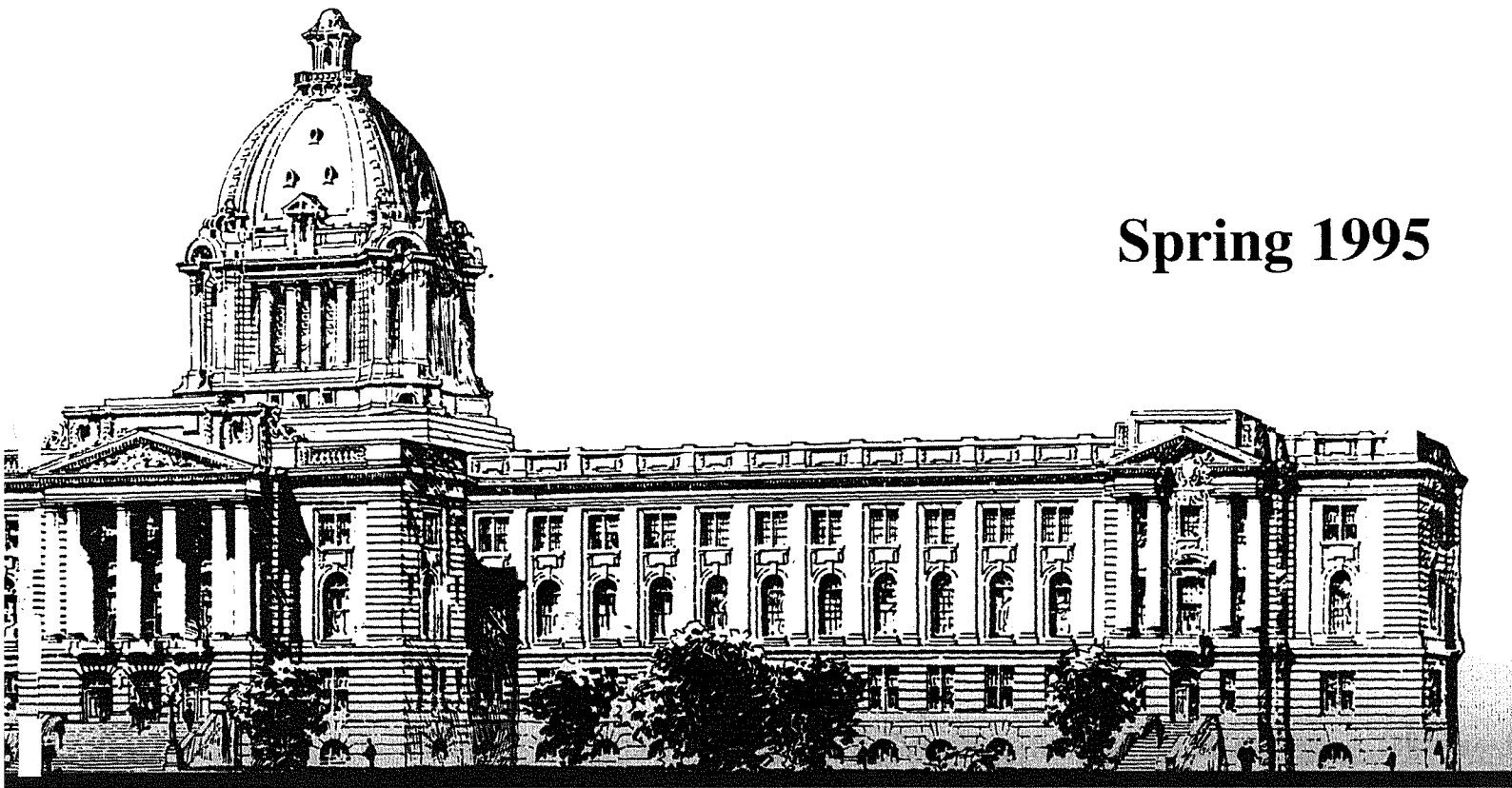




# Report of the Provincial Auditor

To The Legislative Assembly  
of Saskatchewan

Spring 1995



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Provincial Auditor Saskatchewan

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April 19, 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 first Spring Report, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully submitted,

Wayne Strelieff, C.A.  
Provincial Auditor

/lk

## **Our Mission**

We serve the public through the Legislative Assembly.

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

We encourage accountability and effective management in government operations.

## Foreword

I am pleased to present my first Spring Report to the Legislative Assembly. This Report focuses on our examinations of government organizations with fiscal years ending March 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.

Regina, Saskatchewan  
March 24, 1995



Wayne Strelieff, C.A.  
Provincial Auditor

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# Chapter 1

## Observations

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### Introduction

**.01** This is my first Spring Report to the Legislative Assembly. I plan to issue a Spring and a Fall Report each year. In November 1994, I released my first Fall Report. 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. I will continue to issue Special Reports, when necessary.

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

**.03** My Spring Report focuses on our examinations of government organizations with fiscal years ending March 31, 1994. The Report also provides our comments on several more general matters.

**.04** My Fall Report focuses on our examinations of the financial results of the Government, as reported in the Government's Summary Financial Statements. My Fall Report also covers our examinations of those government organizations with fiscal years ending on or before December 31.

### A Complete Financial Plan is Needed

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

**.06** I note the 1995-96 Budget presented to the Assembly by the Government is incomplete. The Government continues the practice of providing the Assembly and, thus the public, an incomplete financial plan. 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.



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## Chapter 1 Observations

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

**.08** The main component of government activity taking place outside of the GRF relates to Crown corporations. In 1992, the Financial Management Review Commission reported the greatest deficiency in public accountability rested with Crown corporations (see the next section and Chapter 3).

**.09** The Government does publish complete financial statements. The Government's Summary Financial Statements for the year ended March 31, 1994, were published in September 1994, in Volume 1 of the Public Accounts. The Statements are among the best in Canada. They provide a full and reliable accounting of the financial results of the Government as a whole, including Crown corporations. The Statements report at March 31, 1994, the accumulated deficit of the Government as a whole was \$10.3 billion.

**.10** Because a complete financial plan is not published, legislators and the public do not know whether the Government plans to increase or decrease the accumulated deficit. In addition, they can not compare what the Government plans to do with what the Government actually does.

**.11** A comparison of planned and actual activity is a fundamental management and accountability mechanism. Without such a comparison, legislators, the public, and government officials will be less able to understand, monitor and assess performance. They will also be less able to decide whether changes to plans are needed.

**.12** In my 1994 Fall Report, I discuss in more detail the importance of a complete business and financial plan.

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## Chapter 1 Observations

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A Key Concern of  
the Financial  
Management Review  
Commission is not yet  
Addressed

.13 In Chapter 3, I report on our analysis of the Government's implementation of the recommendations of the Financial Management Review Commission (1992). The Commission provided valuable advice.

.14 In our analysis, we note the Government has made significant progress on implementing the Commission's recommendations related to accounting and disclosure practices. However, we note less progress on recommendations related to publicly releasing analysis of several important issues, and strengthening the public accountability of Crown corporations.

.15 The Commission reported the greatest deficiency in public accountability rested with Crown corporations. The Commission proposed several changes.

.16 One key change proposed by the Commission was that when funds are transferred to or from a Crown corporation, the funds be transferred through the General Revenue Fund. The Assembly would then know why such transfers are proposed and would be able to debate whether such transfers are appropriate.

.17 The Government has not yet followed the Commission's advice. Transfers continue to be made between Crown corporations without prior debate by the Assembly.

.18 Providing the Assembly with a complete financial plan would address the Commission's concern. Such a plan would show planned transfers between Crown corporations and planned use of Crown corporation earnings. I suggested this alternative in my 1992 Annual Report.

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The Crown  
Corporations  
Committee  
Strengthens its  
Approach

.19 In Chapter 4, I report on the work of the Standing Committee on Crown Corporations. During 1994, this Committee strengthened its approach to reviewing Crown corporations through three significant changes.

.20 First, the Committee began to focus its review on those organizations which generate most of their revenue from sources outside of the General Revenue Fund. Second, the Committee now permits general questions about future objectives and key performance indicators. Third, the Committee asked the Minister responsible for the Crown Investments Corporation of Saskatchewan (CIC) to provide information to the Committee

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## Chapter 1 Observations

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about significant transactions. The information is to be provided within 90 days after such transactions occur.

.21 In addition, officials of Crown corporations provided the Committee very useful information and explanations about specific policies and decisions. As a result, Committee members were better able to discuss the past performance and future directions of Crown corporations. Public accountability is strengthened.

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The Transition to  
District Health Boards  
is Monitored

.22 During 1993-94, the Government, through the Department of Health, continued the transition to District Health Boards (DHBs). In Chapter 2, I include a summary of the DHBs' financial results for the year ended March 31, 1994. The summary does not include amounts paid directly by the Department of Health to various health institutions during the year because those payments were made before the institutions became part of a DHB.

District Health Boards  
Summary of Financial Results  
For the year ended March 31, 1994

(in \$ millions)

Revenue	\$ 800
Expense	<u>830</u>
Expense over revenue	\$ <u>(30)</u>
Assets	\$ 949
Liabilities	<u>140</u>
Equity	\$ <u>809</u>

.23 The transition to DHBs involves many complex management and accountability issues. For example, DHBs are integrating the operations of many separate health organizations. This integration involves difficult decisions related to personnel, operations and infrastructure. In addition, several new and important accountability reports are expected to be provided by the DHBs to their residents and to the Minister of Health.

.24 In Chapter 2, we identify several issues DHBs need to address. Those issues include reporting comparisons of planned and actual financial results, establishing sound internal financial reporting policies and practices, developing strong information

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## Chapter 1 Observations

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system development controls, and meeting important external reporting requirements.

.25 In Chapter 11, we identify several issues the Department of Health needs to address. Those issues include establishing service agreements with DHBs, obtaining more complete accountability reports from DHBs, and improving the Department's internal financial reporting policies and practices.

.26 In Chapter 11, we also discuss a change in the accountability relationship between certain health institutions and the Legislative Assembly. We note *The Health Districts Act* does not require DHBs to provide their annual reports to the Assembly. Accordingly, the Assembly might only receive information about DHBs from the Department.

.27 However, the *Act* requires DHBs to provide the Minister of Health very useful information. Such information includes costs of services, financial plans and results, and health status reports. Accordingly, the Department will be able to provide the Assembly very useful information.

.28 The Department will be able to provide the Assembly information showing issues and trends from a number of important perspectives. For example, the costs of a particular service can be shown and monitored for the Province as a whole, for large and small DHBs, and for individual DHBs. In a similar manner, key indicators of health, as well as financial plans and results, can be shown and monitored.

.29 We plan to monitor carefully the quality of the information provided by the Department to the Assembly, as well as the quality of the information provided by the DHBs to the Minister. We also plan to participate in the audits of all 29 DHBs.

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The Board of Internal  
Economy Needs to  
Improve its Policies  
and Practices

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.30 In Chapter 18, I report on our audit of the Board of Internal Economy. We make several recommendations to strengthen the Board's management systems and practices, and to improve the Board's public accountability. The recommendations include publishing an annual report, segregating administrative duties, and strengthening directives on MLA travel expenses and Caucus office expenses. In my 1992 Report, we made further recommendations.

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## Chapter 1 Observations

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Accountability for  
Education Revenue  
Raising and Spending  
is Unclear

.31 In Chapter 6, I report on our audits of educational institutions and provide a summary of the total cost of education. The total cost exceeds \$1.6 billion.

.32 The current system of accountability is inconsistent with the principle that those raising taxes should be answerable for how the taxes are spent.

.33 The Department of Education is responsible, and thus accountable, for the quality and cost of educational programs. However, the Government pays just over 55% of the total cost of education (including post-secondary education).

.34 School divisions, through municipal governments, raise taxes to pay for a portion of the costs of education. However, school divisions receive direction from the Department on significant aspects of the educational program to be delivered, and school divisions do not determine teachers' salaries and benefits.

.35 Accountability for education revenue raising and spending is unclear. I suggest the Assembly consider whether the system of accountability in the education sector should be examined.

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Opportunities Exist to  
Continue Improving  
Management and  
Accountability  
Practices

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.36 In this Report, I identify important opportunities to continue improving government management and accountability practices. Once again, I find practices are improving. Ongoing financial pressure results in challenges to existing thinking and practices.

.37 **Internal financial management reports.** In a previous Report, I noted the Department of Justice needed to improve its internal reporting practices. Senior managers need reports showing comparisons of budget and actual financial results, showing comparisons of budget and actual results based on the activities or services to be provided, and providing analysis of any variance.

.38 During 1993-94, my Office examined the internal financial management reporting practices of other Departments. Similar improvements are needed. Our findings are reported in chapters dealing with the Departments of Education (SIAST), Environment, Executive Council, Health, and Social Services.

.39 In our chapter on the Department of Justice, we note initial steps taken by the Department to address our concerns.

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## Chapter 1 Observations

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**.40 Agreements to provide services.** Many government organizations provide conditional funding to other organizations. Those "other" organizations are expected to carry out a specified program or service. The government organization usually establishes a service agreement with those "other" organizations.

**.41** During 1993-94, we found several cases where service agreements are needed or need to be improved. Proper service agreements help ensure services are provided as expected. We report our findings in chapters dealing with District Health Boards, and the Departments of Education, Health and Social Services.

**.42 Case planning.** Many government organizations use case planning methods to deliver programs and services to individuals.

**.43** During 1993-94, we worked with the Department of Social Services to identify areas important for its overall success. With the increasing demand for its social assistance services, the Department felt an examination of case planning was needed. We agreed, and examined the case planning process used for the Saskatchewan Assistance Plan (SAP).

**.44** In Chapter 15, we conclude the Department needs to improve the case planning systems and practices used for SAP. We also explain why, and provide some direction on which elements of case planning should be improved.

**.45** I commend the Department for its cooperation and willingness to critically evaluate existing practices.

\*\*\*

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);

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## Chapter 1 Observations

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- the types of audits we do (Appendix V);
- the reports of appointed auditors (Appendix VI); and
- the status of recommendations of the Financial Management Review Commission (Appendix VII).

Our annual business and financial plan is provided to the Board of Internal Economy and to the Standing Committee on Estimates. Our annual report on our operations is tabled in the Legislative Assembly.

## Chapter 2 District Health Boards

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## Chapter 2 District Health Boards

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### Introduction

**.01** Our 1993 Report states we planned to focus our audit work on six District Health Boards (DHBs) for the year ended March 31, 1994. These are Regina, Saskatoon, Prince Albert, Moose Jaw-Thunder Creek, Pipestone and Twin Rivers. For the year ending March 31, 1995, we plan to audit all 29 DHBs.

**.02** We are also working with the Department and DHBs by providing advice in various forums where the Department, DHBs and public accounting firms exchange information on auditing, reporting, and other matters related to accountability and effective management.

**.03** For example, we worked with the Department to prepare an *Accountability Guide* to help the DHBs meet their accountability requirements. Also, we worked with the Department to prepare an *Audit Guide* and *Audit Package* to aid public accounting firms in meeting the Department's audit requirements. We also helped the Department with a seminar for DHBs and public accounting firms to orient them to the requirements of the Guides. We plan to continue this work.

**.04** As the transition to elected DHBs progresses, we will change the focus of our examinations to issues common to all DHBs and to how the Department and the DHBs manage those issues. We are currently examining two of those issues. We are examining whether the 1994-95 annual reports of DHBs provide the Minister of Health and the public with the information they need to assess the performance of DHBs. We are also examining the process used by DHBs to assess the health needs of their district residents.

### Our Audit Findings

**.05** In our opinion, the financial statements for the six DHBs set out in paragraph .01 are reliable. The rules and procedures to safeguard and control the assets of the DHBs were adequate except for the significant deficiencies noted in paragraphs .11 to .34 and .47 to .57. The DHBs complied with the authorities governing their activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing, except as noted in paragraphs .35 to .46 and .58 to .61.

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### Background

**.06** Three of the DHBs we audited were established during the last half of 1993-94. The other three DHBs were established in

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## Chapter 2 District Health Boards

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1992.

.07 Immediately, the DHBs' directors and senior management needed to deal with several major transitional matters. Those matters included:

- amalgamating all hospitals and ambulance boards as required by *The Health Districts Act*;
- amalgamating, through agreement, certain other health care organizations as authorized by the Act;
- entering into service agreements with affiliated health organizations;
- selecting and implementing new financial information systems to integrate the financial accounts and records of the various hospitals and other health organizations;
- integrating and co-ordinating the delivery of health care in the health districts; and
- managing a reduction of revenues from the Department of Health.

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### Summary of Financial Results

.08 The combined revenues, expenses, assets and liabilities of the 29 DHBs for the year ended March 31, 1994 are:

	Planned (not available)	Actual (in millions)
Revenue		\$ 800
Expense (includes amortization of \$45)		<u>830</u>
Excess of expense over revenue		<u>\$ (30)</u>
Assets		\$ 949
Liabilities		<u>140</u>
Equity		<u>\$ 809</u>

These amounts do not include funds paid directly by the Department of Health to certain continuing care and home care organizations, and certain affiliated hospitals. In 1994-95, the DHBs received this funding from the Department of Health.

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## Chapter 2 District Health Boards

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.09 Pages 26 to 29 show in more detail the revenues, expenses, assets and liabilities of all DHBs. We prepared the schedules using the audited financial statements of the DHBs.

.10 Since other auditors audited 23 of the DHB's, we are unable to express an opinion on the reliability of those financial statements. As stated, we plan to audit all DHBs for the 1994-95 year.

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Financial Statements -  
Comparison of  
Planned to Actual  
Results

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.11 The DHBs' annual financial statements issued to the Minister and the public do not include a comparison of planned to actual results.

.12 The Department's *Accountability Guide* asks DHBs to show a comparison of planned to actual results in their annual financial statements. Accountability for financial performance is improved when actual results can be compared to planned results.

.13 Most of the DHBs did not have approved budgets for the district as a whole because they were in operation for less than a year and because they were amalgamating with various agencies that used different budgeting methods. Therefore, they were unable to include budgeted results in their financial statements.

We Recommend

**.14 In the future, DHBs' annual financial statements should present a comparison of actual results with those originally approved in the budget plan.**

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Financial Statements -  
Expenses by Program

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.15 The DHBs' annual financial statements do not show expenses by program (e.g., acute care and home based care). They show expenses by object only (e.g., salaries, utilities, and supplies).

.16 The Department wants DHBs to manage health care by program, rather than by facility and object of expense (e.g., hospital salaries and nursing home supplies). The Department has asked the DHBs to prepare their annual expense estimates (budgets) by program starting in 1994-95. To show a comparison of budget to actual in the financial statements it will be necessary for DHBs to show expenses by program.

We Recommend

**.17 DHB financial statements should show expenses by program.**

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## Chapter 2 District Health Boards

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.18 DHBs should also show expenses by object in notes or schedules to their financial statements. Such information shows the nature of the resources used to carry out their programs.

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### Internal Financial Reports

.19 Four of the six DHBs we audited have not formally defined and documented their internal financial reporting needs. The directors and senior management need to formally define their internal financial information needs to ensure they receive suitable and timely reports for decision making.

.20 DHBs should document their financial reporting needs in a Policy and Procedure Manual. The Manual should set out:

- the information needs of directors and senior management. For example, internal financial reports should be prepared in accordance with generally accepted accounting principles and include:
  - a comparison of planned results for the period and year to date to actual financial results for the period and year to date; and
  - a projection of revenue and expenses to the end of the year based on current information.
- the nature and extent of variances between planned and actual results. Explanations of variances should include a comparison of planned level of activity (e.g. # of treatments) compared to actual activity, when possible;
- who is responsible for preparing and reporting the results of the variance analysis; and
- who in the chain of command should receive and monitor the results of the variance analysis.

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### We Recommend

**.21 The DHBs should formally define and document their internal financial reporting needs.**

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### Accounting Records

.22 One of the DHBs we audited used inaccurate accounting records to prepare financial reports.

.23 Management of the DHB did not establish a process to

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## Chapter 2 District Health Boards

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check the accuracy and reliability of accounting records and the authority for transactions. As a result:

- Staff did not always reconcile the following accounting information or records to the general ledger accounts:
  - monthly bank account balances;
  - accounts receivable records maintained at various facilities; and
  - payroll information provided by the DHB's payroll service bureau.
- Staff did not maintain the serial continuity of cheques issued. For manual cheques, staff sometimes use the same cheque number more than once. For computer generated cheques, which are pre-numbered, staff did not always use them in the proper sequence. As a result, it was difficult to reconcile bank account balances to the accounting records.
- Staff wrote off accounts receivable identified as uncollectible during the year. However, there is no process to ensure senior management or the directors are informed and approve the write-offs.
- Staff did not deposit or record cash received at various facilities on a timely basis. Such delays can lead to unrecorded transactions and can increase the risk of loss of cash.

### **We Recommend**

**.24 Management should establish, and the directors should approve, written policies and procedures to govern:**

- **the proper authorization and recording of transactions; and**
- **preparation of financial reports.**

---

### Job Descriptions and Training Plan

**.25** One of the DHBs we audited did not have specific criteria for hiring financial management and administrative staff. As a result, staff may be hired who do not meet the DHB's requirements. This could result in unqualified employees,

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## Chapter 2 District Health Boards

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irregularities or conflicts of interest.

**.26** Also, job descriptions and training plans did not exist for financial management and administrative positions. As a result, staff may not know their duties and responsibilities and may not receive the necessary training.

### We Recommend

**.27** The DHB should establish criteria for hiring staff, and should prepare written job descriptions and formal training plans.

**.28** All DHBs should ensure their chief financial officers have the appropriate training and experience.

**.29** All DHBs have complex financial management needs and complex reporting requirements under *The Health Districts Act*.

---

### System Development Controls

**.30** Two of the DHBs we audited have not approved information system development controls.

**.31** The Health Board *Accountability Guide* advises DHBs to integrate the information systems of all their health agencies into one management information system. An integrated information system will help management make sound decisions, integrate and co-ordinate programs and treatments, and meet the reporting requirements of *The Health Districts Act*.

**.32** Since the DHBs will be changing many of their systems and practices, they need appropriate system development controls. Management should prepare written rules and procedures for system development. The directors should approve the practices and policies.

**.33** To ensure proper development of new systems, the DHBs should have rules and procedures to ensure:

- information needs are known;
- new systems satisfy the information needs;
- procedures are in place to convert information from old systems to new systems;
- standards exist and are used to measure the actual and

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## Chapter 2 District Health Boards

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expected performance of new systems;

- progress is monitored through an approved developmental and acquisition plan;
- all staff involved in system development and acquisition activities have adequate training and supervision;
- system and computer programs are adequately tested before being used;
- access to computer information and programs is controlled;
- backup and recovery plans exist that allow staff using systems to resume operation if there is an interruption in computer processing;
- emergency, backup and recovery plans are documented and tested regularly; and
- staff, using the system, review information for completeness, accuracy and consistency.

### We Recommend

**.34 DHBs should establish written rules and procedures for systems development.**

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### External Reporting Requirements

**.35** The six DHBs we audited did not submit to the Minister some of the information required by *The Health Districts Act*.

**.36** Subsection 35(2) of *The Health Districts Act* requires DHBs to submit to the Minister the following:

- a) a report on the DHBs' services and activities and their costs; and
- b) a report on the health status of the residents and the effectiveness of the DHBs' programs.

**.37** To control health care costs, and to be accountable for these costs to the Minister and the public, DHBs need to know the cost of their services and activities, and be able to report publicly on these costs. For example, DHBs need to be able to report on the cost of emergency services, home care services, and research

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## Chapter 2 District Health Boards

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activities.

.38 DHBs know the cost of salaries and supplies, but often do not know the cost of specific services and activities. DHBs need systems and practices to analyze and allocate costs to a particular service or activity. For example, to know the cost of emergency services, a DHB would need to determine the labour, supplies and other direct costs used to provide that service. Also, the DHB would have to allocate to the cost of emergency services, a portion of its indirect costs such as management salaries, capital asset depreciation, and utilities.

.39 The DHBs and the Department of Health are studying how best to measure, and report on, the cost of services and activities. One possible approach is to adopt the *MIS Guidelines* of the Canadian Institute for Health Information which includes a methodology for reporting on costs. More work is needed before DHBs can report on the cost of specific services and activities.

.40 To be accountable to the Minister and the public, DHBs need to show they are achieving what they set out to achieve, i.e., their programs are effective. To know what programs to deliver, DHBs need to know the health status and health needs of their residents.

.41 The DHBs have taken an initial step in reporting on the health status of the residents and the effectiveness of the DHBs' programs. They have submitted to the Minister a Program Management and Expenditure Plan (PMEP). PMEP Guidelines were issued by the Department of Health to all DHBs. More work, however, needs to be done before the DHBs are able to report more fully on the health status of district residents and the effectiveness of DHB programs.

### We Recommend

**.42 Each DHB should work with the Department, other DHBs and our Office to ensure the DHB is able to provide the Minister and the public the full range of required information.**

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### Public Meetings

.43 The DHBs we audited did not hold public meetings in the 1993-94 fiscal year, as required by *The Health Districts Act*.

.44 Section 37 of the Act states:

(1) *At least twice in each fiscal year, a district health*



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## Chapter 2 District Health Boards

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*board shall conduct a meeting of the district health board to which the general public is permitted access.*

(2) *At one of the meetings mentioned in subsection (1), the district health board shall present:*

(a) *an operation and expenditure plan for the next fiscal year; and*

(b) *a report on the health status of the residents of the health district and the effectiveness of the district health board's programs.*

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### We Recommend

**.45** The DHBs should hold at least two public meetings each fiscal year.

**.46** Most DHBs were formed in the last half of 1993-94. The DHBs told us they have held public meetings since April 1, 1994.

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### Service Agreements

**.47** DHBs provide a significant amount of operating funding to Affiliated Organizations.

**.48** DHBs are responsible for providing necessary health services in their districts. To meet this responsibility in a cost effective manner, DHBs, as set out in Section 26(1)(c) of *The Health Districts Act*, need to co-ordinate the services they provide with services funded by the DHBs but provided by Affiliated Organizations. Alternatively, some DHBs have amalgamated with Affiliated Organizations in their districts to better manage the operations of these organizations.

**.49** One of the DHBs we audited has not entered into service agreements with a privately owned hospital and continuing care home (Affiliated Organizations) operating in its district.

**.50** In our opinion, since DHBs are responsible for the quality of health services provided in their districts, they need to enter into service agreements with Affiliated Organizations to meet this responsibility. The service agreements should:

- describe the authority and responsibility of the DHBs and the Affiliated Organizations;
- describe the financial, operational and compliance with

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## Chapter 2 District Health Boards

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authority objectives needed to manage the delivery of health care successfully;

- describe services and activities to be provided by the Affiliated Organizations to achieve the objectives;
- require the Affiliated Organizations to report periodically on the systems and practices used to achieve the objectives;
- allow the DHBs access to the records and personnel of the Affiliated Organizations to verify the Affiliates' reports, and/or verify the reports by using the Affiliates' independent auditors;
- describe the basis for funding to be provided to the Affiliates by the DHBs; and
- ensure the DHBs receive other accountability reports from the Affiliates including audit reports on:
  - financial statements showing planned and actual results; and
  - compliance with legislative and related authorities.

### We Recommend

**.51 The DHBs should have service agreements with each Affiliated Organization.**

**.52** In 1994-95 we will use the criteria in paragraph .50 to assess the service agreements all DHBs have signed with Affiliated Organizations.

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### System to Monitor Compliance With Trust Agreements

**.53** One of the DHBs we audited could improve its rules and procedures for monitoring compliance with pre-amalgamation trust agreements.

**.54** The DHB signed pre-amalgamation trust agreements (agreements) with amalgamating corporations (e.g., union hospitals). The agreements require the DHB to pay to specified municipalities a portion of the community generated trust funds transferred to the DHB by amalgamating corporations. In this DHB, the amount of community generated funds to be paid to municipalities is \$3.8 million.

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## Chapter 2 District Health Boards

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### We Recommend

- .55** The agreements require the municipalities to:
- use the funds for health related purposes to benefit the residents of the district of the amalgamating corporations; and
  - obtain the prior consent of the DHB for any expenditures.

**.56** The DHB should improve its rules and procedures to monitor compliance with all pre-amalgamation trust agreements.

**.57** The DHB should request each municipality to:

- provide the DHB with a quarterly statement of revenue and expenditure for each trust fund signed by the chief financial officer of the municipality;
- cause the trust funds to be audited annually as part of the regular municipal audit;
- report the following information for each trust fund in the annual financial statements of the municipality:
  - the opening balance of each trust fund;
  - interest or other revenue received;
  - payments made; and
  - ending balance; and
- provide the DHB with a copy of the audited financial statements.

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Board of Directors'  
Pay and Expenses

**.58** Five of the six DHBs we audited paid directors without adequate authority. In total, the five DHBs paid \$298,000 to the board members.

**.59** The Department of Health obtained Orders-in-Council appointing the directors, but the Orders did not specify the pay and expenses for the directors. In our opinion, pay and expenses must

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## Chapter 2 District Health Boards

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be specified in Orders-in-Council.

**.60** The DHBs used Department of Health guidelines for pay and expense to make these payments.

**We Recommend**

**.61** Orders-in-Council should specify the pay and expenses of Boards of Directors.

**District Health Boards**

**Financial Results for the Year Ended March 31, 1994**

## Chapter 2 District Health Boards

District Health Boards  
Financial Results  
for the year ended March 31, 1994

(In thousands of dollars)	Assiniboine Valley	Battlefords	Central Plains	East Central	Gabriel Springs
<b>REVENUES:</b>					
General Revenue Fund and Other Government Agencies	\$9,253	16,838	3,358	26,776	944
The Hospital Revenue Act	300	---	25	576	33
Investment Income	---	17	---	413	---
Donations	50	---	24	40	10
Ancillary & Dietary Revenue	2	216	2	723	16
Other - Miscellaneous	627	325	527	637	6
Patient and Agency Charges	569	283	144	4,499	22
<b>TOTAL REVENUE</b>	<b>\$10,801</b>	<b>17,679</b>	<b>4,080</b>	<b>33,664</b>	<b>1,031</b>
<b>EXPENSES:</b>					
Medical Remuneration and Benefits	120	---	26	506	---
Salaries and Other Benefits	8,447	12,436	2,569	24,746	723
Medical and Surgical Drugs and Supplies	541	927	109	1,925	68
Utilities	332	---	152	1,387	28
Repair and Maintenance	152	---	53	421	13
Food	295	69	131	744	29
Other	1,450	4,926	1,114	4,129	121
Amortization	390	798	209	1,696	35
Loss (Gain) on Disposal of Capital Assets	64	---	(1)	---	---
<b>TOTAL EXPENSES</b>	<b>\$11,791</b>	<b>19,156</b>	<b>4,362</b>	<b>35,554</b>	<b>1,017</b>
<b>EXCESS OF REVENUE OVER EXPENSES:</b>					
- Operating Fund	(686)	(680)	95	(1,009)	5
- Capital Fund	(310)	(797)	(377)	(1,021)	8
- Restricted Funds	6	---	---	140	1
<b>TOTAL EXCESS OF REVENUE OVER EXPENSE</b>	<b>(\$990)</b>	<b>(1,477)</b>	<b>(282)</b>	<b>(1,890)</b>	<b>14</b>
Equity, beginning of year	7,129	15,022	5,281	23,159	2,145
Adjustments to Equity	---	---	47	(130)	---
<b>EQUITY, END OF YEAR</b>	<b>\$6,139</b>	<b>13,545</b>	<b>5,046</b>	<b>21,139</b>	<b>2,159</b>
<b>ASSETS</b>					
Cash and Temporary Investments	\$1,322	2,973	821	6,653	720
Prepaid Expenses & Deferred Charges	89	84	11	181	12
Accounts Receivable	179	624	85	209	59
Inventories of Supplies	342	464	118	587	131
Due from Sask. Health and Other Gov'ts	31	---	27	739	13
Other Long Term Investments	5	8	1,400	---	1
Trust accounts	---	---	---	---	---
Other assets	---	420	---	---	---
Capital Assets	5,446	11,264	2,949	27,122	1,672
<b>TOTAL ASSETS</b>	<b>\$7,414</b>	<b>15,837</b>	<b>5,411</b>	<b>35,491</b>	<b>2,608</b>
<b>LIABILITIES</b>					
Accounts Payable & Accrued Liabilities	\$1,048	2,200	331	4,688	449
Long Term Debt Due Within One Year	---	---	5	393	---
Capital Lease Obligation - Current Portion	---	---	---	---	---
Deferred Revenue	227	---	1	56	---
Due to Sask. Health and Other Gov'ts	---	---	18	---	---
Long Term Debt	---	92	10	9,128	---
Capital Lease Obligation	---	---	---	---	---
Patient Trust Accounts	---	---	---	87	---
<b>TOTAL LIABILITIES</b>	<b>\$1,275</b>	<b>2,292</b>	<b>365</b>	<b>14,352</b>	<b>449</b>
Equity, End of Year	6,139	13,545	5,046	21,139	2,159
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$7,414</b>	<b>15,837</b>	<b>5,411</b>	<b>35,491</b>	<b>2,608</b>

Source: Audited financial statements for the year ended March 31, 1994

## Chapter 2 District Health Boards

Greenhead	Living Sky	Midwest	Moose Jaw-Thunder Creek	Moose Mountain	North Central	North East	North Valley	Northwest	Parkland
4,408	6,645	11,603	18,302	4,692	13,473	8,138	4,191	5,397	7,586
	304	723	5	183	---	---	---	252	127
69	---	185	---	---	292	95	79	69	68
25	60	109	647	95	49	87	12	30	15
---	39	12	21	10	20	---	---	1	286
310	385	626	1,204	145	824	424	140	187	231
337	1,220	2,463	701	394	2,447	533	1,119	667	854
5,149	8,653	15,721	20,880	5,519	17,105	9,277	5,541	6,603	9,167
3	47	59	683	---	440	---	---	---	31
3,944	6,236	11,686	13,923	4,171	12,819	6,942	4,389	4,689	6,781
226	239	453	1,061	201	846	679	81	337	349
201	318	514	602	141	699	---	207	152	445
108	196	196	397	175	285	---	---	97	---
132	259	497	388	---	489	185	215	131	272
614	1,251	1,910	2,105	874	1,054	1,126	652	909	1,268
314	501	577	930	262	929	621	115	377	258
---	16	(34)	---	---	29	---	11	---	---
5,542	9,063	15,858	20,089	5,824	17,590	9,553	5,670	6,692	9,404
(72)	(61)	348	73	(17)	530	(26)	2	288	57
(313)	(370)	(485)	718	(288)	(1,049)	(250)	(131)	(377)	(294)
(8)	21	---	---	---	34	---	---	---	---
(393)	(410)	(137)	791	(305)	(485)	(276)	(129)	(89)	(237)
4,699	9,217	17,784	10,637	5,729	15,853	12,375	2,392	5,416	5,955
25	(915)	(1,795)	---	(2,218)	---	(292)	---	(117)	---
4,331	7,892	15,852	11,428	3,206	15,368	11,807	2,263	5,210	5,718
923	1,971	4,161	2,920	936	1,356	2,091	1,657	778	1,969
57	70	96	229	43	93	55	58	16	48
64	265	193	495	118	252	195	67	273	271
203	304	389	496	179	441	228	67	195	216
105	26	30	298	19	---	---	---	---	---
446	15	11	1,863	49	3,939	---	---	1,288	107
---	---	---	---	---	---	---	---	---	---
---	---	---	---	---	---	14	---	---	---
3,229	7,324	17,183	7,440	2,210	13,021	10,422	2,110	4,106	6,821
5,027	9,975	22,063	13,741	3,554	19,102	13,005	3,959	6,656	9,432
429	751	1,311	2,313	348	1,418	652	381	492	568
60	105	168	---	---	18	2	13	37	32
2	---	---	---	---	---	---	---	---	---
59	29	31	---	---	15	237	---	81	2
137	---	---	---	---	---	---	---	---	---
---	1,170	4,701	---	---	2,283	295	1,302	836	3,112
9	---	---	---	---	---	---	---	---	---
---	28	---	---	---	---	12	---	---	---
696	2,083	6,211	2,313	348	3,734	1,198	1,696	1,446	3,714
4,331	7,892	15,852	11,428	3,206	15,368	11,807	2,263	5,210	5,718
5,027	9,975	22,063	13,741	3,554	19,102	13,005	3,959	6,656	9,432

Source: Audited financial statements for the year ended March 31, 1994

## Chapter 2 District Health Boards

District Health Boards  
Financial Results  
for the year ended March 31, 1994

(In thousands of dollars)	Pasquia	Pipestone	Prairie West	Prince Albert	Regina
<b>REVENUES:</b>					
General Revenue Fund and Other Government Agencies	7,501	8,496	5,792	37,382	185,679
The Hospital Revenue Act	47	553	5	620	2,368
Investment Income	---	116	---	492	---
Donations	172	105	204	31	2,313
Ancillary & Dietary Revenue	34	133	26	332	3,470
Other - Miscellaneous	1,193	242	523	1,186	6,048
Patient and Agency Charges	405	1,059	722	2,708	14,772
<b>TOTAL REVENUE</b>	<b>9,352</b>	<b>10,704</b>	<b>7,272</b>	<b>42,751</b>	<b>214,650</b>
<b>EXPENSES:</b>					
Medical Remuneration and Benefits	72	121	86	---	15,589
Salaries and Other Benefits	5,964	7,161	5,373	23,177	151,138
Medical and Surgical Drugs and Supplies	378	887	453	2,768	17,334
Utilities	398	283	193	---	5,567
Repair and Maintenance	94	243	100	---	4,578
Food	247	206	177	986	2,903
Other	1,580	883	777	14,945	18,855
Amortization	812	642	580	1,320	12,427
Loss (Gain) on Disposal of Capital Assets	688	80	---	---	23
<b>TOTAL EXPENSES</b>	<b>10,233</b>	<b>10,506</b>	<b>7,739</b>	<b>43,196</b>	<b>228,414</b>
<b>EXCESS OF REVENUE OVER EXPENSES:</b>					
- Operating Fund	(60)	672	(258)	(425)	(6,513)
- Capital Fund	(835)	(532)	(209)	(20)	(7,251)
- Restricted Funds	14	58	---	---	---
<b>TOTAL EXCESS OF REVENUE OVER EXPENSE</b>	<b>(881)</b>	<b>198</b>	<b>(467)</b>	<b>(445)</b>	<b>(13,764)</b>
Equity, beginning of year	20,138	15,278	8,949	20,750	207,128
Adjustments to Equity	2	---	55	---	---
<b>EQUITY, END OF YEAR</b>	<b>19,259</b>	<b>15,476</b>	<b>8,537</b>	<b>20,305</b>	<b>193,364</b>
<b>ASSETS</b>					
Cash and Temporary Investments	2,753	5,428	2,135	7,420	25,221
Prepaid Expenses & Deferred Charges	34	56	59	212	1,210
Accounts Receivable	125	304	120	1,115	4,896
Inventories of Supplies	324	321	277	551	3,659
Due from Sask. Health and Other Gov'ts	48	---	110	523	866
Other Long Term Investments	4	---	6	40	5,595
Trust accounts	---	---	---	---	---
Other assets	---	---	---	---	---
Capital Assets	17,428	10,368	6,436	19,361	187,635
<b>TOTAL ASSETS</b>	<b>20,716</b>	<b>16,477</b>	<b>9,143</b>	<b>29,222</b>	<b>229,082</b>
<b>LIABILITIES</b>					
Accounts Payable & Accrued Liabilities	834	828	392	4,467	27,683
Long Term Debt Due Within One Year	4	---	---	161	200
Capital Lease Obligation - Current Portion	---	---	---	---	---
Deferred Revenue	1	---	214	502	3,335
Due to Sask. Health and Other Gov'ts	---	---	---	---	---
Long Term Debt	618	173	---	3,787	4,500
Capital Lease Obligation	---	---	---	---	---
Patient Trust Accounts	---	---	---	---	---
<b>TOTAL LIABILITIES</b>	<b>1,457</b>	<b>1,001</b>	<b>606</b>	<b>8,917</b>	<b>35,718</b>
Equity, End of Year	19,259	15,476	8,537	20,305	193,364
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>20,716</b>	<b>16,477</b>	<b>9,143</b>	<b>29,222</b>	<b>229,082</b>

Source: Audited financial statements for the year ended March 31, 1994



## Chapter 2 District Health Boards

Rolling Hills	Saskatoon	South Central	South Country	South East	Southwest	Swift Current	Touchwood Qu'Appelle	Twin Rivers	Total
4,312	238,847	11,427	3,683	4,119	4,660	12,492	2,354	8,486	\$676,834
262	445	577	---	1,126	609	279	126	---	9,545
---	2,195	177	---	55	95	---	65	204	4,686
16	12,225	64	42	73	37	105	---	100	16,740
28	1,976	94	17	24	27	38	21	150	7,718
322	12,660	463	461	163	16	570	127	630	31,202
482	11,683	2,138	332	1,027	413	473	97	1,131	53,694
5,422	280,031	14,940	4,535	6,587	5,857	13,957	2,790	10,701	\$800,419
68	---	126	4	17	---	443	---	---	\$18,441
4,018	184,455	11,437	3,318	4,021	4,228	9,882	2,066	7,920	548,659
113	27,371	686	244	251	237	865	259	1,054	60,942
155	10,276	384	164	262	231	260	99	377	23,827
84	---	356	118	210	93	209	45	---	8,223
126	2,702	494	107	137	119	214	74	---	12,328
810	40,183	1,800	497	537	626	1,264	295	5,672	112,227
317	17,258	640	308	602	287	536	119	781	44,641
---	182	27	---	37	181	---	---	---	1,303
5,691	282,427	15,950	4,760	6,074	6,002	13,673	2,957	15,804	\$830,591
(144)	(6,959)	(460)	41	45	142	461	(48)	(472)	(\$15,131)
(125)	4,563	(315)	(266)	449	(287)	(177)	(119)	(4,631)	(\$15,091)
---	---	(235)	---	19	---	---	---	---	\$50
(269)	(2,396)	(1,010)	(225)	513	(145)	284	(167)	(5,103)	(\$30,172)
8,336	364,316	8,972	7,628	9,083	6,110	9,581	2,602	13,220	\$844,884
123	---	---	495	(448)	(586)	---	21	---	(\$5,733)
8,190	361,920	7,962	7,898	9,148	5,379	9,865	2,456	8,117	\$808,979
2,179	34,091	2,753	855	1,492	998	5,102	1,123	4,765	\$127,566
42	1,230	90	10	40	39	69	28	227	4,488
80	5,186	313	44	205	110	566	85	236	16,734
118	4,550	298	149	118	203	451	99	279	15,757
---	2,574	64	---	---	---	---	---	---	5,473
205	10,484	269	253	---	---	---	---	---	25,988
---	---	---	---	---	1,592	---	36	---	1,628
---	---	4	6	---	---	---	---	---	444
6,563	336,182	8,425	6,940	10,047	2,982	5,433	1,350	9,369	750,838
9,187	394,297	12,216	8,257	11,902	5,924	11,621	2,721	14,876	\$948,916
438	31,749	1,589	327	479	495	1,756	261	767	\$89,444
80	398	83	3	30	---	---	---	18	1,810
---	---	---	---	---	---	---	---	---	2
---	---	20	29	---	50	---	4	182	5,075
---	---	---	---	---	---	---	---	3,800	3,955
479	230	2,562	---	2,245	---	---	---	1,992	39,515
---	---	---	---	---	---	---	---	---	9
---	---	---	---	---	---	---	---	---	127
997	32,377	4,254	359	2,754	545	1,756	265	6,759	\$139,937
8,190	361,920	7,962	7,898	9,148	5,379	9,865	2,456	8,117	808,979
9,187	394,297	12,216	8,257	11,902	5,924	11,621	2,721	14,876	\$948,916

Source: Audited Financial Statements for the year ended March 31, 1994

# Chapter 3

## The Financial Management Review Commission

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## Chapter 3

# The Financial Management Review Commission

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### Introduction

**.01** Two years ago, we noted the Government had made progress in moving forward the recommendations of the Financial Management Review Commission (1992). We also noted a number of important recommendations were under review.

**.02** Last year, we said we would continue to monitor the implementation of the Commission's recommendations. In Appendix VII of this Report, we provide in table format a summary of the recommendations and our assessment of their "current status".

**.03** The Commission focused its work, first, on the review of accounting and financial reporting practices and, second, on public accountability and disclosure issues. Our analysis of actions taken to respond to key recommendations adopts a similar pattern.

### Accounting and Financial Reporting Practices

**.04** The Government took several steps to improve accounting and reporting practices in response to Commission recommendations.

- The Public Accounts now include the Government's summary financial statements that conform to the standards recommended by The Canadian Institute of Chartered Accountants.
- The Government has written off loans which could only be repaid through future appropriations.
- The Government adopted accrual accounting for the General Revenue Fund (GRF), beginning in 1993-94.
- The Government changed its accounting policies so provisions for losses are included as expenditures rather than being charged directly to the accumulated deficit.

**.05** The Government reports it took financial management action to address the Commission's concern about the Province's deteriorating financial position. This action includes a forecast surplus in the GRF for the 1994-95 fiscal year, two years ahead of the plan announced in 1993. The 1995 Budget Address also announced plans to begin to pay down the Government's debt over the next four years.

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## Chapter 3 The Financial Management Review Commission

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**.06** Unfortunately, the Government does not publish a plan for its full responsibilities as set out in the Government's summary financial statements. As a result, the Government does not provide the Assembly and the public with a complete financial plan.

**.07** The Government has said it needs to review the implications for preparing a complete financial plan. Our 1994 Fall Report includes a chapter on planning information that we hope will contribute to the preparation of a complete plan. In that chapter, we recommended the Government publish multi-year, government-wide summary planning information.

**.08** Other concerns of the Commission regarding financial reporting practices have not been fully addressed.

- The Government publishes mid-year reports comparing the original planned GRF results for the year, i.e., the budget, with the latest forecast of actual results for the year. However, those reports do not include a comparison of planned results and actual results for the first six months. Those reports also do not show the comparison for the financial activities of the Government as a whole. Such comparisons are recommended by the Public Accounts Committee and my Office.
- The Government records unfunded pension liabilities in its summary financial statements but not in the GRF statements. We note that in 1992 the Budget Address announced a review of public sector pension plans to develop valuation, accounting and funding options. This is an important matter and we encourage the Government to proceed with its announced plans.

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Public Accountability  
and Disclosure

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**.09** The Government has taken several actions to improve disclosure practices.

- Legislative amendments passed in 1992 require the Public Accounts to be released by October 31 of each year, even if the Assembly is not sitting.
- Intersessional tabling of annual reports is now required for Crown corporations under *The Crown Corporations*

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## Chapter 3 The Financial Management Review Commission

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*Act, 1993.*

- Consideration is being given to a recommendation of the Public Accounts Committee that annual reports of departments be released intersessionally.
- Order in Council approval and tabling of an explanatory report are now required when Crown corporations acquire shares in or create a body corporate to further their purposes.
- The Government has indicated Treasury Board Crown corporations are expected to follow public reporting requirements similar to government departments.
- Treasury Board has issued Annual Report Guidelines applicable to departments and the Government has expressed support for using those guidelines for Treasury Board Crown corporations.

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### Matters Under Review

**.10** Following its review of many complex transactions and in keeping with its terms of reference, the Commission recommended a number of matters should be reviewed further by the Government. In 1992, the Government announced several studies were underway, the results of which have not been publicly released.

- A review of policies and procedures for tendering, contract awards, etc. by all agencies was initiated by the SPMC (Saskatchewan Property Management Corporation) Minister with public input to be solicited. A set of policies and procedures was to be published as a result.
- A review of the most appropriate organization structures and delivery mechanisms for economic development and diversification was to be done by the Department of Economic Development to address the Commission's concern about duplication of effort among various agencies.
- A review of special purpose funds was to be done by the Department of Finance to develop criteria for assessing the need for such funds. The Commission

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## Chapter 3 The Financial Management Review Commission

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felt the continued existence of all special funds should be justified to the Legislature.

- A review was reported underway to determine whether the services provided by SPMC should more appropriately be carried out within a department or Crown corporation structure.
- A detailed study was to be done by the Government to determine the need for legislation to limit the amount of public funds that can be committed to a project or program without the prior approval of the Legislature.
- The Department of Finance, with input from CIC (the Crown Investments Corporation of Saskatchewan), was to undertake a major review of the policy for issuing guarantees. The Commission believed a policy statement is needed to cover ceiling levels of guaranteed debt and circumstances when prior approval of the Legislature should be required.

### We Recommend

**.11 The Government should publicly release the results of all reviews initiated to respond to Commission recommendations and disclose the implications for legislative amendment or policy change.**

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### Structures and Procedures for Public Accountability

**.12** The Commission felt the greatest deficiency in public accountability in Saskatchewan rested with its Crown corporations. The Commission focussed its discussion and made several recommendations on this component of the Government's organizational structure.

**.13** The following concerns of the Commission regarding accountability structures and procedures have not been fully addressed.

- One recommendation called for all lottery revenues to be transferred to the GRF and then annual appropriations would be made to SaskSport for allocation among recipient sports, culture and recreation organizations. The Commission felt that lottery revenues are not unlike tax revenues and should be flowing through the GRF. The Commission believed segregating the revenues into a special fund provides no

accountability to the Legislature and to the public.

The Government has directed higher amounts to be paid to the GRF from the Saskatchewan Lotteries Trust Fund than was previously the case and considers the Commission recommendation to be implemented as a result. This response may indicate there is some misunderstanding about the basis for the Commission's concern.

- The Government has not documented a general policy on the circumstances under which Crown corporations will be allowed to retain current year surpluses or recover losses from future income. Such a general policy concerning Crown corporation financing would provide direction to CIC in carrying out its responsibilities. The Commission felt the policy must be open for public scrutiny to ensure it is not being used to circumvent the Legislature's control of the Province's finances.
- The Government disagrees with the Commission that dividends declared by Crown corporations should be paid directly to the GRF, believing instead it is appropriate that dividends flow to CIC as the holding company for the Crown's investments in Crown corporations. The Commission felt CIC should not be permitted to expend and invest the excess earnings of Crown corporations without the specific approval of the Legislature.
- The Government indicates CIC will continue to provide subsidies to corporations under its jurisdiction which are unable to recover their losses and will request a subsidy from the GRF if CIC sustains a loss. The Government believes the Commission recommendation about financing operating losses of commercial Crown corporations by appropriations from the GRF is thus implemented.

The Commission felt that, by requiring CIC to request annual appropriations to cover losses of a Crown entity, the Legislature would have the opportunity to question whether management was acting to prevent losses from persisting. The Government response indicates there

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## Chapter 3 The Financial Management Review Commission

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may be some misunderstanding about the basis for the Commission's concern.

- The Government disagrees that the costs of public policy initiatives undertaken by Crown corporations should be costed and funded by appropriations made from the GRF, believing instead that CIC should provide such subsidies, funded by dividends from profitable corporations.

The Commission felt public policy initiatives carried out through Crown corporations should be subject to an annual review by the Legislature similar to that provided for programs carried out by departments. This would also remove any justification, other than a commercial one, for operating at a loss.

- The Government disagrees that tabling of the financial statements of all subsidiaries of Crown corporations is necessary, arguing such tabling would not provide additional meaningful information or improve public accountability. Statements for the major subsidiary of CIC, CIC Industrial Interests Inc., are separately published, however, in the CIC annual report.
- The Government disagrees that Ministers should not be Chairpersons of boards, arguing this practice is necessary to avoid confusion in the chain of command, since it is the Minister who is held to account by the Legislature.

**.14** The foregoing list indicates a number of important recommendations of the Financial Management Review Commission regarding structures and procedures for public accountability have not been implemented. Advice from the Government in late 1994 indicates no further implementation action is planned.

### We Recommend

**.15** The Government should re-examine those recommendations which have not been implemented to determine if the basis for the Commission's concern can be addressed.



**Chapter 4**  
**Standing Committees of the Legislative Assembly**

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## Chapter 4

### Standing Committees of the Legislative Assembly

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#### Introduction

.01 In previous reports, we reviewed the accomplishments of the Standing Committees on Public Accounts and Crown Corporations. These two Committees examine, on behalf of the Legislative Assembly, the reported activities of government departments and Crown agencies.

.02 The Public Accounts Committee provides the final link in the chain of accountability over public money - a process that begins and ends in the Legislative Assembly - through its review of the Public Accounts and the Provincial Auditor's Reports. The Crown Corporations Committee reviews the annual reports of Crown Corporations referred to that Committee by the Assembly.

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#### The Standing Committee on Public Accounts

.03 Members of the Committee at its last sitting in the Fourth Session of the current Legislature were as follows:

- Harold Martens, Chairperson
- Eric Cline, Vice-Chairperson
- Bill Boyd
- Joanne Crofford
- Lynda Haverstock
- Mark Koenker
- Serge Kujawa
- Clay Serby
- Maynard Sonntag
- Eric Upshall

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#### The Standing Committee on Crown Corporations

.04 Members of the Crown Corporations Committee at its last sitting in the Fourth Session of the current Legislature were as follows:

- Pat Lorje, Chairperson
- Kim Trew, Vice-Chairperson
- Judy Bradley
- Jack Gooshen
- Doreen Hamilton
- Lloyd Johnson
- Ken Kluz
- Jack Langford
- Glen McPherson
- Don Toth

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## Chapter 4 Standing Committees of the Legislative Assembly

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Public Accounts  
Committee Activities

**.05** During the fourth session of the current Legislature, the Public Accounts Committee held ten meetings, beginning in March, 1994 and concluding in October, 1994. During these meetings, the Committee:

- heard testimony from officials representing two organizations concerning matters raised in our 1992 Annual Report;
- finalized and submitted its sixth report covering the examination of our 1992 Annual Report and the 1991-92 Public Accounts;
- reviewed the Report of the Task Force on Roles, Responsibilities and Duties of Auditors and expressed its concurrence with the Task Force Recommendations;
- discussed issues with representatives of the Department of Health, the Provincial Auditor's Office, the Pipestone District Health Board and the Regina District Health Board to help the Committee determine various roles and responsibilities in the accountability chain for District Health Boards;
- began a systematic review of the government's response to the sixth report of the Committee so as to formally complete the accountability cycle in keeping with the Committee's operating principles adopted in 1993;
- agreed on a process to deal with outstanding matters from previous Committee reports; and
- began consideration of our 1993 Annual Report, covering nine of the first ten chapters.

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Status of  
Recommendations

**.06** We commend the Committee for taking the time and effort to formally complete the accountability cycle by reviewing the government's response to the sixth report and planning to record the results of that review in its seventh report.

**.07** The Committee has also asked the Provincial Comptroller to bring forward outstanding matters from previous Committee reports that could be considered as possibly being resolved.

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## Chapter 4 Standing Committees of the Legislative Assembly

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**.08** We look forward to the effect these actions will have on encouraging implementation of recommendations. We will monitor and report on the disposition of outstanding Committee recommendations after these processes have been completed.

**.09** At the date this report was written, the Committee had met once during the fifth session, leaving 21 chapters in our 1993 Annual Report not yet reviewed. In addition, our Fall Report was issued and deemed referred to the Committee on November 22, 1994.

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### Crown Corporations Committee Activities

**.10** During the fourth session of the current Legislature, the Crown Corporations Committee held 22 meetings, beginning in March, 1994 and concluding in December, 1994. During these meetings, the Committee:

- reviewed the annual reports of seven corporations for the 1992 fiscal year;
- reviewed its terms of reference and operating practices;
- adopted its fourth report for presentation to the Legislative Assembly;
- reviewed the annual reports of 15 corporations for the 1993 year;
- reviewed materials presented by Crown Investments Corporation of Saskatchewan (CIC) and heard testimony from Corporation officials concerning the operations of CIC and its designated subsidiaries as well as an overview of the performance of the CIC investment portfolio and the future objectives of CIC; and
- reviewed the Report of the Task Force on the Roles, Responsibilities and Duties of Auditors and asked that recommendations be implemented and an evaluation report on the process be provided to the Committee in one year.

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### Reports

**.11** In its fourth report, presented on May 5, 1994, the Committee indicated it had completed its consideration of the

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## Chapter 4 Standing Committees of the Legislative Assembly

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annual reports and financial statements of 17 Crown corporations and related agencies for the 1992 fiscal year during its meetings in 1993 and 1994.

.12 In addition to considering reports referred to it by the Assembly, the fourth report indicated the Committee reviewed its order of reference and operating procedures. Certain observations and recommendations were brought to the attention of the Assembly, including the following:

- The procedures for referral of annual reports should be incorporated into the *Rules and Procedures of the Legislative Assembly of Saskatchewan*;
- The Committee's order of reference should be framed to permit general questions about future objectives and past performance indicators while recognizing the Committee's primary work is the review of Crown corporations through examination of annual reports;
- The Minister responsible for the Crown Investments Corporation of Saskatchewan (CIC) should prepare and present to the Standing Committee an annual statement which reflects the corporation's mandate, goals, objectives, and performance indicators, the structure of its investments and the rationale for the retention or divestment of investments;
- The Minister responsible for CIC should notify the Committee within 90 days of significant transactions;
- The Committee, in future, will focus its review primarily on those organizations which generate income from sources outside the General Revenue Fund;
- The Assembly should grant the news media unrestricted access to make audio or audio-visual recordings at meetings of the Committee provided there has been no order to sit in-camera; and
- The *Rules and Procedures of the Legislative Assembly of Saskatchewan* should be amended to include a rule requiring the Committee to meet within four weeks after the commencement of a new session.

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## Chapter 4 Standing Committees of the Legislative Assembly

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.13 The Assembly concurred in the fourth report. The recommended changes have been incorporated in the way the Committee conducts its business. The presentations made by various corporation officials for the 1993 annual report year have been impressive in many cases. The interchange between committee members and both Ministers and officials is enriched as a result.

.14 I congratulate Committee members for their diligent efforts and their implementation of positive change. I look forward to continued improvements in the scrutiny of Crown corporation activities by the Committee as a result of the adoption of these new practices.

**Chapter 5**  
**Department of Agriculture and Food**

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**Chapter 5**  
**Department of Agriculture and Food**

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## Chapter 5

### Department of Agriculture and Food

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

General Revenue Fund .02 In 1994, the Department managed General Revenue Fund appropriations of \$325 million and revenues of \$52 million. Volume 2 of the Public Accounts reports information about the Department's General Revenue Fund revenues and appropriations at pages 8 and 33 respectively.

.03 Following is a list of major programs and spending:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Payments to Saskatchewan Crop Insurance Corporation	\$104	\$110
Payments for Gross Revenue Insurance Program	94	94
Payments to Agricultural Credit Corporation	25	33
Payments to Net Income Stabilization Account	26	27
Agriculture Research	12	11
Agriculture Development	11	11
Land and Regulatory Management	12	10
Other	<u>35</u>	<u>29</u>
	<u>\$319</u>	<u>\$325</u>

Special Purpose Funds and Crown Agencies .04 The Department was also responsible for the following special purpose funds and Crown agencies:

	<u>Year Ended</u>
Agricultural Credit Corporation of Saskatchewan	March 31
Agriculture Development Fund	March 31
Agricultural and Food Products Development and Marketing Council	December 31
Cattle Marketing Deductions Fund	March 31
Crop Reinsurance Fund for Saskatchewan	March 31

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## Chapter 5 Department of Agriculture and Food

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	<u>Year Ended</u>
Horned Cattle Fund	March 31
Milk Control Board, The	December 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Returns Stabilization Fund	March 31
Saskatchewan Beef Stabilization Board	March 31
Saskatchewan Crop Insurance Corporation	March 31
Saskatchewan Grain Car Corporation	July 31
Tripartite Beef Administration Board	March 31

### Our Audit Findings

**.05** Our 1994 Fall Report contains our audit findings for Crown agencies with fiscal years ending on or before December 31, 1993.

**.06** In our opinion, the Department complied with the authorities governing its General Revenue Fund appropriations and revenues relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenues except for the significant deficiencies reported in paragraphs .08 to .32. We also report a matter related to recommendations of the Standing Committee on Public Accounts in paragraphs .33 to .36.

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

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### Credit Checks Required

**.08** The Department lacks rules and procedures to check the credit worthiness of clients who want to lease, rent, or buy Crown land.

**.09** The Department leases and rents Crown land for various purposes including grazing, haying, and quarrying. The Department also sells land and land improvements. The Department uses improvement purchase contracts and instalment

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## Chapter 5 Department of Agriculture and Food

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plan sales contracts to sell land and land improvements. At March 31, 1994, clients owed the Department \$13.3 million for leases, \$16.9 million for rent, \$2.0 million for improvement contracts, and \$8.5 million for instalment plan sales contracts.

.10 At March 31, 1994, the Department estimated it would not collect the following amounts from clients: \$9.0 million for leases; \$5.1 million for rent; \$0.5 million for improvement contracts, and \$2.5 million of instalment plan sales contracts.

.11 We think the Department should check the credit worthiness of clients before signing contracts to lease, rent, or sell Crown land. Checking credit should significantly reduce the Department's losses from clients not paying their accounts.

### We Recommend

.12 **The Department should establish a system to check the credit worthiness of clients wanting to lease, rent or buy Crown lands.**

.13 The Department told us it has developed new collection and lease policies to improve the effectiveness of its client account management.

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### Rules and Procedures for Estimating Uncollectible Client Accounts Required

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.14 The Department lacks adequate rules and procedures to estimate the amount that will not be collected from its clients who lease, rent, or buy Crown land.

.15 The Department needs to estimate the amount that will not be collected from its clients to prepare proper financial reports. At March 31, 1994, the Department recorded the following amounts as its estimate of uncollectible client accounts: \$9.0 million for leases, \$5.1 million for rent, \$0.5 million for improvement contracts, and \$2.5 million instalment plan sales contracts.

.16 The Department did not do sufficient analysis of its client accounts and the Department's records lacked sufficient documentation to support its estimate of uncollectible client accounts.

.17 Due to the Department's lack of analysis and documentation, we cannot determine if the Department determined an appropriate amount for uncollectible client accounts.

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## Chapter 5 Department of Agriculture and Food

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**We Recommend**

**.18 The Department should analyze its client accounts and document the reasons for its estimate of uncollectible client accounts.**

.19 The Department told us this deficiency will be addressed through implementation of a new Crown land management system that will allow historical analysis.

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**Financial Reports  
Should be Accurate**

**.20 The Department's financial reports did not show the correct amount owed to the Department by its clients at March 31, 1994.**

.21 The Department's financial reports show a total amount owed to the Department by its clients at March 31, 1994. The Department provided us a list of the clients that owed the money. The Department used this list to prepare its financial reports. The list overstated the amount owed to the Department by approximately \$6.5 million. The error occurred because the Department failed to reconcile the list to its records.

.22 The Department provided the incorrect financial report to the Provincial Comptroller. The Provincial Comptroller uses the report to prepare the General Revenue Fund financial statements.

.23 The Department has established adequate rules and procedures to accurately determine the amount owed to the Department by its clients. The error occurred because the Department did not follow its established rules and procedures.

**We Recommend**

**.24 The Department should follow its established rules and procedures for reporting the amount owed to the Department by its clients.**

.25 The Department told us its has recognized where the error occurred and its March 31, 1995 financial reports will reflect the correction.

---

**Financial Reports  
Should be Complete**

**.26 The Department's financial reports did not show an amount owed to the Department by the Saskatchewan Crop Insurance Corporation at March 31, 1994.**

.27 Producers pay their premiums to the Corporation. The Department pays the Corporation an amount equal to 50% of the producers' premiums. The Department determines the amounts it

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## Chapter 5 Department of Agriculture and Food

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owes to the Corporation from reports received from the Corporation.

.28 At March 31, 1994, the Department had overpaid the Corporation by \$2.9 million. The overpayment occurred in 1990-91. The Department's financial reports did not show the Corporation owed the Department \$2.9 million for this overpayment. The error occurred because the Department failed to reconcile its records to those of the Corporation.

.29 The Department provided the incorrect financial report to the Provincial Comptroller. The Provincial Comptroller uses the report to prepare the General Revenue Fund financial statements.

.30 The Department has established adequate rules and procedures for determining the amount due to or from the Corporation. However, the Department did not follow its established rules and procedures.

### We Recommend

**.31 The Department should follow its established rules and procedures for determining the amount due to or from the Corporation.**

.32 The Department told us it was not responsible for the Corporation in 1991. Therefore, the Department did not record the amount owed by the Corporation because it had no record of the amount owed. The Department plans to correct its financial reports at March 31, 1995.

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### Ministerial Assistants' Salaries

.33 Volume 2 of the 1993/94 Public Accounts lists the amounts individuals in the Department (excluding unionized employees) received for salaries, wages, and honorariums, etc. totalling \$2,500 or more.

.34 The Public Accounts show a salary less than the total salary paid to each ministerial assistant.

.35 Some ministerial assistants worked on Crown corporation business. In these cases, the corporations reimbursed the Department for salary costs. The Public Accounts show the salary of ministerial assistants net of the amount received from the corporations.



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## Chapter 5 Department of Agriculture and Food

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**We Recommend**                      **.36**    The Department should disclose the full amount paid to Ministerial Assistants.

**AGRICULTURAL  
CREDIT  
CORPORATION  
OF  
SASKATCHEWAN**

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

**.38**    ACS had revenues of \$132 million and held assets of \$588 million at March 31, 1994. ACS's financial statements are included in the Public Accounts Compendium at page B1.

**Our Audit Findings**                      **.39**    In our opinion, ACS's financial statements are reliable. ACS had adequate rules and procedures to safeguard and control its assets. ACS complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .40 to .49.

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**Fees Need Authority**

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

**.41**    ACS began charging a "capital loss allowance fee" on all capital loans approved after October 1, 1987. ACS charges farmers a one-time fee of 2% of the sum borrowed for all capital loans. ACS charged \$106,000 in 1994 (\$467,000 in 1993) for capital loss allowance fees. To March 31, 1994, the accumulated charge for this fee was \$2,691,000.

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

**.43**    In our opinion, because this fee increases the farmers' borrowing rates, the Lieutenant Governor in Council (Cabinet) must approve the rate. We also believe the Act limits the rates Cabinet can authorize to rates less than a commercial lender.

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

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## Chapter 5 Department of Agriculture and Food

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

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

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

.48 The Standing Committee on Public Accounts asked us to discuss this matter again with ACS and its appointed auditor.

.49 We are currently discussing this matter with ACS and its appointed auditor.

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Appointed Auditor's  
Reports

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.50 We relied on the appointed auditor's (Price Waterhouse) reports on the financial statements and internal control.

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

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

**PRAIRIE  
AGRICULTURAL  
MACHINERY  
INSTITUTE**

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

.54 PAMI had revenue of \$3.0 million in 1994 and held assets of \$ 2.2 million at March 31, 1994. PAMI's financial statements are included in the Public Accounts Compendium at page B52.

Our Audit Findings

.55 In our opinion, PAMI's financial statements are reliable.

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## Chapter 5 Department of Agriculture and Food

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PAMI complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .61 to .63. PAMI had adequate rules and procedures to safeguard and control its assets except for the significant deficiency reported in paragraphs .56 to .60.

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Time Worked  
Requires Approval

**.56** Management did not approve several employee time sheets.

**.57** PAMI's established rules and procedures require management to authorize the time an employee works and the time an employee charges to fee-for-service contracts. PAMI requires management to approve employee time sheets as evidence of management's authorization. PAMI requires this approval to ensure it pays employees only for hours worked and it charges employees' time to the right fee-for-service contract.

**.58** We found 69 time sheets that management had not approved. We told management of our findings.

**.59** Later, management approved these time sheets. However, without timely approval, PAMI does not know if the time sheets are accurate and complete.

We Recommend

**.60** PAMI should ensure management properly approves employee time sheets.

---

More Council  
Meetings Required

**.61** Subsection 6(6) of *The Prairie Agricultural Machinery Institute Act* requires the Council to meet at least four times each year.

**.62** The Council held only two meetings during the year ended March 31, 1994. These meetings were on June 18, 1993, and November 17, 1993.

We Recommend

**.63** The Council should meet as required by the Act.



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## Chapter 5 Department of Agriculture and Food

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

**.64** *The Agri-Food Act* makes the Council responsible for the operations of the agencies listed in paragraph .69.

Annual Report Needs  
Financial Statements

**.65** The Agriculture and Food Products Development and Marketing Council does not include financial statements of development and marketing Boards in its annual report to the Legislative Assembly.

**.66** The Minister of Agriculture and Food is required to administer all Acts of the Legislature relating to agriculture. One of these Acts is *The Agri-Food Act*. Under this Act, the Minister's duties include the promotion, development, control and regulation of the production and marketing of agricultural products within Saskatchewan.

**.67** The Minister fulfils these duties in several ways. Some duties are handled directly by the Department. For other duties, the Minister has established agricultural boards or councils.

**.68** These agricultural boards or councils may be appointed by the Government, or, they may be producer elected. However, regardless of the method of appointment they remain responsible to the Minister for their operations and the Minister remains accountable to the Legislative Assembly for their operations.

**.69** The Minister established the Council by *The Agri-Food Act*. The Council is responsible to the Minister to supervise the operation of all agencies established or continued by the Act. The Council is responsible for the following development and marketing boards. Producers elect these boards.

Saskatchewan Broiler Hatching Egg Producers' Marketing Board

Saskatchewan Canola Development Commission

Saskatchewan Commercial Egg Producer' Marketing Board

Saskatchewan Chicken Marketing Board

Saskatchewan Pulse Crop Development Board

Saskatchewan Sheep Development Board

Saskatchewan Turkey Producers' Marketing Board

Saskatchewan Vegetable Marketing and Development Board

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## Chapter 5 Department of Agriculture and Food

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### SPI Marketing Group

.70 The Council does not include the financial results of the boards listed in paragraph .69 in its annual report to the Legislative Assembly.

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

.72 Without the financial statements, the Minister is not fully accountable. We think accountability would be improved if the Council included the financial statements of development and marketing boards in its annual report.

.73 We also reported this matter in previous reports to the Assembly.

.74 The Department and the Department of Finance are currently reviewing the accountability requirements of development and marketing boards with our Office. The Department told us it will make changes to address our concerns pending the satisfactory outcome of this review.

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More Supervision  
Required

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.75 The Council does not have an adequate system to supervise the operation of the marketing and development boards for which it is responsible.

.76 *The Agri-Food Act* makes the Council responsible to the Minister for the supervision of the operation of the nine development and marketing boards shown in paragraph .69.

.77 To discharge its responsibilities, the Council needs to ensure development and marketing boards have adequate rules and procedures to safeguard and control their assets and comply with the laws governing their activities.

.78 The Council does not have an adequate system to know if marketing and development boards have rules and procedures to safeguard and control their assets and comply with the laws governing their activities.

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## Chapter 5 Department of Agriculture and Food

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**.79** The Council could improve its supervision of the operations of its boards by getting more involved in each board's operations. Alternatively, it could require each board's auditor to report on the adequacy of the board's procedures to safeguard and control its assets and on its compliance with the laws governing its activities.

**.80** We also reported this matter in previous reports to the Assembly.

**.81** The Department and the Department of Finance are currently reviewing the accountability requirements of development and marketing boards with our Office. The Department told us it will make changes to address our concerns pending the satisfactory outcome of this review.

### CATTLE MARKETING DEDUCTIONS FUND

**.82** The purpose of the Cattle Marketing Deductions Fund is to develop, improve, and promote the cattle industry.

**.83** The Fund had revenue of \$1.2 million in 1994 and held assets of \$1.2 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page B151.

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### Our Audit Findings

**.84** In our opinion, the Fund's financial statements are reliable. The Department complied with the authorities governing the activities of the Fund relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The Department had adequate rules and procedures to safeguard and control the assets of the Fund except for the significant deficiencies reported in paragraphs .85 to .106.

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### Budget Needed

**.85** The Department lacks a budget for the Fund.

**.86** Budgets are important planning documents because they can be used to authorize a whole year's transactions in advance. In addition, budgets set goals in terms of expected results.

**.87** The Cattle Marketing Deductions Act Advisory Committee authorizes all spending from the Fund. Comparing expected results to planned results will help the Committee monitor spending from the Fund. Monitoring will also help the Committee decide if it needs to change its spending practices.

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## Chapter 5 Department of Agriculture and Food

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**We Recommend**                      **.88**    **The Department should prepare a budget and submit it to the Committee for approval before the fiscal year begins.**

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**Timely Bills Required**              **.89**    The Department did not send timely bills to livestock dealers for cattle deductions.

**.90**    Livestock dealers buy cattle at market prices. The dealers deduct \$1.00 from the price of each head of cattle bought.

**.91**    The Department receives reports of cattle sold from various livestock dealers. The Department uses these reports to prepare bills to livestock dealers. The Department was three months behind in preparing its bills.

**We Recommend**                      **.92**    **The Department should send timely bills to livestock dealers for cattle deductions.**

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**Accurate and Complete Accounts Receivable Record Required**              **.93**    The Department lacks adequate rules and procedures to ensure the accuracy and completeness of its record of the amounts owed by livestock dealers to the Fund.

**.94**    The Department took several months to reconcile its record of the amounts owed by livestock dealers to the Fund's general ledger. Without accurate and complete records, the Department cannot follow up and collect money owed to the Fund.

**We Recommend**                      **.95**    **The Department should keep accurate and complete records of the amounts livestock dealers owe to the Fund.**

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**Timely Appropriate Financial Statements Required**              **.96**    The Department did not prepare timely and appropriate financial statements for the year ended March 31, 1994.

**.97**    The Department did not complete the Fund's year end financial statements until eight months after the year end. In addition, the Department prepared the Fund's interim financial statements using an inappropriate basis of accounting. The Department used the cash basis of accounting rather than the accrual basis.

**.98**    The Committee requires timely appropriate financial statements to make sound decisions regarding the operations of the Fund and to control and safeguard the assets of the Fund.

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## Chapter 5 Department of Agriculture and Food

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**We Recommend**

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**.99 The Department should prepare timely appropriate financial statements for the Fund.**

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Accurate and Complete Financial Statements Required

**.100** The Department presented incomplete and inaccurate financial statements to us for audit.

**.101** The financial statements presented to us contained several significant errors. The statements presented overstated amounts owed by the Fund by \$172,000, amounts owed to the Fund by \$30,000, deductions revenue by \$16,000, and miscellaneous expenses by \$220,000. The statements presented understated grant expenses by \$66,000. We advised the Department of these errors. The Department corrected the financial statements for these errors.

**.102** The Department needs accurate and complete financial statements to make sound decisions. Incorrect financial statements can result in incorrect operating decisions.

**We Recommend**

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**.103 The Department should establish systems to prepare accurate and complete financial statements.**

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Committee Minutes

**.104** The Committee's minutes do not document the Committee's changes to previously approved grants.

**.105** The Committee approved certain grants totalling \$24,850. The Department did not pay \$4,699 of these approved grants. The Department told us it will not pay the \$4,699 because the Committee changed the amount of the approved grant. However, the Committee's minutes did not record this change.

**We Recommend**

**.106 The Committee should record its decisions.**

**HORNED CATTLE FUND**

**.107** The purpose of the Fund is to promote research and development in the livestock industry.

**.108** The Fund had revenue of \$0.6 million in 1994 and held assets of \$1.1 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page B178.

**Our Audit Findings**

**.109** In our opinion, the Fund's financial statements are reliable. The Department complied with the authorities governing the

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## Chapter 5 Department of Agriculture and Food

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activities of the Fund relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The Department had adequate rules and procedures to safeguard and control the assets of the Fund except for the significant deficiencies reported in paragraphs .110 to .131.

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Budget Needed

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**.110** The Department lacks a budget for the Fund.

**.111** Budgets are important planning documents because they can be used to authorize a whole year's transactions in advance. In addition, budgets set goals in terms of expected results.

**.112** The Horned Cattle Purchases Act Advisory Committee authorizes all spending from the Fund. Comparing expected results to actual results helps the Committee monitor spending from the Fund. Monitoring will also help the Committee decide if it needs to change spending practices.

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We Recommend

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**.113** The Department should prepare a budget and submit it to the Committee for approval before the fiscal year begins.

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Timely Bills Required

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**.114** The Department did not send timely bills to livestock dealers for cattle deductions.

**.115** Livestock dealers buy cattle with horns at market prices. The dealers pay the vendors market price less \$2.00 for each head of cattle sold with horns. Dealers submit \$2.00 to the Department for each head of cattle bought less a \$0.03 per head commission.

**.116** The Department receives reports of cattle sold from various livestock dealers. The Department uses the reports to prepare bills to livestock dealers. The Department was three months behind in preparing its bills.

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We Recommend

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**.117** The Department should send timely bills to livestock dealers for cattle deductions.

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Accurate and Complete Accounts Receivable Records Required

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**.118** The Department lacks adequate rules and procedures to ensure the accuracy and completeness of its records of the money owing to the Fund by livestock dealers.

**.119** The Department took several months to reconcile its

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## Chapter 5 Department of Agriculture and Food

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records of the money owed to the Fund to its general ledger. Without accurate and complete records, the Department is not able to follow up and collect money owed to the Fund.

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### We Recommend

**.120 The Department should ensure it keeps accurate and complete records of the money owed to the Fund.**

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### Timely Appropriate Financial Statements Required

**.121** The Department did not prepare timely financial statements for the year ended March 31, 1994.

**.122** The Department did not complete the year end financial statements for the Fund until eight months after the year end. In addition, the Department used an inappropriate basis of accounting to prepare the interim financial statements of the Fund. The Department used the cash basis of accounting rather than the accrual basis of accounting.

**.123** The Committee requires timely appropriate financial statements to make sound decisions regarding the operations of the Fund and to control and safeguard the assets of the Fund.

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### We Recommend

**.124 The Department should prepare timely appropriate financial statements for the Fund.**

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### Accurate and Complete Financial Statements are Required

**.125** The Department presented incomplete and inaccurate financial statements to us for audit.

**.126** The financial statements presented to us contained several significant errors. The statements presented overstated accounts payable by \$223,000, grant expenses by \$203,000, cattle inventory by \$24,000 and revenue by \$93,000, and the Swift Current Forage Project - cattle purchases and operating costs by \$119,000. We advised the Department of these errors. The Department corrected the financial statements for these errors.

**.127** The Department needs accurate and complete financial statements to make sound decisions. Incorrect financial statements can result in incorrect operating decisions.

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### We Recommend

**.128 The Department should establish rules and procedures to prepare accurate and complete financial statements.**

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## Chapter 5 Department of Agriculture and Food

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Committee Minutes .129 The Committee's minutes do not record its changes to previously approved grants.

.130 The Committee approved a grant for \$11,938. The Department did not pay the grant. The Department told us it will not pay the \$11,938 because the Committee changed the amount of the grant. However, the Committee's minutes do not record a change in the amount of the approved grant.

We Recommend .131 The Committee should record its decisions.



**Chapter 6**  
**Department of Education, Training and Employment**

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## Chapter 6

### Department of Education, Training and Employment

#### Introduction

**.01** The Department of Education, Training and Employment has overall responsibility for matters relating to education.

**.02** The Legislature creates various agencies to deliver education programs. These include school divisions, regional colleges, the Saskatchewan Institute of Applied Science and Technology (SIAST), the University of Saskatchewan and the University of Regina. The Department works with these public institutions to make available appropriate education programs. The Department also regulates private vocational schools.

**.03** The costs of education are significant. Table 1 details the costs, totalling more than \$1.6 billion, to deliver current education programs. We used the financial statements of the school divisions, universities, regional colleges, SIAST, and the Public Accounts to compile the revenue and costs.

**Table 1**  
**Education Costs by Object of Expenditure**  
**(in millions of dollars)**

Institution	Year End	Salaries and Benefits	Other	Total
School Divisions	December 31, 1993	\$ 764.1 <sup>1</sup>	\$332.1	\$1,096.2
Universities	April 30, 1994	256.2	80.0	336.2
SIAST	June 30, 1994	71.4	37.9	109.3
Department Operations	March 31, 1994	14.6	44.7	59.3
Regional Colleges	June 30, 1993	<u>19.3</u>	<u>19.2</u>	<u>38.5</u>
<b>Total</b>		<u>\$1,125.6</u>	<u>\$513.9</u>	<u>\$1,639.5</u>

<sup>1</sup> This expense includes \$156.0 million for teachers pensions. The General Revenue Fund is responsible for this expense.

## Chapter 6 Department of Education, Training and Employment

**.04** The money to pay for education spending comes from the following sources:

	<u>in millions of dollars</u>	<u>%</u>
General Revenue Fund	\$ 905.0	55
Property taxes	481.1	29
Tuition fees	76.5	5
Sale of goods & services	58.0	4
Gifts, grants and bequests	10.5	1
Sponsored research	56.3	3
Investment income	18.7	1
Other	33.4	2
	<u>\$1,639.5</u>	<u>100%</u>

Special Purpose  
Funds and Crown  
Agencies

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

	<u>Year End</u>
Carlton Trail Community College	June 30
Correspondence School Revolving Fund	March 31
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
New Careers Corporation	March 31
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Saskatchewan Book Bureau Revolving Fund	March 31
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Indian Regional College	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Southeast Regional College	June 30
Student Aid Fund	March 31
Teachers' Superannuation Commission	June 30

Our Audit Findings

**.06** This Chapter contains our audit findings for the Department (including special purpose funds) and its Crown agencies for fiscal years ending March 31, 1994 except for SIAST. For SIAST, this



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## Chapter 6 Department of Education, Training and Employment

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Chapter reports our audit findings for the year ended June 30, 1994. Our 1994 Fall Report includes our audit findings for Crown agencies with fiscal years ending December 31, 1993 or earlier.

**.07** In our opinion, the Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenues except for the matters reported in paragraphs .14 to .21. The Department complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. We also report our concerns with accountability for education spending in paragraphs .09 to .13.

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

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Accountability for  
Total Cost of  
Education Required

**.09** Currently, the Department is responsible, and thus accountable, for the quality and cost of education programs delivered to the people of Saskatchewan. However, the Government does not raise all of the taxes to pay for the cost of those programs. The Government pays for approximately 55% of education spending.

**.10** Currently, school divisions raise a portion of the taxes to pay for the cost of education programs. However, they do not raise all of the taxes, they receive direction from the Department on significant aspects of the education program to be delivered, and they do not determine teachers' salaries and benefits.

**.11** Teachers' salaries and benefits are determined through a bargaining committee established under Section 230 (2) of *The Education Act*. That Section states:

*A bargaining committee consisting of:*

*(a) 4 persons appointed by the association; and*

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## Chapter 6 Department of Education, Training and Employment

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(b) 5 persons appointed by the Lieutenant Governor in Council;

*and that committee shall have exclusive authority, and shall be the sole party, to bargain collectively and to execute collective bargaining agreements on behalf of boards of education and conseils scolaires and the Government of Saskatchewan*

.12 The association referred to in Section 230 (2) is The Saskatchewan School Trustees' Association.

.13 The Legislative Assembly needs to consider whether the system of accountability in the education sector needs to be strengthened. The current system is inconsistent with the principle that the person raising taxes should be answerable for how those taxes are spent.

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Accountability to the  
Department Required

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.14 The Department provides funding to school divisions and post-secondary educational institutions. The Department needs to establish a process for obtaining written agreement with those education organizations setting out clearly the Department's objectives and expectations. The Department's expectations should be stated in terms of financial, operational and compliance with authority objectives.

.15 Clear and complete written agreements help ensure the education programs required and expected by the Department are delivered and public money is managed and accounted for properly.

.16 We believe the agreements should:

- clearly set out the financial, operating, and compliance with authorities objectives needed to deliver the education program. The agreements should require the organization to carry out the work to achieve the objectives;
- require the organization to report to the Department on the system and practices used to achieve the objectives;
- require the organization to report on its performance in meeting the objectives (e.g., in its annual report); and

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## Chapter 6 Department of Education, Training and Employment

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- allow the Department access to the organizations' records to verify the reports received from the organizations. Alternatively, the organizations' reports could be verified using the organizations' independent auditors (e.g., audited financial statements).

.17 Currently, the Department receives audited financial statements from all of the education organizations it funds. However, the Department does not receive reports on whether public money has been properly safeguarded and spent according to the law from all of the education organizations it funds. It does receive such reports from SIAST and from regional colleges.

.18 In addition, the Department does not receive reports on whether its operating objectives are being met. For example, one of the Department's operating objectives is to increase access to training and education for aboriginal people.

### We Recommend

.19 The Department should obtain written agreements with the education organizations it funds setting out clearly the Department's expectations in terms of financial, operating and compliance with authorities objectives.

.20 The Department should ensure the education organizations it funds maintain the systems and procedures necessary to meet the Department's objectives and expectations.

.21 The Department should receive reports from the education organizations it funds showing the extent to which the Department's objectives and expectations have been met. To the extent practicable, those reports should be verified.

### SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

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

.23 SIAST had revenue of \$112 million in 1994 and held assets of \$82 million at June 30, 1994. SIAST's financial statements are included in its annual report.

### Our Audit Findings

.24 KPMG Peat Marwick Thorne and my Office audit SIAST as joint auditors.

.25 In our opinion, SIAST's financial statements are reliable. SIAST complied with the authorities governing its activities

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## Chapter 6 Department of Education, Training and Employment

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relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. SIAST had adequate rules and procedures to safeguard and control its assets, except for the significant deficiencies reported in paragraphs .26 to .76.

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### Management Structure Needs Strengthening

**.26** The Chief Financial Officer (CFO) is not included in the Senior Management Team (SMT).

**.27** The Board created the SMT to manage the affairs of SIAST. The team consists of the President, an Assistant to the President and four Principals.

**.28** In our 1993 Annual Report, we reported a weakness in SIAST's ability to take decisions, provide direction to employees, and to set long term priorities. We were concerned that most positions on the SMT were vacant.

**.29** During the year, SIAST filled all the vacant positions and hired a new CFO. However, the CFO is not a member of the SMT.

**.30** The Board informed us the SMT is the senior decision making body at SIAST and the President is the formal link between SIAST and the Board.

**.31** *The Institute Act* created SIAST. Section 13 (4) of the Act states:

*The chief executive officer shall exercise the powers and perform the duties assigned to him by the board and is responsible, subject to the directions of the board, for general supervision and direction of the operation of the institute.*

**.32** We have not seen any formal delegation of powers and duties to the President. We must, therefore, assume the SMT is responsible to the Board for managing the affairs of SIAST, with the President as the SMT's link to the Board.

**.33** As the SMT is the senior decision making body of SIAST, we think the SMT needs the CFO as one of its members to ensure:

- the SMT considers all financial issues before making any decisions;



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## Chapter 6 Department of Education, Training and Employment

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- operations reflect the financial decisions made by the SMT; and
- the authority of the CFO in all financial matters is confirmed.

.34 To ensure SIAST has a strong financial function, we believe the Board should confirm the authority of the CFO in financial matters by making the CFO a member of the SMT.

.35 SIAST has four institutes. All institutes have financial officers who deal with the day to day financial operations of these institutes. These officers need clear direction on what needs to be done and how it should be done.

.36 We noted instances where institutes were not consistent in applying the policies and procedures issued by the Board. Because the authority of the CFO has not been confirmed by the Board, the financial officers at various institutes place their own interpretation on the policies and procedures, instead of seeking direction from the CFO. This resulted in inconsistent application of policies and procedures by the institutes. These inconsistencies resulted in incorrect financial statements. Incorrect financial statements can lead to incorrect decisions by the Board.

.37 A strong financial function will help ensure SIAST's financial statements are timely and correct.

### We Recommend

**.38 The Board should provide clear terms of reference to the President and the SMT.**

**.39 The Board should appoint the CFO to the SMT and should confirm the authority of the CFO for all financial matters.**

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### Audit Committee Needs an Internal Audit Function to Help Oversee Management

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

.41 The Board has established an Audit Committee. An Audit Committee can help the Board to effectively oversee management. One responsibility of an Audit Committee is to oversee the financial and accounting policies of an organization.

.42 In a large decentralized organization such as SIAST, the

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Board needs independent assurance management is complying with the Board's policies. The Audit Committee, through an internal audit function, can assure the Board management is complying with the policies and procedures issued by the Board.

.43 We believe, without the assistance of an internal audit function, it is difficult for the Audit Committee to fulfil this responsibility.

.44 During the year, we noted the following instances where institutes did not comply with the Board's policies and procedures:

- institutes recorded liabilities for severance amounts incorrectly;
- institutes did not properly review and control accounts receivable;
- institutes recorded lease transactions incorrectly; and
- institutes did not ensure all transactions recorded in the records were properly authorized.

.45 We told SIAST about these errors. SIAST corrected the errors for its year end financial statements.

### We Recommend

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

.47 We also reported this matter in our 1993 Annual Report.

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### Policies and Procedures Needed for Accurate and Timely Monthly Financial Statements

.48 SIAST lacks adequate rules and procedures for recording all contract revenue in the correct period.

.49 Failure to record revenue in the correct period results in incorrect financial statements. This deficiency in SIAST's rules and procedures may result in the Board receiving incomplete and inaccurate monthly financial reports.

.50 The Board is responsible for controlling the financial affairs of SIAST. To do this, the Board needs adequate and accurate financial reports. Financial reports must provide complete, accurate and timely information. They must also permit the comparison of operating results to the operating plan (annual

budget). Inadequate or incorrect financial reports can result in incorrect decisions.

**.51** SIAST generates almost 25% of its total revenue from sponsors' contracts. The process of determining, recording and collecting this type of revenue involves many individuals in many departments within the institutes. The rules and procedures to record this revenue must be rigorous to ensure the revenue recorded is complete and accurate.

**.52** SIAST records all contractual revenue at the end of the year for annual financial statement purposes. However, SIAST does not record this revenue in the proper accounting period during the year. As a result, monthly financial statements prepared for the Board are incorrect.

**.53** This lack of rules and procedures results in the Board receiving incomplete and inaccurate financial information. Inaccurate financial information can result in incorrect decisions by the Board.

### We Recommend

**.54** SIAST should establish rules and procedures to record contract revenue in the correct period to ensure the preparation of accurate and timely financial statements.

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### Budgeting and Financial Reporting System Needs Strengthening

**.55** SIAST does not have an adequate budgeting and financial reporting system.

**.56** Comparing plans with actual results is a good management practice. Also, clearly defined rules and procedures help management establish plans and programs, and work as a tool for assigning responsibility and authority.

**.57** Budgeting and financial reporting rules and procedures should address the following:

- Defining a process to assess what information primary users need for decision making purposes;
- Defining a process to allow an organization to respond to a changing environment to accommodate needs of different models of program delivery;
- Establishing procedures to ensure institutes comply with

approved accounting policies;

- Defining policies and procedures for production and distribution of financial reports;
- Defining appropriate budget preparation procedures including:
  - deadlines and contents;
  - linking budget figures to planned activity level;
  - support for budget figures;
  - reporting format;
  - checking of key assumptions and mechanical accuracy;
  - challenge and review by senior management; and
  - change procedures.
- Establishing rules and procedures for all institutes defining:
  - timely regular reports comparing actual revenues and expenditures to budgets and highlighting the variances;
  - who should review, challenge and approve the variance analysis; and
  - who in the chain of command should receive and monitor the results of variance analysis.

**.58** SIAST lacks complete written rules and procedures for budgeting and financial reporting. We observed instances where budgets were changed without approval. Accountability for the original budget is lost when changes are made without proper approval.

**.59** Various personnel at SIAST expressed a lack of confidence in the budget. This suggests the process is not effective in monitoring and controlling resources. Clearly defined rules and

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## Chapter 6 Department of Education, Training and Employment

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procedures for budget preparation, including adequate input from the appropriate levels of staff, would assist in restoring confidence in the budget.

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### We Recommend

**.60 SIAST should establish appropriate rules and procedures for budgeting and financial reporting.**

**.61** We reported a similar matter in our 1993 Annual Report.

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### Human Resource Management

**.62** SIAST lacks a long term human resource plan and does not have consistent human resource management policies.

**.63** In our 1993 Annual Report, we reported SIAST should establish a long term human resource plan, should establish written job descriptions for all positions, and should establish policies and procedures to handle staff grievances.

**.64** SIAST needs a human resource plan related to its mission and objectives. In the absence of a plan, requests for staffing may be at odds with the mission and objectives, resulting in an inadequate or excessive work force.

**.65** During the year, SIAST hired a consultant to report on human resource issues and to provide a long-term plan, including recommendations for implementing the plan.

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### We Recommend

**.66 SIAST should establish a long-term human resource plan.**

**.67 SIAST should establish written job descriptions for all positions.**

**.68** SIAST told us they have taken steps to address the consultant's report.

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### System Development Controls Needed

**.69** SIAST lacks appropriate system development controls.

**.70** SIAST should establish rules and procedures to ensure employees and consultants follow prescribed procedures and obtain approvals before starting new systems or changing existing systems. System development controls are necessary to ensure systems achieve desired results in an effective manner.

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	<p>.71 We also reported this matter in our 1993 Annual Report.</p>
<b>We Recommend</b>	<p><b>.72 SIAST should establish appropriate system development controls.</b></p>
<hr/>	<hr/>
Computer Access Controls and Security Monitoring Needs Strengthening	<p>.73 SIAST does not have adequate rules and procedures for controlling access to computer information and security monitoring.</p> <p>.74 Organizations should have written policies and procedures to control access to information and information systems.</p> <p>.75 SIAST has established some informal policies and procedures to control access to information and information systems. However, these are inadequate. They do not require follow-up of unauthorized access to information and information systems and security violations.</p>
<b>We Recommend</b>	<p><b>.76 SIAST should establish written rules and procedures to control access to its information and its information systems.</b></p>

### STUDENT AID FUND

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

.78 The Fund had revenues of \$43 million in 1994 and held assets of \$96 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page B333.

### Our Audit Findings

.79 In our opinion, the Fund's financial statements are reliable. The Department complied with the authorities governing the Fund's activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .80 to .98. The Department had adequate rules and procedures to safeguard and control the assets of the Fund except for the significant deficiencies reported in paragraphs .90 to .103.

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### Lack of Authority to Limit Interest Write-down Grants

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

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

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

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

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

.85 Contrary to its legal advice, the Department applied interest write-down subsidies over a 36 month benefit period on loans issued in 1986/87. Officials informed us they have no legal advice to support this practice.

.86 In our opinion, the Department acted beyond its authority when it limited the interest subsidy period for students who received loans in 1986/87.

.87 We also reported this matter in our 1991 and 1993 Annual Reports.

### We Recommend

**.88 The Department should not limit the interest subsidy period for students who obtained loans in 1986/87.**

.89 In January, 1992, Cabinet directed that this be handled on a case-by-case basis. Any students who received a loan in 1986/87

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## Chapter 6 Department of Education, Training and Employment

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and request a review of their obligations regarding their eligibility for an interest rate subsidy, will have the interest rate on those loans reduced to 6% for the repayment period.

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Extent of Ineligible  
Student Loans  
Not Known

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**.90** During 1993-94, the Department did not adequately verify critical information on student loan applications.

**.91** During 1993-94, the Department made student loans of approximately \$44 million. The Department must be responsive to the applicant's financial needs, but must ensure only eligible applicants receive aid in the correct amounts. To do this, the Department needs to verify student status and financial status of applicants. Applicants are responsible for providing accurate financial, personal and demographic information. We found there was insufficient verification of critical information on student loan applications before loans were disbursed.

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

**.93** During 1993, the Department improved its method for auditing student loans to determine the amount of ineligible student loans. However, the Department told us it will take two years to complete the audits. Therefore, the extent of ineligible student loans for the 1992/93 academic year was not known when we completed our audit. The Department has not done any audit work on student loans granted in the 1993-94 academic year.

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

**.95** We also need the information on the extent of ineligible loans. We need this information to form our opinion on the Department's rules and procedures for ensuring only eligible persons receive appropriate assistance. We are unable to report the Department complied with the authorities governing the granting of student loans because of the lack of information.



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## Chapter 6 Department of Education, Training and Employment

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**.96** We also reported this matter in our 1991 and 1993 Annual Reports.

**We Recommend**

**.97** The Department should determine promptly the extent of ineligible loans.

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

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**Budget Not Approved**

**.99** The Board of Trustees did not approve a budget for the Student Aid Fund for the 1993-94 fiscal year.

**.100** Section 3(2) of *The Student Assistance and Student Aid Fund Act* states:

*The trustee shall administer the fund in accordance with this Act and the regulations.*

**.101** The Trustees need to receive and consider financial information about the Fund to monitor the Fund's activities. Comparing planned results to actual results is a good business practice for monitoring financial activities. As part of this process, the Trustees need to approve the budget for the Student Aid Fund.

**.102** The Trustees were unable to fulfil this responsibility for the 1993-94 fiscal year as they did not meet until December 6, 1993. In addition, the Trustees were not scheduled to meet again until late 1994.

**We Recommend**

**.103** The Trustees should approve the Fund's budget before the start of the year.

**NEW CAREERS CORPORATION**

**.104** New Careers Corporation (NCC) provides provincial social assistance clients with opportunities for greater independence and employment. NCC provides these opportunities through career planning, job-search training, counselling, skills development, educational upgrading, and work experience.

**.105** In 1994, NCC had revenue of \$20.2 million and held assets of \$5.9 million at March 31, 1994. NCC's financial statements are included in the Public Accounts Compendium at page B44.

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## Chapter 6 Department of Education, Training and Employment

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### Our Audit Findings

**.106** In our opinion, NCC's financial statements are reliable. NCC complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing and investing except for the matters reported in paragraphs .118 to .120. NCC had adequate rules and procedures to safeguard and control its assets except for the significant deficiencies reported in paragraphs .107 to .117.

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### Improvements to Saskatchewan Skills Development Program Payments Needed

**.107** NCC needs to improve its rules and procedures to ensure its payments comply with the Saskatchewan Skills Development Regulations. The Regulations require payments under the Program be for vocational preparation and training of social services recipients.

**.108** NCC administers the Program with the assistance of the Department of Education, Training and Employment. NCC refers social assistance recipients to educational institutions to receive work preparation and training under the Program. The Department approves invoices received from the educational institutions. The Department then provides NCC these invoices for payment. NCC reviews these invoices noting the Department's approval. NCC does not ensure approved invoices meet the requirements of the Regulations.

**.109** We also reported this matter in our 1993 Annual Report.

### We Recommend

**.110** NCC should improve its rules and procedures to ensure its payments comply with the law.

**.111** NCC told us it is currently negotiating an agreement with the Department to specify the procedures required to comply with the Regulations.

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### Clear Construction Contracts Required

**.112** NCC's construction contracts do not clearly describe the parties' legal obligations if a contract cancellation occurs.

**.113** NCC needs to ensure its construction contracts clearly describe the parties' legal obligations to control against loss of public money.

**.114** In our 1993 Annual Report, we reported NCC cancelled two construction contracts. NCC paid the contractors \$118,756 to cancel the contracts. These contracts did not have contract

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## Chapter 6 Department of Education, Training and Employment

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cancellation provisions.

.115 In 1993-94, NCC continued to use contracts that did not have contract cancellation provisions.

### We Recommend

**.116 NCC should ensure its construction contracts clearly describe the parties' legal obligations.**

.117 NCC told us it is currently seeking advice from the Department of Justice in developing a standard contract that clearly describes the parties' legal obligations.

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### Borrowing Limit Exceeded

.118 NCC exceeded its borrowing limit seven times without proper authority during the period April 1, 1993 to December 31, 1993.

.119 Section 4 (7) (g) of NCC's enabling Order-in-Council 448/92 states NCC may:

*...borrow money on those terms and conditions and with those times of repayment that the corporation thinks advisable and necessary provided that the total of such loans outstanding from time to time shall not exceed the sum of \$200,000, except with the prior approval of the Lieutenant Governor in Council.*

### We Recommend

**.120 NCC should comply with its borrowing limit or obtain the necessary prior approval of the Lieutenant Governor in Council.**

### CORRESPONDENCE SCHOOL REVOLVING FUND

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

.122 The Fund had revenues of \$1.9 million in 1994 and held assets of \$0.5 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page A277.

### Our Audit Findings

.123 In our opinion, the Fund's financial statements are reliable except for the matter reported in paragraphs .124 to .127. The Department had adequate rules and procedures to safeguard and

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## Chapter 6 Department of Education, Training and Employment

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control the assets of the Fund. The Department complied with the authorities governing the activities of the Fund relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing and investing.

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### Reservation in Our Auditor's Report

**.124** Our auditor's report on the Fund's 1994 financial statements contains a reservation of opinion. We could not verify the value of the March 31, 1993 inventory.

**.125** The audit arrangements for the Fund at March 31, 1993 were not finalized until after year end. Therefore, we were unable to observe the taking of physical inventories at March 31, 1993.

**.126** Because we did not observe the inventory count at March 31, 1993, we were unable to determine if the value of opening inventory affected the amounts reported as costs of goods sold and the net loss in the 1994 financial statements.

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

*I was not able to observe the counting of physical inventories at March 31, 1993 and could not satisfy myself concerning these inventory quantities by alternative means. Since inventory at the beginning of the year enters into the determination of the results of operations and changes in financial position, I was unable to determine whether adjustment of cost of sales and net loss for the year, and the amount financed by operations might be necessary.*

*In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to examine inventory quantities at March 31, 1993, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.*

**Chapter 7**  
**Department of Energy and Mines**

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## Chapter 7

### Department of Energy and Mines

**Introduction**

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

**General Revenue Fund**

**.02** The Department managed General Revenue Fund appropriations of \$16 million and revenues of \$461 million. Information about the revenues and appropriations appears in Volume 2 of Public Accounts at pages 8 and 67 respectively.

**.03** The Department's major tax and royalty revenues follows:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Oil	\$235	\$300
Potash	59	51
Natural Gas	34	50
Uranium	26	32
Coal	14	15
Other	<u>10</u>	<u>13</u>
	<u>\$378</u>	<u>\$461</u>

**Special Purpose Fund**

**.04** The Department also operates the Oil and Gas Environmental Fund.

**Our Audit Findings**

**.05** In our opinion, the Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenues except for the significant deficiency reported in paragraphs .21 to .26. The Department complied with the authorities governing its General Revenue Fund appropriations and revenues relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .07 to .20.

**.06** In our opinion, the financial statements for the Oil and Gas Environmental Fund are reliable. The Department complied with the authorities governing the activities of the Fund relating to financial reporting, safeguarding of assets, revenue raising,

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## Chapter 7 Department of Energy and Mines

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spending, borrowing, and investing. The Department had adequate rules and procedures to safeguard and control the assets of the Fund.

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### NewGrade Payments Require Authority

.07 The Department paid \$1,067,826 to NewGrade Energy Inc. (NewGrade). The Department called this payment "NewGrade Royalty Rebate." The Department used Order-in-Council 7/89 as its authority for the payment. The stated authority to issue this Order is Section 60 of *The Financial Administration Act*.

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

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

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

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

.12 We believe Section 60 of the Act gives Cabinet the power to remit royalties but not the power to make grants. Accordingly, the payment of \$1,067,826 to NewGrade does not have legislative authority.

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

.14 We also reported this matter in our 1990, 1991, 1992, and 1993 Annual Reports.

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## Chapter 7 Department of Energy and Mines

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### We Recommend

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

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

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

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

**.19** The PAC discussed this matter again on January 19, 1994. The Department told PAC the Department of Finance has not directed the Department to change its practices to include the payments to NewGrade as expenditures. The PAC decided to repeat its previous recommendation to the Assembly.

**.20** The Department has not complied with PAC's recommendation.

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### Timely Audits Needed

**.21** The Department did not carry out timely field audits of potash and uranium producers' returns.

**.22** The law requires potash and uranium producers to periodically submit tax/royalty returns to the Department. These returns contain information on gross tax/royalty calculations and deductions for allowable expenses.

**.23** Timely audits are necessary to ensure producers' report the correct amount of revenue and allowable expenses to arrive at the tax and royalty payable.

**.24** Currently, the Department is auditing potash and uranium producers' returns for 1988 or earlier.

**.25** In our opinion, late audits of producers' returns could result in losses to the Crown.



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## Chapter 7 Department of Energy and Mines

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**We Recommend**

**.26 The Department should carry out timely audits of potash and uranium producers' returns.**

# Chapter 8 Department of Environment and Resource Management

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## Chapter 8

### Department of Environment and Resource Management

#### Introduction

**.01** The Department is responsible to manage, enhance, and protect Saskatchewan's natural and environmental resources (i.e., fish, wildlife, lands, forests, parks, air, and water) for conservation, recreation, social, and economic purposes and to sustain those resources for future generations.

#### General Revenue Fund

**.02** The Department managed General Revenue Fund appropriations of \$110.8 million and revenue of \$43.9 million in 1994. Volume 2 of the Public Accounts contains information about the Department's revenues and appropriations at pages 8 and 72 respectively.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Forest Fire Management	\$ 26.1	\$ 39.0
Operations	18.1	19.7
Environmental Protection	11.6	10.8
Forests and Lands	9.6	10.2
Other	<u>30.2</u>	<u>31.1</u>
	<u>\$ 95.6</u>	<u>\$110.8</u>

#### Special Purpose Funds and Crown Agency

**.04** The Department is also responsible for the management of the following special purpose funds and Crown agency:

- Commercial Revolving Fund
- Resource Protection and Development Revolving Fund
- Fish and Wildlife Development Fund
- Forest Renewal and Development Fund
- Saskatchewan Wetland Conservation Corporation

#### Our Audit Findings

**.05** In our opinion, the Department complied with the authorities governing its General Revenue Fund appropriations and revenue relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenues except for the significant deficiencies reported in paragraphs .07

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## Chapter 8 Department of Environment and Resource Management

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to .13.

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

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Rules and Procedures  
for Financial  
Reporting Needed

**.07** The Department does not have adequate written rules and procedures for preparing monthly financial reports.

**.08** Staff at the Department's branch offices prepare the reports used to monitor the financial activities of the Department. To ensure staff can prepare reports correctly, staff must know what reports the Department needs and how to prepare the reports. The Department must ensure staff have appropriate direction for preparing monthly reports.

**.09** The Department's lack of adequate written rules and procedures for preparing monthly financial reports increases the risk of incorrect reports. Incorrect financial reports can lead to incorrect decisions.

**.10** The Department's written rules and procedures should help ensure its financial reports include:

- the financial information needs of program managers;
- budgets based on activity levels whenever appropriate;
- highlights and explanation of variances for each level of management; and
- actual results using the accrual basis of accounting.

**We Recommend**

**.11** The Department should establish adequate written rules and procedures for preparing its monthly financial reports.

**.12** The Deputy Minister should approve these policies and procedures.

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## Chapter 8 Department of Environment and Resource Management

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.13 The Department told us it is currently reviewing its rules and procedures.

### FISH AND WILDLIFE DEVELOPMENT FUND

.14 The Fund was established for the purposes of:

- preventing the continual reduction of wildlife habitat and wildlife population in the agricultural area of the Province; and
- fish enhancement projects to prevent the loss of fish or fish habitat.

.15 The Fund had revenues of \$3.1 million in 1994 and held assets of \$12.4 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page B163.

### Our Audit Findings

.16 In our opinion, the Fund's financial statements are reliable. The Department complied with the authorities governing the Fund relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .17 to .32. The Department had adequate rules and procedures to safeguard and control the Fund's assets except for the significant deficiencies reported in paragraphs .17 to .28.

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### Non-Compliance With Established Government Purchasing Policy

.17 The Department did not comply with established Government purchasing policy.

.18 Section 5 of *The Purchasing Act* requires the Department to buy through the Director of Purchasing unless the Director permits the Department to buy directly. The Director permits the Department to buy certain goods and services directly using local purchase orders (LPOs).

.19 Section 551-1 of the Financial Administration Manual (FAM) issued by the Provincial Comptroller states the Department must follow the Director of Purchasing's policies.

.20 The Provincial Comptroller can exempt the Department from the requirements of Section 551 of FAM if alternative controls are present at the Department.

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## Chapter 8 Department of Environment and Resource Management

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	<p>.21 The Department did not use purchase orders or LPO's to buy supplies for the Fund, nor did it seek an exemption from the Provincial Comptroller. Therefore, the supplies bought for the Fund lacked authority.</p>
<b>We Recommend</b>	<p><b>.22 The Department should use purchase orders or local purchase orders to buy supplies or seek an exemption from the Provincial Comptroller.</b></p> <p>.23 The Department told us it is seeking an exemption from the Provincial Comptroller.</p>
<hr/>	<hr/>
Salaries Charged to the Fund Require Support	<p>.24 There is a lack of evidence to know if salaries charged to the Fund are appropriate.</p> <p>.25 Department employees work on projects financed by the General Revenue Fund (GRF) and the Fund. The Department pays employees from the GRF. Monthly, the Department reimburses the GRF for salaries paid to employees working on projects financed by the Fund.</p> <p>.26 The Department lacks evidence of the work performed by its employees. Accordingly, we do not know if the Department charged salaries to the appropriate fund.</p>
<b>We Recommend</b>	<p><b>.27 The Department should ensure it has adequate evidence to support salary charges to the Fund.</b></p> <p>.28 The Department told us employees whose salaries are charged to the Fund will complete attendance reports showing work performed.</p>
<hr/>	<hr/>
Payments Require Authority	<p>.29 The Department charged two payments to the Fund that lacked authority.</p> <p>.30 According to <i>The Government Organization Act</i>, the Lieutenant Governor-in-Council (Cabinet) must approve all contracts resulting in payments more than \$10,000 in any fiscal year.</p> <p>.31 The Department made payments under two contracts in the amounts of \$22,000 and \$15,000. Cabinet did not approve these contracts. Accordingly, the Department did not comply with <i>The</i></p>

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## Chapter 8 Department of Environment and Resource Management

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*Government Organization Act.*

**We Recommend**

**.32 The Department should obtain Cabinet approval before making payments under contracts for more than \$10,000 in any fiscal year.**

**Chapter 9**  
**Department of Executive Council**

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## Chapter 9

### Department of Executive Council

#### Introduction

**.01** The Department provides organization and record keeping services to the Premier and the Government. The Department also provides support to the Premier in his role as: Head of Government; Chair of Cabinet; Chair of the Planning and Priorities Committee; and Head of the political party with a mandate to govern.

**.02** In 1994, the Department managed General Revenue Fund appropriations of \$6.2 million. Information about the Department's General Revenue Fund appropriations is contained in Volume 2 of the Public Accounts at page 83.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Administration	\$3.3	\$3.6
Cabinet and Policy and Planning		
Secretariat	1.3	1.1
Accommodation and Central Services	0.9	0.8
Other	<u>1.0</u>	<u>0.7</u>
	<u>\$6.5</u>	<u>\$6.2</u>

#### Our Audit Findings

**.04** In our opinion, the Department complied with the authorities governing its General Revenue Fund appropriations relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations except for the significant deficiencies reported in paragraphs .05 to .09.

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#### Policy and Procedures for Financial Reports Needed

**.05** The Department does not have adequate written rules and procedures for preparing its internal financial reports.

**.06** The Department prepares internal financial reports using the guidance contained in a memorandum prepared by Treasury Board. The memorandum lacks rules and procedures for the following significant matters:

- preparing budgets based on level of activity whenever

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## Chapter 9 Department of Executive Council

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possible;

- comparing actual year to date figures to budgeted year to date figures;
- explaining variances by comparing planned level of activity to actual level of activity; and
- preparing financial reports using the accrual basis of accounting.

**.07** In addition, the Deputy Minister has not formally approved the Department's rules and procedures for preparing financial reports.

**We Recommend**

**.08** The Department should establish adequate written rules and procedures for preparing internal financial reports.

**.09** The Deputy Minister should approve the rules and procedures in writing.

**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, 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.

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#### General Revenue Fund

**.03** The Department is responsible for controlling appropriations from the General Revenue Fund and for ensuring the receipt of all revenue for the Fund. In addition, in 1994, the Department managed specific General Revenue Fund appropriations of \$146 million and public debt expenses of \$1.4 billion. The Department also manages General Revenue Fund revenues of \$4.3 billion as well as money received from Crown agencies related to public debt costs of \$568 million in 1994. Information about the General Revenue Fund revenues and appropriations appears in Volume 2 of the Public Accounts at pages 9, 89, and 95 and Volume 1 of the Public Accounts at Page 12.



## Chapter 10 Department of Finance

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Interest-General Revenue Fund	\$ 848	\$ 873
Interest-User Fee Enterprises	<u>578</u>	<u>568</u>
Total Interest on the Public Debt	1,426	1,441
Employee Benefits	120	122
Tax Collection Expenses	7	7
Provincial Comptroller	5	5
Budget Analysis	4	4
Other	<u>11</u>	<u>8</u>
	<u>\$1,573</u>	<u>\$1,587</u>

.05 The Department's major revenue sources are:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Individual Income Taxes	\$1,084	\$1,068
Interest-User Fee Enterprises	578	568
Sales Taxes	672	666
Transfers from Government of Canada:		
Equalization	570	538
Established Programs Financing	388	395
Fuel Taxes	330	344
Corporation Capital and Income Taxes	281	317
Tobacco Taxes	112	111
Transfers from Crown Entities	236	153
Motor Vehicle Fees	86	85
Other	<u>77</u>	<u>64</u>
	<u>\$4,414</u>	<u>\$4,309</u>

Pension and Benefit  
Plans

.06 The Department is also responsible for the management of the following funds and Crown agencies. The list also shows the date of their fiscal year end.

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## Chapter 10 Department of Finance

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Judges of the Provincial Court Superannuation Plan  
(March 31, 1994)  
Liquor Board Superannuation Plan (December 31, 1993)  
Members of the Legislative Assembly Superannuation Plan  
(March 31, 1994)  
Municipal Employees Superannuation Plan  
(December 31, 1993)  
Public Employees Disability Income Fund  
(December 31, 1993)  
Public Employees Dental Fund (December 31, 1993)  
Public Employees Benefits Agency Revolving Fund  
(March 31, 1994)  
Public Employees (Government Contributory)  
Superannuation Plan (March 31, 1994)  
Public Employees Group Life Insurance Fund  
(December 31, 1993)  
Public Service Superannuation Plan  
(March 31, 1994)  
Saskatchewan Pension Plan (December 31, 1993)  
Sinking Fund (March 31, 1994)  
Workers' Compensation Board Superannuation Plan  
(December 31, 1993)

### Our Audit Findings

**.07** We reported on the Government's Summary Financial Statements and the Financial Statements for the General Revenue Fund in our 1994 Fall Report. We reported the Summary Financial Statements included in Volume 1 of the Public Accounts are reliable. We also reported the General Revenue Fund Financial Statements included in Volume 1 of the Public Accounts are not reliable.

**.08** The General Revenue Fund financial statements are not reliable because they do not show properly annual pension costs and total pension liabilities.

**.09** In our opinion, the Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenues except for the significant deficiencies reported in paragraphs .16 to .19. The Department complied with the authorities governing its activities for its General Revenue Fund appropriations and revenues relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .20 to .26. We also bring concerns with loan guarantees and Sinking Fund

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## Chapter 10 Department of Finance

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financial statements to the attention of Members of the Legislative Assembly in paragraphs .27 to .37.

**.10** We also report an additional matter in paragraphs .13 to .15 relating to recommendations of the Standing Committee on Public Accounts.

**.11** This Report covers the audits of pension and benefit plans for years ending March 31, 1994. Our 1994 Fall Report, reported on our audits of pension and benefit plans with years ending on or before December 31, 1993.

**.12** In our opinion, the financial statements for pension and benefit plans with years ending March 31, 1994 are reliable. The Department had adequate rules and procedures to safeguard and control the assets of these pension and benefits plans. The Department complied with the authorities governing these pension and benefits plans relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

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Annual Report  
Needed

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**.13** The Department does not prepare an annual report on its activities.

**.14** The Standing Committee on Public Accounts recommended all government departments provide timely annual reports on their activities. Legislators and the public use annual reports to understand and assess the performance of government departments.

**We Recommend**

**.15 The Department should prepare an annual report on its activities.**

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Assurance Needed  
for Income Tax  
Revenues

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**.16** The Department does not know whether the Federal Government (Canada) has an adequate system to assess and pay all income tax revenue due to the Department.

**.17** The Department has a tax collection agreement with Canada. Canada assesses provincial income taxes for the Department. Canada pays the Department its income tax revenues.

**.18** Canada gives the Department an audited "Statement of Taxes Payable to the Provinces and Territories". The Statement

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## Chapter 10 Department of Finance

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does not give the Department assurance that Canada has an adequate system to assess and pay all income tax revenue due to the Department.

**We Recommend**

**.19 The Department should determine whether Canada has an adequate system to assess and pay all income taxes due to the Department.**

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List of Entities  
Required

**.20 Treasury Board needs to prepare a list of entities required to follow its directives.**

**.21** Section 5(d) of *The Financial Administration Act, 1993* allows Treasury Board to designate which entities are subject to its directives. Section 10(1)(e) of that Act requires the Comptroller to ensure, as far as is practicable, designated entities follow Treasury Board's directives.

**.22** The Treasury Board Accounting and Reporting Policy Manual contains many of Treasury Board's directives. These directives govern matters such as banking, payments, board pay and expenses and contracts. Treasury Board does not prepare a list of entities required to follow the directives in this Manual. Without this list, we do not know if the Comptroller's Division ensures designated agencies follow Treasury Board's directives.

**.23** We also reported this matter in our 1993 Annual Report.

**We Recommend**

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

**.25** In June, 1994, the Deputy Minister of Finance informed us when the Department develops new policies for the Treasury Board Accounting and Reporting Policy Manual, an effort will be made to identify which entities are to follow them.

**.26** Many policies have not been amended since the Department started identifying the entities which are to follow the directives. Therefore, we feel it is still necessary for Treasury Board to designate which entities are to follow the directives.

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Information Needed  
for Guarantees

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



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## Chapter 10 Department of Finance

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.28 Section 62 of *The Financial Administration Act, 1993* requires the Minister of Finance to inform the Legislative Assembly of the facts connected with payments made on guarantees that the Minister authorized. There is no similar requirement when another minister authorized the guarantees. For example, the Minister of Agriculture and Food makes payments for guarantees under *The Farm Financial Stability Act*. In 1994, the Agricultural Credit Corporation of Saskatchewan paid \$10 million for guarantees under this Act. The Government did not give the Legislative Assembly reasons for payments made on these guarantees.

.29 We reported this matter in our 1993 Annual Report.

### We Recommend

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

.31 In June, 1994, the Deputy Minister of Finance acknowledged this issue and indicated the Department needs to seek direction from Treasury Board to resolve it.

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### Sinking Fund Statements Needed

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.32 The Department does not prepare general purpose financial statements for the Government's Sinking Fund.

.33 Generally, when the Government borrows money, the debt is a charge on and payable from the General Revenue Fund. For some Government borrowing, the law requires the Government to have a sinking fund. The General Revenue Fund pays money into the Sinking Fund to retire the debt on maturity. At March 31, 1994, the Sinking Fund held assets of approximately \$383 million.

.34 Sometimes the Government borrows money to meet the needs of a specific Crown agency. In these cases, the Government requires that agency to reimburse the General Revenue Fund for its payments to the Sinking Fund.

.35 We think the Department should prepare and publish general purpose statements for the Government's Sinking Fund. These statements should show the Sinking Fund's assets and liabilities as well as its revenues and expenses. We feel this information is necessary for the Department to show how it administers the public money in the Sinking Fund.

.36 We also reported this matter in our 1993 Annual Report.

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## Chapter 10 Department of Finance

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**We Recommend**

**.37** The Department should prepare and publish general purpose financial statements for the Government's Sinking Fund.

**Special Warrants**

**.38** The law requires us to report when a special warrant authorized the payment of public money. In 1993-94, the Government authorized the spending of approximately \$72 million by special warrant. These special warrants were subsequently included in an appropriation act.

**MEMBERS OF  
THE  
LEGISLATIVE  
ASSEMBLY  
SUPERANNUATION  
FUND**

**.39** The Department manages the Members of the Legislative Assembly Superannuation Fund. The Fund receives contributions from Members and the General Revenue Fund and receives investment income. The Department uses the money to pay pensions, annuities and administration costs.

**.40** In 1994, the Fund had investment income of \$0.5 million and the Department paid pensions of \$1.9 million from the Fund. The Fund had net assets of \$10.2 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page A340.

**Our Audit Findings**

**.41** In our opinion, the Fund's financial statements are reliable. The Department complied with the authorities governing the Fund relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .42 to .48. We also bring our concerns with annuity underwriting to the attention of the Members of the Legislative Assembly in paragraphs .49 to .55.

**Payments Require  
Authority**

**.42** The Department should comply with Section 26.1 of *The Members of the Legislative Assembly Superannuation Act, 1979* or seek changes to support its payments.

**.43** Section 26.1 of *The Members of the Legislative Assembly Superannuation Act, 1979* states:

*Where a person who was a member and:*

- a) is entitled to or in receipt of a supplementary monthly allowance pursuant to section 25, 25.1 or 26; or*

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## Chapter 10 Department of Finance

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*b) was entitled to a supplementary monthly allowance pursuant to section 25, 25.1 or 26 that has been discontinued under Section 37.1;*

*dies leaving a spouse, 60% of the supplementary monthly allowances that he was receiving or that he was or would have been entitled to pursuant to sections 25, 25.1 and 26 shall be paid to his spouse for life.*

**.44** Currently, when a member dies while receiving the annual allowance and the supplementary allowance, the spouse's pension is 60% of both the annual (section 19) and the supplementary allowance (section 26.1). In the years following the death of a member, the spouse receives 100% of the new annual supplementary allowances granted.

**.45** We believe the amount in excess of the 60% rule paid to surviving spouses is contrary to the law.

**.46** We also reported this matter in previous Annual Reports.

### We Recommend

**.47** **The Department should comply with this law or seek changes to this law to allow these payments.**

**.48** In June 1994, the Deputy Minister of Finance told us the Department would continue to seek a legislative change to clarify section 26.1.

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### Annuity Underwriting

**.49** *The Members of the Legislative Assembly Act, 1979* does not set out how the Department should administer profits or losses from underwriting annuities.

**.50** The Department underwrites annuities for Members and pays these annuities out of the Fund. When annuity contracts are written, money should be set aside to make future payments. Due to uncertainties related to future trends and events, such as investment earnings and changes in mortality rates, the amount set aside may be insufficient or excessive to make future payments.

**.51** The law does not specify the source of funding for any future losses.

**.52** We have reported this matter in past years. We report this

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## Chapter 10 Department of Finance

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matter again as the number of annuities paid out of the Fund is increasing.

### **We Recommend**

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

**.54** In 1989, the Minister responsible for the Act informed us the Department of Finance would seek a change to the law concerning this matter.

**.55** In June 1994, the Deputy Minister told us the Department is continuing to pursue a legislative amendment to clarify the handling of profits and losses on annuity underwriting operations.

# Chapter 11

## Department of Health

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# Chapter 11

## Department of Health

### Introduction

.01 The Department provides leadership and vision to the health system to protect and improve the health and well-being of the people of Saskatchewan. The Department provides policy direction, direct services, and funding.

.02 In 1994, the Department managed General Revenue Fund appropriations of \$1.464 billion and revenue of \$41 million. Information about the Department's revenues and appropriations appears in Volume 2 of the Public Accounts at pages 9 and 99 respectively.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Hospital Services	\$ 603	\$ 605
Medical Care Insurance (Doctor Services)	311	295
Home and Special Care Services	274	274
Prescription Drugs	62	49
Mental Health Services	36	36
Payments to Cancer Foundation	26	27
Capital	27	15
Other	<u>157</u>	<u>163</u>
	<u>\$1,496</u>	<u>\$1,464</u>

### Special Purpose Funds and Crown Agencies

.04 During 1994, the Department was also responsible for the operations of the following special purpose fund and Crown agencies.

- Assiniboine Valley District Health Board
- Battlefords District Health Board
- Battlefords Regional Care Centre
- Board of Governors, Lakeside Home
- Central Plains District Health Board
- East Central District Health Board
- Gabriel Springs District Health Board
- Greenhead District Health Board
- Health Services Utilization and Research Commission
- LaRonge Hospital Board
- Living Sky District Health Board



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Midwest District Health Board  
Moose Jaw-Thunder Creek District Health Board  
Moose Mountain District Health Board  
North Central District Health Board  
North-East District Health Board  
North Valley District Health Board  
Northwest District Health Board  
Palliser Regional Care Centre  
Parkland District Health Board  
Parkland Regional Care Centre  
Pasquia District Health Board  
Pipestone District Health Board  
Prairie West District Health Board  
Prince Albert District Health Board  
Regina District Health Board  
Rolling Hills District Health Board  
Saskatchewan Alcohol and Drug Abuse Commission  
Saskatchewan Cancer Foundation  
Saskatchewan Prescription Drug Fund  
Saskatoon District Health Board  
Souris Valley Regional Care Centre  
South Central District Health Board  
South Country District Health Board  
South East District Health Board  
Southwest District Health Board  
St. Louis Alcoholism Centre  
Swift Current District Health Board  
Touchwood Qu'Appelle District Health Board  
Twin Rivers District Health Board  
Whitespruce Youth Treatment Centre

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Background

**.05** The Department states its long-term health reform initiative is intended to:

- increase community involvement and control;
- emphasize disease and accident prevention, healthy lifestyles, and community-based health programs; and
- ensure a more responsive and efficient health system through better coordination and integration of health services.



**.06** The Department states its health reform initiative has two major stages. The first stage is structural reform, the second is service, program and delivery reform.

**.07** Structural reform is underway and includes:

- establishing 30 district health boards (DHBs);
- assigning to each DHB responsibility for a range of services rather than assigning a single service to several boards;
- funding DHBs globally based on identified health needs of district residents, instead of based on past service use;
- transferring to DHBs responsibility for community-based services, e.g., mental health, public health, and addictions services. These services were previously delivered by the Department. The DHBs will also be provided 1,400 staff currently employed by the Department. Once the transfer is complete, the DHBs will be responsible for providing a full range of health services to their residents; and
- restructuring the Department to integrate and coordinate its services.

**.08** The Department states the objective of the second stage of reform, (i.e., reform of service, program, and delivery methods), is to develop an affordable, client-centred health system through enhanced community-based services. In this second stage of reform, the Department states the following issues are being considered:

- access to needed services;
- equity in the terms and conditions of service provision;
- appropriateness and cost-effectiveness of service provision;
- the role and impact public policy plays in the health of the population; and



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- the public's attitude about their responsibility for health and about the role of the health system.

**.09** In meeting the objective of the second stage, the Department states several changes will be apparent including:

- a multi-disciplinary, team approach with new roles for professionals;
- fewer functional, financial, and geographic barriers;
- increased access to health-related information;
- improved use of resources through using the research findings of the Health Services Utilization and Research Commission (HSURC);
- enhanced community-based services;
- the development of healthy public policies by addressing the findings of the Provincial Health Council (PHC); and
- changing public attitudes about health.

**.10** The Department advises that much work, consultation, research, study, and experimentation is underway to carry out this second stage of reform. The organizations involved in this process include the Department, DHBs, Saskatchewan Association of Health Organizations (SAHO), HSURC, PHC, as well as many other health organizations and professional bodies. The Department states this second stage of reform will take many years.

**.11** We wish to bring the following matters to the attention of the Legislative Assembly. (In Chapter 2, District Health Boards, we set out our conclusions, recommendations and findings resulting from our audits of six DHBs for their fiscal year ended March 31, 1994).

### Our Audit Findings

**.12** In our opinion, the Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenues except for the matters reported in paragraphs .16 to .30 and .44 to .52. The Department complied

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## Chapter 11 Department of Health

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with the authorities governing its General Revenue Fund appropriations and revenues relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing.

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

.14 To meet established priorities, we did not do any audit work to report on the following DHBs.

Assiniboine Valley District Health Board  
Battlefords District Health Board  
Central Plains District Health Board  
East Central District Health Board  
Gabriel Springs District Health Board  
Greenhead District Health Board  
Living Sky District Health Board  
Midwest District Health Board  
Moose Mountain District Health Board  
North Central District Health Board  
North-East District Health Board  
North Valley District Health Board  
Northwest District Health Board  
Parkland District Health Board  
Pasquia District Health Board  
Prairie West District Health Board  
Rolling Hills District Health Board  
South Central District Health Board  
South Country District Health Board  
South East District Health Board  
Southwest District Health Board  
Swift Current District Health Board  
Touchwood Qu'Appelle District Health Board

.15 Chapter 2 contains our audit findings on the six DHBs we did audit.

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Moose Jaw-Thunder Creek District Health Board  
Pipestone District Health Board  
Prince Albert District Health Board  
Regina District Health Board  
Saskatoon District Health Board  
Twin Rivers District Health Board

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### Service Agreements Required

**.16** The Department needs to continue to improve its systems and practices for controlling health services by making service agreements with DHBs.

**.17** The Department is responsible for supporting and promoting the health of the people of Saskatchewan. The Department carries out many of its responsibilities through DHBs. Therefore, the Department needs to ensure DHBs properly deliver health care to achieve the Department's goals.

**.18** Section 33 of *The Health Districts Act* authorizes the Department to enter into service agreements with the DHBs.

**.19** The Department told us they consider service agreements a key element in the control of health care delivered by DHBs. According to the Department, the service agreements must clearly set out the respective responsibilities, roles and duties of each party. We agree. The Department says they have entered into consultation with DHBs and SAHO to reach a consensus, if possible, on the responsibilities, roles and duties of the Department, the DHBs and SAHO in the management and delivery of health care. The Department plans to sign service agreements with the DHBs early in the 1995-96 year.

**.20** In our opinion, the service agreements should:

- set out clearly the financial, operational and legislative objectives needed to manage the delivery of health care successfully. The agreements should require each DHB to carry out its work so the objectives will be achieved.
- require the DHBs to report periodically:
  - on the systems and practices used to achieve the objectives;
  - on the health status of the health district residents;

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- on the DHBs' services and activities and their costs; and
- on the effectiveness of the DHBs' programs.
- allow the Department access to the records and personnel of the DHBs to verify the DHBs' report(s) on the systems and practices to achieve the objectives. Alternatively, the DHBs performance could be verified using an independent auditor.

### We Recommend

**.21 The Department should have service agreements with the DHBs setting out clearly the Department's objectives and the accountability reports required from the DHBs.**

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### DHB Accountability Reporting Required

**.22 The DHBs have not been able to submit all of the required accountability reports to the Department.**

**.23 Subsection 35(2) of *The Health Districts Act* requires the DHBs to submit to the Minister the following:**

- a) a report on the Board's services and activities and their costs;
- b) a detailed audited set of financial statements;
- c) a detailed audited schedule of investments; and
- d) a report on the health status of the residents and the effectiveness of the Boards' programs.

**.24 Also, the Department requires DHBs to submit annually to the Minister independent audit reports providing assurance management has adequate systems and practices to safeguard and control public money and providing assurance management has complied with governing authorities.**

**.25 The reports noted in paragraph .24 are necessary for the Department to know if the DHBs have appropriate systems and practices to safeguard and control the public money given to them. The reports allow the Department to know if DHBs have complied with legislative authorities. The reports also assist a Board of Directors of a DHB to hold its management accountable.**

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.26 The DHB reporting requirements are much more extensive and complex than reports required of health organizations in the past. We support these new reporting requirements and encourage the Department and DHBs to work towards preparing these reports. Since most of the DHBs were created in the 1993-94 fiscal year, we realize more time will be needed before health boards are fully able to prepare these reports.

.27 The DHBs and the Department are studying how best to report on the cost of services and activities. One possible approach is to adopt the MIS Guidelines of the Canadian Institute for Health Information which includes a methodology for reporting on costs. More work is needed before DHBs are able to report on the cost of their services and activities.

.28 The Department has taken an initial step in helping the DHBs to report on the health status of their residents and the effectiveness of DHB programs. The Department, in consultation with DHBs, has developed a Program Management and Expenditure Plan. The DHBs have completed this plan and submitted it to the Department. However, more work needs to be done before the DHBs are able to fully report on the health status of the residents and the effectiveness of the DHBs programs.

.29 Almost all DHBs have submitted audited financial statements to the Minister. However, very few DHBs have provided the Minister with audit reports on the adequacy of their systems and practices and on their compliance with authorities.

### We Recommend

**.30 The Department should work with the District Health Boards and our Office to ensure the Boards are able to provide the Minister the full range of required information by legislation and the Department.**

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### Reporting to the Assembly

.31 The Department is required to provide an annual report to the Assembly. The DHBs are not. Instead, *The Health Districts Act* requires the DHBs to report to the residents of their district and the Minister. As discussed above, the DHBs are required to report information such as the costs of services, financial plans and results, and health status indicators.

.32 In the past, the Department, most major hospitals and several regional care centres provided annual reports to the Assembly. However, the information in those reports was not as

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potentially useful as that now required.

.33 The Assembly will no longer receive information directly from those health care institutions. The Assembly will only receive information that the Department provides. This is an important change in accountability relationships.

.34 The Assembly will continue to be responsible for raising taxes and allocating money for spending on health care. However, the Assembly will not be receiving reports from the organizations, i.e., the District Health Boards, delivering the services and spending the money.

.35 This change might weaken or might strengthen the Assembly's ability to scrutinize spending of public money and to answer to the public for revenue-raising practices. The key will be the quality of the information provided to the Assembly by the Department.

.36 *The Health Districts Act* requires DHBs to provide the Minister with very useful information. Accordingly, the Department will also be able to provide the Assembly with very useful information.

.37 The Department will be able to provide the Assembly information showing issues and trends from a number of important perspectives. For example, the costs of a particular service can be shown and monitored for the Province as a whole, for large and small DHBs, and for individual DHBs; and, key indicators of health, as well as financial plans and results, can be shown and monitored in a similar manner.

.38 If the Department provides the Assembly with such information, the Assembly will have more useful information than was provided in the past. Members of the Assembly would then be better able to carry out their responsibilities.

.39 Currently, the DHBs are not able to provide the Minister much information on the costs of services and key indicators of health. The development of the related information systems is taking place but will take time.

.40 However, DHBs can now provide the Department with reports on planned and actual financial results. Accordingly, the Department can provide the Assembly summaries of that

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information. The schedule in Chapter 2 of this Report is an example of the information on financial results that can and should be provided.

### We Recommend

**.41 The Department of Health should provide the Legislative Assembly with a summary of the financial plans and actual results of the DHBs. The Department should provide such a summary in its annual report.**

**.42 The Department of Health should work towards providing the Legislative Assembly with summary information on the costs of services and the status of key indicators of health. The Department should provide such a summary in its annual report.**

**.43 We plan to continue monitoring carefully the quality of information provided by the Department to the Assembly, as well as the quality of the information provided by the DHBs to the Minister.**

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### Policy and Procedures for Internal Financial Reports Required

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**.44 The Department prepares internal financial reports using the guidance contained in a manual prepared by Treasury Board and memos issued by Department staff. The manual and memos do not include written policies and procedures for preparing financial reports in the following areas:**

- preparing budgets based on level of activity whenever possible;
- comparing actual year-to-date figures to budgeted year-to-date figures;
- explaining variances by comparing planned level of activity to actual level of activity; and
- preparing financial reports using the accrual basis of accounting.

**.45 In addition, the Deputy Minister had not given formal approval to the Department's rules and procedures for preparing financial reports.**

### We Recommend

**.46 The Department should establish adequate written policies and procedures for preparing internal financial**

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reports.

**.47 The Deputy Minister should approve the rules and procedures in writing.**

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Internal Financial  
Reports Need  
Improvement

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**.48** The Department's internal financial reports could be improved to help senior management make informed decisions.

**.49** The financial reports show year-to-date actual expenditure results. However, the reports do not include year-to-date budget amounts.

**.50** The actual monthly expenditure results are compared to the monthly budget amounts, and variances are calculated. However, we saw no evidence of explanations or analyses of these variances.

**.51** We did see explanations and analyses of variances between the current and previous forecasts of expenditures to the end of the year.

**We Recommend**

**.52 The Department should improve its internal financial reports:**

- **to show a comparison of actual results for the year to date to budgeted results for the same period, based on levels of activity whenever possible; and**
- **to highlight and explain major variances between year-to-date actual and year to date budget using activity levels whenever possible.**

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Board Pay and  
Expenses Require  
Authority

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**.53** The Department's Crown agencies made unauthorized payments to their Boards members.

**.54** The Department obtained Orders-in-Council appointing Board members to its Crown agencies, but the Orders did not specify the pay and expenses of the Board members.

**.55** Section 22 of *The Interpretation Act, 1993* (the Act) states the person who has the power to make an appointment also decides the pay and expenses of the person appointed. Because the Executive Government appoints Board members by Order-in-Council, we believe the Act requires an Order to set pay and



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expenses for Board members.

**.56** Therefore, in our opinion, for the Crown agencies we audited the following payments to Board members lacked authority because no Order-in-Council set the pay and expenses for the members.

Battlefords Regional Care Centre	\$12,109
Board of Governors, Lakeside Home	3,026
Health Services Utilization and Research Commission	47,286
LaRonge Hospital Board	3,253
Moose Jaw-Thunder Creek District Health Board	51,080
Palliser Regional Care Centre	5,413
Parkland Regional Care Centre	4,146
Pipestone District Health Board	54,085
Prince Albert District Health Board	98,971
Regina District Health Board	61,655
Souris Valley Regional Care Centre	20,745
Twin Rivers District Health Board	32,012
St. Louis Alcoholism Rehabilitation Centre	3,175
Whitespruce Youth Treatment Centre	420

**.57** The Department's agencies used the Department's guidelines to make payments for pay and expenses of Board members.

**.58** We also reported this matter in our 1990, 1991, 1992, and 1993 Annual Reports.

### We Recommend

**.59** The Department of Health should obtain an Order-in-Council to set the pay and expenses of Board members.

**.60** The Standing Committee on Public Accounts discussed this matter with the Department on January 20, 1994. The Department told the Committee it will specify allowances and expenses of boards of directors in future appointing Orders.

**.61** At the date of this report, we note the Department has not set the pay and expenses in new appointing Orders.

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### SASKATCHEWAN CANCER FOUNDATION

.62 The Foundation conducts a program for the treatment and prevention of cancer.

.63 In 1994, the Foundation had revenue of \$29 million and held assets of \$27 million at March 31, 1994. The Foundation's financial statements are included in the Public Accounts Compendium at page B276.

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#### Our Audit Finding

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

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#### Members of the Foundation

.65 Two members of the Foundation have not been appointed as required by *The Cancer Foundation Act*. Also, two members of the Foundation continued in office beyond the period allowed by the Act.

.66 Section 5(1) of *The Cancer Foundation Act* (the Act) states:

*There is hereby established a body corporate, to be called the Saskatchewan Cancer Foundation, which shall consist of at least seven and not more than eleven members appointed by the Lieutenant Governor in Council.*

.67 Section 5(2) of the Act states in part:

*The members appointed pursuant to subsection (1) shall, subject to subsection (3), include:*

*(b) one full-time member of the faculty of the College of Medicine of The University of Saskatchewan agreed upon between the minister and the dean of that college; and*

*(c) one person agreed upon between the minister and the board of directors of the Saskatchewan Division of the Canadian Cancer Society.*

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.68 One representative from the College of Medicine and one from the Saskatchewan Division of the Canadian Cancer Society have been attending meetings of the Foundation as non-voting representatives. Neither was approved by the Minister, nor by the Lieutenant Governor in Council.

.69 Section 7 of the Act requires that no member hold office for more than two consecutive terms.

.70 The second consecutive terms of two members of the Foundation expired in 1992/93. These members, however, continue to function as members of the Foundation.

.71 In our opinion, the Foundation has not complied with the above legislation.

.72 We also reported this matter in our 1993 Annual Report.

### We Recommend

.73 **The Government should appoint the Foundation board members according to *The Cancer Foundation Act*.**

### SASKATCHEWAN PRESCRIPTION DRUG FUND

.74 The Fund is used to account for the assistance provided to Saskatchewan residents under *The Prescription Drugs Act*.

.75 The Fund made payments to pharmacies of \$43.8 million in 1994 and held assets of \$1.5 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page B317.

### Our Audit Finding

.76 In our opinion, the Fund's financial statements are reliable. The Department had adequate rules and procedures to safeguard and control the assets of the Fund. The Department complied with the authorities governing the activities of the Fund relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. We report the following matter related to recommendations of the Standing Committee on Public Accounts (PAC).

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### Recommendations of PAC

.77 In 1993, PAC made the following recommendation:

*All Government departments, agencies, and Crown corporations reporting to Treasury Board should provide a list of persons who have received money.*

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.78 The Department has not provided the Legislative Assembly a list of persons who received money from the Fund.

**We Recommend**

.79 The Department should provide the Legislative Assembly a list of persons who received money from the Fund.

**Chapter 12**  
**Department of Highways and Transportation**

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## Chapter 12

### Department of Highways and Transportation

Introduction

**.01** The Department is responsible for optimizing transportation's contribution for the social and economic benefit of the Province by:

- developing and administering transportation policies and programs; and
- building, preserving and regulating the safe use of the transportation system.

General Revenue Fund

**.02** The Department manages General Revenue Fund appropriations of \$181 million and revenues of \$10 million. Information about the Department's appropriations and revenues appears in Volume 2 of the Public Accounts at pages 119 and 9 respectively.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Maintenance of Transportation System	\$ 81	\$ 77
Construction of Transportation System	75	71
Operations	14	14
Other	20	19
	<u>\$190</u>	<u>\$181</u>

Special Purpose Fund

**.04** The Department is also responsible for the operation of the Highways Revolving Fund.

Our Audit Findings

**.05** To meet established priorities, we did not audit the Department's General Revenue Fund appropriations and revenues.

**.06** Paragraph .09 reports our audit findings for the Highways Revolving Fund.

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## Chapter 12 Department of Highways and Transportation

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### HIGHWAYS REVOLVING FUND

.07 The Department uses the Highways Revolving Fund to finance and account for equipment, materials, and labour acquired for certain departmental programs and custom work programs.

.08 The Fund had revenues of \$28 million and held assets of \$48 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page A284.

### Our Audit Findings

.09 In our opinion, the Fund's financial statements are reliable. The Department had adequate rules and procedures to safeguard and control the assets of the Fund except for the significant deficiency reported in paragraphs .10 to .16. The Department complied with the authorities governing the Fund relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the following matter.

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### Non-Compliance with Purchasing Policy

.10 The Department did not comply with established Government purchasing policy.

.11 Section 5 of *The Purchasing Act* requires the Department to buy through the Director of Purchasing unless the Director permits the Department to buy directly. The Director permits the Department to buy certain goods and services directly using local purchase orders (LPOs).

.12 The Director of Purchasing issued policies defining when and how to use LPOs. The policies require the Department to record the estimated purchase price in the LPO and to have an authorized person approve the LPO in writing.

.13 Section 551-1 of the Financial Administration Manual issued by the Provincial Comptroller states the Department must follow the Director of Purchasing's policies.

.14 Eleven out of fourteen LPOs we examined did not record the estimated purchase price or were not approved by an authorized person.

.15 In our opinion, the Department made unauthorized purchases. Also, the Department's failure to follow established purchasing procedures may result in the Department making purchases at inappropriate prices.

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## Chapter 12 Department of Highways and Transportation

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**We Recommend**

**.16 The Department should comply with established Government purchasing policy.**



# Chapter 13

## Department of Justice

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## Chapter 13 Department of Justice

### Introduction

.01 The Department is to maintain public order and safety through the operation of an independent, impartial, and effective justice system that upholds the rule of law and defines and protects the basic legal rights of citizens.

.02 The Department administers justice, police services and adult corrections in the Province. The Department administers registry systems for corporations, and for personal property. The Department also regulates pensions, credit unions and businesses.

### General Revenue Fund

.03 The Department managed General Revenue Fund appropriations and revenues of \$166 million and \$54 million respectively. Information about these revenues and appropriations appears in Volume 2 of Public Accounts at pages 10 and 135 respectively.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Policing Services	\$ 63.2	\$ 60.7
Adult Corrections	39.7	42.6
Court Services	18.8	18.9
Accommodation and Central Services	13.2	13.2
Legal Services	10.2	10.2
Registry and Regulatory Services	9.2	8.9
Administration	6.9	6.4
Boards and Commissions	4.8	4.8
	<u>\$166.0</u>	<u>\$165.7</u>

### Special Purpose Funds and Crown Agencies

.05 The Department is also responsible for the operations of several trust and special purpose funds and crown agencies. These are:

- Agricultural Implements Board
- Correctional Facilities Industries Revolving Fund
- Judges of the Provincial Court Superannuation Plan
- Law Reform Commission of Saskatchewan
- Office of the Rentalsman Trust Account
- Provincial Mediation Board Trust Account

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## Chapter 13 Department of Justice

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Public Trustee for Saskatchewan  
Queen's Printer Revolving Fund  
Trust accounts for courts, local registrars, and sheriffs  
Victims' Fund

### Our Audit Findings

**.06** In our opinion, the Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenues except for the significant deficiencies reported in paragraphs .11 to .27. For the Department's General Revenue Fund appropriations and revenues, the Department complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .28 to .39.

**.07** The financial statements for the funds and Crown agencies listed in paragraph .05 are reliable except where we report otherwise in this Chapter.

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

**.09** The Department and its agencies listed in paragraph .05 had adequate rules and procedures to safeguard and control the funds' and agencies' assets except where we report otherwise in this Chapter.

**.10** To meet established priorities, we did not audit the adequacy of the Department's rules and procedures to safeguard and control the assets of the Judges of the Provincial Court Superannuation Fund.

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### Complete and Accurate Financial Reports Needed

**.11** In our opinion, the Department's rules and procedures for preparing internal financial reports are not adequate. Also, the reports do not provide accurate and appropriate information for supervising operations and safeguarding and controlling the Department's General Revenue Fund appropriations and revenues.

**.12** We also reported this matter in our 1993 Annual Report. Our 1993 Report described the deficiencies in the Department's

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## Chapter 13 Department of Justice

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rules and procedures for preparing financial reports and the reporting deficiencies. All the deficiencies continued for 1994. We have not repeated the deficiencies in this Report. Instead, this Report describes the Department's actions on this matter since we made it aware of our concerns.

**.13** While the Department is acting on our concerns, our recommendations from our 1993 Annual Report on this matter remain relevant. Therefore, to help Members of the Legislative Assembly understand and assess the Department's actions we repeat the recommendations in paragraphs .18 to .20.

**.14** The Department carried out the following steps in response to our recommendations:

- The Department's Finance and Audit Committee considered the issues involved in measuring program activities for budget purposes. The Committee suggested the Department should use pilot projects to determine the cost/benefit of measuring program activities for budget purposes;
- The Department started two pilot projects for this purpose and completed the projects in late 1994; and
- The Department is developing a strategic plan. The focus will be on:
  - setting goals;
  - measuring outcomes; and
  - evaluating and reporting results.

**.15** Also, the Deputy Minister asked his officials for additional financial information after reviewing the Department's October 31, 1993 financial reports. The Department needed to plan its operating requirements to the year end. To do this, the Deputy Minister wanted to know exactly where the Department's finances stood.

**.16** The Deputy Minister asked his officials to:

- explain larger variances between planned and actual monthly expenditures for the period;

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## Chapter 13 Department of Justice

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- use workload indicators to support the actual expenditures for the period and the forecast for the rest of the year; and
- explain changes in forecasts due to the use of accrual accounting.

.17 We think the additional information requested by the Deputy Minister is similar to our recommendations contained in paragraph .20.

### We Recommend

**.18 The Department should establish written policies and procedures for preparing periodic financial reports. The policies and procedures should include the following:**

- **the financial information needs of program managers;**
- **rules and procedures for preparing budgets based on levels of activity whenever possible;**
- **variances considered significant for highlight and explanation by each level of management; and**
- **rules and procedures for preparing actual results using the accrual basis of accounting.**

**.19 The Department should require the written approval of the person responsible for the reports.**

**.20 The Department should improve its internal financial reports to show:**

- **a comparison of the actual results using the accrual basis of accounting for the period to budgeted results for the period based on levels of activity whenever possible.**
- **highlight and explain major variances for senior management on a consistent basis; and**
- **forecasts of revenue and expenditures to the year end showing budget information based on levels of activity whenever possible.**

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## Chapter 13 Department of Justice

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### New Financial Agreement Needed

**.21** The Department does not have a financial agreement with the Government of Canada for firearms control.

**.22** The Department administers Part III of the *Criminal Code* on control of firearms in Saskatchewan for the Government of Canada. Services provided by the Department include:

- designating a chief provincial firearms officer;
- processing all firearm acquisition certificates and business permits;
- conducting inspections of museums and businesses; and
- collecting fees for firearms acquisition certificates, and business permits.

**.23** The Department's previous financial agreement on firearms control with the Government of Canada called for the Department to carry out the duties in paragraph .22. However, this agreement expired March 31, 1993.

**.24** Since there is no financial agreement, the Department does not know:

- if the Government of Canada will pay the Department's costs for administering the firearms control program; and
- if the fees collected for the Government of Canada are accurate.

### We Recommend

**.25** The Department should obtain a financial agreement with the Government of Canada for firearms control.

**.26** The Department told us all the Government of Canada's agreements for firearms control with provinces and territories expired March 31, 1993. The Department also told us the previous agreements were the same for all provinces and territories.

**.27** The Auditor General of Canada's Annual Report for the year ended March 31, 1993 commented on the firearms control program. His comments included:

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## Chapter 13 Department of Justice

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*One of the more contentious issues in the administration of the program is who will bear the cost.*

*The Department of Justice (Canada) has not concluded financial agreements with the provinces and territories. Given the importance of co-operation with the provinces and territories to the effective administration of this program we question why these agreements have not been renegotiated on a timely basis.*

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Provincial  
Comptroller's  
Guidelines Need to be  
Followed

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**.28** Regional offices do not always follow the Financial Administration Manual (FAM) guidelines issued by the Provincial Comptroller for the receipt, recording and deposit of public money.

**.29** The Department's internal auditor audits regional offices. The internal auditor issued 35 regional office reports and two summary reports in 1993-94.

**.30** The internal auditor's reports noted many instances where regional offices did not comply with Section 410 of FAM. Section 410 provides guidelines for minimum control standards for public money. The guidelines require the Department to:

- immediately record money received;
- segregate employees duties so employees responsible for accounting for money do not have access to it; and
- reconcile money received to money deposited.

**.31** We also reported this matter in our 1993 Annual Report.

**We Recommend**

**.32** The Department should either:

- **ensure regional offices follow FAM guidelines for the receipt, recording, and deposit of money; or**
- **seek an exemption from the requirements of FAM from the Provincial Comptroller.**



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## Chapter 13 Department of Justice

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.33 The internal auditor issued a summary report at March 31, 1994. He commented management is in process of improving cash handling procedures at regional court offices to comply with FAM.

.34 The Department does not have adequate staff at some regional offices to adequately segregate duties. In July 1994, the Provincial Comptroller exempted eight regional offices from the requirements of Section 410 of FAM.

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### New Financial Systems

.35 The Department also did not follow the FAM guidelines when it changed its financial systems.

.36 The Department changed its Justice Automated Information Network (JAIN) computer system. The Department uses the JAIN system to record financial transactions for the provincial court information centre and regional court offices. Page 10 of Volume 2 of the Public Accounts shows the Department manages approximately \$11 million of revenue with this system.

.37 Section 1110 of FAM requires the Provincial Comptroller to approve new financial systems or significant changes to existing systems. We found no evidence the Provincial Comptroller approved the change to the JAIN system.

### We Recommend

**.38 The Department should follow FAM guidelines when it changes or starts new financial systems.**

.39 The Department told us it asked the Provincial Comptroller to become involved in the changes to the JAIN system and to approve the changes. However, the Provincial Comptroller chose to take part only at the start of the planned changes to the system.

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### Loss of Public Money

.40 A provincial court fined three justices of the peace each \$500 on charges of fraud under \$1,000.

.41 The Department paid justices of the peace a fee for service based on billings received. Three justices of the peace fraudulently billed the Department. The three individuals no longer serve as justices of the peace.

.42 The Department now pays justices of the peace in larger centres a fixed amount rather than a fee for service.



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## Chapter 13 Department of Justice

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### **CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND**

**.43** The Department uses the Fund to finance and account for work programs intended to reduce the costs of operating, maintaining, and repairing correctional facilities as well as improving inmate work productivity.

**.44** The Fund had revenue of \$1.2 million in 1994 and held assets of \$.8 million at March 31, 1994. The Fund's financial statements are included in the Public Accounts Compendium at page A269.

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#### Our Audit Findings

**.45** In our opinion, the Fund's financial statements are reliable except for the matter reported in paragraphs .71 to .74. The Department had adequate rules and procedures to safeguard and control the assets of the Fund except for the significant deficiencies reported in paragraphs .46 to .56. The Department complied with the authorities governing the Fund's activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .57 to .70.

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#### Contract Costs Require Monitoring

**.46** The Department has not established adequate rules and procedures to monitor costs of large contracts.

**.47** The Department's records are not adequate to readily prepare reports comparing actual costs for specific contracts to planned costs. Reports comparing actual costs to planned costs are necessary to control contract costs.

**.48** The Department obtained a contract to make truck parts. The value of the contract was about \$550 thousand.

**.49** To make the truck parts and to help account for the contract, the Department established a new division called Spot Welding. The Department planned to record the costs of materials as a cost of this division. However, the Department also recorded the costs of materials for this contract in two other divisions called Welding and Finishing.

**.50** Since the Department's records show costs for the project in three divisions, the Department is unable to compare actual costs with planned costs. Therefore, the Department does not know if it is completing the contract within planned cost.

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## Chapter 13 Department of Justice

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**We Recommend**

**.51 The Department should establish rules and procedures to monitor the costs of large contracts.**

**.52** The Department told us cost information could be manually calculated by analysis of the three accounts.

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**Segregation of Duties**

**.53** The Department did not adequately segregate the duties of employees handling money at the Regina Correctional Centre.

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

**.55** One person is responsible for:

- opening the mail and forwarding money received to corrections staff for deposit; and
- preparing all sales invoices and recording money received in the accounting records.

**We Recommend**

**.56 The Department should segregate the duties of employees handling money.**

---

**Timely Collection of Customers' Accounts Required**

**.57** The Department did not follow the Financial Administration Manual (FAM) guidelines for collecting customers' accounts.

**.58** Customers owed the Department \$340 thousand at March 31, 1994. Customers' accounts totalling \$74 thousand are more than one year old and collection is unlikely. One account amounted to \$48 thousand and another account amounted to \$13 thousand.

**.59** Section 621-2 of FAM provides guidance for collecting customers' accounts. The procedures include using the Department's lawyers.

**.60** The Department's procedures for collecting customers' accounts did not include timely use of the Department's lawyers.

**We Recommend**

**.61 The Department should make timely use of its lawyers for collecting customers' accounts.**

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## Chapter 13 Department of Justice

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Credit Policy Should  
be Followed

**.62** The Department did not follow the Financial Administration Manual (FAM) guidelines issued by the Provincial Comptroller for extending credit to customers.

**.63** Section 621-1 of FAM states the Department can extend credit to customers for a period not exceeding 30 days. Longer periods need the approval of the Provincial Comptroller.

**.64** The Department did not have a credit policy. Also, the Department extended credit to its customers for periods exceeding 30 days without obtaining the Provincial Comptroller's approval.

**We Recommend**

**.65** The Department should establish a credit policy.

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Lack of Inventory  
Records

**.66** The Department did not comply with the Financial Administration Manual (FAM) guidelines issued by the Provincial Comptroller for inventory records.

**.67** The Department held inventories of \$324 thousand at March 31, 1994. The inventories include materials, work-in-process and finished goods.

**.68** The FAM guidelines (Section 630-3(c)) require the Department to keep inventory records.

**.69** The FAM guidelines allow the Department to request the Provincial Comptroller for an exemption. The Department can request an exemption if it is not cost effective to keep inventory records. The Department has not requested an exemption.

**We Recommend**

**.70** The Department should either:

- keep inventory records; or
- request an exemption from the Provincial Comptroller.

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Reservation in Our  
Auditor's Report

**.71** Our auditors's report on the Fund's 1994 financial statements contains a reservation of opinion. We could not verify the value of the opening inventory.

**.72** The audit arrangements for the Fund at March 31, 1993 were not finalized until after year end. Therefore, we were unable

to observe the taking of physical inventories at March 31, 1993.

.73 Because we did not observe the inventory count at March 31, 1993, we were unable to determine if the value of opening inventory affected the amounts reported as costs of goods sold and the net loss in the 1994 financial statements.

.74 Our Auditor's report reads in part as follows:

*Audit arrangements for the year ended March 31, 1993 were not finalized until after March 31, 1993. Therefore, I did not observe the taking of physical inventories at March 31, 1993 and I was not able to satisfy myself concerning inventory quantities at that date by alternative means. Since opening inventories enter into the determination of the results of operations and changes in financial position, I was unable to determine whether adjustments to cost of goods sold, net loss after subsidy for the year, accumulated operating deficit, beginning of year, financing requirements of operations, and accumulated net expenditure, beginning of year, might be necessary.*

*In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to examine opening inventory quantities, as described in the preceding paragraph, the statements of operations and accumulated operating deficit and financing activities and accumulated net expenditures present fairly, in all material respects, the results of operations and the changes in financial position of the revolving fund for the year ended in accordance with generally accepted accounting principles. Further, in my opinion, the balance sheet presents fairly, in all material respects, the financial position of the revolving fund as at March 31, 1994 in accordance with generally accepted accounting principles.*

# Chapter 14

## Department of Municipal Government

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**Chapter 14**  
**Department of Municipal Government**

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## Chapter 14

### Department of Municipal Government

#### Introduction

.01 The Department is responsible for supporting and maintaining a viable system of municipal government in Saskatchewan. To do so, the Department provides directly, or in partnership with urban and rural municipalities, financial, technical, and advisory assistance. The Department intends this assistance will ensure that housing, cultural, recreational and safety, and regulatory services are available to maintain the quality of life in Saskatchewan communities.

#### General Revenue Fund

.02 In 1994, the Department managed General Revenue Fund appropriations and revenues of \$169 million and \$30 million respectively. Information about the Department's revenues and appropriations appears in Volume II of the Public Accounts at pages 10 and 162 respectively.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Urban Revenue Sharing	\$ 51	\$ 49
Rural Revenue Sharing	32	31
Housing	43	38
Saskatchewan Library	8	8
Saskatchewan Assessment Management Agency	8	7
Heritage	7	7
Arts and Multiculturalism	7	7
Other	<u>21</u>	<u>22</u>
	<u>\$177</u>	<u>\$169</u>

#### Special Purpose Funds and Crown Agencies

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

- Northern Revenue Sharing Trust Account
- Saskatchewan Archives Board
- Saskatchewan Arts Board
- Saskatchewan Centre of the Arts
- Saskatchewan Heritage Foundation
- Saskatchewan Housing Corporation



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## Chapter 14 Department of Municipal Government

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Saskatchewan Lotteries Trust Fund for Sport, Recreation,  
and Culture  
Western Development Museum

### Our Audit Findings

**.05** In our opinion, for the Department's General Revenue Fund appropriations and revenues, the Department complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .07 to .14. The Department had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenues except for the significant deficiency reported in paragraphs .15 to .19.

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

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### Home Improvement Loan Plan Subsidy Payments Require Authority

**.07** The Department made interest subsidy payments under the Home Improvement Plan (Plan) without proper authority.

**.08** In 1986, Saskatchewan Housing Corporation introduced the Plan. The Plan provided assistance to homeowners to improve their properties. Homeowners could receive a grant and a loan guarantee with an interest subsidy.

**.09** During 1991-92, the responsibilities for the Plan administration were transferred from the Corporation to the Department. The Department started making payments for the interest subsidies effective January 1, 1991. For the year ended March 31, 1994, the Department paid \$ 1.4 million for interest subsidies under the Plan.

**.10** Section 13 of *The Saskatchewan Housing Corporation Act* states that:

*The objects of the corporation are:*



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## Chapter 14 Department of Municipal Government

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- (a) *to promote and carry out the construction and provision of more adequate and improved housing:*
  - i) *for low income families and individuals;*
  - ii) *for students;*
  - iii) *for such elderly person or class or classes of elderly persons as may be designated by the corporation;*
  - iv) *for families and individuals receiving social allowances or social assistance; and*
  - v) *generally, for persons or groups which in the opinion of the corporation require assistance;*
- (b) *to improve the quality of housing; and*
- (c) *to improve the quality of amenities related to housing.*

.11 In our opinion, Section 13 of the Act does not provide the Corporation the authority to improve the quality of housing and the quality of amenities related to housing generally. The Act restricts the Corporation's authority to housing for those disadvantaged groups or persons described in subsection 13(a). Accordingly, in our opinion, payments made and loans guaranteed under the Plan lack authority.

.12 We also reported this matter in our 1990, 1991 and 1993 Annual Reports.

### We Recommend

.13 The Department should propose a change to *The Saskatchewan Housing Corporation Act* to clarify this matter.

.14 The Government has introduced a Bill in the Legislative Assembly to amend *The Saskatchewan Housing Corporation Act*. These changes, if approved by the Legislative Assembly, will address this matter.

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Conditional Road  
Grants Need to be  
Recorded Correctly at  
Year End

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.15 At March 31, 1994, the Department did not record its liability and expense for conditional road grants correctly.

.16 The Department provides financial assistance to municipalities for road construction and maintenance. Section 20 of The Rural Municipalities Revenue Sharing Regulations requires

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## Chapter 14 Department of Municipal Government

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the Minister to approve financial assistance for construction and maintenance projects in writing. The Regulations also require the Minister to ensure the costs associated with projects are eligible for financial assistance.

.17 The Department recorded its liability and expenses based on total cost of construction projects approved at March 31, 1994. The Department should have recorded its liability and expenses based on eligible expenses incurred by municipalities on approved projects at March 31, 1994. This error resulted in the Department overstating its liabilities and expenses by \$2,510,603.

### We Recommend

.18 The Department should record its liabilities and expenses for conditional road grants based on eligible expenses incurred by municipalities.

.19 The Department told us it will record its liabilities and expenses for conditional road grants based on eligible expenses incurred by municipalities for the year ending March 31, 1995.

### THE SASKATCHEWAN ARTS BOARD

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

.21 The Board had revenue of \$4.1 million in 1994 and held assets of \$2.8 million at March 31, 1994. The Board's financial statements are included in the Public Accounts Compendium at page B253.

### Our Audit Findings

.22 In our opinion, the Board's financial statements are reliable. The Board had adequate rules and procedures to safeguard and control its assets. The Board complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .23 to .35.

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### Loan Guarantees Need Approval

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

.24 *The Financial Administration Act, 1993* requires the Board to obtain the approval of the Minister of Finance before making loan guarantees.

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## Chapter 14 Department of Municipal Government

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.25 *The Arts Board Act* also contains the Board's lending powers. The Board stated it relied on this Act to make a loan guarantee of \$35,000.

.26 *The Financial Administration Act, 1993* overrides *The Arts Board Act* on this matter.

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

.28 We also reported a loan guarantee without authority in our 1993 Annual Report.

### We Recommend

**.29 The Board should obtain written approval of the Minister of Finance before the Board guarantees a loan.**

.30 The Board told us it made the loan guarantee before we advised them of our concerns and has since approved a policy where it no longer guarantees loans.

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### Unauthorized Financial Assistance

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.31 The Board received financial assistance without proper authority.

.32 Section 18 of *The Arts Board Act* requires the Board to obtain Lieutenant Governor in Council's approval for financial assistance received under contracts.

.33 The Board contracted with the Saskatchewan Council of Cultural Organizations. The contract transferred the Artist in Residence Program to the Board. The Board accepted financial assistance of \$210,000 for the program without Lieutenant Governor in Council approval.

.34 In our opinion, the Board did not comply with *The Arts Board Act*.

### We Recommend

**.35 The Board should comply with Section 18 of *The Arts Board Act*.**

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## Chapter 14 Department of Municipal Government

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### SASKATCHEWAN LOTTERIES TRUST FUND FOR SPORT, RECREATION, AND CULTURE

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

.37 The Trust Fund's financial statements reported revenues of \$41.6 million in 1994 and assets of \$27.6 million at March 31, 1994. The Trust Fund's financial statements are included in the Public Accounts Compendium at page B309.

#### Our Audit Findings

.38 In our opinion, the Fund's financial statements are reliable. The Department had adequate rules and procedures to safeguard and control the assets of the Fund. The Department complied with the authorities governing the activities of the Fund relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .39 to .45.

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#### Payments Require Proper Authority

.39 The Department made payments out of the Fund that did not comply with *The Interprovincial Lotteries Regulations*.

.40 Subsection 5(2) of the Regulations states:

*No organization, agency or person is eligible to share in the net profits of a lottery scheme conducted or managed by the designated organization unless:*

- (a) *it is incorporated as a non-profit corporation; and*
- (b) *has as its object the promotion of sport, culture or recreation or another charitable or benevolent purpose.*

.41 Sask. Sport Inc. manages the Fund for the Department according to its agreement with the Department.

.42 The agreement directed Sask. Sport Inc. to make the following payments from the Fund.

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## Chapter 14 Department of Municipal Government

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Wanuskewin Heritage Park Corporation	\$ 142,000
563 Community Recreation Boards	2,941,585
General Revenue Fund	18,200,000

.43 None of the organizations in paragraph .42 are incorporated as non-profit corporations. Therefore, the payments to these organizations lack proper authority.

### We Recommend

.44 The Department should ensure payments from the Fund comply with *The Interprovincial Lotteries Regulations*.

.45 After the year end, the Lieutenant Governor in Council approved changes to the Regulations permitting payments to the organizations listed in paragraph .42.

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### Appointed Auditor's Reports

.46 We relied on KPMG Peat Marwick Thorne's report on the Fund's financial statements. We also relied on their reports on Sask. Sport Inc.'s internal controls for operating the Fund and Sask. Sport Inc.'s compliance with the authorities governing the Fund.

### THE SASKATCHEWAN ARCHIVES BOARD

.47 The Saskatchewan Archives Board (SAB) is responsible for acquiring and preserving historical documents relating to the history of Saskatchewan. The Board also provides these documents to the public for research.

.48 The SAB had revenue of \$1.9 million in 1994 and held assets of \$0.5 million at March 31, 1994.

.49 The SAB's financial statements are included in the Public Accounts Compendium at page B247.

### Our Audit Findings

.50 In our opinion, the SAB's financial statements are reliable. The SAB complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing. The SAB had adequate rules and procedures to safeguard and control its assets except for the significant deficiencies reported in paragraphs .51 to .85.

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## Chapter 14 Department of Municipal Government

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Board of Directors  
Needs to Supervise  
the Operations of the  
Board

.51 The Board of Directors has not adequately fulfilled its responsibilities for supervising the affairs of the SAB.

.52 Section 3 of *The Archives Act* requires the directors to provide "general supervision of the archives of Saskatchewan." As part of this responsibility, the directors should assume responsibility for the integrity of the SAB's rules and procedures to safeguard and control the SAB's assets.

.53 The directors must ensure the SAB has adequate rules and procedures to produce reliable data and monitor the SAB's plans and performance. We found the following significant deficiencies in the SAB's rules and procedures.

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Policies and  
Procedures Manual  
Required

.54 The SAB does not have a complete accounting policies and procedures manual. The lack of a manual increases the risk of a breakdown in financial controls. Employees may not conduct business effectively without proper guidance.

.55 Good accounting policies and procedures manuals provide guidance on:

- carrying out the SAB's legal responsibilities;
- preventing and detecting errors or fraud;
- safeguarding assets;
- keeping reliable accounting records; and
- preparing timely financial information.

.56 The directors should approve and monitor these manuals.

We Recommend

**.57 The SAB should document its accounting policies and procedures.**

**.58 The Board of Directors should review and approve the SAB's accounting policies and procedures.**

.59 We note the SAB was developing a policy and procedures manual.

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## Chapter 14 Department of Municipal Government

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Timely and  
Appropriate Budgets  
Required

**.60** The SAB prepares its annual budget on an inappropriate basis of accounting. Also, the directors' review and approval of the 1993-94 budget was not timely.

**.61** The SAB prepares its annual budget on a cash basis of accounting rather than on the accrual basis of accounting. Also, the directors approved the 1993-94 annual budget in June 1993, three months after the start of the year.

**.62** Without timely and appropriate budgets the SAB cannot compare planned results to actual results. The directors and management need reports comparing planned results to actual results to adequately assess performance and make informed decisions.

**We Recommend**

**.63** The SAB should prepare its budget using the accrual basis of accounting.

**.64** The Board of Directors should review and approve SAB's budget before the start of the fiscal year.

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Board of Directors  
and Management  
Need Timely  
Appropriate Financial  
Reports

**.65** The directors do not receive or review interim financial reports. Also, the interim financial reports prepared for management are inadequate.

**.66** The directors and management need timely and adequate interim financial reports to monitor the SAB's performance.

**.67** The interim financial reports prepared for management are not timely. Also, the SAB prepares these reports using an inappropriate basis of accounting. The SAB prepares the reports using the cash basis of accounting rather than the accrual basis of accounting. In addition, the reports do not compare actual results to planned results.

**We Recommend**

**.68** The SAB should prepare timely interim financial reports using the accrual basis of accounting and these reports should compare budget to actual results. These reports should also highlight and explain variances between planned and actual results.

**.69** The Board of Directors and management should use the reports to monitor the SAB's operations.

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## Chapter 14 Department of Municipal Government

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Board of Directors  
Needs to Properly  
Approve Decisions

.70 A quorum of the directors did not approve some of SAB's decisions.

.71 The Board's Regulations require a quorum of the directors must have one director appointed by the Lieutenant Governor in Council. The SAB's actions may be unauthorized or improper if made without a quorum of the directors.

.72 At the May 1993 meeting of the directors, the directors passed motions to approve the 1993-94 Saskatchewan History publication budget and to delegate greater responsibility and authority to senior managers. The directors held the meeting without an appointed Lieutenant Governor in Council director present. A quorum of the directors did not approve these decisions later.

**We Recommend**

**.73 A quorum of the Board of Directors should approve all SAB decisions.**

---

Written Contracts  
Required

.74 The SAB does not have written contracts with The University of Saskatchewan (U of S) and Saskatchewan Property Management Corporation (SPMC).

.75 The U of S provides the SAB with office space and administrative and accounting services. SPMC rents office space to the SAB.

.76 The SAB needs written contracts to describe clearly each parties' responsibilities and legal obligations for services provided.

.77 We think the SAB should have a written contract with the U of S that sets out the SAB's:

- right to access accounting records;
- confidentiality needs; and
- rules and procedures U of S should use to safeguard and control the SAB's assets.

.78 We think the SAB should have a written contract with SPMC that sets out:

- the premises the SAB rents;



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## Chapter 14 Department of Municipal Government

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- rental costs;
- maintenance duties;
- the lease period; and
- cancellation terms.

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### We Recommend

**.79 The SAB should have written contracts with the U of S and SPMC.**

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### Equipment Records Required

**.80 The SAB does not keep adequate records to know what equipment it owns.**

**.81 The SAB's 1994 financial statements show the SAB has \$415,557 of equipment. The majority of the equipment is located in Regina. The SAB does not have detailed records of equipment bought before 1992-93 and located in Regina.**

**.82 Also, after the SAB prepares records of the equipment it owns it should examine the equipment periodically to ensure the assets exist and continue in use. The SAB also should compare the assets on hand to its records.**

**.83 The failure to keep records of the SAB's equipment could result in their loss without detection. Also, the lack of adequate records could result in inefficient buying, disposal, and use of equipment.**

### We Recommend

**.84 The SAB should keep records of its equipment.**

**.85 The SAB should periodically count its equipment and compare the count to the records.**

**Chapter 15**  
**Department of Social Services**

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## Chapter 15

### Department of Social Services

Introduction

- .01** The Department of Social Services:
- helps families care for and support their members;
  - provides basic income support for those in need;
  - works to reduce the risks and disadvantages of poverty;
  - protects children from abuse and neglect;
  - provides services for youth in conflict with the law;
  - promotes a standard quality of day care; and
  - supports independent community based services for people with mental and physical disabilities.

General Revenue Fund

**.02** In 1993-94, the Department managed General Revenue Fund appropriations of \$503 million and revenues of \$224 million. Information about these revenues and appropriations appears in Volume 2 of the Public Accounts at pages 11 and 197 respectively.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Social Assistance Plan	\$266	\$304
Family and Youth Services	49	51
Community Living	45	45
Regional Service Centres	30	31
Child Care	14	14
Saskatchewan Income Plan	14	14
Accommodation and Central Services	11	11
Payments to New Careers Corporation	9	9
Family Income Plan	9	5
Payments to Saskatchewan Legal Aid Commission	8	8
Other	<u>11</u>	<u>11</u>
	<u>\$466</u>	<u>\$503</u>



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.04 The Department is also responsible for the operations of the following trust fund and Crown agency:

Central Trust Account  
Saskatchewan Legal Aid Commission

### Background

.05 The Department faces numerous issues affecting both its operations and the programs it offers. How the Department manages these issues drives its success and the success of its programs. The issues include:

- Increased demand for services

Since 1990, the Federal Government has restricted eligibility for the Unemployment Insurance (UI) Program. Many persons who previously qualified for UI now must turn to social assistance. In 1993, the Federal Government no longer provided social assistance to First Nations persons living off-reserve. The Department now provides these individuals and families with social assistance.

The need for young offender services, particularly closed custody, has increased significantly with public demand for stronger actions by the courts.

The increase in awareness and incidence of child abuse and family violence has resulted in an increased demand for family counselling, parenting and child protection services.

The high number of low-income single parent families has created an increased demand for child (day) care services.

- Changes in funding anticipated

From 1992 to 1994, the Department's expenses have increased from \$390 million to \$503 million (29%) with its revenues increasing from \$176 million to \$224 million (27%). Most of its revenues are from cost-sharing arrangements with the Federal Government for social assistance programs. In 1994, the Federal Government announced its plans to undertake a reform of social security programs. In its 1995 budget, the Federal Government announced a block funding arrangement called the Canada

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## Chapter 15 Department of Social Services

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Health and Social Transfer (CHST) will replace existing cost-sharing arrangements. The Federal Government also announced further cutbacks to the UI Program will occur. The Department expects these changes will reduce the Federal Government's share of costs for social programs, and further increase demand for provincial programs.

- Arrangements for First Nations

In 1994, to respond more effectively to the needs of First Nations people, the Department entered into arrangements with seven reserve-based Indian Child and Family Service agencies to provide services to members of their bands. Also, the Department entered into arrangements with five northern First Nations to continue previous federal arrangements. Previously, these First Nations had arrangements with the Federal Government to provide social assistance to their members living off-reserve. The Department continues to be responsible for the appropriate delivery of those services. These arrangements have increased the complexity of the Department's operations.

### Our Audit Findings

**.06** Our audits of the Department's General Revenue Fund appropriations and revenues focused on:

- case planning for employable social assistance clients;
- financial controls over the Saskatchewan Assistance Plan (SAP) payments; and
- the Department's internal financial reports.

**.07** The results of our audit of case planning for employable social assistance clients are reported in paragraphs .10 to .66.

**.08** In our opinion, the Department had adequate rules and procedures to control payments under SAP and to prepare internal financial reports except for the significant deficiencies reported in paragraphs .67 to .101. The Department complied with the authorities governing SAP as those authorities relate to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .73 to .77.

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## Chapter 15 Department of Social Services

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.09 In addition, in our opinion, the financial statements for the Fund and the Crown agency in paragraph .04 are reliable. The Department and its agency had adequate rules and procedures to safeguard and control the assets of the Fund and the agency. The Department and its agency complied with the authorities governing the activities of the Fund and the agency relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing.

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### CASE PLANNING FOR SAP CLIENTS

#### Introduction

.10 During 1994, we worked with the Department to identify areas important for the overall success of the Department. With the increasing demand for its social assistance services, the Department felt an examination in the area of case planning for social assistance clients was important. We agreed.

.11 One tool the Department uses to help social assistance clients is case planning. Case planning is complex. The Department's social assistance clients often use more than one government service. Depending upon the availability of jobs, a client who has been helped in many ways may remain unemployed due to a wide range of factors. Effective case planning procedures should consider these factors and the time a worker can spend with each client.

.12 Changing economic conditions and Federal Government policy impact the Department's social assistance programs. From 1990 to 1993, the Federal Government restricted federal assistance to the unemployed and to First Nations people living off-reserve. Both of these groups now require social assistance from the province. From 1992 to 1994, the number of SAP social assistance clients increased from 30,518 to 41,058 (35% increase). The Department helps these clients and provides them with basic income support. From 1992 to 1994, the number of SAP workers helping these clients increased from 170 to 194 (14% increase).

.13 With these factors in mind and the need to ensure its resources are used effectively, the Department expressed a need to evaluate the effectiveness of case planning as it is used by the Department. To do this, the Department needs to collect information about case planning and its effects. As a critical first step, we identified the need to assess the Department's case planning process and ensure it records and collates the information necessary to evaluate case planning.

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**.14** Paragraphs .17 to .64:

- describe the significance of case planning;
- identify the key steps of effective case planning;
- report the findings of our audit of case planning for employable social assistance clients receiving payments from the SAP; and
- include the response of the Department to our conclusions and recommendations.

**.15** Employable social assistance clients may be unemployed, or work full-time or part-time, but do not have work that pays enough to cover the cost of their basic needs. We accepted the Department's definitions of fully and partially employable clients.

**.16** *Saskatchewan Assistance Regulations* (s.2d) define fully employable clients as "capable of working at least 36 hours per week." *The Regulations* define partially employable SAP clients as not capable of full-time employment, but "able to work on a part-time or casual basis." Partially employable clients include persons with certificates of medical incapacity, those working in a sheltered workshop, persons over 50 years of age unless they consider themselves fully employable, and single parents with children under six years of age.

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Audit Objective

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**.17** This audit assessed whether the Department's Saskatchewan Assistance Plan (SAP) has adequate systems and practices to develop, record, carry out, update and evaluate case plans to achieve long term independence for employable social assistance clients.

**.18** Our audit covered the period April 1993 to March 1994. The audit examined case planning for both fully employable and partially employable social assistance clients. Our audit excluded clients receiving less than four months of SAP payments during the audit period (that is, short term clients). The audit did not analyze the time required for case planning by SAP workers.

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General Conclusion

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**.19** The Department has adequate systems and practices to develop case plans for employable clients. This includes



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## Chapter 15 Department of Social Services

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requirements and training to record essential client information and develop case plans.

**.20** However, the Department does not have adequate systems and practices to effectively carry out, update or evaluate case plans. The Department provides incomplete guidance to SAP workers on how to carry out case plans. For example, the Department does not provide SAP workers with clear criteria to identify clients most likely to benefit from case planning. This would permit workers to focus their time on these clients.

**.21** In addition, the Department does not require SAP workers to record information essential for the analysis and evaluation of the effectiveness of case planning. For example, the Department does not require SAP workers to record in the Department's computer system: actions taken, referrals made, or evidence of progress toward meeting client goals. As a result, key information is not available for analysis of client progress.

**.22** Also, the manner in which information is recorded makes the information difficult to assess and revise in an efficient manner. This makes grouping of key information for analysis difficult. Without grouped information, the Department cannot evaluate the overall effect of case planning for employable SAP clients.

### We Recommend

**.23** The Department should provide workers with complete written guidance to carry out, record and revise case plans.

**.24** The Department should establish clear criteria to identify clients most likely to benefit from case planning.

**.25** The Department should provide a system that helps workers consistently record current case planning information and progress toward client goals.

**.26** When a system that captures the necessary information and consistently records case plans is in place, the Department should evaluate the effects of case planning.

**.27** Evaluation of effects or outcomes of social programs is difficult and evolving. Subsequent to the audit, we noted various Department activities that, in part, work towards addressing the above recommendations. Some of these activities include: working groups to address the recommendations of the

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Department's 1994 *Report of the Task Force on Saskatchewan Assistance Plan Delivery: A Community Approach*; criteria developed to identify "job-ready" clients; initial development of a new needs assessment model; and interviews with some social assistance clients to assess their satisfaction with service and the impact of the Department's service on their future plans. We strongly encourage the Department to proceed with these activities, and to continue to move in the direction of evaluating outcomes.

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The Department's  
Response

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.28 Paragraph .65 contains the Department's response to our report on case planning.

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The Significance of  
Case Planning

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.29 The Department pays over 50% of SAP payments to employable people unable to support themselves financially. In 1994-95, these payments totalled over \$150 million.

.30 One of the Department's strategic directions for 1993-94 and 1994-95 is "to strengthen theory and practice in case management, ... program administration and delivery." The Department's 1994 *Report of the Task Force on Saskatchewan Assistance Plan Delivery: A Community Approach* (p.1) recommends "holistic needs assessment and case planning ... aimed at increasing efficiency, accountability, and ensuring clearer client understanding."

.31 About 60% of employable SAP clients are under 35 years old. Unless the Department helps these clients plan for and achieve a self-sufficient future, the demand for social assistance may be very high in future. The Department believes successful case planning will help control future costs for social assistance.

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What is  
Case Planning?

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.32 The practice of case planning is used in various settings including social services, health care, mental health, corrections and substance abuse. For example, the Department uses case planning to help employable SAP clients achieve financial independence.

.33 Case planning guides the interactions of workers with clients. It influences the services provided and the action clients take. Case planning helps workers to direct services to clients most in need, and to clarify and monitor expected results.

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.34 The case planning process begins with an assessment of the client's situation and goals. Case planning assessments provide a base to develop goals and action plans, and to monitor client progress toward goal achievement.

.35 For the client, case plans establish priority goals. Case plans identify client strengths and weaknesses, and clarify what must be done to achieve goals. As case plans are revised, they provide feedback on progress toward long-term goals.

.36 The key steps in effective case planning are:

- assess the client's situation (e.g., strengths, weaknesses, and social supports);
- identify barriers to independence (e.g., lack of education);
- set goals;
- write an action plan to address barriers to independence; and
- revise the plan as the client's situation changes and goals are met.

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Criteria

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.37 After reviewing the literature and international standards, we developed criteria to assess SAP systems and practices for case planning. The Department agreed with the criteria.

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### Criteria Used

.38 Our general criteria were that the Department should have adequate systems and practices in place to:

1. Require case planning for employable SAP clients (e.g., policy, training, supervision).
2. Record relevant client information about employable SAP clients.
3. Ensure the development of reasonable, accessible case plans to help employable clients move toward and maintain independence.
4. Ensure reasonable, accessible case plans are carried out and revised, as necessary.
5. Ensure periodic evaluation of the effectiveness of case plans in helping employable clients move toward and maintain independence.

### Audit Work

.39 The following procedures describe our audit work. We:

- examined legislation including *The Saskatchewan Assistance Act* and *Regulations*;
- interviewed key Department staff and management personnel from central office and regions;
- examined and analyzed Department manuals, policies, directives, and training materials; and
- analyzed the contents of a random sample of 300 computer case files for partially and fully employable SAP clients. It is important for workers to have access to case plans (criteria 3), and for management to receive reports of aggregated case planning information (criteria 5). As a result, we examined the information stored on the Department's computer information system for our sample of 300 SAP cases.

.40 We did our examination according to generally accepted auditing standards. The Canadian Institute of Chartered Accountants recommends the standards we used including standards for value for money audits in the public sector. We did

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procedures and tests considered necessary to meet these standards.

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### Our Audit Findings

.41 The following is a summary of our audit findings.

#### Criterion 1

Require case planning for employable SAP clients.

.42 The *Saskatchewan Assistance Regulations* (s.36) require current case plans for all social assistance clients.

.43 The Department gives workers information on required case planning practices through periodic memos. Currently, this information on case planning is not brought together to form a permanent reference for all SAP workers; that is, no manuals or guides about case planning exist.

.44 The Department defines the purpose and some essential elements of case planning for workers. However, two essential elements are not noted. SAP workers are not directed:

- to set out an action plan to overcome barriers to employment; and
- to put time frames on goals and action plans.

.45 Since 1991, the Department has trained all new SAP workers about case planning. Currently, one third of SAP workers have a Bachelor of Social Work degree including training in case planning.

#### Criterion 2

Record relevant client information about employable SAP clients.

.46 The Department requires SAP workers to use a standard form to record relevant client information before developing a case plan with a client. SAP workers record information about education/literacy, work experience, age, dependants, etc. Over 85% of the case files we examined contained adequate assessment information.

.47 The Department requires workers to record a code reflecting the current employability of each client, e.g., the client can work for 36 hours per week, or can work part-time, or can work in a sheltered workshop setting. However, the Department

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does not require workers to record a summary assessment of the client's ability to achieve financial independence in the long term.

.48 Only 39% of the case files we examined contained a summary statement of the client's ability to become independent. As a result, the Department cannot predict the proportion of SAP clients who might achieve independence in the long term.

### Criterion 3

Ensure the development of reasonable, accessible case plans to help employable clients move toward and maintain independence.

.49 *The Saskatchewan Assistance Act and Regulations* require the Department to involve clients in setting reasonable goals and committing themselves to action.

.50 During the audit period, the Department told workers about its goals, objectives and expected procedures for case planning in periodic memos and in training materials. The Department reinforced procedures for developing case plans at annual conferences.

.51 However, the Department does not guide workers to identify client groups needing intense or limited service. The Department did not set clear criteria that identifies employable clients who would benefit most from case planning and employable clients who would not. The workers need these criteria and guidance to assist them to focus their time on clients most in need. The Department needs these criteria to ensure clients most in need are treated uniformly and receive necessary services.

.52 Various memos describe most of the key steps of case planning, but do not require a written action plan to overcome barriers to self-sufficiency, nor time frames for client tasks. Of the case files we examined: 64% listed barriers to employment, 71% recorded goals, 67% recorded action plans and 56% noted time frames.

.53 The Department requires SAP workers to record case plans in the client record on the Department computer system. The Department keeps most information about a client in its computer system by date including clients' case plans and changes to the plan. The computer system does not readily provide information on the entire case plan. To obtain the entire client case plan, SAP workers have to extract the information by analyzing all the case

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plan information in the client's record. As a result, monitoring and changing case plans is difficult.

**.54** Most workers do not have access to the computer system when visiting clients. Some workers keep paper notes of client case plans in addition to information stored in the computer system. As a result, case plans are not easily accessible for revising or updating, and the information on the computer system may be incomplete.

### Criterion 4

Ensure case plans are carried out and revised as necessary.

**.55** The Department gives workers incomplete guidance about carrying out and revising case plans through periodic memos, committee reports and meetings. Guidance is not always documented. It is not brought together to form a permanent reference for all SAP workers. As a result, SAP workers must often rely on their own judgement when carrying out case plans and deciding which client groups need intense or limited service. Workers do not record this decision in the computer case file.

**.56** The Department's guidance does not clearly direct workers to develop, revise and monitor specific action plans to overcome barriers or record client progress. Workers do not regularly list action plans or tasks for the client or worker in case files on the computer system. Action plans addressed the barriers to employment in 36% of the case files examined.

**.57** In 18% of the case files we examined, workers recorded giving help to the client beyond providing SAP payments. The SAP case files do not document referrals, or other government funded services used by the client, (e.g., counselling, training). Coordination of services, to avoid service duplication or gaps, is difficult without this information.

**.58** In 35% of the case files we examined, workers appropriately recorded the level of accomplishment of the client's goal. For example, when a client becomes self sufficient, the worker recorded the reason.

**.59** *The Saskatchewan Assistance Act and Regulations* require clients to report changes in their circumstances immediately. The Department requires SAP workers to review and revise case plans at these times and at least annually. In 28% of the case files we

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examined, workers recorded on the computer system, the revised case plan resulting from this review.

### Criterion 5

Ensure periodic evaluation of the effectiveness of case plans in helping employable clients move toward and maintain independence.

**.60** The Department has not identified what information it needs to analyze the effectiveness of case planning. As a result, the Department does not have a process to ensure workers collect and record the necessary information in the computer system. The information recorded in the computer system may be incomplete. The chronologic, narrative format used to record case plans in the computer system does not allow the Department to group data to make reports about case plans. As a result, the Department can not measure the effect of its case planning process.

**.61** The Department does not require workers to record the achievement of client goals. The Department does not have procedures to seek this information. As a result, the Department does not know if clients achieve their goals for independence.

**.62** The *Saskatchewan Assistance Regulations* require a record of reasons for cancellation of benefits. The Department notes this information when they are advised. However, many clients do not advise the Department about their job status or future plans when they cancel their SAP payments.

**.63** Department managers receive timely and consistent reports about the historical pattern of SAP benefits by geographic location and by client group. However, they do not receive management reports about case planning as they cannot group this information.

**.64** Until the Department can access grouped data about case planning, its ability to project the future service needs of its clients will be hampered. Currently, the Department has no grouped data about case planning and cannot evaluate the effectiveness of case planning for individuals or groups of employable SAP clients.

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Department's  
Response to Case  
Planning Audit

**.65** The Department's response is as follows:

*"In the spring of 1993, an internal Saskatchewan Assistance Plan (SAP) Delivery Task Force was*



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*struck to re-examine the program and its delivery in detail. A major recommendation of the February 1994 Task Force report was "that a holistic needs assessment and case planning instrument for use by SAP workers be developed". This was in recognition that presently, within the SAP program, there are no provincial standards for assessment and case planning and that skills and practices vary from region to region and from worker to worker.*

*Consistent with this recommendation, a regional supervisor was seconded to develop an assessment and planning model in concert with regional field staff. As well, Social Services suggested case planning as the focus for the Value for Money Audit to complement development of the case planning model and as a step towards implementation of a cost-benefit analysis of the case planning process.*

*The assessment and case planning model was completed in December 1994. The recommendations of the Provincial Auditor's Value-for-Money Audit are currently being incorporated into the model and an implementation strategy is under development.*

*As well, the Department's Research and Evaluation Branch is undertaking a project to continue the Value-for-Money audit by exploring the effectiveness of case planning with employable clients. It is anticipated the work of this project will form the basis for on-going evaluation of case planning in the department.*

*It should also be noted that the Task Force on SAP Delivery also recommended "that the potential for development of an integrated department-wide assessment instrument for all programs be explored." Integration of existing case planning/case management functions within the department will not only be more efficient but will also serve to strengthen the effectiveness of case planning. The Income Security, Family Services and Young Offenders, and Community Living Divisions will be exploring this option in the months*

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## Chapter 15 Department of Social Services

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*to come."*

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Thank you

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**.66** Department staff gave us excellent cooperation throughout this audit. We appreciated their support and thank them.

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**FINANCIAL  
CONTROLS OVER  
SAP PAYMENTS**

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**.67** The Department has an inadequate interim service agreement with the Federal Government for providing social assistance payments to off-reserve Indians.

Inadequate Agreement

**.68** The Department agreed it would provide social assistance to Indians using the Federal Government's existing arrangements with Indian Bands. The Federal Government had 5 service agreements with Indian Bands requiring them to provide assistance to off-reserve Indians.

**.69** In our opinion, the characteristics of an adequate service agreement are as follows:

- financial, operational and compliance with authorities objectives clearly set out;
- requirement that the Indian Band has systems to carry out the objectives and to report to the Department on its systems; and
- allows the Department or an independent auditor to verify the Band's report.

**.70** The agreement sets out the financial and compliance with authorities objectives and allows the Department to verify reports received. However, we found the agreement does not clearly set out the operational objectives such as long-term financial independence of employable persons on assistance. Also, the agreement does not require the Indian Bands to establish and report on their systems to achieve the financial, compliance with authorities and operational objectives.

**.71** The Department remains responsible for basic income support for those in need no matter who administers the program. Therefore, the need for adequate service agreements is essential.

**We Recommend**

**.72** The Department should ensure service agreements are adequate to achieve its financial, operational, and compliance

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## Chapter 15 Department of Social Services

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with authorities objectives.

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Inadequate Support  
for Payments

.73 The Department did not obtain the required documentation for social assistance payments made to off-reserve Indians.

.74 As stated earlier, the Department has an agreement with the Federal Government for providing social assistance payments to off-reserve Indians. The agreement required Indian Bands to make social assistance payments to off-reserve Indians. The agreement required the Department to reimburse the Indian Bands for these payments through the Federal Government. Section 2.06 of the agreement required the Indian Bands to provide the Department a list of all social assistance recipients and the amount of assistance provided.

.75 In 1993-94, the Department paid \$2.7 million to reimburse the Indian Bands under the agreement. However, the Department did not receive a list of all social assistance recipients and the amount of assistance provided.

.76 The Department needs the list of the social assistance recipients and the amount of assistance provided to verify the payments. Without the list, the Department is unable to ensure social assistance payments are authorized.

We Recommend

.77 The Department should receive documentation according to the agreement before making payment.

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**INTERNAL  
FINANCIAL  
REPORTS**

Complete and  
Accurate Financial  
Reports Needed

.78 The Department is responsible for delivering the activities assigned to it within established spending limits. The Deputy Minister is responsible for the integrity of the whole financial process including revenue collection.

.79 The Deputy Minister and other senior managers need complete and accurate internal financial reports. These reports should compare actual results to budgeted results using the same accounting principles. Also, the reports should highlight and explain major variances. If staff do the highlights and variance analysis well, the reports can be an immense aid to senior management. Senior management can then focus on trouble spots and overall supervision of the Department.

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## Chapter 15 Department of Social Services

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**.80** During the year, we assessed the Department's rules and procedures for preparing internal financial reports. We also assessed the Department's internal financial reports.

**.81** We wanted to know if the Department had:

- written rules and procedures for preparing its reports;
- adequate rules and procedures to know its actual results; and
- adequate rules and procedures to prepare budget information on levels of activity.

**.82** We also wanted to know if the Department's internal reports:

- contained accurate actual costs;
- contained revenue and expenditure forecasts to the year end compared to the budget;
- highlighted and explained significant variances requiring senior management's attention;
- compared actual results for the period to budgeted results for the period;
- contained accurate budget information for the period based on level of activity; and
- were approved by the persons responsible for them.

**.83** The Department had adequate rules and procedures for preparing internal financial reports except for the significant deficiencies reported in paragraphs .84 to .92. The Department's internal financial reports were adequate except for the significant deficiencies reported in paragraphs .93 to .101.

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Rules and Procedures  
Need Formal  
Approval

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**.84** The Department's rules and procedures for preparing internal financial reports lack formal approval by the Deputy Minister.

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## Chapter 15 Department of Social Services

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	<p><b>.85</b> The Department's Forecast Manual contains the internal financial reporting rules and procedures. The Department's Budget Branch developed the Manual.</p>
	<p><b>.86</b> We found no evidence that the Deputy Minister approved the rules and procedures contained in the Manual.</p>
<b>We Recommend</b>	<p><b>.87</b> The Deputy Minister should approve the rules and procedures for preparing financial reports.</p>
<hr/>	<hr/>
Policy and Procedures for Financial Reports Needed	<p><b>.88</b> The rules and procedures contained in the Department's Forecast Manual are not adequate.</p> <p><b>.89</b> Divisions of the Department prepare internal financial reports using the guidance contained in the Forecast Manual. The Manual lacks internal financial reporting rules and procedures for the following areas:</p> <ul style="list-style-type: none"><li>• highlighting and explaining significant variances for senior management's attention;</li><li>• setting level of detail required for variance explanations, such as planned level of activity compared to actual, and budgeted costs compared to actual; and</li><li>• preparing actual results using the accrual basis of accounting.</li></ul> <p><b>.90</b> Since several persons prepare the reports, the lack of written policies and procedures increases the risk these persons may not prepare the reports consistently or correctly.</p>
<b>We Recommend</b>	<p><b>.91</b> The Department should establish adequate written policies and procedures for preparing internal financial reports.</p> <p><b>.92</b> The Department told us it is reviewing its financial and program reporting practices.</p>
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Financial Reports Need to be Reviewed and Approved	<p><b>.93</b> There is a lack of evidence that division heads approved the internal financial reports.</p>

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## Chapter 15 Department of Social Services

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**.94** Division heads have delegated the preparation of internal financial reports to their staff. We found several instances where there was no written evidence division heads approved the reports prepared by their staff.

**.95** Division heads need to document their review of the internal reports prepared by their staff. This process would help ensure the financial reports are accurate, variance explanations provide suitable detail, and acknowledge the division head is responsible and accountable for achieving intended results.

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### We Recommend

**.96** Financial reports should be reviewed and signed by the person responsible.

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### Financial Reports Need Improvement

**.97** In our opinion, the Department's internal financial reports lack essential information to safeguard and control the Department's revenue and expenditure.

**.98** Many Department financial reports are inadequate because the Department used an inappropriate basis of accounting to prepare them. The Department used the cash basis of accounting. The Department should use the accrual basis of accounting.

**.99** The Department's financial reports showing variances between actual expenditures to date compared to budget to date did not provide written explanations.

**.100** Also, the Department regularly uses activity levels to explain variances between the current and previous expenditure forecasts for its Income Security Division, but does not do so regularly for other divisions.

### We Recommend

**.101** The Department should improve its internal financial reporting to show:

- a comparison of actual results for the period to budgeted results for the period using the accrual basis of accounting and based on levels of activity whenever possible; and
- highlight and explain major variances between year to date actual and year to date budget, using activity levels whenever possible.

**Chapter 16**  
**Greystone Capital Management Inc.**

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## Chapter 16

### Greystone Capital Management Inc.

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#### Introduction

**.01** Greystone Capital Management Inc. (Greystone), formerly the Investment Corporation of Saskatchewan, acts as an investment manager for several Government agencies. These agencies include pension and insurance agencies.

**.02** *The Investments Provisions Amendment Act* came into force June 1, 1988. It permits certain government agencies to contract for investment management services.

**.03** Greystone was incorporated under *The Business Corporations Act* of Saskatchewan to provide investment management services. Government agencies hold the majority of voting shares of Greystone.

#### Ability to Discharge our Duties

**.04** Greystone has not permitted us to audit its accounts since it was formed. Greystone's actions result in a lack of public accountability to the Legislative Assembly for its activities.

**.05** Greystone is a Crown controlled corporation because the majority of its shares are held by Government agencies. Therefore, it is subject to an audit under *The Provincial Auditor Act*. Our legal advice supports this view.

**.06** The following Government agencies hold the majority of Greystone's shares:

Saskatchewan Government Insurance  
Workers' Compensation Board  
Power Corporation Superannuation Board  
SaskTel Superannuation Board  
Minister of Finance for the Teachers' Superannuation  
Commission  
Saskatchewan Transportation Company Employees  
Superannuation Fund  
Workers' Compensation Superannuation Board  
Liquor Board Superannuation Fund  
Anti-Tuberculosis League Employees Superannuation  
Fund  
Judges of the Provincial Court Superannuation Fund

**.07** Greystone has legal advice it is not subject to an audit by the Provincial Auditor. Greystone believes it is an independent competitive investment counsel, not a Crown controlled



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## Chapter 16 Greystone Capital Management Inc.

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corporation.

**.08** If the Legislative Assembly wishes Greystone to be accountable to the Assembly, then the Assembly should recommend the Government direct Greystone to allow our Office to audit its accounts and to present its financial statements to the Assembly.

**.09** We have also reported this matter in previous years.

### We Recommend

**.10 Greystone should table its financial statements in the Legislative Assembly.**

**.11 Greystone should allow us to audit its accounts.**

**.12** The Standing Committee on Public Accounts (PAC) considered this matter on January 20, 1994. The PAC's discussion centred on:

- the ability of the Assembly to see information about Greystone through the financial statements of Crown agencies that hold shares in Greystone and that table their statements in the Assembly; and
- an understanding the shares of Greystone are held by the shareholders as trustees for the beneficial owners of the shares who are plan members.

**.13** The financial statements of Crown agencies that table financial statements in the Assembly do not include information about the revenues, expenditures, assets and liabilities of Greystone. Accordingly, the Assembly cannot see relevant information about Greystone through the financial statements of other Crown agencies.

**.14** In addition, the Assembly does not receive assurance that Greystone has adequate rules and procedures for safeguarding assets and has complied with the authorities governing its activities.

**.15** Regarding the beneficial ownership of defined pension plan assets, plan members are not the beneficial owners, but are the beneficiaries only. Our legal advice supports this view. Plan members do not benefit directly from the prudent management of money in the plan, but have a promise from the Government for

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## Chapter 16 Greystone Capital Management Inc.

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a specific pension. The Government benefits directly from the prudent management of money in defined benefit pension plans. The greater the return on money invested, the less the Government needs to pay into the pension plan in the future to discharge its pension promise. The Government assumes the final liability for the promised pensions to plan members.

.16 In addition, the Government benefits directly from the prudent management of money related to the insurance investment portfolios of Saskatchewan Government Insurance and Workers' Compensation Board.

**Chapter 17**  
**Indian and Metis Affairs Secretariat**

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## Chapter 17

### Indian and Metis Affairs Secretariat

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Introduction	.01 The Indian & Metis Affairs Secretariat (IMAS) is responsible for promoting and facilitating partnerships between aboriginal and non-aboriginal peoples in achieving common goals and enhancing quality of life.
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General Revenue Fund	.02 IMAS managed General Revenue Fund appropriations of \$13 million in 1994. Information about IMAS's appropriations appears in Volume 2 of the Public Accounts at page 131.
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Our Audit Findings	.03 IMAS had adequate rules and procedures to safeguard and control its General Revenue Fund appropriations and revenue. IMAS complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing and investing, except for the matters reported in paragraphs .04 to .15.
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Rent Payments Require Authority	.04 IMAS did not obtain an Order-in-Council to approve an agreement. In our opinion, payments made under the agreement lacked proper authority.
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.05 In 1993, IMAS entered into an agreement to rent space. The agreement requires IMAS to pay rent until October, 1994. IMAS made rent payments totalling \$20,400 for the year ending March 31, 1994 (\$21,000 - 1993).

.06 Section 17 of *The Government Organization Act* requires IMAS to obtain an Order-in-Council for agreements where the Government of Saskatchewan is liable to make expenditures of more than \$10,000.

.07 We also reported this matter in our 1993 Annual Report.

We Recommend	.08 IMAS should obtain required Orders-in-Council for its agreements.
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.09 IMAS told us, when the agreement expires, it will arrange different financing for the rental space. IMAS will obtain an Order-in-Council for the new arrangements if required.

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## Chapter 17 Indian and Metis Affairs Secretariat

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Grant Payments  
Require Authority

.10 IMAS paid a grant instalment of \$50,000 without authority.

.11 IMAS obtained an Order-in-Council authorizing payments of \$205,000 for costs incurred by The Metis Society of Saskatchewan Inc. related to the Tripartite Process Framework Agreement. The Order required IMAS to obtain certain documents before making payments.

.12 According to the Order, IMAS required a report from the Society. IMAS required the report before it could make a second payment to the Society. The Society had to report details of activities and a statement of expenditures.

.13 IMAS made the second payment without the required report.

**We Recommend**

**.14 IMAS should comply with the terms of Orders-in-Council governing its activities.**

.15 IMAS told us the Society had provided some information on its activities before payment and later provided the required report.

# Chapter 18

## Legislation (Board of Internal Economy)

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## Chapter 18

### Legislation (Board of Internal Economy)

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Introduction

**.01** The Department's mandate is to provide funding and support services to Members of the Legislative Assembly (MLAs), and the Legislative Assembly and its Committees; and to inform the public of the Legislature's activities. It also includes the statutory offices of the Ombudsman, the Freedom of Information and Privacy Commissioner, and the Members' Conflict of Interest Commissioner.

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General Revenue Fund

**.02** In 1994, the Department managed General Revenue Fund appropriations of \$15.3 million. Information about the Department's General Revenue Fund appropriations appears in Volume 2 of the Public Accounts at page 152. The Board of Internal Economy is responsible for the Department's activities.

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Our Audit Findings

**.03** This Chapter covers the period January 1, 1993 to December 31, 1994.

**.04** In our opinion, the Board complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The Board had adequate rules and procedures to safeguard and control its assets except for the matters reported in paragraphs .05 to .34. In paragraphs .35 to .44, we report on how the Board reported MLAs' income for income tax purposes.

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Annual Report Needed

**.05** The Board does not prepare an annual report on its activities.

**.06** The Standing Committee on Public Accounts recommended that all government departments provide annual reports on their activities and do so in a timely manner.

**.07** The public could use annual reports to understand and assess the performance of the Board and to ensure accountability of MLAs.

**.08** This is particularly important for MLAs because they are under constant public scrutiny.

**.09** The annual report should provide useful information on a timely basis. The annual report should describe:

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## Chapter 18 Legislation (Board of Internal Economy)

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- What the Board is all about;
- What the Board has done (including audited financial statements);
- Where the Board is now; and
- What the Board plans to do.

.10 Also, the annual report should provide payee lists for all expenses.

### We Recommend

.11 **The Board should prepare an annual report on its activities.**

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### MLAs Travel Expense

.12 The Board has not established the rules and procedures required to ensure MLAs are paid only for actual travel expenses incurred on Legislative Assembly and constituency business.

.13 According to Volume 2 of Public Accounts, the Board paid MLAs \$811,499 in 1993 and \$803,655 in 1994 for travel expenses.

.14 The Board's rules and procedures do not require MLAs to submit adequate information and obtain approval for vehicle travel expenses. The rules and procedures should require:

- a proper travel expense claim to be completed. A proper claim would include information on the date and time of travel, the destination, the purpose of the trip, kilometres travelled and the approved rate per kilometre of travel;
- a MLA to sign the claim certifying the expenses incurred were for Legislative Assembly and constituency business;
- the Speaker or his delegate to approve the claim; and
- the calculations and rates applied to be checked for accuracy.

.15 Treasury Board has established rules and procedures governing reimbursement for vehicle travel expense incurred by



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## Chapter 18 Legislation (Board of Internal Economy)

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public servants on Government business. Treasury Board has set out its rules and procedures in the Financial Administration Manual. Treasury Board's rules and procedures are similar to our suggested rules and procedures in paragraph .14.

.16 We also reported on this matter in our 1992 Annual Report.

### We Recommend

**.17 The Board should strengthen its rules and procedures for vehicle travel expenses to include requirements similar to those required by Treasury Board for travel on Government business.**

.18 Alternatively, if the Board considers the above recommendation too difficult to administer, the Board could pay MLAs a monthly travel allowance. By providing an allowance, there would be no requirement for the MLAs to submit a travel expense claim for approval and payment. The Board would be required to report the allowance to Revenue Canada and include the allowance on the MLAs' T-4s.

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### Ability to Know if Public Money is Used for Its Intended Purpose

.19 The Board provides public money to caucus offices for sessional research and general expenses. The Board has not established the rules and procedures required to know if the money is spent appropriately.

.20 Section 50 (3) of *The Legislative Assembly and Executive Council Act* and the Board's directives allow the Board to provide money to caucus offices. The Act defines caucus to mean a group of two or more MLAs who belong to the same political party. According to Volume 2 of the Public Accounts, the Board paid the following money to caucus offices:

	1993	1994
Government Caucus	\$ 622,837	\$ 577,969
Opposition Caucus	334,083	334,434
Third Party Caucus	53,066	125,529
	<u>\$1,009,986</u>	<u>\$1,037,932</u>

.21 The Board remains accountable for the use of public money by the caucus offices. Accordingly, the Board should clearly specify what the money can be used for and should establish rules and procedures to ensure the money is used for the intended

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## Chapter 18 Legislation (Board of Internal Economy)

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purposes. Also, the Board needs to specify what happens to money that remains unspent by a caucus office.

**.22** To meet its responsibility, the Board should change the way caucus offices receive and account for their funding. Rather than paying caucus offices non-accountable grants, the Board could pay the expenses of caucus offices directly. Alternatively, the Board could maintain the caucus offices' financial autonomy to pay their expenses but require more accountability for the use and management of the money. The Board should consider the following ways to improve accountability for caucus expenses:

- The Board could pay all expenses of the caucus offices directly. Payments from the appropriations would be made by the Board based on requisitions from the caucus offices following the Board's normal payment policies.
- Alternatively, the Board could pay the caucus offices an advance from their appropriations and require accountability reports from the caucus offices. The accountability reports should be presented to the Board and tabled in the Legislative Assembly. The reports should include:
  - i. audited financial statements, list of payees and other information identified in paragraphs .09 and .10;
  - ii. an auditor's report stating the money was used for the purpose the Board intended; and
  - iii. an auditor's report on the adequacy of the caucus offices' rules and procedures.

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### We Recommend

**.23 The Board should strengthen its directives for the expenses of caucus offices to ensure full public accountability.**

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### Segregation of Duties

**.24** The Board has not adequately segregated duties for expenses related to MLAs' constituency offices, telephones and communications.

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

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## Chapter 18 Legislation (Board of Internal Economy)

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.26 According to Volume 2 of Public Accounts, the Board incurred expenses of \$3,965,044 in 1993 and \$3,954,012 in 1994 for MLAs' constituency offices, telephones and communications.

.27 The Board needs to ensure the goods and services it pays for are authorized and appropriate, are received and used on government business, and that prices are fair and just. To do so, the Board should segregate the duties of authorization, receipt of goods and services, and access to accounting records. When it is not reasonable to segregate duties for administering certain expenses, the Board should make MLAs more accountable for those expenses.

.28 When it is not reasonable to segregate duties for certain expenses, the Board should prepare a separate list of payees for those expenses. The Board should include these payee lists in its annual report and MLAs should be accountable for the propriety of the expense.

.29 Adequate segregation of duties should be possible for expenses such as space requirements, furnishing and equipment for constituency offices provided by the Board. An expense where adequate segregation of duties may not be reasonable is communications. MLAs may require more freedom to decide how they will communicate with their constituents.

.30 Currently, MLAs authorize the purchase of goods or services, receive the goods or services, and receive and approve supplier invoices for payment. Also, no public disclosure of payees is provided. This lack of segregation of duties and public disclosure allows errors or fraud to occur without timely detection.

.31 Two current MLAs, one former MLA and a former employee of a caucus office have been charged with fraud and breach of trust for inappropriate use of communications expense allowances.

.32 We also reported on this matter in our 1992 Annual Report.

### We Recommend

**.33 The Board should strengthen its rules and procedures for MLAs' constituency office, telephone and communication expenses to ensure no person can conceal an error or fraud without timely detection.**

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## Chapter 18 Legislation (Board of Internal Economy)

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**.34** Alternatively, when it is not reasonable to segregate duties for certain expenses, the Board should make MLAs more accountable for those expenses. The Board should produce separate payee lists for those expenses for each MLA and include them in its annual report.

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Members' Reported  
Taxable Income  
Correctly

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**.35** During our audit, we looked at the way the Board calculates and reports an MLA's taxable income. We wanted to ensure proper reporting for the purposes of Provincial Income Taxes.

**.36** An MLA's taxable income from the Board has two parts, i.e., indemnity (salary) and expense allowances.

**.37** Salary and expense allowances are treated differently for the purpose of reporting an MLA's taxable income. Payments to MLAs as an annual indemnity (salary) for holding office are taxable income. Also, payments to MLAs as a per diem indemnity (salary) for attending sessions and meetings are taxable income.

**.38** Payments to MLAs considered allowances for expenses incidental to carrying out an MLA's duties are included in taxable income if they meet specified conditions.

**.39** Expense allowances are included in an MLA's reported taxable income when the total value of all expense allowances exceeds 1/2 of total reported (indemnity) salary. The Board is required to include the excess in the reported taxable income of an MLA.

**.40** Currently, MLAs receive the following payments as salary and expense allowances:

- annual salary of \$38,546;
- annual expense allowance of \$7,622 per MLA;
- sessional per diem allowance of \$94 per day for MLAs representing a Regina constituency and \$155 per day for MLAs representing other constituencies;
- caucus per diem allowance of \$94 per day for MLAs representing a Regina constituency and \$155 per day for MLAs representing other constituencies; and

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## Chapter 18 Legislation (Board of Internal Economy)

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- committee per diem allowance of \$155 per day for all MLAs. In addition, for this allowance MLAs can claim reimbursement for travel, meals and accommodation.

.41 The Board decided all per diem allowances are for expenses incidental to carrying out an MLAs' duties rather than salary for attending sessions.

.42 Based on the Board's decision, we concluded the Board reported MLAs' taxable income correctly.

.43 The Board also reimburses or pays on behalf of MLAs' costs incurred for travel, telephone, communications and office expenses. These reimbursed expenses are not included in taxable income. In these cases, the Board must answer for the expenses. The Board must ensure that these goods and services are authorized and appropriate, received and used on government business, and that prices are fair and just. We reported earlier the Board needs to continue to improve the rules and procedures to properly control its expenses.

.44 Members of the Executive Council and other specified positions (e.g., The Speaker) receive additional salary and benefits. For this audit, we have not examined these payments for the purpose of proper income tax reporting.

**Chapter 19**  
**Saskatchewan Liquor and Gaming Authority**

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## Chapter 19

# Saskatchewan Liquor and Gaming Authority

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### Introduction

**.01** The Saskatchewan Liquor and Gaming Authority regulates liquor and gaming activities and operates retail liquor stores in the Province.

**.02** The Authority had revenues of \$327 million in 1994 and held assets of \$205 million at March 31, 1994. The Authority's financial statements are included in the Public Accounts Compendium at page B23.

**.03** The Liquor Board, Liquor Licensing Commission and the Saskatchewan Gaming Commission merged in 1993-94 and became the Authority. Also, the Authority's video lottery business began operations during the year. Managing a merger and a new business as significant as the video lottery business is complex.

### Our Audit Findings

**.04** The Authority asked us to review and comment on its planned rules and procedures for managing the video lottery business before starting operations. We reviewed the planned rules and procedures and provided our advice to the Authority. Later, our audit found the Authority had adequate rules and procedures for safeguarding the assets of the video lottery business except the need to strengthen the Authority's written contract with the agent managing part of the business. Paragraphs .12 to .19 describe our concern with the contract.

**.05** In our opinion, the Authority's financial statements are reliable. The Authority complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing. The Authority had adequate rules and procedures to safeguard and control its assets except for the significant deficiency reported in paragraphs .06 to .11.

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### Board Needs an Internal Auditor to Help Oversee Management

**.06** Currently, the Board of Directors may not receive independent information to oversee management.

**.07** The Board is responsible for the financial management of the Authority. The Board is also responsible for ensuring the Authority achieves its goals and objectives. To carry out its responsibilities, the Board needs independent information to ensure management adequately safeguards the Authority's assets, complies with the law and prepares proper financial statements.

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## Chapter 19 Saskatchewan Liquor and Gaming Authority

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.08 An independent internal audit function is one way for the Board to obtain information to effectively oversee management. To be independent of management, the manager of internal audit should report directly to the Board or more practically to an Audit Committee. An effective Audit Committee may improve the effectiveness of the Authority's controls and help the Board exercise due diligence.

.09 Currently, the Board does not have an audit committee and the internal auditor reports to management.

.10 To effectively oversee management, the Board or an Audit Committee should:

- review and approve the Internal Auditor's plans;
- discuss the Internal Auditor's reports and findings;
- monitor the Internal Auditor's activities, results, and the adequacy of management's corrective action; and
- consider matters raised by the Internal Auditor.

### We Recommend

**.11 The Internal Auditor should report directly to the Board or to an Audit Committee established by the Board.**

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### Written Operating Contract Needs Strengthening

.12 The Authority's written operating contract with Western Canada Lottery Corporation (WCLC) needs strengthening.

.13 The written contract does not require WCLC to carry out its work to achieve the Authority's control objectives or to report on the rules and procedures used to achieve the control objectives. The contract also does not provide for the Authority to monitor WCLC's actions to ensure proper management of the video lottery operations.

.14 Responsibility for achieving the control objectives rests with the Authority. The major control objectives are to ensure:

- public confidence in the integrity of the video lottery system;
- compliance with the laws governing the operation of the video lottery system;



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## Chapter 19 Saskatchewan Liquor and Gaming Authority

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- complete and accurate recording of transactions;
- prompt and accurate invoicing of site contractors;
- adequate collection procedures;
- prompt receipt of money due to the Authority;
- timely and accurate financial reporting to permit management to make sound decisions;
- contingency arrangements provide for continuous operation of the video lottery system. This includes adequate documentation of computer programs, regular backup of program and data files and a disaster recovery plan; and
- adequate system security. This includes controlling access to the system, physical security over the system and controls for changing computer programs.

**.15** The Authority has a verbal contract with WCLC. The verbal contract requires a report from WCLC describing its rules and procedures to achieve the Authority's control objectives. WCLC's external auditor audits the report.

**.16** We think WCLC's report and the external auditor's report on the rules and procedures provide adequate assurance the Authority has achieved its control objectives.

**.17** However, we think the Authority should obtain changes to the written contract to reflect the current verbal contract. A proper written contract will prevent future misunderstandings.

### **We Recommend**

**.18** The Authority should amend its written contract with WCLC to require WCLC to report on its rules and procedures used to achieve the Authority's control objectives.

**.19** The revised contract should require WCLC to have its auditor audit the report. Alternatively, or in addition, the revised contract should allow the Authority's staff access to WCLC's records to verify the report.

**Chapter 20**  
**Saskatchewan Property Management Corporation**

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## Chapter 20

# Saskatchewan Property Management Corporation

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### Introduction

**.01** The Corporation (SPMC) provides services, accommodation, and facilities to public agencies.

**.02** SPMC had revenues of \$139 million in 1994 and held assets of \$513 million at March 31, 1994. SPMC's financial statements are included in the Public Accounts Compendium at page B114.

### Our Audit Findings

**.03** In our opinion, SPMC's financial statements are reliable. SPMC had adequate rules and procedures to safeguard and control its assets. SPMC complied with the authorities governing its activities relating to financial reporting, safeguarding of assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .04 to .08.

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### Purchasing Agency

**.04** SPMC did not have adequate rules and procedures to ensure public agencies buy their supplies through SPMC.

**.05** SPMC administers *The Purchasing Act* (Act). Section 5(1) of the Act requires public agencies to buy their supplies through SPMC.

**.06** We also reported this matter in our 1993 Annual Report.

### We Recommend

**.07** SPMC should establish rules and procedures to ensure public agencies buy their supplies through SPMC.

**.08** SPMC told us it is creating a list of public agencies subject to the Act. In addition, SPMC is developing procedures to ensure these agencies buy their supplies through SPMC.

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### Appointed Auditor's Reports

**.09** We relied on Deloitte and Touche's reports on SPMC's financial statements, internal controls and compliance with authorities.

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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; and
- (b) make the reports available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

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

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

- (a) any funds that he is required to audit pursuant to subsection 11(1);
- (b) Crown agencies;
- (c) Crown-controlled corporations; and
- (d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

16(1) Where:

- (a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:
  - (i) requests the provincial auditor to perform a special assignment; and
  - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
- (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

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- (a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and
  - (b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).
- (3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.
- (4) Where:
- (a) the Lieutenant Governor in Council:
    - (i) requests the provincial auditor to perform a special assignment; and
    - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
  - (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act,
- the provincial auditor may perform the special assignment.
- (5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

- 18 The provincial auditor shall:
- (a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;
  - (b) assure himself that the securities described in clause (a) have been properly cancelled; and
  - (c) at any time and to any extent that the Minister of Finance may require, participate in

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the destruction of any redeemed or cancelled securities or unissued reserves of securities.

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

- (a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and
- (b) during its review of the items described in clause (a).

### AUDIT COMMITTEE

20(1) An audit committee, composed of not more than five persons appointed by the Lieutenant Governor in Council, is established.

- (2) No Member of the Legislative Assembly is eligible to be a member of the audit committee.
- (3) The Lieutenant Governor in Council shall designate one member of the audit committee as chairman.
- (4) The audit committee may determine its rules of procedure.

21 On the request of the provincial auditor or the Minister of Finance, the chairman of the audit committee shall call a meeting of the audit committee to review any matter that, in the opinion of the provincial auditor or the Minister of Finance, as the case may be, should be considered by the committee.

22 The provincial auditor may give the audit committee any information that he considers appropriate to enable the audit committee to advise the Lieutenant Governor in Council on the result of any audit or examination made by him.

23 The provincial auditor shall present to the audit committee:

- (a) his annual report; and
- (b) any special report prepared pursuant to section 13;

before he submits the report to the Speaker.

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### GENERAL

- 24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:
- (a) to free access, at all convenient times, to:
    - (i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and
    - (ii) all files, documents and other records relating to the accounts;  
  
of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and
  - (b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.
- (2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.
- 25 The provincial auditor may examine any person or any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.
- 26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.
- 26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.
- 27(1) An accountant, who is:
- (a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;
  - (b) not employed by a department of the Government of Saskatchewan, a Crown agency,

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a Crown-controlled corporation or the office of the provincial auditor; and

(c) appointed by the Lieutenant Governor in Council;

shall audit the accounts of the office of the provincial auditor.

(2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the office of the provincial auditor that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(3) The auditor of the office of the provincial auditor shall submit his report to the Standing Committee of the Legislative Assembly on Public Accounts.

28 The provincial auditor may charge a reasonable fee for professional services provided by his office.

29 The provincial auditor, the employees in his office and any advisor, specialist or consultant engaged pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

30 The provincial auditor, any employee in his office, an appointed auditor, any employee of an appointed auditor or any advisor, specialist or consultant engaged pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Act, and

(b) shall not communicate those matters to any person, other than when he is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

31 Subject to subsection 4(4), any sums required by the provincial auditor for the purposes of this Act are to be paid from moneys appropriated by the Legislature for the purpose.

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Finance Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person

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becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

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## Appendix II

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### 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 March 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
National Pig Development (Canada) Co. Ltd.	September 30



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Crown Agencies (continued):	Year End
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 (CIC)	December 31
Greystone Capital Management Inc.	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
Nu-Net Communications Limited	December 31
Power Greenhouses Inc.	December 31
Power Corporation Superannuation Board	December 31
Saskatchewan Assessment Management Agency	December 31
Saskatchewan Auto Fund	December 31
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31
Saskatchewan Chicken Marketing Board	December 31
Saskatchewan Commercial Egg Producers' Marketing Board	December 31
Saskatchewan Development Fund Corporation	December 31
Saskatchewan Economic Development Corporation	December 31
Saskatchewan 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 Horse Racing Commission	December 31
Saskatchewan Housing Corporation	December 31
Saskatchewan Pension Plan Board of Trustees	December 31
Saskatchewan Power Corporation	December 31
Saskatchewan Sheep Development Board	December 31
Saskatchewan Telecommunications	December 31
Saskatchewan Telecommunications Holding Corporation	December 31
Saskatchewan Telecommunications International, Inc.	December 31
Saskatchewan Telecommunications Superannuation Board	December 31
Saskatchewan Turkey Producers' Marketing Board	December 31
Saskatchewan Water Corporation	December 31

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### Crown Agencies (continued):

Year End

SaskEnergy Incorporated	December 31
SaskPen Properties Ltd.	December 31
SGI Canada Insurance Services Ltd.	December 31
South Saskatchewan River Irrigation District No. 1	December 31
SPI Marketing Group	December 31
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
Agriculture Development Fund	March 31
Assiniboine Valley District Health Board	March 31
Battlefords District Health Board	March 31
Board of Governors, Battlefords Regional Care Centre	March 31
Board of Governors, Lakeside Home	March 31
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
Palliser Regional Care Centre	March 31
Parkland District Health Board	March 31
Parkland Regional Care Centre	March 31
Pasquia District Health Board	March 31
Pipestone District Health Board	March 31
Prairie Agricultural Machinery Institute	March 31
Prairie West District Health Board	March 31
Prince Albert Health Board	March 31
Provincial Mediation Board	March 31
Public Employees (Government Contributory) Superannuation Plan	March 31

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### Crown Agencies (continued):

Year End

Public Service Superannuation Board	March 31
Regina District Health Board	March 31
Rolling Hills District Health Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Beef Stabilization Board	March 31
Saskatchewan Cancer Foundation	March 31
Saskatchewan Centre of the Arts	March 31
Saskatchewan Communications Advanced Network Corporation	March 31
Saskatchewan Crop Insurance Corporation	March 31
Saskatchewan Energy Conservation and Development Authority	March 31
Saskatchewan Legal Aid Commission	March 31
Saskatchewan Liquor and Gaming Authority	March 31
Saskatchewan Lotteries Trust Fund for Sports, Recreation and Culture	March 31
Saskatchewan Municipal Board	March 31
Saskatchewan Property Management Corporation	March 31
Saskatchewan Pulse Crop Development Board	March 31
Saskatchewan Research Council, The	March 31
Saskatchewan Wetland Conservation Corporation	March 31
Saskatoon District Health Board	March 31
Souris Valley Regional Care Centre	March 31
South Central District Health Board	March 31
South Country District Health Board	March 31
South East District Health Board	March 31
Southwest District Health Board	March 31
SP Two Properties Ltd.	March 31
St. Louis Alcoholism Rehabilitation Centre	March 31
Swift Current District Health Board	March 31
Touchwood Qu'Appelle District Health Board	March 31
Tripartite Beef Administration Board	March 31
Twin Rivers District Health Board	March 31
Wanuskewin Heritage Park Corporation	March 31
Water Appeal Board	March 31
Western Development Museum	March 31
Whitespruce Youth Treatment Centre	March 31

### Special Purpose and Trust Funds:

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

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Special Purpose and Trust Funds (continued):	Year End
Saskatchewan Government Insurance Superannuation Plan	December 31
Saskatchewan Research Council Employees' Pension Plan	December 31
Cattle Marketing Deductions Fund	March 31
Commercial Revolving Fund	March 31
Correctional Facilities Industries Revolving Fund	March 31
Correspondence School Revolving Fund	March 31
Crop Reinsurance Fund of Saskatchewan	March 31
Department of Justice Victims' Fund	March 31
Fish and Wildlife Development Fund	March 31
Forest Renewal and Development Fund	March 31
General Revenue Fund	March 31
Highways Revolving Fund	March 31
Horned Cattle Fund	March 31
Judges of the Provincial Court Superannuation Fund	March 31
Members of the Legislative Assembly Superannuation Fund	March 31
Northern Revenue Sharing Trust Account	March 31
Northern Saskatchewan Economic Development Revolving Fund	March 31
Oil and Gas Environmental Fund	March 31
Prepaid Funeral Services Assurance Fund	March 31
Provincial Mediation Board Trust Account	March 31
Public Employees Benefit Agency Revolving Fund	March 31
Public Trustee for Saskatchewan	March 31
Queen's Printer Revolving Fund	March 31
Resource Protection and Development Revolving Fund	March 31
Saskatchewan 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
Sinking Fund	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 March 24, 1995

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

This Report includes all audits completed at March 24, 1995 for fiscal periods ended March 31, 1994 or earlier. Since 1988, we have prepared our Annual Reports without completing all audits. This practice is necessary to improve the timeliness of the information given to the Members of the Legislative Assembly.

We will report audits completed after March 24, 1995 for government organizations with fiscal periods ended March 31, 1994 or earlier to the Legislative Assembly in a future Report.

We have three categories of audits not completed at March 24, 1995.

#### Category I

We reported in separate chapters several organizations where, because of established priorities, we limited our audit work and we are not doing further audit work on those organizations for fiscal periods ended March 31, 1994.

#### Category II

We have not completed the audit of the following organizations at March 24, 1995, and we will report our audit findings in a future Report to the Legislative Assembly.

Greystone Capital Management Inc.(1988, 1989, 1990, 1991, 1992 and 1993)  
Saskatchewan Sheep Development Board  
Teachers' Superannuation Commission

#### Category III

To meet established priorities, we did not plan to do any audit work to report on the following organizations for fiscal periods ended March 31, 1994 or earlier. Accordingly, we are unable to report to the Assembly on these organizations. This list does not include organizations with fiscal periods ended December 31, 1993 or earlier that we listed in Appendix III of our 1994 Fall Report.

Assiniboine Valley District Health Board  
Battlefords District Health Board  
Central Plains District Health Board  
Department of Highways and Transportation - General Revenue Fund appropriations and revenues  
East Central District Health Board  
Gabriel Springs District Health Board

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## Appendix III

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### Category III (continued):

Greenhead District Health Board  
Living Sky District Health Board  
Midwest District Health Board  
Moose Mountain District Health Board  
North Central District Health Board  
North-East District Health Board  
North Valley District Health Board  
Northwest District Health Board  
Parkland District Health Board  
Pasquia District Health Board  
Prairie West District Health Board  
Rolling Hills District Health Board  
South Central District Health Board  
South Country District Health Board  
South East District Health Board  
Southwest District Health Board  
Swift Current District Health Board  
Touchwood Qu'Appelle District Health Board

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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 March 31, 1994 or earlier that, in our opinion, had:

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

This list does not include organizations with fiscal periods ended December 31, 1993 or earlier that we listed in Appendix IV of our 1994 Fall Report.

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

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

### Departments and Secretariats:

Economic Development  
Labour  
Provincial Secretary  
Public Service Commission  
Women's Secretariat

### Crown Agencies:

Agriculture Development Fund  
Agricultural Implements Board  
Law Reform Commission of Saskatchewan  
Liquor Board Superannuation Commission, The  
Moose Jaw Packers (1974) Ltd.  
Northlands College  
Power Corporation Superannuation Plan  
Provincial Mediation Board  
Public Employees (Government Contributory) Superannuation Plan  
Public Service Superannuation Board

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## Appendix IV

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

Saskatchewan Beef Stabilization Board  
Saskatchewan Centre of the Arts  
Saskatchewan Communications Advanced Network Corporation  
Saskatchewan Energy Conservation and Development Authority  
Saskatchewan Government Insurance Superannuation Plan  
Saskatchewan Heritage Foundation  
Saskatchewan Legal Aid Commission  
Saskatchewan Municipal Board  
Saskatchewan Research Council, The  
Saskatchewan Vegetable Marketing and Development Board (1992)  
Tripartite Beef Administration Board  
Wanuskewin Heritage Park Corporation  
Western Development Museum  
Workers' Compensation Superannuation Board

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

Book Bureau Revolving Fund  
Commercial Revolving Fund  
Forest Renewal and Development Fund  
Judges of the Provincial Court Superannuation Fund  
Northern Saskatchewan Economic Development Revolving Fund  
Northern Revenue Sharing Trust Account  
Oil and Gas Environmental Fund  
Public Employees Benefits Agency Revolving Fund  
Public Trustee for Saskatchewan  
Queens Printer Revolving Fund  
Resource Protection and Development Revolving Fund  
Saskatchewan Agricultural Returns Stabilization Fund  
Social Services Central Trust Account  
Victims' Fund

### **Other Organizations:**

Office of the Ombudsman



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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. Appendix V contains examples of the audit opinions we form to provide our assurances on financial statements, compliance with authorities, and management practices in this Report. We use the auditing standards recommended by the Canadian Institute of Chartered Accountants for the public sector to form our opinions.

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 with in a timely period.

*The report should go on to describe all material weaknesses, state whether they resulted from the absence of control procedures or the degree of compliance with them, and describe the general nature of the potential errors or fraud that may occur as a result of the weaknesses.*

City  
Date

Signed



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## Appendix V

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2. Following is an example of the opinion we form on an agency's compliance with the law regarding its spending, revenue-raising, borrowing and lending activities.

I have made an examination to determine whether (name of entity) complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended (date):

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, (name of entity) has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended (date).

(The report should provide adequate explanation with respect to any reservation contained in the opinion together with, if relevant and practicable, the monetary effect.)

City

Date

Signed

3. Following is an example of the opinion we form on the financial statements prepared by management of an agency.

I have audited the balance sheet of (name of entity) as at (date) and the statements of income, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the (name of entity) management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the (name of entity) as at (date) and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

City

Date

Signed

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## Appendix VI

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### Reports of appointed auditors (Part I and II)

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

This Appendix does not include organizations with fiscal periods ended December 31, 1993 or earlier that we listed in Appendix VII of our 1994 Fall Report.

Appendix VI 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

Agriculture Development Fund	Horachek Cannam Joa & Partners
Moose Jaw Packers (1974) Ltd.	Burlingham Associates
Prince Albert District Health Board	Woodhouse Tucker & Partners
Saskatchewan Communications Advanced Network Corporation	Coopers & Lybrand
Saskatchewan Crop Insurance Corporation	KPMG Peat Marwick Thorne
Saskatchewan Government Insurance Superannuation Plan	KPMG Peat Marwick Thorne
Saskatchewan Government Growth Fund Management Corporation	Deloitte & Touche
Saskatchewan Government Growth Fund Ltd.	Deloitte & Touche
Saskatchewan Government Growth Fund II Ltd.	Deloitte & Touche
Wanuskewin Heritage Park Corporation	KPMG Peat Marwick Thorne

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## Appendix VI

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### Part II

#### Crown Agency

#### Page

Agricultural Credit Corporation of Saskatchewan

VI - 3

Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (the "Trust")

VI - 5

Saskatchewan Property Management Corporation

VI - 6

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## Appendix VI

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### AGRICULTURAL CREDIT CORPORATION OF SASKATCHEWAN YEAR ENDED MARCH 31, 1994

We have made a study and evaluation of the system of internal control of Agricultural Credit Corporation of Saskatchewan in effect as at March 31, 1994. We did not study and evaluate certain aspects of internal control concerning the effectiveness, economy and efficiency of certain management decision-making processes. The criteria for this study and evaluation consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our study and evaluation was conducted in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

The management of Agricultural Credit Corporation of Saskatchewan is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in (a) to (d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that:

- (a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with generally accepted accounting principles;
- (b) all public money is fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of public money;
- (c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Price Waterhouse  
May 16, 1994

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## Appendix VI

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### AGRICULTURAL CREDIT CORPORATION OF SASKATCHEWAN YEAR ENDED MARCH 31, 1994

We have made an examination to determine whether Agricultural Credit Corporation of Saskatchewan complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 1994:

The Agricultural Credit Corporation of Saskatchewan Act  
The Agricultural Credit Corporation of Saskatchewan Amendment Act, 1989  
The Agricultural Credit Corporation of Saskatchewan Regulations, 1989  
The Financial Administration Act  
The Department of Revenue and Financial Services Act, 1988  
The Interpretation Act  
The Farm Financial Stability Act

Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, Agricultural Credit Corporation of Saskatchewan has complied, in all significant respects, with the provision of the aforementioned legislative and related authorities during the year ended March 31, 1994. There is, however, one matter which we believe should be brought to your attention.

#### **Capital loan allowance fee**

The corporation continues to charge borrowers a 2% fee on all new capital loan disbursements approved after October 1987. The corporation's management believes that section 10(2) of the Agricultural Credit Corporation of Saskatchewan Act provides the corporation broad powers, including the authority to charge the 2% fee. The corporation's position is supported by the opinion of its legal counsel and by the conclusion of the Saskatchewan Justice Department.

Based upon our review of the relevant legislation, the opinion of the corporation's legal counsel and the conclusions of the Saskatchewan Justice Department, we also continue to be of the opinion that the corporation has the legislative authority to charge the capital loan allowance fee.

We understand you are of the opinion that the corporation acted beyond its authority when it began charging the 2% fee on all capital loans approved after October 1987 and that in your opinion the fee increases the effective rate of interest charged. We understand that your position is also supported by legal advice.

We acknowledge that the reporting of this matter is subject to professional judgement.

Price Waterhouse  
May 16, 1994

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## Appendix VI

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### SASKATCHEWAN LOTTERIES TRUST FUND FOR SPORT, CULTURE AND RECREATION (the "Trust") YEAR ENDED MARCH 31, 1994

We are the auditors of Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (the "Trust") and in our capacity as auditors have reported under date of May 13, 1994 on the Trust's financial statements for the year ended March 31, 1994.

At the request of management we have been asked to make an examination to determine whether Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 1994 and report thereon to you:

The Interprovincial Lotteries Act, 1984  
The Interprovincial Lotteries Regulations  
Lottery Licence dated April 1, 1993

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.

Section 5(2) of the Interprovincial Lotteries Regulations specifies that lottery proceeds may only be disbursed to organizations incorporated as non-profit organizations and which have as their objective the promotion of sport, culture, recreation or other charitable or benevolent purposes. We observed that at the direction of the Minister responsible for *The Interprovincial Lotteries Act*, and in accordance with the terms of the Lottery License dated April 1, 1993, the Trust made the following disbursements which do not appear to comply with Section 5(2) of The Interprovincial Lotteries Regulations:

- \$142,000 was paid to Wanuskewin Heritage Park;
- Payments totalling \$2,941,585 were made during the year to 563 community recreation boards, which are not incorporated as non-profit organizations. These organizations were included on the eligibility list in accordance with the terms of the Lottery License dated April 1, 1993, issued by the Minister responsible for *The Interprovincial Lotteries Act*.
- A lottery license fee of \$18,200,000 was paid to the General Revenue Fund of the Province of Saskatchewan.



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## Appendix VI

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In our opinion, except for the payments made at the direction of the Minister responsible for The Interprovincial Lotteries Act and under the terms of the Lottery License, which may not be eligible under section 5(2) of the Interprovincial Lottery Regulations, the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation was in compliance, in all material respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 1994

KPMG Peat Marwick Thorne  
May 13, 1994

### **SASKATCHEWAN PROPERTY MANAGEMENT CORPORATION YEAR ENDED MARCH 31, 1994**

We have made an examination to determine whether Saskatchewan Property Management Corporation complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 1994:

- The Saskatchewan Property Management Corporation Act;
- The Financial Administration Act;
- The Purchasing Act;
- Saskatchewan Regulation 10/76 made pursuant to The Purchasing Act;
- The Builders' Lien Act;
- The Tabling of Documents Act;
- The Members' Conflict of Interest Act; and
- Orders in Council, pursuant to the above legislation.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

SPMC was responsible for the administration of the Purchasing Act. Section 5(1) of the Purchasing Act required every public agency, as defined in the act, to purchase its supplies through the Purchasing Agency. SPMC did not have a comprehensive list of public agencies who were required to purchase through the Purchasing Agency.

SPMC is developing a comprehensive list of public agencies which are required to purchase through the Purchasing Agency. In addition, SPMC is developing a system of monitoring which will ensure that all purchases of supplies made by these agencies are made through the Purchasing Agency. However, during the year ended March 31, 1994, SPMC could not ensure compliance with Section 5(1) of the Purchasing Act.

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## Appendix VI

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In our opinion, except for the matter described in the previous paragraphs, Saskatchewan Property Management Corporation has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 1994.

Deloitte & Touche  
May 31, 1994

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## Appendix VII

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### Financial Management Review Commission Recommendations Implementation Status

February, 1995

#### Preamble

The following Table includes a summary of "recommendations" made by the Financial Management Review Commission and our assessment of the "current status" of the implementation of those recommendations. Information in the "Actions Taken" and "Current Status" columns is based on the Government's progress report released in November, 1992, new provisions in *The Crown Corporations Act, 1993* and in *The Financial Administration Act, 1993*, revisions to the Order of Reference and Operating Procedures adopted by the Crown Corporations Committee in May, 1994, and other events known to us.

The information in this Table, in preliminary form, was reviewed by the Minister of Finance and the Minister responsible for the Crown Investments Corporation of Saskatchewan in September, 1994. The Table has been updated with comments received from the Ministers and by actions which have taken place since that time.

Under provisions of *The Financial Administration Act, 1993*, the Consolidated Fund was continued as the General Revenue Fund. References in the Commission recommendations to the Consolidated Fund are dealt with under "Actions Taken" and "Current Status" columns as references to the General Revenue Fund (GRF), where appropriate.

#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
2-1	The Government should, through legislation, adopt accounting principles and reporting standards established by the Canadian Institute of Chartered Accountants (CICA).	Summary financial statements are now in the Public Accounts and conform to CICA standards. <i>The Financial Administration Act, 1993</i> calls for financial statements for the Government of Saskatchewan each year. These statements are distinguished from those of the General Revenue Fund (GRF).	Given the broad definition of Government of Saskatchewan now found in <i>The Interpretation Act, 1993</i> preparation of comprehensive Government financial statements appears to be assured by law. However, a specific reference to preparing statements according to CICA standards was not included in the new legislation.

## Appendix VII

#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
2-2	The Province's <b>main</b> financial statements should report on the financial condition and operating results of all organizations owned and controlled by the Province.	The reporting entity for the summary financial statements is comprehensive. These statements and the financial statements of the GRF are now both included in Volume I of the Public Accounts. The Government does not yet regard the summary statements as the <b>main</b> financial statements of the Province.	In 1992, the Government indicated the concept of summary financial statements as the main financial statements of the Province was not without merit but a review was needed of the implications for preparation of budget estimates, etc.
2-3	Regular actuarial valuations should be made of the various pension plans for which the Government is responsible. Any unfunded pension liabilities should be recorded in the main financial statements as a liability.	Regular valuations have been made for the defined benefit pension plans sponsored by the Government. The unfunded liabilities are now recorded in the summary financial statements as a liability, effective for the March 31, 1994 fiscal year.	In 1992, the Government indicated a review of public sector pension plans was being undertaken which would develop valuation, accounting and funding options. In the 1992/93 budget address a similar review was announced. Details about this initiative are not known.
2-4	Loans should be treated as expenditures in the Government's financial statements, rather than assets, if they can only be repaid through future budgetary appropriations.	In 1991-92, the Government wrote off loans which could only be repaid through future appropriations.	Recommendation implemented.
2-5	To implement Recommendation 2-4, all loans to the Saskatchewan Property Management Corporation should be written off against the Province's accumulated deficit (in the Consolidated and Heritage Funds).	All such loans were written off against the accumulated deficit in the Consolidated and Heritage Funds at March 31, 1992.	Recommendation implemented.
2-6	All transactions should be recorded using the accrual basis of accounting.	Accrual accounting (except that unfunded pension obligations and full annual pension costs are not recorded in the GRF) was adopted beginning in the 1993-94 fiscal year for the GRF.	Recommendation implemented (part).
2-7	Asset valuation provisions should be recorded as expenditures in the year the write-down is necessary.	In 1992-93, the Government changed its accounting policy so that provisions for losses are included as expenditures. In prior years, provisions were charged directly to the accumulated deficit of the Consolidated Fund.	Recommendation implemented.

## Appendix VII

#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
3-1	The Government should prepare mid-year interim financial statements for public consideration.	Mid-year reports have now been prepared for the last three fiscal years. The reports include projected operating results and borrowing requirements compared with budget estimates for the GRF. The reports also include an update on key economic indicators.	Although mid-year reports have been prepared with projected results for the GRF, actual results to date are not shown nor are results for the summary reporting entity. In its sixth report, the Public Accounts Committee recommended the interim report issued by the Government reflect the financial results of the Government as a whole, show the financial results to the interim date compared to what was planned, and show the forecast to the end of the year.
3-2	Specific write-downs were recommended for investments in Saskatchewan Water Corporation, Saskatchewan Economic Development Corporation (SEDCO), Saskatchewan Grain Car Corporation and Saskatchewan Diversification Corporation (SDC).	Write-downs were made at March 31, 1992.	Recommendation implemented.
3-3	The Province should closely monitor certain investments for possible loss provisions as at March 31, 1992, i.e. Meadow Lake Pulp Limited Partnership, Bi-Provincial Upgrader, NewGrade Energy Inc., and CAMECO Corp.	The Province recorded provisions at March 31, 1992 totalling \$350 million for the four investments cited. The Provincial Auditor now directly audits the Crown Investments Corporation of Saskatchewan (CIC). Close monitoring of loan loss provisions continues.	Recommendation implemented.
3-4	The Government, in its 1992 spring budget, should include a financial plan with a strategy to restore the strength of the Province's balance sheet.	In its 1992-93 budget, the Government began multi-year funding targets for third party grants and stated all borrowing processes had been centralized under the Minister of Finance. In its 1993-94 budget, the Government presented a plan to balance the GRF budget by 1996-97.	In its 1995-96 budget, the Government forecast a balance in the GRF for 1994-95 and presented plans for balanced budgets in the GRF from 1995-96 through 1998-99 together with a strategy to begin to pay down the Province's debt. However, the Government did not present its strategies in the context of the government as a whole.

## Appendix VII

#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
4-1	Policies and procedures for tendering, contract awards, etc. by all agencies should be reviewed, with public consultation. Resulting policies should be documented so compliance can be evaluated by the public.	In 1992, the Government indicated a review had been initiated by the SPMC Minister and public input would be solicited. The Government also indicated a set of policies and procedures would be published so Government actions could be assessed.	The results of the Government's review have not been formally published.
4-2	The Government should review the mandate and role of each of the various agencies involved in economic development and diversification initiatives.	In December, 1993 the Government announced its decision to wind down SEDCO and establish a new economic development institution with a different mandate. Implementation of this decision began in February, 1994 when a bill was introduced in the Legislature to create the Saskatchewan Opportunities Corporation (SOCO).	In 1992, the Government indicated the Department of Economic Development was in the process of determining the most appropriate organization structures and delivery mechanisms for economic development and diversification. It is not known if the review of other agencies involved in economic development and diversification, e.g. CIC, has been completed.
4-3	SEDCO's capital structure should be reviewed and the costs of public policy initiatives, both past and future, financed from the Consolidated Fund. Non-performing investments should be reviewed to determine SEDCO's continuing responsibility.	All SEDCO debt was transferred to CIC on March 31, 1992. All losses related to past initiatives of SEDCO were recorded as losses of CIC. Losses of CIC accumulated to December 31, 1991 in turn were recovered by cancellation of the requirement to repay advances from the Heritage Fund and were recorded as investment writedowns of the Combined Funds at March 31, 1992. Since that date losses of SEDCO have been fully provided for by CIC against loans and advances due from SEDCO. As a result, the costs of SEDCO's public policy initiatives and unprofitable commercial activities are effectively subsidized from dividends of profitable Crown Corporations which would otherwise be paid to the GRF.	In 1992, the Government indicated its intention to restore the financial health of individual corporations by reviewing each case to decide the appropriate capital restructuring and level of subsidization needed.  In 1994, legislation was passed to establish the Saskatchewan Opportunities Corporation and the Government expressed its intention to wind down SEDCO. Subsequent to December 31, 1994, SEDCO indicated actions were being initiated to transfer all operations, including assets and liabilities, to CIC and to dissolve the corporation after completion of the transfers.

## Appendix VII

#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
4-4	The Government should review all special funds and the continued existence of such funds should be justified to the Legislature.	In 1992, the Government indicated a review of special purpose funds would be done in 1992-93 by the Department of Finance to develop criteria for assessing the need for, organization of, and accounting for such funds.	The Minister advises that the Department of Finance, in conjunction with departments, reviews the objectives and existence of all special purpose funds during each budget cycle. The Minister did not advise that the department has plans to share the results of these reviews with the Legislature.
4-5	<i>The Provincial Auditor Act</i> should be reviewed and amended, where necessary, to reflect the principle that the Provincial Auditor is responsible for reporting to the Legislature on all government-owned entities, but that private sector auditors can be appointed to review the financial affairs of such entities, as long as it is clear that the use of private sector auditors is not intended to restrict the Provincial Auditor in meeting his/her responsibilities for public accountability to the Legislature.	<p>In November, 1992, the Government indicated its support of this principle with respect to the mandate of the Provincial Auditor and that the principle was being considered in the context of a review of <i>The Provincial Auditor Act</i>.</p> <p>Since that time the Government, through CIC, supported the creation of a Task Force to study the roles, responsibilities and duties of auditors. The Task Force issued its report on June 30, 1994, stating support for the principle the Provincial Auditor is responsible for reporting to the Legislative Assembly on all government owned entities. The report also supports the notion that the Provincial Auditor is not to be restricted in meeting his responsibilities.</p>	<p>Implementation of Task Force Recommendations will be assessed over the next two years by the Provincial Auditor and CIC.</p> <p>Both the Public Accounts and the Crown Corporations Committees have asked that recommendations be implemented and have expressed interest in reviewing the results of the evaluation which is done.</p>
5-1	A study should be done concerning whether any or all of the activities and responsibilities of SPMC should more appropriately be undertaken within government departments, instead of through a Crown corporation.	The Government indicated an internal review was underway in 1992 to determine the most suitable organization structure for delivering the services provided by SPMC.	We are not aware that the results of the internal review have been made publicly available.

## Appendix VII

#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
5-2	The provisions of <i>The Industry and Commerce Development Act</i> concerning the approval process for loan guarantees should be brought into conformity with the provisions which exist in <i>The Financial Administration Act</i> .	<p><i>The Financial Administration Act</i>, 1993 (FAA) requires the approval of the Minister of Finance for all guarantees made by public agencies under any other Act. It appears for this reason no action was taken on this specific recommendation. However, a major review of guarantees was to be undertaken in response to recommendation 6-20.</p> <p>The FAA does not require approval by order in council for any level of guarantee commitment. The Commission may have been under the impression the previous FAA Act contained such a provision.</p>	<p>This recommendation was made to address the concern that sizable financial guarantee commitments should not be made without public disclosure through a request to the Legislature or an Order in Council.</p> <p>Although the FAA does not contain such a requirement, section 19 of <i>The Government Organization Act</i> permits Ministers to provide guarantee assistance according to regulations passed by order in council. This does not limit the power conferred on Ministers by other Acts, however. It appears that legislative action to strengthen the provisions in this Act or the FAA would be needed to implement the spirit of this recommendation.</p>
5-3	Legislation should be enacted to limit the amount of public funds that can be committed to a project or program without the prior approval of the Legislature.		In 1992, the Government indicated the need for legislation would be studied in detail. We are not aware of the results of that study.
5-4	Legislation should be enacted to establish SaskEnergy as a Crown corporation and all available financial statements on the operations of SaskEnergy since December 31, 1988 should be tabled.	Legislation to establish SaskEnergy Incorporated as a Crown corporation was enacted in 1992. All financial statements up to and including December 31, 1991 were tabled in 1992.	Recommendation implemented.



## Appendix VII

#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
5-5	<p>All lottery revenues should be transferred to the Consolidated Fund and annual appropriations should then be approved by the Legislature for subsequent arms' length adjudication and allocation by SaskSport to sports, culture, and recreation organizations. SaskSport should be required to table an annual report and financial statement and these documents should be subject to review by the Public Accounts Committee.</p>	<p>The Government indicated in November, 1992 that a review was being done and that ongoing consultations between the Department of Community Services and funding recipients were proceeding.</p> <p>In 1993, the Minister responsible instructed SaskSport to pay \$18.2 million out of the Trust Fund to the Consolidated Fund together with \$5.2 million in other specified payments.</p> <p>In June, 1994 the <i>Interprovincial Lotteries Regulations</i> were amended to permit the Minister to direct prescribed amounts to be paid to the GRF for three years. Other payments from the trust fund to (defined) eligible organizations continue to be made by policy direction of the Minister.</p>	<p>According to the Ministers' response, the Government believes it has implemented the recommendation.</p> <p>This response could mean the recommendation has been misunderstood by the Government.</p> <p>The principal element of the recommendation was that all lottery revenues should first be paid to the GRF, rather than the Saskatchewan Lotteries Trust Fund. The regulation change increases the amounts previously received by the GRF but does not direct all revenues go first to the GRF instead of to the Trust Fund. In 1993-94, lottery revenues received by the Trust Fund were \$41.6 million, with \$18.3 million of that amount being paid to the GRF.</p>
5-6	<p>The Government should formalize a process whereby there is released to the Legislature, on each significant transaction or commitment involving a government owned or controlled agency, a document containing the following information about the transaction:</p> <ul style="list-style-type: none"> <li>• specific business and public policy objectives;</li> <li>• financial implications and risk analysis;</li> <li>• management process proposed;</li> <li>• legislative authority for decision; and</li> <li>• organizational structure for on going government participation and process for informing the public about status and performance.</li> </ul>	<p>The Government indicated in 1992 that each significant transaction or commitment would be publicly announced. CIC has expanded disclosure about major investments or commitments in its annual reports. Full disclosure can, in particular circumstances, be constrained by confidentiality agreements, regulatory legislation or competitive market conditions.</p> <p>In May, 1994, the Crown Corporations Committee (CCC) in its fourth report recommended that CIC notify the Committee within 90 days of significant transactions, e.g. acquisition or divestment of a major asset or assumption of a major liability. The notification letter is to contain information about the objectives of the transaction, the financial implications and the authority under which the transaction occurred.</p>	<p>The Crown Corporations Committee has requested elements of the recommended framework of information be supplied to the Committee to enhance the accountability of CIC. Whether the format used by CIC to supply this information will include all recommended framework elements is not known.</p> <p>A process for formalizing release to the Legislature of information as specified by the Commission has not been established.</p>

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#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
6-1 6-2	The Government should prepare suitable printed information on its current organizational structure for the general public. This should be supported by a communications strategy to assist the public in determining departments and agencies responsible for specific programs. Information materials should be updated in a timely way.	A directory was being developed by Justice for use under <i>The Freedom of Information Act</i> and statements of purpose for department programs were included in Public Accounts, starting with 1991-92.	In 1992, the Government indicated it agreed with this recommendation and was currently evaluating the most appropriate mechanism.
6-3	The Heritage Fund should be abolished and all revenues and expenditures of the Province should be processed through the Consolidated Fund.	Legislation was passed in 1992 to abolish the Heritage Fund and incorporate its assets, liabilities, revenues & expenditures within the Consolidated Fund. The 1992-93 budget was presented on the revised basis.	Recommendation implemented.
6-4	The Government should document a general policy on the circumstances under which Crown corporations will be allowed to retain current year surpluses or recover losses from future income. The continued appropriateness and application of this policy should be monitored by the Crown Corporations Committee and reported on annually to the Legislature.	<p>In May, 1994 the Crown Corporations Committee (CCC) in its fourth report recommended that the Minister responsible for CIC prepare and present to the Standing Committee an annual statement which reflects CIC's:</p> <ul style="list-style-type: none"> <li>• mandate, goals, objectives and performance indicators;</li> <li>• structure of investments; and</li> <li>• rationale for the retention or divestment of investments.</li> </ul> <p>Also, as a result of a fourth report recommendation, the Rules and Procedures of the Legislative Assembly were changed so that when Crown Corporation reports are reviewed, the Committee is authorized to permit questions respecting the operations of the Crown corporations for periods outside the year under review.</p> <p>These new procedures may provide a mechanism for the CCC to hold periodic reviews of CIC dividend and subsidy strategies.</p>	<p>In 1992, the Government indicated an appropriate dividend or subsidy for each corporation would be determined by the Crown Investments Corporation (CIC), based on various factors. The proposed dividend and subsidy structure for any given year would be disclosed to the Legislature.</p> <p>In the 1994 response, the Government clarified it only discloses the proposed dividend expected from CIC or the proposed subsidy to be provided to CIC in its annual budget. The amount of dividends to be received by CIC from subsidiary Crown corporations or subsidies to be paid by CIC to subsidiary Crown corporations are not disclosed until financial statements are tabled.</p> <p>We have not been advised there is any general policy documented by the Government concerning Crown Corporation financing which would provide direction to CIC in carrying out its responsibilities.</p>

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#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
6-5	All dividends declared by Crown corporations and similar government owned entities and all dividends which the Province receives from a joint venture in which it is a shareholder should be paid directly to the Consolidated Fund.	<p>The Government appears to disagree with the main concern of the Commission that CIC should not be permitted to expend and invest the excess earnings of Crown corporations without the specific approval of the Legislature.</p> <p>The Government has indicated it views CIC as the holding company for the Crown's investments, including Crown corporations, and considers it appropriate that dividends and other returns from investment flow to CIC, rather than to the GRF. In years when CIC has positive retained earnings it could declare a cash dividend to the GRF.</p>	The Government indicated in 1994 that no further action is intended.
6-6	Operating losses of commercially oriented Crown corporations and government controlled agencies should be financed, on a timely basis, by appropriations from the Consolidated Fund.	The Government has indicated CIC will provide subsidies for corporations under its jurisdiction which are unable to recover their losses. (This means losses of unprofitable corporations are cross subsidized by dividends from profitable corporations.) If CIC sustains a loss a subsidy will be received, as was appropriated for 1992-93.	<p>The Government has indicated it believes the recommendation is implemented. There may be some misunderstanding about the basis for this recommendation.</p> <p>The Commission felt that by requiring CIC to request from the Legislature, on an annual basis, an appropriation to cover the losses of a Crown entity, the Legislature would be able to question the corporation on whether it is acting to prevent the losses from persisting into the future.</p>

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#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
6-7	<p>When Crown corporations and agencies have public policy responsibilities within their approved mandates which affect the financial performance of the entity, one of two financing strategies should be employed:</p> <ul style="list-style-type: none"> <li>• to the extent market conditions allow, cross subsidization should be allowed through the corporate rate structure; and</li> <li>• the financial impact of the policy initiative should be determined and a corresponding appropriation should be made from the Consolidated Fund to the corporation.</li> </ul>	<p>The Government appears to disagree that the cost of public policy initiatives should be appropriated from the GRF, believing that CIC should provide such subsidies, funded by dividends from profitable corporations. The Government indicated all subsidies were to be fully disclosed to the Crown Corporations Committee.</p> <p>In 1992, the Government indicated the cost of public policy initiatives carried out in the Crown sector should be identified and disclosed to the Legislature. However it is not clear what form of disclosure was intended or whether approval of the Legislature would be sought.</p>	<p>In 1994, the Government indicated no further action was intended.</p> <p>The Commission felt public policy initiatives carried out through Crown corporations should be subject to an annual review by the Legislature, in the same manner as for programs provided through government departments. In this way, management could no longer use public policy requirements as a justification for operating at a loss. The Commission also said boards should be accountable to the Legislature for the interpretation and application of their cross subsidization mandates.</p>
6-8	<p>Crown corporations and other government owned entities should not be created without their establishment having been reported to and debated in the Legislature in a timely fashion.</p>	<p>Our annual report for 1992 indicates that in that year CIC purchased shares without Order in Council approval through its subsidiaries. Amendments to <i>The Crown Corporations Act, 1993</i> require Order in Council approval and an explanatory report to be tabled where Crown corporations or designated subsidiary corporations acquire shares in or create any body corporate to further their purposes.</p>	<p>In 1992, the Government indicated it was committed to timely reporting in the Legislature and a higher degree of public accountability when new organizations are created.</p> <p>The 1993 legislative changes (which require Order in Council approval and a report to be tabled for newly created government owned entities) may not apply to those parent corporations not defined in the statute as Crown corporations or as designated subsidiary corporations, e.g., CIC Industrial Interests Inc.</p> <p>Changes to Assembly rules to require legislative debate about newly incorporated Crown agencies on a timely basis have not been made.</p>

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#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
6-9	<p>Statements of mandate should be prepared and tabled in the Legislature for all Crown corporations and government owned entities. These statements should provide clear direction on the function and purpose of the corporation, on those matters which the corporation is not permitted to engage in, on the mechanisms through which the corporation will be held accountable to the Government and Legislature, and on the extent to which the Government can intervene in the corporation's operational activities. They should be reviewed on a regular basis by the Crown Corporations Committee.</p>	<p>The Government indicated in 1992 that, throughout the next year (1993), mandate statements would be developed for inclusion in the annual reports of each Crown corporation and each government owned corporation.</p> <p>Our audit of Crown agency annual reports (Ch. 4, 1994 Fall Report) noted that, typically, reports included a concise description of the agency's business and identified the agency's significant legislation.</p>	<p>In September, 1994, comments from the Ministers noted that Crown corporations are created pursuant to enabling legislation, debated in the Assembly, which defines the powers, duties and purposes of the particular entity. The Ministers' comments further indicated revision and refinement of the type of information disclosed in annual reports is ongoing and considers the recommendation implemented.</p> <p>Our experience indicates that enabling legislation does not normally provide the specific direction recommended by the Commission, particularly the extent to which the Government can intervene in the corporation's operational activities.</p>
6-10	<p>All corporations in the Government's reporting entity, unless specifically exempted by their mandates, should be subject to the same public reporting requirements, on their past year's activities, as government departments.</p>	<p>In its 1992 progress report, the Government indicated standardized public reporting requirements would be developed for all government organizations.</p> <p>In its response to the third report of the Public Accounts Committee (PAC), the Government indicated Treasury Board Crowns were expected to follow reporting requirements similar to government departments. Any changes to commercial Crown corporation reporting were to be discussed and determined by the Crown Corporations Committee (CCC).</p> <p>In its fourth report, the CCC reported it would continue with the practice implemented in recent years whereby Ministers would provide to the committee the salaries of senior management of the corporations for which each was responsible.</p>	<p>The Treasury Board policies have not been updated to document the decision to have Treasury Board Crown corporations follow reporting requirements similar to government departments.</p> <p>The Chairperson of the CCC has indicated that committee is satisfied with its recently adopted practice and does not see the need to alter it.</p> <p>Comments received from the Ministers in 1994 indicate the Government does not support the disclosure of this type of information for CIC and its subsidiary Crown corporations, believing such disclosure may jeopardize a commercial Crown corporation's competitive position.</p>

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#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
6-11	<p>The Government should adopt standards (similar to what is required by securities regulations in the private sector) for the preparation of annual reports, with the primary emphasis being placed on the role that these reports can play in improving public accountability.</p>	<p>In March, 1994 Treasury Board issued Annual Report Guidelines applicable to departments.</p> <p>Our 1994 Fall Report called for clearer guidance to Crown agencies on the general purpose and content of annual reports.</p> <p>In its response to our recommendations, the Government expressed support for development of similar guidelines for Treasury Board Crown agencies but was silent about guidelines for corporations under CIC jurisdiction.</p>	<p>In 1992, the Government indicated it agrees Crown corporations must prepare annual reports in a manner that is compatible with companies in similar commercial environments and hence agrees the securities regulations of the private sector be followed where appropriate.</p> <p>Comments received from the Ministers in 1994 indicate the Government does not consider it necessary that specific models or standards be established for the preparation of annual reports for commercial Crown corporations. In support of this view, they believe it is important that flexibility be maintained so that annual reports can be tailored to specific industries and corporations.</p>
6-12	<p>Legislation should be introduced which categorizes government owned entities and which specifies, for each category, the reporting requirements and financial control mechanisms which will be in place to ensure that they are accountable to the Legislature.</p>	<p>The recommended legislation has not been introduced. Bill 42 permits cabinet to establish Crown Corporations which are designated as subject to orders and directives of either Treasury Board or CIC.</p> <p>Distinctive accountability procedures for each type of corporation are not specified by legislation as the Commission recommended but could differ based on policies and directives issued by Treasury Board and CIC.</p>	<p>In 1992, the Government indicated its view that a clearer definition of Crown agencies is required and believes this can be effected through a combination of mandate statements (see rec.# 6-9) and amendments to the (then) existing <i>Crown Corporations Act</i>.</p> <p>Comments received from the Ministers in 1994 indicate the Government does not believe that legislation needs to specifically address financial control mechanisms but believes legislation can limit the amount of flexibility a commercial Crown corporation requires in order to operate efficiently. The Government believes that reporting requirements have been addressed in <i>The Crown Corporations Act, 1993</i>.</p>

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#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
6-13	<p>Crown Management Board (CIC) should be responsible for overseeing and prioritizing the allocation of funds to the government owned entities under its jurisdiction. It should be accountable to the Legislature for all Crown corporations and investments under the Board's jurisdiction. It should also be responsible for representing the Province's investment interests, as an owner, in private corporations.</p>	<p>Bill 42 increased CIC's supervisory and co-ordinating role over those corporations under its jurisdiction.</p> <p>The CCC, in its fourth report, moved to strengthen its review processes for enterprises under the CIC umbrella. The Assembly endorsed the CCC proposal that the Minister responsible for CIC prepare a statement about CIC's goals, objectives and performance indicators and also about the structure and rationale concerning its investments.</p>	<p>Recommendation implemented.</p> <p>The Government also indicated it had established the Board of Directors of the Crown Investments Corporation as the committee of Cabinet responsible for all activities within the Crown sector. The Crown Investments Corporation serves as 'staff' to the Board.</p>
6-14	<p>In addition to filing the consolidated financial statements of the Crown Management Board (CIC), the Legislature should also receive, on a timely basis, full and audited financial statements for each and every subsidiary.</p>	<p>The non-consolidated financial statements of CIC's wholly owned subsidiary, CIC Industrial Interests Inc. (CIC III) are now included in the annual report of CIC, beginning in 1992. This is the company through which most of CIC's commercial investments have been made. Other corporations, considered dormant or unnecessary, have been wound down.</p>	<p>The recommendation is implemented for CIC's subsidiary, CIC III. However several financial statements for subsidiaries of other Crown corporations are not tabled.</p> <p>Comments received from the Ministers in 1994 indicate:</p> <ul style="list-style-type: none"> <li>• there is no legal requirement to table the financial statements of all subsidiaries;</li> <li>• tabling of all such statements would not provide additional meaningful information or improve public accountability; and</li> <li>• the results of subsidiaries not specifically tabled (e.g. TransGas) are included in the financial statements which are ultimately tabled in the Assembly (e.g. SaskEnergy).</li> </ul>

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#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
6-15	All members of Crown Management Board (CIC) and the board of directors of CIC Industrial Interests Inc. should be Cabinet Ministers. The Ministers should also be directors of one or more of the Crown corporations under the Board's jurisdiction.	In November, 1991, the CIC board was reconstituted to include only Cabinet Ministers. One Cabinet Minister is represented on the board of CIC Industrial Interests Inc. along with CIC staff members. All Ministers are directors of one or more of the Crown corporations under CIC jurisdiction.	Recommendation substantially implemented.
6-16	Cabinet Ministers should continue to be assigned to represent the Government on the boards of directors of each Crown corporation and government owned entity, but these Ministers should not be the chairpersons or vice-chairpersons of these boards.	Ministers are chairpersons of all Crown corporations, except for some Treasury Board Crown corporations where ministers are not currently appointed as directors of the Boards.	In 1992, the Government responded by arguing that Crown corporations are instruments of public policy and it is the Minister responsible who is held to account by the Legislature as a whole, as well as by the Crown Corporations Committee. To avoid confusion in the chain of command the Government believes it follows that the Minister should also be the chairperson. Other entities were regarded as somewhat different, to be evaluated on a case by case basis.
6-17	Individuals other than members of the Legislature should continue to be appointed to the boards of directors of Crown corporations and government owned entities.	In November, 1992, the Government indicated over two-thirds of the members were selected from the public at large, continuing the previous practice.	Recommendation implemented.
6-18	Legislative amendments should be made to allow the Speaker to release the Public Accounts for examination by the public within 180 days after a fiscal year end, regardless of whether the Legislature is sitting at that time.	Amendments passed in the 1992 session of the Legislature require the public release of the Public Accounts by the October 31 following the end of the fiscal year to which the Public Accounts relate, regardless of whether the Legislature is sitting.	Recommendation substantially implemented. An additional month has been allowed.



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#	RECOMMENDATION	ACTIONS TAKEN	CURRENT STATUS
6-19	With respect to annual reports of government organizations, amendments should be made to <i>The Tabling of Documents Act</i> to require these reports to be tabled with the Speaker within ninety days of a fiscal year end and to require the Speaker to release these documents to the public when they are received, regardless of whether the Legislature is sitting at that time.	Interseasonal tabling is now permitted for those organizations with tabling requirements under <i>The Crown Corporations Act, 1993</i> as well as for the Public Accounts and Provincial Auditors reports. The Public Accounts Committee (PAC) recommended in its sixth report that appropriate legislative amendments be made to require reports (of departments) to be released in a timely manner even when the Legislative Assembly is not in session.	<p>In 1992, the Government indicated it agreed with the intent of this recommendation and was considering the most appropriate way to meet the spirit of it.</p> <p>In its 1994 response to the sixth report of the PAC, the Government reiterated it is considering the recommendation. The PAC authorized its Chairperson to write the Minister of Finance to encourage a legislative amendment to facilitate implementation.</p>
6-20	The Government should develop a comprehensive policy statement regarding the issuance of guarantees. This statement should define the maximum level of guaranteed debt that is appropriate in relation to the Government's overall financial position and should clearly enunciate the size and nature of the guarantees that can be issued without the legislature's approval.	In its 1995-96 budget, the government presented a strategy to begin to pay down the Province's debt, including its guaranteed debt. A policy statement specifically dealing with the issuance of guaranteed debt has not been released.	<p>In 1992, the Government indicated its view that a guaranteed dollar is no different than a dollar of debt and that policies and procedures governing the budgetary process must be amended so both forms of credit compete for the limited amount of credit available to the Province.</p> <p>The Department of Finance, with input from CIC, was to undertake a major review of this area to determine the changes needed to better control the issuance of guarantees.</p> <p>The results of this review have not been made public.</p>