations providing direction for the handling of profits or losses from annuity underwriting.**

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## Chapter 10 Department of Finance

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### SaskPen Properties Ltd. and SP Two Properties Ltd.

.24 SaskPen and SP Two own commercial properties in Regina and Weyburn. Government appointed boards and the Minister of Finance are the shareholders of these Corporations.

.25 The financial statements of SaskPen and SP Two respectively report 1994 revenues of \$4.6 million and \$0.5 million and assets of \$29.3 million and \$4.4 million.

.26 The financial statements of SaskPen report that the corporation holds an interest in income producing properties of \$28.7 million.

.27 SaskPen holds an interest in the following income producing properties located in Regina:

- Bank of Montreal Building;
- 2161 Scarth Street Building;
- Victoria Plaza Parkade and Land;
- Victoria Plaza Tower West;
- Victoria Plaza Tower East;
- Pemberton H.W. Building;
- T.D. Bank Building on Scarth Street; and
- Hamilton Centre

.28 The financial statements of SP Two report that the corporation holds an interest of \$4.2 million in the land and properties of the shopping centre known as Weyburn Square.

Inability to discharge our duties

.29 SaskPen and SP Two have not permitted my Office to carry out our 1994/95 audit.

.30 When my Office cannot carry out our responsibilities, the Government is not fully accountable to the Legislative Assembly.

.31 SaskPen and SP Two are subject to an audit under *The Provincial Auditor Act* (the Act). My Office audited the corporations directly for many years.

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## Chapter 10 Department of Finance

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.32 When another auditor audits an organization subject to an audit by my Office, the Act allows my Office to rely on that auditor to carry out my Office's responsibilities under the Act.

.33 The shareholders appointed a firm of chartered accountants to audit SaskPen for the year ended December 31, 1991 and SP Two for the year ended March 31, 1992. For the past three years, I relied on the appointed auditor's work.

.34 I wrote the appointed auditor on October 7, 1994 and March 8, 1995. I informed the appointed auditor that I intended to again rely on his work and reports for my 1994/95 audit of SaskPen and SP Two.

.35 By letter of April 3, 1995, the appointed auditor told me the shareholders of SaskPen and SP Two instructed him not to provide us with the 1994/95 financial statements of SaskPen and SP Two. Accordingly, the appointed auditor felt he could not cooperate with my Office.

.36 On June 13, 1995, I wrote the shareholders of SaskPen and SP Two. I asked the shareholders to instruct the appointed auditor to cooperate with my Office.

.37 On August 17, 1995, the Deputy Minister of Finance wrote to the Chair of SaskPen and SP Two. The Deputy Minister asked that SaskPen and SP Two instruct the appointed auditor to cooperate with my Office.

.38 The Chair of SaskPen and SP Two told my staff that the Boards of the Corporations will meet on October 16, 1995. The sole agenda item for the meeting will be to discuss the issue of cooperation with my Office.

### We Recommend

**.39 SaskPen and SP Two should allow us to audit their accounts.**

**.40 The financial statements of SaskPen and SP Two should be tabled in the Legislative Assembly.**

**Chapter 11**  
**Saskatchewan Economic Development Corporation**

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## Chapter 11

### Saskatchewan Economic Development Corporation

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Introduction

**.01** The Corporation (SEDCO) finances economic development in Saskatchewan. During 1994, SEDCO was winding down its operations. On February 28, 1995, the Government transferred SEDCO's remaining assets and liabilities to a wholly owned subsidiary of the Crown Investments Corporation of Saskatchewan. The subsidiary is CIC Industrial Interests Inc.

**.02** SEDCO's 1994 financial statements report revenues of \$14.7 million and assets of \$145.2 million. SEDCO's annual report contains the financial statements.

Our audit findings

**.03** My Office worked with Deloitte & Touche, SEDCO's appointed auditor, using the framework recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. Deloitte & Touche and my Office formed the opinions referred to in paragraph .04.

**.04** In our opinion, SEDCO's financial statements are reliable. SEDCO had adequate rules and procedures to safeguard and control its assets. SEDCO complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing. We note the following matter for the Legislative Assembly's attention.

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Board of Directors in 1989 exceeded its authority

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**.05** In 1994, SEDCO paid the Saskatchewan Government Growth Fund (SGGF) \$14.7 million under a 1989 contract that was beyond SEDCO's authority.

**.06** *The Industrial Development Act (Act)* states the Board of Directors is responsible for managing SEDCO. Section 11(1) of the Act states:

*A Board of Directors consisting of those persons appointed by the Lieutenant Governor in Council shall manage the affairs and business of the corporation.*

**.07** The Board of Directors must manage the affairs and business of the corporation within the limits of the law. The

Act limits the Board's authority for undertaking certain activities.

**.08** Section 22(3) of the Act limits the amount of financial assistance the Board of Directors may provide to a company. This section states:

*Except with the approval of the Lieutenant Governor in Council, the corporation shall not provide financial assistance to a company where the total of:*

- (a) the aggregate value of the proposed financial assistance; and*
- (b) the aggregate value of the existing financial assistance and indebtedness of the company to the corporation;*

*would exceed \$2,500,000.*

**.09** In 1989, the Lieutenant Governor in Council, by Order in Council 367/89, granted SEDCO's Board of Directors the authority to provide \$10 million of financial assistance to a company. SEDCO's Board of Directors then made a complex loan agreement with this company and the SGGF.

**.10** The agreement required SEDCO to lend the company \$10 million. It also required SEDCO to sell the loan to SGGF for five years. At the end of five years, SEDCO had to buy the loan back. During this period, the agreement did not require the company to pay principal and interest on the loan. The interest, calculated at a rate of 8%, was added to the loan.

**.11** The deferral of the principal and interest payments for five years is, in substance, financial assistance. The amount of this additional financial assistance is \$4.7 million.

**.12** In our opinion, SEDCO's 1989 Board of Directors gave the company more than the \$10 million in financial assistance permitted by law. The Board of Directors provided \$4.7 million in additional financial assistance.

### **We Recommend**

**.13** Boards of Directors should carefully review agreements to ensure they do not, in substance, result in actions that are beyond the Board's authority.

**Chapter 12**  
**Saskatchewan Forest Products Corporation**

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## Chapter 12

### Saskatchewan Forest Products Corporation

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Introduction

**.01** The Corporation (SFPC) produces plywood and other lumber products.

**.02** SFPC's 1994 financial statements report revenues of \$48.9 million and assets of \$47.0 million. SFPC's annual report contains its financial statements.

Our audit findings

**.03** My Office worked with Coopers & Lybrand, SFPC's appointed auditor, using the framework recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. Coopers & Lybrand and my Office formed the opinions in paragraph .04.

**.04** In our opinion, SFPC's financial statements are reliable. SFPC had adequate rules and procedures to safeguard and control its assets except for the significant deficiencies reported in paragraphs .05 to .27. SFPC complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

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Board needs to  
oversee management

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**.05** There is a lack of evidence that the Board is adequately overseeing management.

**.06** The Board is responsible for overseeing the financial affairs of SFPC. To do this, the Board needs to approve an appropriate budget. Also, the Board needs to receive, review, approve and act on accurate and timely financial information. Financial reports provided to the Board should permit the comparison of the operating plan (annual budget approved by the Board), the most recent forecast, and actual operating results.

**.07** The Board lacks appropriate financial information to oversee the operations of SFPC. Also, there is no evidence in the Board minutes that the Board regularly reviews the quarterly financial reports provided by SFPC management or that the Board approves SFPC's annual budget on a timely basis.

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## Chapter 12 Saskatchewan Forest Products Corporation

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**.08** We found:

- SFPC's budget for 1994 did not allow meaningful comparisons between planned and actual results because the budget preparation process did not allow for consultation with all key officials;
- the Board minutes did not document the Board's review or approval of SFPC's interim financial reports after May 5, 1994; and
- the Board minutes did not document the Board's review and approval of SFPC's 1995 budget.

**We Recommend**

**.09 SFPC should prepare appropriate annual budgets.**

**.10 The Board should document its approval of SFPC's annual budgets.**

**.11 The Board should document its review and approval of SFPC's financial reports. The reports would include management's explanation of variances between the approved budget, the current forecast and actual results.**

**.12 SFPC told us it prepared the 1995 budget using a new process.**

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Current record of policies and procedures needed

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**.13 SFPC's policies and procedures manual is not current or complete.**

**.14 SFPC should keep a record of its administrative policies and procedures. This record can be a guide to staff as they carry out their duties. Recorded policies and procedures, approved by the Board, will help in the orderly and efficient conduct of business. SFPC's policies and procedures manual should include:**

- an organization chart;
- the mandate, mission, objectives and values;

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## Chapter 12 Saskatchewan Forest Products Corporation

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- budget preparation and approval procedures (including responsibilities of senior management and the Board);
- financial reporting policies for period end and year end (these policies should include guidance on the form and content of financial reports provided to the Board);

The financial reports should :

- provide a comparison of actual operating results compared to budgeted results based on level of activity;
- include management's explanation of variances between budget and actual results;
- job descriptions for all staff positions including delegated authority levels; and
- administrative, accounting and control procedures.

### We Recommend

**.15 SFPC should update its written policies and procedures manual.**

**.16 The Board should approve and monitor SFPC's compliance with the policies and procedures.**

**.17 SFPC told us it is currently working on the policies and procedures manual. The priority will be on accounting procedures and financial controls.**

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Inventory controls  
needed

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**.18 SFPC lacks controls to prevent loss of its inventory of equipment parts and supplies (stores).**

**.19 Inventory should be physically safeguarded to prevent unauthorized removal of inventory items. Also, accurate inventory records are required to prepare accurate financial reports.**

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## Chapter 12 Saskatchewan Forest Products Corporation

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.20 SFPC does not control access to stores inventory. Employees can enter the inventory area without signing for access and can remove inventory items without recording items taken. Also, SFPC has not established adequate rules and procedures to ensure the accuracy of its inventory records.

.21 We found several items recorded in the stores inventory records that could not be located. We also found several inventory items on hand that were not recorded in the records.

**We Recommend**

**.22 SFPC should establish rules and procedures to restrict access to stores inventory, to record inventory use and to ensure inventory records are accurate.**

.23 SFPC told us that stores inventory will be moved to a new location early in the new year. This move will allow SFPC to establish appropriate inventory rules and procedures.

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Segregation of duties required

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.24 SFPC did not adequately segregate the duties of employees responsible for payroll.

.25 Segregation of duties is inadequate when one person can conceal an error or fraud without timely detection.

.26 SFPC's bank prepares payroll reports and pays employees. One employee is authorized to tell the bank who to pay and how much. No other employee checks this person's work to ensure all payments are accurate and authorized.

**We Recommend**

**.27 SFPC should adequately segregate the duties of its employees.**

**Chapter 13**  
**Saskatchewan Government Growth Fund Management Corporation**

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## Chapter 13

# Saskatchewan Government Growth Fund Management Corporation

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### Introduction

**.01** The Corporation (Management) manages government administered venture capital funds under the Federal Government's Immigrant Investor Program. Saskatchewan Government Growth Fund Ltd. (SGGF I) and Saskatchewan Government Growth Fund II Ltd. (SGGF II) are the two active companies set up by Management to manage investors' funds. Therefore, all of these corporations are government corporations. Management provides operating and financial services to SGGF I and SGGF II. Management charges a fee for these services.

**.02** Management's 1994 financial statements report revenues of \$2.0 million and assets of \$0.5 million. Management's annual report contains its financial statements. The 1994 financial statements of SGGF I and SGGF II respectively report revenues of \$9.5 million and \$1.1 million, and assets of \$89.9 million and \$24.4 million. The annual reports of SGGF I and SGGF II contain their respective financial statements.

### Our audit findings

**.03** My Office worked with Deloitte & Touche, the appointed auditor for Management, SGGF I and SGGF II, using the framework recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. Deloitte & Touche and my Office formed the opinions in paragraph .04.

**.04** In our opinion, the financial statements of Management, SGGF I and SGGF II are reliable. Management had adequate rules and procedures to safeguard and control its assets and those of SGGF I and SGGF II. Management complied with the authorities governing its activities and those of SGGF I and SGGF II relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the following matter.

---

### Investment rules not met

**.05** Management did not meet the minimum investment rules set by law for money held for SGGF II investors.

**.06** The Canada Immigration Regulations set investment rules for venture capital funds. One rule requires SGGF II to invest at least 70 per cent of money held for investors in eligible businesses within nine months. Management did not

have 70 per cent of the money held for SGGF II's investors invested in eligible businesses.

.07 At December 31, 1994, SGGF II held \$14.3 million for investors that needed to be invested in eligible investments. SGGF II had \$7 million invested in eligible businesses at that date.

**We Recommend**

**.08 Management should invest funds held for investors in eligible businesses as required by The Canada Immigration Regulations.**

.09 Management told us it will attempt to comply with the Regulations by the end of 1995. Management also told us that the Federal Government department responsible for the immigrant investor program is aware of this issue and has since approved Funds III and IV.

**Chapter 14**  
**Saskatchewan Opportunities Corporation**

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## Chapter 14

### Saskatchewan Opportunities Corporation

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#### Introduction

**.01** The Corporation (SOCO) provides financing to business to create, encourage, and facilitate business opportunities in Saskatchewan. SOCO began operations in 1994.

**.02** For the five month period ending December 31, 1994 SOCO's financial statements report revenues of \$752 thousand and assets of \$7.1 million. SOCO's annual report contains its financial statements.

#### Our audit findings

**.03** My Office worked with Deloitte & Touche, SOCO's appointed auditor, using the framework recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. Deloitte & Touche and my Office formed the opinions referred to in paragraph .04.

**.04** In our opinion, SOCO's financial statements are reliable. SOCO had adequate rules and procedures to safeguard and control its assets except for the matter reported in paragraphs .05 to .10. SOCO complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the following matter.

---

#### Board of Directors required

**.05** SOCO operated for two months without a Board of Directors.

**.06** Without a Board of Directors, there was no lawful body to oversee SOCO's management and SOCO's transactions. Also, because there was no Board of Directors, SOCO's transactions during the start-up period lacked legislative authority.

**.07** *The Saskatchewan Opportunities Act (Act)* states the Board of Directors is responsible for managing SOCO. Section 11(1) of the Act states:

*A board of directors consisting of those members who constitute the corporation, shall manage the affairs and business of the corporation.*

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## Chapter 14 Saskatchewan Opportunities Corporation

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**.08** SOCO started operations in August 1994. Order in Council 671/94 dated October 18, 1994 appointed the first members of the Board of Directors.

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**We Recommend**

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**.09** The Government should appoint Boards of Directors before entities start operations.

**.10** We noted the Board of Directors later reviewed and approved SOCO's transactions during the start-up period.

# Chapter 15

## Saskatchewan Power Corporation

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## Chapter 15

### Saskatchewan Power Corporation

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#### Introduction

**.01** The Corporation (SaskPower) provides electrical energy in the Province. SaskPower owns and controls the companies described in paragraph .04. SaskPower also sponsors the pension plan described in paragraph .05.

**.02** SaskPower prepares consolidated financial statements to report on its activities. The consolidated financial statements are to include the financial activities of SaskPower and companies it owns and controls (subsidiaries).

**.03** In 1994, SaskPower's consolidated financial statements report revenue of \$837 million, net income of \$85 million, and assets of \$3.27 billion. SaskPower's annual report contains its consolidated financial statements.

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#### Subsidiaries and related Crown agency

**.04** At December 31, 1994, SaskPower owns and controls the following companies:

- **Channel Lake Petroleum Ltd. (Channel).**  
Channel is incorporated under *The Business Corporations Act* [Alberta]. SaskPower holds all the shares of Channel. Channel owns and operates a number of petroleum and natural gas properties in Alberta.

Channel had \$31.6 million in assets at December 31, 1994. During 1994, Channel had revenues and expenditures of \$11.7 million and \$9.1 million, and net income of \$2.6 million.

- **Northern Enterprises Fund Inc. (Northern).**  
SaskPower established Northern in 1988 to provide economic and educational support to the residents of northern Saskatchewan.

Northern had revenues of \$1.0 million in 1994 and held assets of \$3.7 million at December 31, 1994. Northern's revenue is comprised of contributions from SaskPower based on power generated in northern Saskatchewan and investment income.

- **Power Greenhouses Inc. (Greenhouse).**  
SaskPower established Greenhouse to produce crops of seedlings of native vegetation suitable for planting in the prairies. SaskPower holds all the shares of the Greenhouse. The Greenhouse also operates under the name, Shand Greenhouse.

The Greenhouse had \$3.8 million in assets at December 31, 1994. Its sole source of revenue is from SaskPower. During 1994, SaskPower reimbursed the Greenhouse for its costs of operations, totalling \$431,000.

- **SaskPower Commercial Inc. (Commercial).**  
SaskPower incorporated Commercial during 1994 and holds all the shares of Commercial. Commercial's mandate is to diversify and enhance SaskPower's revenue base, promote economic development in Saskatchewan, and achieve a suitable return on investment capital.

Commercial had limited activity during 1994. Accordingly, SaskPower did not prepare separate financial statements for Commercial.

**.05** The Power Corporation Superannuation Plan (Plan) is a defined benefit pension plan established by *The Power Corporation Superannuation Act* for employees of SaskPower hired before October 1, 1977. The Plan is administered by a five person Board appointed by the Lieutenant Governor in Council.

**.06** At December 31, 1994, the Plan had \$463 million in assets and a liability of \$473 million for pension benefits.

Our audit findings

**.07** Our Office worked with Ernst and Young, the appointed auditor for SaskPower, Channel, Northern, and the Plan. Also, our Office worked with Matchett, Potts and Seipp, the appointed auditor for Greenhouse. Our Office and the appointed auditors worked together using the framework recommended by the Task Force on the Roles, Responsibilities and Duties of Auditors. The appointed auditors and our Office formed the opinions referred to in paragraph .08.



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## Chapter 15 Saskatchewan Power Corporation

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.08 In our opinion, the financial statements of SaskPower, Channel, Northern, Greenhouse and the Plan are reliable. SaskPower, Channel, Northern, Greenhouse and the Plan had adequate rules and procedures to safeguard and control their assets. SaskPower, Channel, Northern, Greenhouse and the Plan complied with the authorities governing their activities related to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter described in paragraphs .09 to .13. Ernst & Young have not formed an opinion on this matter because there are conflicting legal opinions on the issue. For Channel, Northern, Greenhouse and the Plan, we also report another matter for the Legislative Assembly's attention.

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Lieutenant Governor  
in Council approval  
required

.09 Channel did not obtain Lieutenant Governor in Council (Cabinet) approval to sell real property.

.10 *The Power Corporation Act* requires SaskPower to obtain the approval of Cabinet before selling real property with a sale price exceeding \$150,000. During 1994, Channel sold real property for \$335,169 without obtaining Cabinet approval.

.11 SaskPower believes, based on legal advice obtained, there is no legislative requirement to obtain Cabinet's approval to sell real property held by its subsidiaries. Therefore, SaskPower did not obtain Cabinet's approval to sell real property.

.12 In our opinion, SaskPower requires Cabinet's approval before selling real property held by its subsidiaries with a sale price exceeding \$150,000. We think a subsidiary of SaskPower cannot exercise powers beyond those of SaskPower itself. Otherwise, the restrictions placed on SaskPower by the Legislative Assembly in *The Power Corporation Act* would be pointless. SaskPower should not be able to do things beyond its own mandate by incorporating a subsidiary with powers greater than its own. That, in our opinion, defeats the object of the Act.

**We Recommend**

**.13 SaskPower should obtain Lieutenant Governor in Council Approval before selling real property held by Channel Lake Petroleum Ltd. with a sale price exceeding \$150,000.**

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## Chapter 15 Saskatchewan Power Corporation

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### Public accountability

**.14** The Government has not tabled the financial statements for Channel, Northern, Greenhouse and the Plan in the Assembly.

**.15** The Standing Committee on Public Accounts recommended and the Assembly concurred that all government corporations table annual financial statements in the Assembly.

**.16** Public accountability is strengthened when the Government tables the financial statements of all government organizations. We believe the Government should table the financial statements of Channel, Northern, Greenhouse and the Plan. This way, the performance of Channel, Greenhouse, Northern and the Plan can be reviewed by the Assembly and the public.

### We Recommend

**.17** The Government should table financial statements of Channel Lake Petroleum Ltd., Northern Enterprises Fund Inc., Power Greenhouses Inc. and The Power Corporation Superannuation Plan in the Legislative Assembly.

**Chapter 16**  
**Saskatchewan Transportation Company**

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## Chapter 16

### Saskatchewan Transportation Company

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#### Introduction

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

**.02** STC earned revenue of \$14.0 million, incurred a loss of \$3.2 million and held assets of \$15.7 million at October 31, 1994. STC's annual report includes its financial statements.

#### Our audit findings

**.03** Our Office worked with Ernst & Young, STC's appointed auditor, using the frame work recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. Ernst & Young and our Office formed the opinions referred to in paragraph .04.

**.04** In our opinion, STC's 1994 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 needs improvements

**.05** In our opinion, STC's rules and procedures are deficient in the following areas:

- STC does not have an information security and confidentiality policy;
- STC does not have rules and procedures to control changes to its computer programs and information stored on its computer systems;
- STC does not have a written and tested contingency plan; and
- STC lacks adequate rules and procedures to ensure it records all cash sales from express waybills, and deposits all cash received in STC's bank account.

**.06** We reported these deficiencies in our past several reports to the Legislative Assembly, including our 1994 Fall Report (STC's year ended October 31, 1993). All of the 1993

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## Chapter 16 Saskatchewan Transportation Company

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deficiencies continued for STC's year ended October 31, 1994. We have not repeated the detail of these deficiencies in this Report. Instead, this Report describes STC's actions on this matter.

**.07** STC carried out the following steps in response to our recommendations:

- STC prepared a business plan. STC's Board, and the Crown Investments Corporation of Saskatchewan approved this plan. This plan called for replacing the present computer system.
- STC made an agreement with a consultant to develop a new computer system for managing STC's financial and human resources.
- The consultant is currently working on the new computer system. This system will include new systems and practices for shipping, recording express information, and billing.

**.08** STC believes its new system, when complete, will correct all problems in the current system. In the short term, STC has started new manual procedures to improve the accuracy and timeliness of the information produced from its computer system.

**.09** We think the new manual procedures do not substantially reduce the risk of significant errors occurring in STC's financial information. Also, the new manual procedures are inefficient. Therefore, we encourage STC to complete its new system quickly.

**.10** We will report on the adequacy of the new system in a future Report.

**.11** While STC is acting on our concerns, our recommendations from our 1994 Fall Report on this matter remain relevant. Therefore, to help Members of the Legislative Assembly understand and assess STC's actions we repeat the recommendations in paragraphs .12 to .15.

**We Recommend**

**.12** 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.

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

.14 STC should prepare a written contingency plan and test the plan.

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

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## *The Provincial Auditor Act*

### SHORT TITLE AND INTERPRETATION

1 This Act may be cited as *The Provincial Auditor Act*.

2 In this Act:

(a) "acting provincial auditor" means the acting provincial auditor appointed pursuant to section 5;

(a.1) "appointed auditor" means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) "audit" means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) "Crown" means Her Majesty the Queen in right of Saskatchewan;

(d) "Crown agency" means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) "Crown-controlled corporation" means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) "fiscal year" means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) "provincial auditor" means the Provincial Auditor for Saskatchewan appointed pursuant to section 3;

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(h) "public money" means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) "public property" means property held or administered by the Crown.

### APPOINTMENT AND OFFICE

3(1) After consultation with the Chairman of the Standing Committee of the Legislative Assembly on Public Accounts, the Lieutenant Governor in Council shall appoint a person as the Provincial Auditor for Saskatchewan.

(2) The provincial auditor is an officer of the Legislative Assembly and holds office during good behaviour.

(3) Repealed.

(4) The provincial auditor may resign his office at any time by forwarding a written notice addressed to:

(a) the Speaker; or

(b) where there is no Speaker or the Speaker is absent from Saskatchewan, the President of the Executive Council.

(5) The Lieutenant Governor in Council may suspend or remove the provincial auditor from office only for cause and on the address of the Legislative Assembly.

4(1) Subject to subsection (2), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Where, as a result of a calculation made pursuant to subsection (1), the provincial auditor's salary would be less than his previous salary, he is to be paid not less than his previous salary.



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(3) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided to deputy ministers.

(4) The provincial auditor's salary is a charge on the consolidated fund.

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary.

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the office of the provincial auditor are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The disability income plan, the public employees dental plan and the group insurance plan applicable to the public servants of Saskatchewan and any plan introduced to replace or substitute for those plans apply or continue to apply, as the case may be, to the provincial auditor and the employees of the office of the provincial auditor.

(4) *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act* apply to the provincial auditor and the permanent and full-time employees of the office of the provincial auditor, and all credits in any superannuation plan or funds established pursuant to those Acts for the provincial auditor and the employees of the office of the provincial auditor and accumulated under those Acts, prior to the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the office of the provincial auditor and the general business of the office and shall oversee and direct the staff of the office.

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;
- (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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### List of organizations subject to an examination under *The Provincial Auditor Act*

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, 1994.

<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

### **Crown Agencies:**

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
Saskatchewan Pulse Crop Development Board	August 31

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Crown Agencies (continued):	Year End
National Pig Development (Canada) Co. Ltd.	September 30
Saskatchewan Transportation Company	October 31
Bayhurst Gas Limited	December 31
Channel Lake Petroleum Ltd.	December 31
CIC Industrial Interests Inc.	December 31
CIC Mineral Interests Corporation	December 31
CIC Pulp Ltd.	December 31
Crown Investments Corporation of Saskatchewan	December 31
DirectWest Publishers Inc.	December 31
Greystone Capital Management Inc.	December 31
LCL Cable Communications Ltd.	December 31
Liquor Board Superannuation Commission, The	December 31
Many Islands Natural Gas (Canada) Limited	December 31
Many Islands Pipe Lines (Canada) Limited	December 31
Milk Control Board, The	December 31
Moose Jaw Packers (1974) Ltd.	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.	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 Forest Products 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 Housing Corporation	December 31
Saskatchewan Opportunities 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

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<b>Crown Agencies (continued):</b>	<b>Year End</b>
Saskatchewan Turkey Producers' Marketing Board	December 31
Saskatchewan Water Corporation	December 31
SaskEnergy Incorporated	December 31
SaskPen Properties Ltd.	December 31
SaskPower Commercial Inc.	December 31
SaskTel UK Holdings Inc.	December 31
SGI Canada Insurance Services Ltd.	December 31
South Saskatchewan River Irrigation District No. 1	December 31
SPI Marketing Group	December 31
TransGas Limited	December 31
Workers' Compensation Board	December 31
Workers' Compensation 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
Assiniboine Valley District Health Board	March 31
Battlefords District Health Board	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
LaRonge 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
Parkland District Health Board	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 District Health Board	March 31
Provincial Mediation Board	March 31
Public Employees (Government Contributory) Superannuation Plan	March 31
Public Service Superannuation Board	March 31

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## Appendix II

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<b>Crown Agencies (continued):</b>	<b>Year End</b>
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 Gaming Corporation	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 Research Council, The	March 31
Saskatchewan Wetland Conservation Corporation	March 31
Saskatoon District Health Board	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	December 31
Public Employees Dental Fund	December 31
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

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## Appendix II

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<b>Special Purpose and Trust Funds (continued):</b>	<b>Year End</b>
Beef Development Plan	March 31
Cattle Marketing Deductions Fund	March 31
Commercial Revolving Fund	March 31
Conservation and Development Revolving Fund	March 31
Correctional Facilities Industries Revolving Fund	March 31
Correspondence School Revolving Fund	March 31
Crop Reinsurance Fund of Saskatchewan	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 Agricultural 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
School Division Tax Loss Compensation	March 31
Sinking Fund	March 31
Social Services Central Trust Account	March 31
Trust Funds at Court House, Local Registrars and Sheriff's Offices	March 31
Victims' Fund	March 31

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

Saskatchewan Legal Aid Commission Client Trust Accounts	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
University of Saskatchewan, The	April 30

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## Appendix III

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### Audits not completed at September 30, 1995

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

This Report includes all audits completed at September 30, 1995 for fiscal periods ended December 31, 1994 or earlier. Since 1988, we have prepared our 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, 1995 for fiscal periods ended December 31, 1994 or earlier to the Legislative Assembly in a future Report.

We have not completed the audit of the following organizations at September 30, 1995, and we will report our findings in a future Report to the Legislative Assembly.

- Greystone Capital Management Inc.(1988, 1989, 1990, 1991, 1992, 1993 and 1994)
- Saskatchewan Auto Fund
- Saskatchewan Broiler Hatching Egg Producers' Marketing Board
- Saskatchewan Chicken Marketing Board
- Saskatchewan Commercial Egg Producers' Marketing Board
- Saskatchewan Sheep Development Board
- Saskatchewan Telecommunications Superannuation Board
- Saskatchewan Turkey Producers' Marketing Board
- Saskatchewan Vegetable Marketing and Development Board
- SaskPen Properties Ltd.
- SP Two Properties Ltd.
- Teachers' Superannuation Commission (1993 and 1994)
- Workers' Compensation Board



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## Appendix IV

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### Organizations where we found no significant matters to report to the Legislative Assembly

Appendix IV lists government organizations with fiscal periods ended December 31, 1994 or earlier that, in our and the organizations appointed auditors' 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 of 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.

#### Crown Agencies:

Carlton Trail Regional College  
Cumberland Regional College  
Cypress Hills Regional College  
North West Regional College  
Northlands College  
Parkland Regional College  
Saskatchewan Grain Car Corporation  
CIC Mineral Interests Corporation  
Milk Control Board, The  
Municipal Financing Corporation of Saskatchewan  
Municipal Potash Tax Sharing Administration Board  
Saskatchewan Development Fund Corporation  
Saskatchewan Government Insurance  
Saskatchewan Housing Corporation  
Saskatchewan Power Corporation  
Saskatchewan Water Corporation  
SaskEnergy Incorporated  
SaskPower Commercial Inc.  
SGI Canada Insurance Services Ltd.  
South Saskatchewan River Irrigation District No. 1  
582099 Saskatchewan Ltd.

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## Appendix IV

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

RT and CC Investment Corporation  
Workers' Compensation Board Superannuation Board

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

Doukhobors of Canada C.C.U.B. Trust Fund  
Saskatchewan Development Fund

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## Appendix V

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### Examples of opinions we form on departments, Crown agencies and Crown-controlled corporations

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. This appendix 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.

1. Following is an example of the opinion we form on the adequacy of the control systems used by an agency to safeguard and control public money.

I have examined the system of internal control of (Crown Agency X) in effect as at (date). I did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

My examination was conducted in accordance with generally accepted auditing standards. Those standards require that I plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The Management of (Crown Agency X) is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits

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## Appendix V

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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 within 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 (Crown Agency X) 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, (Crown Agency X) 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 (Crown Agency X) 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 (Crown Agency X) management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the (Crown Agency X) 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 1994-95 Summary Financial Statements

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## Appendix VI

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### **Government of Saskatchewan Responsibility for the 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 the Government'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 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



W. Davern Jones  
Deputy Minister of Finance



Gerry Kraus  
Provincial Comptroller

Regina, Saskatchewan  
September, 1995

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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 summary balance sheet of the Government of Saskatchewan as at March 31, 1995 and the summary statements of revenue, expenses and accumulated deficit and changes in cash and temporary investments 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.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of Saskatchewan as at March 31, 1995 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  
August 18, 1995



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



## Appendix VI

### Government of Saskatchewan Summary Balance Sheet

As at March 31, 1995

		(thousands of dollars)	
		1995	1994 (Restated)
<b>Schedule</b>			
<b>Assets</b>			
	Cash and temporary investments .....	\$ 219,675	\$ 446,656
	Prepaid expenses .....	31,605	21,806
1	Accounts receivable .....	855,126	459,123
	Inventories held for resale .....	12,581	8,457
	Land held for resale .....	131,572	135,203
	Deferred charges .....	86,826	84,160
	Deferred foreign exchange loss .....	112,523	91,762
2	Loans receivable .....	492,346	583,961
3	Investment in government enterprises .....	1,967,996	1,790,305
4	Other investments .....	1,256,966	1,121,422
<b>Total Assets</b>		<b>\$ 5,167,216</b>	<b>\$ 4,742,855</b>
<b>Liabilities and Accumulated Deficit</b>			
5	Accounts payable and accrued liabilities .....	\$ 1,872,585	\$ 1,529,159
6	Other liabilities .....	265,633	161,587
	Unearned revenue .....	86,354	80,483
7&8	Public debt .....	10,111,840	10,473,610
	Pension liabilities (note 3) .....	3,320,438	3,171,804
		<b>15,656,850</b>	15,416,643
	Accumulated deficit .....	<b>(10,489,634)</b>	(10,673,788)
<b>Total Liabilities and Accumulated Deficit</b>		<b>\$ 5,167,216</b>	<b>\$ 4,742,855</b>
(See accompanying notes)			
	Capital property (note 2)		
9	Guaranteed debt (note 7)		
	Contingencies and commitments (notes 7 and 8)		

## Appendix VI

### Government of Saskatchewan Summary Statement of Revenue, Expenses, and Accumulated Deficit

For the Year Ended March 31, 1995

	(thousands of dollars)	
	1995	1994 (Restated)
<b>Schedule</b>		
<b>Revenue</b>		
10 Taxation .....	\$ 2,642,264	\$ 2,536,389
10 Transfers from the federal government .....	1,511,754	1,488,011
10 Non-renewable resources .....	733,150	468,705
10 Other .....	892,411	768,632
<b>Total Revenue</b>	<b>5,779,579</b>	5,261,737
<b>Expenses</b>		
Agriculture .....	553,775	693,237
Community development .....	179,676	145,178
Debt charges .....	1,338,559	1,285,522
Economic development .....	79,270	79,231
Education .....	874,292	848,909
Environment and natural resources .....	116,044	150,854
Health .....	1,621,839	1,552,665
Protection of persons and property .....	187,049	177,661
Social services and assistance .....	583,617	549,837
Transportation .....	207,968	212,260
Other .....	210,048	156,823
<b>Total Expenses</b> (note 5)	<b>5,952,137</b>	5,852,177
Deficit from government service organizations .....	(172,558)	(590,440)
3 Income from government enterprises .....	356,712	337,764
<b>Surplus (Deficit) for the Year</b> .....	<b>184,154</b>	(252,676)
Accumulated deficit, beginning of year, as restated (note 11) .....	(10,673,788)	(10,421,112)
<b>Accumulated Deficit, End of Year</b> (note 4)	<b>\$ (10,489,634)</b>	\$ (10,673,788)

(See accompanying notes)

## Appendix VI

### Government of Saskatchewan Summary Statement of Changes in Cash and Temporary Investments

For the Year Ended March 31, 1995

	(thousands of dollars)	
	1995	1994 (Restated)
<b>Schedule</b>		
<b>Operating Activities</b>		
Surplus (deficit) for the year .....	\$ 184,154	\$ (252,676)
Add (deduct) non-cash items		
Income from government enterprises .....	(356,712)	(337,764)
Amortization of foreign exchange gains and losses .....	(5,344)	(6,070)
11 (Gain) loss on loans and investments .....	(73,418)	101,823
Other .....	-	(806)
12 Net change in non-cash operating activities .....	28,320	77,083
<b>Cash Provided by (Used for) Operating Activities</b>	<b>(223,000)</b>	<b>(418,410)</b>
<b>Investing Activities</b>		
Disposal of land held for resale.....	3,631	2,380
Acquisition of other investments .....	(252,520)	(49,853)
Disposition of other investments .....	190,394	33,433
(Increase) decrease in equity advances to government enterprises .....	-	73,000
Capital restructuring of government enterprises .....	(59,650)	(191,184)
<b>Cash Provided by (Used for) Investing Activities</b>	<b>(118,145)</b>	<b>(132,224)</b>
<b>Changes in Cash Before Financing Activities</b>	<b>(341,145)</b>	<b>(550,634)</b>
<b>Financing Activities</b>		
Proceeds from public debt .....	1,440,449	833,960
Repayment of public debt .....	(1,817,636)	(503,560)
Dividends from government enterprises .....	238,671	282,706
Increase (decrease) in pension and other liabilities .....	252,680	104,431
<b>Cash Provided by (Used for) Financing Activities</b>	<b>114,164</b>	<b>717,537</b>
<b>Net Increase (Decrease) in Cash and Temporary Investments</b>	<b>(226,981)</b>	<b>166,903</b>
Cash and temporary investments, beginning of year.....	446,656	279,753
<b>Cash and Temporary Investments, End of Year*</b>	<b>\$ 219,675</b>	<b>\$ 446,656</b>

(See accompanying notes)

\* Temporary investments include investments in securities of other governments of \$36.1 million (1994 – \$23.2 million).

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## Appendix VI

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

For the Year Ended March 31, 1995

#### 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 Legislative Assembly 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 13.

##### 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 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 and 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.

*Land held for resale* is valued at the lower of cost or net realizable value, on an aggregate basis.

*Deferred charges* include issue costs and net discounts or premiums incurred on the issue of long-term debt. They are 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 net realizable value.

*Other investments* in bonds, debentures and mortgages are recorded at amortized cost. Other 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. Using this method, 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. Other investments are written down to their net realizable value where there is evidence of a permanent decline in their value.

*Capital property* held by government service organizations is expensed in the period acquired. Capital property held by government enterprises, as disclosed on schedule 3, is generally recorded at cost and amortized on a straight line basis over the estimated productive life of each asset.

##### 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, discounts and issue costs 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.

## Appendix VI

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

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.

*Guaranteed debt* includes guarantees of the Government made through specific agreements or legislation. Loss provisions on guaranteed debt are recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of future payments less recoveries. The loss provision is recorded as a liability and an expense in the year determined and is adjusted as necessary to ensure it equals the expected payout of the guarantee.

#### 2. Capital Property

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 \$102.7 million (1994 – \$105.8 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 following table includes the capital property held by these and most other government service organizations but does not include:

- 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.

	(thousands of dollars)		
	Cost	Accumulated Amortization	Net Book Value
Land .....	\$ 64,038	\$ –	\$ 64,038
Buildings.....	1,527,923	346,802	1,181,121
Vehicles .....	59,513	34,342	25,171
Machinery and equipment .....	325,366	162,125	163,241
Aircraft .....	2,179	920	1,259
Furniture .....	11,537	6,638	4,899
Capital leases.....	76,815	27,814	49,001
Other .....	71,715	16,139	55,576
<b>Total</b>	<b>\$ 2,139,086</b>	<b>\$ 594,780</b>	<b>\$ 1,544,306</b>

#### 3. Pension Liability

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

The Government of Saskatchewan sponsors several defined benefit pension plans for its employees and for members of the Legislative Assembly. The defined benefit pension plans, except for the Judges of the Provincial Court Superannuation Plan (Judges), are closed membership pension plans.

Defined benefit pension plans provide pensions based on length of service and pensionable earnings. A typical plan provides pensions equal to 2 per cent of a member's average five years highest salary, multiplied by the years of service to a maximum of 35 years. Pensions are integrated with the Canada Pension Plan. The Teachers' Superannuation Plan provides for inflation protection equal to 80 per cent of the annual increase in the Consumer Price Index. Most of the other plans provide inflation indexing at the discretion of the Lieutenant Governor in Council.

##### Government service organizations

Defined benefit pension plans of government service organizations along with the Public Employees (Government Contributory) Annuity Fund, an annuity underwriting operation, are included in the table on the following page.

The membership data of these defined benefit pension plans are as follows:

Number of active members.....	12,599
Average age of active members .....	46.3
Former members entitled to deferred pension benefits .....	19,605
Number of superannuates and surviving spouses .....	13,084

For the year ended March 31, 1995, total benefit payments were \$227.9 million (1994 – \$216.1 million).

Plan members make contributions at the following rates:

- Teachers' Superannuation Plan – 7.85 per cent of their salary;
- Public Service Superannuation Plan – 7 per cent, 8 per cent or 9 per cent of their salary, depending on their age; and,
- Other plans – 5 per cent to 9 per cent of their salary.

## Appendix VI

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

Contribution rates are integrated with the Canada Pension Plan. The Government is required to match member contributions in respect of current year's service for all plans, except for the Public Service Superannuation Plan (PSSP) and Judges. For the year ended March 31, 1995, total contributions for current year's service were \$149.9 million (1994 – \$136.1 million).

A separate pension fund is not maintained for PSSP. The Government uses member contributions to finance its

operations in return for the promise to meet all pension obligations arising from PSSP. Separate pension funds are maintained for the other plans.

Contributions are deposited into separate funds and benefits to plan members are payable from them. Pension fund assets are invested primarily in bonds and equities.

The unfunded pension liability is as follows:

Plan Name	Actuarial Valuation Date	Accrued Benefit Obligation	Pension Fund Assets	(thousands of dollars)			
				Net Obligation	Unamortized Estimation Adjustments	March 31, 1995	March 31, 1994 (Restated)
Teachers' Superannuation Plan .....	June 30/93	\$ 3,075,000	\$ 1,067,000	\$ 2,008,000	\$ 129,775	\$ 2,137,775	\$ 2,031,700
Public Service Superannuation Plan .....	March 31/94	1,141,120	–	1,141,120	(13,853)	1,127,267	1,087,420
Members of the Legislative Assembly Superannuation Plan .....	March 31/94	29,243	3	29,240	(4,713)	24,527	24,346
Judges of the Provincial Court Superannuation Plan....	March 31/94	22,303	5,028	17,275	603	17,878	16,718
Saskatchewan Transportation Company Employees Superannuation Plan .....	March 31/94	23,341	17,111	6,230	459	6,689	5,660
Anti-TB League Employees Superannuation Plan .....	March 31/94	6,988	2,310	4,678	(464)	4,214	3,770
Public Employees (Government Contributory) Annuity Fund.....	March 31/95	38,298	36,210	2,088	–	2,088	2,190
<b>Total Pension Liability</b>		<b>\$ 4,336,293</b>	<b>\$ 1,127,662</b>	<b>\$ 3,208,631</b>	<b>\$ 111,807</b>	<b>\$ 3,320,438</b>	<b>\$ 3,171,804</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 is 4.5 per cent.

The value of pension fund assets is based on actual market values averaged over a five year period. In the periods between valuations, the value of pension fund assets is determined using expected long-term rates of return.

The total pension related expenditures include the following components:

	(thousands of dollars)	
	1995	1994 (Restated)
Current period benefit cost.....	\$ 67,513	\$ 76,853
Plan amendments .....	18,498	11,430
Amortization of estimation adjustments .....	4,413	1,700
Other .....	2,191	(16,402)
	92,615	73,581
Less: Employee contributions .....	(30,675)	(31,189)
Pension expenses .....	61,940	42,392
Cost of financing unfunded pension obligation (pension interest expenses) .....	274,064	212,181
<b>Total Pension Related Expenses</b>	<b>\$ 336,004</b>	<b>\$ 254,573</b>

Pension expenses are included in the Summary Statement of Revenues, Expenses, and Accumulated Deficit as components of education and other expenses. Pension interest expenses are shown in the statement as debt charges.

## Appendix VI

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

#### Government enterprises

The two main defined benefit pension plans of government enterprises are the Power Corporation Superannuation Plan (Power) and the Saskatchewan Telecommunications Superannuation Plan (SaskTel). There are 2,382 active members and 2,715 superannuates in these plans.

Members of Power and SaskTel make contributions at a rate of 7 per cent, 8 per cent or 9 per cent of their salary depending on their age and date of commencement of employment. The contribution rates are integrated with the Canada Pension Plan.

The Government contributes the amount necessary to fund the payment of pension benefits. For the year ended March 31, 1995, total contributions for current year's service were \$10.5 million (1994 – \$11.0 million). Pension fund assets are invested primarily in bonds and equities.

Based on the latest actuarial valuations extrapolated to December 31, 1994, the present value of accrued pension benefits and the market related value of pension fund assets in the defined benefit pension plans of government enterprises are as follows:

Plan Name	Actuarial Valuation Date	Accrued Pension Benefits	(thousands of dollars)		
			Pension Fund Assets	March 31, 1995	March 31, 1994
			Pension (Surplus) Liability	Pension (Surplus) Liability	
Power Corporation Superannuation Plan ....	September 30/94	\$ 472,877	\$ 465,489	\$ 7,388	\$ -
Saskatchewan Telecommunications Superannuation Plan .....	December 31/92	451,602	493,171	(41,569)	(30,059)
Others .....	December 31/93	94,907	68,753	26,154	10,200
<b>Total</b>		<b>\$ 1,019,386</b>	<b>\$ 1,027,413</b>	<b>\$ (8,027)</b>	<b>\$ (19,859)</b>

#### b) Contributory defined contribution pension plans

The Government also sponsors several defined contribution pension plans for the employees of its government service organizations and government enterprises. In defined contribution pension plans, a member's pension is based on the accumulated contributions and investment earnings.

The two main plans are the Public Employees (Government Contributory) Superannuation Plan (PESP) and the Capital Pension Plan (CIC). PESP and CIC are multi-employer defined contribution pension plans. There are 19,170 employees of government service organizations and 8,175 employees of government enterprises contributing to PESP and CIC.

Members of PESP and CIC make contributions at rates of 5 per cent and 5.5 per cent of their salary, respectively. Employers are required to match member contributions in respect of current year's service. The Government has fully funded its share of contributions to these plans. For government service organizations, total contributions for the year ended March 31, 1995 were \$44.4 million (1994 – \$41.7 million). For government enterprises, total contributions for the year ended March 31, 1995 were \$26.8 million (1994 – \$24.1 million).

The market related value of pension fund assets in PESP and CIC is approximately \$1.4 billion. These assets are invested primarily in bonds and equities.

The Government also contributed \$13.1 million (1994 – \$12.0 million) to the Saskatchewan Teachers' Retirement Plan for the year ended March 31, 1995. This pension plan is owned and operated by the Saskatchewan Teachers' Federation.

#### 4. Reserves

The accumulated deficit of \$10,489.6 million consists of two components, unallocated (\$10,406.8 million) and reserves (\$82.8 million). The Energy Security Reserve (\$70.9 million) was created for funding development of energy resources. The Environmental Protection Reserve (\$11.9 million) was created to provide contingency funding to mitigate unforeseen environmental problems related to uranium milling. Both reserves are maintained at their March 31, 1992 balance.

#### 5. Expenses by Object

Expenses by object are reported as follows:

	(thousands of dollars)	
	1995	1994 (Restated)
Grants and contributions .....	\$ 2,130,341	\$ 1,948,386
Debt charges .....	1,338,559	1,285,522
Operating costs .....	774,319	829,082
Salaries and benefits .....	1,155,823	1,115,714
Capital property acquisitions .....	102,727	105,751
Other .....	450,368	567,722
<b>Total Expenses</b>	<b>\$ 5,952,137</b>	<b>\$ 5,852,177</b>

## Appendix VI

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

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

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

	(thousands of dollars)	
	Planned	Actual
General Revenue Fund		
Surplus (deficit) for the year .....	\$ (188,724)	\$ 128,397
Government enterprises		
Income for the year .....		356,712
Other government service organizations		
Surplus for the year .....		115,200
Dividends received from government organizations .....		(429,306)
Adjustments necessary to conform to the basis of accounting described in note 1(c) .....		13,151
<b>Surplus for the Year</b>	<b>\$</b>	<b>184,154</b>

The planned and actual figures are before elimination of inter-organization transactions.

#### 7. Contingencies

##### a) Guaranteed debt

At March 31, 1995, \$1,108.2 million (1994 – \$1,171.7 million) in loans were guaranteed by the Government. Schedule 9 provides a listing of guaranteed debt.

##### b) Lawsuits

Up to \$4.2 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) Gross Revenue Insurance Plan (GRIP)

Legal actions have commenced against the Government for breach of contract with respect to the change from the 1991 GRIP program to the 1992 revenue insurance program.

If the legislation supporting such charges is not upheld, and the subsequent defense of the actions is unsuccessful, the amount of the revenue insurance surplus may be reduced.

##### e) 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 which expires in 2007, the Government is obligated to purchase the equipment for \$13.0 million.

#### 8. Commitments

Major financial commitments include:

- forward purchase commitments of \$1,882.7 million for coal and \$747.6 million for natural gas contracted for future minimum deliveries valued at current prices;
- treaty land entitlement agreement commitments valued at approximately \$200.2 million;
- an agreement to advance HARO Financial Corporation up to \$150.0 million to further fund HARO's interest in Crown Life Insurance Company;
- other commitments including capital expenditure commitments valued at approximately \$845.0 million; and,
- capital and operating lease obligations as follows:

	(thousands of dollars)	
	Operating	Capital
Future minimum lease payments		
1995-96 .....	\$ 53,866	\$ 16,510
1996-97 .....	53,448	16,220
1997-98 .....	50,661	17,336
1998-99 .....	46,954	18,282
1999-2000 .....	42,057	20,064
Thereafter .....	46,785	122,980
	293,771	211,392
Less: Interest and executory costs	–	(128,899)
<b>Total Lease Obligations</b>	<b>\$ 293,771</b>	<b>\$ 82,493</b>

Total capital lease obligations include \$72.0 million for government service organizations (reported on schedule 5) and \$10.5 million for government enterprises.

#### 9. District Health Boards

During 1993-94, 26 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 boards at March 31, 1995 was approximately \$0.1 million.



## Appendix VI

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

#### 10. Trust Funds

Amounts held and administered by the Government at March 31, 1995, were as follows:

	(thousands of dollars)	
	1995	1994
Superannuation funds and pension plans* .....	\$ 4,155,401	\$ 4,113,635
Public Trustee's Trust Account .....	95,855	94,729
Other trusts** .....	22,411	29,153
<b>Total Trust Funds</b>	<b>\$ 4,273,667</b>	<b>\$ 4,237,517</b>

\* Reflects the latest audited financial statements of the funds and plans closest to March 31, 1995.

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

#### 11. Comparative Figures

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

##### a) Change in classification of certain government organizations

Certain government organizations included in the reporting entity of these Summary Financial Statements have been moved between the government service organization and the government enterprise classifications. The Government has retroactively restated comparative figures to record these changes in classification.

##### b) Change in accounting policy

The Government has retroactively restated comparative figures to record changes in accounting policy used by certain government service organizations, including:

- Saskatchewan Crop Insurance Corporation, which now reports the residual program interest of the Federal Government and producers as a liability rather than as equity. This change decreases the surplus for the year by \$349.7 million;

- Saskatchewan Housing Corporation, which now reports its accumulated capital provision account as equity rather than a liability. This change has no impact on the surplus for the year; and,
- Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation, which now expenses grants when approved rather than when allocated. This change decreases the surplus for the year by \$7.1 million.

##### c) Pension liability

The Government has retroactively restated comparative figures to record the cost of plan amendments made to the Teachers' Superannuation Plan (TSP) in 1990. These costs were not included in the actuarial liability of TSP in prior years. The correction increases the pension liability and expense by \$6.0 million for 1994-95.

##### d) Other

During the 1992-93 fiscal year, the Government performed an accrual accounting review and retroactively restated the Summary Financial Statements for accruals not previously recorded. During the current year, the Government has retroactively restated comparative figures to record the following accruals not previously identified:

- unpaid severance benefits; and,
- unpaid fuel tax rebates.

This adjustment decreases the surplus for the year by \$2.2 million.

The Government has retroactively reclassified certain comparative figures to conform with current year presentation. Included in the amounts reclassified are expenditures which are restated to conform with the adoption of new expenditure classifications for the 1994-95 Summary Financial Statements.

In addition, Saskatoon District Health Board entered into affiliation agreements during the year with certain organizations within its health district. The Government has retroactively restated comparative figures to include the new affiliates.

The net effect of these restatements is as follows:

	(thousands of dollars)			
	increase (decrease)			
	March 31, 1994			
	Accumulated Deficit March 31, 1993	Deficit for the Year	Assets	Liabilities
Changes in classification .....	\$ 19,112	\$ 10,507	\$ (196,310)	\$ (166,691)
Changes in accounting policy				
Saskatchewan Crop Insurance Corporation .....	34,664	188,607	-	223,271
Saskatchewan Housing Corporation .....	(9,942)	(795)	-	(10,737)
Saskatchewan Lotteries Trust Fund .....	(17,834)	(6,476)	-	(24,310)
Pension liability .....	63,000	5,000	-	68,000
Other .....	63,627	10,826	-	74,453
<b>Net Change</b> .....	<b>152,627</b>	<b>207,669</b>	<b>(196,310)</b>	<b>163,986</b>
As previously reported .....	10,268,485	45,007	4,939,165	15,252,657
<b>As Restated</b>	<b>\$ 10,421,112</b>	<b>\$ 252,676</b>	<b>\$ 4,742,855</b>	<b>\$ 15,416,643</b>

## Appendix VI

### Government of Saskatchewan Schedules to the Summary Financial Statements

For the Year Ended March 31, 1995

#### Schedule 1 - Accounts Receivable

	(thousands of dollars)	
	1995	1994 (Restated)
Insurance premiums due from agriculture producers.....	\$ 241,180	\$ 16,715
Transfers from the federal government .....	225,942	111,019
Taxes .....	201,820	164,041
Trade .....	152,571	130,867
Leases and farm loans .....	23,825	23,021
Accrued interest .....	9,788	13,445
Dividends .....	-	15
<b>Total Accounts Receivable</b>	<b>\$ 855,126</b>	<b>\$ 459,123</b>

#### Schedule 2 - Loans Receivable

	(thousands of dollars)	
	1995	1994
<b>Agricultural loans</b>		
Capital loan program .....	\$ 258,745	\$ 280,203
Production loan program .....	143,567	225,934
Livestock cash advance program.....	59,664	80,431
Counselling and Assistance for Farmers program .....	40,240	68,595
Investment loan program .....	9,913	6,379
Spring seeding loan program .....	4,537	9,459
Other.....	21	34
	<b>516,687</b>	671,035
Provision for losses .....	<b>(149,793)</b>	(207,462)
	<b>366,894</b>	463,573
<b>Student loans</b>		
Provision for losses .....	<b>120,752</b>	114,523
	<b>(36,600)</b>	(34,900)
	<b>84,152</b>	79,623
<b>Housing mortgages and loans</b> .....	<b>19,852</b>	22,238
<b>Other</b> .....	<b>21,448</b>	18,527
<b>Total Loans Receivable</b>	<b>\$ 492,346</b>	<b>\$ 583,961</b>

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 2 (continued) – Loans Receivable

##### 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 allowed 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

Effective August 1, 1993, clients with Livestock cash advances are required to repay their loans, bearing interest at prime plus 2 per cent, over a maximum five year period. The loans are secured by promissory notes and, where applicable, by guarantees. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

##### Counselling and Assistance for Farmers program

Effective August 1, 1992, the Government assumed responsibility for loans and guarantees which were outstanding under this program. The majority of the loans under the program are in default, have judgements obtained on them and bear interest at 5 per cent. The loans are secured by way of an assignment of security from the original lender. 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*.

##### Spring seeding loan program

During the 1992 fiscal year, the Government paid out \$48.6 million to honour guarantees on loans granted by financial institutions under this program. The loans assumed by the Government bear interest at prime plus 2 per cent. The loans are secured by promissory notes and, where applicable, by guarantees and general security agreements. The loans are assumed pursuant to *The Agricultural Credit Corporation of Saskatchewan Act*.

##### Investment loan program

Investment loans bear interest at rates between 8½ per cent and 12 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 relief grants, which extend the interest-free period for up to 18 months, are provided to qualified applicants. 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. 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 Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 3 – Investment in Government Enterprises

	SaskEnergy Incorporated Dec. 31, 1994	Saskatchewan Power Corporation Dec. 31, 1994	Saskatchewan Telecom- munications Holding Corporation Dec. 31, 1994	Saskatchewan Transportation Company Oct. 31, 1994	Saskatchewan Forest Products Corporation Dec. 31, 1994	Saskatchewan Liquor and Gaming Authority Mar. 31, 1995
<b>Assets</b>						
Cash and temporary investments						
Due from government organizations .....	\$					241,001
Other .....	(182)	(8,031)	(8,315)	(369)	9,091	304
Accounts receivable						
Due from government organizations .....	1,708		1,484			
Other .....	68,954	107,093	89,343	1,638	2,968	4,119
Inventories .....		12,249	7,506		5,626	10,723
Prepaid expenses .....	4,827	62,169	25,606	527	1,230	1,883
Long-term investments						
In the Province .....						
Other .....		22,684	22,608			
Capital property .....	813,852	2,860,919	965,427	13,375	28,134	43,456
Other assets						
Due from government organizations						
Other .....	89,198	204,919	41,653	174		
<b>Total Assets</b>	<b>978,357</b>	<b>3,262,002</b>	<b>1,145,312</b>	<b>15,345</b>	<b>47,049</b>	<b>301,486</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities						
Due to government organizations .....	21,656	58,485	10,523			1,176
Other .....	49,274	114,287	62,981	3,141	6,751	7,763
Dividends payable to government organizations .....	36,000	46,804	48,700			
Debt						
Owing to government organizations .....	638,891	1,937,361	500,831	3,900		
Other .....		5,752	68,595			
Unearned revenue						
Received from government organizations .....	2,367					
Other .....	42,632	171,044	14,188			
Other liabilities .....			1,420			10,583
<b>Total Liabilities</b>	<b>790,820</b>	<b>2,333,733</b>	<b>707,238</b>	<b>7,041</b>	<b>6,751</b>	<b>19,522</b>
<b>Net Assets (Liabilities)</b>	<b>\$ 187,537</b>	<b>928,269</b>	<b>438,074</b>	<b>8,304</b>	<b>40,298</b>	<b>281,964</b>
<b>Revenue</b>						
Revenue from operations .....	\$ 385,096	825,955	629,370	14,035	49,623	425,796
Transfers from government organizations .....	8,324	21,708				4,746
<b>Total Revenue</b>	<b>393,420</b>	<b>847,663</b>	<b>629,370</b>	<b>14,035</b>	<b>49,623</b>	<b>430,542</b>
<b>Expenses</b>						
Expenses from operations .....	248,889	498,301	478,562	17,211	32,532	206,008
Transfers to government organizations .....	79,008	264,265	66,212	16	4,314	1,066
<b>Total Expenses</b>	<b>327,897</b>	<b>762,566</b>	<b>544,774</b>	<b>17,227</b>	<b>36,846</b>	<b>207,074</b>
Income (loss) before non-recurring items .....	65,523	85,097	84,596	(3,192)	12,777	223,468
Non-recurring items .....			3,918		28	
<b>Net Income (Loss) for the Year</b>	<b>65,523</b>	<b>85,097</b>	<b>88,514</b>	<b>(3,192)</b>	<b>12,805</b>	<b>223,468</b>
Net assets (deficiency) – beginning, as previously reported .....	86,483	229,983	148,260	(43,989)	(12,707)	155,601
Restatement of prior years .....						95
Dividends to government organizations .....	(36,000)	(46,804)	(48,700)			(97,200)
Capital restructuring .....						
Equity advances/share capital .....	71,531	659,993	250,000	55,485	40,200	
<b>Net Assets (Deficiency) – End of Year</b>	<b>\$ 187,537</b>	<b>928,269</b>	<b>438,074</b>	<b>8,304</b>	<b>40,298</b>	<b>281,964</b>

\* Adjustments include:

- recording the transfer of Saskatchewan Economic Development Corporation's assets and liabilities to CIC III on February 28, 1995

prior to being wound-down on March 31, 1995;

- recording the sale of Saskatchewan Telecommunications Holding Corporation's interest in ISM prior to March 31, 1995;

## Appendix VI

(thousands of dollars)

Saskatchewan Economic Development Corporation Dec. 31, 1994	Saskatchewan Opportunities Corporation Dec. 31, 1994	Municipal Financing Corporation of Saskatchewan Dec. 31, 1994	Saskatchewan Government Insurance Dec. 31, 1994	Saskatchewan Auto Fund Dec. 31, 1994	Workers' Compensation Board (Saskatchewan)** Dec. 31, 1994	Other Government Enterprises	Adjustments*	Total 1995	Total 1994 (Restated)
105	599	18,623	47,959	82,504	27,481	1,981	(128,876)	<b>\$ 241,001</b>	\$ 140,233
								<b>42,874</b>	167,978
6,000			9,477	16,164			(6,000)	<b>28,833</b>	6,719
16,327	284	4,242	18,637	7,215	14,165	988	(16,327)	<b>319,646</b>	340,920
						70		<b>36,174</b>	33,862
66			16,823	1,744		55	(66)	<b>114,864</b>	98,216
								<b>81,530</b>	92,034
121,876	6,000	97,117	17,097	31,883	32,550	613	(124,056)	<b>1,107,359</b>	1,208,209
822	178		152,706	378,109	429,702	405	(822)	<b>4,804,073</b>	4,786,523
								<b>10,286</b>	-
				16,173				<b>352,117</b>	293,971
<b>145,196</b>	<b>7,061</b>	<b>119,982</b>	<b>276,525</b>	<b>564,773</b>	<b>537,418</b>	<b>4,112</b>	<b>(265,861)</b>	<b>7,138,757</b>	<b>7,168,665</b>
79	274	1,527	5,535	12,585	4,854		(79)	<b>116,615</b>	113,040
1,767	113	100	10,064	10,309	449,655	648	(1,767)	<b>715,086</b>	683,434
			9,967				(141,471)	-	-
203,000	6,000	86,667				797	(203,000)	<b>3,174,447</b>	3,375,237
		6,000				150		<b>80,497</b>	119,290
	560		4,807	8,200				<b>15,934</b>	4,579
			64,334	137,587		811		<b>430,596</b>	575,655
			87,310	504,995	33,199	79		<b>637,586</b>	507,125
<b>204,846</b>	<b>6,947</b>	<b>94,294</b>	<b>182,017</b>	<b>673,676</b>	<b>487,708</b>	<b>2,485</b>	<b>(346,317)</b>	<b>5,170,761</b>	<b>5,378,360</b>
<b>(59,650)</b>	<b>114</b>	<b>25,688</b>	<b>94,508</b>	<b>(108,903)</b>	<b>49,710</b>	<b>1,627</b>	<b>80,456</b>	<b>\$ 1,967,996</b>	<b>\$ 1,790,305</b>
12,666	5	12,081	143,982	355,338	146,224	2,939		<b>\$ 3,003,110</b>	\$ 2,833,024
2,055	747		1,170	3,373	6,876	1,047		<b>50,046</b>	807
<b>14,721</b>	<b>752</b>	<b>12,081</b>	<b>145,152</b>	<b>358,711</b>	<b>153,100</b>	<b>3,986</b>	<b>-</b>	<b>3,053,156</b>	<b>2,833,831</b>
27,157	364	779	121,613	438,109	159,984	5,621	12,255	<b>2,247,385</b>	2,051,243
14,720	274	9,003	5,418	14,375	4,854			<b>463,525</b>	466,808
<b>41,877</b>	<b>638</b>	<b>9,782</b>	<b>127,031</b>	<b>452,484</b>	<b>164,838</b>	<b>5,621</b>	<b>12,255</b>	<b>2,710,910</b>	<b>2,518,051</b>
(27,156)	114	2,299	18,121	(93,773)	(11,738)	(1,635)	(12,255)	<b>342,246</b>	315,780
							10,520	<b>14,466</b>	21,984
<b>(27,156)</b>	<b>114</b>	<b>2,299</b>	<b>18,121</b>	<b>(93,773)</b>	<b>(11,738)</b>	<b>(1,635)</b>	<b>(1,735)</b>	<b>356,712</b>	<b>337,764</b>
(21,051)	-	23,389	31,354	(15,130)	61,448	3,261	11,186	<b>658,088</b>	419,345
(11,443)							11,348	-	(7,498)
			(9,967)					<b>(238,671)</b>	(282,706)
							59,650	<b>59,650</b>	191,183
			55,000			1	7	<b>1,132,217</b>	1,132,217
<b>(59,650)</b>	<b>114</b>	<b>25,688</b>	<b>94,508</b>	<b>(108,903)</b>	<b>49,710</b>	<b>1,627</b>	<b>80,456</b>	<b>\$ 1,967,996</b>	<b>\$ 1,790,305</b>

- reversing the write-off of deferred financing costs reported by Saskatchewan Power Corporation; and,
- reclassifying dividends paid on March 31, 1995.

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

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## Appendix VI

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 3 (continued) – Investment in Government Enterprises

Certain government organizations have been reclassified between government service organizations and government enterprises. The following organizations have been reclassified from government enterprises to government service organizations:

- Employee Insurance Plans;
- Saskatchewan Crop Insurance Corporation; and,
- Saskatchewan Water Corporation.

The following organizations have been reclassified from government service organizations to government enterprises:

- Municipal Financing Corporation;
- Saskatchewan Centre of the Arts Fund; and,
- South Saskatchewan River Irrigation District No. 1.

The prior year's comparative figures have been restated to conform with the current year's presentation.

##### **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 international 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 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. Subsequent to March 31, 1995, SFPC and MacMillan Bloedel agreed to combine their forestry operations in Saskatchewan to create a new partnership, Saskfor Products Limited Partnership (Saskfor). Saskfor is 50 per cent owned by each of the Government and MacMillan Bloedel.

##### **Saskatchewan Liquor and Gaming Authority (SLGA)**

SLGA's main functions are to control the manufacturing and distribution of beverage alcohol throughout the Province, to oversee the licensing of all establishments selling alcohol in the Province, and to maintain the integrity of all licensed gaming while ensuring maximum benefit to Saskatchewan charities.

##### **Saskatchewan Economic Development Corporation (SEDCO)**

SEDCO was established to conduct lending and other programs which promote and facilitate economic development in Saskatchewan. In December 1993 the Government announced its decision to wind down SEDCO. On February 28, 1995, the assets, liabilities and operations of SEDCO were transferred to CIC Industrial Interests Inc.. SEDCO was formally dissolved on March 31, 1995.

##### **Saskatchewan Opportunities Corporation (SOCO)**

SOCO, established on August 15, 1994, acts as an agent for the Government to create, encourage and facilitate business opportunities in Saskatchewan by providing a broad range of financing to Saskatchewan businesses.

##### **Municipal Financing Corporation of Saskatchewan (MFC)**

MFC assists municipalities in financing their capital requirements.

##### **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 coverage.

The Auto Fund, the Province's compulsory automobile insurance program, is administered by SGI CANADA on behalf of the Government. The net assets of the Auto Fund are for the future benefit of Saskatchewan's motoring public and are not used for the payment of dividends to 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.

##### **Other Government Enterprises**

Other government enterprises includes the following:

- **Saskatchewan Centre of the Arts Fund** – conducts all financial transactions required to maintain, operate and manage the Saskatchewan Centre of the Arts in Regina.
- **Saskatchewan Gaming Corporation** – established June 15, 1994, to operate, manage and conduct permanent casinos in Saskatchewan.
- **Saskatchewan Government Growth Fund Management Corporation (SGGFMC)** – manages venture capital funds under the federal government's Immigrant Investor 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.
- **South Saskatchewan River Irrigation District No. 1** – operates and maintains a water delivery system for irrigation of farmland within district boundaries in the Outlook area.

## Appendix VI

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 4 – Other Investments

		(thousands of dollars)	
	Voting Percentages	<b>1995</b>	1994 (Restated)
<b>Investments</b>			
Cameco Corporation*			
15,543,623 (1994 – 17,543,623) common shares .....	29.7%	\$ <b>303,543</b>	\$ 325,506
Nil (1994 – 2,657,367) common shares held in trust .....		-	39,196
Bi-Provincial Upgrader, Lloydminster, Saskatchewan*			
joint venture interest .....	50.0%	<b>212,090</b>	170,368
Saskferco Products Inc.*			
68,449,080 (1994 – 68,449,080) class B common shares .....	49.0%	<b>72,188</b>	63,740
Nil (1994 – 2,500,000) class D common shares .....			
Wascana Energy Inc.*			
5,842,910 (1994 – 5,842,910) common shares .....	7.4%	<b>47,044</b>	47,044
Potash Corporation of Saskatchewan Inc.*			
2 (1994 – 1) common shares .....	-	-	-
Nil (1994 – 3,630,566) common shares held in trust .....	-	-	65,641
NewGrade Energy Inc.*			
common shares and debentures .....	50.0%	<b>(28,527)</b>	(135,103)
Meadow Lake Pulp Limited Partnership			
partnership interest .....	49.0%	<b>(36,003)</b>	(21,435)
Other share investments – equity basis .....		<b>6,613</b>	4,495
Other share investments – cost basis .....		<b>6,540</b>	1,851
		<b>583,488</b>	561,303
<b>Bonds and Debentures</b>			
HARO Financial Corporation* .....		<b>271,000</b>	271,000
Meadow Lake Pulp Limited Partnership*			
participating debentures .....		<b>187,607</b>	187,009
Other bonds and debentures .....		<b>29,475</b>	45,119
		<b>488,082</b>	503,128
<b>Loans, Notes and Mortgages Receivable</b>			
Cadillac Fairview Corporation Limited .....		<b>40,064</b>	40,535
Dairy Producers Co-operative Limited .....		<b>10,500</b>	10,500
Other loans, notes and mortgages receivable .....		<b>73,335</b>	5,956
		<b>123,899</b>	56,991
<b>Property Holdings</b>			
		<b>61,497</b>	-
<b>Total Other Investments</b>		<b>\$ 1,256,966</b>	\$ 1,121,422

\* (See accompanying notes)

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## Appendix VI

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 4 (continued) – Other Investments

##### **Cameco Corporation (Cameco)**

As at December 31, 1993, the Government owned 17,543,623 unencumbered voting common shares of Cameco. On September 15, 1994, the Government sold 2,000,000 common shares for net proceeds of \$48.8 million resulting in a gain on sale of \$11.7 million.

As at December 31, 1993, the Government also held 2,657,367 voting common shares of Cameco, with a carrying value of \$39.2 million, which were held in trust to satisfy the possible exercise of Common Share Purchase Warrants sold in September, 1991. The holder of each full Purchase Warrant was allowed to purchase one Cameco voting share for \$14.75 on or before October 1, 1994. On October 1, 1994, all Purchase Warrants had been exercised.

As at December 31, 1994, the Government owns 15,543,623 voting common shares of Cameco representing a 29.7 per cent interest. These shares are accounted for using the equity method.

The Government also holds one Class B share which allows them to exercise special voting rights with respect to the location of Cameco's head office.

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

As at December 31, 1994, the Government owned a 17.5 per cent equity interest in the Bi-Provincial Upgrader. The Government's initial commitment was to fund its proportionate share, or \$221.7 million, of the original estimated capital cost of the project. During 1991 and 1992, cost overruns of \$365.0 million were identified. The Government's proportionate share of these overruns would have been \$63.9 million and a write-down of \$63.9 million was recorded in 1991 to reflect these overruns. The Government agreed to fund only \$30.6 million of this amount.

In addition, the Government has funded its proportionate share of a revolving operating line of credit of \$14.5 million (1993 – \$8.8 million), \$5.7 million of which bears a return allowance of CIBC prime plus 1 per cent.

Effective February 7, 1995, the Government purchased 58 per cent of the joint venture interests of the Governments of Canada and Alberta in the Bi-Provincial Upgrader for \$43.1 million. As a result of this purchase, the Government holds a 50 per cent equity interest in the joint venture. This investment is accounted for using the equity method. In addition, the Government paid \$12.1 million to Husky Oil Operations Ltd. (Husky) representing its pro-rata commitment under the interim Operating Shortfall Agreement including accrued interest of \$0.4 million. This commitment had been funded by Husky during the negotiations to purchase the joint venture interests of Canada and Alberta.

##### **Saskferco Products Inc. (Saskferco)**

The Government owns all of the outstanding Class B common shares of Saskferco representing a 49 per cent voting interest. These shares are accounted for using the equity method. The Government has fully funded its obligation to provide initial equity to Saskferco of \$66.4 million. In addition, the Government has advanced \$2.0 million (1993 – \$2.0 million) in the form of Class B shares to fund construction cost overruns. During 1994, \$2.5 million of Class D shares purchased in 1993 to fund working capital deficiencies were redeemed for \$2.5 million.

##### **Wascana Energy Inc.**

The Government owns 5,842,910 voting common shares of Wascana Energy Inc. representing a 7.4 per cent voting interest. These shares are accounted for using the cost method.

##### **Potash Corporation of Saskatchewan Inc. (PCS Inc.)**

The Government placed 3,650,566 voting common shares of PCS Inc. in trust in September 1991 to satisfy the possible exercise of the Common Share Purchase Warrants (Purchase Warrants) sold by the Government in September, 1991. The holder of each full Purchase Warrant had the right to purchase one PCS Inc. voting common share from the Government for \$18.75 on or before September 30, 1994. All Purchase Warrants were exercised on or before September 30, 1994. Due to rounding on the initial share offering, one unencumbered common share was returned to the Government.

As at December 31, 1994, the Government owns two unencumbered common shares.

##### **NewGrade Energy Inc. (NewGrade)**

On October 21, 1994, the Government, Consumers' Co-Operative Refineries Limited (CCRL) and the Government of Canada (Canada) completed a financial restructuring of NewGrade. The Government's investment was restructured as follows:

- (i) The Government exchanged its one Class B voting non-participating common share with a stated value of \$1.0 thousand for 50 Class Y voting participating common shares. In addition, the Government purchased 50 Class Y voting participating common shares for \$50.0 million.
- (ii) Class C and D shares held by the Government were cancelled by NewGrade.
- (iii) The Government forgave its Class C, D and E subordinated debentures with a stated value of \$142.8 million.
- (iv) The Government provided NewGrade with \$10.0 million in grants to reduce its operating line of credit. The Government has committed to providing NewGrade with a further \$15.0 million in grants to reduce NewGrade's guaranteed debt. These grants are to be paid in 1995-96 (\$10.0 million) and 1996-97 (\$5.0 million).
- (v) The Government indemnified Canada for its loan guarantees, to a maximum of \$275.0 million, in exchange for a cash contribution by Canada to NewGrade of \$125.0 million.
- (vi) In addition, should there be any operating shortfall at the end of any year, the Government will loan NewGrade up to \$2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after CCRL has provided its \$2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls then the Government will loan NewGrade up to \$4.0 million as a Cash Flow Deficiency Loan on a pro-rata basis with CCRL. If this facility is exhausted, the Government will loan NewGrade the remainder to cover any other operating shortfalls. These loans, if any, will bear interest at CCRL's rate of borrowing.



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## Appendix VI

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 4 (continued) – Other Investments

As at December 31, 1994, the Government owns 50 per cent of the outstanding voting participating shares of NewGrade and also holds certain promissory notes due from NewGrade. These shares are accounted for using the equity method.

##### **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 \$275.0 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 has advanced \$271.0 million to December 31, 1994 (1993 – \$271.0 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. Any accrued interest not paid is compounded annually and added to the principal balance. Due to the uncertainty of the timing of future cash payments, interest income earned is recorded when 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, 1994 was \$38.8 million (1993 – \$19.6 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). The Government's unilateral right to 94 per cent of HARO's assets is subject to regulatory compliance.

On February 10, 1995, Crown Life announced amendments to the share capital provisions of the company. As a result of the amendments, HARO converted all of its 1,250,000 Crown Life third preferred shares for 2,227,381 Crown Life common shares representing a 64.5 per cent ownership of Crown Life.

The Government has agreed to advance HARO up to \$150.0 million in the form of a debenture. These funds will be used to further fund HARO's interest in Crown Life.

##### **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 assist in the construction of a chemi-thermomechanical pulp mill located near Meadow Lake, Saskatchewan. The total loan commitment is comprised of three distinct loans.

- The Participating Debenture bearing interest at 11.15 per cent calculated on October 31 of each year.
- The Term Loan bearing interest at the Canadian Imperial Bank of Commerce (CIBC) prime rate plus ¼ per cent, which is paid monthly.
- The Contingency Loan has an original principal balance of \$7.3 million and bears interest at the CIBC prime interest rate plus 1 per cent, calculated annually. Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Government has agreed, subject to the exhaustion of all other credit facilities, to provide additional loans to MLPLP, to a maximum of \$9.0 million, to fund future cash deficiencies.

Contemporaneously with the interest calculation on the Participating Debenture, the Government records an equal amount as a separate loan (Interest Loan) to MLPLP. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and subsequently forming part of the Interest Loan is recorded as deferred income due to the uncertainty of the timing of future cash payments. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any payments to be made respecting the Participating Debenture, the Contingency Loan and the Interest Loan are subject to MLPLP achieving certain cash flows as specifically defined in the loan agreements. Any payments due to the Government are applied firstly to repay interest and principal outstanding under the Contingency Loan then to amounts outstanding under the Participating Debenture and then to the Interest Loan. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan. The Contingency Loan, Participating Debenture and Term Loan mature in the year 2014. Any Interest Loan balance outstanding on October 31, 2014 shall bear interest at the rate equal to the cost of borrowing for the Province of Saskatchewan on that date until paid in full.

##### **Market Values**

The market values of the Government's publicly traded investments at March 31, 1995 were as follows (millions of dollars):

Cameco .....	\$	612.0
Wascana Energy Inc. ....	\$	69.4

## Appendix VI

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 5 – Accounts Payable and Accrued Liabilities

	(thousands of dollars)	
	1995	1994 (Restated)
Due to the federal government.....	\$ 494,036	346,703
Grants and entitlements .....	401,774	364,536
Accrued interest .....	323,366	333,360
Producers' interest in Gross Revenue Insurance Program .....	254,155	98,727
Trade .....	149,276	152,909
Accrued employee benefits .....	90,950	79,245
Capital lease obligations (note 8).....	72,009	76,572
Public employee benefit plans claims payable.....	52,144	49,724
Other.....	34,875	27,383
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 1,872,585</b>	<b>\$ 1,529,159</b>

#### Schedule 6 – Other Liabilities

	(thousands of dollars)	
	1995	1994 (Restated)
Funds held on behalf of government enterprises and others		
Saskatchewan Liquor and Gaming Authority.....	\$ 241,001	\$ 140,233
Queen's Bench Court Account.....	7,230	10,333
Public Trustee's Trust Account.....	3,065	2,940
Beef Development Plan .....	2,236	–
Others .....	10,115	6,675
Miscellaneous .....	1,986	1,406
<b>Total Other Liabilities</b>	<b>\$ 265,633</b>	<b>\$ 161,587</b>

## Appendix VI

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 7 – Public Debt

	(thousands of dollars)			1994 Public Debt (Restated)
	1995	1995	1995	
	Gross Public Debt	Less Sinking Funds	Public Debt	
<b>Government Service Organizations</b>				
General Revenue Fund* .....	\$ 8,380,470	\$ 103,823	\$ 8,276,647	\$ 8,514,482
Crown Investments Corporation of Saskatchewan (non-consolidated)** .....	947,986	-	947,986	863,475
Agricultural Credit Corporation of Saskatchewan ..	379,253	-	379,253	559,843
Saskatchewan Housing Corporation .....	287,304	-	287,304	287,304
Saskatchewan Crop Insurance Corporation .....	169,025	-	169,025	200,422
Saskatoon District Health Board .....	22,008	-	22,008	18,895
Saskatchewan Water Corporation .....	16,030	1,104	14,926	15,274
Saskatchewan Development Fund Corporation ....	6,242	-	6,242	8,630
Regina District Health Board .....	4,500	-	4,500	5,285
Other .....	3,949	-	3,949	-
<b>Debt of Government Service Organizations***</b>	<b>10,216,767</b>	<b>104,927</b>	<b>10,111,840</b>	10,473,610
<b>Government Enterprises</b>				
Saskatchewan Power Corporation .....	2,144,017	200,904	1,943,113	1,974,171
SaskEnergy Incorporated .....	653,740	14,849	638,891	599,119
Saskatchewan Telecommunications Holding Corporation .....	665,934	96,508	569,426	611,651
Saskatchewan Economic Development Corporation .....	203,000	-	203,000	306,139
Municipal Financing Corporation of Saskatchewan .....	92,667	-	92,667	96,667
Saskatchewan Opportunities Corporation .....	6,000	-	6,000	-
Saskatchewan Transportation Company .....	3,900	-	3,900	1,000
Saskatchewan Liquor and Gaming Authority .....	-	-	-	23,787
Other .....	947	-	947	176
	<b>3,770,205</b>	<b>312,261</b>	<b>3,457,944</b>	3,612,710
Net increase to March 31 .....	<b>21,731</b>	<b>17,717</b>	<b>4,014</b>	34,365
<b>Debt of Government Enterprises****</b>	<b>3,791,936</b>	<b>329,978</b>	<b>3,461,958</b>	3,647,075
<b>Total Public Debt</b>	<b>\$ 14,008,703</b>	<b>\$ 434,905</b>	<b>\$ 13,573,798</b>	\$ 14,120,685

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

\* General Revenue Fund debt is shown net of \$3,361.6 million (1994 – \$3,221.7 million) reimbursable from government enterprises and \$1,809.0 million (1994 – \$2,112.3 million) reimbursable from government service organizations.

\*\* Crown Investments Corporation of Saskatchewan (non-consolidated) is shown net of \$10.5 million (1994 – \$186.0 million) reimbursable from government enterprises.

\*\*\* This amount includes Canada Pension Plan debentures of \$929.8 million (1994 – \$1,056.6 million) at a weighted average interest rate of 11.33 per cent, ranging from 8.21 per cent to 17.51 per cent. Of this amount,

\$62.6 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, 1995. The balance is adjusted for the net change to March 31, 1995. This amount includes Canada Pension Plan debentures of \$720.3 million (1994 – \$649.0 million) at a weighted average interest rate of 10.78 per cent, ranging from 9.04 per cent to 14.06 per cent. Of this amount, \$0 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 Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 8 – Public Debt by Maturity

(thousands of dollars)

Year of Maturity	1995				1994 (Restated)	
	Canadian Dollar Debt	U.S. Dollar Debt (CDN \$)	Total (CDN \$)	Average Interest Rate	Total (CDN \$)	Average Interest Rate
<b>Government Service Organizations</b>						
Short-term						
promissory notes.....	\$ 69,011	\$ -	\$ 69,011	7.80%	\$ 225,713	5.89%
1994-95 .....	-	-	-	-	1,079,519	10.30%
1995-96 .....	498,621	-	498,621	11.03%	746,239	11.03%
1996-97 .....	1,084,675	-	1,084,675	8.92%	1,084,019	8.92%
1997-98 .....	686,636	-	686,636	8.77%	1,097,389	8.10%
1998-99 .....	928,609	-	928,609	9.53%	1,095,673	8.99%
1999-2000 .....	1,152,854	-	1,152,854	8.61%	351,475	10.02%
<b>1-5 years</b>	<b>4,420,406</b>	<b>-</b>	<b>4,420,406</b>		5,680,027	
6-10 years .....	3,217,709	-	3,217,709	10.06%	2,297,633	10.47%
11-15 years .....	341,452	-	341,452	9.98%	341,456	9.97%
16-20 years .....	788,078	874,375	1,662,453	8.93%	1,652,890	8.94%
21-25 years .....	147	-	147	5.13%	147	5.13%
26-30 years .....	15,000	559,600	574,600	9.05%	568,480	9.04%
	<b>\$ 8,782,792</b>	<b>\$ 1,433,975</b>	<b>10,216,767</b>		10,540,633	
Less: Sinking funds			(104,927)		(67,023)	
<b>Debt of Government Service Organizations*</b>			<b>10,111,840</b>		10,473,610	
<b>Government Enterprises</b>						
Short-term						
promissory notes.....	\$ 15,989	\$ -	\$ 15,989	7.80%	\$ 24,787	5.89%
1994-95 .....	-	-	-	-	419,093	9.49%
1995-96 .....	297,158	-	297,158	13.68%	3,000	9.46%
1996-97 .....	172,218	-	172,218	11.81%	176,746	11.51%
1997-98 .....	3,500	-	3,500	11.00%	3,500	11.00%
1998-99 .....	84,837	-	84,837	8.64%	84,971	8.64%
1999-2000 .....	51,000	-	51,000	9.92%	96,000	9.95%
<b>1-5 years</b>	<b>624,702</b>	<b>-</b>	<b>624,702</b>		808,097	
6-10 years .....	1,253,421	69,950	1,323,371	11.18%	1,322,606	11.18%
11-15 years .....	539,429	349,750	889,179	8.98%	885,354	8.91%
16-20 years .....	40,159	104,925	145,084	8.11%	143,936	8.12%
21-25 years .....	-	-	-	-	-	-
26-30 years .....	250,000	559,600	809,600	9.14%	803,480	9.14%
	<b>\$ 2,707,711</b>	<b>\$ 1,084,225</b>	<b>3,791,936</b>		3,963,473	
Less: Sinking funds			(329,978)		(316,398)	
<b>Debt of Government Enterprises*</b>			<b>3,461,958</b>		3,647,075	
<b>Total Public Debt</b>			<b>\$ 13,573,798</b>		<b>\$14,120,685</b>	

The debentures in U.S. dollars have been converted to Canadian dollars at the exchange rate in effect at March 31, 1995.

\* The debt of government service organizations includes Canada Pension Plan debentures of \$929.8 million (1994 – \$1,056.6 million) at a weighted average interest rate of 11.33%, ranging from 8.21% to 17.51%. Of this amount, \$62.6 million is payable within one year. The debt of government enterprises includes Canada Pension Plan debentures of \$720.3 million (1994 – \$649.0 million) at a weighted average interest rate of 10.78%, ranging from 9.04% to 14.06%. Of this amount, \$0 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 37.0 billion yen (1994 – 32.0 billion) which have been fully hedged to \$356.3 million Canadian (1994 – \$289.1 million).
- debentures totalling 560.0 million U.S. dollars (1994 – 160.0 million) which have been fully hedged to \$756.6 million Canadian (1994 – \$203.5 million).
- debentures totalling 900.0 million Deutschmarks (1994 – 900.0 million) which have been fully hedged to \$616.6 million Canadian (1994 – \$616.6 million).
- debentures totalling 650.0 million Swiss francs (1994 – 650.0 million) which have been fully hedged to \$478.9 million Canadian (1994 – \$478.9 million).

## Appendix VI

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 9 – Guaranteed Debt

	(thousands of dollars)	
	1995	1994 (Restated)
CIC Mineral Interests Corporation		
London Life Lease .....	\$ -	\$ 4,209
T. D., Mutual Life, London Life Lease .....	-	28,173
Crown Investments Corporation of Saskatchewan (non-consolidated)		
IPSCO Inc. ....	<b>56,473</b>	65,000
Saskferco Products Inc. ....	<b>17,825</b>	17,968
The Community Bonds Act.....	<b>13,091</b>	13,516
The Farm Financial Stability Act		
The Breeder associations loan guarantees .....	<b>17,450</b>	13,881
The Feeder associations loan guarantees.....	<b>25,959</b>	25,028
The Industry and Commerce Development Act		
Saskferco Products Inc.* .....	<b>323,169</b>	319,635
The NewGrade Energy Inc. Act		
NewGrade Energy Inc.* .....	<b>409,363</b>	368,286
The Power Corporation Act		
Xerox Canada Finance Ltd. ....	<b>21,237</b>	22,398
Manalta Coal** .....	<b>85,758</b>	91,549
The Saskatchewan Housing Corporation Act		
Home improvement loan program .....	<b>111,282</b>	164,596
Mortgage guarantee program .....	<b>20,000</b>	23,700
Other*** .....	<b>6,635</b>	13,793
<b>Total Guaranteed Debt</b>	<b>\$ 1,108,242</b>	<b>\$ 1,171,732</b>

Total guaranteed debt is net of a loss provision of \$4.4 million (1994 – \$4.0 million).

In addition to the amount shown, there is a contingent liability for interest accrued on these items.

\* 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 \$9.5 million (1994 – \$8.2 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 Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 10 - Revenue

	(thousands of dollars)	
	1995	1994 (Restated)
<b>Taxation</b>		
Corporation capital .....	\$ 196,633	\$ 171,179
Corporation income .....	161,866	145,616
Fuel .....	331,628	330,020
Individual income .....	1,057,489	1,067,585
Sales .....	728,804	666,055
Tobacco .....	115,587	110,813
Other .....	50,257	45,121
	<b>2,642,264</b>	<b>2,536,389</b>
<b>Transfers from the federal government</b>		
Canada Assistance Plan .....	238,948	227,955
Crop insurance premium contributions .....	187,400	204,307
Crop insurance reinsurance revenue .....	-	13,891
Equalization .....	540,240	546,413
Established Programs Financing .....	414,824	407,535
Housing subsidy .....	11,568	12,890
Other .....	118,774	75,020
	<b>1,511,754</b>	<b>1,488,011</b>
<b>Non-renewable resources</b>		
Coal .....	15,706	15,280
Natural gas .....	61,410	50,263
Oil .....	528,572	300,377
Potash .....	88,990	51,314
Uranium .....	20,152	31,707
Water .....	15,413	16,248
Other .....	2,907	3,516
	<b>733,150</b>	<b>468,705</b>
<b>Other</b>		
Equity investments .....	59,280	(109,686)
Other interest and investments .....	128,671	133,161
Fees/permits/licences .....	294,595	308,799
Insurance .....	211,300	242,756
Miscellaneous .....	198,565	193,602
	<b>892,411</b>	<b>768,632</b>
<b>Total Revenue</b>	<b>\$ 5,779,579</b>	<b>\$ 5,261,737</b>

## Appendix VI

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 11 - Gains and Losses on Loans and Investments

	(thousands of dollars)	
	1995	1994
Gain on sale of IPSCO Inc. shares .....	\$ -	\$ 1,328
Gain on sale of PCS Inc. shares .....	2,433	6,441
Gain on sale of Cameco shares.....	11,685	-
Earnings (losses) from equity investments		
Meadow Lake Pulp Limited Partnership .....	(14,518)	(31,231)
Bi-Provincial Upgrader.....	(18,841)	(19,620)
Saskferco Products Inc. ....	10,948	(7,209)
Cameco .....	24,100	24,612
NewGrade Energy Inc. ....	56,576	(76,781)
Other .....	1,015	543
Other.....	20	94
<b>Net Gain (Loss) on Loans and Investments</b>	<b>\$ 73,418</b>	<b>\$ (101,823)</b>

#### Schedule 12 - Net Change in Non-cash Operating Activities

	(thousands of dollars)	
	1995	1994
Decrease (increase) in prepaid expenses .....	\$ (9,799)	\$ (384)
Decrease (increase) in accounts receivable .....	(396,003)	(40,028)
Decrease (increase) in inventories held for resale.....	(4,124)	(154)
Decrease (increase) in deferred charges.....	(2,666)	2,237
Decrease (increase) in loans receivable .....	91,615	117,522
Increase (decrease) in accounts payable and accrued liabilities.....	343,426	22,757
Increase (decrease) in unearned revenue .....	5,871	(24,867)
<b>Net Change in Non-cash Operating Activities</b>	<b>\$ 28,320</b>	<b>\$ 77,083</b>

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## Appendix VI

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 13 – Listing of Organizations

##### Government Service Organizations (Consolidated)

Agricultural Credit Corporation of Saskatchewan  
Agricultural Implements Board  
Agri-Food Innovation Fund  
Carlton Trail Regional College  
Cattle Marketing Deductions Fund  
CIC Industrial Interests Inc.  
CIC Mineral Interests Corporation  
Commercial Revolving Fund  
Conservation and Development 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  
General Revenue Fund  
Health Services Utilization and Research Commission  
Highways Revolving Fund  
Horned Cattle Fund  
La Ronge Hospital Board  
Milk Control Board  
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  
Parkland Regional College  
Prairie Agricultural Machinery Institute  
Prairie West Regional College  
Prince Albert District Health Board  
Public Employees Benefits Agency Revolving Fund  
Public Employees Dental Fund  
Public Employees Disability Income Fund  
Public Employees Group Life Insurance 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 Communications Network Corporation  
Saskatchewan Crop Insurance Corporation  
Saskatchewan Development Fund Corporation  
Saskatchewan Energy Conservation and  
Development Authority  
Saskatchewan Grain Car Corporation  
Saskatchewan Heritage Foundation  
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 Water Corporation  
Saskatchewan Western Development Museum  
Saskatchewan Wetland Conservation Corporation  
Saskatoon District Health Board  
Southeast Regional College  
St. Louis Alcoholism Rehabilitation Centre  
Victims' Fund  
Water Appeal Board  
Whitespruce Youth Treatment Centre

##### Government Enterprises (Modified Equity Method)

Municipal Financing Corporation of Saskatchewan  
Saskatchewan Auto Fund  
Saskatchewan Centre of the Arts Fund  
SaskEnergy Incorporated  
Saskatchewan Forest Products Corporation  
Saskatchewan Gaming Corporation  
Saskatchewan Government Growth Fund  
Management Corporation  
Saskatchewan Government Insurance  
Saskatchewan Liquor and Gaming Authority  
Saskatchewan Opportunities Corporation  
Saskatchewan Power Corporation  
Saskatchewan Telecommunications Holding Corporation  
Saskatchewan Transportation Company  
South Saskatchewan River Irrigation District No. 1  
Workers' Compensation Board (Saskatchewan)



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## Appendix VII

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### Reports of appointed auditors (Part I and II)

Appendix VII contains the reports of appointed auditors for the period before we followed the recommendations of the Task Force on the Roles, Responsibilities and Duties of Auditors. Reports of appointed auditors after we followed the recommendations of the Task Force are contained in the individual Chapters and Appendix IV of this Report.

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.

#### 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 & Marsh
Northlands College	Moline & Currie
North West Regional College	Downie Meena Johnson Gress & Svenkeson
Parkland Regional College	Skilnick & Partners
Southeast Regional College	Doug Court

#### Part II

##### Crown Agency

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Prairie West Regional College	VII - 2
Saskatchewan Indian Regional College	VII - 3

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## Appendix VII

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### PRAIRIE WEST REGIONAL COLLEGE YEAR ENDED JUNE 30, 1994

I have examined the system of internal control of Prairie West Regional College in effect as at June 30, 1994. 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 Prairie West Regional College is responsible for establishing and maintain a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to your responsibilities under Section 11(1) of *The Provincial Auditor Act*, you are required to determine 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
- 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 internal control of Prairie West Regional College in effect as at June 30, 1994, 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 Prairie West Regional College.

Gilchrist & Co.  
December 7, 1994

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## Appendix VII

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### **SASKATCHEWAN INDIAN REGIONAL COLLEGE YEAR ENDED JUNE 30, 1994**

We have examined the financial statements of the Saskatchewan Indian Regional College for the year ended June 30, 1994 and have issued our report dated September 9, 1994 thereon. We have examined the system of internal control as at June 30, 1994 and have issued our report to you dated November 10, 1994. 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, 1994 and have issued our report to you dated November 10, 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 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 \$39,000.
- Per diem amounts and reimbursements were paid to Board members of a related organization (SITAG) in the amount of approximately \$28,000.
- Certain payments were made during the year which do not appear to be of an educational nature. These payments totalled approximately \$5,900.
- The college has not complied with a Public Accounts Committee recommendation requiring it to disclose all payments of \$2,500 or more.

Price Waterhouse  
November 10, 1994

### **SASKATCHEWAN INDIAN REGIONAL COLLEGE YEAR ENDED JUNE 30, 1994**

As a result of recent discussions with Mr. Mobasher Ahmad of your office, we wish to submit a revised copy of our report concerning certain specific matters to be reported to the Provincial Auditor.

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## Appendix VII

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Per recent discussions with Mr. Ahmad, we have determined that another matter should be disclosed in the report. This matter relates to non-compliance with a Public Accounts Committee recommendation. Also, we understand that the Legislative Assembly allows mileage costs of \$.2838 per kilometre for approved Board Members (the college pays \$.28 per kilometre). We have accordingly changed our report to reflect this fact by reducing the reported unauthorized amount from \$46,100 to \$39,000.

As a result, we request that the previous report, dated November 10, 1994, be withdrawn and returned to us.

Price Waterhouse  
February 14, 1995

### **SASKATCHEWAN INDIAN REGIONAL COLLEGE YEAR ENDED JUNE 30, 1994**

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, 1994:

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, 1994 in the instances noted below:

	<b>Relevant Section</b>
<b><i>Regional Colleges Act and Regulations</i></b>	
• Not all board members have been appointed by the Lieutenant Governor in Council.	7(1)
• 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)

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## Appendix VII

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- 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 10, 1994