

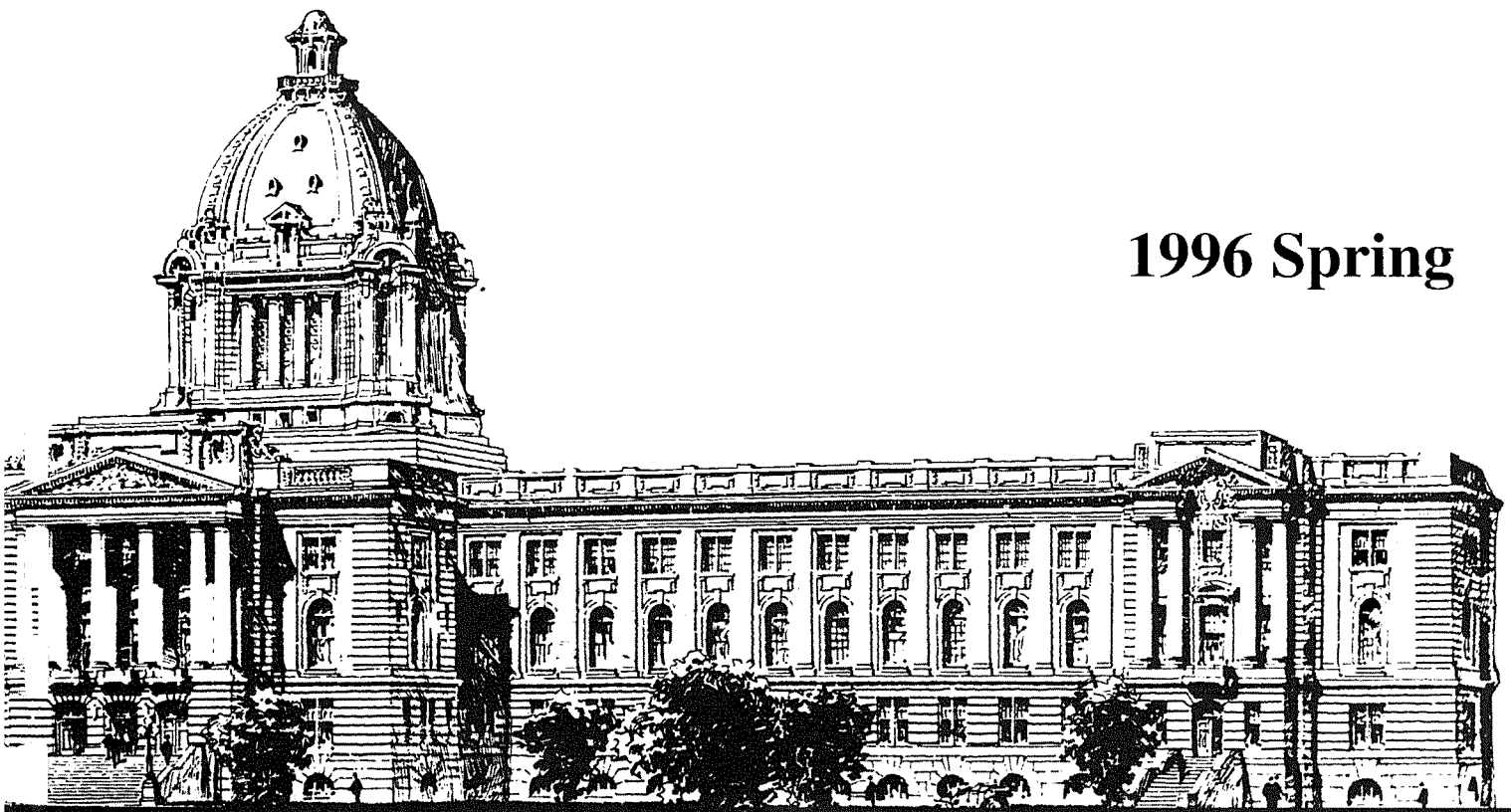


SASKATCHEWAN

# Report of the Provincial Auditor

to the Legislative Assembly  
of Saskatchewan

1996 Spring



Additional copies of this Report  
may be obtained from:

**Provincial Auditor Saskatchewan**  
**1500 Chateau Tower**  
**1920 Broad Street**  
**Regina, Saskatchewan**  
**S4P 3V7**

**Telephone: (306) 787-6398**

**Fax: (306) 787-6383**

ISSN 0581-8214





Provincial Auditor Saskatchewan

---

1500 Chateau Tower  
1920 Broad Street  
Regina, Canada  
S4P 3V7

(306) 787-6360  
(306) 787-6383 Fax

April 3, 1996

The Honourable Glenn Hagel  
Speaker of the Legislative Assembly  
Room 129, Legislative Building  
REGINA, Saskatchewan  
S4S 0B3

Dear Sir:

I have the honour to submit my 1996 Spring Report, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully yours,

*Wayne Strelieff*

Wayne Strelieff, CA  
Provincial Auditor

/lk

## **Our Vision**

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

## **Our Mission**

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

## **Our Values**

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

## Foreword

I am pleased to present my 1996 Spring Report to the Legislative Assembly. This Report focuses on my Office's examination of government organizations with fiscal years ending March 31, 1995.

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 29, 1996



Wayne Strelieff, CA  
Provincial Auditor

---



---

# Report of the Provincial Auditor

## Table of Contents

---



---

Chapter	Topic	Page
1	Observations . . . . .	1
2	Health - Summary . . . . .	11
3	Staffing the Public Service . . . . .	21
4	Information Technology Security . . . . .	33
5	Pensions . . . . .	53
6	Joint Evaluation of New Audit Process . . . . .	79
7	Annual Reports of Departments and Crown Agencies . . . . .	83
8	Department of Health . . . . .	91
	<i>(including comments on the following agencies and fund)</i>	
	Saskatchewan Cancer Foundation	
	Health Services Utilization and Research Commission	
	La Ronge Hospital Board	
	Saskatchewan Prescription Drug Fund	
9	District Health Boards (DHBs) . . . . .	127
	Part A: Introduction	
	Part B: DHB Health Needs Assessment Process (1992 - 1995)	
	Part C: DHB Financial Management & Accountability Systems and Practices	
	Part D: DHB Annual Reports	
	Part E: DHB Revenues, Expenses, Assets and Liabilities in More Detail	
10	Department of Education, Training and Employment . . . . .	197
	<i>(including comments on the following agencies and fund)</i>	
	Saskatchewan Institute of Applied Science and Technology	
	Student Aid Fund	
	Teachers' Superannuation Commission	
	New Careers Corporation	

---



---

# Report of the Provincial Auditor

## Table of Contents

---



---

Chapter	Topic	Page
11	<b>Department of Justice</b> . . . . . <i>(including comments on the following fund)</i> Correctional Facilities Industries Revolving Fund	221
12	<b>Department of Social Services</b> . . . . .	233
13	<b>Department of Agriculture and Food</b> . . . . . <i>(including comments on the following agencies and funds)</i> Agricultural Credit Corporation of Saskatchewan Agricultural and Food Products Development and Marketing Council Beef Development Board Cattle Marketing Deductions Fund Horned Cattle Fund Prairie Agricultural Machinery Institute Saskatchewan Crop Insurance Corporation	247
14	<b>Department of Economic Development</b> . . . . .	275
15	<b>Department of Energy and Mines</b> . . . . . <i>(including comments on the following agency)</i> Saskatchewan Energy Conservation and Development Authority	281
16	<b>Department of Environment and Resource Management</b> . . . . . <i>(including comments on the following funds)</i> Commercial Revolving Fund Fish and Wildlife Development Fund Resource Protection Revolving Fund	289
17	<b>Department of Executive Council</b> . . . . .	299

---



---

# Report of the Provincial Auditor

## Table of Contents

---



---

Chapter	Topic	Page
18	<b>Department of Finance</b> . . . . . <i>(including comments on the following fund)</i> Members of the Legislative Assembly Superannuation Fund	303
19	<b>Department of Highways and Transportation</b> . . . . . <i>(including comments on the following fund, agency and audit)</i> Highways Revolving Fund Transportation Partnerships Corporation Surface Repair Maintenance Plan follow-up work	313
20	<b>Department of Municipal Government</b> . . . . . <i>(including comments on the following agencies and fund)</i> Municipal Potash Tax Sharing Administration Board Northern Revenue Sharing Trust Account Saskatchewan Archives Board Saskatchewan Arts Board Saskatchewan Centre of the Arts Saskatchewan Heritage Foundation Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation Western Development Museum	329
21	<b>Department of Provincial Secretary</b> . . . . .	351
22	<b>Greystone Capital Management Inc.</b> . . . . .	357
23	<b>Public Service Commission</b> . . . . .	363
24	<b>Saskatchewan Liquor and Gaming Authority</b> . . . . .	369
25	<b>Saskatchewan Property Management Corporation</b> . . . . .	375
26	<b>Saskatchewan Research Council</b> . . . . .	381
27	<b>Workers' Compensation Board</b> . . . . .	385

---

---

# Report of the Provincial Auditor

## Table of Contents

---

---

Chapter	Topic	Page
Appendix I	<i>The Provincial Auditor Act</i> . . . . .	I - 1
Appendix II	List of organizations subject to an examination under <i>The Provincial Auditor Act</i> . . . . .	II - 1
Appendix III	Audits not completed at March 29, 1996 . . . . .	III - 1
Appendix IV	Organizations where we found no significant matters to report to the Legislative Assembly . . . . .	IV - 1
Appendix V	Examples of opinions we form on departments, Crown agencies and Crown-controlled corporations . . . . .	V - 1
Appendix VI	Saskatchewan Public Service Commissioners' Report . . . . .	VI - 1
Appendix VII	Reports of appointed auditors . . . . .	VII - 1

# Chapter 1 Observations

---

---

## Table of Contents

Introduction . . . . .	.01
The Provincial Health System . . . . .	.03
Staffing the Public Service . . . . .	.17
Information technology security . . . . .	.22
The Government's pension plans . . . . .	.25
New audit process working well . . . . .	.28
The next step forward - managing program objectives, costs and performance . . .	.31
Board of Internal Economy . . . . .	.37



---

---

# Chapter 1

## Observations

---

---

### Introduction

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

**.02** This Spring Report focuses on our examinations of government organizations with fiscal years ending March 31, 1995. This Report also provides our comments on several more general matters.

### The Provincial Health System

**.03** During 1994-95, nearly \$1.7 billion was spent on our provincial health system. This spending was carried out through many health organizations including the Department of Health, District Health Boards (DHBs) and other Crown agencies. Also, during 1994-95, the Government, through the Department of Health, continued the transition to DHBs.

**.04** The transition to DHBs involves complex issues related to integrating the operations of many separate health organizations. This integration requires difficult decisions on personnel, operations and infrastructure.

**.05** In addition, the Department and DHBs are expected to implement stronger planning, management and accountability systems and practices. They are moving to a higher standard. Some of these expectations can be addressed quickly. Others will take more time to address as new information systems will need to be developed and implemented.

**.06** In our examinations, we found much work needs to be done by the many groups and individuals managing the transition to DHBs. We also found much good work and effort is taking place.

**.07 Service agreements and health plans.** Each year, the Department is to establish service agreements with DHBs and approve health plans proposed by DHBs. The agreements describe the services to be provided, the basis of payment, the objectives to be achieved, and the reports to be prepared. The health plans set out important financial and operational targets.

---

---

## Chapter 1 Observations

---

---

**.08** In 1994-95, service agreements were not established, health plans were not approved until several months after the beginning of the year, and required reports were either late or not provided. This should not happen as such agreements, plans and reports are essential to sound planning, management and accountability. (In 1995-96, service agreements were established mid way through the year.)

**.09 Health needs assessment.** A key part of planning is to ensure the health programs and services provided by DHBs are those needed by their residents. Accordingly, we examined the process DHBs used to assess the health needs of their residents.

**.10** We found that most DHBs adequately planned for needs assessment in the short term and collected a range of data. However, DHBs had difficulty in combining and organizing the data they collected. As a result, few DHBs adequately analysed their data to identify important areas for action and to set priorities.

**.11 Overseeing senior management.** A key part of managing is obtaining the right information. The boards of directors of several DHBs do not receive adequate and timely information from their senior management groups. Boards need information on a variety of financial, operational and compliance matters. To improve practices, boards should define what information they need. They should then ensure their management groups establish the necessary systems and provide the information in a timely manner.

**.12 External accountability reports.** *The Health Districts Act* does not require DHBs to provide annual reports to the Assembly. Accordingly, the Assembly only receives information about DHBs from the Department.

**.13** However, the *Act* requires DHBs to provide the Minister of Health very useful information. Such information includes financial plans and results, the costs of services and activities, and the effectiveness of health programs.

**.14** Accordingly, the Department should 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

---

---

## Chapter 1 Observations

---

---

DHBs. In a similar manner, key indicators of health, as well as financial plans and results, can be shown and monitored.

**.15** We think both DHBs and the Department need to improve significantly the quality and usefulness of the information they include in their annual reports.

**.16** In Chapter 2, **Health - Summary**, in Chapter 8, **Department of Health**, and in Chapter 9, **District Health Boards**, I describe the results of our audit examinations in more detail. Also, in Chapter 9, I set out the revenues, expenses, assets and liabilities of DHBs for the years ended March 31, 1994 and 1995.

---

### Staffing the Public Service

**.17** In Chapter 3, **Staffing the Public Service**, I describe several key issues the Public Service Commission (PSC) needs to manage well. I also report on our audit of the Commissioners' description of the effectiveness of their staffing systems and practices for hiring permanent classified employees. The description is contained in a report by the Commissioners to the Assembly. A copy of their report is included as Appendix VI.

**.18** Our audit was carried out at the request of the Commissioners. They wanted to know whether their report fairly describes the PSC's systems and practices. The Commissioners also wanted to know whether their systems and practices were effective in fairly obtaining the right permanent employees to meet staffing needs of the classified Public Service according to *The Public Service Act* and collective bargaining agreements.

**.19** At September 30, 1994, the classified division of the Public Service held 7,736 (union) jobs and 1,859 out-of-scope jobs. The annual salary cost of these jobs is more than \$300 million.

**.20** For the period we examined, we concluded the Commissioners' report fairly describes the PSC's systems and practices. We also concluded the PSC's systems and practices were effective except that the PSC needs to agree with departments and agencies on the length of time expected to hire an employee.

---

---

## Chapter 1 Observations

---

---

.21 I commend the Commissioners for preparing such a report and asking my Office to audit it. Through their actions, the Commissioners have set a strong leadership example. Such leadership builds public confidence. I look forward to similar reports and requests from the leaders of other government organizations.

---

Information  
technology security

---

.22 In Chapter 4, **Information Technology Security**, I describe how well government departments manage their risks to information technology (IT) security.

.23 IT security refers to the measures organizations use to protect the confidentiality, integrity and availability of their IT systems and data. If security is poor, organizations run the risk of incurring financial losses or the loss of public confidence. This can occur by relying on incorrect information, by the loss of data, or by the release of confidential information.

.24 In Chapter 4, we suggest how government departments could strengthen their security management practices.

---

The Government's  
pension plans

---

.25 In Chapter 5, **Pensions**, I describe the significance of the Government's many pension plans and several key risks that need to be managed well.

.26 The Government is responsible for fourteen pension plans. At March 31, 1995, these pensions plans had an unfunded liability of \$3 billion with assets of \$4.2 billion and liabilities of \$7.2 billion. In three years, the unfunded liability has increased \$500 million, from \$2.5 billion to \$3.0 billion.

.27 Currently, there are nearly 133,000 members belonging to government administered pension plans.

---

New audit process  
working well

---

.28 In Chapter 6, **Joint Evaluation of New Audit Process**, I advise the Assembly that both the President of the Crown Investments Corporation of Saskatchewan and I continue to strongly support the use of the new audit process introduced in 1994. This new process was developed after much controversy about roles, responsibilities and duties of auditors auditing government organizations. Both the President and I are also pleased Treasury Board decided all Crown corporations and

---

---

## Chapter 1 Observations

---

---

agencies using appointed auditors should follow the new process.

**.29** In Chapter 27, **Workers' Compensation Board (WCB)**, I describe what can go wrong when the roles, responsibilities and duties of auditors is misunderstood by management. I am not finished my audit of the WCB for the year ended December 31, 1994 because the WCB instructed its appointed auditor not to provide me with necessary information. The WCB also refuses to participate in the new audit process for its 1995 audit.

**.30** My problems at the WCB are exactly what the new audit process is designed to rectify. Because of these problems, I plan to audit the WCB directly.

---

The next step forward - managing program objectives, costs and performance

---

**.31** Currently, many managers of government departments focus much of their financial management efforts on ensuring their departments do not spend more than the amount authorized in their appropriation.

**.32** While appropriation control is important, management should also focus on setting out what programs are to achieve, determining what programs cost, and monitoring actual results in a systematic and timely manner. Such management information is essential for resource allocation decisions and for ensuring economy, efficiency and effectiveness.

**.33** In 1994, the Government began changing its practices by moving from the cash basis of accounting to the accrual basis. This change is important as government managers now can obtain information more relevant for decision making.

**.34** However, additional change is needed. In several chapters of this Report, we recommend government managers:

- ensure the objectives of programs are set out clearly and in measurable terms;
- establish quarterly, annual and multi-year performance targets;
- determine the costs of programs;

---

---

## Chapter 1 Observations

---

---

- monitor, analyse and report comparisons of planned and actual program costs and performance; and
- include a summary of planned and actual results in reports to the Assembly.

.35 Information on program objectives is particularly important. Program objectives include financial, operational and compliance matters. Using the Department of Health as an example, a financial objective could be that a certain percentage of spending is allocated to a specific program; an operational objective could be to reduce the rate of low birth weight babies; and a compliance objective could be that District Health Boards comply with the annual service agreement.

.36 This type of information will strengthen planning, management and accountability practices. It is the information the new District Health Boards and a few departments are beginning to gather and use.

---

Board of Internal  
Economy

---

.37 Each year, I present my business and financial plan to the Board of Internal Economy. The Board decides what funding for my Office should be recommended to the Assembly. The Board is made up of 7 legislators representing the governing party, the official opposition and the third party. The majority of members are from the governing party including two cabinet ministers. The chair is the Speaker of the Assembly.

.38 Recently, several Board members expressed concern they are not sufficiently familiar with the work of my Office to assess adequately my business and financial plan. The Board voted to decide that a government-appointed committee, referred to as the "provincial audit committee," should review my 1997-98 plan and advise the Board.

.39 The "provincial audit committee" is a committee established within *The Provincial Auditor Act*. The purpose of this committee is to provide advice to Cabinet on the contents of my Reports to the Assembly and to serve as a mechanism for the Government to receive an advance copy of my Reports.

---

---

## Chapter 1 Observations

---

---

.40 Prior to 1990, Treasury Board reviewed our annual business and financial plan. In late 1990, the then Minister of Finance asked the Board of Internal Economy to review our plan. This change was made to strengthen the independence of my Office and to relieve government officials from a potential conflict of interest. Government officials or government-appointed officials should not have the responsibility of addressing how my Office audits government organizations.

.41 Since the Board of Internal Economy wishes that a group more familiar with the work of my Office be responsible for reviewing my annual plan then I suggest the Standing Committee on Public Accounts (PAC) be that group. Because all of my reports are now referred to the PAC, it should be sufficiently familiar with the work of my Office. In addition, an important role of the PAC is work with my Office to achieve maximum accountability by the Government to the Legislature.

.42 The PAC is made up of 10 legislators representing the governing party, the official opposition and the third party. Although the majority of members are from the governing party, the PAC has no cabinet ministers and the chair is a member of the opposition. I view the PAC as the audit committee of the Legislative Assembly.

.43 To ensure the PAC has the opportunity to review my 1997-98 business and financial plan, I will table that plan with the Speaker. When I table a document with the Speaker, the document is automatically referred to the PAC.

\* \* \*

This Report also includes several appendices showing:

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

---

---

## Chapter 1 Observations

---

---

- the types of audits we do (Appendix V);
- the report of the Saskatchewan Public Service Commissioners' report on the effectiveness of its staffing systems and practices (Appendix VI); and
- the reports of appointed auditors (Appendix VII).

---

My colleagues at the Office of the Provincial Auditor Saskatchewan are:

Ahmad, Mobashar  
Atkinson, Brian  
Bachelu, Gaylene  
Beblow, Jolene  
Becker, Wendy  
Black, Bob  
Bohn, Raymond  
Borys, Angèle  
Callander, Charlene  
Coulter, Jill  
Creaser, Phil  
Dickin, Deann  
Deis, Kelly  
Drotar, Robert  
Earis, Lorianne  
Evelt, Rosemarie  
Ferguson, Judy  
Fogg, Jonathan  
Gavel-Mieyette, Charlene  
Grabarczyk, Rod  
Hansen, Wendy  
Harasymchuk, Bill  
Harrison, Garnet  
Heffernan, Mike  
Herdzik, Tony  
Ho, Matthew  
Hutchison, Duane  
Jersak, Rodd  
Kirchner, Carolyn  
Klisowsky, Cathy  
Knox, Jane  
Kress, Jeff

Kuntz, Linda  
Lacey, Kevin  
Lipon, Shelley  
Lucas, Sheri  
Maier, Corrine  
Markewich, Dale  
Martens, Andrew  
Matchett, Joanne  
McNeely, Dawn  
Melnik, Marvin  
Mitchell, Corinna  
Montgomery, Ed  
Nyhus, Glen  
Orrange, Loyd  
Peters, Cory  
Pion, Jason  
Pion, Joshua  
Pradhan, Karim  
Salman, Salma  
Schiller, Rita  
Schwab, Victor  
Shorten, Karen  
Smith, Scott  
Sturgeon, Darold  
Taylor, Kevin  
Tomlin, Heather  
Voss, Maureen  
Walker, Sandra  
Wendel, Fred  
Wendel, Leslie  
Zureski, Diane



## Chapter 2 Health - Summary

---

---

### Table of Contents

Introduction .....	.01
Purpose of this Chapter .....	.04
The sources of revenue and objects of expenses .....	.08
Our audit approach .....	.10
Our main conclusions and findings .....	.13
The Department's view of the purpose and complexity of health reform .....	.31
What work we plan in the future .....	.39

---

---

## Chapter 2

### Health - Summary

---

---

#### Introduction

**.01** During 1994-95, nearly \$1.7 billion was spent on our provincial health system. This spending was carried out through many health organizations including the Department of Health, District Health Boards and other Crown agencies.

**.02** Also, during 1994-95, the reform of our health system continued. District Health Boards are now deciding how best to organize and deliver health services. Their decisions are made in concert with the direction received from the Legislative Assembly and the Department. The main part of that direction is within *The Health District Act*, annual service agreements and annual health plans.

**.03** The provincial health system, and its reform, is significant to Saskatchewan. Our Office is focusing on examining the quality of the planning, management and accountability systems and practices established or being established within the health system.

#### Purpose of this Chapter

**.04** The purpose of this Chapter is to summarize:

- the sources of revenue and objects of expenses for the health system;
- our audit approach;
- our main conclusions and findings;
- our understanding of the Department's view as to the purpose of the Government's health reform initiative; and
- what work we plan in the future.

**.05** In Chapter 8, we describe our audit of the Department and its Crown agencies.

**.06** In Chapter 9, we describe our audit of the 29 District Health Boards (DHBs). (There are now 30 District Health Boards).

**.07** In Part E to Chapter 9, we set out the financial results of each DHB for the years ended March 31, 1994 and 1995.

---

---

## Chapter 2 Health - Summary

---

---

The sources of revenue and objects of expenses

**.08** During 1994-95, the sources of revenue used to pay for the provincial health system were:

	(in millions of dollars)	%
General Revenue Fund	\$ 1,534	90.9
Patient and agency charges	87	5.2
Ancillary and dietary revenue	14	.9
Local government taxes	12	.6
Donations	10	.6
Investment income	5	.3
Other	<u>25</u>	<u>1.5</u>
Total revenues	<u>\$ 1,687</u>	<u>100.0</u>

**.09** During 1994-95, the objects of expenses were:

	(in millions of dollars)	%
Salaries and benefits	\$ 748	44.3
Doctor services	328	19.4
Supplies and services	188	11.2
Grants to private health agencies	166	9.8
Medical & surgical drugs and supplies	121	7.2
Interest	91	5.4
Other	<u>45</u>	<u>2.7</u>
Total expenses	<u>\$ 1,687</u>	<u>100.0</u>

---

Our audit approach

**.10** For 1994-95, we examined the financial management and accountability practices of the Department, the Crown agencies accountable to the Department, and the District Health Boards (DHBs). For the DHB community, we carried out our examinations by working with the many public accounting firms engaged by the DHBs.

**.11** Our examinations focused on:

- the adequacy of management systems and practices related to financial reporting, compliance with authorities and safeguarding assets;
- compliance with key legislative authorities; and

---

---

## Chapter 2 Health - Summary

---

---

- the reliability of the financial statements issued publicly.

.12 We also examined the following two important planning and accountability issues faced by all DHBs. These are:

- whether DHBs use an adequate process to assess the health needs of district residents; and
- whether DHB annual reports provide the public and the Minister of Health the information they need to assess DHB performance.

---

Our main conclusions and findings

---

.13 In the following paragraphs, we summarize our main conclusions and findings in terms of those related to the Department and its Crown agencies and in terms of those related to District Health Boards.

### The Department and its Crown agencies (Chapter 8)

.14 Recently, the Department developed and issued a useful accountability framework to guide the Department and DHBs. The framework describes responsibilities and expectations, measurement, and review. The framework provides a good starting point for understanding accountability relationships of DHBs, the Department, the Minister of Health and the Assembly.

.15 Each year, the Department is to establish service agreements with DHBs and approve health plans proposed by DHBs. The agreements describe the services to be provided, the basis of payment, the objectives to be achieved, and the reports to be prepared. The health plans set out financial and operational targets.

.16 In 1994-95, service agreements were not established, health plans were not approved until several months after the beginning of the year, and required reports were either late or not provided. This should not happen as such agreements, plans and reports are essential to sound planning, management and accountability. Service agreements were established in 1995-96.

---

---

## Chapter 2 Health - Summary

---

---

.17 *The Health Districts Act* requires DHBs to prepare, publish and submit to the Minister valuable planning, management and accountability information including:

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

So far, this valuable information is not available. The Department needs to exercise leadership by defining which services and activities should be costed by all DHBs, and by identifying which indicators of health status should be monitored by all DHBs. Such leadership and information will be fundamental to the effective use of public money.

.18 The Department prepares internal financial reports to help monitor its performance and to take corrective action when required. However, the Department's internal reports do not show what it planned to do compared to what it did on a monthly or quarterly basis. As a result, key variances may not be identified or acted upon. The Department does not report and use such comparisons and analyses because it does not prepare its budget on a monthly or quarterly basis. We think it should.

.19 The Department is required to provide an annual report to the Assembly. The DHBs are not. Instead, DHBs are to report to their district residents and the Minister. Accordingly, the Assembly no longer receives information directly from health care institutions. The Assembly receives only the information the Department provides.

.20 The Department needs to improve significantly the quality and usefulness of the information it includes in its annual report. Otherwise, the Assembly will not receive the information needed to hold the Government accountable for its management of the provincial health system. As a minimum, the Department's annual report should include a clear summary of the Department's and the DHBs' financial and operational plans, performance targets, and actual results.

.21 In general, the Crown agencies we report on in Chapter 8 had adequate financial management systems, complied with

---

---

## Chapter 2 Health - Summary

---

---

authorities and prepared reliable financial statements. The exception is the La Ronge Hospital. We also report on our audit of the strategic planning process used by the Saskatchewan Cancer Foundation.

### District Health Boards (Chapter 9)

.22 The following is a summary of the financial results of DHBs at March 31:

	1995	1994
	(in millions of dollars)	
Revenue	\$ 1,077	\$ 940
Expense	<u>1,105</u>	<u>973</u>
Deficit for year	<u>27</u>	<u>33</u>
Assets	1,045	1,036
Liabilities	<u>210</u>	<u>184</u>
Equity at end of year	<u>\$ 835</u>	<u>\$ 852</u>

.23 In general, DHBs use three funds to keep track of their revenues and expenses and their assets and liabilities. The funds are referred to as the operating fund, the capital fund and the restricted fund. In Chapter 9, we set out the financial results of DHBs in terms of these three funds.

.24 In our audits of DHBs, we focused on three key areas. The areas relate to the systems and practices DHBs use to plan, to manage and to be publicly accountable.

.25 A key part of planning is to ensure the health programs and services provided by DHBs are those needed by their residents. Accordingly, we examined the process DHBs use to assess the health needs of their residents.

.26 We found that most districts adequately planned for needs assessment in the short term and collected a range of data. However, DHBs had difficulty in combining and organizing the data they collected. As a result, few DHBs adequately analysed their data to identify important areas for action and to set priorities. Almost all DHBs adequately reported their needs assessment process and results.

---

---

## Chapter 2 Health - Summary

---

---

.27 A key part of managing is establishing sound management systems and practices. We examined the financial management systems and practices DHBs use to oversee management, to safeguard assets, to comply with the law, and to report to district residents and to the Minister. Much improvement is needed.

.28 DHB boards of directors need to ensure they receive adequate and timely information from their senior management groups. An important first step is to define what information they need and ensure they have a chief financial officer with the appropriate training and experience.

.29 DHB boards of directors also need to ensure their senior management groups set up sound systems and practices for safeguarding assets and complying with legislative authorities and agreements. An important first step is to require senior management to document their policies and procedures. The board of directors should then decide whether those policies and procedures are sufficient and appropriate. If they are not, they should be changed; if they are, they should be approved and implemented.

.30 A key part of being publicly accountable is external reporting. DHBs are to report to their residents and to the Minister on how they are fulfilling their important responsibilities. We think the accountability expectations set out in *The Health District Act* and in various Department guides are a good start. However, we found DHBs are not meeting those expectations. Much work needs to be done.

---

The Department's view of the purpose and complexity of health reform

---

.31 The Department states that the purpose of health reform is to: increase local input 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.

.32 The Department expects health reform will have two major stages. The first stage is structural reform. The second is service, program and delivery reform.

.33 The Department believes the first stage, i.e., structural reform, is nearly done. This stage includes: setting up 30

---

---

## Chapter 2 Health - Summary

---

---

DHBs; making each DHB responsible 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; making DHBs responsible for a full range of community-based services, e.g., mental health, public health, and addictions services; and restructuring the Department to integrate and coordinate its services.

**.34** The Department advises that the objective of the second stage of reform (i.e., reform of service, program, and delivery methods) is to develop an affordable, client-centered health system through enhanced community-based services.

**.35** In the second stage of reform, the Department expects the following issues to be 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 the public's attitude about their responsibility for health and about the role of the health system.

**.36** In the second stage of reform, the Department also expects 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; and changing public attitudes about health.

**.37** 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), and HSURC, as well as many other health organizations and professional bodies. The Department expects the second stage of reform will take many years.

**.38** In addition to reforming the health system, the Department and DHBs are expected to implement more useful management and accountability information systems and practices, i.e., they are expected to move to a higher standard.



---

---

## Chapter 2 Health - Summary

---

---

Some of those expectations can be addressed quickly. Others will take more time to address as new information systems will need to be developed and implemented.

---

What work we plan in  
the future

---

**.39** Our Office plans to continue our focus on examining the quality of the planning, management and accountability systems and practices of the District Health Boards.

**.40** We think most of the basic financial management issues will be in hand within the next two or three years. A working committee of DHB chief financial officers, auditors and Department officials has been formed to help ensure this happens.

**.41** When the basic financial management issues are in hand, we plan to move to a cyclical approach to our financial audits of DHBs. We will then focus our efforts on examining issues common to all DHBs.

**.42** We have created an advisory group to ensure we examine those issues significant to all DHBs. The advisory group includes representatives from DHBs, the Department, SAHO, HSURC and a public accounting firm.

**.43** We plan to do our best to ensure we contribute to excellence in public sector management and reporting practices. We think we do contribute through our independent examinations, advice and reports.

## Chapter 3 Staffing the Public Service

---

---

### Table of Contents

Introduction . . . . .	.01
The Public Service . . . . .	.03
Key issues the PSC faces . . . . .	.05
The Commissioners' request . . . . .	.06
The Commissioners' Report . . . . .	.09
The objective of our audit . . . . .	.11
What we examined . . . . .	.12
What we did not examine . . . . .	.14
Our audit criteria . . . . .	.16
Our audit standards . . . . .	.18
Our audit conclusions . . . . .	.19
References . . . . .	Page 30

---

---

## Chapter 3 Staffing the Public Service

---

---

### Introduction

**.01** The Public Service Commission (PSC) acts as a central agency for some human resource activities for all government departments and for several Crown agencies, e.g., New Careers Corporation. The PSC works to ensure equity and fairness in personnel administration in the Public Service. In addition, it encourages good personnel practices.

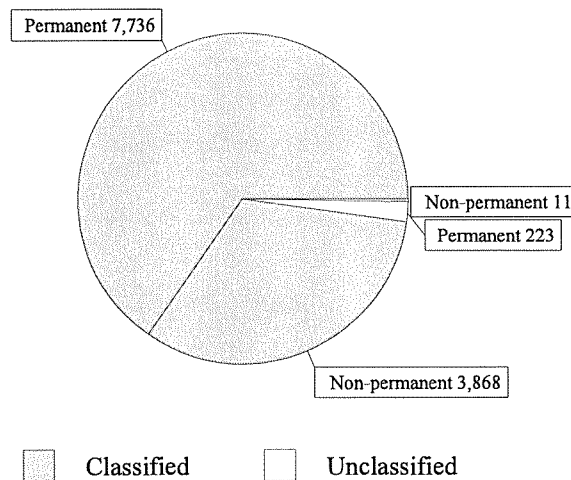
**.02** “The Public Service” refers to those persons employed in government departments and agencies. Most Crown corporations, e.g., SaskPower, SaskTel and the Saskatchewan Crop Insurance Corporation, do not use the services of the PSC. The persons employed in these Crown corporations are not considered part of the “Public Service”.

### The Public Service

**.03** The Public Service consists of two divisions: unclassified (i.e., Order in Council appointments) and classified. As of September 1994, the Public Service had 11,838 positions or jobs (see Exhibit 1). This amounts to more than one-third of all government employees.

Exhibit 1

Number of Public Service Positions at September 1994



**.04** The Lieutenant Governor in Council, i.e., Cabinet, appoints the chair and members of the Commission. The Commission represents the public’s interest in maintaining a respected Public Service. In addition, the Commission oversees the operations of the PSC. The members of the Commission call themselves “Commissioners”. The chair is also the executive officer of the PSC.

---

---

## Chapter 3 Staffing the Public Service

---

---

Key issues the PSC faces

**.05** In pursuit of ensuring equity and fairness in hiring, dismissals and setting pay, and in encouraging good personnel practices, the PSC faces several key issues. How the PSC manages these issues affects how the public views the Public Service. These issues include the following:

- Ensuring fair, equitable and open access by the public to permanent jobs in the Public Service.

By law, the PSC's hiring practices and procedures must ensure all qualified individuals gain fair, equal access to jobs in the Public Service. The PSC must ensure it hires individuals because of their knowledge, skills, abilities and capacity and not because of whom they know. In addition, the Government of Saskatchewan is committed to the principles of employment equity. These principles can enhance job opportunities for designated groups (*Employment Equity Annual Report 1994/95*).

The Government plans to make continued efforts to increase the representation of designated groups. It hopes that over time the make up of the Public Service will more closely reflect the make up of the working age population of Saskatchewan. For example at March 1995, the Public Service consisted of 5.9% persons of aboriginal ancestry, 3.1% persons with disabilities, 2.1% members of visible minority groups, and 55.7% females. Whereas, the working age population of Saskatchewan per the *1991 Canadian Census* consisted of 5.8% persons of aboriginal ancestry, 8.2% persons with disabilities, 2.6% members of visible minority groups, and 45.8% females.

- Ensuring equal pay for work of equal value.

By law, the PSC must ascertain the duties and responsibilities of all jobs in the classified division of the Public Service. The PSC works with departments, agencies and the unions in this evaluation process. It groups jobs with similar duties and responsibilities together. It then

---

---

## Chapter 3 Staffing the Public Service

---

---

assigns pay ranges to jobs based on these groupings. It tries to ensure the Government pays jobs with similar duties and responsibilities the same. The collective bargaining agreements reflect these groupings and pay ranges.

The PSC views the existing groupings for in-scope (union) jobs as outdated. It designed these groupings in 1947. With changes in technology and programs, matching specific jobs to these groupings has become difficult. This results in employees being assigned to groupings that do not fully reflect their job. Also, the Government might be paying employees different amounts when their jobs have similar duties and responsibilities.

- Promoting the hiring of the right persons at the right time to do the job.

The PSC works with departments and several Crown agencies to hire permanent employees within the classified division of the Public Service. Departments and agencies are responsible for hiring other staff, (e.g., non-permanent, and contracts) and for determining their own human resource needs. The hiring and selection process used must attract qualified people and select the best person for the job.

Some Government officials view *The Public Service Act*, proclaimed in 1965, as outdated and restrictive. They believe this results in personnel practices and systems that are not as responsive as they need to be (*PSC Strategic Plan 1995-1999*). In this era of fiscal restraint and increased emphasis on government efficiencies, departments and agencies must make changes to their programs quickly. These changes affect their human resource needs. While respecting the Act, government officials seek more flexible, responsive human resource management systems.

---

---

## Chapter 3 Staffing the Public Service

---

---

- Providing leadership and advice to support the changing roles of employees in the Public Service.

By law, the PSC shall develop, in cooperation with departments and agencies, learning programs for employees in the Public Service. Based on identified needs, the PSC coordinates or develops appropriate programs to meet common needs of employees. In addition, the PSC encourages human resource staff of departments and agencies to use best practices to help strengthen the Public Service.

The public continues to expect more from the Government. The public expects government employees to give them timely, efficient and responsive service and to explain changes in programs. To meet the public's demands, employees must be properly equipped to do the job. The PSC, departments and agencies strive to give their employees appropriate training, education and experience to achieve the Government's objectives.

---

The Commissioners' request

---

**.06** In April 1994, the Commissioners asked our Office to audit the staffing process used by the PSC. The Commissioners wanted to know whether the PSC's systems and practices were effective in fairly obtaining the right permanent employees to meet the staffing needs of the classified Public Service according to *The Public Service Act* and collective bargaining agreements.

**.07** We decided to carry out the Commissioners' request because the quality of the Government's management and accountability practices depends on employees with appropriate knowledge, skills and abilities. Accordingly, an effective staffing process is essential.

**.08** The following is a summary of our audit.

---

The Commissioners' Report

---

**.09** A first step in our audit was to ask the PSC to prepare a written description of its staffing systems and practices. The

---

---

## Chapter 3 Staffing the Public Service

---

---

description was to include the criteria (i.e., standards of performance) the PSC viewed as essential for an effective staffing process. Once this description was prepared, our Office was to determine whether the description was fair. In addition, we were to decide whether the PSC's staffing systems and practices were effective given *The Public Service Act* and collective bargaining agreements.

.10 On March 19, 1996 the Commissioners tabled a report in the Legislative Assembly. The title of the Report is *Saskatchewan Public Service Commissioners' Report - Effectiveness and Fairness of the Staffing Process*. The *Commissioners' Report* includes a written description of the PSC's staffing systems and practices and our audit report. Appendix VI contains a copy of the *Commissioners' Report*.

---

The objective of our audit

---

.11 The objective of our audit was to assess whether Section III of the *Commissioners' Report* fairly describes:

- the PSC's systems and practices in use from October 1, 1993 to September 30, 1994, and
- the effectiveness of those systems and practices

in fairly obtaining the right permanent employees to meet the staffing needs of the classified Public Service according to *The Public Service Act* and collective bargaining agreements.

---

What we examined

---

.12 In our audit, we examined the staffing systems and practices used by the PSC for hiring permanent classified employees only. At September 30, 1994, the classified division of the Public Service held 7,736 permanent jobs consisting of 5,877 in-scope (union) jobs and 1,859 out-of-scope jobs. The annual salary cost of these jobs was more than \$300 million.

.13 For the 12-month period ended September 30, 1994, the PSC held 723 competitions for permanent classified jobs. As a result, the PSC hired 962 persons. On average, the PSC fills 75% of its jobs with current Public Service employees or from employees returning from an approved leave of absence.

---

---

## Chapter 3 Staffing the Public Service

---

---

What we did not examine

.14 In our audit, we did not examine the PSC's systems and practices related to:

- hiring non-permanent employees in the classified division of the Public Service;
- hiring employees in the unclassified division of the Public Service;
- ensuring fair and equitable access of all to Public Service job opportunities, i.e., employment equity; and
- ensuring equal pay for work of equal value.

.15 We also did not assess the appropriateness of the provisions in *The Public Service Act* and collective bargaining agreements.

---

Our audit criteria

---

.16 Audit criteria are standards of performance. We used audit criteria to assess the adequacy of the PSC's systems and practices. We developed audit criteria through consultation, review of relevant literature, and surveys. The Commissioners and staff of the PSC agreed to the reasonableness of the criteria.

.17 Our audit criteria are set out as follows.

- The PSC should ensure government departments and agencies clearly define their requirements when requesting the PSC to fill a permanent position (job) in the classified division of the Public Service.
- The PSC should carry out recruitment activities to maximize the likelihood of attracting qualified candidates at a reasonable cost, within a reasonable time, and with due regard to equal opportunity to compete.
- The selection process should ensure that the successful candidate possesses the appropriate knowledge, skills, and abilities.



---

---

## Chapter 3 Staffing the Public Service

---

---

- Cancelled competitions should be appropriately justified and documented.
- Probationary employees should have their performance reviewed during their probationary period.

---

### Our audit standards

**.18** We did our examination according to generally accepted auditing standards recommended by The Canadian Institute of Chartered Accountants for value for money audits. We did the following procedures to meet those standards.

- We examined *The Public Service Act*, *The Public Service Regulations*, and relevant collective agreements.
- We examined and analysed the PSC manuals, handbooks, policies, procedures, memos, and the minutes of the Commissioners' meetings.
- We interviewed staff of the PSC, staff of departments and agencies, and union officials.
- We reviewed information systems and staffing reports.
- We examined the contents of various competition, position (job), and personnel files.
- We discussed our detailed assessment with staff of the PSC and the Commissioners. We received their agreement that our detailed assessment was accurate and complete.

---

### Our audit conclusions

**.19** In our opinion, Section III of the Commissioners' Report fairly describes:

- the PSC's systems and practices in use from October 1, 1993 to September 30, 1994, and
- the effectiveness of those systems and practices

---

---

## Chapter 3 Staffing the Public Service

---

---

in fairly obtaining the right permanent employees to meet staffing needs of the classified Public Service according to *The Public Service Act* and collective bargaining agreements based on the stated criteria.

**.20** Also, in our opinion, those described systems and practices, in all significant respects, are effective except for the weakness set out below.

**.21** The PSC did not ask departments and agencies to set out, in writing, the date by which it needed the employee hired. As a result, the PSC did not agree with departments and agencies on the expected length of time to hire a permanent employee in the classified division. Therefore, we could not assess if the PSC hired these employees on time.

We recommend

**.22** The PSC should agree with departments and agencies, in writing, the expected length of time to hire a permanent employee in the classified division of the Public Service.

**.23** To monitor its performance, the PSC should compare actual times to agreed upon times to hire employees.

**.24** Appendix VI contains the *Saskatchewan Public Service Commissioners' Report - Effectiveness and Fairness of the Staffing Process* including our auditor's report.

**.25** The PSC Commissioners and staff, department staff and union officials gave us excellent cooperation throughout the audit. We appreciate their support and thank them.

---

References

---

Government of Saskatchewan. (1994). *Employment Equity Annual Report 1994/95*. Regina: Steering Committee on Employment Equity.

Public Service Commission. (1996). *Saskatchewan Public Service Commission Annual Report 1994-95*. Regina: Author.

Public Service Commission. (1996). *Saskatchewan Public Service Commissioners' Report - Effectiveness and Fairness of the Staffing Process*. Regina: Author.

---

---

## Chapter 3 Staffing the Public Service

---

---

Statistics Canada. (1991). *Employment Equity Data Program - Fact Sheets On The Employment Equity Designated Groups, 1991*. Ottawa: Author.

## Chapter 4 Information Technology Security

---

---

### Table of Contents

Introduction . . . . .	.01
IT security must be managed well . . . . .	.04
Survey objective and findings . . . . .	.09
Department computer systems, applications and data . . . . .	.12
Security policies and procedures are needed . . . . .	.21
Better accountability for security is needed . . . . .	.34
Staff security awareness is needed . . . . .	.45
IT security assessment needed . . . . .	.54
Controls to protect the confidentiality and integrity of data need strengthening . . . . .	.62
Approved and tested contingency plans are needed . . . . .	.74

---

---

## Chapter 4

# Information Technology Security

---

---

### Introduction

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

**.02** In our 1995 Fall Report, we describe two important IT issues and our planned approach for examining them. These issues are the management of IT system development projects and IT security.

**.03** At that time, we stated it was our intention to report on the management of the risks to IT security in departments in our 1996 Spring Report. This Chapter sets out the results of our work. We continue our work on the management of IT development projects and security in Crown corporations and will report in future reports.

IT security must be managed well

**.04** IT security is essential to organizations. In this Chapter, IT security means the measures organizations use to protect the confidentiality, integrity and availability of their IT systems and data. If security is poor, organizations run the risk of incurring financial losses or the loss of the public's confidence. This can occur by relying on incorrect information, by the loss of data, or by the release of confidential information.

**.05** IT security depends on good management. Absolute security is not possible or even practical. Security costs money and often reduces efficiency. Given these constraints and limited resources, senior managers must direct and monitor IT security practices. They need to ensure security risks are reduced to an acceptable level.

**.06** The effective management of IT security requires organizations to:

- direct their senior management to review and approve security policies and procedures;
- clearly assign roles and responsibilities for IT security;

---

---

## Chapter 4 Information Technology Security

---

---

- inform and train staff in their IT security responsibilities;
- administer IT resources in a secure manner;
- protect the confidentiality and integrity of IT systems and data; and
- ensure the continuous operations of IT systems and the availability of data.

**.07** These IT security standards are recommended for business by organizations like the RCMP.

**.08** In large decentralized organizations, it is important to have an IT security strategy that balances the needs of the centralized and decentralized functions. This ensures the organizational-wide (government) and individual department's needs are met.

---

### Survey objective and findings

**.09** Our objective was to find out if departments had systems and practices to properly manage IT security. We used a self assessment survey to gather this information. The questions were based on the security standards listed in paragraph .06. We limited our work to assessing the reasonableness of the responses and compiling the results. These procedures do not constitute an audit.

**.10** In June, 1995, we sent our security survey to fifteen departments. All departments reported their computer systems and data were secure. We asked departments to rate the effectiveness of their security measures. They rated their security measures as effective.

**.11** Our work focused on the management of IT security. Based on the standards for IT security management set out in paragraph .06 and the department responses to the survey, we think departments should strengthen their security management practices. Without better management practices, senior managers in departments will not know if their IT systems and data are adequately secured. Our specific findings and recommendations are reported in paragraphs .21 to .86.

---

---

## Chapter 4 Information Technology Security

---

---

Department computer systems, applications and data

.12 As part of our survey, we asked departments to identify their significant financial and non-financial computer applications. A computer application refers to a group of computer programs designed to perform a business function (e.g., maintaining the Saskatchewan Health Services Registry and issuing health cards to Saskatchewan residents). We also asked departments to identify the kind of information these applications process and store, and the type of computer systems that run these applications.

.13 Departments reported using mainframe and network computer systems to run nearly all their important IT applications. Mainframes are large computers that have centralized data processing and storage. Security techniques for these systems are well established. Departments use these systems to run their larger, more complex applications.

.14 Networks are smaller computers that are connected and have decentralized processing and storage. They allow many employees to directly access and change data. Networks are relatively new and their use is rapidly increasing. Security techniques for these systems are evolving. Departments generally use these systems to run their smaller, less complex applications.

.15 The departments reported approximately 200 computer applications. We asked departments to rate the importance of their applications on a scale of one to ten, with ten being the most important. They rated 55% of these applications as having an importance of eight to ten.

.16 Ten departments reported using mainframe systems to run IT applications. They reported approximately 50 applications running on these systems. They rated 75% of these applications as having an importance of eight to ten.

.17 All departments reported using networks to run IT applications. They reported approximately 150 applications running on these systems. They rated 48% of these applications as having an importance of eight to ten.

.18 Departments reported a variety of sensitive data processed and stored by both network and mainframe applications. This data includes demographic, taxation, health, property, judicial, and financial information.

---

---

## Chapter 4 Information Technology Security

---

---

.19 In summary, departments have a significant investment in diverse IT resources. Departments need to protect this investment. Good IT security management practices are necessary.

.20 The following paragraphs summarize department security management practices and set out our recommendations for improvements.

---

Security policies and procedures are needed

---

.21 Departments need approved security policies and procedures that meet their needs.

.22 The management of security starts with the establishment of security policies and procedures. Organizations need policies and procedures that:

- are documented;
- cover major IT risk areas;
- cover all significant applications and systems;
- are reviewed and approved by senior management;
- are based on a risk analysis; and
- ensure the risk analysis is approved by senior management.

.23 Without clearly defined security policies and procedures, organizations may not carry out proper security procedures. This results in security measures that do not meet the needs of an organization. Organizations may be over secured, leading to increased costs, or under secured, thus placing the organization's goals and objectives at risk.

.24 Senior management in an organization should approve its security policies and procedures. They are responsible for meeting the goals and objectives of the organization. They need to ensure the risks to the organization's resources are reduced to an acceptable level. Fulfilling this responsibility is difficult if they do not review and approve IT security policies and procedures.



---

---

## Chapter 4 Information Technology Security

---

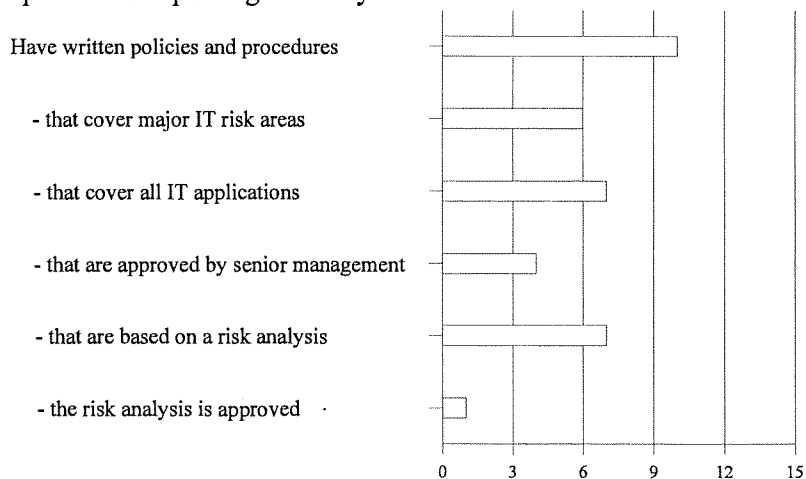
---

**.25** The security policies and procedures established by an organization must reflect its needs. Policies and procedures need to set a framework that reduces the risks to an acceptable level. To do this, they need to be based on a risk analysis. This analysis should identify the importance of applications and data, the risks, the impact of current security measures and the impacts of recommended changes to security practices. In addition, the senior management of an organization need to review and approve this analysis.

**.26** We asked the fifteen departments questions to find out if they had IT security policies and procedures that met the standards set out in paragraph .22. Figure 1 summarizes the results.

Figure 1

Departments reporting that they:



**.27** Figure 1 shows that many departments lack written and approved policies and procedures that cover the main areas of IT security and all their IT applications. Also, Figure 1 shows that departments having written policies and procedures do not base them on approved risk analyses.

**.28** Treasury Board's Accounting and Reporting Policy Manual sets out two security policies for financial systems. These policies require departments to have policies and procedures to prevent unauthorized access and to ensure continued operations of the computer systems. In addition, the Provincial Comptroller's Financial Administration Manual sets out standards and guidance on security techniques to assist departments in meeting these IT securities policies.

---

---

## Chapter 4 Information Technology Security

---

---

.29 Treasury Board's security policies do not apply to non-financial systems. In our review of existing policies, we did not find any government-wide security policies and procedures for non-financial systems.

.30 We think there should be a general IT security policy that applies to all Crown agencies with significant computer systems, applications and data. This general policy should set out security performance standards that Crown agencies must meet. Each Crown agency's senior management should approve IT security policies and procedures to meet the government-wide IT security policy and the security needs of the Crown agency.

We recommend

.31 **The Government should establish a general security policy for all its IT systems.**

.32 **Departments should set and approve security policies and procedures that meet the government-wide general security policy and the security needs of the departments.**

.33 **Departments should conduct a risk analysis to determine their security needs.**

---

Better accountability  
for security is needed

---

.34 The accountability for IT security needs strengthening.

.35 Organizations should clearly define the roles and responsibilities for IT security. Organizations need policies and procedures that:

- assign responsibility for IT security to a senior manager who is not responsible for IT operations and programming;
- appoint a security administrator who is independent of IT operations and programming and is accountable to the senior manager responsible for IT security; and
- set out the roles and responsibilities of a security administrator.

---

---

## Chapter 4 Information Technology Security

---

---

**.36** Organizations should assign the overall responsibility for IT security to a person in a position of authority. The person should be a member of the organization's executive team. This helps ensure IT security policies and procedures are implemented and followed.

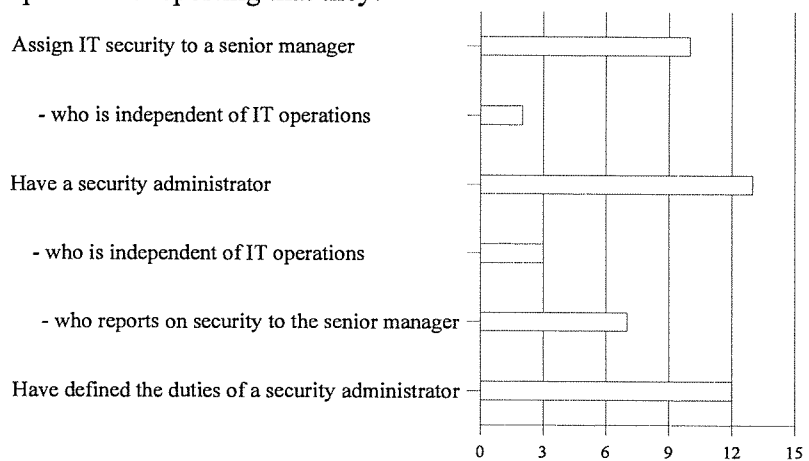
**.37** To ensure good security practices, the security administrator should have adequate technical knowledge and not be responsible for IT operations and programming. To delegate this function effectively, the organization needs to define the duties of the security administrator. On security matters, this person should report directly to the official responsible for IT security.

**.38** If the segregation of IT security, computer operations and programming is inadequate, security may be bypassed e.g., to enhance system performance. In smaller organizations, the separation of these functions may be impractical. The risk analysis (paragraph .33) should inform senior management of the security risks and they should ensure the risks are acceptable.

**.39** We asked the fifteen departments questions to find out how they defined the roles and responsibilities for IT security. We based our questions on the standards set out in paragraph .35. Figure 2 summarizes the results.

Figure 2

Departments reporting that they:



**.40** Figure 2 shows that security management in many departments is not segregated from IT operations and programming. Thirteen departments do not assign the

---

---

## Chapter 4 Information Technology Security

---

---

responsibility for IT security to a senior manager outside of IT operations. In addition, the security administrators in twelve departments have responsibilities for IT operations and eight do not report directly to the senior manager in charge of security. Figure 2 also shows that three departments have not fully defined the duties of their security administrator(s).

We recommend

**.41** We think the accountability for security in departments should be strengthened. Without good accountability, the management of IT security may not be effective.

**.42** Departments should assign the responsibility for IT security to a senior manager who is independent of IT operations and programming.

**.43** Departments should define the roles and responsibilities of their security administrator(s). These roles and responsibilities should be based on criteria set out in the government-wide general security policy.

**.44** The security administrator(s) should report directly to the senior manager responsible for IT security.

---

Staff security awareness is needed

---

**.45** Departments should make staff more aware of security by informing and training them in their IT security responsibilities.

**.46** Staff need a good understanding of IT security. This is due to advances in IT. Organizations are moving to computer networks to process and store critical data. As a result, people inside and outside the organization can potentially access and change data.

**.47** For organizations to maintain IT security in this environment, they should:

- inform staff of confidentiality requirements;
- inform staff of security policies and procedures;
- have staff periodically agree in writing to their security responsibilities;

---

---

## Chapter 4 Information Technology Security

---

---

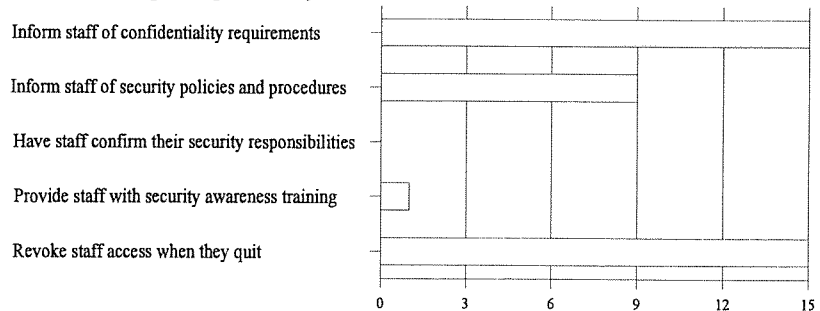
- provide staff with security awareness training; and
- revoke access to IT systems when staff quit or move to other duties.

Without these procedures, management cannot ensure its IT systems and data are secure.

**.48** We asked the fifteen departments questions to find out if their procedures for informing and training staff met the standards set out in paragraph .47. Figure 3 summarizes their responses.

Figure 3

Departments reporting that they:



**.49** Figure 3 shows that departments inform staff of their confidentiality requirements and that they revoke access to IT systems when staff quit. Figure 3 also shows that many departments do not inform staff of security policies and procedures and the threats to IT security.

**.50** We think departments should make staff more aware of security by informing and training them in their IT security responsibilities.

**We recommend**

**.51** Departments should inform staff of IT security policies and procedures.

**.52** Departments should provide security awareness training to staff.

**.53** Departments should periodically have staff agree in writing with their security responsibilities.

---

---

## Chapter 4 Information Technology Security

---

---

IT security assessment  
needed

**.54** Departments should assess the effectiveness of their IT security policies and procedures.

**.55** The newer technologies require organizations to have good administrative practices to keep track of their IT resources. Networks place IT resources throughout an organization. Portable computers or laptops allow resources to leave an organization's premises. Internet technology allows others to access an organization's IT resources. These characteristics increase the risk that IT resources are misused or lost. Also, they increase the risk of unauthorized changes to computer programs and the use of unlicensed programs (software). Unlicensed software violates copyright laws and can result in substantial monetary penalties.

**.56** Organizations also need to monitor and periodically assess the effectiveness of their security practices. They need to know if security policies are being followed and/or if security procedures are no longer effective. Without this information, management can not take prompt corrective action.

**.57** For organizations to manage their investment in IT resources and maintain IT security, they should:

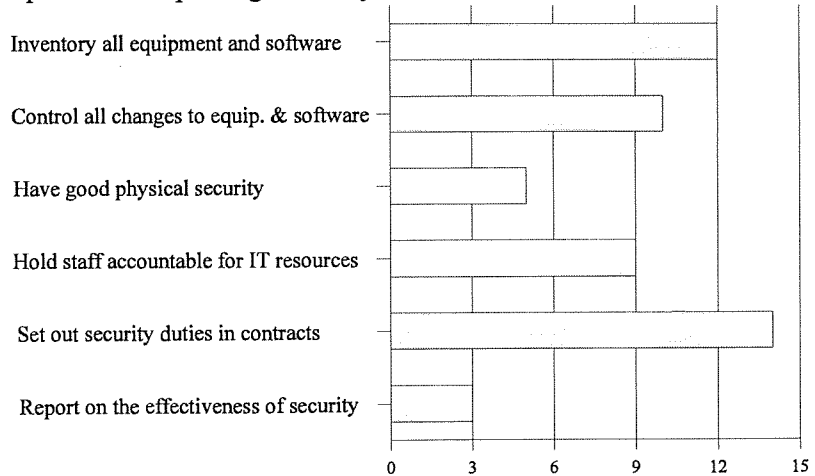
- inventory computer equipment and software;
- control and approve all changes to computer equipment and software;
- physically protect IT resources;
- hold staff accountable for IT resources under their control;
- ensure contracts set out the security obligations of IT consultants and other parties who access their IT resources; and
- monitor and report on the effectiveness of, and compliance with all IT security policies and procedures.

## Chapter 4 Information Technology Security

**.58** We asked the fifteen departments questions to find out if their procedures for administering IT resources met the standards set out in paragraph .57. Figure 4 summarizes their responses.

Figure 4

Departments reporting that they:



**.59** Figure 4 shows that most departments use the practices set out in paragraph .57. Figure 4 also shows that twelve departments do not report on the effectiveness of their IT security. Six departments thought they should improve the physical security over their IT resources.

**.60** We think departments should periodically assess the adequacy of their IT security. This requires identifying the risks to IT resources and reporting on the effectiveness of their security policies and procedures. In paragraph .33 we recommend that departments conduct a risk analysis to determine their security needs.

**We recommend**

**.61** Departments should periodically report on the effectiveness of their security policies and procedures. Senior management should review and approve these reports.

Controls to protect the confidentiality and integrity of data need strengthening

**.62** Departments should strengthen their procedures for protecting the confidentiality and integrity of IT systems and data.

---

---

## Chapter 4 Information Technology Security

---

---

**.63** Networks increase the risks of unauthorized access to systems and data from people inside and outside the organization. These risks will continue to increase as organizations increase their use of newer IT technologies.

**.64** For organizations to maintain the confidentiality and integrity of their IT resources in this environment, they should:

- identify all confidential data kept on IT systems;
- set standards for the composition and changing of passwords that permit access to confidential data;
- have the owners of data (program managers) define and authorize who can access or change their data;
- track who accesses very confidential data and when; and
- control the access of system support staff (computer operators, programmers, systems analysts and consultants) to confidential systems and data.

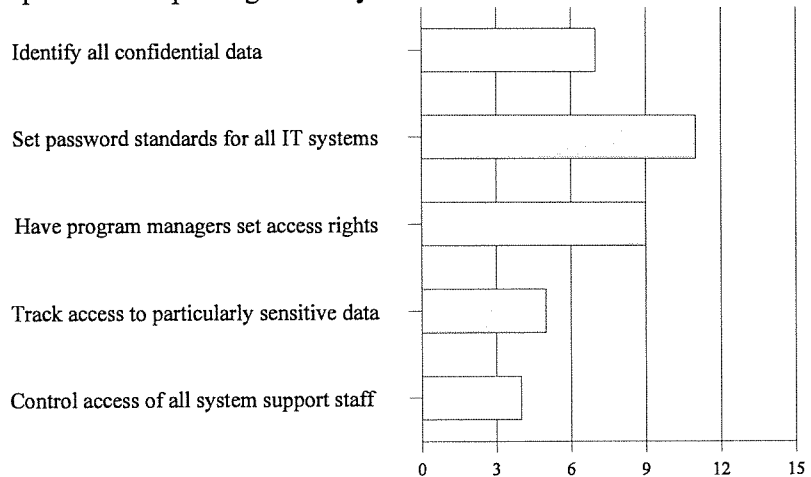
**.65** Without these policies and procedures, organizations cannot ensure the confidentiality and integrity of their IT systems and data. If people gain unauthorized access, have access they don't need, or have uncontrolled access, they can obtain confidential information or change IT systems and data.

**.66** We asked the fifteen departments questions to find out if their security procedures met the standards set out in paragraph .64. Figure 5 summarizes their responses.



Figure 5

Departments reporting that they:



.67 All departments report using passwords to control unauthorized access to their IT systems and data. However, as Figure 5 shows, four departments do not prescribe password standards for all their IT systems and data. When organizations do not set password standards, staff often use passwords that others can guess.

.68 Figure 5 shows that eight departments do not identify all their confidential data. Also, Figure 5 shows that six departments do not require program managers to set access rights. Program managers should define who can access their data. They are directly responsible for their programs and services. They should define who can access what data, when staff can access it, and what changes staff can make. When program managers do not define and control access rights, staff might get access rights they shouldn't have.

.69 IT support staff should not have direct access to data or to the IT systems and programs that process the data. This could result in unauthorized changes to the IT systems and data without detection. When they have direct access, organizations need to control or monitor their activities. Figure 5 also shows that ten departments do not track or monitor the access and changes made to critical IT systems and data. Eleven reported they did not control the access of support staff.

**We recommend**

**.70 Departments should set password standards for all their IT systems and applications.**

---

---

## Chapter 4 Information Technology Security

---

---

**.71** Departments should identify all their confidential data. This should be based on government-wide security criteria.

**.72** Departments should require the program managers to define who can access their data.

**.73** Departments should control or monitor the access of IT support staff to their data and the IT systems and applications that process their data.

---

Approved and tested contingency plans are needed

---

**.74** Departments should approve and test their IT contingency plans.

**.75** Government programs and services are dependent on IT systems. To provide continuous services, organizations must ensure their IT systems and data are available when needed. If they are not, commitments may be missed, decisions delayed and essential data lost. This increases program and service costs and may weaken the public's confidence in government.

**.76** A contingency or disaster recovery plan sets out the procedures needed to protect the continuous operations of IT systems and the availability of data. These plans should cover all significant IT operations and they should reflect the importance of each program and service. Less important programs and services need not be recovered as quickly as important ones.

**.77** Contingency plans should set out:

- the procedures for making electronic copies (backups) of the system programs, applications, and data;
- the procedures for the safe storage of the backups;
- the importance of systems, applications, data and the recovery time;
- the arrangements made to replace or rent essential IT equipment;

## Chapter 4 Information Technology Security

- the requirement for senior management to approve the plans;
- the procedures for periodically testing the contingency plans;
- the training of staff in contingency plan procedures; and
- the procedures for the safe storage of the contingency plans.

**.78** Senior management should review and approve the contingency plans and the testing of these plans. They need to ensure the recovery time will meet the needs of the organization and that the plans work.

**.79** We asked the fifteen departments questions to find out if their contingency plans met the standards described in paragraph .77. Figures 6 and 7 summarize the results. Figure 6 shows the results for the ten departments with mainframe systems. Figure 7 shows the results for the fifteen departments with network systems.

Figure 6

Departments reporting that they:

- Regularly backup all systems and data
- Store backups at another location (offsite)
- Have contingency plans (CPs) for all Mainframes
  - CPs specify importance and recovery time
  - CPs arrange for replacement equipment
  - CPs approved by senior management
  - CPs tested in last 12 months
  - Staff trained in CPs
  - CPs stored offsite

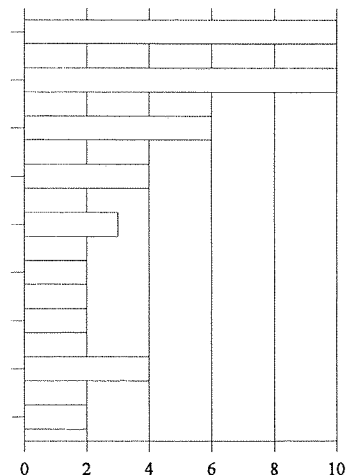


Figure 7

Departments reporting that they:

Regularly backup all systems and data

Store backups at another location (offsite)

Have contingency plans (CPs) for all Networks

- CPs specify importance and recovery time

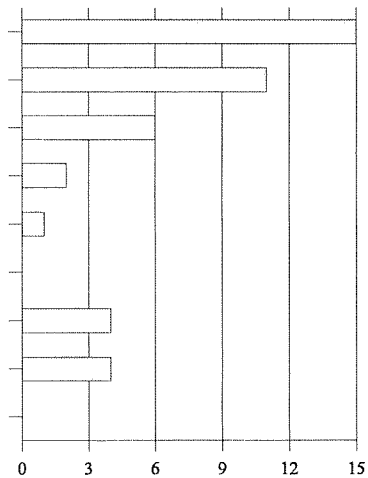
- CPs arrange for replacement equipment

- CPs approved by senior management

- CPs tested in last 12 months

- Staff trained in CPs

- CPs stored offsite



**.80** The most common causes of service interruption are due to system and data errors, power loss, and equipment malfunction. Figures 6 and 7 show that departments can resume operations after these interruptions. All departments regularly backup their IT systems and data and nearly all store their backups offsite.

**.81** Additional measures are necessary to prevent the loss of IT services due to a breakdown of IT equipment or from the loss of the department's processing site. Six departments noted they had some replacement equipment for key components of their networked systems. For mainframe systems, two departments reported they had arrangements with third parties for equipment replacement or an alternate processing site. For networks, one department reported having arrangements with a third party.

**.82** Figures 6 and 7 show that most departments do not have documented contingency plans for all their IT systems. Of those that did, eight departments reported their plans for mainframe systems did not specify the recovery time, were not tested, stored in a safe location, and approved by senior management. For network systems, no departments reported having contingency plans that met all these conditions.

**.83** We think departments should strengthen their contingency plans. They should ensure their plans reflect the risks and will meet their needs.

---

---

## Chapter 4 Information Technology Security

---

---

We recommend

**.84** Departments should base their contingency plans on the risk analysis recommended in paragraph .33.

**.85** Departments should specify in their contingency plans, the time in which IT systems, applications and data must be recovered.

**.86** Departments should test, approve and store their contingency plans in a safe location.

# Chapter 5 Pensions

---

---

## Table of Contents

<b>Introduction</b> . . . . .	<b>.01</b>
<b>What's at Risk</b>	
Pension plans are significant . . . . .	<b>.07</b>
<b>Types of Pension Plans</b>	
Two types of pension plans . . . . .	<b>.11</b>
Defined contribution plans . . . . .	<b>.12</b>
Defined benefit plans . . . . .	<b>.16</b>
<b>What are the Government's Risks</b>	
<b>Required Systems and Practices for Managing Pension Plan Risks</b>	
Rates of return and investment risk need to be managed . . . . .	<b>.26</b>
Accurate and complete records needed . . . . .	<b>.32</b>
Investments need to be safeguarded from loss due to error or fraud . . . . .	<b>.36</b>
Performance reports required . . . . .	<b>.40</b>
Cash flows need to be managed . . . . .	<b>.52</b>
Plans need to comply with the law . . . . .	<b>.56</b>
<b>Annual Pension Costs</b>	
Annual pension costs . . . . .	<b>.61</b>
<b>Pension Plan Earnings, Costs and Earnings Allocation</b>	
Pension plan earnings and costs . . . . .	<b>.63</b>
Allocation of earnings varies among defined contribution pension plans . . . . .	<b>.68</b>

## Chapter 5 Pensions

---

---

### Table of Contents

#### Consistent Estimates

Consistent estimates required . . . . .	.75
---	-----

#### Cash Flow Information

Cash flow information required . . . . .	.84
--	-----

#### Pension Commission

Pension commission/task force not yet established . . . . .	.89
---	-----

Should the Government fund pension plans . . . . .	.92
--	-----

Are twelve boards needed to manage the Government's pension activities . . . . .	.96
--	-----

#### Our Future Audit Plans

---

## Chapter 5

### Pensions

---

#### Introduction

**.01** The Government pension plans are significant. They are significant to the Government of Saskatchewan, to taxpayers, and to members of the pension plans.

**.02** The purpose of this Chapter is to inform the Members of the Legislative Assembly, the public, and the members of the pension plans about the significance of the plans and about important issues that need to be managed. We think a good understanding of those issues by all stakeholders is important to ensuring the plans are managed well.

**.03** In this Chapter, we discuss:

- the significance of the Government's pension plans;
- the Government's risks relating to pension plans and the Government's systems and practices for managing those risks; and
- the Government's pension liabilities, cash flows, costs, earnings, and earnings allocations.

**.04** In this Chapter, we also discuss the need for a Pension Commission and our future audit plans.

**.05** The information in this Chapter is based on the pension plans financial statements for the past five years ending in the 1994/95 fiscal year.

**.06** In this Chapter, we do not discuss or provide information about the Government's risks, pension costs, liabilities, and pension plan earnings for:

- teachers who are members of a defined benefit plan managed by the Saskatchewan Teachers' Federation; and
- health care workers who are members of various pension plans managed by other organizations.

The Government makes annual payments to these plans.



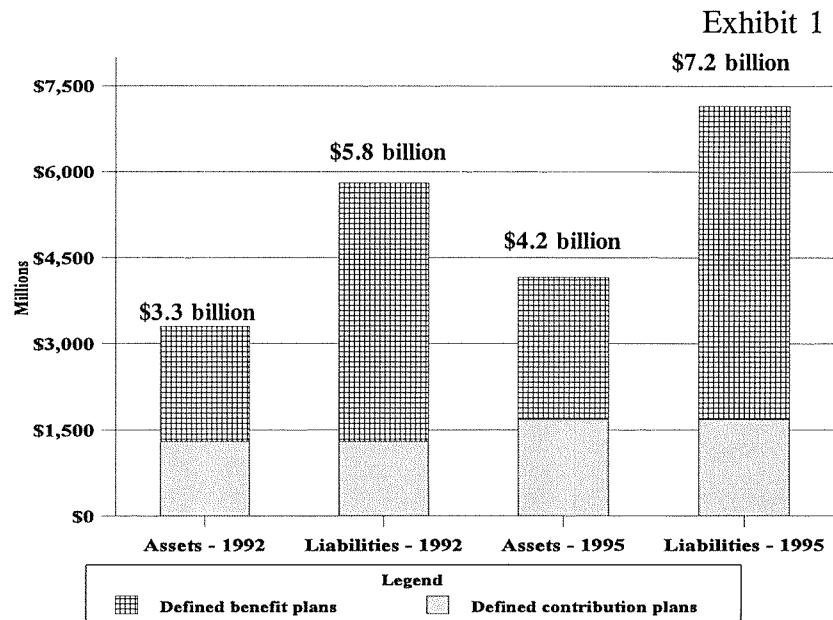
## Chapter 5 Pensions

### What's at Risk

Pension plans are significant

**.07** The Executive Government is responsible for fourteen pension plans. At March 31, 1995, these pension plans had assets totalling \$4.2 billion and liabilities of \$7.2 billion. At March 31, 1992, these pension plans had assets totalling \$3.3 billion and liabilities of \$5.8 billion (see Exhibit 1).

This Exhibit shows the total assets and liabilities of all of the Government's pension plans



**.08** There are approximately 133,000 members belonging to government administered pension plans.

**.09** Currently, over 74,000 government employees, teachers and members of the public (active members) contribute to pension plans administered by the Government. There are over 28,000 retired members receiving pensions. Exhibits 8 and 9 at the end of this Chapter show the number of active members and pensioners by plan.

**.10** There are over 31,000 inactive members of pension plans administered by the Government. Inactive members no longer contribute, but will receive a pension when they retire or become eligible. Exhibit 10, also at the end of this Chapter, shows the number of inactive members.

---

---

## Chapter 5 Pensions

---

---

### Types of Pension Plans

Two types of pension plans

---

.11 There are two types of pension plans. They are defined contribution plans and defined benefit plans.

---

Defined contribution plans

.12 In defined contribution plans, the Government and the plan member each pay a fixed percentage of the member's salary into a fund (the Government no longer contributes to the Saskatchewan Pension Plan). The plan member's pension is based on the accumulated contributions and on the investment earnings thereon.

.13 Defined contribution plan members incur the risks associated with the return on investments and the security of the investments. The Government's defined contribution plans have assets totalling \$1.7 billion. The Government has fully funded its obligations for its defined contribution plans. The Government's defined contribution plans are:

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

.14 Upon retirement, members of defined contribution plans can use their accumulated contributions and investment earnings to buy a retirement annuity from the Government or from a private company.

---

---

## Chapter 5 Pensions

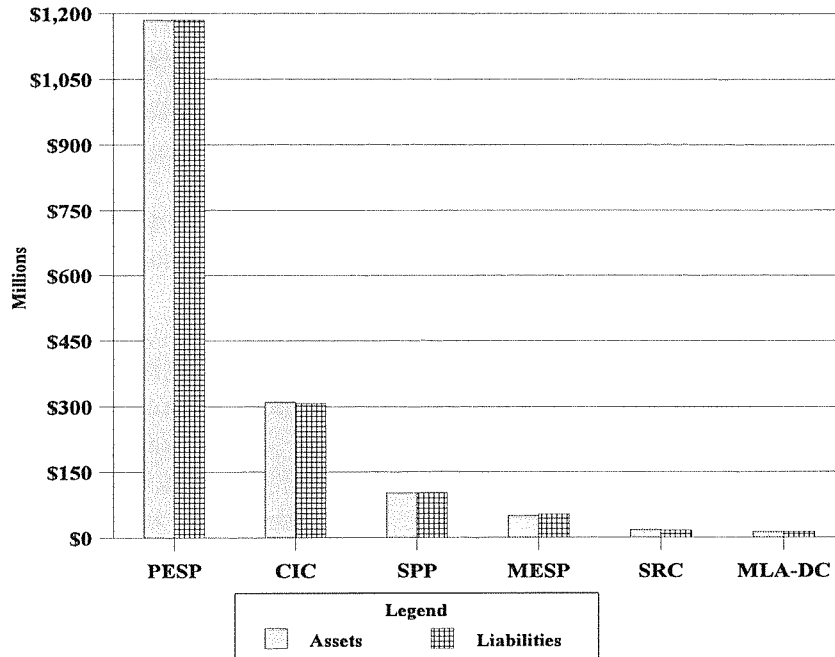
---

---

.15 Exhibit 2 shows the relative size of the Government's defined contribution plans. The Exhibit shows PESP as the largest plan with assets of nearly \$1.2 billion.

Exhibit 2

This Exhibit compares the relative size of the Government's defined contribution plans



---

Defined benefit plans

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

.17 The pension promised to each plan member is not directly affected by the return on investments or security of investments. The Government must pay the promised pension regardless of its investment earnings or losses. Therefore, the Government incurs the risks associated with the return on investments and the security of the investments.

.18 In 1978, the Government reduced its risks by closing its defined benefit pension plans to new members. After this date, new government employees become members of the defined contribution plans.

.19 The Government's defined benefit plans have assets totalling \$2.5 billion and liabilities of \$5.5 billion. The

---

---

## Chapter 5 Pensions

---

---

shortfall of \$3.0 billion is the responsibility of the Government. The Government's defined benefit plans are:

- Teachers' Superannuation Plan (TSC)
- Public Service Superannuation Plan (PSSP)
- Power Corporation Superannuation Plan (SPC)
- Saskatchewan Telecommunications Superannuation Plan (ST)
- Municipal Employees Superannuation Plan (MESP)
- Saskatchewan Government Insurance Superannuation Plan (SGI)
- Workers' Compensation Board Superannuation Plan (WCB)
- Liquor Board Superannuation Plan (LB)
- Members of the Legislative Assembly Superannuation Plan (MLA)
- Judges of the Provincial Court Superannuation Plan (JDG)

.20 Exhibit 3 compares the assets and liabilities of the Government's defined benefit pension plans. The TSC plan has the largest unfunded liability at \$1.9 billion. The PSSP plan has the second largest unfunded liability at \$1.1 billion. For the PSSP plan, the Government spends the employees' contributions, records these contributions as revenue of the General Revenue Fund, and does not make contributions for this plan. Exhibit 3 also shows that some plans have surpluses. Surpluses occur when pension assets are greater than pension liabilities.

---

---

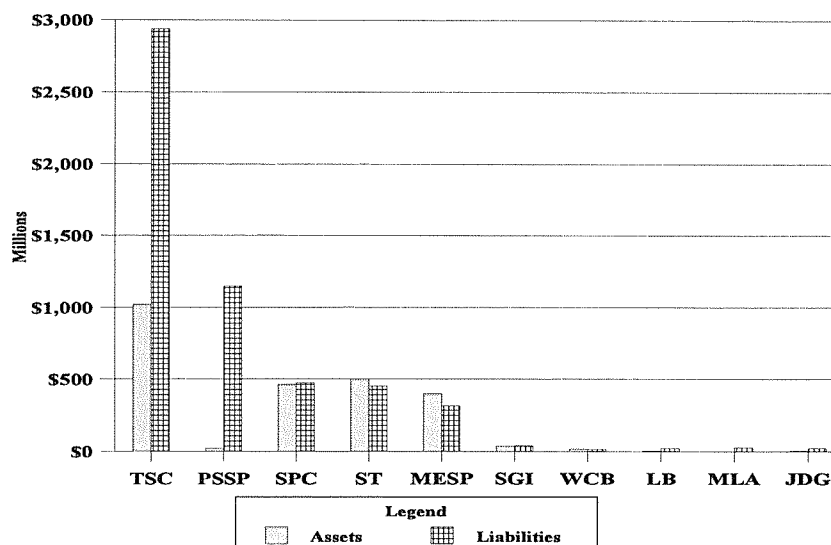
## Chapter 5 Pensions

---

---

Exhibit 3

This exhibit compares the assets and liabilities of the Government's defined benefit plans



### What are the Government's Risks

.21 The Government has twelve Boards managing its pension plans. These organizations are accountable to the Government for how they carry out their responsibilities. The Ministers responsible for these organizations are accountable to the Legislative Assembly and to the members of the plans for the organizations' management.

.22 The following risks exist if pension plans are not well managed:

- the Government's accountability to the Assembly will be impaired (e.g., plans may be unable to prepare financial statements);
- plan members will receive smaller pensions (e.g., poor investment returns);
- the costs to the taxpayers for the Government's pension promises will increase (e.g., poor investment returns);

---

## Chapter 5 Pensions

---

- plan members and the public will lack confidence in the Government (e.g., plans may be unable to provide information to plan members); and
- the Government will lack essential cash flow information to manage other activities such as borrowing and taxation policies.

**.23** To manage its pension risks, the Government needs systems and practices to ensure pension plans:

- maximize investment earnings within acceptable investment risk;
- keep accurate and complete records to meet all reporting needs;
- safeguard their investments;
- submit timely reports, that permit the evaluation and comparison of plan performance, to the Legislative Assembly, plan members and other government agencies;
- manage cash flows; and
- comply with the law.

**.24** Paragraphs .26 to .60 discuss more fully pension plans need for adequate systems and practices for each of the matters set out in paragraphs .22 and .23.

**.25** Also, to manage its debt and taxation policies, the Government needs systems and practices to obtain information about pension plan cash flow requirements. The Government needs to know when it will have to pay pension promises so it can have money available. Pension plan liabilities exceed pension plan assets by \$3.0 billion. To obtain the cash to pay this \$3.0 billion, the Government will have to borrow money, and/or change spending priorities, or raise taxes. Paragraphs .84 to .88 discuss the need for cash flow information.

---

---

## Chapter 5 Pensions

---

---

### Required Systems and Practices for Managing Pension Plan Risks

Rates of return and investment risk need to be managed

**.26** Pension plan organizations need to manage their rates of return on investments and their investment risk.

**.27** To maximize earnings within acceptable risk levels, plans need systems and practices to:

- assess the risk levels of members and the Government;
- establish investment objectives such as rates of return and types of investments;
- monitor and report on their performance in meeting objectives;
- set criteria for the selection of investment managers; and
- ensure investments comply with legislation.

**.28** As stated earlier, for defined benefit plans, the Government must pay pension promises regardless of the investment earnings on pension plan assets. The higher the investment earnings the less taxpayers need to pay.

**.29** Also, as stated earlier, for defined contribution plans, members' pensions are directly affected by pension plan earnings --- the greater the plans' earnings the larger the members' pensions. The amount members have at retirement affects their quality of life and their need for social assistance. Investment performance also affects public confidence in the Government.

**.30** The following example shows the impact of investment earnings on the pension of a defined contribution pension plan member. A plan achieving annual earnings of 10% provides a member with \$113,000 more at retirement than a plan achieving annual earnings of 9%. Since a member's pension is based on the amount of money available to buy an annuity, the extra \$113,000 enables the member to have a better pension. This example, assumes a member contributes to the plan for 30

---

---

## Chapter 5 Pensions

---

---

years, has an average salary of \$40,000, and contributes at a rate of 5% which is matched by the Government.

.31 We found plans use different investment strategies and, thus, obtain different investment earnings. Paragraphs .63 to .74 discuss and compare pension plan earnings, costs of operations and earnings allocated to plan members.

---

Accurate and complete records needed

---

.32 Plans need accurate and complete records of assets, contributions, earnings, payments and members' balances. Defined benefit plans also need records to accurately calculate their pension liabilities.

.33 Plans need to keep accurate and complete records to know the entitlement of members. Inaccurate or incomplete records make it difficult to report to and answer queries from members, the Legislative Assembly and the public. Without adequate records, plans cannot calculate their pension liabilities.

.34 The Plans ability to manage decreases with a lack of proper records. Plans need proper information on the financial position and operations of the Plans to manage their financial affairs.

.35 We found plans keep accurate and complete records, except for the Teachers' Superannuation Plan. In Chapter 10, we report the Teachers' Superannuation Plan did not keep accurate and complete records.

---

Investments need to be safeguarded from loss due to error or fraud

---

.36 Plans must safeguard and control their investments from loss due to error or fraud.

.37 Plans need effective systems and practices to physically safeguard their investments from loss due to error or fraud. The plans' responsibilities extend to both investments directly under their control and investments held for them by others.

.38 If investments are lost, plans will not be able to pay members what they are owed without further money from taxpayers. Also, losses due to improper safeguards cause a lack of confidence in the plans' management and the Government.



---

---

## Chapter 5 Pensions

---

---

---

Performance reports  
required

.39 We found plans adequately physically safeguarded and controlled their investments from loss due to error or fraud.

.40 Plans must report on their performance.

.41 Government, boards of directors, other government agencies, the Legislative Assembly, plan members, and the public need information on the Government's pension plans to understand and assess performance. The information should be reliable and allow meaningful comparisons. The information should be tabled in the Assembly to ensure the Government is appropriately accountable.

.42 Plans should prepare and table timely annual reports that describe:

- what the Plan is all about;
- what the Plan has done;
- where the Plan is now; and
- what the Plan intends to do.

.43 Plans should use accounting principles recommended by The Canadian Institute of Chartered Accountants to prepare their financial statements. The plans should calculate their pension costs and liabilities in a way that permits meaningful comparisons to other government plans.

.44 Also, plan members want to know the balance of funds accumulated for their retirement.

.45 A lack of adequate reporting reduces confidence in plan administrators and the Government.

.46 The plans should have adequate systems and practices to:

- prepare timely reports to plan members on the balance of funds accumulated for their retirement.

---

---

## Chapter 5 Pensions

---

---

- calculate the defined benefit pension costs and liabilities using appropriate information from Treasury Board on estimates for inflation and ad hoc indexing.
- receive reports on the results of contractual work performed for the plans. An example is performance reports received from investment managers. This information enables the plans to assess and monitor performance of service agencies.
- prepare timely appropriate reports to their board of directors, other government agencies, the Legislative Assembly, plan members, and the public on the plans' performance.

**.47** In our 1995 Fall Report, we reported the Government did not table annual reports, including financial statements, in the Assembly for the following plans:

- Capital Pension Plan;
- Saskatchewan Government Insurance Superannuation Plan;
- Power Corporation Superannuation Plan; and
- Saskatchewan Telecommunications Superannuation Plan.

**.48** In our 1995 Fall Report, we also reported that several pension plans tabled their financial statements late.

**.49** In paragraphs .75 to .83, we report some plans used inconsistent estimates to calculate their pension costs and liabilities.

**.50** As a result, the boards of directors of the plans, other government agencies, the Legislative Assembly, members of the plan, and the public lack essential information to understand and assess the performance of the Government's pension plans.

**.51** We believe the lack of appropriate information impairs the Government's accountability to the Assembly.

---

---

## Chapter 5 Pensions

---

---

Cash flows need to be managed

.52 Plans should manage their cash flows carefully.

.53 Plans receive and pay out large amounts of money. They need to invest money effectively and efficiently considering the money coming into and leaving the plans. How well plans manage cash significantly affects investment earnings.

.54 Plans need adequate systems and practices to:

- anticipate cash flows;
- report the cash flow information to the boards of the plan and to the Legislative Assembly;
- effectively and efficiently invest monies going into and leaving the plans; and
- determine the pension liability and the impact it will have on future cash flows.

.55 Currently, none of the financial statements for the Government's defined benefit plans include information about when the plans will have to pay the pension promised. As a result, the Assembly lacks information to understand and assess when the Government will have to refinance this liability by borrowing on the open market, raising taxes or changing spending priorities.

---

Plans need to comply with the law

.56 Plans should comply with laws governing their activities.

.57 Provincial laws and federal laws such as *The Income Tax Act* and the Pension Benefits Standards Regulations, 1985, create and provide rules and guidelines for plans.

.58 Provincial law creates the plan document and indicates the contribution rates, payouts and acceptable investments for pension plans. The law determines what activities the plans can do and how the activities are to be done.

.59 The plans need adequate systems and practices to:

- identify the legislation governing the plan and ensure compliance with it; and

---

---

## Chapter 5 Pensions

---

---

- ensure service organizations comply with legislation.

**.60** We believe plans' systems adequately identify and ensure compliance with the law, except for the Teachers' Superannuation Plan and the Members of the Legislative Assembly Superannuation Plan. In Chapters 10 and 18, we report those plans did not comply with certain laws governing their activities.

### Annual Pension Costs

Annual pension costs

**.61** In our 1993 Annual Report, we set out the annual pension cost of the Government's pension plans as a percentage of salary. In Exhibit 4, we include an update of the total annual cost, members' contributions and the Government's cost.

**.62** Exhibit 4 shows the Government's costs vary from a low of 5.0% for the PESP Plan to a high of 15.7% for the JDG Plan.

## Chapter 5 Pensions

### Exhibit 4 Annual Pension Costs as a Percentage of Salaries

	<u>Pensions Earned by Members</u>	<u>Members' Contributions</u>	<u>Government's Cost</u>
<b>Defined Contribution Plans</b>			
Members of the Legislative Assembly Superannuation Plan (MLA)	18.0%	9.0%	9.0%*
Capital Pension Plan Inc. (CIC) Public Employees (Government Contributory) Superannuation Plan (PESP)	11.0%	5.5%	5.5%
Saskatchewan Research Council Employees Pension Plan (SRC)	10.0%	5.0%	5.0%
	5.2%	0.0%	5.2%
<b>Defined Benefit Plans</b>			
Judges of the Provincial Court Superannuation Plan (JDG)	20.1%	4.4%	15.7%
Teachers' Superannuation Plan (TSC)	16.2%	6.5%	9.7%
Workers' Compensation Board Superannuation Plan (WCB)	13.7%	5.7%	8.0%
Power Corporation Superannuation Plan (SPC)	12.4%	5.8%	6.6%
Saskatchewan Telecommunications Superannuation Plan (ST)	12.0%	5.6%	6.4%
Liquor Board Superannuation Plan (LB)	11.7%	5.4%	6.3%
Public Service Superannuation Plan (PSSP)	11.5%	5.6%	5.9%
Saskatchewan Government Insurance Superannuation Plan (SGI)	11.5%	5.0%	6.5%

The MESP and SPP plans are not included in this table. Although the Government is responsible for managing these plans, it does not pay any of the costs. The municipal governments pay the employer costs of the MESP plan. The Government stopped paying matching contributions to members of the SPP plan in the 1992/93 fiscal year.

\* Members join the Plan when they are first elected to the Legislative Assembly. If members are under 40 years of age when they join the Plan, the Government's cost is 9%. If members are between 40 and 50 years of age when they join the Plan, the Government's cost is 11%. If members are over 50 years of age when they join the Plan, the Government's cost is 13%.

### Pension Plan Earnings, Costs and Earnings Allocation

Pension plan earnings and costs

**.63** Plans follow different investment strategies and have different operating costs.

## Chapter 5 Pensions

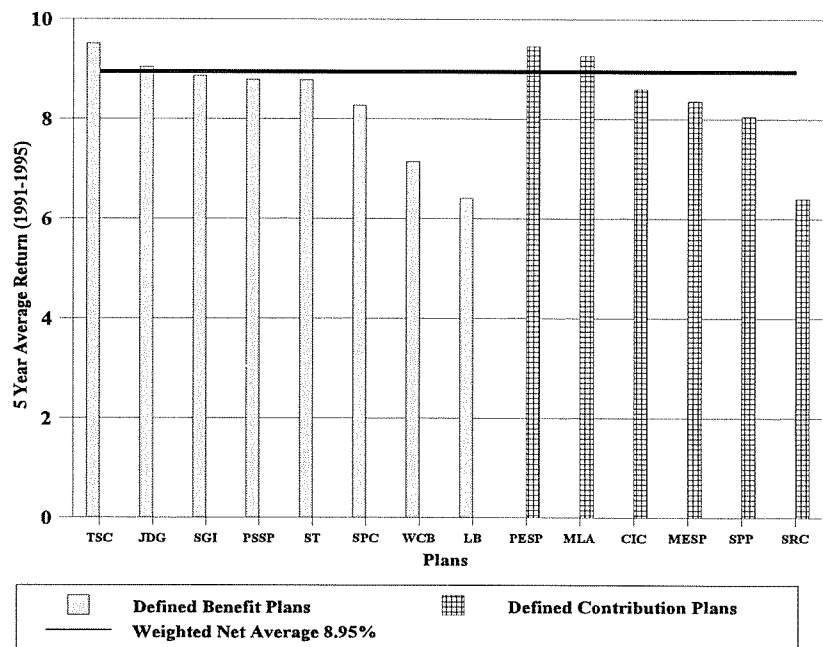
**.64** Each plan develops an investment strategy for its circumstances. Exhibit 5 shows the net average 5 year (1991-1995) annual rate of return on investment for all of the Government's pension plans. Exhibit 5 shows net returns varied from a low of 6.40% for SRC to a high of 9.51% for TSC. The net weighted average return of all of the Government's pension plans was 8.95%.

**.65** The differences in the rates of earnings of these pension plans are significant. In paragraph .30, we illustrate the impact that a 1% earnings rate can have on the pension of a member belonging to a defined contribution plan. A 1% difference in earnings also has a significant impact on the Government's \$3 billion unfunded pension plan liability.

**.66** Some plans pay for more of their operating costs than others. For example, some plans pay all of their operating costs (e.g., SPP) and other plans pay investment costs only (e.g., Teachers).

Exhibit 5

This exhibit compares the five year net average annual rates of return on investment for all Government pension plans



---

---

## Chapter 5 Pensions

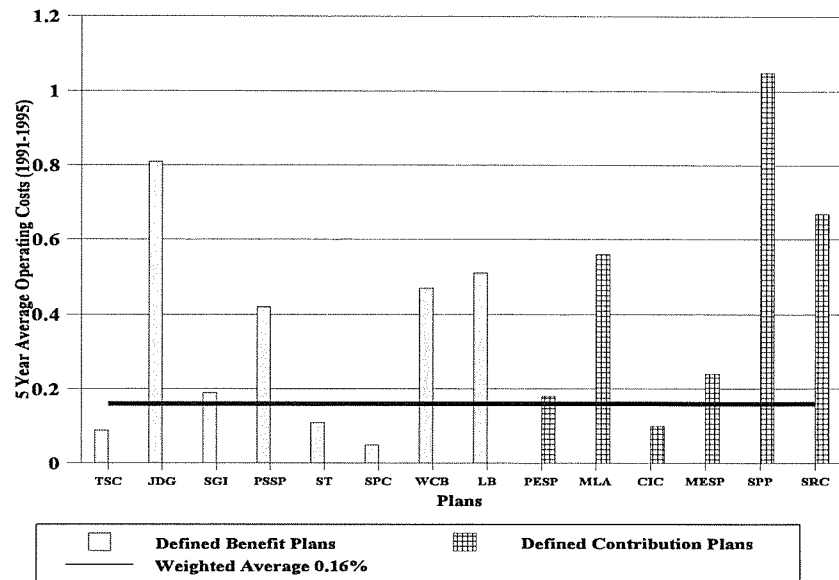
---

---

.67 Exhibit 6 shows the five year (1991-1995) average operating costs charged to the Government's pension plans. Costs varied from a low of 0.05% for SPC to a high of 1.05% for SPP. The weighted average costs charged to government pension plans was 0.16%.

Exhibit 6

This exhibit compares the average operating costs charged to government pension plans.



---

Allocation of earnings varies among defined contribution pension plans

.68 The Government's defined contribution plans do not consistently allocate investment earnings to plan members.

.69 The allocation of investment earnings to members directly affects plan members' final pensions. When plan members retire or leave, they receive their contributions, the Government's contributions and the investment earnings allocated to them. Typically, plan members use the money received to buy a retirement annuity.

.70 Each year, plan members receive an allocation of investment earnings based on contributions and the investment earnings of the pension fund. When they retire or leave, plan members also receive an allocation of investment earnings.

.71 The plans follow different policies for allocating investment earnings to plan members. Some plans allocate more of the annual investment earnings of their funds to plan members than others. We note the CIC plan now allocates all

## Chapter 5 Pensions

investment earnings to plan members. Other plans have investment earnings and losses not yet allocated to plan members. These plans have the following unallocated earnings and losses at their last fiscal year end: MESP \$0.4 million loss; MLA \$0.4 million earnings; PESP \$10.6 million earnings; and SPP \$2.6 million loss.

**.72** Plan members' final pensions are directly affected by the earnings allocated to them, particularly in the year they retire. If all earnings or losses are not allocated, less or more is available upon retirement from the plan to purchase an annuity or transfer to another plan. As a result, the member will receive a smaller or larger pension.

**.73** Exhibit 7 compares the net return on investment to the earnings allocated for each pension plan for five years. SRC compares the net return on investment to the earnings allocated for four years. The exhibit shows plans follow different policies to allocate investment earnings.

<b>Exhibit 7</b>												
<b>Net Return on Investment and Earnings Allocated</b>												
(%)												
	5 Year Average		1994/95		1993/94		1992/93		1991/92		1990/91	
	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated	Net Return on Investment	Earnings Allocated
<b>SPP</b>	8.05	9.66	(2.15)	6.70	15.76	21.00	5.36	6.30	14.36	7.50	2.51	6.80
<b>MLA</b>	9.27	9.09	4.15	8.52	11.41	9.63	11.27	9.11	7.28	7.78	13.29	10.40
<b>PESP</b>	9.45	9.81	4.18	6.35	12.92	13.76	11.41	11.16	8.10	8.21	12.27	9.57
<b>MESP</b>	8.26	11.08	(1.20)	5.00	20.27	19.40	5.03	10.00	14.96	10.50	2.51	10.50
<b>CIC</b>	8.60	9.58	(1.66)	(1.66)	20.01	24.25	5.08	7.92	15.04	10.07	2.40	7.31
	4 Year Average											
<b>SRC</b>	9.83	10.46	0.01	0.38	18.99	19.54	8.43	8.87	11.88	13.07		

**We recommend**

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



---

---

## Chapter 5 Pensions

---

---

### Consistent Estimates

Consistent estimates  
required

.75 The Government uses inconsistent estimates to calculate the pension liability for its defined benefit pension plans.

.76 The calculation of the pension liability for defined benefit pension plans includes a number of estimates. These estimates include an estimate of future inflation and an estimate of future Government ad hoc increases to pensions to help pensioners cope with inflation. These ad hoc increases are referred to as cost of living adjustments (COLA).

.77 Since 1965, the Government granted ad hoc COLA increases in most years. Since 1985, the Government based the ad hoc COLA increases on increases in the Consumer Price Index (CPI).

.78 The Government makes these ad hoc COLA increases under the authority of *The Superannuation (Supplementary Provisions) Act*. The Act applies to the following defined benefit pension plans:

- Liquor Board Superannuation Plan (LB);
- Power Corporation Superannuation Plan (SPC);
- Public Service Superannuation Plan (PSSP);
- Saskatchewan Telecommunications Superannuation Plan (ST); and
- Workers' Compensation Board Superannuation Plan (WCB).

.79 The Government also grants ad hoc COLA increases to SGI and to some MLA pensioners. Since the Government decides all the ad hoc COLA increases, it should use the same rates to calculate the liability for the ad hoc COLA increases.

.80 The Government inconsistently calculates its pension liability for these ad hoc COLA increases. For the LB, PSSP and WCB plans, the Government calculated its pension liability using future increases of 50% of CPI. The Government

---

---

## Chapter 5 Pensions

---

---

calculated its liability for the SPC plan using future increases of 40% of CPI. For the ST Plan, the Government calculated its liability using future increases of 60% of CPI.

**.81** The Government has also been inconsistent in selecting its long term estimate of future inflation for pension plan liabilities. Currently, the Government uses inflation estimates of 4%, 4.5% and 5% for calculating its pension liabilities. We think the inflation estimate should be the same for all Government pension plans since they all operate in the same economy.

**.82** As a result of using inconsistent estimates, boards of directors of the plans, other government agencies, the Legislative Assembly, members of the plans and the public lack comparable information. Comparable information is needed to understand and assess the performance of the Government's pension plans.

**We recommend**

**.83** The Government should use consistent estimates for COLA increases and inflation to calculate the pension liability for its defined benefit pension plans.

<h3>Cash Flow Information</h3>
--------------------------------

Cash flow information required

**.84** Pension plans need cash flow information to manage their investments. Other Government agencies (e.g., Treasury Board) require cash flow information to know when they will need cash to pay the pension promised by the Government.

**.85** The timing of cash requirements effects the investment strategy of plans and thus the plans' rates of return on investment.

**.86** As stated earlier, the Government has an unfunded pension liability of approximately \$3.0 billion. The Government will have to refinance this liability in the future by borrowing money by way of bonds or debentures to pay the pension promised. Alternatively, the Government will have to raise taxes or change spending priorities to pay the pension promised. Therefore, other Government agencies (e.g., Treasury Board) require cash flow information to properly plan for the financing of the pension liability.

---

---

## Chapter 5 Pensions

---

---

.87 The Assembly and the public require cash flow information to understand and assess how the Government is managing the \$3.0 billion pension liability. Currently, none of the Government's defined benefit pension plan financial statements show future cash flow information.

We recommend

**.88 The Government's defined benefit pension plan annual reports should show future cash flow information.**

<p>Pension Commission</p>
---------------------------

Pension commission/  
task force not yet  
established

.89 Two years ago, the Government said it planned to form a pension commission to study its pension plan obligations.

.90 The Standing Committee on Public Accounts discussed this matter on October 25, 1994. The Committee recommended the Government establish a pension review task force to study the Government's full pension obligations to both those currently covered by Government plans and those currently having no pension coverage. To date, the Government has not established a commission/task force to study the Government's pension obligations.

.91 A pension commission could study the risks faced by the Government and described in this Chapter. A commission could also study the issue of funding pension plans, and the need for twelve organizations to manage the Government's pension plans.

---

Should the  
Government fund  
pension plans

---

.92 Should the Government fund its defined benefit pension plans?

.93 Currently, the Government does not completely fund its defined benefit pension plans. The Government's unfunded pension liability exceeds \$3 billion. In 1994-95, the annual interest cost of this liability (a debt) was over \$270 million.

.94 The decision to fund a defined benefit pension plan (or what amount to fund) rests with the Government. This decision is affected by the Government's views on such issues as: the extent to which funds can be obtained from revenues or external borrowings; whether funding affects spending or revenue

---

---

## Chapter 5 Pensions

---

---

raising decisions; the extent to which the costs of borrowing varies from the rate of return on pension fund assets; and whether funding a pension plan affects public confidence in the Government's financial management.

**.95** A commission could examine the many issues related to funding pension plans.

---

Are twelve boards needed to manage the Government's pension activities

---

**.96** A commission could assess whether costs could be reduced and/or earnings increased by combining pension plan responsibilities under fewer organizations.

**.97** In 1978, the Government closed several of its defined benefit plans (e.g., SPC, ST and PSSP) to new employees. New employees of these organizations became members of one defined contribution plan (PESP).

**.98** Currently, several boards administer the closed defined benefit plans. An assessment should be made as to whether current responsibilities could be combined under fewer organizations. These defined benefit plans provide similar benefits, collect contributions at similar rates and have similar administrative systems.

**We recommend**

**.99** The Government should consider establishing a pension commission to study the many issues related to its pension plans.

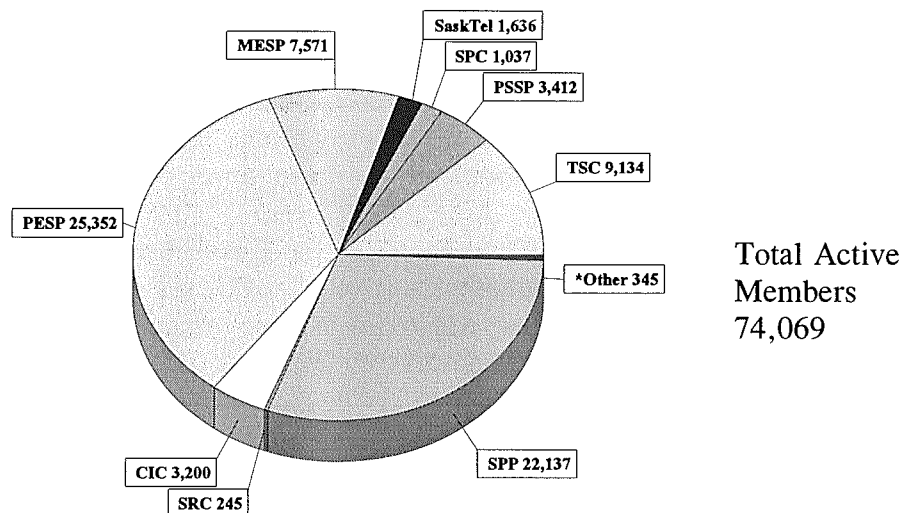
### Our Future Audit Plans

**.100** We plan to examine the systems and practices the Government uses to manage its key risks. In our 1997 Spring Report, we plan to report on the consistency and adequacy of the information contained in the annual reports of pension plans. We also plan to report on the practices used to obtain investment managers.

## Chapter 5 Pensions

### Exhibit 8

This exhibit shows the number of active members of each of the Government's pension plans.

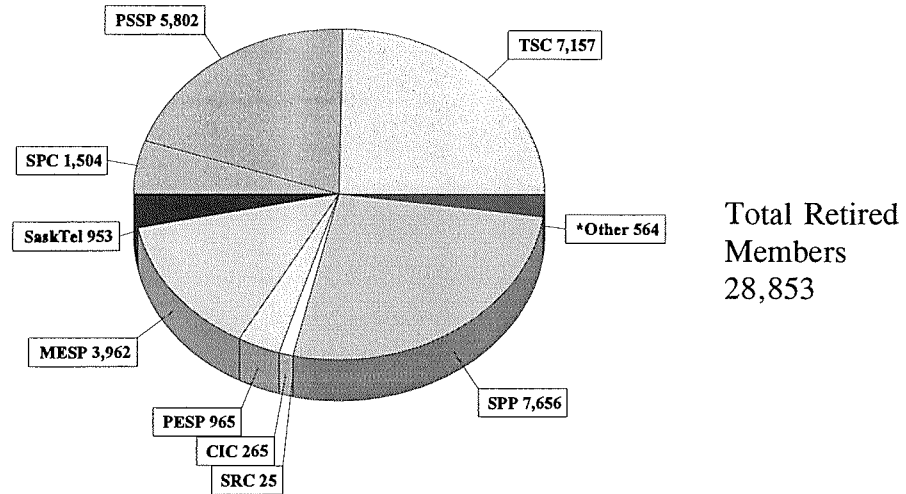


- |               |  |
|---------------|--|
| TSC           | Teachers' Superannuation Plan                                  |
| PSSP          | Public Service Superannuation Plan                             |
| SPC           | Power Corporation Superannuation Plan                          |
| SASKTEL       | Saskatchewan Telecommunications Superannuation Plan            |
| MESP          | Municipal Employees Superannuation Plan                        |
| PESP          | Public Employees (Government Contributory) Superannuation Plan |
| CIC           | Capital Pension Plan   |
| SRC           | Saskatchewan Research Council Employees Pension Plan           |
| SPP           | Saskatchewan Pension Plan                                      |
| <b>*Other</b> |  |
| MLA           | Members of the Legislative Assembly Superannuation Plan        |
| JDG           | Judges of the Provincial Court Superannuation Plan             |
| LB            | Liquor Board Superannuation Plan                               |
| WCB           | Workers' Compensation Board Superannuation Plan                |
| SGI           | Saskatchewan Government Insurance Superannuation Plan          |

## Chapter 5 Pensions

Exhibit 9

This exhibit shows the number of retired members of each of the Government's pension plans.

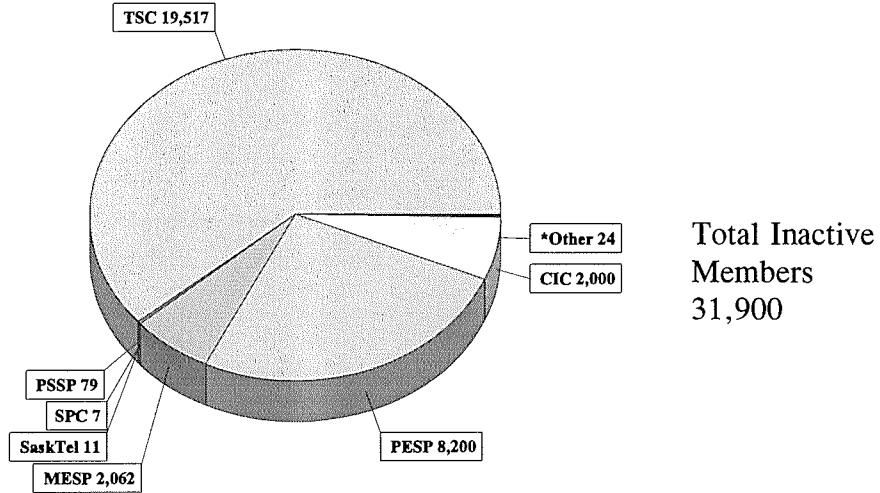


TSC	Teachers' Superannuation Plan
PSSP	Public Service Superannuation Plan
SPC	Power Corporation Superannuation Plan
SASKTEL	Saskatchewan Telecommunications Superannuation Plan
MESP	Municipal Employees Superannuation Plan
PESP	Public Employees (Government Contributory) Superannuation Plan
CIC	Capital Pension Plan
SRC	Saskatchewan Research Council Employees Pension Plan
SPP	Saskatchewan Pension Plan
<b>*Other</b>	
MLA	Members of the Legislative Assembly Superannuation Plan
JDG	Judges of the Provincial Court Superannuation Plan
LB	Liquor Board Superannuation Plan
WCB	Workers' Compensation Board Superannuation Plan
SGI	Saskatchewan Government Insurance Superannuation Plan

# Chapter 5 Pensions

## Exhibit 10

This exhibit shows the number of inactive members of each of the Government's pension plans.



- |               |  |
|---------------|--|
| TSC           | Teachers' Superannuation Plan                                  |
| PSSP          | Public Service Superannuation Plan                             |
| SPC           | Power Corporation Superannuation Plan                          |
| SASKTEL       | Saskatchewan Telecommunications Superannuation Plan            |
| MESP          | Municipal Employees Superannuation Plan                        |
| PESP          | Public Employees (Government Contributory) Superannuation Plan |
| CIC           | Capital Pension Plan   |
| SRC           | Saskatchewan Research Council Employees Pension Plan           |
| SPP           | Saskatchewan Pension Plan                                      |
| <b>*Other</b> |  |
| MLA           | Members of the Legislative Assembly Superannuation Plan        |
| JDG           | Judges of the Provincial Court Superannuation Plan             |
| LB            | Liquor Board Superannuation Plan                               |
| WCB           | Workers' Compensation Board Superannuation Plan                |
| SGI           | Saskatchewan Government Insurance Superannuation Plan          |

**Chapter 6**  
**Joint Evaluation of New Audit Process**

---

---

**Table of Contents**

Background . . . . .	.01
Introduction . . . . .	.05
Joint evaluation . . . . .	.06



---

---

## Chapter 6

### Joint Evaluation of New Audit Process

---

---

#### Background

**.01** For many years, there were different interpretations about the roles, responsibilities and duties of auditors auditing government organizations. In 1993, the Standing Committee on Public Accounts considered the matter and recommended more co-operation between all parties concerned, as follows:

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

**.02** In response to the Committee’s recommendation, the Provincial Auditor and Crown Investments Corporation of Saskatchewan (CIC) formed the Task Force on Roles, Responsibilities and Duties of Auditors in February 1994. The Task Force was asked to reach a consensus and to provide recommendations on how the audit system for CIC Crown corporations could function more efficiently and effectively. The Standing Committee on Public Accounts and the Standing Committee on Crown Corporations supported this initiative.

**.03** In June 1994, the Task Force issued its report. The Report provides a useful framework for strengthening the audit system. It recommends several improvements to the process for auditing CIC Crown corporations and reporting the results to the Legislative Assembly. The Task Force recommended that CIC and the Provincial Auditor jointly evaluate the new system in each of the first two years and communicate the results to key constituents.

**.04** **The following paragraphs set out the views of the President, Crown Investments Corporation of Saskatchewan and the Provincial Auditor.**

---

#### Introduction

**.05** A joint review of the new system was undertaken and in doing so, those directly involved in the audit process were consulted.

---

---

## Chapter 6 Joint Evaluation of New Audit Process

---

---

### Joint evaluation

**.06** In our view, the audit process recommended by the Task Force is a valuable improvement. We continue to strongly support the use of this new system. We encourage others involved in the audit process to do the same.

**.07** The new system is based on consensus. Consensus necessarily involves compromise. However, we think the compromises made are outweighed by the advantages to all parties involved in the process and the Legislative Assembly. The following paragraphs summarize our evaluation of the new system as it was applied to the 1994 fiscal year audits of CIC Crown corporations. This evaluation for the 1994 fiscal year audits is the first of the two evaluations recommended by the Task Force.

**.08** Because the audit system was new, we expected some difficulties in applying the system. For example, a few reports were issued before auditors reached agreement. Some communications expected under the new process were missed or were late. Also, in some instances, comments on financial statements were not timely. In addition, it took more time than planned to issue reports that contained matters to be reported to the Legislative Assembly. Nevertheless, matters to be reported to the Assembly were resolved faster than they had been in the past.

**.09** Overall, we think these problems can be rectified. As appointed auditors, management officials, and the Provincial Auditor's Office gain experience using the new system, the process should become more efficient. We will encourage efforts specifically at further improving timeliness in all areas of the audit process.

**.10** Our impression is the majority of the constituent groups accepts the new audit system as an improved and workable process. Also, we are pleased Treasury Board decided all other Crown corporations and agencies using appointed auditors should comply with the Task Force's recommendations. Now, there is a common process for the examination of government accounts and reporting to the Legislative Assembly when the Government chooses to use appointed auditors.

**.11** We would like to thank the audit committees, management and appointed auditors of the various CIC Crown corporations, and the Provincial Auditor's staff for their willingness to implement the new audit system and for providing their comments.

**Chapter 7**  
**Annual Reports of Departments and Crown Agencies**

---

---

**Table of Contents**

Introduction . . . . .	.01
Our follow-up procedures . . . . .	.03
Summary of actions taken by the Government . . . . .	.04
Timeliness of reports . . . . .	.06
Requirement for annual reports . . . . .	.09
Guidelines for preparers of annual reports . . . . .	.11
Improvements in department annual reports . . . . .	.14
Review of reports by Standing Committees . . . . .	.17
Progress to be monitored . . . . .	.20

---

---

## Chapter 7

### Annual Reports of Departments and Crown Agencies

---

---

#### Introduction

**.01** This Chapter reports the results of our follow-up of the Government's actions in response to recommendations we made in our 1992 Annual Report (Chapter 8) and 1994 Fall Report (Chapter 4) to the Legislative Assembly. In those Chapters, we discussed whether annual reports of government departments and Crown agencies provide Members of the Assembly (MLA's) and the public with the information they need to assess performance. We recommended the following:

- The Government should propose changes to the law to ensure timely public release of annual reports of all government organizations.
- The Government should develop and issue annual report guidelines to ensure annual reports are more useful accountability documents. Guidelines should ensure annual reports describe at least the following: what the organization is all about; what the organization has done; where the organization is now; and what the organization plans to do.
- The Assembly should refer all annual reports of government organizations to a standing committee. Such a referral would assist MLAs' in their review of the performance of government organizations.

**.02** Chapter 9 reports on the results of our examination of the annual reports of District Health Boards.

#### Our follow-up procedures

**.03** To decide if the Government accepted our recommendations, we carried out the following procedures.

- We examined general laws relating to the preparation and release of annual reports noting significant changes, if any.
- We surveyed officials from the Crown Investments Corporation of Saskatchewan (CIC), from various departments including Finance and Executive Council, and from various Crown agencies.

---

---

## Chapter 7 Annual Reports of Departments and Crown Agencies

---

---

- We determined when annual reports of government organizations became available.
- We assessed the information contained in the 1994 annual reports of fourteen government departments against the following key areas:
  - what the organization is all about;
  - what the organization has done;
  - where the organization is now;
  - what the organization plans to do; and
  - is information communicated effectively.

We did not assess the information contained in annual reports of Crown agencies at this time.

---

Summary of actions  
taken by the  
Government

---

**.04** The Government has made significant progress in some areas and no progress in other areas.

- MLAs and the public do not receive annual reports of government departments and certain Crown agencies in a timely manner. The Government has not proposed changes in laws to correct this.
- MLAs and the public do not receive annual reports for all government organizations. The Government has not proposed changes in laws to correct this.
- Guidelines for preparing annual reports have significantly improved but the guidelines are not intended to apply to all government organizations.
- Annual reports of government departments are improving.

**.05** The following paragraphs set out our findings in more detail.

---

---

## Chapter 7 Annual Reports of Departments and Crown Agencies

---

---

### Timeliness of reports

**.06** The Government has not proposed changes to law to ensure the timely release of all annual reports. Current laws provide for the timely public release of the annual reports of CIC and its subsidiary Crown corporations only. CIC subsidiary Crown corporations include: Saskatchewan Development Fund Corporation, SEDCO, Saskatchewan Forest Products Corporation, Saskatchewan Government Growth Fund Management Corporation, SGI, SaskPower, SaskTel Holding Corporation, SaskTel, SaskWater, and SaskEnergy.

**.07** MLAs and the public received the March 31, 1994 and 1995 annual reports of government departments and Crown agencies responsible directly to Treasury Board (TB Crowns) at least eleven months after their year ends. *The Tabling of Documents Act, 1991* does not allow these organizations to release their annual reports before the reports are tabled in the Assembly.

**.08** This delay decreases the usefulness and relevance of the information contained in annual reports. Since departments and TB Crowns are not allowed to publicly release their annual reports before they are tabled, some of them incur the added expense of preparing other publications to provide similar information to the public and other interested parties in a more timely manner.

---

### Requirement for annual reports

**.09** Not all departments and Crown agencies publish annual reports. The Lieutenant Governor in Council exempted the departments of Finance and Executive Council and the Provincial Secretary from the legal requirement to prepare annual reports. The Provincial Secretary publishes an annual report regardless.

**.10** Also, the MLAs and public continue not to receive annual reports from more than twenty Crown agencies, e.g., SPI Marketing Group, SaskTel International Inc., and SaskPen Properties Ltd. Most of these agencies are created by government officials under *The Business Corporation Act*. Law does not require these agencies to provide MLAs or the public an annual report.

---

---

## Chapter 7 Annual Reports of Departments and Crown Agencies

---

---

Guidelines for preparers of annual reports

**.11** In March 1994, the Government issued sound new guidelines for preparing departments' annual reports. These guidelines will help ensure departments' annual reports are more useful accountability documents. Guidelines for Crown agencies do not exist.

**.12** As stated earlier, we recommend that annual reports describe at least the following:

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

**.13** Current guidelines provide sound direction to preparers in the first three areas, but are silent with respect to providing information on plans.

---

Improvements in department annual reports

---

**.14** Preparers of department annual reports use both the guidelines and our recommendations. We found improvements in twelve of the fourteen department 1994 annual reports we examined. Improvements include better descriptions of department mandates and broad goals; comparisons of actual results to planned program results; inclusion of financial results; and information on some plans.

**.15** Most department 1994 annual reports continue not to provide measurable goals for their significant programs (lines of business). In addition, most annual reports provide limited information on costs and productivity. Although the 1994 reports contain more financial information than in 1992, the information is still for the most part incomplete. We look forward to continued progress.

**.16** From our survey results, some preparers of annual reports of TB Crowns show awareness of the current guidelines for departments and our recommendations. They are considering their use.

---

---

## Chapter 7 Annual Reports of Departments and Crown Agencies

---

---

Review of reports by  
Standing Committees

.17 Since May 1994, the Assembly permanently refers the reports of certain Crown organizations to the Standing Committee on Crown Corporations (CCC). The CCC reviews about twenty Crown agencies by examining their annual reports. These include CIC and CIC Subsidiary Crown corporations, Saskatchewan Crop Insurance Corporation, Workers' Compensation Board and Saskatchewan Liquor and Gaming Authority.

.18 The Assembly has not referred to a committee for review the annual reports of the remaining over seventy Crown agencies and fourteen departments. We continue to encourage the MLAs to use the information contained in annual reports to assess the performance of government organizations.

.19 In its seventh report to the Assembly (May 10, 1995), the Standing Committee on Public Accounts (PAC) says that it does not intend to review formally the annual reports of departments or TB Crowns. Instead, PAC suggests members use and refer to these annual reports in its review of the *Public Accounts* and the reports of our Office.

---

Progress to be  
monitored

---

.20 We will continue to monitor the information contained in the annual reports of government organizations.



# Chapter 8 Department of Health

---

---

## Table of Contents

<b>Introduction</b> . . . . .	<b>.01</b>
Special purpose funds and Crown agencies . . . . .	<b>.05</b>
Background . . . . .	<b>.07</b>
Our audit conclusions and findings . . . . .	<b>.10</b>
Accountability framework developed and issued . . . . .	<b>.12</b>
<b>Establishing responsibilities and expectations</b>	
Service agreements need strengthening . . . . .	<b>.19</b>
Health plans need timely approval . . . . .	<b>.28</b>
<b>Measurement and review</b>	
DHB periodic reports either not prepared or not timely . . . . .	<b>.35</b>
Reports on DHB internal controls and compliance should be followed-up . . . . .	<b>.40</b>
Rules and procedures for internal financial reports required . . . . .	<b>.46</b>
Internal financial reports need improvement . . . . .	<b>.52</b>
System documentation needs improvement . . . . .	<b>.56</b>
DHB accountability reporting required . . . . .	<b>.66</b>
Monthly reporting requirements . . . . .	<b>.74</b>
Equipment purchases need authority . . . . .	<b>.79</b>
Ministers approval not provided . . . . .	<b>.83</b>
Board pay and expenses require authority . . . . .	<b>.89</b>
Incorrect charges to appropriation . . . . .	<b>.96</b>
Reporting to the Assembly needs improvement . . . . .	<b>.101</b>

## Chapter 8 Department of Health

---

---

### Table of Contents

<b>Saskatchewan Cancer Foundation</b> . . . . .	<b>.114</b>
Our audit conclusions and findings . . . . .	.116
Payee list required . . . . .	.119
Comparison of planned to actual results required . . . . .	.122
<b>Strategic Planning</b>	
Introduction . . . . .	.125
Audit objective . . . . .	.129
Audit conclusion . . . . .	.132
Significance of the audit . . . . .	.134
General criteria used . . . . .	.138
Audit work . . . . .	.141
Our audit findings . . . . .	.143
<b>Health Services Utilization and Research Commission</b> . . . . .	<b>.155</b>
Our audit conclusions and findings . . . . .	.157
Inadequate agreement . . . . .	.159
Recommendation of PAC . . . . .	.165
<b>La Ronge Hospital Board</b> . . . . .	<b>.169</b>
Our audit conclusions and findings . . . . .	.171
Written policies and procedures required . . . . .	.173
Board needs to define required periodic financial information . . . . .	.177
Adequate financial reports for the Board needed . . . . .	.182

**Chapter 8**  
**Department of Health**

---

---

**Table of Contents**

Secure storage needed . . . . .	.186
Capital asset records needed . . . . .	.190
External reporting requirements . . . . .	.195
Quorum needed . . . . .	.199
Payee list required . . . . .	.204
<b>Saskatchewan Prescription Drug Fund . . . . .</b>	<b>.207</b>
Our audit conclusions and findings . . . . .	.209
Recommendations of PAC . . . . .	.211

## Chapter 8 Department of Health

### Introduction

**.01** The Department is to provide 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 1995, the Department received over \$1.5 billion from the General Revenue Fund and spent this money on its programs. Also, the Department raised revenue of \$41.4 million. Volume 2 of the Public Accounts reports information about the Department's revenues and expenses 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)	
Administration	\$ 5.6	\$ 7.8
Accommodation and central services	15.5	15.8
District health services and support	903.6	921.6
Provincial health services and support	102.7	104.7
Medical services and education programs	357.4	352.8
Saskatchewan prescription drug plan	61.8	57.1
Special assistance programs	25.7	27.1
Health capital	<u>37.5</u>	<u>47.0</u>
	<u>\$1,509.8</u>	<u>\$1,533.9</u>

**.04** In this Chapter, we set out the results of our audits of the Department and its Crown agencies. In Chapter 9, we do the same for our audits of District Health Boards (DHBs). In Chapter 2, we provide a summary of our audit conclusions and findings.

---

### Special purpose funds and Crown agencies

**.05** During 1995, the Department was responsible for several special purpose funds and Crown agencies:

- Health Services Utilization and Research Commission
- Saskatchewan Alcohol and Drug Abuse Commission
- Saskatchewan Cancer Foundation
- Saskatchewan Prescription Drug Fund

---

---

## Chapter 8 Department of Health

---

---

St. Louis Alcoholism Centre  
Whitespruce Youth Treatment Centre

**.06** In Chapter 9, we list the District Health Boards responsible to the Department.

---

### Background

**.07** In 1992, the Government started to reform the Province's health care delivery system. In Chapter 2, we describe our understanding of the Department's view as to the purpose and complexity of the Government's health reform initiative.

**.08** In addition to reforming the health system, the Department and DHBs are expected to implement more useful management and accountability information systems and practices, i.e., they are expected to move to a higher standard.

**.09** In this Chapter, we set out some of those expectations and identify issues which need to be addressed. Some of the issues can be addressed quickly. Other issues will take more time to address as new information systems will need to be developed and implemented.

---

### Our audit conclusions and findings

**.10** In our opinion:

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

---

---

## Chapter 8 Department of Health

---

---

.11 Also, at paragraph .125 of this Chapter, we report the results of our audit of the strategic planning process used by the Saskatchewan Cancer Foundation.

---

Accountability  
framework developed  
and issued

---

.12 Recently, the Minister of Health issued an accountability guide to DHBs entitled *A Framework of Accountability: The Minister of Health and District Health Boards*. This Framework outlines the accountability of the District Health Boards (DHBs) to the Minister and the public. It also sets out the Minister's accountability to the Legislative Assembly and the public. We think this Framework is a positive step in improving the accountability of the Minister and DHBs.

.13 Briefly, the Framework says the Minister has the highest authority and responsibility for the Province's health system. The Minister and the Department are responsible for setting provincial health objectives, program and service standards, and for ensuring they are achieved and maintained.

.14 The Framework states the DHBs' responsibility and authority includes assessing needs of persons to whom they provide services; planning, managing, delivering and integrating the provision of health services; and promoting health and wellness.

.15 The Framework describes accountability in terms of three key elements: establishing responsibilities and expectations, measurement, and review.

.16 In any accountability relationship, there is a need to **establish responsibilities and expectations.**

- Minister/Department. The Framework explains the Minister's accountability to the Assembly. We think the Minister needs to provide the Assembly with the Department's annual and long-term plans. These plans could be set out in the Department's annual report. These plans would describe the Department's financial and operational goals and would explain how performance will be measured. The Department has not yet provided a complete plan to the Assembly.

---

---

## Chapter 8 Department of Health

---

---

- DHBs. The Framework explains the Department's and the DHBs' responsibilities and expectations. These are also included in annual Service Agreements and Health Plans, and in Department policies and guidelines. The Department did not have service agreements with DHBs during 1994-95, but signed agreements for 1995-96 in the Fall of 1995. Also, the DHBs did not prepare, and the Department did not approve, the DHBs' Health Plans in a timely manner.

.17 In the next stage of an accountability relationship, there is a need **to measure** outcomes or progress toward meeting the defined responsibilities and expectations.

- Minister/Department. We believe the Minister should demonstrate his accountability by providing the Assembly an annual report. This report should show the Department's progress in achieving the financial and operational goals set out in its plan. The Department has not yet issued a complete annual report that explains the achievement of its financial and operational goals.
- DHBs. The Department measures the performance of DHBs by receiving DHB periodic reports showing comparisons of planned results to actual results and explanations of variances. Most DHBs did not provide the Department many of the required periodic reports.

.18 In the last stage of an accountability relationship, there is a need **to review** or examine how well responsibilities are carried out and whether progress toward expected outcomes is being achieved. Changes can then be made when necessary.

- Minister/Department. The Standing Committee on Public Accounts' (PAC) role is to review the financial and operational performance of the Department and to make recommendations for improvement when necessary. In past reports to the Assembly, we have recommended PAC

review the annual reports of Departments and Crown agencies.

- DHBs. The Department assesses the DHBs' performance by reviewing the DHBs' periodic reports and by following up when DHBs do not meet expectations. The Department told us it is currently developing rules and procedures for effecting change when DHBs do not meet expectations.

### Establishing responsibilities and expectations

Service agreements  
need strengthening

.19 The Department needs to strengthen its service agreements with DHBs.

.20 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 the delivery of health care by DHBs achieves the goals of the Department.

.21 Section 33 of *The Health Districts Act* allows the Department to make service agreements with DHBs.

.22 The Department told us they consider service agreements a key element in the delivery of health services. The Department expects service agreements to set out clearly the responsibilities and expectations of each party. We agree.

.23 For the year ended March 31, 1995, the Department did not have service agreements with DHBs. For the year ending March 31, 1996, the Department made service agreements with DHBs in the fall of 1995.

.24 In our opinion, service agreements should:

- describe the authority and responsibility of the Department and each DHB;
- describe the financial, operational, and compliance objectives<sup>1</sup> needed to manage the delivery of health care successfully. The



---

---

## Chapter 8 Department of Health

---

---

agreements should require each DHB to carry out its work to meet those objectives;

- describe the services to be provided;
- describe the basis for paying for the services;
- ensure the Department receives accountability reports from the DHB, including reports showing planned and actual results, compliance with legislative and related authorities, and how well the DHB met the objectives;
- require the DHB to report periodically on the systems and practices it uses to achieve the objectives; and
- allow the Department access to the DHB's records and personnel to verify its reports or verify the reports using the DHB's independent auditor.

---

1. Financial, Operational and Compliance objectives.

*Financial objectives* relate to revenues, expenses, assets and liabilities. For example, a financial objective could be that DHBs allocate a certain percentage of revenue to a specific program.

*Operational objectives* relate to desired results or outcomes. For example, an operational objective could be to decrease the rate of low birth weight babies.

*Compliance objectives* relate to compliance with governing laws, regulations, the Department's policies and guidelines, as well as key agreements. For example, a compliance objective could be that DHBs comply with the annual service agreement.

---

**.25** The agreements made with DHB's, after the year end, meet all the criteria set out in paragraph .24, except the agreements do not require the DHB to report periodically on the systems and practices it uses to achieve the objectives.

**.26** We commend the Department and DHBs for making service agreements. This was an important step toward better planning, managing and accountability.

---

---

## Chapter 8 Department of Health

---

---

We recommend

**.27** The Department should work with DHBs to ensure service agreements require DHBs to report periodically on the systems and practices they use to achieve the Department's financial, operational, and compliance objectives.

---

Health plans need timely approval

**.28** The Department needs to approve DHBs' *Health Plans* in a timely manner. These *Plans* should be approved before, or very soon after, the year begins.

**.29** Each year, the Department requires DHBs to prepare *Health Plans*. These *Plans* outline the DHBs' financial and operational targets and are often prepared in consultation with the Department. The Department uses these *Plans* to evaluate the DHBs' performance.

**.30** For the year ended March 31, 1995, the Department did not approve DHB *Health Plans* until September 1994. For the year ending March 31, 1996, the Department did not approve these *Health Plans* until the fall of 1995.

**.31** As a result, the Department and DHBs may have made inappropriate decisions.

**.32** DHBs point out it is difficult to prepare timely *Plans* when often they do not know their funding until the month before their fiscal year begins. We think that each year the Department should set out the expected funding of DHBs for the next three years. This would help DHBs manage their health care programs and costs.

We recommend

**.33** The Department should work with the DHBs to ensure they submit timely *Health Plans*.

**.34** The Department should have a plan setting out expected funding for DHBs for the next three years.

---

---

## Chapter 8 Department of Health

---

---

### Measurement and review

DHB periodic reports either not prepared or not timely

**.35** The Department did not receive most of the quarterly and semi annual (periodic) reports required from DHBs. Also, the reports it did receive were often not timely.

**.36** The Department requires DHBs to report quarterly on their financial results compared to plan, and semi annually on program performance compared to plan.

**.37** Many DHBs are unable to prepare the required periodic reports or to prepare them on time because they lack needed information systems.

**.38** This lack of information could result in the Department (and DHBs) making incorrect decisions.

**We recommend**

**.39** **The Department should work with DHBs to ensure the DHBs submit all periodic reports on time.**

---

Reports on DHB internal controls and compliance should be followed-up

---

**.40** The Department needs to ensure DHBs have adequate rules and procedures to safeguard and control their assets and to comply with authorities governing their operations.

**.41** Each year, the Department provides the DHBs nearly \$1 billion. The Department needs to be sure this public money is properly safeguarded, controlled and used for the purposes intended.

**.42** The Department requires all DHBs to submit annually to the Minister reports from the DHBs' auditors on:

- the rules and procedures used by the DHBs to safeguard and control their assets and ensure compliance with authorities; and
- the DHBs' compliance with those authorities.

**.43** Most DHBs sent these audit reports to the Department. However, the Department has not ensured DHBs address the problems set out in the reports.

---

---

## Chapter 8 Department of Health

---

---

We recommend

**.44 The Department should follow-up DHB audit reports and take corrective action.**

**.45** The Department told us it is doing a financial management review of the DHBs, including a follow-up of audit reports.

---

Rules and procedures for internal financial reports required

**.46** The Department needs to set rules and procedures for preparing internal financial reports.

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

- preparing budgets and forecasts based on level of activity when possible;
- comparing actual year-to-date amounts to budgeted year-to-date amounts;
- explaining budget and forecast variances by comparing planned levels of activity to actual levels; and
- preparing financial reports using the accrual basis of accounting.

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

We recommend

**.49 The Department should set written rules and procedures for preparing internal financial reports.**

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

**.51** The Department told us it is setting rules and procedures for preparing internal financial reports.

---

---

## Chapter 8 Department of Health

---

---

Internal financial reports need improvement

**.52** The Department needs to improve its internal financial reports to help senior management make informed decisions.

**.53** In the Department's financial reports, staff analyse and explain variances between the current and previous forecasts of expenses to the end of the year. These financial reports show year-to-date actual expenses. However, these reports do not include year-to-date budget amounts.

**.54** In the Department's reports, management compares actual monthly expenditure results to monthly budget amounts, and calculates variances. Staff do not, however, explain these variances.

We recommend

**.55** 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; and
- to highlight and explain major variances between year-to-date actual results and year-to-date budgeted results.

---

System documentation needs improvement

---

**.56** The Department needs to ensure it properly documents and authorizes any new systems. During 1995, the Department developed the Personal Register System (PRS).

**.57** The Department's PRS and its Health Information Register (HIRF) are the Government's two main systems for identifying people in Saskatchewan. These systems are used to determine who is eligible to receive health benefits. They are also used to determine residency for other government programs.

**.58** In December 1994, the Department transferred information from the HIRF to the PRS. The Department told us the transfer was necessary to allow the Department to track more information on Saskatchewan residents and to allow more effective use of the system, e.g., to help the Government to determine eligibility for social services and to assist the Department to decide DHB funding.

---

---

## Chapter 8 Department of Health

---

---

**.59** The Department currently uses the PRS and HIRF to support various government programs. The HIRF continues to be used by organizations with less detailed information needs.

**.60** To ensure a proper transfer of information to a new system, the Department should:

- plan and document procedures to transfer information from the old system to the new system;
- document the transfer procedures and retain the documentation; and
- obtain executive approval of the final transfer.

**.61** The Department did not retain documentation of the transfer procedures, system testing, or sign off procedures. Also, senior management did not document their approval of the new system.

**.62** Since proper systems development procedures were not followed regarding the transfer of information from the old system to the new system, we did additional audit procedures. We are satisfied the information in the new system is reliable.

**We recommend**

**.63** In the future, the Department should keep evidence of the work it carries out when it transfers information from one system to another system.

**.64** Senior management should document its approval of new systems.

**.65** In 1996, we plan to examine the Department's system development controls. We plan to report the results of this audit in our 1996 Fall Report.

---

DHB accountability reporting required

---

**.66** The DHBs did not submit to the Minister certain information required by *The Health Districts Act*.

**.67** Subsection 35(2) of the Act requires DHBs to submit to the Minister the following:

---

---

## Chapter 8 Department of Health

---

---

- 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.

**.68 Cost of services and activities.** To control and be accountable for health care costs, the Department needs to know and report the cost of DHBs' services and activities. For example, the Department needs to be able to report on the cost of emergency services, home care services, and research activities.

**.69** The Department needs to tell DHBs what cost information it requires. It should set guidelines for DHBs to report on their costs, including:

- which services and activities to cost;
- how to accumulate and classify costs so the Department can make decisions about the economy, efficiency and effectiveness of DHB services; and
- how to report costs so the Department can make comparisons among DHBs.

**.70 Health status of residents and effectiveness of DHB programs.** To ensure health programs are delivered effectively, the Department needs to know and show it is achieving what it set out to achieve, i.e., its programs are effective. To know what programs DHBs should deliver, the Department has to ensure the DHBs know the health status and health needs of their residents.

**.71** The Department has taken a first step in helping the DHBs to report on the health status of their residents and the effectiveness of the DHB programs. The Department has received the DHBs' annual *Health Plans*. The Department issued *Health Plan* guidelines to all DHBs. More work, however, needs to be done before the DHBs can report more fully on the health status of the residents and the effectiveness of DHBs' programs.

---

---

## Chapter 8 Department of Health

---

---

We recommend	<p><b>.72</b> The Department should continue to work with the DHBs and our Office to ensure the DHBs are able to provide the Minister the full range of information required by law.</p> <p><b>.73</b> The Department should advise DHBs which services and activities to cost and what cost information is needed by the Department.</p>
Monthly reporting requirements	<p><b>.74</b> The Minister did not receive the monthly financial and service information from the DHBs as required by <i>The Hospital Standards Act</i> (the Act).</p> <p><b>.75</b> Section 4 of the Act requires the DHBs to submit the following information to the Minister monthly:</p> <ul style="list-style-type: none"><li>• a statement of its hospital financial transactions; and</li><li>• a summary of the hospital services provided.</li></ul> <p><b>.76</b> The Department did not ask the DHBs to provide this information.</p>
We recommend	<p><b>.77</b> The Department should obtain the required financial and service information required by <i>The Hospital Standards Act</i>. Or, the Department should seek changes to the Act so the Department no longer requires the information.</p> <p><b>.78</b> The Department told us it intends to seek changes to the Act so it no longer requires the information.</p>
Equipment purchases need authority	<p><b>.79</b> During the year, the DHBs purchased \$4.5 million of equipment without adequate authority as the Minister did not approve the purchase of the equipment.</p> <p><b>.80</b> Section 66(3) of the Hospital Standards Regulations requires the DHBs to obtain the approval of the Minister for the purchase of equipment costing more than \$1,000, \$2,500 or \$4,000, depending on the number of beds in the hospital.</p>



---

---

## Chapter 8 Department of Health

---

---

.81 Many DHBs did not ask the Minister to approve their equipment purchases as required. Some DHBs asked for this approval, but the Department did not provide it.

We recommend

**.82 The Department should approve the purchase of equipment as required by the Hospital Standards Regulations. Or, the Department should seek changes to the regulations.**

---

Ministers approval  
not provided

.83 The Department of Health has not required the DHBs to obtain approval for transactions relating to:

- a) borrowing money;
- b) purchase, lease, or sale of real property; and
- c) facility construction or renovation.

.84 *The Health Districts Act* (Act) requires the Minister to approve these transactions unless the Lieutenant Governor in Council, by regulation, exempts the Board. The Lieutenant Governor in Council has not issued regulations under the Act. Therefore, the Minister should approve these transactions.

.85 The Department of Health has not required the DHBs to obtain this approval.

.86 During 1994-95, DHBs had the following unauthorized transactions:

Borrowings	\$905,000
Real Property	
Purchases	37,500
Disposals	637,594
Leases	13,382
Facility Renovation	131,519

We recommend

**.87 The Department should ensure DHBs receive the proper approvals as required by *The Health Districts Act*.**

.88 In 1996, the Lieutenant Governor in Council issued regulations changing the approvals required by DHBs.

---

---

## Chapter 8 Department of Health

---

---

Board pay and expenses require authority

.89 The Department's Crown agencies made unauthorized payments to their board members.

.90 The Department obtained Orders in Council appointing board members to its Crown agencies but the Orders, except for one DHB, did not specify the pay and expenses for board members.

.91 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 the board members by Order in Council, we believe the Act requires an Order to set pay and expenses for board members.

.92 The following payments lacked authority because no Order in Council set the pay and expenses for the members.

28 of 29 District Health Boards	\$1,807,753
St. Louis Alcoholism Rehabilitation Centre	3,125
Whitespruce Youth Treatment Centre	120

.93 We also reported this matter in previous years.

We recommend

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

.95 The Department told us it is preparing such an Order in Council.

---

Incorrect charges to appropriation

.96 In our opinion, the Department made an incorrect charge of \$8 million to its appropriation.

.97 In March 1995, the Department paid \$10 million to the DHBs. The Department told the DHBs to use this money for certain specified purposes. It also told the DHBs that any of this money not spent for the specified purposes at March 31, 1995 should be accounted for as a liability to the Department, or in a restricted fund. At March 31, 1995, about \$8 million of this money had not been spent by the DHBs for the specified purposes. The DHBs accounted for this unspent money as directed.

---

---

## Chapter 8 Department of Health

---

---

.98 However, the Department recorded the full payment of \$10 million as a charge to its appropriation. Treasury Board directs all government organizations to account for charges to appropriations using the accrual basis of accounting. Accordingly, the unspent money of the DHBs should be recorded by the Department as a prepaid expense and charged to a future appropriation.

.99 As a result, the Department made an inappropriate charge of \$8 million to its appropriation.

**We recommend**

**.100 The Department should ensure it accounts for charges to its appropriation using the accrual basis of accounting.**

---

Reporting to the  
Assembly needs  
improvement

.101 The Department is required to provide an annual report to the Assembly. The DHBs are not. Instead, *The Health Districts Act* requires DHBs to report to their district residents and to the Minister. The DHBs are required to report information such as the cost of services, financial plans and results, the health status of residents, and the effectiveness of DHB programs.

.102 In the past, most major hospitals and all regional care centres provided annual reports to the Assembly. However, the information in those reports was not as useful as that now required because those reports contained only financial and statistical information.

.103 In the future, the Assembly will not receive information directly from health care institutions. The Assembly will receive only the information the Department provides. This is an important change in accountability relationships.

.104 The Assembly will continue to be responsible for raising taxes and allocating money for spending on health care. However, the Assembly will not receive reports from the organizations delivering the services and spending the money (i.e., the DHBs).

.105 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.

---

---

## Chapter 8 Department of Health

---

---

**.106** *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.

**.107** The Department will be able to provide the Assembly information showing issues and trends from a number of important perspectives. For example, the cost of a particular service can be shown and monitored for the Province as whole, for large and small DHBs, and for individual DHBs. Also, health status and DHB effectiveness, as well as financial plans and results, can be shown and monitored in a similar manner.

**.108** If the Department reports 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.

**.109** Currently, DHBs are not able to provide the Minister much information on the cost of services, the health status of residents and the effectiveness of DHB programs. The development of the related information systems is taking place but will take time.

**.110** We have reviewed the Department's annual report for the year ended March 31, 1994. The report does not contain a complete financial plan. It shows a revenue and expense plan for the current year only. It does not give a summary of the Department's future financial plans. The report sets out the Department's operating goals and objectives, and activities to achieve them. However, the report does not describe how the Department will measure its performance in achieving its goals and objectives. Examples of performance targets the Department could consider are: life expectancy at birth; potential years of life lost; incidence of low weight births; teen pregnancy rate; rates of certain surgical interventions; and health status as rated by the population.

**.111** In our opinion, the lack of a complete annual report impairs the Minister's accountability to the Assembly.

**We recommend**

**.112** In its annual report to the Legislative Assembly, the Department should provide a summary of its financial and operational plans, performance targets, and actual results.

---

---

## Chapter 8 Department of Health

---

---

This summary should include DHB plans, targets and results.

**.113** The Department should also work towards providing the Assembly summary information on the costs of DHB services, the health status of residents, and the effectiveness of DHB programs.

### Saskatchewan Cancer Foundation

**.114** The Saskatchewan Cancer Foundation (SCF) is responsible for the development and operation of the Saskatchewan Cancer Program. This Program includes prevention, detection, diagnosis, treatment and follow-up of patients with malignant and premalignant disease. SCF also does related teaching and research.

**.115** SCF had revenues of \$32.8 million and held assets of \$30 million at March 31, 1995. SCF's financial statements are included in its Annual Report.

Our audit conclusions  
and findings

**.116** In our opinion:

- SCF's financial statements are reliable;
- SCF had adequate rules and procedures to safeguard and control its assets; and
- SCF complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing.

**.117** We report that SCF did not provide the Assembly a list of payees as recommended by The Standing Committee on Public Accounts (PAC) and SCF's financial statements do not include a comparison of planned and actual results.

**.118** We also report the results of our audit of SCF's strategic planning process at paragraph .125.

---

Payee list required

---

**.119** SCF did not provide a list of payees as recommended by the PAC.

---

---

## Chapter 8 Department of Health

---

---

**.120** In March 1993, PAC recommended *"All Government departments, agencies, and Crown corporations reporting to Treasury Board provide a list of persons who have received money."*

**We recommend**

**.121** SCF should provide the Legislative Assembly with a list of persons who received money from SCF.

---

Comparison of  
planned to actual  
results required

**.122** The SCF's annual financial statements should include a comparison of planned and actual results.

**.123** A comparison of planned to actual results is important performance information. In our work on annual reports, we found that readers, including legislators, want organizations to include such comparisons.

**We recommend**

**.124** The SCF's annual financial statements should show a comparison of planned to actual results.

### Strategic Planning

Introduction

**.125** We worked with SCF to identify areas important for its overall success. With declining resources and health reform, the Board and management held the view an examination of their strategic planning process was important. We agreed.

**.126** Strategic planning is important to an organization in reaching key goals and objectives. It is a continuous process that evolves to address changes in an organization and its environment. Strategic planning may not provide answers to all concerns and barriers but will provide a means to address them.

**.127** A strategic plan includes the organization's mission, vision, goals, strategic issues, strategies, performance indicators, and action plans.

**.128** In 1988, SCF decided to undertake a structured, long-term approach to strategic planning. Because SCF views long-term strategic planning as important, it expended considerable time and effort on strategic planning. We commend SCF for this important effort.

---

---

## Chapter 8 Department of Health

---

---

Audit objective

**.129** The objective of our audit was to determine if SCF had adequate systems and practices to develop a complete strategic plan.

**.130** Our audit covered SCF's strategic planning process from October 1988 to December 1994.

**.131** We did not assess if SCF's strategic plan, i.e., the final product of the strategic planning process, was adequate and appropriate.

---

Audit conclusion

**.132** While SCF has some elements of a strategic planning system, as described below, SCF's systems and practices were not adequate to develop a complete strategic plan.

We recommend

**.133** In future strategic planning, SCF should:

- clearly document the strategic planning process it intends to follow and ensure the process is followed or appropriately revised;
- prepare a strategic planning document and have the board approve it;
- ensure management and staff have timely access to the strategic planning document;
- include performance indicators in the strategic plan; and
- clearly document the link between goals and strategies.

---

Significance of the audit

**.134** SCF is operating in a changing environment. The government's health reform process is shifting decision making to the community and reallocating resources. Health reform includes placing more emphasis on determining the health needs of the public, providing funding on the basis of health needs, and measuring outcomes of health care services.

**.135** SCF is decentralized. It has Cancer Centres in Regina and Saskatoon, Breast Screening Centres in seven cities, a mobile Breast Screening Centre, and a head office in Regina.

---

---

## Chapter 8 Department of Health

---

---

SCF must give appropriate direction in the form of consistent goals and objectives to ensure all locations work together to meet SCF's mandate and to respond to the health needs of their local communities.

**.136** A changing environment and decentralized operations require SCF to plan carefully for its future.

**.137** SCF gives priority to strategic planning. SCF has a Planning and Priorities Committee to prepare a strategic plan. The Committee consists of two board members and 10 management and staff. The Committee met 14 times during the audit period (October 1988 to December 1994).

---

General criteria used

**.138** Auditors need criteria to evaluate matters they audit. Criteria are reasonable and attainable standards of performance and control against which the adequacy of systems and practices can be assessed. Reasonable and attainable criteria are those that management can be realistically expected to meet.

**.139** We jointly developed criteria with SCF after reviewing the relevant literature on strategic planning.

**.140** The criteria we agreed to are that SCF's Board and its Planning and Priorities Committee should:

- adequately document the strategic planning process they intend to follow to prepare a strategic plan;
- follow, or appropriately revise, the strategic planning process; and
- document the strategic plan in a complete and clear manner.

---

Audit work

**.141** The following procedures describe our audit work. We:

- reviewed documents including minutes of SCF's Planning and Priorities Committee and Board of Directors;
- interviewed key management; and



---

---

## Chapter 8 Department of Health

---

---

- surveyed key staff and members of the Committee and Board.

.142 We did our examination according to generally accepted auditing standards The Canadian Institute of Chartered Accountants recommends. We did procedures and tests considered necessary to meet these standards.

---

Our audit findings

---

.143 The following is a summary of our audit findings set out in terms of our audit criteria.

**Criterion 1:**

**SCF's Board and its Planning and Priorities Committee should adequately document the strategic planning process they intend to follow.**

.144 Neither the Board nor the Committee documented the planning process SCF intended to follow. However, the Committee gave the Board a brief "Tentative Outline of the Planning Process" at the beginning of the process in 1988.

.145 Committee minutes state the Committee adopted a strategic planning model and gave an orientation of the model and the planning process to Committee members, key management, and staff. Committee minutes identify persons responsible for and involved in the planning process. Committee minutes indicate the Committee did environmental assessments.

**Criterion 2:**

**SCF's Board and its Planning and Priorities Committee should follow or appropriately revise the strategic planning process.**

.146 SCF did not clearly document the strategic planning process it intended to follow. However, it was apparent from the Committee minutes and discussions with a Board member that the Board and the Committee followed the strategic planning model and the planning approach verbally explained in the orientation meetings.

---

---

## Chapter 8 Department of Health

---

---

.147 The Committee kept minutes and documented its progress. Planning and priorities was a standard agenda item for Board meetings. The Committee made regular progress reports to the Board. The Committee provided information to management and staff on its progress and on the results of the key stages of the planning process, but the information was not timely or sufficient.

.148 Because SCF did not document its strategic planning process, it was unable to evaluate the planning process or to evaluate its progress.

**Criterion 3:**

**SCF's Board and its Planning and Priorities Committee should document the strategic plan in a complete and clear manner.**

.149 During the audit period, SCF did not prepare a document setting out fully its strategic plan. Rather, SCF focussed on strategic issues and action plans to address those issues.

.150 At intervals during the planning process, SCF developed and documented certain elements of its strategic plan and shared these documents with management and staff. These elements included a mission statement, 6 principles, 15 goals, 7 strategic issues with corresponding strategies, and action plans to address those strategies. The Board approved these elements as they were presented to them.

.151 The documented elements of SCF's strategic plan do not include performance indicators. Performance indicators would help SCF to evaluate its performance and to know if it has met its goals.

.152 Although the documented elements of SCF's strategic plan are understandable, they do not clearly explain the links between goals and strategic issues. In the absence of such links, it is unclear how the strategies will help achieve SCF's goals.

.153 After the audit, in February 1995, management prepared a draft document setting out fully SCF's strategic plan.

---

---

## Chapter 8 Department of Health

---

---

Management told us this document will be reviewed by the Committee prior to Board approval and issuance to staff.

.154 SCF's staff, management, Board, and Committee members gave us excellent cooperation throughout this audit. We appreciate their support and thank them.

### Health Services Utilization and Research Commission

.155 The Commission's mission is to promote the wellness of the people of Saskatchewan by fostering the efficient and effective utilization of health services and by stimulating, funding, and promoting research in the healing arts and health sciences.

.156 In 1995, the Commission had revenue of \$2.4 million and held assets of \$4.0 million. The Commission's financial statements are included in its Annual Report.

### Our audit conclusions and findings

.157 In our opinion:

- the Commission's financial statements are reliable;
- the Commission had adequate rules and procedures to safeguard and control its assets except for the matter reported in paragraphs .159 to .164; and
- the Commission complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

.158 We also report that the Commission did not provide the Assembly with a list of payees as recommended by The Standing Committee on Public Accounts (PAC).

---

### Inadequate agreement

.159 The Department of Health and the Commission made an agreement that needs improvement.

.160 The Department and the Commission made an agreement for the Commission to carry out the Saskatchewan Health Status Research Project. The Department also agreed to provide the

---

---

## Chapter 8 Department of Health

---

---

Commission \$500,000 for the project and required the Commission to obtain the Department's approval for all payments for the project. The Department also made an agreement with the University of Regina requiring the University to do the work for the Commission.

**.161** The Commission is responsible for ensuring it meets the requirements of the agreement.

**.162** In 1994-95, the Commission paid \$175,825 to the University for the project. The University initially pays all costs of the project for the Commission including salaries. Monthly, the Department directs the Commission either verbally or in writing to pay the University for project costs. The Commission does not receive evidence of the costs incurred by the University for the Commission nor does the Commission receive information on the status of the project.

**.163** Therefore, the Commission is unable to meet its responsibilities under the agreement with the Department.

**We recommend**

**.164** The Department and the Commission should ensure agreements give the Commission the necessary authority to meet the responsibilities set out by the terms of the agreements.

---

Recommendation of  
PAC

---

**.165** The Commission did not provide the Assembly a list of payees as recommended by the PAC.

**.166** In March 1993, PAC recommended "*All Government departments, agencies, and Crown Corporations reporting to Treasury Board provide a list of persons who have received money.*"

**We recommend**

**.167** The Commission should provide a list of payees to the Legislative Assembly.

**.168** The Commission told us it will provide the required disclosure, except individuals' salaries, in its next annual report.

---

---

## Chapter 8 Department of Health

---

---

### La Ronge Hospital Board

.169 The Hospital provides health care services to people in northern Saskatchewan.

.170 In 1995, the Hospital had revenue of \$9.9 million and held assets of \$11.7 million at March 31, 1995. The Hospital's financial statements are included in its Annual Report.

---

### Our audit conclusions and findings

.171 In our opinion:

- the Hospital's financial statements are reliable;
- the Hospital had adequate rules and procedures to safeguard and control its assets except for the matters reported in paragraphs .173 to .194; and
- the Hospital complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .195 to .203.

.172 We also report that the Hospital did not provide the Assembly with a list of payees as recommended by The Standing Committee on Public Accounts (PAC).

---

### Written policies and procedures required

.173 The Board has not documented the Hospital's rules and procedures to safeguard and control its assets and to comply with the law.

.174 Written policies and procedures provide for the orderly and efficient conduct of business. The lack of written policies and procedures increases the risk of a breakdown in control. Also, staff and the Board lack direction on proper handling of transactions.

.175 Policies should be developed by management and should be approved and monitored by the Board.

### We recommend

**.176 Management should prepare and the Board should approve a written policy and procedure manual.**

---

---

## Chapter 8 Department of Health

---

---

Board needs to define required periodic financial information

**.177** The Board has not set out formally what financial reports it needs to receive from management and when.

**.178** The Board is responsible for the financial affairs of the Hospital. The Board needs timely, accurate and complete financial information to meet their responsibility and to hold management accountable.

**.179** The Board, with the help of senior management, needs to formally define their periodic financial information needs to ensure they receive suitable and timely financial reports for decision making.

**.180** The Board should document their financial reporting needs in a policy and procedure manual. The policies and procedures should address the following:

- i. The information to include in financial reports. Financial reports should be prepared in accordance with generally accepted accounting principles and include:
  - a comparison between budgeted operations (planned results) and actual financial results for the period and year to date;
  - a projection of revenue and expenses to the end of the year based on current information; and
  - prior year actual results for comparison.
- ii. A definition of what is considered a significant variance. Significant variances between planned and actual results should be highlighted and have written explanations.
- iii. The level of detail required for variance explanations, such as planned level of activity compared to actual activity, as well as planned costs and revenue compared to actual costs and revenue.

---

---

## Chapter 8 Department of Health

---

---

- iv. Who is responsible for preparing and reporting the results of variance analyses.
- v. Who in the chain of command should receive the results of variance analyses.
- vi. How those responsible are to be advised of Board direction for action on identified variances and a process to allow the Board to follow up its directions.

**We recommend**

**.181 The Board should define and document its periodic financial reporting requirements.**

---

Adequate financial reports for the Board needed

---

**.182** The internal financial reports received by the Board lack essential information to safeguard and control the Hospital's revenue and expenses.

**.183** The internal financial reports are not adequate because:

- the Hospital uses an inappropriate basis of accounting to prepare them. The Hospital uses the cash basis of accounting. The Hospital should use the accrual basis of accounting;
- they do not contain written variance explanations between actual expenses to date compared to budget to date using levels of activity;
- they do not present the prior year's amounts for comparison purposes; and
- they only contain information for the operating fund. Financial information for the capital fund (including the Hospital's fundraising activities) is not included. These activities amounted to:

<u>Revenue</u>	<u>Expenses</u>	<u>Construction in Progress</u>
\$7,944,783	\$132,951	\$6,038,572

**.184** Inadequate financial reports can lead to incorrect decisions.

---

---

## Chapter 8 Department of Health

---

---

We recommend

**.185** The Hospital should improve its internal financial reports to include:

- 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 when possible;
- an explanation of major variances between year-to-date actual results and year-to-date budgeted amounts, using levels of activity when possible;
- financial information on all activities of the Hospital including the capital fund and fund raising activities; and
- actual amounts of the prior year for comparison purposes.

---

Secure storage needed

---

**.186** The Hospital's financial information was not stored in a secure place.

**.187** The Hospital stores its financial information on computer disks. The disks are kept in a desk drawer. We think the Hospital should store disks in secure onsite storage such as a locked fire proof cabinet or in secure offsite storage.

**.188** Secure storage reduces the risk of loss of data if a disaster was to occur.

We recommend

**.189** The Hospital should arrange for secure storage for its computer disks.

---

Capital asset records needed

---

**.190** The Hospital did not keep adequate records of its capital assets.

**.191** The Hospital needs to keep records for all its capital assets. Also, the Hospital should examine the capital assets periodically and compare these assets to the records to ensure their continued existence and use.



---

---

## Chapter 8 Department of Health

---

---

	<p>.192 Properly maintained records reduce the likelihood that assets will be lost without detection.</p>
We recommend	<p><b>.193 The Hospital should keep records of all its capital assets.</b></p> <p><b>.194 The Hospital should periodically count its capital assets and compare the count to the records.</b></p>
External reporting requirements	<p>.195 The Hospital did not submit to the Minister some information required by <i>The Hospital Standards Act</i>.</p> <p>.196 Section 4 of <i>The Hospital Standards Act</i> requires the Hospital to submit the following information to the Minister monthly:</p> <ul style="list-style-type: none"><li>• a statement of its financial transactions; and</li><li>• a summary of the hospital services provided by it during the preceding month.</li></ul>
We recommend	<p><b>.197 The Hospital should submit the information required to the Minister.</b></p> <p>.198 The Hospital told us it requested the forms from the Department but did not receive them until near the end of the 1994/95 year.</p>
Quorum needed	<p>.199 The Board ratified decisions without a quorum present.</p> <p>.200 From May of 1994 to March of 1995, the Board held meetings without a quorum.</p> <p>.201 Decisions ratified without a quorum can result in unauthorized decisions.</p>
We recommend	<p><b>.202 The Board should ensure a quorum of members is present to ratify the decisions made at meetings.</b></p> <p>.203 The Board was aware of the problem of member absences and tried to increase attendance at meetings. The Board also asked the Department of Health to arrange for the appointment of new members to the Board by Order in Council.</p>

---

---

## Chapter 8 Department of Health

---

---

The Department did not obtain the Order in Council until March 28, 1995.

---

Payee list required

---

**.204** The Hospital did not provide the Assembly with a list of payees as recommended by PAC.

**.205** In March 1993, PAC recommended "*All Government departments, agencies, and Crown corporations reporting to Treasury Board provide a list of persons who have received money.*"

We recommend

**.206** The Hospital should provide the Legislative Assembly with a list of payees.

**Saskatchewan  
Prescription Drug  
Fund**

**.207** The Department uses the Fund to account for the assistance provided to Saskatchewan residents under *The Prescription Drug Act*.

**.208** The Department made payments out of the Fund to pharmacies of \$52.3 million in 1995. The Fund held assets of \$1.7 million at March 31, 1995. The Fund's financial statements are included in its Annual Report.

Our audit conclusions  
and findings

**.209** In our opinion:

- the Fund's financial statements are reliable;
- the Department had adequate rules and procedures to safeguard and control the Fund's assets; and
- the Department complied with the authorities governing the Fund's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.210** We also report that the Department did not provide the Assembly with a list of payees from the Fund as recommended by The Standing Committee on Public Accounts (PAC).

---

Recommendations of  
PAC

---

**.211** The Department did not provide the Assembly with a list of payees as recommended by the PAC.

---

---

## Chapter 8 Department of Health

---

---

.212 In March 1993, PAC recommended: *“All Government departments, agencies, and Crown corporations reporting to Treasury Board should provide a list of persons who have received money.”*

**We recommend**

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

.214 The Department told us it is reviewing its payment disclosure policy.

**Chapter 9**  
**District Health Boards (DHBs)**

---

---

**Table of Contents**

<b>A.</b>	<b>Introduction . . . . .</b>	<b>Page 128</b>
<b>B.</b>	<b>DHB Health Needs Assessment Process (1992 - 1995) . . . . .</b>	<b>Page 133</b>
<b>C.</b>	<b>DHB Financial Management &amp; Accountability Systems and Practices . . .</b>	<b>Page 151</b>
<b>D.</b>	<b>DHB Annual Reports . . . . .</b>	<b>Page 175</b>
<b>E.</b>	<b>DHB Revenues, Expenses, Assets and Liabilities in More Detail . . . . .</b>	<b>Page 187</b>

**Chapter 9 District Health Boards (DHBs)**  
**Part A - Introduction**

---

---

**Table of Contents**

Background . . . . .	.01
DHB responsibilities . . . . .	.02
Summary of DHB revenue, expense, assets and liabilities . . . . .	.05
Our audit approach . . . . .	.07
List of the 29 District Health Boards . . . . .	.12

---

---

## Chapter 9 District Health Boards (DHBs)

### Part A - Introduction

---

---

#### Background

**.01** Beginning in 1992, the Government created District Health Boards (DHBs). In 1994-95, there were 29 DHBs; there are now thirty. In 1994-95, DHB expenses exceeded \$1 billion. Their responsibilities include:

- assessing the health needs of persons to whom they provide services;
- planning, managing, delivering and integrating the provision of health services; and
- promoting health and wellness.

#### DHB responsibilities

**.02** In carrying out their responsibilities, DHB boards of directors and senior management groups face many challenges. Those challenges include:

- entering into service agreements with affiliated health organizations;
- establishing new financial information systems to integrate the financial accounts and records of various hospitals and other health organizations;
- integrating and co-ordinating the delivery of health care in the health districts; and
- reporting to the Minister and the public on:
  - the health status of health district residents and the effectiveness of DHB programs; and
  - DHB services and activities, and their costs.

**.03** In addition, DHBs are expected to set up more useful management and accountability information systems and practices, i.e., they are expected to move to a higher standard.

**.04** In this Chapter, we discuss some of those expectations and identify issues DHBs need to address. Some of the issues

## Chapter 9 District Health Boards (DHBs)

### Part A - Introduction

can be addressed quickly. Other issues will take more time to address as DHBs will need new information systems.

Summary of DHB revenue, expense, assets and liabilities

**.05** The combined revenues and expenses of the 29 DHBs for the years ended March 31, 1995 and 1994 are:

	Operating fund (in thousands of dollars)	Capital fund (in thousands of dollars)	Restricted fund (in thousands of dollars)	Total	
				1995 (in thousands of dollars)	1994 (in thousands of dollars)
Revenue	\$1,039,741	\$33,470	\$4,210	\$1,077,421	\$940,305
Expense	1,045,575	56,682	2,444	1,104,701	973,338
Deficit for year	(5,834)	(23,212)	1,766	(27,280)	(33,033)

**.06** The total assets and liabilities of the 29 DHBs at March 31, 1995 and 1994 are:

	1995 (in thousands of dollars)	1994 (in thousands of dollars)
Assets	\$1,045,383	\$1,035,697
Liabilities	210,405	184,315
Equity		
Operating fund	34,173	48,207
Capital fund	764,834	770,284
Restricted or general fund	<u>35,971</u>	<u>32,891</u>
	<u>\$834,978</u>	<u>\$851,382</u>

Our audit approach

**.07** For 1994-95, we participated in the financial audits of all 29 DHBs. We carried out our audit responsibilities by working with the many accounting firms engaged by the DHBs.

**.08** In general, we followed the framework recommended in the June 1994 *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see Chapter 6, **Joint Evaluation of New Audit Process**). We have not completed the audit of four DHBs. We will report the results of these audits in a future report. Together, our audit examinations focused on:

---

---

## Chapter 9 District Health Boards (DHBs)

### Part A - Introduction

---

---

- the adequacy of management systems and practices related to financial reporting, compliance with authorities and safeguarding assets;
- compliance with key legislative authorities; and
- the reliability of the financial statements issued publicly.

.09 Our Office also examined the two important planning and accountability issues. These are:

- whether DHBs use an adequate process to assess the health needs of district residents; and
- whether DHB annual reports provide the public and the Minister of Health the information they need to assess DHB performance.

.10 In this Chapter, our audit conclusions, findings and recommendations are organized as follows:

- In Part B, **DHB health needs assessment process (1992-1995)**, we set out the results of our audit of the process DHBs use to assess the health needs of district residents.
- In Part C, **DHB financial management and accountability systems and practices**, we describe the results of our audits of DHB financial management and accountability systems and practices.
- In Part D, **DHB annual reports**, we explain the results of our audit of whether DHB annual reports provide the information needed to assess performance.
- In Part E, **DHB revenues, expenses, assets and liabilities in more detail**, we provide a more detailed description of DHB financial results for the years ended March 31, 1994 and 1995.



---

---

## Chapter 9 District Health Boards (DHBs)

### Part A - Introduction

---

---

.11 In Chapter 2 of this Report, **Health - Summary**, we summarize our main conclusions and findings.

---

List of the 29 District Health Boards

.12 The 29 DHBs in operation at March 31, 1995 are:

Assiniboine Valley District Health Board  
Battlefords District Health Board  
Central Plains District Health Board  
East Central District Health Board  
Gabriel Springs District Health Board  
Greenhead District Health Board  
Living Sky District Health Board  
Midwest District Health Board  
Moose Jaw-Thunder Creek District Health Board  
Moose Mountain District Health Board  
North Central District Health Board  
North-East District Health Board  
North Valley District Health Board  
Northwest District Health Board  
Parkland District Health Board  
Pasquia District Health Board  
Pipestone District Health Board  
Prairie West District Health Board  
Prince Albert District Health Board  
Regina District Health Board  
Rolling Hills District Health Board  
Saskatoon District Health Board  
South Central District Health Board  
South Country District Health Board  
South East District Health Board  
Southwest District Health Board  
Swift Current District Health Board  
Touchwood Qu'Appelle District Health Board  
Twin Rivers District Health Board

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

**Table of Contents**

Introduction . . . . .	.01
What is health needs assessment . . . . .	.04
Why health needs assessment is important . . . . .	.07
Our audit objective . . . . .	.12
Our audit criteria . . . . .	.13
Our audit conclusion . . . . .	.15
Department's response . . . . .	.19
Our audit standards . . . . .	.20
Our audit findings . . . . .	.25
Criterion 1: Plan to assess the health needs of district residents . . . . .	<b>Page 139</b>
Criterion 2: Collect information, as planned, about the health needs of the population to be served . . . . .	<b>Page 141</b>
Criterion 3: Combine collected health needs assessment information to provide an overview consistent with selected framework . . . . .	<b>Page 142</b>
Criterion 4: Analyse the collected health needs assessment data . . . . .	<b>Page 144</b>
Criterion 5: Report on the health needs assessment to the board, service providers, the public, and the Minister . . . . .	<b>Page 145</b>
Summary . . . . .	.70
Department's response . . . . .	.72
Thank you . . . . .	.73
References . . . . .	<b>Page 148</b>
Exhibit 1 Health Needs Assessment Challenges Facing Health Districts	<b>Page 149</b>

---

---

## Chapter 9 District Health Boards (DHBs)

### Part B - DHB Health Needs Assessment Process (1992 - 1995)

---

---

#### Introduction

**.01** In our 1995 Spring Report, we said we planned to monitor the transition of health service delivery from the Department of Health (Department) to health districts. We continue to examine how districts manage their finances. This audit looks at another aspect of district management. We examined the process health districts use to assess the health needs of their residents.

**.02** The needs assessment process is very important to the success of the health districts. It provides board members and senior management with the necessary information to allocate resources and to change the direction of programs and services.

**.03** This process is also complex and difficult. In a period of transition, it is essential that districts understand needs assessment. They need to know what a needs assessment achieves, and the key steps to carry it out. We think our work in this area will help districts.

#### What is health needs assessment

**.04** A single definition of "health needs assessment" does not exist. The Department's *Health Needs Assessment Guide for Saskatchewan Health Districts* (1993, p.2) describes needs assessment as "an essential first step which provides the base for sound planning and decision making."

**.05** Haglund, Weisbrod, and Bracht (1990, p.91) describe the product of health needs assessment as "a dynamic community profile, blending quantitative health and illness statistics and demographic indicators with qualitative information on political and sociocultural factors. The profile includes a community's image of itself and its goals, its past history and recent civic changes, and its current resources, readiness, and capacity for health promotion activities. Finally, [it] specifies directions for action."

**.06** A common element of all definitions of health needs assessment is that it is an ongoing process. This process uses approaches from medical sciences, planning theory, statistical analysis and community development. It helps develop desired health goals and identifies priority health services and policies.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

Why health needs assessment is important

.07 Districts spend a total of one billion dollars of public money each year. Their resource allocation decisions have an impact on health services available, on people's health, and on the overall financial well-being of the province.

.08 Health districts and the public know that the money available for health care is not increasing. Difficult decisions must be made. Health districts and the Department of Health need the best information possible to make these decisions. A sound process to assess health needs will help provide this information.

.09 Health needs assessment is a new process for most health districts. In addition, districts currently face many challenges to complete this complex process. Exhibit 1 on page 149 sets out some challenges districts face.

.10 If the process districts use to assess the health needs of their residents is inadequate, the districts risk:

- failure to identify and act on the most important health needs;
- waste through excess or duplicate services; and
- inability to show services are effectively improving health as required by *The Health Districts Act*.

.11 In view of the importance of sound health needs assessment, we decided to assess how districts managed this important process.

---

Our audit objective

---

.12 Our audit determined whether districts had an adequate process to assess the health needs of district residents from the formation of the districts (February 1992 or later) to June 1995.

---

Our audit criteria

---

.13 Criteria are standards we use to assess performance. We reviewed relevant literature and sought advice from an individual with both theoretical knowledge and practical experience in health needs assessment. Then, we developed criteria to set out steps in an adequate needs assessment

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

process. We invited all thirty districts to comment on the criteria and made revisions. The eight districts we studied and the Department agreed the criteria were reasonable and attainable over the long term.

**.14** We used the following criteria to assess the district's health needs assessment process. We expected districts to:

1. Plan to assess the health needs of district residents.
2. Collect information, as planned, about the health needs of the population to be served.
3. Combine collected health needs assessment information to provide an overview consistent with a framework the district selected.
4. Analyse the collected health needs assessment information.
5. Report on the health needs assessment to the board, service providers, the public, and the Minister.

---

Our audit conclusion

---

**.15** Overall, health districts had an adequate process to assess the health needs of residents from 1992 to 1995, except for three key areas. Districts experienced difficulty with long term planning for needs assessment, with combining the collected information, and with analysing it. The needs assessment process used by districts adequately helped them to plan on a short term basis, to collect information as planned, and to report the results of their work.

We recommend

**.16** Districts should plan for the entire health needs assessment process over the long term (e.g., three to ten years).

**.17** Districts should organize and combine their health needs assessment information to present an overview. This should be done in a way that helps districts compare key information at district, provincial and national levels, and

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

allows the information from all districts to form a provincial picture.

**.18 Districts should improve their analysis of collected needs assessment information, including their process to identify important health needs and set priorities for action.**

---

Department's response

---

---

**.19** The Department's response is set out in paragraph .72 of this Chapter.

---

---

Our audit standards

---

---

**.20** We conducted this audit according to auditing standards for value-for-money audits set by the Canadian Institute of Chartered Accountants. These standards require that we plan and carry out an audit to obtain reasonable assurance in support of our conclusions. To meet these standards, we did both specific and general procedures.

**.21** To learn the direction and assistance available to the districts, we examined compliance with *The Health Districts Act* and related Department guidelines. Through interviews and review of documents, we also examined related guidance from various sources including the following:

- Health Services Utilization and Research Commission (HSURC);
- Saskatchewan Association of Health Organizations (SAHO); and
- Prairie Region Health Promotion Research Centre (PRHPRC).

**.22** From all Saskatchewan health districts, we selected a sample of eight districts. We based the sample on the size of the district, the location, and the nature of the services provided. Altogether, the eight districts in the sample provide health services to over 60% of the province's population.

**.23** We examined the needs assessment process of each selected district against our criteria. We conducted interviews, reviewed minutes and studied needs assessment reports and other assessment information. Some districts we examined

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

produced one or two needs assessment reports while others produced as many as twenty-five.

.24 Each district we examined received our detailed appraisal of their needs assessment process. We discussed our appraisal with senior managers in each district, made revisions and received their agreement that our detailed report was accurate and complete.

---

Our audit findings

---

.25 The following is a summary of our audit findings.

.26 For each criterion, we describe what we expected and make a general statement about what we found. Then, we outline the nature of help given to districts, and set out our findings. We used the word "data" to refer to information collected through community meetings or consultations with professionals, as well as various statistics.

**Criterion 1:**

**Plan to assess the health needs of district residents.**

.27 We expected districts to plan their health needs assessment process by setting out goals, a framework, the nature and timing of data to be collected over three to ten years, a reporting strategy, and the resources required. We also hoped districts would evaluate the effectiveness of their needs assessment process.

.28 We defined a framework as a model or frame of reference to guide the needs assessment process. A framework identifies the factors the district believes influence health, and thus guides the collection of data. It can also help interpret the data collected by pointing out relationships.

.29 All districts planned for needs assessment in the short term (e.g., one year or one part of the population). Each district used an approach which they believed suited the concerns of their district.

.30 Only two districts made a specific plan for the long term, including when to collect various data over several years. Needs assessment is an ongoing process. Districts need to

---

---

## Chapter 9 District Health Boards (DHBs)

### Part B - DHB Health Needs Assessment Process (1992 - 1995)

---

---

coordinate their needs assessment plans to address the whole population over time.

.31 Districts received help to plan their needs assessment process from various sources including the Department, SAHO, HSURC, and the PRHPRC. Four workshops offered theory and practical discussion of the process. Those attending workshops reported to their board and relevant committees.

.32 Districts received additional help to plan their needs assessment process from the Department. It offered guidance from department staff, \$5,000 and the *Health Needs Assessment Guide for Saskatchewan Health Districts*. Districts appeared to use the help offered.

.33 Most districts set goals for their needs assessment process. This helped districts to clarify what they wanted to achieve. For example, several districts used goals like these:

- involve the community in allocating health resources;
- help groups with special health needs (e.g., the poor);
- identify the health status of all district residents; and
- increase understanding of what makes a community healthier.

.34 About half the districts used a framework to guide their needs assessment process over time. A framework helps make the needs assessment approach consistent as the district turns its attention to different parts of the population.

.35 All districts planned to consult with the public and most also planned to collect data about use of district health services. Several districts did not plan to obtain other statistics to help interpret and verify the opinions of the public. For example, most districts did not plan to identify data they believed essential to assess changes in the health status of the population (i.e., health status indicators). Few districts planned to obtain



---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

provincial or national statistics about injuries, disease or lifestyle behaviours.

.36 All districts planned to report their health needs assessment results to their boards. Most districts intended to report to the public and the Minister of Health. Few districts specifically planned to share their needs assessment reports with school boards, municipalities, or other interested groups.

.37 Only one district adequately planned for the personnel and financial resources required to conduct needs assessments. Until districts have more experience with the needs assessment process, predicting the resources they require may be difficult for them.

.38 Half the districts clearly intended to evaluate the needs assessment process at intervals. We were pleased to see this commitment to improving the process even at this early stage.

**Criterion 2:**

**Collect information, as planned, about the health needs of the population to be served.**

.39 We expected districts to consult with the public and service providers, collect a range of statistics, and list health services available in the district. We assessed whether districts collected information as they had planned.

.40 Almost all districts collected data as originally planned. Districts collected a wide range of information from community consultations and some statistics.

.41 The Department gave all districts access to data about the age and gender of the population. It also provided data for 1991-1993 about use of health services (i.e., hospitals, long term care, drugs, ambulances, home care). On request, districts received additional data. For example, one district asked for information about injuries and poisonings.

.42 In the fall of 1995, the Department provided statistics about past patterns of disease and lifestyle behaviours. This information provides a useful baseline against which to measure

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

progress toward improved health. Less than half the districts obtained health status information earlier than the fall of 1995.

.43 Many districts obtained additional information about the nature of their population from Statistics Canada or regional Canada Employment Centers. They identified various aspects of the population like marital status, income, and education.

.44 All districts asked the public and service providers to identify the health needs of district residents. In most cases, the districts consulted extensively with both the general public and special needs groups like seniors or youth. Nearly all districts consulted with a wide range of service providers and some obtained comments from volunteer groups.

.45 Most districts prepared lists of all the health services they provided, as well as other important agencies or services contributing to the health of the community. This was an important step as district services consist of services previously offered by a large number of separate organizations. One district noted most service providers were unaware of other services available.

**Criterion 3:**

**Combine collected health needs assessment information to provide an overview consistent with selected framework.**

.46 We expected districts to prepare their data for analysis (e.g., percentages, graphs) to show an overall picture of the health of district residents. We also expected districts to identify data they did not yet have that would help them understand the district's health needs (i.e., missing data). We hoped they would look for relationships in the data, such as the number of injuries by age group, unusual service patterns by location, or types of health behaviours by income level.

.47 We observed districts did not receive much outside help to organize and combine their statistical and community consultation data. Most needs assessment workshops seemed to focus on the collection of information.

.48 Few districts adequately combined data to provide an overview consistent with their selected framework. For

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

example, if a district's framework identified five factors having an impact on health, the district would need to collect data for each of the five factors on a regular cycle (e.g., every five years). About half the districts had a framework but few used it to help identify missing data. Some districts recognized important data was missing, but did not plan to obtain it.

.49 Overall, districts did not consistently combine or organize their data to ensure they could compare it with other district, provincial or national data.

.50 Also, some important findings were not expressed as a rate per population. For example, at public meetings, some districts recorded the absolute number of persons who expressed a view. Districts seldom kept records of the total number of persons attending these meetings. Thus, they could not calculate the proportion of residents expressing a view at the meetings. As a result, districts could not measure if the views expressed represented a consensus.

.51 Many districts found it hard to collect and organize statistical data to present an overview of the district's health. Some districts obtained expert advice before planning special surveys. Other districts discovered later that the methods they used to collect survey data did not allow them to apply their results to the whole district.

.52 Half the districts noticed whether the data displayed a predictable pattern given the age and gender of the population. Districts often noted unusual patterns in the use of health services. Some districts noted unusual service use patterns compared with the rest of the province. They also noted relationships between the nature of the population and the use of health services.

.53 A few districts did not use the information they received from the Department. Some districts felt the data did not accurately reflect current population patterns or use of services for their district, and could be misleading. Other districts noted the limitations of the data and used it to the extent they could.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

**Criterion 4:**

**Analyse the collected health needs assessment data.**

**.54** We expected districts to analyse the needs assessment data they collected. We anticipated districts would look for trends and use various methods to help them identify what was important. We hoped districts would verify the important results and then evaluate the results to decide what actions to recommend.

**.55** We observed districts received scattered help to analyse community consultation material and statistical data. Although analysis was discussed, most workshop materials appeared to focus on collection of data. Some districts sought help from professionals with experience in interpreting data.

**.56** Only one district adequately analysed the health needs assessment data they collected. Almost all districts had difficulty in this area. Few districts verified the importance of results selected for action. About half of the districts prioritized recommendations before reporting them to their boards.

**.57** Few districts analysed their community consultation data to identify areas the public believed to be highest priority needs. However, many districts identified the public's views on gaps in service delivery, access issues, and preventable health problems.

**.58** Less than half the districts analysed trends in disease statistics or patterns in health service use over time. Districts did not consistently compare their data with provincial or national averages. Very few districts looked for trends in the pattern of health behaviours (e.g., smoking), injuries or accidents.

**.59** Only half the districts identified important health needs. Very few districts consistently verified the importance of their needs assessment results. These few districts verified their results by obtaining additional consultation information or statistics about the problem. They confirmed the nature and extent of identified health problems before they planned to take action.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

**.60** Almost all districts reported a wide range of recommendations for action from their needs assessment process. Half the districts evaluated recommendations before proposing options for action to the board. Some districts did not have a process or guidelines to help them decide priorities for action.

**.61** We believe the districts had trouble with data analysis for several reasons, including the following ones.

- Most districts did not use a framework to help them collect useful data and interpret results.
- Most districts did not use experts to help them interpret their results (e.g., local researchers, regional Medical Health Officers).
- Most districts had not identified the key information they wished to use to assess the health status of their community (i.e., health status indicators).

**.62** Health status indicators set out areas of priority concern. For example, districts may have concerns about infant mortality or motor vehicle accidents involving alcohol. Using health status indicators could help districts interpret the importance of their results.

**.63** We recognize data analysis is difficult and complex. Education and experience in a range of scientific and research skills are valuable assets to achieve good data analysis. We encourage districts to continue to seek assistance from recognized experts.

**Criterion 5:**

**Report on the health needs assessment to the board, service providers, the public, and the Minister.**

**.64** We expected districts to make timely and complete reports to the public, service providers, and the Minister of Health. We anticipated districts would ask the public and service providers for comments about the reports. We expected

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

the board and senior management to study needs assessment reports and plan to take action.

.65 The Department suggested districts share the results of their needs assessment with district residents and other districts (*Health Needs Assessment Guide* p.5; *Guidelines for Preparation of the 1995-96 Health Plan* p.5). Workshops reinforced the importance of reporting needs assessment results to the public regularly. These reports help the public understand changes needed in health services and the health impact of factors like lifestyle and the environment.

.66 Most districts gave the public timely and reasonably complete needs assessment reports. All districts reported to the board, either orally or in writing. All but one district reported to the public. Most districts kept the Minister informed as well.

.67 The reports of many districts contained goals and briefly described the needs assessment process. Some districts summarized and explained important findings. Most districts listed recommendations for action in written reports.

.68 Districts often discussed reports with service providers and recommended action. Few districts consistently took reports back to special needs groups to get comments on the findings and recommendations for action.

.69 In many districts, board members and senior managers received and considered all needs assessment reports. Most boards planned to take immediate action on the needs assessment reports they received. Only one district prepared no written reports for consideration by the board as its needs assessment process was delayed.

---

Summary

.70 Health districts operate in a turbulent environment where change and crisis are the norm. Our restructured health system may not run smoothly yet. In spite of this, all eight districts did some needs assessment work. Almost all districts gave the needs assessment process some priority.

.71 During the rapid change of 1992-95, most districts adequately planned for needs assessment in the short term and

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

collected a range of data. Districts had some difficulty in combining and organizing the data they collected. As a result, few districts adequately analysed their data to identify important areas for action and set priorities. Almost all districts adequately reported their needs assessment process and results.

---

Department's  
response

---

.72 The Department's response is as follows:

"The Department of Health agrees that the needs assessment process is important to the success of health districts and supports the Provincial Auditor's opinion that districts' needs assessment processes require improvement. The Department is committed to supporting districts as they undertake needs assessments which assist them in identifying the health needs of their residents.

As noted by the Provincial Auditor, during this time period, districts were undergoing rapid change. Districts had been recently established and were faced with a number of pressing issues that required their immediate attention. Also, needs assessments were new to districts as needs assessments had not been previously undertaken by the more than 400 boards districts replaced. As well, the complexity of a district wide needs assessment was overwhelming for many of the newly formed districts. Within this context, most districts met the challenge of undertaking a health needs assessment for their district. Districts consulted with their communities, examined district programs, and used data they had collected in an effort to identify the health needs of their residents and make appropriate resource allocation decisions.

As districts mature, district needs assessments will continue to improve as districts become more familiar with the needs assessment process, demographics of their residents, programs offered within their districts and communities, and needs assessment supports available to them

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

from within their district, other districts and the Department.

The Department and districts will continue to work together towards improving districts' needs assessment processes and addressing the concerns raised in the Provincial Auditor's report."

---

Thank you

---

.73 We sincerely thank the staff and board members of the eight districts for their excellent cooperation. We also thank the Department of Health for their assistance and cooperation during the audit.

---

References

- 
- Bibby, R.W. & Posterski, D.C. (1992). *Teen Trends: A Nation in Motion*. Toronto: Stoddart.
- Canadian Institute of Chartered Accountants. (1995). *Public Sector Accounting and Auditing Handbook*. Toronto: Author.
- Government of Saskatchewan. (1995). *Saskatchewan Estimates 1995-96*. Regina: Author.
- Government of Saskatchewan. (1993). *The Health Districts Act*. Regina: Author.
- Haglund, B., Weisbrod, R.R. & Bracht, N. (1990). Assessing the Community: Its Services, Needs, Leadership, and Readiness. In Bracht, N. (ed.). (1990). *Health Promotion at the Community Level*. London: Sage.
- Saskatchewan Health. (1992). *A Saskatchewan Vision for Health: A Framework for Change*. Regina: Author.
- Saskatchewan Health. (1995). *Guidelines for Preparation of the 1995-96 Health Plan*. Regina: Author.
- Saskatchewan Health. (1993). *Health Needs Assessment Guide for Saskatchewan Health Districts*. Regina: Author.



---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part B - DHB Health Needs Assessment Process (1992 - 1995)**

---

---

EXHIBIT 1

**HEALTH NEEDS ASSESSMENT CHALLENGES FACING HEALTH DISTRICTS**

Districts face many difficulties when they begin the long term, complex process of health needs assessment. Saskatchewan health professionals have not previously used this complex process for large geographic areas. Districts may find they need assistance. In particular, we noted complexity in finding needed data, preparing data and analysing it, and reporting the resulting evaluation and decisions.

**Finding Needed Data**

The needs assessment process becomes more difficult if necessary data are not found. For example, many districts had these problems:

- the availability or location of needed data was not commonly known (e.g., independent research reports like Bibby and Posterski, 1992; Statistics Canada special health surveys);
- the data was not specific to the district's population due to changing boundaries;
- lack of access to comparable data from other districts and the province or the country; and
- needed health information was not available from any source because the health system usually tracks illness and treatment oriented statistics like drug use and hospitalizations.

**Managing Data to Prepare for Analysis**

Data management is challenging for both statistical data and community consultation data. The districts could not make good use of the data they collected because:

- many barriers existed to the preparation of historical data to allow identification of trends or patterns over time;
- preparation of percentages and graphs is difficult without basic computer software and expertise; and
- preparation of data gathered from community consultations is a special challenge.

**Analysing the Collected Data**

It is a challenge to analyse data for small populations (e.g., under 100,000), particularly where there is no baseline data, health status indicators or accessible provincial and national data for comparison. Districts may need expert help to avoid misrepresenting the size of the problem.

**Evaluating and Reporting the Results**

When they have done this difficult analysis, districts must find ways to evaluate their results to decide what is most important and report to the public accordingly.

It is a real challenge to report clearly and succinctly to the board and the community. As the process continues over time, great volumes of data are collected so that coordination and reporting decisions for action become more difficult.

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management & Accountability Systems and Practices**

---

---

**Table of Contents**

<b>Introduction</b> . . . . .	<b>.01</b>
Our audit conclusions and findings . . . . .	<b>.04</b>
DHBs face many challenges . . . . .	<b>.06</b>
<b>Overseeing senior management</b>	
Overseeing senior management is an important responsibility . . . . .	<b>.09</b>
Better internal reports required . . . . .	<b>.11</b>
<b>Safeguarding assets</b>	
Proper rules and procedures required to safeguard and control the DHBs' assets . . . . .	<b>.19</b>
Bank accounts need to be controlled . . . . .	<b>.23</b>
Capital assets need to be safeguarded and controlled . . . . .	<b>.29</b>
Cash and customer accounts need to be safeguarded and controlled . . . . .	<b>.34</b>
Control over client trust accounts needed . . . . .	<b>.41</b>
Investments need to be controlled . . . . .	<b>.42</b>
Restricted funds need to be controlled . . . . .	<b>.45</b>
Financial reports and accounting records need to be accurate . . . . .	<b>.49</b>
Personnel policies required . . . . .	<b>.52</b>
System development controls required . . . . .	<b>.59</b>
Written operating agreements required . . . . .	<b>.65</b>
Incomplete agreements . . . . .	<b>.71</b>
<b>Complying with legislative authorities and agreements</b>	
DHBs need to comply with authorities . . . . .	<b>.75</b>

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management & Accountability Systems and Practices**

---

---

**Table of Contents**

Ministers approval not received . . . . .	<b>.76</b>
Rules and procedures for monitoring compliance with Trust Agreements need improvement . . . . .	<b>.81</b>
Approval of the Minister required for equipment purchases . . . . .	<b>.88</b>
Budget submitted late . . . . .	<b>.92</b>
Board of directors' pay and expenses require authority . . . . .	<b>.95</b>
Investments in Mutual Funds need authority . . . . .	<b>.101</b>
Not all residents' money is kept in a separate bank account as required . . . . .	<b>.106</b>
Separate bank account required for all community trust funds . . . . .	<b>.109</b>
Resident charges need authority . . . . .	<b>.113</b>
Monthly reporting to Minister required . . . . .	<b>.118</b>
 <b>Ensuring adequate accountability to district residents and the Minister of Health</b>	
Better public accountability required . . . . .	<b>.122</b>
Better external reports required . . . . .	<b>.124</b>
Reservation of opinion on financial statements . . . . .	<b>.137</b>
Financial statements comparison of planned to actual results and expense by program required . . . . .	<b>.142</b>
Recommendations of PAC . . . . .	<b>.147</b>

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management & Accountability Systems and Practices**

---

---

**Introduction**

**.01** For 1994-95, we participated in the financial audits of all 29 District Health Boards (DHBs). We carried out our audit responsibilities by working with the many accounting firms engaged by DHBs.

**.02** In general, we followed the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*, June 1994, (see Chapter 6, **Joint Evaluation of New Audit Process**).

**.03** Our audit examinations focused on:

- the reliability of the financial statements issued publicly;
- the adequacy of management systems and practices related to financial reporting, compliance with authorities and safeguarding assets; and
- compliance with legislative authorities.

**Our audit conclusions and findings**

**.04** In our opinion:

- the financial statements of DHBs are reliable except those of two DHBs. For those two DHBs, we could not verify the reported value of their capital assets (see paragraph .137);
- the rules and procedures to safeguard and control the assets of DHBs need significant improvement; and
- the DHBs complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except as we report at paragraph .75.

**.05** At the date of this Report, the audits of four DHBs are not complete. We will report the results of these audits in a future report. We have not completed the financial statement audits of three DHBs, and we have not completed the

---

---

## Chapter 9 District Health Boards (DHBs)

### Part C - DHB Financial Management and Accountability Systems and Practices

---

---

management systems and practices and compliance with legislative authorities audits of four DHBs.

---

DHBs face many challenges

---

**.06** The boards of directors and senior management groups of DHBs face many challenges. The transition from 400 separate institutions to thirty integrated district health care facilities has been and, no doubt, will continue to be difficult.

**.07** In addition, DHBs are expected to put in place more useful management and accountability systems related to measuring the effectiveness of their programs and the costs of their services and activities. They are moving to a higher standard.

**.08** In Part C of this Chapter, we organize our audit findings and recommendations into four groupings. These groupings reflect important responsibilities of DHBs' boards of directors. These are:

- overseeing senior management,
- safeguarding assets,
- complying with legislative authorities and agreements, and
- ensuring adequate accountability to district residents and the Minister of Health.

<b>Overseeing senior management</b>
-------------------------------------

Overseeing senior management is an important responsibility

**.09** The boards of directors of DHBs have many important stewardship responsibilities. One key responsibility is to oversee their senior management groups. Boards must ensure their senior management groups perform as directed.

**.10** In 12 out of 25 DHBs, the boards of directors need to improve how they oversee their senior management groups.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

Better internal reports  
required

.11 For 1994-95, we found that the internal reports provided to boards of directors need strengthening. The reports do not include information essential for evaluating managements' performance and for safeguarding and controlling DHB assets. A few DHBs did not prepare important internal reports.

.12 Twenty DHBs prepared inaccurate and incomplete internal reports and did not show a comparison of planned to actual results. These DHBs had inaccurate and inadequate accounting records.

.13 Also, the internal reports of DHBs did not show the cost of services and activities, whether the services provided achieved the intended results, or whether key legislative authorities and agreements were adhered to.

.14 One reason adequate reports are not provided is that most DHB boards of directors have not formally defined and documented the information they need. The directors and senior management need to formally define their information needs to ensure they receive suitable and timely information for decision making.

.15 The DHBs should document their financial, operational, and compliance information needs in policy and procedure manuals. The manuals should set out:

- The information needs of directors and senior management. For example:
  - Financial reports should be prepared in accordance with generally accepted accounting principles;
  - Financial reports should show the full cost of programs, services and activities;
  - Operational reports should show the effectiveness of programs, i.e., outputs (e.g., # of services) and outcomes (e.g., fewer lower birth weight babies);
  - Compliance reports should describe the laws, and other authorities and

---

---

## Chapter 9 District Health Boards (DHBs)

### Part C - DHB Financial Management and Accountability Systems and Practices

---

---

agreements, the DHB is subject to, and the degree of compliance;

- All reports should show a comparison of planned results for the period and year to date to actual results for the period and year to date; and
  - All reports should show a projection of expected results to the end of the year based on current information.
- How the reports should explain the nature and extent of variances between planned and actual results. Explanations of variances should include a comparison of planned level of activity compared to actual activity, when possible.
  - Who is responsible for preparing and reporting the results of the variance analysis.
  - Who in the chain of command should receive and monitor the results of the variance analysis.

We recommend

**.16 These DHBs should prepare their internal reports in accordance with generally accepted accounting principles.**

**.17 These DHBs' internal reports should show the cost of services and activities, whether the services provided achieved the intended outcomes, and the degree of compliance with laws and other authorities.**

**.18 These DHBs should formally define and document their internal reporting needs.**

#### Safeguarding assets

Proper rules and procedures required to safeguard and control the DHBs' assets

**.19 The boards of directors need to ensure management has established adequate rules and procedures to safeguard and control DHB assets.**

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

- We recommend**
- .20** For 1994-95, we found the rules and procedures for 13 DHBs require much improvement.
- .21** For these DHBs, management should recommend, for board of director approval, proper rules and procedures to safeguard and control their assets.
- .22** In the following paragraphs, we set out examples of problems we found in our audits related to safeguarding and controlling DHB assets.
- 
- Bank accounts need to be controlled
- .23** Eleven of the DHBs need stronger rules and procedures to safeguard and control their bank accounts.
- .24** Four DHBs did not adequately segregate the duties of staff who make payments to suppliers. Segregation of duties is inadequate when one person can conceal an error or fraud. In each of these DHBs, one person recorded who was paid, prepared the cheques for payment, and mailed the cheques.
- .25** Also, there was no evidence these DHBs received the goods and services ordered from their suppliers. These DHBs did not always have a report acknowledging the receipt of goods and services signed by an authorized official. Also, there was no evidence department heads or other authorized persons approved supplier invoices before they were paid.
- .26** As well, for these DHBs, their cheque signing officers did not examine suppliers' invoices when they signed the cheques. And, these DHBs did not reconcile their recorded bank balances to the banks' records.
- .27** Five DHBs did not adequately segregate the duties of employees responsible for making payments to staff. DHBs hire payroll service organizations to pay their staff. In each of these DHBs, one employee was authorized to tell the service organizations who to pay and how much. No other employee checked this person's work to ensure all payments were authorized and accurate.
- .28** Also, these DHBs did not reconcile their records to the payroll reports received from their service organizations. For



---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

example, the DHBs did not agree their records of total hours worked to that reported and paid by service organizations.

---

Capital assets need to be safeguarded and controlled

---

**.29** Three DHBs need better rules and procedures to safeguard and control their land, buildings, equipment and furnishings (capital assets).

**.30** These DHBs did not have records for their capital assets. DHBs need to know what assets they own and periodically inspect the assets to ensure they still exist.

**.31** One DHB's capital asset purchases lacked the directors' approval.

**.32** For the period to November, this DHB lacked a policy for the authorization of capital asset purchases. In November, this DHB established a policy requiring the directors to authorize capital asset purchases.

**.33** All capital assets purchased prior to November lacked the directors approval. After November, this DHB bought some assets without the directors approval. We estimate capital asset purchases of \$109,000 made before November and \$70,000 after November lacked proper authorization.

---

Cash and customer accounts need to be safeguarded and controlled

---

**.34** Six DHBs need better rules and procedures to control cash receipts and ensure the accuracy of their customers' accounts.

**.35** These DHBs did not adequately segregate the duties of employees handling cash and recording cash.

**.36** In each of these DHBs, one employee was responsible for receiving cash/cheques and recording the cash receipts in the DHB's records. In addition, the employee did not always endorse the cheques upon receipt.

**.37** When these DHBs received money from customers, receipts are issued. These DHBs did not ensure all the receipts issued were recorded. The failure to account for receipts could result in loss of money and in inaccurate records of amounts owed to the DHBs.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

.38 These DHBs did not reconcile their records of amounts owed by customers. Without accurate and complete records, these DHBs were not able to follow up and collect money owed to them.

.39 Also, one DHB hired home care workers and charged beneficiaries for the workers' services. This DHB did not reconcile the hours paid to workers to the hours billed to beneficiaries. We found several differences between hours paid and hours billed.

.40 One DHB lost its March 31, 1995 records at one of its locations. Also, this DHB could not obtain customers' accounts information for periods before October 1, 1994 at another of its locations.

---

Control over client trust accounts needed

---

.41 Three DHBs did not reconcile their records of the amounts they held for clients with the bank's records on a timely basis. Without accurate and complete records of client trust accounts, the DHBs cannot ensure clients receive amounts owed to them.

---

Investments need to be controlled

---

.42 Two DHBs need rules and procedures to safeguard and control their negotiable investments.

.43 At one DHB, bonds registered to the bearer were held in a safe that was open and accessible during office hours. This could result in investments being misplaced or stolen.

.44 At a second DHB, office staff bought and sold investments without authority. At this DHB, management did not review investments on a timely basis and did not report investment transactions to the directors. This could result in a loss of investment earnings without timely detection.

---

Restricted funds need to be controlled

---

.45 DHBs have many agreements requiring them to do business in specific ways.

.46 Two DHBs did not have rules and procedures to ensure they carry out their responsibilities according to agreements for dealing with restricted funds under their control.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

.47 At one DHB, each agreement required the DHB to obtain prior approval from an advisory committee before any payment was made from a restricted fund. The DHB did not have evidence of the approval of the advisory committees for payments made out of its restricted funds.

.48 At a second DHB, expenditures were made from restricted funds without obtaining proper authority. During the year, money from one reserve fund was used for operating purposes. Also, the directors were not informed of the details of the transactions affecting restricted funds.

---

Financial reports and  
accounting records  
need to be accurate

---

.49 Ten DHBs used inaccurate accounting records to prepare financial reports.

.50 Management did not establish a process to check the accuracy and reliability of accounting records and the authority for transactions. As a result:

- i. Staff did not always reconcile the following accounting information or records:
  - recorded bank balance to the bank's records;
  - customer accounts kept at various sites; and
  - payroll information provided by the DHBs' payroll service organizations.
- ii. Staff did not record investment transactions in the accounting records and did not reconcile interest revenue to the cash received. As a result, revenue recording differences occurred and the investment reports to the board of directors were incomplete.
- iii. Staff made changes to the accounting records that were not authorized by management. As a result, errors may exist in the accounting records.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

iv. There were significant errors and omissions in the accounting records.

**We recommend**

**.51 Management of these DHBs should establish and the directors should approve written policies and procedures to govern:**

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

---

Personnel policies required

**.52** Seven DHBs require better personnel policies for financial management and administrative staff.

**.53** As a result, work may not be performed properly.

**.54** To ensure work is performed properly, the DHBs must hire staff with appropriate knowledge, skills and abilities; tell staff what their duties are; and provide staff training.

**.55** These DHBs had not established written knowledge, skills and abilities requirements for financial and administrative staff. Also, job descriptions and training plans did not exist for financial management and administrative positions.

**.56** Two DHBs do not have chief financial officers (CFOs). In these DHBs, the chief executive officers act as the CFO. Given the DHBs' decentralized operations and their size and complexity, DHBs should have CFOs. A CFO would help ensure accounting records are complete, internal financial reporting is done as required, and operations are carried out effectively.

**We recommend**

**.57** These DHBs should establish written criteria for hiring staff and should prepare written job descriptions and formal training plans.

**.58** These DHBs should have chief financial officers with the appropriate training and experience.

---

---

## Chapter 9 District Health Boards (DHBs)

### Part C - DHB Financial Management and Accountability Systems and Practices

---

---

System development  
controls required

**.59** Seventeen DHBs require written rules and procedures for developing information systems.

**.60** Developing new systems is risky. If the development of new systems is not managed well, costs increase, deadlines pass, and systems fail.

**.61** The *District Health Board Financial Reporting Guide* advised 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*.

**.62** Since 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 systems and practices.

**.63** To ensure proper development of new systems, 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 expected performance of new systems;
- progress is monitored through an approved development 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;

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

- 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**

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

---

Written operating agreements required

**.65** Nine DHBs need operating agreements with those organizations in their districts that provide services for the DHBs. When DHBs had operating agreements with these organizations, the agreements were not adequate.

**.66** Written agreements help ensure there is no misunderstanding of responsibilities and expectations.

**.67** In 1994-95, DHBs provided \$170 million of operating funding to other organizations that provided services for the DHBs.

**.68** DHBs are responsible for providing necessary health services in their districts. To meet this responsibility in a cost-effective manner, they need to co-ordinate the services they provide directly with services they fund but are provided by other organizations. Therefore, the DHBs need to ensure those organizations properly deliver health services necessary to achieve the DHBs' objectives.

**.69** Since the DHBs are responsible for the quality of health services provided in their district, they need to make sound operating agreements. The agreements should:

- describe the authority and responsibility of the DHBs and the organizations;

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

- describe the financial, operational and compliance objectives<sup>1</sup> needed to manage the delivery of health care successfully;
- describe services and activities to be provided by the organizations to achieve the DHBs' objectives;
- require the organizations to report to the DHBs periodically on:
  - the systems and practices used to achieve the objectives; and
  - how well the organizations achieved the objectives.
- allow the DHBs or independent auditors to verify the organization's reports; and
- describe the basis of funding the DHBs will provide to the organizations.

**We recommend**                      **.70 These DHBs should have adequate operating agreements with each organization that provides services on behalf of the DHBs.**

---

1. Financial, Operational and Compliance objectives.

*Financial objectives* relate to revenues, expenses, assets and liabilities. For example, a financial objective could be that funded organizations allocate a certain percentage of revenue to a specific program.

*Operational objectives* relate to desired results or outcomes. For example, an operational objective could be to decrease the rate of low birth weight babies.

*Compliance objectives* relate to compliance with governing laws, regulations, the Department's policies and guidelines, as well as key agreements. For example, a compliance objective could be that funded organizations comply with the annual service agreement.

---

**Incomplete agreements**                      **.71 One DHB did not carry out the necessary procedures to ensure all assets were identified in its amalgamation agreements.**

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

.72 A DHB and a health corporation may amalgamate as allowed by *The Health Districts Act* (the Act). Upon amalgamation, the Act requires all assets, liabilities, rights and obligations of a DHB and a health corporation to continue as those of the DHB. However, the DHB and the amalgamating corporation may enter into an agreement prior to amalgamation whereby any property specified may be transferred to another person by the DHB.

.73 A nursing home transferred accumulated donations in the amount of \$441,604 to a related corporation prior to amalgamation with the DHB. The DHB did not take steps, such as reviewing prior period audited financial statements from the nursing home, to ensure all assets were identified in the amalgamation agreement. Therefore, the amalgamation agreement between the nursing home and the DHB did not include the accumulated donation amounts.

**We recommend**

**.74 The DHB should ensure necessary procedures are carried out to ensure assets identified in amalgamation agreements are complete.**

**Complying with legislative authorities and agreements**

DHBs need to comply with authorities

.75 The boards of directors of DHBs need to ensure management has established adequate rules and procedures to comply with legislative authorities and agreements.

Ministers approval not received

.76 Ten DHBs did not obtain the Minister's approval for transactions relating to:

- a) borrowing money;
- b) purchase, lease, or sale of real property; and
- c) facility construction or renovation.

.77 *The Health Districts Act* (Act) requires DHBs to obtain the Minister's approval of these transactions unless the Lieutenant Governor in Council, by regulation, exempts the



---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

DHBs. The Lieutenant Governor in Council has not issued regulations under the Act. Therefore, the Minister should approve these transactions.

.78 During 1994-95, DHBs had the following unauthorized transactions:

Borrowings	\$905,000
Real Property	
Purchases	37,500
Disposals	637,594
Leases	13,382
Facility Renovation	131,519

We recommend

.79 These DHBs should request the Minister's approval to borrow money, buy or sell real property, and construct facilities as required by *The Health Districts Act*.

.80 In 1996, the Lieutenant Governor in Council issued regulations changing the approvals required by DHBs.

---

Rules and procedures for monitoring compliance with Trust Agreements need improvement

.81 One DHB's rules and procedures for monitoring compliance with pre-amalgamation agreements were not adequate.

.82 The DHB signed agreements with amalgamating health corporations. The agreements require the DHB to pay to specified municipalities a portion of the community generated money transferred to the DHB by amalgamating corporations. The amount of community generated money paid to municipalities is \$3.8 million.

.83 The agreements require the municipalities to:

- hold the money in trust for the DHB;
- use the money for health related purposes to benefit the residents of the district of the amalgamating corporations;

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

- make any expenditures for health related purposes through the DHB; and
- obtain the prior consent of the DHB for any expenditures.

**.84** However, the DHB's rules and procedures do not require municipalities to provide the DHB with interim financial reports on the status of the trust money or an external audit of the trust money at year end. This may result in the use of trust money without the DHB's knowledge, or incorrect financial statements.

**We recommend**

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

**.86** The DHB should consider requesting each municipality to:

- provide the DHB with a semi-annual statement of revenue and expenditure for the trust money signed by the chief financial officer of the municipality;
- have the trust money 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.

**.87** The DHB told us it will obtain the required information from municipalities in 1996.

---

---

## Chapter 9 District Health Boards (DHBs)

### Part C - DHB Financial Management and Accountability Systems and Practices

---

---

Approval of the  
Minister required for  
equipment purchases

**.88** Thirteen DHBs did not obtain the Minister's approval for the purchase of hospital equipment costing \$4.5 million.

**.89** The Hospital Standards Regulations require the DHBs to obtain the Minister's approval before purchasing hospital equipment costing more than \$1,000, \$2,500 or \$4,000 depending on the number of beds in the hospital.

**.90** The DHBs did not ask the Department of Health to approve their equipment purchases in excess of the above limits. Also, the Department of Health has not required the DHBs to obtain this approval in all cases.

We recommend

**.91** These DHBs should request the Minister's approval before purchasing hospital equipment costing more than the prescribed limit.

---

Budget submitted late

**.92** The DHBs did not submit their 1994-95 annual estimates (budgets) to the Minister on time.

**.93** Section 31 of *The Health Districts Act*, required the DHBs to submit their 1994-95 budgets to the Minister before March 31, 1994. The DHBs submitted their budgets to the Minister after that date.

We recommend

**.94** The DHBs should submit their budgets to the Minister on time.

---

Board of directors'  
pay and expenses  
require authority

**.95** All but one DHB paid directors for pay and expenses without adequate authority. The total expenses paid were \$1.8 million.

**.96** The Department of Health obtained Orders in Council appointing the directors, but the Orders did not specify the pay and expenses for the directors.

**.97** 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 the board members by Order in Council, we believe the Act requires an Order to set pay and expenses for board members.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

**We recommend**

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

**.99** **Orders in Council should specify the pay and expenses of boards of directors.**

**.100** The Department told us it is preparing such an Order in Council.

---

Investments in Mutual Funds need authority

---

**.101** Two DHBs hold unauthorized investments in mutual funds totalling \$221,864.

**.102** Section 26(2) of *The Health Districts Act* allows health boards to invest money in those securities in which trustees are permitted to invest under *The Trustees Act*.

**.103** Section 3 of *The Trustees Act* describes the types of investments in which trustees are allowed to invest. The section does not allow investments in mutual funds.

**.104** Accordingly, we believe the DHBs' investments in mutual funds are not authorized.

---

**We recommend**

---

**.105** **These DHBs should hold only authorized investments.**

---

Not all residents' money is kept in a separate bank account as required

---

**.106** Two DHBs did not keep their special care residents' money in a separate bank account. Instead, one DHB keeps some of its residents' money in its general operating bank account. A second DHB keeps the residents' money in an envelope for each resident.

**.107** The Housing and Special Care Home Regulations requires DHBs to keep residents' money in a separate bank account.

---

**We recommend**

---

**.108** **These DHBs should put all of their residents' money in designated bank accounts.**

---

Separate bank account required for all community trust funds

---

**.109** Two DHBs did not set up separate bank accounts for money received from communities under pre-amalgamation agreements.

---

---

## Chapter 9 District Health Boards (DHBs)

### Part C - DHB Financial Management and Accountability Systems and Practices

---

---

.110 The pre-amalgamation agreements require the DHBs to put the money in a separate bank account.

.111 The DHBs did not put the money in separate bank accounts. Instead, the DHBs put the money into their operating bank accounts.

We recommend

**.112 These DHBs should set up the separate bank accounts required by pre-amalgamation agreements.**

---

Resident charges need authority

.113 One DHB charged its residents in special care homes incorrectly.

.114 Section 6(1) of The Housing and Special Care Homes Care and Rates Regulations states:

*“The respite charges that an operator shall charge a resident receiving respite care shall equal the amount obtained by:*

*(a) dividing the minimum resident charge by the total number of days in the month the resident received respite care; and*

*(b) multiplying the number obtained in clause (a) by the number of days the resident resided in the home and received respite care.”*

.115 The DHB charged its special care home residents respite charges at rates more than authorized.

.116 The DHB, therefore, overcharged its special care homes residents receiving respite care.

We recommend

**.117 This DHB should charge its residents according to the authorized rates.**

---

Monthly reporting to Minister required

.118 Fifteen DHBs did not report monthly to the Minister on their hospitals' financial transactions and the services their hospitals provided.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

.119 Section 4 of *The Hospital Standards Act* requires hospitals to give the Minister, each month, a statement of financial transactions and a summary of hospital services provided.

We recommend

.120 These DHBs should give the Minister monthly reports on their hospitals' financial transactions and the services the hospitals provided.

.121 The Department told us it intends to amend the Act so that these reports are not required by the Minister.

**Ensuring adequate accountability to district residents and the Minister of Health**

Better public  
accountability  
required

.122 The boards of directors of DHBs have many important external accountability responsibilities. These responsibilities include holding public meetings as well as reporting financial results, health care costs and health program effectiveness.

.123 In Part D of this Chapter, **DHB annual reports**, we provide further guidance on what information DHBs should report to their residents and to the Minister of Health.

---

Better external reports  
required

---

.124 The DHBs did not submit to the Minister some of the information required by *The Health Districts Act*. Other information was submitted late. Also, eight DHBs did not submit their financial statements to Treasury Board before making their financial statements public.

.125 Subsection 35(2) of *The Health Districts Act* requires the DHB to submit to the Minister within three months of the DHBs' year end, the following:

- a) a detailed audited set of financial statements and a schedule of investments;
- b) a report on the DHBs' services and activities and their costs; and

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

- c) a report on the health status of the residents and the effectiveness of the DHBs' programs.

**.126 Financial Statements.** Twenty-six DHBs submitted their audited financial statements to the Minister for the year ended March 31, 1995 during the period July 1995 to March 1996.

**.127** Eight DHBs did not submit their financial statements to Treasury Board for approval.

**.128** Three DHBs have not issued their March 31, 1995 audited financial statements at the date of this report.

**.129 Health Care Costs.** 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 activities.

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

**.131** The DHBs and the Department of Health are studying how best to measure and report 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. DHBs need to do more work before they can report on the cost of specific services and activities.

**.132 Program Effectiveness.** 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.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part C - DHB Financial Management and Accountability Systems and Practices**

---

---

.133 Through their Health Plans, DHBs have taken an initial step in reporting on the health status of the residents and the effectiveness of their programs. More work, however, needs to be done before DHBs are able to report more fully on the effectiveness of their programs.

We recommend

**.134 DHBs should submit their audited financial statements to the Minister before the deadline.**

**.135 DHBs should submit their financial statements to Treasury Board for approval before publicly releasing them.**

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

---

Reservation of  
opinion on financial  
statements

---

.137 The auditors' reports on two DHB's 1994-95 financial statements each contain a reservation of opinion. We reserved our opinion because we could not verify the reported value of the DHBs' capital assets.

.138 During the years ended March 31, 1995 and 1994, these DHBs amalgamated with several union hospitals, ambulance districts and health corporations. The detailed capital asset records of several of the agencies amalgamated were incomplete.

.139 One DHB arranged for a physical count and valuation of the capital assets of these amalgamated agencies. The count was not completed in time to include the results in the DHB's financial statements.

.140 For the other DHB, the accounting policies used by the amalgamated agencies did not provide for the amortization of capital assets. The Board did not determine the amount of amortization that is necessary to record these assets in accordance with generally accepted accounting principles.

We recommend

**.141 These DHBs should establish proper records of their capital assets.**



---

---

## Chapter 9 District Health Boards (DHBs)

### Part C - DHB Financial Management and Accountability Systems and Practices

---

---

Financial statements comparison of planned to actual results and expense by program required

**.142** Four DHB's annual financial statements issued to the Minister and the public do not include a comparison of planned to actual results.

**.143** Also, three 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).

**.144** The Department's Financial Reporting Guide asks DHBs to show a comparison of planned to actual results in their annual financial statements. Financial accountability is improved when actual results can be compared to planned results.

**.145** Also, the Department wants the 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's Financial Reporting Guide asks DHBs to show expenses by program.

We recommend

**.146** In the future, these DHBs' annual financial statements should present a comparison of actual results with those originally approved in the budget plan and should show expenses by program.

---

Recommendations of PAC

**.147** For 1994-95, DHBs did not provide the Assembly a list of payees as recommended by The Standing Committee on Public Accounts (PAC).

**.148** In March 1993, PAC recommended:

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

We recommend

**.149** The DHBs should provide a list of payees to the Legislative Assembly and make the list available to the public.

**Chapter 9 District Health Boards (DHBs)**  
**Part D - District Health Boards Annual Reports**

---

---

**Table of Contents**

Introduction . . . . .	.01
Audit objective . . . . .	.04
Overall conclusion and recommendations . . . . .	.06
Audit criteria . . . . .	.10
Audit standards and procedures . . . . .	.13
Criterion 1: Legislation and Department policies should provide DHBs with adequate guidance on the purpose, content and timing of annual reports . . . . .	Page 180
What we looked for . . . . .	.17
What we found . . . . .	.18
Criterion 2: Annual reports should provide useful information on a timely basis . . . . .	Page 181
What we looked for . . . . .	.22
What we found . . . . .	.23
Department's response . . . . .	.42

---

---

## Chapter 9 District Health Boards (DHBs)

### Part D - District Health Boards Annual Reports

---

---

#### Introduction

**.01** Annual reports of District Health Boards (DHBs) are key accountability documents. The Minister of Health and the public use information in annual reports to understand and assess the performance of DHBs. Accordingly, it is important annual reports contain useful information.

**.02** In our 1992 Annual Report and in our 1994 Fall Report, we report on the adequacy of information contained in annual reports of government departments and Crown agencies. In Chapter 7 of this Report, we provide an update on the **Annual Reports of Departments and Crown Agencies**.

**.03** We are encouraged by the DHBs' efforts to report to the Minister and the public on their performance.

#### Audit objective

**.04** Our audit assessed whether the DHB annual reports provide the Minister of Health and the public the information they need to assess the performance of DHBs.

**.05** Our audit examined how well the DHBs fulfill their reporting requirements under *The Health Districts Act* and the Department of Health guidelines for annual reports covering the year ended March 31, 1995. We examined the annual reports of 7 DHBs. We selected the sample of DHBs based on the size of the district, location and the nature of the services provided.

---

#### Overall conclusion and recommendations

**.06** DHBs need to improve their annual reports. The annual reports we examined do not provide the Minister and the public with all the information they need to assess the performance of DHBs.

**.07** Also, current Department guidance needs to better outline the purpose and content of DHB annual reports.

#### We recommend

**.08** The Department should work with DHBs to develop and issue annual report guidelines. Guidelines should encourage each DHB to effectively communicate the following information:

- the DHB's role and responsibilities;
- what the DHB plans to do;

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part D - District Health Boards Annual Reports**

---

---

- the DHB's results in relation to its plans;
- the DHB's management systems and practices designed to help ensure financial integrity, effective operations, and compliance with the law; and
- periodic audit assurance on the DHB's systems and practices to ensure financial integrity, compliance with the law, and due regard for effective operations.

**.09** Each DHB should make its annual report public within three months of its fiscal year end as required by *The Health Districts Act*.

---

Audit criteria

---

**.10** To develop the criteria for assessing the adequacy of DHBs' annual reports, we did the following. We consulted with the Department and DHBs. We developed a survey based on previous annual report audits and the requirements of *The Health Districts Act* (the Act). We surveyed over 300 Saskatchewan residents to obtain their views on what should be in a DHB's annual report. Based on this information, we developed our proposed criteria.

**.11** Next, we provided our proposed criteria to Department officials and DHBs. They reviewed the criteria and suggested improvements. Using their suggestions, we changed the criteria, when necessary.

**.12** We used the following criteria to assess the annual reports:

1. Legislation and Department policies should provide DHBs with adequate guidance on the purpose, content and timing of annual reports.
2. Annual reports should provide useful information on a timely basis. Annual reports should effectively communicate:
  - the DHBs' roles and responsibilities;

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part D - District Health Boards Annual Reports**

---

---

- what the DHBs plan to do;
- the DHBs' results in relation to their plans;
- the management systems and practices used by DHBs to help ensure financial integrity, effective operations, and compliance with the law; and
- periodic audit assurance on systems and practices to ensure financial integrity, compliance with the law, and due regard for effective operations.

---

Audit standards and procedures

---

**.13** We did our audit in accordance with recommendations of The Canadian Institute of Chartered Accountants for value for money audits. These standards require us to plan and carry out an audit to obtain reasonable assurance to support our conclusions. To meet these standards, we did both detailed and general audit procedures.

**.14** We did the following audit procedures.

- We interviewed key DHB and Department officials.
- We reviewed *The Health Districts Act*, and Department guidelines for the preparation of annual reports.
- We analysed the 1995 annual reports of 7 of the 29 DHBs.

**.15** We provided each of the seven DHBs we examined with a detailed assessment of its annual report. We discussed our assessment with officials of each DHB. We encourage DHBs to view our assessments as an opportunity to evaluate the strengths and weaknesses of their reports and to improve their future reports.

**.16** The following is a summary of our audit findings.

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part D - District Health Boards Annual Reports**

---

---

**Criterion 1:**

**Legislation and Department policies should provide DHBs with adequate guidance on the purpose, content and timing of annual reports.**

What we looked for

**.17** We examined *The Health Districts Act* (the Act) and Department guidelines to determine if they set out clearly the general purpose, content, and timing of annual reports.

What we found

**.18** **Legislative requirements for DHB accountability reports are complete.** The Act sets out clearly the general purpose, content and timing of annual reports. The Act recognizes the importance of annual reporting to the Minister and the public. The Act requires DHBs to report the following to the Minister of Health within 3 months of each fiscal year end (March 31):

- a report on the DHB's services and activities and their costs;
- a detailed audited set of financial statements;
- a detailed audited schedule of investments; and
- a report on the health status of the residents of the health district and the effectiveness of the DHB's programs.

**.19** In addition, the Act requires each DHB to hold at least two public meetings each year. At one of these meetings, the Act requires the DHB to present:

- an operation and expenditure plan for the next fiscal year; and
- a report on the health status of the residents of the health district and the effectiveness of the DHB's programs.

**.20** **Department guidance on the purpose and content of DHB annual reports needs improvement.** The Department has issued good guidance to DHBs for financial statements. It

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part D - District Health Boards Annual Reports**

---

---

has also issued guidance to DHBs on how to include in their annual reports independent audit assurance that DHBs have adequate financial management systems and practices and they are complying with the law and related authorities.

.21 The Department, however, has not given DHBs more specific guidance on the purpose and content of their annual reports.

**Criterion 2:**

**Annual reports should provide useful information on a timely basis.**

What we looked for

.22 For the annual reports of seven DHBs, we examined whether their annual reports effectively communicated:

- the DHBs' roles and responsibilities;
- what the DHBs plan to do;
- the DHBs' results in relation to its plans;
- the management systems and practices used by the DHBs to help ensure financial integrity, effective operations, and compliance with the law; and
- periodic audit assurance on systems and practices to ensure financial integrity, compliance with the law, and due regard for effective operations.

---

What we found

.23 **Descriptions of the DHBs' roles and responsibilities are incomplete.** Most reports we examined provide limited information on the DHBs' business and mission including its legislated mandate and key legislation.

.24 Six out of seven reports show the districts' boundaries. However, only a few reports describe the population demographics (e.g., age and gender).

---

---

## Chapter 9 District Health Boards (DHBs)

### Part D - District Health Boards Annual Reports

---

---

.25 Four out of seven reports contain the DHBs' organization structure including a description of the board of directors.

.26 Five reports identify the DHBs' assets (e.g., infrastructure, employees, and information) that are critical to the success of their operations. Most reports describe or partially describe how the DHBs safeguard these assets from loss that could threaten their operations.

.27 Most reports partially describe the DHBs' working environment such as human resource strategies, recruiting, staff development, and occupational health and safety programs.

.28 In two reports, management briefly explains the roles of the auditors and the board of directors (or audit committee, if any). Also, in the reports, management takes responsibility for the financial information in the report and for the soundness of the financial management systems and practices.

**.29 Descriptions of what the DHBs plan to do are incomplete.** Five out of seven reports set out the DHBs' overall goals, but do not describe the overall objectives (what the DHB expects to achieve, i.e., outcomes).

.30 Most reports set out the DHBs' strategies for achieving the goals.

.31 Five reports briefly outline the major programs, services, and activities of the DHBs. The reports, however, do not identify the outputs and outcomes the DHBs expect from the programs.

.32 The reports do not show the DHBs' financial plans for the next three to five years. Some DHBs told us they could not prepare a long term plan because the Government has not set out its future DHB funding plans. We think DHBs should prepare long term financial plans even though there is some uncertainty about future Government funding. DHBs could set their budgets based on assumptions of one or more possible future funding levels.

.33 Four reports briefly describe the DHBs' future changes to their programs and services.



---

---

## Chapter 9 District Health Boards (DHBs)

### Part D - District Health Boards Annual Reports

---

---

**.34 Descriptions of the DHBs' results in relation to their plans are incomplete.** Five out of seven reports contain audited financial statements prepared in accordance with generally accepted accounting principles. The remaining reports contain summary financial information and state where readers can obtain a complete set of audited financial statements.

**.35** The reports do not describe the DHBs' operating results for each major program, service or activity. Specifically, the reports do not show:

- the costs, quantity and, when feasible, the quality of outputs;
- the program outcomes;
- the extent to which goals and objectives were being achieved, i.e., comparison of planned and actual results;
- when feasible, the efficiency with which the outputs were delivered; and
- the extent of acceptance of the services by the recipients.

**.36** None of the reports describe the management systems and practices used by DHBs to help ensure financial integrity, effective operations, and compliance with the law.

**.37** In addition, none of the reports include periodic audit assurance on systems and practices to ensure financial integrity, compliance with the law, and due regard for effective operations.

**.38 The reports effectively communicate information.** Good communication helps the reader understand the information presented.

**.39** Most DHBs present information in annual reports in an attractive and professional manner. The level of detail and terminology used in the reports varies. The language in most

---

---

## Chapter 9 District Health Boards (DHBs)

### Part D - District Health Boards Annual Reports

---

---

reports is clear and understandable. In a few cases, reports do not define technical terms or acronyms.

**.40** Most DHBs structure their annual reports in a way that helps readers understand the information. For example, a few reports use visual aids like graphs and tables.

**.41 DHBs need to promptly publish their annual reports.** *The Health Districts Act* requires DHBs to report to the Minister within three months after each fiscal year end (March 31). DHBs issued their 1995 annual reports during the period September, 1995 to March, 1996. We recognize the DHBs, their auditors and our Office are in an evolving environment, and it may take some time before DHBs can publish their annual reports on time.

---

Department's  
response

---

**.42** The Department's response is as follows:

"In general, the Department of Health concurs with the observations and recommendations of the Provincial Auditor. District health boards are accountable to the public they serve and to the Minister of Health. As part of this responsibility, they have an obligation to regularly report on their activities in a way that enables the public to assess their performance.

It is important to emphasize, that the district health delivery system is in its early stages. The district health boards have made great strides in developing their organizational and management structures, and in advancing health delivery towards the goals and objectives of health renewal. The government and residents of districts must exercise a certain degree of patience in their expectations of boards in this short time frame. The Department acknowledges and appreciates the Provincial Auditor's positive comments and observations regarding the district health boards' efforts in reporting to the Minister and the public on their performance, and that he does not expect the district health boards to meet all of his expectations immediately.

---

---

## Chapter 9 District Health Boards (DHBs)

### Part D - District Health Boards Annual Reports

---

---

The Provincial Auditor's report recommends that legislation and Department policies should provide adequate guidance on the purpose, content, and timing of the annual reports. There are a number of district health board reporting requirements specified within such documents as The Health Districts Act, A Framework of Accountability, the Service Agreements between the Minister of Health and the district health boards, and the annual Health Plan Guidelines. However, the Department agrees that further guidance on the development of annual reports would assist district health boards to prepare the calibre of annual reports required by the Minister and the public.

The Department agrees with the Provincial Auditor that periodic audit assurance on systems and practices to ensure financial integrity, compliance with the law and effective operations are important; although there are different ways to achieve and report such assurances.

The Department feels strongly that adequate and appropriate annual reporting by the district health boards needs to be taken seriously. An important objective of the annual reports should be to balance fiscal integrity and systems and practises reporting with reporting on programs, services, health status and health outcomes. Many levels of reporting are possible, and district health boards must use their judgement in reporting at a level that is meaningful and of value to the public.

The Department, jointly with the Health District Advisory Committee, has begun a process which will lead to the development of annual report guidelines. The Health District Advisory Committee is advisory to the Minister of Health, and its membership includes the Minister, representatives of the Board of the Saskatchewan Association of Health Organizations and senior Department officials. The Department will

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part D - District Health Boards Annual Reports**

---

---

request the Advisory Committee to consider the Provincial Auditor's recommendations and to ensure timing, purpose, and content are addressed in the guidelines."

**Chapter 9 District Health Boards (DHBs)**  
**Part E - DHB Revenues, Expenses, Assets and Liabilities in More Detail**

---

---

**Table of Contents**

Introduction . . . . .	<b>.01</b>
District Health Boards Combined Financial Position . . . . .	<b>Page 190</b>
District Health Boards Combined Revenues and Expenses . . . . .	<b>Page 191</b>
The Revenues, Expenses, Assets and Liabilities of each District Health Board	<b>Page 192</b>
District Health Boards Notes to the Financial Statements . . . . .	<b>Page 196</b>

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part E -DHB Revenues, Expenses, Assets and Liabilities in More Detail**

---

---

Introduction

**.01** In Part E of Chapter 9, we set out the financial results of DHBs for the years ending March 31, 1995 and 1994.

**.02** The first schedule shows the assets and liabilities of DHBs as a whole (see page 190).

**.03** The second schedule shows revenues and expenses of DHBs as a whole (see page 191).

**.04** The third schedule shows the revenues, expenses, assets and liabilities of each DHB (see pages 192 to 195).

**Chapter 9 District Health Boards (DHBs)**  
**Part E - DHB Revenues, Expenses, Assets and Liabilities in More Detail**

**District Health Boards**  
**Combined Financial Position**  
**As at March 31**

(In thousands of dollars)	1995 Total	1994 Total
<b>ASSETS</b>		
<b>Current:</b>		
Cash and Temporary Investments	\$ 133,568	\$ 152,541
Prepaid Expenses & Deferred Charges	5,272	4,766
Accounts Receivable	23,934	19,364
Inventories of Supplies	15,472	15,730
Saskatchewan Health - General Revenue Fund	17,372	4,571
Other Assets	<u>328</u>	<u>288</u>
<b>Total Current Assets</b>	<u>195,946</u>	<u>197,260</u>
<b>Non current:</b>		
Long Term Investments	19,251	16,460
Capital Assets	<u>830,186</u>	<u>821,977</u>
<b>Total Assets</b>	<u>\$1,045,383</u>	<u>\$1,035,697</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current:</b>		
Accounts Payable & Accrued Liabilities	\$ 94,347	\$ 88,744
Long Term Debt Due Within One Year	4,933	2,141
Capital Lease Obligation - Current Portion	2	2
Deferred Revenue	13,545	8,529
Saskatchewan Health - General Revenue Fund	<u>309</u>	<u>71</u>
<b>Total current liabilities</b>	<u>113,136</u>	<u>99,487</u>
<b>Long term:</b>		
Long Term Debt	97,262	84,819
Capital Lease Obligation	<u>7</u>	<u>9</u>
<b>Total long term liabilities</b>	<u>97,269</u>	<u>84,828</u>
<b>Equity:</b>		
Operating Fund	34,173	48,207
Capital Fund	764,834	770,284
Restricted Fund	<u>35,971</u>	<u>32,891</u>
<b>Total Equity</b>	<u>834,978</u>	<u>851,382</u>
<b>Total Liabilities and Equity</b>	<u>\$1,045,383</u>	<u>\$1,035,697</u>

**Chapter 9 District Health Boards (DHBs)**  
**Part E - DHB Revenues, Expenses, Assets and Liabilities in More Detail**

**District Health Boards**  
**Combined Revenues and Expenses**  
**For the Year ended March 31**

(in thousands of dollars)	Operating Fund	Capital Fund	Restricted Fund	1995 Total	1994 Total
<b>REVENUES:</b>					
Saskatchewan Health - General Revenue Fund	\$ 884,864	\$ 18,482	\$ 1,789	\$ 905,135	\$ 771,619
Local Government Taxes	7,513	4,793	45	12,351	15,855
CMHC Subsidies	1,949	---	---	1,949	1,929
Investment Income	4,025	458	1,249	5,732	5,294
Donations	2,341	6,898	1,040	10,279	18,262
Ancillary & Dietary Revenue	15,021	800	---	15,821	13,811
Other - Miscellaneous	21,255	2,039	87	23,381	26,121
Patient and Agency Charges	<u>102,773</u>	<u>---</u>	<u>---</u>	<u>102,773</u>	<u>87,414</u>
<b>TOTAL REVENUE</b>	<u>1,039,741</u>	<u>33,470</u>	<u>4,210</u>	<u>1,077,421</u>	<u>940,305</u>
<b>EXPENSES:</b>					
Medical Pay and Benefits	26,208	---	---	26,208	19,519
Salaries and Other Benefits	698,923	104	241	699,268	655,628
Medical and Surgical Drugs and Supplies	70,555	---	6	70,561	64,953
Utilities	28,261	---	---	28,261	25,707
Repair and Maintenance	11,409	---	102	11,511	13,190
Food	18,841	---	---	18,841	17,677
Other	99,120	1,039	205	100,364	85,178
Interest	5,634	531	---	6,165	5,956
Amortization	---	53,230	---	53,230	49,348
Loss (Gain) on Disposal of Capital Assets	6	784	---	790	1,002
Grants to Private Health Agencies	<u>86,618</u>	<u>994</u>	<u>1,890</u>	<u>89,502</u>	<u>35,180</u>
<b>TOTAL EXPENSES</b>	<u>1,045,575</u>	<u>56,682</u>	<u>2,444</u>	<u>1,104,701</u>	<u>973,338</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES:</b>	(5,834)	(23,212)	1,766	(27,280)	(33,033)
<b>Fund balances, beginning of year</b>	<u>48,207</u>	<u>770,284</u>	<u>32,891</u>	<u>851,382</u>	<u>884,048</u>
Transfers between funds	(8,729)	7,415	1,314	---	---
Adjustments to Equity	529	10,347	---	10,876	367
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 34,173</u>	<u>\$764,834</u>	<u>\$35,971</u>	<u>\$ 834,978</u>	<u>\$ 851,382</u>



**Chapter 9 District Health Boards (DHBs)**  
**Part E - DHB Revenues, Expenses, Assets and Liabilities in More Detail**

District Health Boards  
Financial Statements  
for the year ended March 31, 1995

(In thousands of dollars)	Assiniboine Valley	Battlefords	Central Plains (Note 7)	East Central	Gabriel Springs
<b>REVENUES:</b>					
Saskatchewan Health - General Revenue Fund	\$15,292	24,487	17,075	31,589	8,728
Local Government Taxes	199	270	30	399	122
CMHC Subsidies	271	---	238	303	---
Investment Income	133	228	---	311	---
Donations	60	320	132	481	12
Ancillary & Dietary Revenue	---	313	67	250	60
Other - Miscellaneous	557	183	134	1,023	42
Patient and Agency Charges	2,830	4,082	1,636	6,312	191
<b>TOTAL REVENUE</b>	<b>\$19,342</b>	<b>29,883</b>	<b>19,312</b>	<b>40,668</b>	<b>9,155</b>
<b>EXPENSES (Note 1):</b>					
Medical Pay and Benefits	132	534	128	527	---
Salaries and Other Benefits	14,706	22,458	7,160	30,573	3,299
Medical and Surgical Drugs and Supplies	493	4,208	212	2,653	290
Utilities	534	---	308	1,557	116
Repair and Maintenance	247	599	96	436	40
Food	642	---	334	1,012	142
Other	1,595	666	517	3,450	547
Interest	460	84	293	993	---
Amortization	719	1,062	385	1,830	280
Loss (Gain) on Disposal of Capital Assets	4	---	---	---	15
Grants to Private Health Agencies (Note 7)	406	1,064	11,215	264	4,470
<b>TOTAL EXPENSES</b>	<b>\$19,938</b>	<b>30,675</b>	<b>20,648</b>	<b>43,295</b>	<b>9,199</b>
<b>EXCESS OF REVENUE OVER EXPENSES:</b>					
- Operating Fund	-206	-34	-9	-2,362	-39
- Capital Fund	-520	-763	-334	-719	-144
- Restricted Funds	130	5	-993	454	139
<b>TOTAL EXCESS OF REVENUE OVER EXPENSE</b>	<b>-\$596</b>	<b>-792</b>	<b>-1,336</b>	<b>-2,627</b>	<b>-44</b>
Equity, beginning of year	8,114	16,392	6,906	22,961	2,417
Adjustments to Equity	-27	---	---	---	-39
<b>EQUITY, END OF YEAR</b>	<b>\$7,491</b>	<b>15,600</b>	<b>5,570</b>	<b>20,334</b>	<b>2,334</b>
<b>ASSETS</b>					
Cash and Temporary Investments	\$1,310	3,069	2,205	3,757	866
Prepaid Expenses & Deferred Charges	164	71	75	265	29
Accounts Receivable	382	984	144	1,381	81
Inventories of Supplies	424	568	144	662	121
Saskatchewan Health - General Revenue Fund	---	1,984	55	604	30
Other Long Term Investments	1,551	---	---	---	---
Other Assets	2	---	---	---	---
Capital Assets	11,054	13,913	6,619	30,144	1,736
<b>TOTAL ASSETS</b>	<b>\$14,887</b>	<b>20,589</b>	<b>9,242</b>	<b>36,813</b>	<b>2,863</b>
<b>LIABILITIES</b>					
Accounts Payable & Accrued Liabilities	\$2,262	3,017	744	4,427	409
Long Term Debt Due Within One Year	80	22	20	234	46
Capital Lease Obligation - Current Portion	---	---	---	---	---
Deferred Revenue	457	816	---	499	74
Saskatchewan Health - General Revenue Fund	---	---	---	---	---
Long Term Debt	4,597	1,134	2,908	11,319	---
Capital Lease Obligation	---	---	---	---	---
<b>TOTAL LIABILITIES</b>	<b>\$7,396</b>	<b>\$4,989</b>	<b>\$3,672</b>	<b>\$16,479</b>	<b>\$529</b>
<b>EQUITY</b>					
- Operating Fund	-440	2,756	1,220	-4,969	178
- Capital Fund	6,378	12,757	3,691	21,366	2,017
- Restricted Funds	1,553	87	659	3,937	139
<b>TOTAL EQUITY</b>	<b>\$7,491</b>	<b>15,600</b>	<b>5,570</b>	<b>20,334</b>	<b>2,334</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$14,887</b>	<b>20,589</b>	<b>9,242</b>	<b>36,813</b>	<b>2,863</b>

**Chapter 9 District Health Boards (DHBs)**  
**Part E - DHB Revenues, Expenses, Assets and Liabilities in More Detail**

Greenhead	Living Sky (Note 7)	Midwest (Note 4)	Moose Jaw- Thunder Creek	Moose Mountain (Note 7)	North Central (Note 7)	North East	North Valley	Northwest	Parkland (Note 5)
8,980	9,299	12,274	41,592	9,021	13,667	12,284	13,269	7,035	12,153
212	183	302	19	200	129	---	---	163	199
---	40	133	---	---	79	---	---	119	491
---	133	165	---	99	341	---	90	158	---
391	106	125	878	180	48	216	---	56	164
74	26	---	168	17	219	196	---	1	---
80	389	514	1,332	147	147	409	209	139	354
2,041	2,122	2,693	2,332	1,759	2,259	2,006	1,051	1,378	2,255
11,778	12,298	16,206	46,321	11,423	16,889	15,111	14,619	9,049	15,616
---	48	---	767	51	470	---	---	---	---
9,205	9,631	11,942	20,964	8,704	12,727	11,410	4,221	6,460	11,466
279	304	555	1,336	281	953	557	66	320	453
433	374	539	805	230	674	---	42	243	445
152	170	352	666	178	284	---	---	105	168
330	376	502	568	309	583	460	189	206	511
693	1,287	822	16,742	816	688	1,281	695	671	847
71	120	404	---	144	212	531	---	198	852
911	581	985	1,399	457	1,207	1,097	120	417	834
---	---	569	---	---	16	9	---	7	57
193	370	295	---	208	---	678	9,449	280	362
12,267	13,261	16,965	43,247	11,378	17,814	16,023	14,782	8,907	15,995
422	-399	670	151	373	-104	44	-59	287	263
-911	-581	-1,429	2,923	-457	-1,024	-956	-104	-213	-891
---	17	---	---	129	203	---	---	68	249
-489	-963	-759	3,074	45	-925	-912	-163	142	-379
10,192	8,910	15,852	13,604	4,916	13,828	11,437	2,277	7,195	5,406
---	---	842	---	---	---	---	---	---	---
9,703	7,947	15,935	16,678	4,961	12,903	10,525	2,114	7,337	5,027
4,706	1,101	5,299	5,100	2,227	5,587	1,763	685	1,046	2,913
60	69	150	364	97	76	77	27	28	77
318	410	244	592	185	324	297	78	236	250
237	352	375	549	141	321	293	66	211	260
---	---	---	316	---	---	---	---	---	---
439	426	5	1,114	8	521	66	1,242	2,153	---
---	---	---	---	---	31	7	---	---	---
8,254	8,065	16,155	16,047	5,159	10,283	14,795	2,096	6,779	11,796
14,014	10,423	22,228	24,082	7,817	17,143	17,298	4,194	10,453	15,296
1,253	990	1,656	4,225	666	1,530	1,138	507	782	1,527
85	25	47	31	31	19	55	14	43	64
2	---	---	---	---	---	---	---	---	---
327	99	303	549	---	428	386	260	284	14
---	---	---	---	---	---	---	---	---	---
2,637	1,362	4,287	2,599	2,159	2,263	5,194	1,299	2,007	8,664
7	---	---	---	---	---	---	---	---	---
\$4,311	\$2,476	\$6,293	\$7,404	\$2,856	\$4,240	\$6,773	\$2,080	\$3,116	\$10,269
2,512	30	3,988	1,287	1,378	2,425	944	81	898	882
5,928	6,678	11,947	15,391	2,969	8,032	9,581	2,033	5,259	3,069
1,263	1,239	---	---	614	2,446	---	---	1,180	1,076
9,703	7,947	15,935	16,678	4,961	12,903	10,525	2,114	7,337	5,027
14,014	10,423	22,228	24,082	7,817	17,143	17,298	4,194	10,453	15,296

## Chapter 9 District Health Boards (DHBs)

### Part E - DHB Revenues, Expenses, Assets and Liabilities in More Detail

District Health Boards  
Financial Statements  
for the year ended March 31, 1995

(In thousands of dollars)	Pasquia	Pipestone (Note 7)	Prairie West (Note 7)	Prince Albert	Regina
<b>REVENUES:</b>					
Saskatchewan Health - General Revenue Fund	13,085	15,686	10,401	40,126	238,983
Local Government Taxes	183	232	213	449	2,619
CMHC Subsidies	169	---	---	---	---
Investment Income	230	340	---	---	---
Donations	183	96	223	825	2,293
Ancillary & Dietary Revenue	14	---	115	842	3,673
Other - Miscellaneous	380	259	213	837	7,787
Patient and Agency Charges	2,496	4,157	539	3,337	17,358
<b>TOTAL REVENUE</b>	<b>16,740</b>	<b>20,770</b>	<b>11,704</b>	<b>46,416</b>	<b>272,713</b>
<b>EXPENSES (Note 1):</b>					
Medical Pay and Benefits	86	121	103	1,049	20,813
Salaries and Other Benefits	12,281	16,839	5,864	26,381	158,716
Medical and Surgical Drugs and Supplies	385	1,019	499	2,601	21,126
Utilities	624	581	269	---	5,713
Repair and Maintenance	143	562	104	---	4,298
Food	713	609	211	1,502	2,950
Other	1,216	716	640	4,577	16,798
Interest	426	314	---	---	---
Amortization	1,320	935	482	1,673	13,844
Loss (Gain) on Disposal of Capital Assets	---	2	---	40	14
Grants to Private Health Agencies (Note 7)	261	270	3,783	7,762	31,312
<b>TOTAL EXPENSES</b>	<b>17,455</b>	<b>21,968</b>	<b>11,955</b>	<b>45,585</b>	<b>275,584</b>
<b>EXCESS OF REVENUE OVER EXPENSES:</b>					
- Operating Fund	330	-527	56	159	-1,474
- Capital Fund	-1,320	-937	-488	491	-1,623
- Restricted Funds	275	266	181	181	226
<b>TOTAL EXCESS OF REVENUE OVER EXPENSE</b>	<b>-715</b>	<b>-1,198</b>	<b>-251</b>	<b>831</b>	<b>-2,871</b>
Equity, beginning of year	22,100	18,428	8,807	18,854	193,364
Adjustments to Equity	---	---	---	---	---
<b>EQUITY, END OF YEAR</b>	<b>21,385</b>	<b>17,230</b>	<b>8,556</b>	<b>19,685</b>	<b>190,493</b>
<b>ASSETS</b>					
Cash and Temporary Investments	5,325	7,455	1,233	8,303	19,199
Prepaid Expenses & Deferred Charges	74	69	56	411	1,182
Accounts Receivable	178	478	176	2,556	4,026
Inventories of Supplies	408	425	275	560	3,638
Saskatchewan Health - General Revenue Fund	2	---	---	904	7,536
Other Long Term Investments	---	25	1,153	1	7,675
Other Assets	---	---	---	---	---
Capital Assets	22,522	15,363	6,361	19,197	182,893
<b>TOTAL ASSETS</b>	<b>28,509</b>	<b>23,815</b>	<b>9,254</b>	<b>31,932</b>	<b>226,149</b>
<b>LIABILITIES</b>					
Accounts Payable & Accrued Liabilities	1,295	2,149	553	4,113	27,682
Long Term Debt Due Within One Year	51	110	---	229	200
Capital Lease Obligation - Current Portion	---	---	---	---	---
Deferred Revenue	425	158	145	2,152	3,474
Saskatchewan Health - General Revenue Fund	---	---	---	---	---
Long Term Debt	5,353	4,168	---	5,753	4,300
Capital Lease Obligation	---	---	---	---	---
<b>TOTAL LIABILITIES</b>	<b>\$7,124</b>	<b>\$6,585</b>	<b>\$698</b>	<b>\$12,247</b>	<b>\$35,656</b>
<b>EQUITY</b>					
- Operating Fund	1,723	2,078	627	-1,056	2,924
- Capital Fund	17,118	11,085	6,440	16,942	187,343
- Restricted Funds	2,544	4,067	1,489	3,799	226
<b>TOTAL EQUITY</b>	<b>21,385</b>	<b>17,230</b>	<b>8,556</b>	<b>19,685</b>	<b>190,493</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>28,509</b>	<b>23,815</b>	<b>9,254</b>	<b>31,932</b>	<b>226,149</b>

**Chapter 9 District Health Boards (DHBs)**  
**Part E - DHB Revenues, Expenses, Assets and Liabilities in More Detail**

Rolling Hills (Note 6)	Saskatoon (Note 2)	South Central	South Country (Note 2)	South East (Note 7)	Southwest	Swift Current (Note 2 & 6)	Touchwood Qu'Appelle (Note 7)	Twin Rivers	Total
7,428	251,740	22,778	9,124	16,079	9,137	20,106	5,977	7,740	905,135
148	4,551	258	113	222	325	272	120	219	12,351
37	---	---	---	---	---	---	69	---	1,949
---	2,578	331	---	82	197	---	80	236	5,732
148	2,496	29	30	75	197	436	20	59	10,279
---	9,077	610	---	---	---	---	---	99	15,821
132	5,920	297	141	310	455	559	84	348	23,381
503	24,056	4,776	1,683	2,177	2,118	1,984	1,363	1,279	102,773
8,396	300,418	29,079	11,091	18,945	12,429	23,357	7,713	9,980	1,077,421
283	---	---	---	32	38	995	31	---	26,208
5,386	211,130	22,056	6,841	7,918	8,443	18,496	6,190	7,801	699,268
470	26,865	689	---	362	303	1,656	538	1,088	70,561
168	12,669	---	---	313	422	591	227	384	28,261
179	---	1,301	513	321	81	437	79	---	11,511
162	3,866	829	368	396	282	568	221	---	18,841
773	40,733	788	729	493	870	97	238	379	100,364
61	---	234	---	184	29	234	159	162	6,165
375	18,181	783	299	787	442	790	281	754	53,230
---	---	70	-44	-2	10	---	23	---	790
969	---	2,433	2,904	8,647	898	---	754	255	89,502
8,826	313,444	29,183	11,610	19,451	11,818	23,864	8,741	10,823	1,104,701
186	-3,520	250	-326	131	239	154	-251	-239	-5,834
-369	-9,506	-354	-255	-821	285	-661	-777	-754	-23,212
-247	---	---	62	184	87	---	---	150	1,766
-430	-13,026	-104	-519	-506	611	-507	-1,028	-843	-27,280
8,333	358,608	10,179	10,014	12,414	10,334	11,043	6,058	12,439	851,382
---	10,171	-124	---	---	53	---	---	---	10,876
7,903	355,753	9,951	9,495	11,908	10,998	10,536	5,030	11,596	834,978
2,459	25,142	3,274	1,449	2,627	4,664	4,322	1,261	5,221	133,568
5	1,217	179	106	73	66	157	23	25	5,272
97	8,233	533	81	278	174	756	106	356	23,934
113	2,989	804	238	93	272	505	140	288	15,472
---	5,812	---	129	---	---	---	---	---	17,372
---	---	2,690	---	---	---	---	---	182	19,251
---	---	---	6	---	282	---	---	---	328
6,242	354,673	8,426	9,090	12,914	7,281	7,479	6,180	8,670	830,186
8,916	398,066	15,906	11,099	15,985	12,739	13,219	7,710	14,742	1,045,383
466	22,906	2,787	965	1,081	953	2,650	541	1,073	94,347
4	3,304	92	12	51	12	9	23	20	4,933
---	---	---	---	---	---	---	---	---	2
155	1,049	127	250	442	390	---	201	81	13,545
---	---	309	---	---	---	---	---	---	309
388	15,054	2,640	377	2,503	386	24	1,915	1,972	97,262
---	---	---	---	---	---	---	---	---	7
\$1,013	\$42,313	\$5,955	\$1,604	\$4,077	\$1,741	\$2,683	\$2,680	\$3,146	\$210,405
983	7,552	1,525	-40	165	2,220	3,081	767	-1,546	34,173
5,854	348,201	8,426	8,692	10,360	6,889	7,455	4,263	8,670	764,834
1,066	---	---	843	1,383	1,889	---	---	4,472	35,971
7,903	355,753	9,951	9,495	11,908	10,998	10,536	5,030	11,596	834,978
8,916	398,066	15,906	11,099	15,985	12,739	13,219	7,710	14,742	1,045,383

---

---

**Chapter 9 District Health Boards (DHBs)**  
**Part E - DHB Revenues, Expenses, Assets and Liabilities in More Detail**

---

---

**District Health Boards**  
**Notes to the Financial Statements**  
**March 31, 1995**

**1. Expenses**

Expenses are presented by object rather than program as this is the most common presentation used by the DHBs.

**2. Unaudited Financial Statements**

We used unaudited financial statements in preparing the schedules for these DHBs as audited financial statements were not available at the time of preparation.

**3. Reclassification of Information**

Certain figures from the current and the previous year have been reclassified to conform to a consistent financial statement presentation.

**4. Comparative Information not Available**

The audited financial statements do not include restated comparative figures for the prior year. We prepared the schedules using the March 31, 1994 audited financial statements with an equity adjustment for the net assets of the health corporations amalgamated during the year.

**5. Comparative Information not Provided by Object**

The audited financial statements do not include a breakdown of expenses by object for the prior year. As a result, we allocate the total expenses for the previous year based on the actual percentage allocated to each expense item for the current year.

**6. Breakdown of Expenses not by Object**

The audited financial statements do not include a breakdown of expenses by object for either the current or prior year. As a result, we estimated the allocation of expenses based on the actual percentage allocated to each expense item for the other DHBs.

**7. Grants to Private Health Agencies**

To conform to a consistent financial statement presentation \$2.523 million (1994 - \$3.329 million) of grants for eight DHBs have been reclassified and shown as Grants to Private Health Agencies. These DHBs showed these amounts as equity transactions.

**Chapter 10**  
**Department of Education, Training and Employment**

---

---

**Table of Contents**

<b>Introduction</b> . . . . .	<b>.01</b>
Government spending on education . . . . .	.03
Special purpose funds and Crown agencies . . . . .	.06
Our audit conclusions and findings . . . . .	.08
Accountability for total education costs required . . . . .	.10
Pension benefits provided without knowing the cost . . . . .	.16
Reporting to Legislative Assembly for School Divisions and Universities needs improvement . . . . .	.24
Proper financial statements standards required . . . . .	.42
<b>Saskatchewan Institute of Applied Science and Technology</b> . . . . .	<b>.48</b>
Our audit conclusions and findings . . . . .	.50
Timely contract revenue recording needed . . . . .	.52
Systems development controls needed . . . . .	.57
Long term human resource plan needed . . . . .	.62
Internal audit function needed . . . . .	.69
International operations need review . . . . .	.76
<b>Student Aid Fund</b> . . . . .	<b>.79</b>
Our audit conclusions and findings . . . . .	.81
Lack of authority to limit interest write down subsidies . . . . .	.82
Extent of ineligible student loans not known . . . . .	.92

**Chapter 10**  
**Department of Education, Training and Employment**

---

---

**Table of Contents**

<b>Teachers' Superannuation Commission</b> . . . . .	<b>.100</b>
Our audit conclusions and findings . . . . .	<b>.102</b>
Accurate and complete pension data required . . . . .	<b>.103</b>
Better internal financial reports required . . . . .	<b>.113</b>
Annual reports should be timely . . . . .	<b>.120</b>
Investments should comply with the law . . . . .	<b>.126</b>
Shares improperly registered . . . . .	<b>.133</b>
<b>New Careers Corporation</b> . . . . .	<b>.137</b>
Our audit conclusions and findings . . . . .	<b>.139</b>
Written rules and procedures needed for internal reporting . . . . .	<b>.140</b>
Financial reports need improvement . . . . .	<b>.145</b>
Changes to accounting records need approval . . . . .	<b>.148</b>

## Chapter 10

### Department of Education, Training and Employment

<b>Introduction</b>	<p><b>.01</b> The Department of Education, Training and Employment has overall responsibility for matters relating to education.</p> <p><b>.02</b> 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 (U of S), and the University of Regina (U of R). The Department works with these public agencies to achieve the Department's objectives. It also regulates private vocational schools.</p>
Government spending on education	<p><b>.03</b> For 1994-95 the Government's summary financial statements show education expenses of \$874 million. Table 1 sets out education expenses as shown in the summary financial statements reconciled to education spending reported by the Department of Education.</p>

Table 1

(in millions of dollars)		
Department of Education (Public Accounts - Volume 2 page 55)		\$ 902.3
Deduct:	Teachers' pensions and benefits paid (Public Accounts - Volume 2 page 55)	(108.8)
Add:	Pension expense excluding interest costs calculated for the Teachers Superannuation Fund	27.9
	SIAST and regional college expenses not funded by the Department.	52.9
Education expenses per summary financial statements		\$ 874.3

**.04** Education expenses as stated in the summary financial statements do not include the total expenses of the universities and school divisions. We show total education costs of \$1.57 billion. Our calculation of education costs includes school divisions and universities. We used the financial statements of the universities, school divisions, SIAST, regional colleges, Teachers Superannuation Commission and the General Revenue Fund to determine total education costs.



## Chapter 10 Department of Education, Training and Employment

.05 Table 2 shows the expense details and Table 3 shows the major sources of revenue.

Table 2

Education Costs by Object of Expenditure (in millions of dollars)							
Institution	Year End	Salaries and Benefits		Other		Total	
		1995	1994	1995	1994	1995	1994
School Divisions	December 31	\$ 621.7	\$ 608.1	\$ 310.4	\$ 332.1	\$ 932.1	\$ 940.2
Teachers Pensions & Benefits	March 31	27.9	31.0			27.9	31.0
Universities	April 30	255.8	256.2	99.4	80.0	355.2	336.2
SIAST	June 30	70.9	71.4	41.6	37.9	112.5	109.3
Department	March 31	14.7	14.6	86.1	74.4	100.8	89.0
Regional Colleges	June 30	23.4	19.3	15.3	19.2	38.7	38.5
<b>Total</b>		<b>\$ 1,014.4</b>	<b>\$ 1,000.6</b>	<b>\$ 552.8</b>	<b>\$ 543.6</b>	<b>\$ 1,567.2</b>	<b>\$ 1,544.2</b>

Table 3

Major Revenue Sources for Education (in millions of dollars)				
	1995		1994	
	millions \$	%	millions \$	%
General Revenue Fund (after adjustment for pension expense)	\$ 821.4	52.41%	\$ 802.2	51.95%
Property taxes	491.5	31.36%	481.1	31.16%
Tuition fees	80.7	5.15%	77.1	4.99%
Sales of goods and services	42.4	2.71%	58.1	3.76%
Gifts and bequests	11.3	0.72%	10.5	0.68%
Sponsored Research	59.1	3.77%	56.3	3.65%
Investment Income	21.9	1.40%	18.8	1.22%
Other	38.9	2.48%	40.1	2.60%
	<b>1,567.2</b>	<b>100.00%</b>	<b>1,544.2</b>	<b>100.00%</b>

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

Special purpose funds  
and Crown agencies

**.06** The Department is also responsible for the following special purpose funds and Crown agencies.

Year end

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
Northwest Regional College	June 30
Northlands College	June 30
Parkland 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

**.07** The Department is also responsible for the University of Saskatchewan and the University of Regina. The year end for universities is April 30.

Our audit conclusions  
and findings

**.08** This Chapter contains our audit findings for the Department (including special purpose funds) and its Crown agencies for fiscal years ending on or before March 31, 1995 except for SIAST. For SIAST, this Chapter reports our audit findings for the year ended June 30, 1995.

**.09** In our opinion:

- the financial statements for the funds and agencies listed in paragraphs .06 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; and
- the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets,

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

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

---

Accountability for total education costs required

---

.10 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 the taxes to pay for these programs. The General Revenue Fund pays nearly 52% of total education spending. This includes operating and capital grants to the agencies in Table 2, teachers' pensions and benefits, and the Department's operating costs.

.11 School divisions raise some of the taxes to pay for the cost of education programs. However, they do not raise all the taxes, they receive direction from the Department on the education program delivered, and they do not determine teachers' salaries and benefits. Therefore, school divisions cannot be held fully accountable for their expenses.

.12 Individual school divisions do not set teachers salaries and benefits, their largest single expense. Section 230(2) of *The Education Act* states:

*A bargaining committee consisting of:*

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

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

.14 Teachers' salaries and benefits, including pension benefits, are negotiated as part of collective bargaining. Teacher salaries and benefits total \$558.4 million of the \$621.7

million (Table 2) spent on school divisions salaries and benefits. The remainder includes \$51.6 million for support staff and \$11.7 million for administration. Teachers' pension expense for 1995 is \$27.9 million.

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

---

Pension benefits provided without knowing the cost

---

.16 The bargaining committee, referred to in paragraph .12, agreed to increases in pension benefits for retired teachers, before the Department knew the costs of the increased benefits.

.17 The increased pension benefits were part of the 1990 collective bargaining agreement with teachers. The agreement potentially gives pension benefits to an additional 17,650 former teachers.

.18 Before this agreement, teachers, who taught for less than ten years before 1990, were only eligible for a refund of their contributions plus interest. Now, teachers who taught for one year are eligible to receive a pension.

.19 During 1995, the Department received a report from its actuary showing the costs of the 1990 changes to pension benefits to be \$63 million.

.20 In 1995, the Government showed this cost as a 1990 expense. This is disclosed in Note 11(c) to the Summary Financial Statements for the year ended March 31, 1995.

.21 The Department needs to know the costs of changes to benefits before the bargaining committee agrees to provide them. If the Department does not know the costs of changes to benefit plans the bargaining committee cannot make informed decisions.

**We recommend**

**.22 The Department should establish rules and procedures to compute the cost of changes to benefits before the Government awards benefits.**

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

---

Reporting to  
Legislative Assembly  
for School Divisions  
and Universities needs  
improvement

.23 The Department told us it does not believe it is solely responsible for determining teachers' salaries and benefits, because the collective bargaining process takes place within the framework established by the Public Sector Bargaining Compensation Committee, a Cabinet committee.

.24 The Department does not know how well school divisions and universities safeguard and spend public money. Therefore, it cannot fulfil its reporting responsibilities to the Assembly.

.25 The Department is responsible for informing the Assembly that money appropriated for education is properly safeguarded and spent. To do this, the Department needs to know that school divisions and universities properly safeguard and spend public money.

.26 In our opinion, *The Education Act* (Act) gives the Minister broad powers to set accounting principles, information systems and reporting requirements for agencies receiving public money.

.27 For example for post secondary education section 10.2(e) of the Act states:

*The minister may require a university to establish any accounting and information systems that he considers necessary for the proper conduct of the business affairs of the university and require the university to provide any reports and other information that he considers necessary.*

.28 Also for example, for school boards:

Section 277 of the Act states:

*A board of education or conseil scolaire shall furnish to the minister copies of budget estimates, financial statements and other information in such form and at such times as the minister may consider necessary; and*

Section 306(1)(a) referring to information required on grants given to school divisions states:

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

*from each school division, any returns, statements, reports and information that he [Minister] considers necessary;.*

**.29** Currently, the Department receives audited financial statements from all the agencies it funds. Also, currently, the Department does receive some information about how SIAST and the regional colleges safeguard and spend public money. However, for school divisions and universities, the Department does not require or receive enough information to know whether these agencies properly safeguard and spend public money given to them. Without this information, the Department cannot inform the Assembly how well the universities and school divisions safeguard and spend public money. We think the Assembly needs this information and gives the Department sufficient authority in law to obtain this information annually.

**.30** To ensure public confidence, the Department needs this information so it can assure the public that public money is properly safeguarded and spent.

**.31** We audit the accounts of the universities and report to their Boards of Governors our findings on how well they safeguard and spend public money. Our reports discuss: Board oversight responsibilities, rules and procedures for safeguarding and controlling the universities' assets and compliance with the law. We think the Department needs this information to safeguard and control public money. We have given the Minister of Post-Secondary Education and Skills Training a copy of our reports to the Boards of Governors.

**.32** One way, for the Department, to ensure the Assembly receives information on how well the universities safeguard and spend public money given to them is for the Department to require the universities to include our reports to the Boards of Governors in the universities' annual reports.

**.33** We have not examined the accounts of the school divisions to know whether the divisions properly safeguard and spend public money given to them.

**We recommend**

**.34** The Department should require universities and school divisions to report on how well they safeguard and spend public money.

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

**.35** The Department should table reports on how well the universities and school divisions safeguard and spend public money in the Assembly.

**.36** As well, the Department does not know whether these agencies are meeting the Department's program objectives. Therefore, it cannot fulfil its responsibilities to the Assembly.

**.37** The Department is responsible for informing the Assembly that the agencies providing education programs met the Department's program objectives. To fulfil this responsibility, the Department needs to know that agencies providing education programs meet the Department's objectives.

**.38** Currently, the Department does not receive reports from the agencies it funds to know if the agencies meet the Department's program objectives.

We recommend

**.39** The Department should require the agencies it funds to report on their systems and practices to meet the Department's program objectives.

**.40** The Department should require the agencies it funds to report on their performance in achieving the Department's operating objectives.

**.41** The Department should table these reports in the Legislative Assembly.

---

Proper financial statements standards required

**.42** The Department needs to set proper financial statement accounting principles (standards) for school divisions.

**.43** Section 277 of *The Education Act* requires the Department to set the financial statements standards for school divisions reporting to each Board of Education. These financial statements should help users understand and assess a school division's management of the public resources entrusted to it.

**.44** The Canadian Institute of Chartered Accountants (CICA) has researched and developed standards for government financial statements. These standards ensure financial statements show properly a government's financial position, results of operation and changes in financial position. The CICA has rules and procedures to ensure standard setting is

done according to due process. This is done through consultation and debate. The Government uses these standards to prepare its financial statements to report on the management of the public resources entrusted to it.

.45 The Department set financial statement standards for school divisions. These are not consistent with the standards developed by CICA. The Department's standards do not show a school division's proper financial position, results of operations and changes in financial position. The Department's standards are weak in the following areas:

- School divisions record debt repayments as expenses. As a result, the amounts recorded do not reflect the costs of programs delivered during the period.
- School divisions charge expenses they may incur in the future (reserves) as an expense of the current year. As a result, the amounts recorded do not reflect the costs of programs delivered during the period.
- School divisions do not show comparative figures for the preceding year. As a result, users cannot easily identify trends in financial activity.
- School divisions do not show their net investment in capital assets. As a result, users do not receive the information necessary to assess the school division's management of its capital assets.
- School divisions do not include a comparison of planned results with actual results. As a result users cannot compare plans with what happened.

**We recommend**

**.46 The Department should require school divisions to prepare their financial statements following the standards recommended by the CICA for governments.**

.47 The Department told us it is participating in a CICA study on developing reporting standards for school divisions.



---

---

## Chapter 10 Department of Education, Training and Employment

---

---

**Saskatchewan  
Institute of Applied  
Science and  
Technology**

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

**.49** SIAST had revenue of \$112.5 million in 1995 and held assets of \$100 million at June 30, 1995. SIAST's annual report includes its financial statements.

Our audit conclusions  
and findings

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

**.51** In our opinion:

- SIAST's financial statements are reliable;
- SIAST complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and
- SIAST had adequate rules and procedures to safeguard and control its assets, except for the significant deficiencies reported in paragraphs .52 to .78.

---

Timely contract  
revenue recording  
needed

**.52** SIAST needs adequate rules and procedures for recording all contract revenue in the correct period.

**.53** Contract revenue comprises almost 25% of SIAST's total revenues. The process of recording this revenue involves many different individuals in the four institutes. Also, there are different processes for different programs. SIAST has systems to ensure it records this revenue eventually. However, current procedures are not adequate to ensure this happens in the correct accounting period.

**.54** Not recording revenue in the correct accounting period results in the Board and management receiving incorrect information. Incorrect information may result in incorrect decisions.

**.55** We also reported this matter in our 1995 Spring Report.

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

**We recommend** .56 **SIAST should establish rules and procedures to record contract revenues in the correct accounting period.**

---

Systems development controls needed .57 SIAST needs good system development controls.

.58 SIAST uses computer systems to record and report financial information. Controls over the development of new systems and changes to existing systems are not adequate.

.59 Inadequate control over new system development, and changes to existing systems can lead to errors in reporting financial information and poor use of SIAST resources.

.60 We also reported this matter in our 1993 Annual Report and our 1995 Spring Report.

**We recommend** .61 **SIAST should establish appropriate system development controls.**

---

Long term human resource plan needed .62 SIAST needs a long term human resource plan and consistent human resource management policies.

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

.64 Application of existing human resource policies is not consistent across the four institutes.

.65 Inconsistent application of human resource policies may result in poor use of people and time wasted resolving differences.

.66 We also reported this matter in our 1993 Annual Report and our 1995 Spring Report.

**We recommend** .67 **SIAST should establish a long term human resource plan.**

.68 SIAST has hired a new Chief Human Resources Officer and new support staff. This Officer reports directly to the President.

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

Internal audit function  
needed

**.69** The Board of Directors needs an effective internal audit function to oversee management properly.

**.70** An effective internal audit function provides a formal process to monitor compliance with established accounting and financial reporting policies.

**.71** The Board has established an Audit Committee. An audit committee can help the Board to oversee management effectively. One responsibility of an audit committee is to oversee an organization's financial and accounting policies.

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

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

**.74** We also reported this matter in our 1993 Annual Report and our 1995 Spring Report.

We recommend

**.75 SIAST should establish an internal audit function that reports directly to the audit committee.**

---

International  
operations need  
review

**.76** SIAST needs rules and procedures to decide whether international operations benefit SIAST.

**.77** SIAST participates in international training and education programs through a federal government agency. SIAST's legislation allows this activity where there is a benefit to SIAST.

We recommend

**.78 SIAST should establish rules and procedures to determine the expected benefits to SIAST of any international operations.**

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

### Student Aid Fund

**.79** The Department uses the Student Aid Fund (Fund) to finance and account for student loans and other student financial assistance.

**.80** The Fund had revenues of \$35.9 million in 1995 and assets of \$96 million at March 31, 1995. The Fund's annual report includes its financial statements.

### Our audit conclusions and findings

**.81** 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 assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .82 to .99; and
- the Department had adequate rules and procedures to safeguard and control the Fund's assets, except for the significant deficiency reported in paragraphs .92 to .99.

---

### Lack of authority to limit interest write down subsidies

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

**.83** 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%.

**.84** 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 the first year (loans issued from May 1, 1986 to July 31, 1987) for the loan term.

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

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

.86 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.

.87 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.

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

.89 We also reported this matter in our 1991 and 1993 Annual Reports and our 1995 Spring Report to the Legislative Assembly.

We recommend

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

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

---

Extent of ineligible student loans not known

.92 The Department did not adequately verify critical information on student loan applications.

.93 The Department made student loans for approximately \$41 million. The Department must be responsive to the applicant's financial needs, but must ensure only eligible applicants receive aid in correct amounts. To do this, the Department needs to verify applicant's student and financial status. Applicants are responsible for providing accurate

financial, personal and demographic information. We found the Department did not verify critical information sufficiently before disbursing loans.

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

**.95** The Department monitors the extent of ineligible loans and, thus, the adequacy of its rules and procedures by auditing loans after disbursement. During 1994/95, the Department completed its audit of loans granted for the 1992/93 school year. Audit results show 20% of all student loans granted during 1992/93 were for amounts greater than the law permits.

**.96** The Department has not yet audited 1993/94 and 1994/95 student loans to know the extent of ineligible loans during these periods. However, the Department used the same rules and procedures for preventing ineligible loans during these periods that it used during the 1992/93 period. Applying the 20% error rate to loans granted in 1994/95, results in an estimate of loans granted greater than the law permits of \$8.2 million.

**.97** We also reported this matter in our 1991 and 1993 Annual Reports and our 1995 Spring Report.

**We recommend**

**.98** The Department should verify critical information on student loan applications.

**.99** The Department told us that in 1995/96 it will require some students to confirm their summer earnings as a first step in ensuring only eligible students receive loans for the amounts permitted by law.

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

### Teachers' Superannuation Commission

**.100** The Commission manages the Teachers' Superannuation Plan (Plan). It consists of the Teachers' Superannuation Fund, a defined benefit final average pension plan and the Voluntary Contributions Fund, a defined contribution plan.

**.101** In 1994, the Plan received contributions of \$32.1 million from teachers and \$96.7 million from the Minister of Finance. At June 30, 1994, the Plan held assets of \$1,023.4 million and had liabilities of \$2,830.0 million. The Public Accounts Compendium includes the Plan's financial statements for 1993 and 1994 at pages B293 and B304.

### Our audit conclusions and findings

**.102** In our opinion:

- the Plan's financial statements are reliable;
- the Commission complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .120 to .136; and
- the Commission had adequate rules and procedures to safeguard and control the Plan's assets, except for the significant deficiencies reported in paragraphs .103 to .119.

---

### Accurate and complete pension data required

**.103** The Commission needs accurate and complete data on members of the pension plan.

**.104** The collective bargaining agreements (agreements) of 1990 and 1993 made many changes to the Teachers' pension plan. In 1992, the Commission attempted to handle the changes by creating a new computer system. The Commission later abandoned this system because it could not cope with the volume of changes arising from the agreements. In 1993, the Commission bought a new computer system and began the process of recording data on members in the new system. The new computer system became operational in 1994.

**.105** The changes to the collective agreements resulted in the Commission having more members. The Commission had to

obtain accurate information about these members and record the information in the new computer system. The Commission also found and corrected many errors and incomplete data when it transferred members' records from the old to the new computer system.

**.106** The extra work arising from the agreements and the need to establish a new computer system caused a delay in completion of the data required by the actuary to value benefits under the Plan. This delay caused a delay in completion of the financial statements for the years ended June 30, 1993 and 1994.

**.107** The Commission's staff continues to work on obtaining accurate and complete data on Plan members. Staff are also recording the data on Plan members in the new computer system.

**.108** More work needs to be done to ensure Plan members' records are complete and accurate. The computer system should contain accurate and complete data on all members to compute the amount owed to these members accurately and promptly.

**.109** The Commission also needs to change its accounting policies and procedures manual. The manual needs to include policies and procedures for the new computer system.

We recommend

**.110** The Commission should ensure its computer system contains accurate and complete information on all members.

**.111** The Commission should change its policies and procedures manual to include the policies and procedures for the new computer system.

**.112** The Commission told us it started the new computer system including changes to administration caused by the agreements and the actuarial work as quickly as limited resources permitted. The Commission also told us it now has a system to obtain timely actuarial valuations in the future.

---

Better internal financial reports required

---

**.113** The Commission needs better internal financial reports.



---

---

## Chapter 10 Department of Education, Training and Employment

---

---

.114 The Commission is responsible for the administration of the Plan. To make effective operating decisions, it needs timely and accurate reports. It also needs to provide guidance to staff on the format of the reports required and how often it needs them.

.115 The Commission has not formally defined and documented its internal reporting needs. The Commissioners and senior management need to formally define their internal information needs to ensure they receive suitable and timely reports for decision making. The Commission's manual should document these internal reporting needs.

.116 The Commissioners and senior management need to receive internal financial reports showing the Plan's financial position and results of operations. The reports should include the following information:

- financial reports prepared in accordance with generally accepted accounting principles;
- actual contributions received/receivable from teachers and the Minister of Finance;
- earnings of the Plan;
- actual transfers and other contributions received/receivable by the Plan;
- pensions, transfers, disability benefits, refunds and operating expenses paid/payable from the Plan;
- actual asset holdings;
- a comparison of budget to actual results and written explanations for key differences;
- who is to do variance analysis and when; and
- projected results to year end.

.117 Currently, the Commissioners and senior management do not receive reports showing the money owed and due, and

all revenues and expenses of the Plan. Without these reports the risk of incorrect decisions increases.

We recommend

**.118** The Commissioners should provide written guidance on the format and how often to provide the internal financial reports.

**.119** The Commission told us it provides monthly reports to the Department who includes them in monthly reports to Treasury Board.

---

Annual reports should be timely

---

**.120** The Commission did not comply with *The Tabling of Documents Act, 1991*.

**.121** *The Tabling of Documents Act, 1991* required tabling of the 1993 annual report by February 28, 1994 and the 1994 annual report by February 27, 1995.

**.122** The Commission has not yet tabled the 1993 and 1994 annual reports.

**.123** We also previously reported the Commission's failure to table its 1991 and 1992 annual reports on time in our 1994 Fall Report and in our 1995 Fall Report.

We recommend

**.124** The Commission should table its annual report by the date required by law.

**.125** The Commission told us the delay resulted from problems with its previous computer system and the increased complexity of running the Plan following the new collective agreements.

---

Investments should comply with the law

---

**.126** The Voluntary Contributions Fund's (Fund) investments did not comply with the law.

**.127** Law on pension plan investments aims to reduce the risk of loss to pension plans.

**.128** The Commission's contract with its investment manager requires the manager to ensure its investments comply with the law.

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

.129 The law requires that no one investment exceed 10% of the Fund's total investments. In one case, an investment exceeded the maximum amount. The investment was \$375,000 or 21.4% of the Fund's total investments.

.130 We advised the Commission of the error during the audit. The Commission corrected the error.

We recommend

**.131 The Commission should ensure its investments comply with the law.**

.132 The Commission told us it is unclear why this breach occurred but they reminded the investment manager to follow the policy.

---

Shares improperly registered

---

.133 The Plan's shares in Greystone Capital Management Inc. (Greystone) are not properly registered.

.134 *The Business Corporations Act*, provides that only persons may incorporate a corporation. This Act defines "person" to include an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative.

.135 The Plan is a shareholder in Greystone along with several other public sector pension plans and Crown agencies. The Plan's Greystone shares are registered in the name of the Teachers' Superannuation Fund. The Greystone shares are not registered properly because the shareholder described is a fund, not a person or legal entity.

We recommend

**.136 The Commission should properly register the Plan's shares.**

**New Careers Corporation**

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

.138 In 1995, NCC had revenue of \$19.7 million and held assets of \$4.8 million at March 31, 1995. NCC's annual report includes its financial statements.

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

Our audit conclusions  
and findings

**.139** In our opinion:

- NCC's financial statements are reliable;
- NCC complied with the authorities governing its activities related to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and
- NCC's rules and procedures to safeguard and control its assets were adequate except for the matters reported in paragraphs .140 to .150.

---

Written rules and  
procedures needed  
for internal reporting

---

**.140** NCC needs written rules and procedures for the preparation of internal financial reports.

**.141** Written rules and procedures help ensure reports contain the information needed by senior management. They also help ensure results and variance explanations are presented consistently.

**.142** The rules and procedures should set out:

- directions for preparing financial reports using the accrual basis of accounting;
- the content of financial reports including comparing planned results with actual results for the period and year to date and projecting revenues and expenditures to year end, based on current information;
- factors used to identify significant variances and to explain them using activity levels when possible;
- staff responsible for preparing and reporting variance analyses; and
- staff responsible for monitoring and reporting the results of variance analyses.

We recommend

**.143** NCC should establish written rules and procedures for preparing internal financial reports.

---

---

## Chapter 10 Department of Education, Training and Employment

---

---

.144 NCC told us it is reviewing its financial administration manual and plans to include rules and procedures for preparing internal financial reports in its review.

---

Financial reports  
need improvement

---

.145 NCC's internal financial reports need to provide information necessary to evaluate performance.

.146 NCC's internal financial reports account for construction revenue using the cash basis of accounting. NCC should account for this revenue using the accrual basis of accounting because it best matches revenue and expenses. Matching of revenue and expenses allows management to focus on trouble spots promptly.

We recommend

**.147 NCC should improve its internal financial reporting by accounting for construction revenue using the accrual basis of accounting.**

---

Changes to accounting  
records need approval

---

.148 There is no evidence management promptly reviews and approves changes to the accounting records.

.149 NCC changes its accounting records by "journal entries". Unauthorized journal entries may result in inaccurate financial records and conceal misappropriated assets. We found several instances where there was no evidence management had approved the journal entries.

We recommend

**.150 Management should evidence their review and approval of changes to the accounting records.**

# Chapter 11

## Department of Justice

---

---

### Table of Contents

<b>Introduction</b> . . . . .	<b>.01</b>
Special purpose funds and Crown agencies . . . . .	.05
Our audit conclusions and findings . . . . .	.06
Complete and accurate financial reports needed . . . . .	.07
Segregation of duties required . . . . .	.14
New financial agreement needed . . . . .	.20
Provincial Comptroller's guidelines should be followed . . . . .	.28
New financial systems required . . . . .	.33
<b>Correctional Facilities Industries Revolving Fund</b> . . . . .	<b>.39</b>
Our audit conclusions and findings . . . . .	.41
Credit policy should be followed . . . . .	.42
Inventory records required . . . . .	.47
Contract costs require monitoring . . . . .	.53

# Chapter 11

## 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. It also regulates private sector pensions, credit unions and businesses.

**.03** The Department received \$172 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$50 million of revenue. Information about the Department's revenue and expenses appears in Volume 2 of the Public Accounts.

**.04** The following is a list of major program estimates.

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Policing Services	\$ 64.22	\$ 63.17
Adult Corrections	42.10	44.62
Court Services	21.06	20.08
Registry and Regulatory Services	9.38	9.50
Accommodation and Central Services	13.03	13.24
Legal Services	11.16	11.04
Administration	6.97	6.89
Boards and Commission	4.25	4.05
	<u>\$ 172.17</u>	<u>\$ 172.59</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

---

---

## Chapter 11 Department of Justice

---

---

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

Our audit conclusions  
and findings

**.06** In our opinion:

- the financial statements for the funds and agencies listed in paragraph .05 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; and
- the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for where we report otherwise in this Chapter.

---

Complete and  
accurate financial  
reports needed

---

**.07** The Department's rules and procedures for preparing internal financial reports need improvement. Also, the reports do not provide accurate and appropriate information for supervising operations and safeguarding and controlling the Department's assets.

**.08** We reported this matter in our 1993 Annual Report and our 1995 Spring Report. Our 1993 Report described the deficiencies in the Department's rules and procedures for preparing financial reports and the deficiencies in the financial reports themselves. Some deficiencies continued for 1995. We have not repeated the deficiencies in this Report. Instead, this Report describes the actions taken by the Department during 1994-95.

**.09** While the Department is acting on our concerns, some of our recommendations from our 1993 Annual Report on this matter remain relevant. Therefore, we repeat those recommendations in paragraphs .12 to .13.



---

---

## Chapter 11 Department of Justice

---

---

**.10** The Department carried out the following steps in response to our recommendations in 1994-95:

- The Department continued to work on developing a strategic plan. The focus will be on:
  - setting goals;
  - measuring outcomes; and
  - evaluating and reporting results.
- The Department prepared a forecast manual and developed better procedures for preparing variance analysis. This material is a first step in strengthening internal financial reporting rules and procedures.
- The Department made improvements to its fine collection system (Justice Automated Information Network system). The improvements allow management to track by location:
  - amounts due to the Department for traffic tickets and fines levied by the courts;
  - collections of fine revenue; and
  - accruals on a monthly basis.

**.11** Management is now able to assess fine collection trends and identify variances for follow-up.

**We recommend**

**.12** The Department should establish written policies and procedures for preparing periodic financial reports for approval by the Deputy Minister. 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;

---

---

## Chapter 11 Department of Justice

---

---

- **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.**

**.13 The Department should continue to improve its internal financial reports for all program areas. Using the accrual basis of accounting, the reports should:**

- **provide a comparison of the actual results 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**
- **include forecasts of revenue and expenditures to the year end showing budget information based on levels of activity whenever possible.**

---

Segregation of duties  
required

---

**.14 The Department needs to better segregate the duties of employees using its fine collection (JAIN) computer systems.**

**.15 The Department uses the JAIN system to record financial transactions for the provincial court payment inquiry centre and regional court offices. The Public Accounts shows the Department manages approximately \$10 million of revenue in this system.**

**.16 Segregation of duties is inadequate when one person can conceal an error or fraud. With computer systems, restricting access to various programs and files by use of confidential user passwords often achieves this segregation.**

**.17 Employees at court offices and at the court information centre receive cash and record it in the JAIN system. These employees also have unrestricted access to the records of money due to the Department for traffic tickets issued or fines assessed by the courts. In addition, the Department does not keep user passwords confidential.**

---

---

## Chapter 11 Department of Justice

---

---

.18 These deficiencies allow the possibility of unauthorized access to the JAIN system files and money being misapplied without timely detection.

**We recommend**

**.19 The Department should adequately segregate the duties of its employees.**

---

New financial agreement needed

---

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

.21 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.

.22 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 .21. However, this agreement expired March 31, 1993.

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

- if the Government of Canada will pay the Department's full costs for administering the firearms control program; and
- if the fees collected for the Government of Canada in the interim period are assessed using appropriate rates.

.24 We also reported this matter in our 1995 Spring Report.

---

---

## Chapter 11 Department of Justice

---

---

**We recommend**

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

**.26** The Department told us it completed an analysis of the costs of the program. From this analysis, the Department found it would not recover 100% of its costs for administering this program under the proposed new agreement. The Department will continue to work with the Government of Canada to obtain a new financial agreement to allow the Department to recover its full costs.

**.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:

*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.*

---

Provincial  
Comptroller's  
guidelines should be  
followed

---

**.28** The Department's regional and branch 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 and branch offices. We examined the reports issued by the Department's internal auditor and audited certain offices directly.

**.30** The internal auditor's reports and our audit work noted many instances where the 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;

---

---

## Chapter 11 Department of Justice

---

---

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

.31 We also reported this matter in previous reports.

We recommend

.32 The Department should either:

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

---

New financial systems required

---

.33 The Department also did not follow the Financial Administration Manual (FAM) guidelines when it changed its financial systems.

.34 The Department changed its JAIN computer system.

.35 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.

.36 We also reported this matter in our 1995 Spring Report.

We recommend

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

.38 The Department told us it asked the Provincial Comptroller to become involved in the changes to the JAIN system and to approve the changes.

---

---

## Chapter 11 Department of Justice

---

---

**Correctional  
Facilities Industries  
Revolving Fund**

**.39** 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.

**.40** The Fund had revenue of \$1.3 million in 1995 and held assets of \$785 thousand at March 31, 1995. The Fund's financial statements are included in the Public Accounts Compendium at page A153.

Our audit conclusions  
and findings

**.41** 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 deficiencies reported in paragraphs .53 to .58; and
- the Department complied with the authorities governing the Fund's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .42 to .52.

---

Credit policy should  
be followed

**.42** The Department did not follow the Financial Administration Manual (FAM) issued by the Provincial Comptroller for extending credit to customers.

**.43** 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.

**.44** The Department allowed credit to its customers for periods exceeding 30 days without obtaining the Provincial Comptroller's approval.

**.45** We also reported this matter in our 1995 Spring Report.

We recommend

**.46** The Department should obtain Provincial Comptroller approval when extending credit to customers for a period exceeding 30 days.

---

---

## Chapter 11 Department of Justice

---

---

Inventory records  
required

.47 The Department did not comply with the Financial Administration Manual (FAM) issued by the Provincial Comptroller for inventory records.

.48 The Department held inventories of \$283,000 at March 31, 1995. The inventories include materials, work-in-process and finished goods.

.49 The FAM (Section 630-3(c)) requires the Department to keep prescribed inventory records.

.50 The FAM allows 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.

.51 We also reported this in our 1995 Spring Report.

We recommend

.52 The Department should either:

- keep the prescribed inventory records; or
- request an exemption from the Provincial Comptroller.

---

Contract costs  
require monitoring

.53 The Department needs to establish adequate rules and procedures to monitor costs of large contracts.

.54 The Department's records should be improved 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.

.55 As each project is completed, it moves through various Divisions. Each Division keeps records of its project costs. There is no single record showing the total cost of a project at a point in time. Therefore, the Department does not know if it is completing contracts within planned costs.

.56 We also reported this matter in our 1995 Spring Report.

We recommend

.57 The Department should establish rules and procedures to monitor the costs of large contracts.

---

---

## Chapter 11 Department of Justice

---

---

.58 Management told us cost information could be manually calculated by analysis of accounts. They are working at having a system in place to compare actual and estimated costs for large jobs for the 1995-96 year.



**Chapter 12**  
**Department of Social Services**

---

---

**Table of Contents**

<b>Introduction</b> . . . . .	<b>.01</b>
Trust fund and Crown agency . . . . .	<b>.04</b>
Background . . . . .	<b>.05</b>
Our audit conclusions and findings . . . . .	<b>.06</b>
Financial reports need improvement . . . . .	<b>.08</b>
Policies and procedures need to be followed . . . . .	<b>.17</b>
Agreements need improvement . . . . .	<b>.26</b>
Supervision of duties . . . . .	<b>.33</b>
Agreements need improvement . . . . .	<b>.37</b>
<b>Case planning for social assistance clients (follow-up)</b> . . . . .	<b>.44</b>
Background . . . . .	<b>.44</b>
Our follow-up procedures . . . . .	<b>.46</b>
Department action . . . . .	<b>.47</b>
Our plans . . . . .	<b>.53</b>
References . . . . .	<b>Page 246</b>

## Chapter 12

### Department of Social Services

#### Introduction

**.01** The Department is to:

- help families care for and support their members;
- provide basic income support for those in need;
- work to reduce the risks and disadvantages of poverty;
- protect children from abuse and neglect;
- provide services for youth in conflict with the law;
- promote a standard quality of day care; and
- support independent community-based services for people with mental and physical disabilities.

**.02** The Department received \$527 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$230 million of revenue from Federal Government cost sharing. Information about the Department's expenses appears in Volume 2 of the Public Accounts at page 193.

**.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	\$ 303	\$ 318
Family and Youth Services	50	55
Community Living	48	47
Regional Service Centres	34	33
Child Care	14	14
Saskatchewan Income Plan	14	15
Accommodation and Central Services	12	12
Payments to new Careers Corporation	9	9
Family Income Plan	6	4
Payments to Saskatchewan Legal Aid Commission	8	8
Other	11	12
	<u>\$ 509</u>	<u>\$ 527</u>

---

---

## Chapter 12 Department of Social Services

---

---

Trust fund and  
Crown agency

**.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 many 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 Department told us the issues it faces include:

- Increased demand for services

Since 1990, the Federal Government has reduced 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 1995, the Department's expenses have increased from \$390 million to \$527 million (35%) with its revenues increasing from \$176 to \$230 million (31%). 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

---

---

## Chapter 12 Department of Social Services

---

---

Government announced a block funding arrangement called the Canada Health and Social Transfer (CHST). The CHST will replace existing cost-sharing arrangements. The Federal Government also announced further cutbacks to the UI Program. 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 conclusions  
and findings

---

**.06** In our opinion:

- the financial statements for the Trust Account and the Crown agency listed in paragraph .04 are reliable;
- the Department and its agency had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter.
- the Department and its agency complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

**.07** In addition, we report on the Department's progress in applying recommendations in our 1995 Spring Report on the

---

---

## Chapter 12 Department of Social Services

---

---

Department's Case Planning systems and practices. Paragraphs .44 to .53 describe our procedures and the Department's progress. Our procedures do not constitute an audit.

---

Financial reports need improvement

---

**.08** In our opinion, the Department needs better internal periodic financial reports to safeguard and control the Department's revenues and expenditures.

**.09** The Department does not always use accrual accounting to prepare its periodic financial reports. The Department uses accrual accounting to report on the Saskatchewan Assistance Plan. However, it does not use accrual accounting to report on other programs.

**.10** The Deputy Minister receives periodic financial reports that show and explain variances between the current and previous expenditure forecasts and between forecast and budget. The reports use activity levels to explain variances between the current and previous expenditure forecasts in the Income Security Division. Senior management also receives activity level information for other programs, but it needs to improve linking that activity information to its financial information.

**.11** The reports also show variances between monthly actual expenditure compared to monthly budget. However, these variances are not explained to senior management.

**.12** We also reported this matter in our 1995 Spring Report.

We recommend

**.13** The Department should continue to improve its periodic financial reports 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 when possible.

**.14** During the year, senior management initiated changes to the Department's financial and program reporting activities. The reporting objectives are:

---

---

## Chapter 12 Department of Social Services

---

---

- to bring together financial and program reporting on a monthly and quarterly basis;
- to ensure the Department has access to relevant and timely analysis with respect to financial and program trends (including program activity levels);
- to ensure regions, program divisions and the Department as a whole are fully accountable for expenditures and program activities;
- to allow for appropriate and timely local and corporate decision making in financial and program management; and
- to establish a formalized work plan reporting system for all programs and divisions.

**.15** The Department continues to move forward the initiatives set out by senior management.

**.16** Once the Department meets the objectives set out by senior management it will meet the recommendations in paragraph .13.

---

Policies and procedures need to be followed

---

**.17** The Department needs to follow its rules and procedures to ensure only eligible persons receive the right amount of assistance.

**.18** The Department has rules and procedures for paying assistance. The Department also has rules and procedures to monitor how well it ensures only eligible persons receive the right amount of assistance. Some examples of its monitoring rules and procedures are:

- auditing assistance payments after payments are made, compiling the results and comparing the results with a pre-established acceptable error rate;
- periodic comparison of social insurance numbers with other provinces to ensure that a client is only collecting benefits from one province; and

---

---

## Chapter 12 Department of Social Services

---

---

- on line Unemployment Insurance enquiry to ensure that clients are reporting all income to case workers.

.19 The Department did not adequately monitor the audits done by the Financial Service Workers (FSWs). As a result, the program report prepared from the FSW's work may not be reliable.

.20 The Department paid \$317 million in social assistance for the year ended March 31, 1995. To ensure that only eligible clients receive eligible assistance, FSWs do audits and the Department's Quality Improvement staff compile the results. The purpose of the audits is to ensure assistance payments are in accordance with the law and Department policies. The procedures for the audits are in a FSW Manual. The Manual requires FSWs to verify client circumstances (e.g., living arrangements, employment status and personal income) by independent means.

.21 The audit results are reported annually. Since, by the nature of social assistance, errors are unavoidable, the Department has set its target error rate at 4% of total social assistance payments. If the calculated error rates are not within the target error rate, the Department may need to change its procedures for paying assistance.

.22 We note the following areas where staff did not follow established policies and procedures for determining the actual error rate for social assistance payments:

- FSWs did not verify client circumstances adequately. In several cases, no support for payments exists in the client files. We found no evidence of follow-up for these cases.
- FSWs did not do timely audits. Sometimes the audits were not done more than 4 months after the month of payment. The Manual requires timely audits. However, the manual does not define timely.
- FSWs did not properly document their work. Sometimes, FSWs did not sign required forms. Also, sometimes FSWs did not document

---

---

## Chapter 12 Department of Social Services

---

---

whether they verified client circumstances with home visits. The Manual requires FSWs to sign required forms and properly document their work.

- We found 3 cases, out of 138 cases we examined, where the person doing the audit was involved with the client in the past. The Department has a conflict of interest policy in the Manual. The Manual requires FSWs to inform their supervisor of any possible conflict of interest. The supervisor decides if the FSW should continue with the audit. We found no evidence of the supervisor's decision for the 3 cases.
- The Quality Improvement team did not compile the audit results accurately. When the audits are complete, the team compiles the audit results and calculates the error rates. We found 5 cases where they did not compile the audit results correctly.

**.23** We are unable to determine that only eligible clients received the right amount of assistance because the Department has not followed its rules and procedures.

**We recommend**

**.24** The Department should monitor the audits done by the Financial Service Workers to ensure the Department's rules and procedures are followed.

**.25** The Department told us steps have been taken to ensure timely and thorough program audits are done. This is being accomplished by additional training and closer monitoring of the audit process.

---

Agreements need improvement

---

**.26** The Department's agreements with Community-Based Organizations (CBO) need improvement.

**.27** Annually, the Department makes service agreements with many CBOs. Payments made to these organizations totalled \$44 million for the year ended March 31, 1995. The organizations provide various social services for the Department.



---

---

## Chapter 12 Department of Social Services

---

---

.28 In our opinion, adequate service agreements:

- set out clearly financial, operational and compliance with authorities objectives;
- require the CBO have systems to carry out the objectives and to report to the Department on their systems;
- require the CBO to report to the Department periodically on how well it has achieved the objectives;
- allow the Department or an independent auditor to verify the CBO's report; and
- describe how the Department will provide funding to the CBO.

.29 The agreements set out the Department's financial and compliance with authorities objectives, allow the Department to verify reports received and describe the basis of funding the Department will provide to the CBOs. However, the agreements do not clearly set out the Department's operating objectives such as decreasing repeat young offenders through a day program. Also, the agreements do not require the CBOs to establish and report on their systems to achieve the financial, compliance with authorities and operational objectives, nor to report on how well they have achieved the objectives.

.30 The Department does require the CBOs to explain their operational objectives and how they evaluate their effectiveness when they apply for funding. However, we found no evidence the Department provided CBOs guidance on how to evaluate their effectiveness. Also, the service agreements do not refer to the application.

.31 The Department remains responsible for social services provided by CBOs. Therefore, adequate service agreements are essential.

**We recommend**

**.32 The Department should continue to strengthen service agreements for Community-Based Organizations.**

---

---

## Chapter 12 Department of Social Services

---

---

Supervision of duties

**.33** The Department did not adequately supervise the duties of the person responsible for making changes to the accounting records (journal vouchers).

**.34** We found 18 instances where the person who prepared the journal voucher also approved the journal voucher.

**.35** This lack of supervisory control could result in inaccurate accounting records and incorrect management decisions.

We recommend

**.36** The Department should supervise employees responsible for making changes to accounting records.

---

Agreements need improvement

**.37** The Department's service agreements with 5 Indian Bands for providing social assistance payments to off-reserve Indians need improvement.

**.38** The Department entered into agreements with 5 Indian Bands in which the Bands would administer social assistance for the Department to off-reserve Indians.

**.39** In our opinion, adequate service agreements:

- clearly set out financial, operational and compliance with authorities objectives;
- require the Indian Bands to have systems to carry out the objectives and to report to the Department on those systems;
- require the Indian Bands report to the Department periodically on how well they have achieved the objectives;
- allow the Department or an independent auditor to verify the Band's reports; and
- describe how the Department will provide funding to the Indian Bands.

**.40** The agreements set out the financial, operational and compliance objectives and allow the Department to verify reports received, and describe the basis of funding. However,

---

---

## Chapter 12 Department of Social Services

---

---

we found the agreements do not require the Indian Bands to establish and report on their systems to achieve the financial, compliance and operational objectives, nor report to the Department on how well they have achieved the objectives.

.41 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.

.42 We also reported this matter in our 1995 Spring Report.

We recommend

.43 The Department should strengthen its service agreements with Indian Bands.

### Case planning for social assistance clients (follow-up)

#### Background

.44 In 1994-95, we assessed whether the Department had adequate systems and practices to develop, record, carry out, update and evaluate case plans to achieve long term independence for employable social assistance clients. We made four recommendations to the Department. This report presents the results of our review of actions the Department took in response to our recommendations.

.45 In our 1995 Spring Report (Chapter 15, p.167), we recommended:

- *The Department should provide workers with complete written guidance to carry out, record and revise case plans.*
- *The Department should establish clear criteria to identify clients most likely to benefit from case planning.*
- *The Department should provide a system that helps workers consistently record current case planning information and progress toward client goals.*
- *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.*

---

---

## Chapter 12 Department of Social Services

---

---

Our follow-up  
procedures

.46 To decide if the Department adopted the above recommendations, we carried out the following procedures. We reviewed various reports the Department released in 1995 and early 1996 on social assistance. We interviewed Department officials, and considered whether the environment for providing social assistance has changed.

---

Department action

.47 In our 1995 Spring Report we reported that the Department faced several important issues that affected both its operations and the programs it offers. We reported these issues as follows:

- increased demand for services due to changes in Federal Government programming, our economy and the labour market;
- anticipated changes in funding from the Federal Government for social assistance programs; and
- the need to respond effectively to the needs of First Nations people.

Paragraph .05 more fully explains these issues.

.48 Because of these issues and as a follow-up to our audit, the Department researched the effect of case plans. The Department studied the impact of case planning on barriers to employment (e.g., lack of education), and on the time it took clients to become independent of social assistance. In September 1995, the Department released the results of this research.

.49 The research suggested good case planning for employable clients reduced the number of barriers to employment. The research also indicated some employable clients benefited from case planning more than others. It suggested the Department do active case planning with those clients who benefit most, as a way to make efficient use of Department resources (Social Services, 1995, p.16-25).

.50 In 1995, because of pressures from identified issues and because of its research, the Department reconsidered its social assistance programs. It concluded that "Saskatchewan cannot afford to have social assistance costs increase further" and

---

---

## Chapter 12 Department of Social Services

---

---

“social assistance must be redesigned . . . ” (Social Services, 1996, p.6).

.51 In January 1996, the Department released a discussion paper called “*Redesigning Social Assistance - Preparing for the New Century.*” This paper described the current social assistance programs in Saskatchewan and key issues facing these programs. It also called for the redesign of these programs and set out the Government’s proposed changes. The Government asked the public for their opinion.

.52 Due to this key initiative, the Department delayed introduction of the changes suggested by our recommendations. Instead, the Department plans to wait until the Government decides whether to redesign these programs. Once this decision is made, the Department plans to use our recommendations in developing the new programs and procedures.

---

Our plans

---

.53 Our Office will continue to monitor the Department’s actions with respect to case planning for employable social assistance clients. We will report our findings in the future.

---

References

---

Provincial Auditor Saskatchewan. (1995). *Report of the Provincial Auditor Saskatchewan: Spring 1995*. Regina: Author.

Government of Saskatchewan. (1996). *Redesigning Social Assistance: Preparing for the New Century*. Regina: Author.

**Chapter 13**  
**Department of Agriculture and Food**

---

---

**Table of Contents**

<b>Introduction</b> . . . . .	<b>.01</b>
Special purpose funds and Crown agencies . . . . .	.05
Our audit conclusions and findings . . . . .	.06
System development controls needed . . . . .	.10
New systems need approval . . . . .	.17
Accurate estimate of bad debts needed . . . . .	.20
Financial reports should be accurate . . . . .	.25
Better internal reports needed . . . . .	.30
Credit checks needed . . . . .	.35
Control over cash receipts needed . . . . .	.40
<b>Agricultural Credit Corporation of Saskatchewan</b> . . . . .	<b>.44</b>
Our audit conclusions and findings . . . . .	.46
Fees need approval . . . . .	.52
<b>Agricultural and Food Products Development and Marketing Council</b> . . . . .	<b>.62</b>
Annual report needs financial statements . . . . .	.63
More supervision required . . . . .	.69
<b>Beef Development Board</b> . . . . .	<b>.74</b>
Our audit conclusions and findings . . . . .	.76
Budget needed . . . . .	.78
Policy manual is needed . . . . .	.83
Internal reporting needs improvement . . . . .	.88

## Chapter 13 Department of Agriculture and Food

---

---

### Table of Contents

External financial reporting needs improvement . . . . .	.92
Planned results needed . . . . .	.95
<b>Cattle Marketing Deductions Fund . . . . .</b>	<b>.98</b>
Our audit conclusions and findings . . . . .	.100
Budget needed . . . . .	.102
Internal reporting needs improvement . . . . .	.108
Updated manual needed . . . . .	.112
External financial reporting needs improvement . . . . .	.117
Planned results needed . . . . .	.125
<b>Horned Cattle Fund . . . . .</b>	<b>.128</b>
Our audit conclusions and findings . . . . .	.130
Budget needed . . . . .	.132
Internal reporting needs improvement . . . . .	.138
Updated manual needed . . . . .	.142
External financial reporting needs improvement . . . . .	.147
Planned results needed . . . . .	.154
<b>Prairie Agricultural Machinery Institute . . . . .</b>	<b>.157</b>
Our audit conclusions and findings . . . . .	.159
Contingency plan needed . . . . .	.160
Employees pay rates need approval . . . . .	.163
Payments to Council members need approval . . . . .	.169

**Chapter 13**  
**Department of Agriculture and Food**

---

---

**Table of Contents**

<b>Saskatchewan Crop Insurance Corporation</b> . . . . .	<b>.173</b>
Special purpose fund . . . . .	<b>.175</b>
Our audit conclusions and findings . . . . .	<b>.176</b>
Planned results needed . . . . .	<b>.179</b>



## Chapter 13

### Department of Agriculture and Food

#### Introduction

.01 The Department is to foster a commercially viable, self sufficient, sustainable agriculture and food industry.

.02 In 1995, the Department received \$304 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$244 million of revenue. Volume 2 of the Public Accounts reports information about the Department's revenues and expenses at pages 7, 8, 14, 31, 32, and 34 respectively.

.03 The 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	\$ 99	\$ 88
Payments for Gross Revenue Insurance Program	95	84
Payments to Agricultural Credit Corporation	32	32
Payments to Net Income Stabilization Account	31	25
Program Delivery	18	19
Agricultural Research	12	12
Agricultural Development	11	11
Land and Regulatory Management	8	5
Other	15	28
	<u>\$ 321</u>	<u>\$ 304</u>

.04 The following is a list of major sources of revenue.

	<u>Actual</u>
	(in millions of dollars)
Transfers from Government entities	\$ 192
Transfers from the Federal Government	19
Agricultural lands	28
Other	5
Revenue transferred to the General Revenue Fund	<u>\$ 244</u>

## Chapter 13 Department of Agriculture and Food

Special purpose funds and Crown agencies

.05 The Department is responsible for the following special purpose funds and Crown agencies.

Year ended

Agricultural and Food Products Development  
and Marketing Council, including: December 31

- Saskatchewan Broiler Hatching Egg Producers' Marketing Board December 31
- Saskatchewan Canola Development Commission July 31
- Saskatchewan Chicken Marketing Board December 31
- Saskatchewan Commercial Egg Producers' Marketing Board December 31
- Saskatchewan Pulse Crop Development Board August 31
- Saskatchewan Sheep Development Board December 31
- Saskatchewan Turkey Producers' Marketing Board December 31
- Saskatchewan Vegetable Marketing and Development Board June 30
- SPI Marketing Group December 31

Agricultural Credit Corporation of Saskatchewan	March 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Cattle Marketing Deductions Fund	March 31
Conservation & Development Revolving Fund	March 31
Crop Reinsurance Fund of Saskatchewan	March 31
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
South Saskatchewan River Irrigation District #1	December 31
Tripartite Beef Administration Board	March 31

---

---

## Chapter 13 Department of Agriculture and Food

---

---

Our audit conclusions  
and findings

**.06** Our 1995 Fall Report contains our audit findings for Crown agencies with fiscal years ending on or before December 31, 1994, except the Agricultural and Food Products Development and Marketing Council. We include it in this Report.

**.07** 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; and
- the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter.

**.08** Due to established priorities, we have not completed our audit of the Conservation and Development Revolving Fund. We will report our conclusions and findings in a future report to the Assembly.

**.09** Also, we have not audited several of the Crown agencies listed in paragraph .05. We are trying to decide the best approach to auditing the following smaller producer elected boards:

Saskatchewan Broiler Hatching Egg Producers'  
Marketing Board  
Saskatchewan Chicken Marketing Board  
Saskatchewan Commercial Egg Producers' Marketing  
Board  
Saskatchewan Pulse Crop Development Board  
Saskatchewan Sheep Development Board  
Saskatchewan Turkey Producers' Marketing Board  
Saskatchewan Vegetable Marketing and Development  
Board

---

---

## Chapter 13 Department of Agriculture and Food

---

---

System development  
controls needed

**.10** The Department needs written rules and procedures for developing new information systems.

**.11** Developing new systems is risky. If the development of new systems is not managed well, costs increase, deadlines pass, and systems fail.

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

- it knows what information staff need;
- new systems provide the information staff need;
- it has procedures to convert information from old systems to new systems;
- all staff involved in system development and acquisition have adequate training and supervision;
- staff adequately test systems and computer programs before using them;
- management approves all changes to computer systems;
- management controls access to computer information and programs; and
- backup and recovery plans exist that allow staff using systems to resume operation if an interruption in computer processing occurs.

**.13** The Department should have a process to direct and monitor development of new systems. The process should include comparisons of actual results to planned activities, including expected costs, expected benefits, key milestone dates and key features.

**.14** In 1995, the Department replaced its land management system with a new system. However, it had problems setting up the new system.

**.15** The Department was unable to produce useful reports from October 1994 to March 1995. Reports produced by the

---

---

## Chapter 13 Department of Agriculture and Food

---

---

new system were incomplete and inaccurate. Also, we found errors in the Department's records of sales, lease agreements, accounts receivable, and land held for sale. As a result, the Department did not have the reports needed to manage land operations and to prepare accurate financial reports.

**We recommend**

**.16 The Department should establish written rules and procedures for developing new systems.**

---

New systems need approval

**.17 The Department needed the Provincial Comptroller's approval before setting up the new land management system.**

**.18 The Financial Administration Manual requires Departments to get the Provincial Comptroller's approval before setting up new systems. This approval process helps ensure new systems comply with control standards and sound management practice.**

**We recommend**

**.19 The Department should have the Provincial Comptroller's approval before setting up new systems.**

---

Accurate estimate of bad debts needed

**.20 The Department should strengthen its rules and procedures to estimate the amounts it will not collect (bad debts) from clients who lease, rent, and buy Crown land.**

**.21 The Department needs to estimate its bad debts to prepare accurate financial reports. At March 31, 1995, the Department estimated its bad debts for leases, rentals, and instalment sales contracts were \$17 million.**

**.22 We found the Department's client account analysis was not adequate to support its estimate of bad debts. Also, the Department's record of the reasons for its estimate of bad debts was incomplete.**

**.23 We also reported this matter in our 1995 Spring Report.**

**We recommend**

**.24 The Department should have adequate rules and procedures to estimate its bad debts.**

---

Financial reports should be accurate

**.25 The Department's financial reports were inaccurate.**

---

---

## Chapter 13 Department of Agriculture and Food

---

---

.26 The weaknesses in the Department's rules and procedures for developing new systems (paragraphs .10 to .16) and for estimating bad debts (paragraphs .20 to .24) resulted in the Department preparing inaccurate financial reports.

.27 The Department's financial reports included amounts due from lessees and purchasers of Crown land. The reports also included the cost of agricultural land held for sale. We found the Department incorrectly recorded these amounts in its financial reports.

.28 We also reported this matter in our 1995 Spring Report.

We recommend

**.29 The Department should have adequate rules and procedures to ensure its financial reports are accurate.**

---

Better internal reports needed

.30 The Department needs better internal reports to safeguard and control its assets.

.31 The Department needs to define its internal reporting needs. Defining its needs will help ensure it prepares suitable and timely reports. Without such reports, it cannot properly monitor and direct its operations. Also, written policies are important to ensure reports prepared by various staff are consistent and accurate.

.32 The Department should record its policies and procedures in a manual setting out:

- management's information needs. For example, the Department should prepare its financial reports using the accrual basis of accounting and include:
  - a comparison of planned results for the period and year to date to actual financial results; and
  - a forecast 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 that need an

---

---

## Chapter 13 Department of Agriculture and Food

---

---

explanation. Explanations should refer to planned and actual activity levels, if possible;

- who is responsible for preparing and approving the above reports;
- who is responsible for receiving and monitoring the results of the variance analysis;
- operational reports that should be prepared to show the effectiveness of programs, ie. outputs and outcomes; and
- compliance reports that should be prepared to describe laws and other authorities the Department must follow.

**.33** The Department did not prepare adequate internal reports. For example, we observed the following:

- the Department prepared financial schedules using the cash basis of accounting;
- staff did not ensure the accuracy of the accounting records and reports; and
- staff recorded many entries in the records that lacked adequate support or review.

**We recommend**

**.34** The Department should define and document its internal reporting needs.

---

Credit checks needed

**.35** The Department does not check the credit worthiness of lease applicants before leasing them Crown land.

**.36** At March 31, 1995, lease clients owed the Department \$12 million. The Department estimates it will not collect \$9 million from these clients. We think credit checks will significantly reduce the Department's losses from lease clients not paying their accounts.

**.37** The Department told us it began asking about amounts owed to the Agricultural Credit Corporation and the Saskatchewan Crop Insurance Corporation before approving

---

---

## Chapter 13 Department of Agriculture and Food

---

---

new leases. These enquiries are not a substitute for credit checks.

**.38** We reported this matter in our 1995 Spring Report.

**We recommend**

**.39** The Department should check the credit worthiness of all lease applicants.

---

Control over cash receipts needed

---

**.40** The Department should strengthen its control over money it collects.

**.41** The Financial Administration Manual sets out procedures for controlling public money. The Manual requires Departments to make bank deposits daily if money on hand exceeds \$500. We observed several instances where staff did not deposit money in excess of \$500 for several weeks. For example, during the audit, we observed \$71,426 that was not deposited.

**.42** The Manual also requires Departments to safeguard money until staff make bank deposits. We observed staff leaving money unattended and openly accessible.

**We recommend**

**.43** The Department should control and safeguard the money it collects.

**Agricultural Credit Corporation of Saskatchewan**

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

**.45** ACS had revenues of \$86 million and held assets of \$392 million at March 31, 1995. ACS's annual report includes its financial statements.

Our audit conclusions and findings

**.46** My Office worked with Price Waterhouse, ACS's appointed auditor, using the framework recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. Price Waterhouse and my Office formed the opinions referred to in paragraph .47.

**.47** In our opinion, ACS's financial statements are reliable. ACS had adequate rules and procedures to safeguard and control its assets.



---

---

## Chapter 13 Department of Agriculture and Food

---

---

.48 In Price Waterhouse's opinion, ACS complied with the authorities governing its activities relating to financial reporting safeguarding assets, revenue raising, spending, borrowing, and investing.

.49 In our opinion, ACS complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .52 to .61.

.50 We relied on the appointed auditor's report on compliance with authority except for the matter reported in paragraphs .52 to .61. The reporting or non-reporting of this matter is subject to judgement.

.51 *The Provincial Auditor Act* requires us to do additional audit 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 matter with ACS and the appointed auditor.

---

Fees need approval

---

.52 The "capital loss allowance fee" charged by ACS needs approval.

.53 We think the Legislative Assembly created ACS to reduce farmers' cost of borrowing to rates below those available from commercial sources. We believe ACS must interpret and administer *The Agricultural Credit Corporation of Saskatchewan Act* (Act) within that context.

.54 ACS began charging a "capital loss allowance fee" on all capital loans approved after October 1, 1987. This one-time fee is 2% of the sum borrowed. ACS charged fees of \$71,000 in 1995 (\$106,000 in 1994). To March 31, 1995, the accumulated charge for these fees was \$2,276,295.

.55 This fee increases farmers' borrowing rates. We think any increase in farmers' borrowing rates requires Order in Council (Cabinet) approval. Therefore, Cabinet must approve the rate. We also think the Act limits the rates Cabinet can approve. We think Cabinet can approve only rates that are less than a commercial lender's rates.

---

---

## Chapter 13 Department of Agriculture and Food

---

---

.56 We think ACS acted beyond its authority when it began charging this fee in October 1987.

.57 ACS believes the Act gives ACS broad powers. It feels it does not require further authority to charge this fee.

.58 Both ACS and our Office have legal opinions supporting the respective positions. This shows the Act is unclear. Therefore, a future law suit may jeopardize ACS's ability to retain this fee.

.59 We also reported this matter in previous years to the Assembly.

We recommend

.60 ACS should obtain an Order in Council to approve its cost of borrowing rates.

.61 In 1995, the Public Accounts Committee asked the Department and the Provincial Auditor to attempt to resolve this issue. After meetings to discuss the issue, we report that we are not able to resolve the difference in opinion between the Department and our Office.

**Agricultural and  
Food Products  
Development and  
Marketing Council**

.62 *The Agri-Food Act* makes the Council responsible for the operations of the following agencies:

Saskatchewan Broiler Hatching Egg Producers'  
Marketing Board  
Saskatchewan Canola Development Commission  
Saskatchewan Commercial Egg Producers' Marketing  
Board  
Saskatchewan Chicken Marketing Board  
Saskatchewan Pulse Crop Development Board  
Saskatchewan Sheep Development Board  
Saskatchewan Turkey Producers' Marketing Board  
Saskatchewan Vegetable Marketing and Development  
Board  
SPI Marketing Group

Annual report needs  
financial statements

.63 The Council does not include financial statements of development and marketing boards in its annual report to the Legislative Assembly.

.64 The Minister of Agriculture and Food is responsible for the promotion, development, control, and regulation of the

---

---

## Chapter 13 Department of Agriculture and Food

---

---

production and marketing of agricultural products within Saskatchewan. The Minister fulfils some of these duties through development and marketing boards.

**.65** The Minister established the Council to supervise the operation of the boards listed in paragraph .62.

**.66** The Council does not include the financial statements of the boards listed in paragraph .62 in its annual report to the Legislative Assembly. Including the financial statements of these boards in the Council's annual report would improve public accountability.

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

**We recommend**

**.68** The Council's annual report should include the financial statements of all development and marketing boards.

---

More supervision  
required

**.69** The Council does not adequately supervise the operation of the marketing and development boards listed in paragraph .62.

**.70** Without adequate supervision, the Council may be unaware if boards fail to safeguard their assets or comply with laws that govern their activities. During the year, we observed some boards had control deficiencies. Our 1995 Fall Report describes deficiencies at the SPI Marketing Group.

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

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

**We recommend**

**.73** The Council should ensure marketing and development boards have adequate rules and procedures to safeguard and control their assets and to comply with authorities governing their activities.

---

---

## Chapter 13 Department of Agriculture and Food

---

---

### Beef Development Board

**.74** The purpose of the Beef Development Board is to enhance the Saskatchewan beef and beef cattle industry through research, development, and promotional activities. The Department does the administration activities for the Board.

**.75** The Board had revenue of \$2.2 million in 1995 and held assets of \$2.2 million at March 31, 1995.

---

### Our audit conclusions and findings

**.76** In our opinion:

- the Board's financial statements are reliable;
- the Board had adequate rules and procedures to safeguard and control its assets except for the significant deficiencies reported in paragraphs .78 to .94; and
- the Board complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.77** We also report another matter for the Legislative Assembly's attention at paragraphs .95 to .97.

---

### Budget needed

**.78** The Department did not prepare a budget for the Board.

**.79** Budgets are key documents since they can approve a whole year's actions in advance. Also, budgets set goals for expected results.

**.80** Internal financial reports comparing expected results with actual results will help the Board oversee spending. Also, such reports will help the Board decide if it needs to change spending practices.

### We recommend

**.81** The Department should prepare and the Board should approve a budget before the fiscal year begins.

**.82** The Board should receive internal financial reports that show budgeted results compared with actual results.

---

---

## Chapter 13 Department of Agriculture and Food

---

---

Policy manual is needed

**.83** The Department needs an accounting policies and procedures manual for the Board.

**.84** Written guidance forms part of the system of internal control. The lack of a manual increases the risk of a breakdown in controls.

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

- a chart of accounts;
- significant accounting policies; and
- administrative control procedures for all accounting systems.

**.86** Without documented policies and procedures, the Board cannot be assured it operates efficiently and effectively. For example, we observed that staff recorded grants incorrectly.

**We recommend**

**.87** The Department should ensure it documents the accounting policies and procedures of the Board.

---

Internal reporting needs improvement

---

**.88** The Department should have rules and procedures for preparing the Board's internal financial reports.

**.89** The Board needs to advise the Department what reports the Board needs to monitor its operations. Lack of guidance for preparing reports increases the risk of incorrect reports. Incorrect reports can lead to incorrect decisions.

**.90** The Board began operations during 1995. The Board has not established a process for internal financial reporting.

**We recommend**

**.91** The Department should establish rules and procedures for preparing the Board's internal financial reports.

---

---

## Chapter 13 Department of Agriculture and Food

---

---

External financial reporting needs improvement

**.92** The Department needs a system to prepare accurate financial statements for the Board.

**.93** The Board's statements presented for audit contained significant errors. The statements understated grant expenses and accounts payable by \$217,000. We advised the Department of these errors. It corrected the statements.

We recommend

**.94** The Department should establish a system to prepare accurate financial statements using the accrual basis of accounting.

---

Planned results needed

**.95** The Board's published financial statements should include the Board's planned results.

**.96** For proper accountability, we think government financial statements should show planned results. Such information helps legislators and the public understand and assess what the Board planned to do and what it did.

We recommend

**.97** The Board's financial statements should show planned results for each line item on its statement of revenue and expenses.

**Cattle Marketing Deductions Fund**

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

**.99** The Fund had revenue of \$1.3 million in 1995 and held assets of \$1.4 million at March 31, 1995. The Public Accounts Compendium includes the Fund's financial statements at page A222.

Our audit conclusions and findings

**.100** 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 deficiencies reported in paragraphs .102 to .124; and
- the Department complied with the authorities governing activities of the Fund relating to

---

---

## Chapter 13 Department of Agriculture and Food

---

---

financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.101** We also note a matter for the Assembly's attention in paragraphs .125 to .127.

---

Budget needed

---

**.102** The Department did not prepare a budget for the Fund.

**.103** Budgets are key documents since they can approve a whole year's actions in advance. Also, budgets set goals for expected results.

**.104** The Cattle Marketing Deductions Act Advisory Committee approves all spending from the Fund. Internal financial reports comparing expected results with actual results will help the Committee oversee spending from the Fund. Also, such reports will help the Committee decide if it needs to change spending practices.

**.105** We also reported this matter in our 1995 Spring Report.

We recommend

**.106** The Department should prepare and the Committee should approve a budget for the Fund before the fiscal year begins.

**.107** The Committee should receive internal financial reports that show budgeted results compared with actual results.

---

Internal reporting  
needs improvement

---

**.108** The Department should strengthen its rules and procedures for preparing the Fund's internal financial reports.

**.109** The Committee needs to advise staff what reports it needs to monitor the operations of the Fund. Lack of guidance for preparing reports increases the risk of inadequate reports. Inadequate reports can lead to incorrect decisions.

**.110** Staff prepared the Fund's reports using the cash basis of accounting. Staff should have prepared the Fund's reports using the accrual basis of accounting. The reports did not show amounts due to the Fund and amounts it owed. Also, the reports showed incomplete and inaccurate revenue and expenses.

---

---

## Chapter 13 Department of Agriculture and Food

---

---

**We recommend**

**.111** The Department should establish written rules and procedures for preparing the Fund's internal financial reports.

---

Updated manual  
needed

---

**.112** The Department needs to update its accounting policies and procedure manual for the Fund.

**.113** Written guidance forms part of the system of internal control. However, the Department's manual is not up-to-date. The lack of an up-to-date manual increases the risk of a breakdown in controls.

**.114** The Department should keep a record of its administrative policies, procedures, and other reference material. This record can be a guide to staff as they carry out their duties. Recorded policies and procedures, approved by the Committee, will help in the orderly and efficient conduct of business. The manual should include:

- a chart of accounts;
- significant accounting policies; and
- administrative control procedures for all accounting systems.

**.115** We observed the following errors in the Fund's accounts:

- staff recorded grants incorrectly; and
- staff recorded amounts owing to the Fund and owed by the Fund incorrectly.

**We recommend**

**.116** The Department should ensure its accounting policies and procedures manual for the Fund is up-to-date.

---

External financial  
reporting needs  
improvement

---

**.117** The Department needs to improve its system to prepare accurate financial statements for the Fund.

**.118** The Fund's statements presented for audit contained several significant errors. The statements overstated the amount owed to the Fund by \$16,000, deduction revenue and



---

---

## Chapter 13 Department of Agriculture and Food

---

---

commission expenses by \$7,000. Also, they understated the amount due from the General Revenue Fund by \$11,000, grant expenses and accounts payable by \$6,000, and miscellaneous expenses by \$5,000. We advised the Department of these errors. It corrected the statements.

**.119** We also reported this matter in our 1995 Spring Report.

**.120** The Department needs to improve its system to estimate the amount it will not collect from livestock dealers (bad debts).

**.121** The Department needs a better estimate of bad debts to prepare accurate statements for the Fund. We found the Department's client account analysis was not adequate to support its estimate of bad debts. Also, the Department's record of the reasons for its estimate of bad debts was incomplete. At March 31, 1995, the Fund's records showed no bad debts. Later, the Department recorded bad debts of \$5,000.

**.122** We also reported this matter in our 1995 Spring Report.

**We recommend**

**.123** The Department should have adequate rules and procedures to estimate its bad debts.

**.124** The Department should establish a system to prepare accurate financial statements using the accrual basis of accounting.

---

Planned results  
needed

---

**.125** The Fund's published financial statements should include the Fund's planned results.

**.126** For proper accountability, we think government financial statements should show planned results. Such information helps legislators and the public understand and assess what the Fund planned to do and what it did.

**We recommend**

**.127** The Fund's financial statements should show planned results for each line item on its statement of revenue and expenses.

---

---

## Chapter 13 Department of Agriculture and Food

---

---

### Horned Cattle Fund

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

**.129** The Fund had revenue of \$576,000 in 1995 and held assets of \$1 million at March 31, 1995. The Public Accounts Compendium includes the Fund's financial statements at page A242.

Our audit conclusions  
and findings

**.130** 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 deficiencies reported in paragraphs .132 to .153; and
- the Department complied with the authorities governing activities of the Fund relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.131** We also note a matter for the Assembly's attention in paragraphs .154 to .156.

---

Budget needed

**.132** The Department did not prepare a budget for the Fund.

**.133** Budgets are key documents since they can approve a whole year's actions in advance. Also, budgets set goals for expected results.

**.134** The Horned Cattle Purchases Act Advisory Committee approves all spending from the Fund. Internal financial reports comparing expected results with actual results will help the Committee oversee spending from the Fund. Also, such reports will help the Committee decide if it needs to change spending practices.

**.135** We also reported this matter in our 1995 Spring Report.

We recommend

**.136** The Department should prepare and the Committee should approve a budget for the Fund before the fiscal year begins.

---

---

## Chapter 13 Department of Agriculture and Food

---

---

**.137** The Committee should receive internal financial reports that show budgeted results compared with actual results.

---

Internal reporting  
needs improvement

---

**.138** The Department should strengthen its rules and procedures for preparing the Fund's internal financial reports.

**.139** The Committee needs to advise the staff what reports it needs to monitor the operations of the Fund. Lack of guidance for preparing reports increases the risk of inadequate reports. Inadequate reports can lead to incorrect decisions.

**.140** Staff prepared the Fund's reports using the cash basis of accounting. Staff should have prepared the Fund's reports using the accrual basis of accounting. The reports did not show amounts due to the Fund, inventory it held, and amounts it owed. Also, the reports showed incomplete and inaccurate revenue and expenses.

**We recommend**

---

**.141** The Department should establish written rules and procedures for preparing the Fund's internal financial reports.

---

Updated manual  
needed

---

**.142** The Department needs to update its accounting policies and procedure manual for the Fund.

**.143** Written guidance forms part of the system of internal control. However, the Department's manual is not up-to-date. The lack of an up-to-date manual increases the risk of a breakdown in controls.

**.144** The Department should keep a record of its administrative policies, procedures and other reference material. This record can be a guide to staff as they carry out their duties. Recorded policies and procedures, approved by the Committee, will help in the orderly and efficient conduct of business. The manual should include:

- a chart of accounts;
- significant accounting policies; and

---

---

## Chapter 13 Department of Agriculture and Food

---

---

- administrative control procedures for all accounting systems.

.145 We observed the following errors in the Fund's accounts:

- staff recorded grants incorrectly; and
- staff recorded amounts owing to the Fund and owed by the Fund incorrectly.

We recommend

**.146 The Department should ensure its accounting policies and procedures manual for the Fund is up-to-date.**

---

External financial reporting needs improvement

---

.147 The Department needs to improve its system to prepare timely and accurate financial statements for the Fund.

.148 The Fund's statements presented for audit contained several significant errors. The statements overstated accounts receivable by \$20,000, accounts payable by \$10,000 and deductions by \$4,500. Also, they understated inventory and increase in the value of inventory by \$43,000, grant expenses by \$20,000, and operating costs by \$5,000. We advised the Department of these errors. It corrected the statements.

.149 We also reported this matter in our 1995 Spring Report.

.150 The Department needs to improve its system to estimate the amount it will not collect from livestock dealers (bad debts).

.151 The Department needs an estimate of bad debts to prepare accurate statements for the Fund. We found the Department's client account analysis was not adequate to support its estimate of bad debts. Also, the Department's record of the reasons for its estimate of bad debts was incomplete.

We recommend

**.152 The Department should have adequate rules and procedures to estimate its bad debts.**

**.153 The Department should establish a system to prepare accurate financial statements using the accrual basis of accounting.**

---

---

## Chapter 13 Department of Agriculture and Food

---

---

Planned results  
needed

**.154** The Fund's published financial statements should include the Fund's planned results.

**.155** For proper accountability, we think government financial statements should show planned results. Such information helps legislators and the public understand and assess what the Fund planned to do and what it did.

We recommend

**.156** The Fund's financial statements should show planned results for each line item on its statement of revenue and expenses.

**Prairie Agricultural  
Machinery Institute**

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

**.158** PAMI had revenue of \$3.1 million in 1995 and held assets of \$2.3 million at March 31, 1995. PAMI's annual report includes its financial statements.

Our audit conclusions  
and findings

**.159** In our opinion:

- PAMI's financial statements are reliable;
- PAMI had adequate rules and procedures to safeguard and control its assets except for the significant deficiencies reported in paragraphs .160 to .162; and
- PAMI complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .163 to .172.

---

Contingency plan  
needed

**.160** PAMI needs a written and tested contingency plan to ensure it can operate effectively if a major loss or destruction of its records occurs.

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

---

---

## Chapter 13 Department of Agriculture and Food

---

---

We recommend

**.162 PAMI should prepare a written contingency plan and test the plan.**

---

Employees pay rates  
need approval

**.163 PAMI needs to pay employees at rates approved by the Council.**

**.164** Section 4(2) of *The Prairie Agricultural Machinery Institute Act* (Act), says the Council “shall determine the duties, powers, conditions of employment and remuneration of members of the staff.”

**.165** During the year, PAMI set new rates of pay for its employees. The Council did not approve the new rates of pay.

**.166** Also, PAMI granted a \$20,000 bonus for employees who did not receive overtime pay. PAMI paid these bonuses after the year end. The Council did not approve this bonus.

**.167** Accordingly, PAMI did not comply with the Act.

We recommend

**.168 PAMI should pay employees at rates approved by the Council.**

---

Payments to Council  
members need  
approval

**.169** PAMI needs to pay Council members’ travel and other expenses at the rates set by the Minister.

**.170** Section 6(8) of the Act states each member of the Council “shall receive such remuneration for his services and allowances for travelling and other expenses as the minister... may determine.”

**.171** A Minister’s Order dated February 4, 1993, directs PAMI to pay members of Council for travel and sustenance at the rates approved for members of the public service. During the year, PAMI paid Council members’ travel and other expenses at rates more than the rates for the public service. Accordingly, PAMI did not comply with the Act.

We recommend

**.172 PAMI should pay Council members’ travel and other expenses at the rates set by the Minister.**

---

---

## Chapter 13 Department of Agriculture and Food

---

---

**Saskatchewan Crop  
Insurance  
Corporation**

**.173** The Saskatchewan Crop Insurance Corporation (SCIC) funds programs to protect grain and livestock producers from production failures due to adverse weather. It also protects grain producers from short term price declines. The Federal Government also provides funding for these programs.

**.174** SCIC held assets of \$979.0 million, and had revenues of \$498.6 million, and had expenditures of \$379.5 million. SCIC's annual report includes its financial statements.

---

Special purpose fund

**.175** SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Fund). The Fund has a deficit of \$137 million as at March 31, 1995.

Our audit conclusions  
and findings

**.176** Our Office worked with KPMG Peat Marwick Thorne, SCIC's and the Fund's appointed auditor, using the frame work recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. KPMG Peat Marwick Thorne and our Office formed the opinions in paragraph .177.

**.177** In our opinion:

- SCIC's and the Fund's 1995 financial statements are reliable;
- SCIC complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and
- SCIC had adequate rules and procedures to safeguard and control its and the Fund's assets.

**.178** We also note the following matter for the Assembly's attention.

---

Planned results  
needed

**.179** SCIC's and the Fund's published financial statements should include SCIC's and the Fund's planned results.

**.180** For proper accountability, we think government financial statements should show planned results. Such information helps

---

---

## Chapter 13 Department of Agriculture and Food

---

---

legislators and the public understand and assess what SCIC and the Fund planned to do compared to what they did.

**We recommend**

**.181 SCIC's and the Fund's financial statements should show planned results for each line item on their statements of revenue and expenses.**



**Chapter 14**  
**Department of Economic Development**

---

---

**Table of Contents**

Introduction . . . . .	.01
Special purpose fund . . . . .	.04
Our audit conclusions and findings . . . . .	.05
Department needs to follow its procedures . . . . .	.07
Adequate ministerial assistant time reports needed . . . . .	.16

## Chapter 14

### Department of Economic Development

#### Introduction

**.01** The Department of Economic Development promotes, and coordinates policies and programs to develop, diversify and renew the Saskatchewan economy in partnership with others.

**.02** In 1994-95, the Department received \$35.3 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$0.2 million of revenue. The Department's *Annual Report 1994-95* provides information about its expenditures, significant assets, liabilities, and commitments.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Administration	\$ 3.6	\$ 3.4
Accommodation and Central Services	2.9	2.6
Diversification	3.4	3.6
Tourism	7.2	7.2
Business, Cooperatives and Community		
Economic Development	3.0	2.7
Policy and Coordination	1.1	1.1
Business Investment Programs	11.1	11.8
Payments to Saskatchewan Opportunities Corporation	2.4	1.3
Other	<u>2.8</u>	<u>1.6</u>
	<u>\$ 37.5</u>	<u>\$ 35.3</u>

---

#### Special purpose fund

**.04** The Department also manages the Northern Saskatchewan Economic Development Revolving Fund.

#### Our audit conclusions and findings

**.05** In our opinion:

- the financial statements for the Fund listed in paragraph .04 are reliable;
- the Department had adequate rules and procedures to safeguard and control its and the

---

---

## Chapter 14 Department of Economic Development

---

---

Fund's assets except for the matter described in paragraphs .07 to .15; and

- the Department complied with authorities governing its and the Fund's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing except for the matter described in paragraph .14.

**.06** We also report another matter related to recommendations of the Standing Committee on Public Accounts in paragraphs .16 to .19.

---

Department needs to follow its procedures

---

**.07** The Department needs to follow its procedures for ensuring the money it gives to The Saskatchewan Tourism Authority (STA) is spent for the Department's purposes.

**.08** The Department paid the STA \$4.8 million in 1994-95 to carry out the Department's tourism activities. These activities included the delivery of the Destination Saskatchewan programs.

**.09** The Department established procedures that would adequately ensure the STA spends this money for the Department's purposes. However, the Department did not follow its procedures.

**.10** The Department did not ensure the STA maintained adequate rules and procedures to achieve the Department's objectives. The Lieutenant Governor in Council appointed an employee from the Department to the STA's Board. Through this employee, the Department planned to regularly receive information on the adequacy of the STA's rules and procedures.

**.11** In January 1995, this employee left the Department. Because another Department employee was not appointed to the Board, the Department did not continue to regularly receive information on the adequacy of the STA's rules and procedures.

**.12** The Department did not ensure it received all required reports from the STA. The Department has an agreement with the STA requiring the STA to provide quarterly cashflow statements. These statements were to show wages, rent, Destination Saskatchewan expenditures and total program

---

---

## Chapter 14 Department of Economic Development

---

---

expenses. The Department did not receive these statements from the STA.

.13 Also, the reports received by the Department need better information to monitor the STA's activities. The Department received a report showing a summary of applications under the Destination Saskatchewan programs and the money paid and committed under the programs. The report did not contain adequate detail for the Department to know if the STA complied with The Destination Saskatchewan Programs Regulations.

.14 As a result of not following its procedures, the Department could not determine if it has complied with The Destination Saskatchewan Programs Regulations and if the money given to the STA was spent for the Department's purposes.

**We recommend**

**.15 The Department should follow its procedures for ensuring the money it gives to The Saskatchewan Tourism Authority is spent for the Department's purposes.**

---

Adequate ministerial assistant time reports needed

---

.16 The Department needs to comply with The Standing Committee on Public Accounts' (PAC) recommendation for ministerial assistant time reports.

.17 PAC recommended the following process:

- ministerial assistants submit monthly time reports;
- the Minister responsible certifies these reports; and
- the reports show the attendance of the assistant and the Executive Government activity undertaken to support the payroll payments.

.18 Ministerial assistants employed by the Department submit monthly time reports showing the amount and nature of leave taken during the month. Their immediate supervisor certifies some of these reports instead of the Minister. These reports do not show the activities that the assistant undertook in the month.

---

---

## Chapter 14 Department of Economic Development

---

---

We recommend

.19 The Department should ensure the time reports of the ministerial assistants show the activities they undertook in the month.

**Chapter 15**  
**Department of Energy and Mines**

---

---

**Table of Contents**

<b>Introduction</b> . . . . .	<b>.01</b>
Special purpose fund and Crown agency . . . . .	<b>.04</b>
Our audit conclusions and findings . . . . .	<b>.05</b>
NewGrade payments require authority . . . . .	<b>.07</b>
Timely audits needed . . . . .	<b>.21</b>
<b>Saskatchewan Energy Conservation and Development Authority</b> . . . . .	<b>.28</b>
Our audit conclusions and findings . . . . .	<b>.30</b>
A proper comparison of planned to actual results needed . . . . .	<b>.32</b>
Payee list required . . . . .	<b>.36</b>

## Chapter 15

### Department of Energy and Mines

#### Introduction

**.01** The Department is responsible for managing Saskatchewan's energy and mineral resources.

**.02** In 1995, the Department received \$17 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$726 million of revenue. Information about the Department's revenues and expenses appears in the Department's annual report.

**.03** The following is a list of the Department's major tax and royalty revenues and expense:

	<u>Original Estimates</u>	<u>Actual</u>
(in millions of dollars)		
Revenue:		
Oil	\$ 212	\$ 529
Potash	49	89
Natural Gas	91	61
Uranium	25	20
Coal	15	16
Other	<u>10</u>	<u>11</u>
Revenue transferred to the General Revenue Fund	<u>\$ 402</u>	<u>\$ 726</u>
Expense:		
	<u>\$ 16</u>	<u>\$ 17</u>

#### Special purpose fund and Crown agency

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

Oil and Gas Environmental Fund  
Saskatchewan Energy Conservation and Development Authority

#### Our audit conclusions and findings

**.05** In our opinion:

- the financial statements for the fund and agency listed in paragraph .04 are reliable;
- the Department and its agency had adequate rules and procedures to safeguard and control

---

---

## Chapter 15 Department of Energy and Mines

---

---

their assets except for the significant deficiency reported in paragraphs .21 to .27; and

- the Department and its agency complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .07 to .20.

**.06** We also note a matter for the Legislative Assembly's attention in paragraphs .28 to .38.

---

NewGrade payments  
require authority

---

**.07** The Department paid \$1,305,744 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 authority to issue this Order is Section 24 of *The Financial Administration Act, 1993*.

**.08** Section 24 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 24 of the Act gives Cabinet the power to remit royalties but not the power to make grants.



---

---

## Chapter 15 Department of Energy and Mines

---

---

Accordingly, the payment of \$1,305,744 to NewGrade does not have legislative authority.

.13 The Department believes it has authority to make the payment under Section 24 of the Act.

.14 We also reported this matter in our Annual Reports for the fiscal years ended in 1990, 1991, 1992, 1993, and our 1995 Spring Report.

We recommend

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

**.16 The Department should report these payments as an expense of the Department.**

.17 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."

.18 The PAC repeated this recommendation to the Legislative Assembly on March 17, 1993 and March 29, 1994.

.19 The Assembly concurred with the 1992, 1993 and 1994 recommendations.

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

---

Timely audits needed

**.21 The Department did not carry out timely audits of potash and uranium producers' tax/royalty 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' returns report the correct amount of revenue and allowable expenses to arrive at the royalties and taxes payable.

---

---

## Chapter 15 Department of Energy and Mines

---

---

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

.25 In our opinion, late audits of producer's returns could result in loss of interest revenue to the Crown.

.26 We also reported this matter in our 1995 Spring Report.

**We recommend**

**.27 The Department should carry out timely audits of potash and uranium producers' tax/royalty returns.**

**Saskatchewan  
Energy Conservation  
and Development  
Authority**

.28 Saskatchewan Energy Conservation and Development Authority (SECDA) promotes energy conservation and development associated with energy services.

.29 SECDA had revenue of \$1.6 million in 1995 and held assets of \$0.2 million at March 31, 1995. SECDA's financial statements are included in its annual report.

**Our audit conclusions  
and findings**

**.30 In our opinion:**

- the financial statements for SECDA are reliable;
- SECDA had adequate rules and procedures to safeguard and control its assets; and
- SECDA complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.31 We also note the following matters for the Legislative Assembly's attention.**

---

**A proper comparison  
of planned to actual  
results needed**

---

**.32 SECDA's annual financial statements need to include adequate information on SECDA's planned results.**

**.33 A comparison of planned to actual results is necessary for proper accountability. Users of the financial statements can then better understand and assess what SECDA planned to do and what it did.**

---

---

## Chapter 15 Department of Energy and Mines

---

---

**.34** Currently, SECDA's annual financial statements show only a comparison of planned to actual results on a net income basis. We think the financial statements should show the comparison of planned to actual results for each line item on the statement of operations.

**We recommend**

**.35** SECDA's annual financial statements should show a comparison of planned to actual results for each line item on its statement of operations.

---

Payee list required

---

**.36** SECDA needs to comply with The Standing Committee on Public Accounts' recommendation to provide a list of payees to the Legislative Assembly for each fiscal year.

**.37** SECDA's 1994 annual report tabled in the Legislative Assembly did not contain a list of payees.

**We recommend**

**.38** SECDA should provide a list of its payees to the Legislative Assembly.

**Chapter 16**  
**Department of Environment and Resource Management**

---

---

**Table of Contents**

<b>Introduction</b> . . . . .	<b>.01</b>
Special purpose funds and Crown agency . . . . .	.04
Our audit conclusions and findings . . . . .	.05
Better internal reports required . . . . .	.06
<b>Commercial Revolving Fund</b> . . . . .	<b>.19</b>
Our audit conclusions and findings . . . . .	.21
Better internal reports required . . . . .	.22
Procedures needed to verify commercial lessees' reports . . . . .	.25
<b>Fish and Wildlife Development Fund</b> . . . . .	<b>.29</b>
Our audit conclusions and findings . . . . .	.31
Non-compliance with established purchasing policy . . . . .	.33
Standing Committee on Public Accounts recommendation . . . . .	.38
<b>Resource Protection Revolving Fund</b> . . . . .	<b>.41</b>
Our audit conclusions and findings . . . . .	.43
Better internal reports required . . . . .	.44
Quarterly financial reports needed . . . . .	.48

## Chapter 16

### Department of Environment and Resource Management

<b>Introduction</b>	<p><b>.01</b> The Department is responsible for managing, enhancing and protecting Saskatchewan's natural resources and sustaining them for future generations.</p> <p><b>.02</b> The Department received \$93.9 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$37.8 million of revenue. Volume 2 of the Public Accounts contains information about the Department's revenues and expenses at pages 8 and 72 respectively. Revenue consists of licence and permit fees, federal government transfers for fire suppression, beverage container refundable deposits and environmental handling charges.</p> <p><b>.03</b> Following is a list of major programs and spending:</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Original Estimates</u></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Actual</u></th> </tr> <tr> <th style="text-align: left;"></th> <th colspan="2" style="text-align: center; font-size: small;">(in millions of dollars)</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Forest Fire Management</td> <td style="text-align: right;">\$ 25.5</td> <td style="text-align: right;">\$ 25.7</td> </tr> <tr> <td style="text-align: left;">Operations</td> <td style="text-align: right;">18.7</td> <td style="text-align: right;">20.9</td> </tr> <tr> <td style="text-align: left;">Environmental Protection</td> <td style="text-align: right;">16.8</td> <td style="text-align: right;">15.1</td> </tr> <tr> <td style="text-align: left;">Forests and Lands</td> <td style="text-align: right;">10.4</td> <td style="text-align: right;">9.5</td> </tr> <tr> <td style="text-align: left;">Other</td> <td style="text-align: right; border-bottom: 1px solid black;">23.9</td> <td style="text-align: right; border-bottom: 1px solid black;">22.7</td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 1px solid black;"><u>\$ 95.3</u></td> <td style="text-align: right; border-bottom: 1px solid black;"><u>\$ 93.9</u></td> </tr> </tbody> </table>		<u>Original Estimates</u>	<u>Actual</u>		(in millions of dollars)		Forest Fire Management	\$ 25.5	\$ 25.7	Operations	18.7	20.9	Environmental Protection	16.8	15.1	Forests and Lands	10.4	9.5	Other	23.9	22.7		<u>\$ 95.3</u>	<u>\$ 93.9</u>
	<u>Original Estimates</u>	<u>Actual</u>																							
	(in millions of dollars)																								
Forest Fire Management	\$ 25.5	\$ 25.7																							
Operations	18.7	20.9																							
Environmental Protection	16.8	15.1																							
Forests and Lands	10.4	9.5																							
Other	23.9	22.7																							
	<u>\$ 95.3</u>	<u>\$ 93.9</u>																							
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <b>Special purpose funds and Crown agency</b>	<p><b>.04</b> The Department is also responsible for managing the following special purpose funds and Crown agency:</p> <p style="margin-left: 40px;">Commercial Revolving Fund Resource Protection and Development Revolving Fund Fish and Wildlife Development Fund Saskatchewan Wetland Conservation Corporation</p>																								

Our audit conclusions and findings

- .05** 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 their activities relating to financial reporting, safeguarding

---

---

## Chapter 16 Department of Environment and Resource Management

---

---

assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter; and

- 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.

---

Better internal reports required

---

**.06** The Department's internal reports need to give senior management the information necessary to safeguard and control assets and evaluate performance.

**.07** Senior management has not fully defined and documented their reporting needs. They need to do this to ensure they receive suitable and timely reports.

**.08** Senior management needs to document fully the Department's reporting needs in its Policy and Procedures Manual setting out:

- senior management's information needs including:
  - financial reports prepared in accordance with the accrual basis of accounting;
  - reports showing the Department's assets and liabilities;
  - reports comparing planned results for the period and year to date to actual results for the period and year to date; and
  - reports projecting results to the year end based on current information.
- the nature and extent of variances between planned and actual results. Variance explanations should compare the planned activity level with the actual activity level, when appropriate.
- who should prepare and report the results of the variance analyses.

- who should receive and monitor the results of the variance analyses.

**.09** The Department's internal reports need improvement. The reports did not show assets and liabilities, nor were they prepared in accordance with accrual accounting principles. As well, the reports did not compare planned results with actual results.

**.10** Branch office staff prepare the monthly reports used to monitor the Department's financial activities. To ensure staff can prepare the reports correctly, they need to know what reports the Department needs and how to prepare them. The Department needs to ensure staff have proper direction for preparing monthly reports. Inadequate reports can result in incorrect decisions.

**.11** We also reported this matter in our 1995 Spring Report.

**We recommend**

**.12** The Department should formally define and document its internal reporting needs for all the Department's activities.

**.13** The Deputy Minister should approve these rules and procedures in writing.

**.14** Senior management also needs to document its operational reporting needs. We realize that defining and documenting operational reporting needs is not easy and will take time. However we believe the Department should work toward this goal.

**.15** Currently, internal reports given to management do not show program costs or whether programs achieved their goals.

**.16** Operational reporting should include:

- financial reports showing the full cost of programs, services and activities; and
- operational reports showing the effectiveness of programs, i.e., output and outcomes.

---

---

## Chapter 16 Department of Environment and Resource Management

---

---

We recommend

**.17** The Department's internal reports should show program costs and whether programs achieved their objectives.

**.18** The Department told us it is revising its rules and procedures for the 1995/96 fiscal year.

**Commercial  
Revolving Fund**

**.19** The Assembly established the Commercial Revolving Fund (CRF) to promote and develop the use and enjoyment of parks and renewable resources in the province.

**.20** CRF had revenues of \$6.6 million in 1995 and held assets of \$1.4 million at March 31, 1995. The Public Accounts Compendium includes CRF's financial statements at page A145.

Our audit conclusions  
and findings

**.21** In our opinion:

- CRF's financial statements are reliable;
- the Department complied with the authorities governing CRF's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and
- the Department had adequate rules and procedures to safeguard and control CRF's assets except for the significant deficiencies reported in paragraphs 22 to .28.

---

Better internal reports  
required

**.22** CRF's internal reports need improvement. The reports were not prepared in accordance with generally accepted accounting principles nor did they compare planned results with actual results. Inadequate reports can lead to incorrect decisions.

We recommend

**.23** CRF's internal reports should be prepared in accordance with generally accepted accounting principles.

**.24** CRF's internal reports should include a comparison of planned results for the period and year to date with actual results for the period and year to date.



---

---

## Chapter 16 Department of Environment and Resource Management

---

---

Procedures needed to verify commercial lessees' reports

**.25** The Department needs procedures to verify the reports provided by commercial lessees.

**.26** The Department bases some of its lease fees (totalling \$408,000) on lessees' revenues for the year. Lessees submit unaudited reports showing revenues for the year. The Department does not verify the revenue amounts shown on the reports.

**.27** As a result, the Department does not know if the reports provided by lessees are correct. Therefore, the Department has inadequate assurance it has set lease fees properly.

We recommend

**.28** The Department should establish procedures for verifying commercial lessees' reports.

**Fish and Wildlife Development Fund**

**.29** The Assembly established The Fish and Wildlife Development Fund (Fund) for the purposes of:

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

**.30** The Fund had revenues of \$3.5 million in 1995 and held assets of \$13.5 million at March 31, 1995. The Public Accounts Compendium includes the Fund's financial statements at page A233.

Our audit conclusions and findings

**.31** In our opinion:

- the Fund's financial statements are reliable;
- the Department complied with the authorities governing the Fund relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .33 to .37; and
- the Department had adequate rules and procedures to safeguard and control the Fund's

---

---

## Chapter 16 Department of Environment and Resource Management

---

---

assets except for the significant deficiency reported in paragraphs .33 to .37.

.32 We also report another matter for the Legislative Assembly's attention at paragraphs .38 to .40.

---

Non-compliance with established purchasing policy

---

.33 The Department did not comply with established government purchasing policy.

.34 The Government's purchasing policy for departments is set out in the Financial Administration Manual (FAM) issued by the Provincial Comptroller. FAM section 551 requires that departments buy supplies through the Purchasing Agency using a purchase order, or in certain situations, directly from suppliers using a local purchase order (LPO).

.35 The Department's wildlife branch did not use purchase orders or LPOs to buy supplies.

We recommend

**.36 The Department should use purchase orders or local purchase orders to buy supplies.**

.37 The Department told us it is now following FAM Section 551.

---

Standing Committee on Public Accounts recommendation

---

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

.39 In 1993, the Standing Committee on Public Accounts (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.*

We recommend

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

---

---

## Chapter 16 Department of Environment and Resource Management

---

---

### Resource Protection Revolving Fund

**.41** The Assembly established the Resource Protection Revolving Fund (RPRF) to provide resource protection and development services.

**.42** RPRF had revenues of \$2.8 million in 1995 and held assets of \$3.8 million at March 31, 1995. The Public Accounts Compendium includes RPRF's financial statements at page A203.

Our audit conclusions  
and findings

**.43** In our opinion:

- RPRF's financial statements are reliable;
- the Department complied with the authorities governing RPRF's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .48 to .49; and
- the Department had adequate rules and procedures to safeguard and control RPRF's assets except for the significant deficiency reported in paragraphs .44 to .47.

---

Better internal reports  
required

---

**.44** RPRF's internal reports need improvement. The reports did not show assets and liabilities, nor were they prepared in accordance with generally accepted accounting principles. As well the reports did not compare planned results with actual results. Inadequate reports can lead to incorrect decisions.

We recommend

**.45** RPRF's internal reports should be prepared in accordance with generally accepted accounting principles.

**.46** RPRF's internal reports should show its assets and liabilities.

**.47** RPRF's internal reports should include a comparison of planned results for the period and year to date with actual results for the period and year to date.

---

---

## Chapter 16 Department of Environment and Resource Management

---

---

Quarterly financial reports needed

**.48** The Department did not submit quarterly financial statements for RPRF to Treasury Board as required by FAM section 1010-3.

**We recommend**

**.49** The Department should submit quarterly financial statements for RPRF to Treasury Board.

**Chapter 17**  
**Department of Executive Council**

---

---

**Table of Contents**

Introduction . . . . .	.01
Our audit conclusions and findings . . . . .	.04
Rules and procedures for internal financial reports needed . . . . .	.05

# Chapter 17

## Department of Executive Council

Introduction	<p><b>.01</b> 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.</p> <p><b>.02</b> In 1995, the Department received \$7.8 million from the General Revenue Fund and spent this money on its programs. Information about the Department's expenses is contained in Volume 2 of the Public Accounts at page 81.</p> <p><b>.03</b> The following is a list of major programs and spending.</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right;"><u>Original Estimates</u></th> <th style="text-align: right;"><u>Actual</u></th> </tr> <tr> <th style="text-align: left;"></th> <th colspan="2" style="text-align: center;">(in millions of dollars)</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Administration</td> <td style="text-align: right;">\$ 3.1</td> <td style="text-align: right;">\$ 3.1</td> </tr> <tr> <td style="text-align: left;">Communications Coordination</td> <td style="text-align: right;">1.4</td> <td style="text-align: right;">1.6</td> </tr> <tr> <td style="text-align: left;">Cabinet and Policy and Planning Secretariats</td> <td style="text-align: right;">1.1</td> <td style="text-align: right;">0.9</td> </tr> <tr> <td style="text-align: left;">Accommodation and Central Services</td> <td style="text-align: right;">0.9</td> <td style="text-align: right;">0.9</td> </tr> <tr> <td style="text-align: left;">Electoral Office</td> <td style="text-align: right;">0.6</td> <td style="text-align: right;">0.7</td> </tr> <tr> <td style="text-align: left;">Members of Executive Council</td> <td style="text-align: right;"><u>0.6</u></td> <td style="text-align: right;"><u>0.6</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ 7.7</u></td> <td style="text-align: right;"><u>\$ 7.8</u></td> </tr> </tbody> </table>		<u>Original Estimates</u>	<u>Actual</u>		(in millions of dollars)		Administration	\$ 3.1	\$ 3.1	Communications Coordination	1.4	1.6	Cabinet and Policy and Planning Secretariats	1.1	0.9	Accommodation and Central Services	0.9	0.9	Electoral Office	0.6	0.7	Members of Executive Council	<u>0.6</u>	<u>0.6</u>		<u>\$ 7.7</u>	<u>\$ 7.8</u>
	<u>Original Estimates</u>	<u>Actual</u>																										
	(in millions of dollars)																											
Administration	\$ 3.1	\$ 3.1																										
Communications Coordination	1.4	1.6																										
Cabinet and Policy and Planning Secretariats	1.1	0.9																										
Accommodation and Central Services	0.9	0.9																										
Electoral Office	0.6	0.7																										
Members of Executive Council	<u>0.6</u>	<u>0.6</u>																										
	<u>\$ 7.7</u>	<u>\$ 7.8</u>																										

Our audit conclusions and findings

**.04** In our opinion:

- the Department complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and
- the Department had adequate rules and procedures to safeguard and control its assets except for the significant deficiencies reported in paragraphs .05 to .11.

Rules and procedures for internal financial reports needed

**.05** The Department needs adequate written rules and procedures for preparing its internal financial reports.

---

---

## Chapter 17 Department of Executive Council

---

---

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

- 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.

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

.08 We also reported this matter in our 1995 Spring Report.

**We recommend**

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

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

.11 The Department told us internal financial reporting for departments is a government-wide issue which should be addressed by the Department of Finance.

# Chapter 18

## Department of Finance

---

---

### Table of Contents

<b>Introduction</b> . . . . .	<b>.01</b>
Pension and benefit plans . . . . .	<b>.08</b>
Our audit conclusions and findings . . . . .	<b>.09</b>
Annual report needed . . . . .	<b>.14</b>
Better ministerial assistants' time reports needed . . . . .	<b>.20</b>
Special warrants . . . . .	<b>.25</b>
<b>Members of the Legislative Assembly Superannuation Fund</b> . . . . .	<b>.26</b>
Our audit conclusions and findings . . . . .	<b>.28</b>
Spousal payments require authority . . . . .	<b>.29</b>
Act needs change . . . . .	<b>.35</b>



---

---

## Chapter 18

### Department of Finance

---

---

#### Introduction

#### .01 The Department:

- administers various provincial tax, grant, and refund programs;
- arranges government financing, and manages government banking, investment, and public debt functions;
- provides policy and financial analysis to the Treasury Board and Executive Council;
- develops tax policy alternatives;
- provides economic forecasting, and economic, social and statistical data; and
- produces the annual Budget Address and Estimates.

**.02** Also, the Department helps the Government and the Legislature with their responsibility of managing and accounting for public money.

**.03** As well, the Department is responsible for controlling spending from the General Revenue Fund and ensuring the receipt of all revenue of the Fund.

**.04** In 1995, the Department received \$1.590 billion from the General Revenue Fund and spent this money on its programs. The Department also raised revenues of \$4.381 billion. These revenues include \$553 million received from Crown agencies for public debt costs.

**.05** Information about the Department's revenues and expenses is in Volume 2 of the Public Accounts at pages 7, 9, 87, 88 and 93. Additional information is in Volume 1 of the Public Accounts at page 11.

## Chapter 18 Department of Finance

**.06** 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	\$ 843	\$ 882
Interest-User Fee Enterprises	<u>541</u>	<u>553</u>
Interest on Debt	1,384	1,435
Employee Benefits	127	130
Tax Collection Expenses	7	7
Provincial Comptroller	5	4
Budget Analysis	4	4
Other	<u>9</u>	<u>10</u>
	<u>\$ 1,536</u>	<u>\$ 1,590</u>

**.07** The following is a list of major revenue sources.

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Individual Income Taxes	\$ 1,104	\$ 1,057
Interest-User Fee Enterprises	541	553
Sales Taxes	686	729
Transfers from Government of Canada:		
Equalization	605	540
Established Programs Financing	394	415
Fuel Taxes	327	332
Corporation Capital and Income Taxes	284	358
Tobacco Taxes	108	116
Transfers from Government Entities	306	97
Motor Vehicle Fees	86	90
Other	<u>87</u>	<u>94</u>
Revenue transferred to the General Revenue Fund	<u>\$ 4,528</u>	<u>\$ 4,381</u>

Pension and benefit plans

**.08** The Department is responsible for managing the following funds and Crown agencies. The list includes the date of their fiscal year ends.

---

---

## Chapter 18 Department of Finance

---

---

	<u>Year ended</u>
582099 Saskatchewan Ltd.	February 28, 1995
General Revenue Fund	March 31, 1995
Judges of the Provincial Court Superannuation Plan	March 31, 1995
Liquor Board Superannuation Plan	December 31, 1994
Members of the Legislative Assembly Superannuation Plan	March 31, 1995
Municipal Employees' Superannuation Plan	December 31, 1994
Public Employees Deferred Salary Leave Fund	December 31, 1994
Public Employees Disability Income Fund	December 31, 1994
Public Employees Dental Fund	December 31, 1994
Public Employees Benefits Agency Revolving Fund	March 31, 1995
Public Employees (Government Contributory) Superannuation Plan	March 31, 1995
Public Employees Group Life Insurance Fund	December 31, 1994
Public Service Superannuation Plan	March 31, 1995
Saskatchewan Pension Plan	December 31, 1994
SaskPen Properties Ltd.	December 31, 1994
SP Two Properties Ltd.	March 31, 1995
Sinking Fund	March 31, 1995
Workers' Compensation Board Superannuation Plan	December 31, 1994

Our audit conclusions  
and findings

**.09** In our opinion:

- the financial statements for the funds and agencies listed in paragraph .08 are reliable 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 assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter; and

---

---

## Chapter 18 Department of Finance

---

---

- the Department and its agencies had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter.

.10 We reported on the Government's summary financial statements and the General Revenue Fund's statements in our 1995 Fall Report. We reported the Government's summary statements included in Volume 1 of the Public Accounts are reliable. We reported the General Revenue Fund's statements included in Volume 1 of the Public Accounts are reliable except for the matter reported in paragraph .11.

.11 The General Revenue Fund's statements do not properly show annual pension costs and total pension liabilities.

.12 Also, we report additional matters in paragraphs .14 to .24 relating to recommendations of the Standing Committee on Public Accounts.

.13 This Chapter covers audits of pension and benefit plans and other Crown agencies with years ending on or before March 31, 1995, except as follows. We included SP Two Properties Ltd. in our 1995 Fall Report. Our 1995 Fall Report reported on our audits of pension and benefit plans with years ending on or before December 31, 1994. We have not completed our audit of the Public Employees Deferred Salary Leave Fund.

---

Annual report needed

---

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

.15 The Standing Committee on Public Accounts recommends departments provide timely annual reports on their activities. Legislators and the public use annual reports to assess the performance of departments.

.16 To be useful, an annual report should be timely and describe:

- what the department is all about;
- what the department has done;

---

---

## Chapter 18 Department of Finance

---

---

- where the department is now; and
- what the department plans to do.

.17 We also reported this matter in our 1995 Spring Report.

We recommend

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

.19 In February 1995, the Deputy Minister of Finance told us the Department did not prepare an annual report because it provides information through several reports tabled in the Assembly. These reports include the Estimates, the Budget Speech, the Mid-Year Financial Report and the Public Accounts. In our view, these reports do not meet the criteria set out in paragraph .16.

---

Better ministerial assistants' time reports needed

---

**.20 Monthly time reports of ministerial assistants should show the work done. In addition, the Minister needs to ensure those reports are properly certified.**

.21 The Standing Committee on Public Accounts recommends the Minister certify all ministerial assistants' time reports. It also recommends the time reports show the work done to support the payroll payments.

.22 The senior assistant to the Minister signed other ministerial assistants' time reports during the year. Another ministerial assistant signed the senior assistant's time reports.

We recommend

**.23 The Minister should ensure the monthly time reports of Finance's ministerial assistants are properly certified. These reports should show the work done.**

.24 In February 1996, the Department told us the Minister signs the senior assistant's time reports after June 1995.

---

Special warrants

---

**.25 The law requires us to report when a special warrant authorized the payment of public money. In 1994-95, the Government authorized the spending of approximately \$78 million by special warrant. Later, these special warrants were included in an appropriation act.**

---

---

## Chapter 18 Department of Finance

---

---

### Members of the Legislative Assembly Superannuation Fund

.26 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.

.27 In 1995, the Fund had investment income of \$0.6 million and the Department paid pensions of \$1.9 million from the Fund. The Fund had net assets of \$10.8 million at March 31, 1995. The Public Accounts Compendium includes the Fund's financial statements at page B236.

### Our audit conclusions and findings

.28 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 assets, revenue raising, spending, borrowing, and investing except for the matters reported in paragraphs .29 to .40; and
- the Department had adequate rules and procedures to safeguard and control the Fund's assets.

---

### Spousal payments require authority

.29 The Department should comply with Section 26.1 of *The Members of the Legislative Assembly Superannuation Act, 1979* (Act).

.30 Section 26.1 of the Act states:

*Where a person who was a member and:*

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

---

---

## Chapter 18 Department of Finance

---

---

*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.*

**.31** When pensioners die, the Department pays surviving spouses 60% of the supplementary allowances as required by Section 26.1. However, when new supplementary allowances are granted, the Department pays 100% of these allowances to surviving spouses. Section 26.1 requires the Department to pay 60% of these allowances to surviving spouses. We believe the amount paid more than the 60% rule is contrary to the law.

**.32** We reported this matter in our 1995 Spring Report and previous Annual Reports.

**We recommend**

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

**.34** In June 1994, the Deputy Minister of Finance told us the Department would seek a legislative change to clarify Section 26.1. In April 1995, the Department told us it continues to seek legislative changes.

---

**Act needs change**

**.35** *The Members of the Legislative Assembly Superannuation Act, 1979* needs to set out how the Department should administer profits or losses from underwriting annuities.

**.36** The Department underwrites annuities for Members and pays these annuities out of the Plan. When the Department writes annuity contracts, it should ensure it has the money to make future payments. Due to uncertainties related to future events, such as investment earnings and changes in mortality rates, the amount set aside may be insufficient to make future payments.

**.37** The law does not specify the source of funding for any future losses. Also, the law does not direct the use of profits.

**.38** We reported this matter in our 1995 Spring Report and previous Annual Reports.

---

---

## Chapter 18 Department of Finance

---

---

We recommend

**.39** The Department should seek changes to the law to provide direction for the handling of profits or losses from annuity underwriting.

**.40** In 1989, the Minister responsible for the Act told us the Department would seek a change to the law. 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. In April 1995, the Department told us it continues to seek legislative changes.



**Chapter 19**  
**Department of Highways and Transportation**

---

---

**Table of Contents**

<b>Government spending on transportation</b> . . . . .	<b>.01</b>
<b>The Department</b> . . . . .	<b>.03</b>
<b>Special purpose fund and corporation</b> . . . . .	<b>.06</b>
Our audit conclusions and findings . . . . .	<b>.07</b>
Accurate financial reporting required for decision making . . . . .	<b>.10</b>
Management direction required for interim financial reporting . . . . .	<b>.14</b>
Non-compliance with purchasing policy . . . . .	<b>.21</b>
Ministerial assistant time reports inadequate . . . . .	<b>.29</b>
<b>Highways Revolving Fund</b> . . . . .	<b>.33</b>
Management direction to Revolving Fund accounting staff is needed . . . . .	<b>.35</b>
Fund's financial records were not properly maintained and protected . . . . .	<b>.41</b>
Financial reporting system is not efficient . . . . .	<b>.51</b>
<b>Transportation Partnerships Corporation</b> . . . . .	<b>.55</b>
Tabling of information report needed . . . . .	<b>.57</b>
<b>Surface Repair Maintenance Plan follow-up work</b> . . . . .	<b>.61</b>
Our follow-up procedures . . . . .	<b>.67</b>
Summary of actions taken by DHT . . . . .	<b>.68</b>
Reporting and documentation of knowledge . . . . .	<b>.72</b>
Performance bench marks . . . . .	<b>.73</b>
Maintenance budget preparation . . . . .	<b>.75</b>
Effectiveness of maintenance activities . . . . .	<b>.77</b>

**Chapter 19**  
**Department of Highways and Transportation**

---

---

**Table of Contents**

Further actions required . . . . . **.79**

## Chapter 19

### Department of Highways and Transportation

**Government spending on transportation**

.01 In 1994-95, the Government spent a total of \$208.0 million on transportation (p. 34, Volume 1 Public Accounts - Summary Financial Statements). The Government carries out its transportation programs through four organizations. These organizations are: the Department of Highways and Transportation (DHT), the Department of Municipal Government, the Highways Revolving Fund, and the Transportation Partnership Corporation.

.02 Table 1 sets out the planned and actual transportation expenses incurred by these four organizations.

Table 1

	Original funding from General Revenue Fund <sup>1</sup>	Actual General Revenue Fund expenses <sup>2</sup>	Actual total Government expenses <sup>3</sup>
(in millions of dollars)			
Department of Highways and Transportation <sup>4</sup>	\$171.2	\$177.6	\$177.6
Department of Municipal Government <sup>5</sup>	32.7	25.6	25.6
Highways Revolving Fund <sup>6</sup>	n/a	n/a	4.8
Transportation Partnership Corporation	n/a	n/a	0
<b>Total transportation expenses</b>	<b>\$203.9</b>	<b>\$203.2</b>	<b>\$208.0</b>

Sources:

1. Government of Saskatchewan, *1994-95 Estimates*.
2. Government of Saskatchewan, *Public Accounts 1994-95 Volume 1 and Volume 2*.
3. Government of Saskatchewan, *Public Accounts 1994-95 Volume 1*, Summary Financial Statements; breakdown developed from data obtained from the Department of Finance.
4. Original funding amount does not include amount the General Revenue Fund must provide the Revolving Fund by law for cash needs.
5. Developed from data obtained from the Department of Municipal Government.
6. Amount represents only those expenses not recovered from other Saskatchewan Government organizations (e.g., DHT).

## Chapter 19 Department of Highways and Transportation

### The Department

**.03** The DHT contributes to the social and economic benefit of the Province by:

- developing and administering transportation policies and programs; and
- building, preserving and regulating safe use of the Province's transportation system. This system includes public highways, winter roads, bridges and provincial airports.

**.04** In 1994-95, the DHT received \$177.6 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$11.2 million of revenue. Information about these expenses and revenues appears in *Public Accounts 1994-95 Volume 2*.

**.05** Table 2 lists DHT's major programs and spending.

	Table 2	
	Original Planned Funding from the GRF	Actual Expenses
	(in millions of dollars)	
Construction of transportation systems	\$ 62.5	\$ 65.0
Maintenance of transportation systems	76.5	80.1
Operations	13.9	14.2
Accommodation and central services	7.2	7.1
Other	11.1	11.2
	\$171.2	\$177.6

### Special purpose fund and corporation

**.06** The DHT also manages the operations of the Highways Revolving Fund and the Transportation Partnerships Corporation (TPC). Paragraphs .33 and .55 provide more detail.

---

---

## Chapter 19 Department of Highways and Transportation

---

---

Our audit conclusions  
and findings

**.07** In our opinion:

- the financial statements of the Highways Revolving Fund and the financial information of the TPC are reliable;
- the DHT had adequate rules and procedures to safeguard and control its and the Fund's assets, except where we report otherwise in this Chapter; and
- the DHT complied with authorities governing its and the Fund's activities related to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing except where we report otherwise in this Chapter.

**.08** We also report a matter related to recommendations of the Standing Committee on Public Accounts in paragraphs .29 to .32.

**.09** In addition, we report on the DHT's progress in applying recommendations from our 1992 Annual Report. Paragraphs .61 to .79 describe our procedures and the DHT's progress. Our procedures do not constitute an audit.

---

Accurate financial  
reporting required for  
decision making

---

**.10** The Deputy Minister is responsible for the integrity of the DHT's financial management system. Also, the Deputy Minister must deliver the activities assigned to the DHT within established spending limits.

**.11** To properly manage the affairs of the DHT, the Deputy Minister and other officials need accurate periodic financial reports. To prepare accurate reports, the Department needs adequate rules and procedures. Inaccurate reports can result in inappropriate decisions.

**.12** The Department's periodic financial reports were not accurate because its rules and procedures for preparing those reports were not adequate. These inaccuracies led to inappropriate decisions.

**.13** Paragraphs .14 to .20 describe the problems we found in the Department's rules and procedures. The problems centre

---

---

## Chapter 19 Department of Highways and Transportation

---

---

on inadequate management direction and on staff failing to follow direction.

---

Management direction required for interim financial reporting

---

**.14** Management has not provided staff with adequate direction for preparing reliable and accurate interim forecasts and reports.

**.15** Currently, management direction consists of training materials and various memoranda. The materials and memoranda set out what reports are required by management and what general procedures staff should use to prepare those reports. The direction, however, is not complete. For example, it does not help staff decide what to do if they do not have the information necessary to prepare the reports. Nor does it sufficiently delegate procedures to staff to ensure all necessary steps are done.

**.16** During the year, the DHT started a new system to record the activities it carries out through the Highways Revolving Fund. DHT needs information from the Fund's records to prepare accurate financial reports. Paragraphs .41 to .50 discuss problems that the DHT had with the new system and the Fund's records.

**.17** The DHT could not obtain accurate data from the Fund's records. As a result, the DHT had difficulty preparing accurate interim forecasts and financial reports. For example, DHT estimated it would spend all of its maintenance budget in its June 1994 interim report. Then in its March 1995 interim report, DHT estimated it would spend about 99.7% of its maintenance budget. However, DHT actually overspent its maintenance budget by 3.6% or \$860,000.

**.18** Because of inaccurate interim reports, the DHT did not know until after March 31, 1995 that its expenses exceeded its total appropriation by \$816,576.

**.19** As a result, the DHT did not comply with subsection 33(1) of *The Financial Administration Act, 1993*. The Act limits expenses to the amount appropriated.

We recommend

**.20** The DHT should clearly document and follow rules and procedures for preparing interim financial reports.

---

---

## Chapter 19 Department of Highways and Transportation

---

---

Non-compliance with purchasing policy

.21 The DHT did not comply with established Government purchasing policy and its own purchasing procedures. As a result, DHT made unauthorized purchases.

.22 Sound purchasing policies and procedures help ensure the right goods are purchased at the right price and at the right time.

.23 The Provincial Comptroller has issued *The Financial Administration Manual* (FAM) to govern the financial activities of Government departments.

.24 FAM Section 551-1 states the DHT should follow the Purchasing Agency's guides. These guides define when and how to use local purchase orders (LPOs). Policies require staff to record the estimated purchase price on the LPO.

.25 In addition, the Purchasing Agency requires only authorized persons to approve the purchase of supplies. The DHT's manuals set out the authority of various persons authorized to purchase supplies.

.26 For three out of seven purchase requisitions we examined, persons approved purchases charged to the DHT's appropriation when they were authorized only to approve purchases charged to the Highways Revolving Fund. In addition, staff did not properly complete eight out of the fourteen LPOs we examined.

.27 We also reported matters on the proper completion of LPO's in our Spring 1995 Report to the Assembly.

**We recommend**

**.28 The DHT should comply with established Government purchasing policy and its own purchasing procedures.**

---

Ministerial assistant time reports inadequate

---

.29 The DHT did not comply with the Standing Committee on Public Accounts' (PAC) recommendation for ministerial assistant time reports.

.30 PAC recommended the following: ministerial assistants submit monthly time reports; the Minister responsible certifies these reports; and the reports show the attendance of the assistant and the Executive Government activity undertaken.

---

---

## Chapter 19 Department of Highways and Transportation

---

---

.31 Ministerial assistants employed by the DHT submit monthly time reports showing the amount and nature of leave taken during the month. Their immediate supervisor certifies these reports but the Minister does not. Also, the supervisor certifies his own reports. These reports do not show the activities that the assistants undertook in the month.

We recommend

.32 The DHT should ensure ministerial assistant time reports show the activities that the assistant undertook in the month and that an appropriate person certify the reports.

### Highways Revolving Fund

.33 The DHT uses the Highways Revolving Fund to distribute the cost of equipment, materials, and labour to the DHT's programs and other custom-work projects. The Fund operates on a break-even basis.

.34 In 1994-95, the Fund had revenues of \$27 million, expenses of \$28 million, and held assets of \$57 million. \$22.2 million of the Fund's revenues came from the DHT's appropriation. The *Financial Statements Compendium 1994-95* includes the Fund's financial statements at page A168.

Management direction to Revolving Fund accounting staff is needed

.35 Management has not provided adequate direction to accounting staff assigned to the Revolving Fund. Although accounting manuals are provided, the manuals do not clearly set out the duties and procedures of accounting staff.

.36 As a result, staff did not have a good understanding of how or why they do some accounting procedures. This increases the risk of not doing procedures properly. It also increases the risk of breakdown of controls when staff leave.

.37 For example, during the audit we noted the following errors. The Department:

- did not properly complete purchase orders;
- approved entries that were recorded in its records without ensuring entries were correct and valid;
- did not reconcile a payroll bank account to the Fund's recorded bank balance properly or on time;



---

---

## Chapter 19 Department of Highways and Transportation

---

---

- did not submit interim financial reports and forecasts for two of the three quarters in the year to Treasury Board as required by FAM;
- did not follow year end accounting procedures properly;
- inadequately assessed the continued appropriateness of accounting policies used to prepare the financial statements presented for audit; and
- presented financial statements for audit along with supporting schedules that required significant corrections (e.g., customers' accounts initially were understated by \$4.5 million).

**.38** These errors resulted in incomplete and inaccurate financial information for management decision making and in non-compliance with FAM. Without interim financial reports, management could not do timely variance analysis or make necessary changes to the rates charged for the Fund's services.

**We recommend**

**.39** The DHT should update its accounting manuals to define clearly the roles and responsibilities of the Fund's accounting staff and the accounting policies and procedures for the Fund.

**.40** The DHT should submit quarterly Fund financial statements to the Treasury Board division - Department of Finance within thirty days after the close of each quarter.

---

Fund's financial records were not properly maintained and protected

**.41** The DHT did not properly maintain and protect the financial records of the Fund. In addition, the DHT did not follow its established system development procedures when starting a new computer system.

**.42** To ensure information is accurate, complete, and timely for decision making, the DHT must adequately maintain and protect its records. DHT should:

- document accounting policies and procedures;

---

---

## Chapter 19 Department of Highways and Transportation

---

---

- use computer programs (e.g., edit functions) to record activities accurately and completely;
- regularly agree amounts recorded in the subledgers (i.e., for accounts receivable, inventory, accounts payable) to amounts recorded in the general ledger;
- train staff to ensure they are knowledgeable;
- ensure appropriate approval of system changes and development; and
- ensure access to records stored on the computer is properly restricted (e.g., through physical locks or logical system controls).

Paragraphs .43 to .54 describe two areas where the DHT did not adequately maintain and protect its records.

**.43** The DHT uses computer systems to maintain the financial records of the Fund. The DHT requires its staff to design and test fully new systems. It also requires the Provincial Comptroller's approval before using the new systems.

**.44** The DHT started a new computer system before completing its design, before doing adequate tests, and before receiving the Provincial Comptroller's approval. Also, the DHT did not properly restrict access to this system.

**.45** In the new system, the DHT records revenue, inventory and capital asset transactions of the Fund. Since the DHT could not properly use the system for six months due to startup problems, it did not record this essential information during this period.

**.46** As a result, the DHT was unable to prepare interim financial reports for the Fund or produce the necessary information to prepare accurate interim reports for the DHT's appropriation (see paragraph .17).

**.47** The DHT did not comply with FAM Section 1110-1. FAM requires the DHT to receive approval from the Provincial Comptroller before starting new financial systems.

---

---

## Chapter 19 Department of Highways and Transportation

---

---

.48 The DHT requested the Provincial Comptroller's approval before starting the new system. The Provincial Comptroller said he could not complete the review or approve the system before the system was scheduled to start. The DHT decided to start the system without the approval.

**We recommend**

**.49 The DHT should comply with its established rules and procedures for systems development.**

**.50 The DHT should adequately restrict access to its computer systems at all times.**

---

Financial reporting system is not efficient

---

.51 The DHT's financial reporting system does not help prepare financial reports efficiently.

.52 Management needs adequate financial reporting systems to help them monitor and assess the performance of the Fund. Financial reporting systems should:

- efficiently integrate data from other systems;
- provide accurate, consistent, timely information necessary to control the operations;
- respond to the needs of management; and
- provide information to the appropriate persons when needed.

.53 The DHT's several computer systems do not work well together to ease efficient record keeping. As a result, staff must prepare many entries to update the general ledger. Many staff are involved in the preparation and approval of these entries. The use of manual entries increases the risk of incorrect and untimely changes to the general ledger.

**We recommend**

**.54 The DHT should formally define and document its reporting needs and assess the cost effectiveness of its accounting system for meeting these needs.**

---

---

## Chapter 19 Department of Highways and Transportation

---

---

### Transportation Partnerships Corporation

**.55** The purpose of the TPC is to pursue opportunities with other governments, persons, or corporations to share the cost of construction and maintenance of a transportation system that is in the public interest and of particular benefit to others.

**.56** In 1994-95, the TPC had no active operations or financial transactions.

Tabling of  
information report  
needed

**.57** The DHT did not comply with subsection 15(3) of *The Crown Corporations Act, 1993*.

**.58** On January 24, 1995, the Lieutenant Governor in Council established TPC through an Order in Council issued under *The Crown Corporations Act, 1993*. Subsection 15(3) of the Act requires the Minister responsible for a Treasury Board Crown corporation created under this Act to table a report in the Legislative Assembly. This report must set out the name of the corporation, the objects and purposes of the corporation, and the location of the corporation's head office.

**.59** Although the Assembly discussed TPC during its review of proposed enabling legislation for TPC, the Minister did not table the required report.

We recommend

**.60** When creating Treasury Board Crown corporations under *The Crown Corporations Act, 1993*, the Minister responsible should table in the Assembly the report required under subsection 15(3) of the Act.

### Surface Repair Maintenance Plan follow-up work

**.61** In our 1992 Annual Report (Chapter 17) we made recommendations for improving the DHT's operations, particularly for its maintenance activities. In our 1993 Annual Report (Chapter 17) we reported DHT's actions in response to these recommendations.

**.62** This Chapter provides further information on DHT's actions taken in response to those recommendations.

**.63** In 1992, we reported on the adequacy of the DHT's procedures to meet the goals of its surface repair maintenance plan for pavements and thin membrane (oil treated) highways in a cost-effective manner. Also, we reported on the adequacy of DHT's procedures to manage, at a reasonable cost, its contracts with private sector highway builders (contractors).

.64 We recommended:

- *The DHT should document the knowledge possessed by its senior staff, and address the future need for more formal communications and reporting strategies before these staff retirements occur.*

.65 With respect to the DHT's surface repair maintenance plan, we recommended:

- *The DHT should set performance bench marks for maintenance activities and compare those bench marks to actual results;*
- *The DHT should prepare its maintenance budget based on current highway conditions, technologies used and related highway construction activities; and*
- *The DHT should assess, over the next few years, the effect of its maintenance activities on maximizing the remaining service lives of highways.*

.66 Since the DHT had adequate procedures to manage its contracts with private sector road builders, we did not make recommendations.

---

Our follow-up procedures

---

.67 To decide if the DHT accepted and carried out our recommendations, we carried out the following procedures:

- we attended courses the DHT presented to its staff to explain its new maintenance system;
- we reviewed various DHT manuals, course materials and minutes of various working committees;
- we interviewed DHT staff responsible for maintenance activities; and
- we reviewed the DHT's maintenance budget and related budget preparation procedures.

---

---

## Chapter 19 Department of Highways and Transportation

---

---

Summary of actions  
taken by DHT

**.68** The DHT now documents some knowledge its senior maintenance staff possess. The DHT now requires more formal reporting by its maintenance staff and uses a team approach to activities to transfer maintenance knowledge.

**.69** The DHT has made significant progress in carrying out our recommendations relating to its maintenance activities. It has focused its efforts on its systems for maintaining highways surfaced with pavement. It continues to improve its systems for highways surfaced with thin membrane (oil treated) and gravel.

**.70** The DHT has changed its system to manage maintenance for highways surfaced with pavement.

- The DHT now tracks key information to allow it to assess the effect of its maintenance activities for pavements.
- The DHT's manuals now set out performance bench marks for key maintenance activities.
- The DHT's maintenance budgets for pavements are based on current highway conditions, technologies used and related highway construction activities.

**.71** The following paragraphs set out our findings in more detail.

---

Reporting and  
documentation of  
knowledge

---

**.72** The DHT continues to document the knowledge of its senior staff in revised manuals and communicates the knowledge through training courses. Also, the computer systems, the collection of highway condition data, and the development of performance standards have captured the knowledge of senior maintenance staff.

---

Performance bench  
marks

---

**.73** The DHT continues to update its capital asset management and its methods to manage its maintenance activities. Each year, staff collects reliable highway condition data. Currently, the DHT has two years of condition data for pavements and one year of data for thin membrane and gravel highways.

---

---

## Chapter 19 Department of Highways and Transportation

---

---

.74 Established maintenance objectives and performance bench marks for preservation, safety, and user costs exist. The DHT is starting to use these bench marks to assess its performance.

---

Maintenance budget preparation

---

.75 The DHT prepared its 1995-96 and 1996-97 maintenance budgets for pavement highways based on current highway conditions, technologies used and related highway construction activities.

.76 New computer programs help prepare budgets for pavement highways. The programs record the highway condition, planned performance goals, and expected effectiveness of maintenance treatments. The DHT is testing this program for thin membrane and gravel highways.

---

Effectiveness of maintenance activities

---

.77 The DHT continues to work toward assessing the effectiveness of its maintenance activities on maximizing the remaining service lives of highways.

.78 The DHT uses computer systems to track treatment costs and record highway condition data. Once the DHT has tracked sufficient information, it plans to assess the effectiveness of the various maintenance activities available.

---

Further actions required

---

.79 We encourage the DHT to continue with the above initiatives. A good surface repair maintenance program protects the Government's \$6.0 billion investment in highways and ensures the safety and reliability of the highway system.

**Chapter 20**  
**Department of Municipal Government**

---

---

**Table of Contents**

<b>Introduction</b> . . . . .	<b>.01</b>
Special purpose funds and Crown agencies . . . . .	<b>.04</b>
Our audit conclusions and findings . . . . .	<b>.05</b>
Lottery license agreement needs strengthening . . . . .	<b>.07</b>
Management of the Infrastructure Program needs improvement . . . . .	<b>.13</b>
Proper financial statement standards required . . . . .	<b>.17</b>
<b>Municipal Potash Tax Sharing Administration Board</b> . . . . .	<b>.23</b>
Our audit conclusions and findings . . . . .	<b>.25</b>
Revenue sharing distributions to rural municipalities need correction . . . . .	<b>.26</b>
<b>Northern Revenue Sharing Trust Account</b> . . . . .	<b>.31</b>
Our audit conclusions and findings . . . . .	<b>.33</b>
Capital grant payments need to be in accordance with Regulations . . . . .	<b>.34</b>
<b>Saskatchewan Archives Board</b> . . . . .	<b>.39</b>
Our audit conclusions and findings . . . . .	<b>.41</b>
Board of Directors need to better supervise operation . . . . .	<b>.43</b>
Timely and complete budgets required . . . . .	<b>.46</b>
Timely and appropriate financial reports required . . . . .	<b>.51</b>
Written contracts required . . . . .	<b>.57</b>
Equipment records required . . . . .	<b>.64</b>
GST status not clear . . . . .	<b>.71</b>
Payee list required . . . . .	<b>.74</b>



## Chapter 20 Department of Municipal Government

---

---

### Table of Contents

<b>Saskatchewan Arts Board</b> . . . . .	<b>.77</b>
Our audit conclusions and findings . . . . .	.79
Payee list required . . . . .	.81
<b>Saskatchewan Centre of the Arts</b> . . . . .	<b>.84</b>
Our audit conclusions and findings . . . . .	.86
Non-compliance with rules and procedures . . . . .	.88
Out of province activities require specific authority . . . . .	.94
Loss of public money . . . . .	.99
<b>Saskatchewan Heritage Foundation</b> . . . . .	<b>.103</b>
Our audit conclusions and findings . . . . .	.105
Better information required . . . . .	.106
Control systems require approval . . . . .	.112
Payments require authority . . . . .	.116
Bank account requires approval . . . . .	.119
<b>Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation</b> . . . . .	<b>.123</b>
Our audit conclusions and findings . . . . .	.125
Better financial statements for the Fund required . . . . .	.128
Financial statements required Treasury Board approval . . . . .	.131

**Chapter 20**  
**Department of Municipal Government**

---

---

**Table of Contents**

<b>Western Development Museum</b> . . . . .	<b>.135</b>
Our audit conclusions and findings . . . . .	<b>.137</b>
Manual needs updating . . . . .	<b>.138</b>
Written policies and procedures for internal financial reporting required . . . . .	<b>.142</b>

## Chapter 20

### Department of Municipal Government

#### Introduction

.01 The Department is responsible for supporting and maintaining a viable system of municipal government in Saskatchewan.

.02 In 1995, the Department received \$181 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$27 million of revenue. Information about the Department's revenues and expenses appears in the Department's Annual Report.

.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	\$ 45	\$ 46
Rural Revenue Sharing	32	31
Municipal Infrastructure	21	14
Municipal Services	18	17
Transfer to Sask Housing Corporation	28	25
Housing	12	13
Provincial Library	8	8
Heritage	7	7
Arts and Multiculturalism	7	10
Other	<u>10</u>	<u>10</u>
	<u>\$ 188</u>	<u>\$ 181</u>

#### Special purpose funds and Crown agencies

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

- Municipal Potash Tax Sharing Administration Board
- Northern Revenue Sharing Trust Account
- Saskatchewan Archives Board
- Saskatchewan Arts Board
- Saskatchewan Centre of the Arts
- Saskatchewan Heritage Foundation
- Saskatchewan Housing Corporation
- Saskatchewan Lotteries Trust Fund for Sport,  
Recreation, and Culture
- Western Development Museum

---

---

## Chapter 20 Department of Municipal Government

---

---

Our audit conclusions  
and findings

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

**.06** We also note other matters for the Legislative Assembly's attention in this Chapter.

---

Lottery license  
agreement needs  
strengthening

---

**.07** The Department's lottery licence agreement with Sask Sport needs strengthening.

**.08** Sask Sport administers the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Fund) for the Department. The Fund receives the net profits of lottery schemes offered by the Western Canada Lottery Corporation (\$41.9 million in 1995).

**.09** The Department is responsible for the Fund. As a result, the Department needs to ensure Sask Sport carries out its work to achieve the Department's objectives.

- .10** The current agreement with Sask Sport does not:
- set out clearly the financial, operational and legislative objectives of the Department for the Fund;
  - require Sask Sport to report on its systems and practices used to achieve the Department's objectives;

---

---

## Chapter 20 Department of Municipal Government

---

---

- require Sask Sport to report on its performance in meeting the objectives (e.g. financial statements); and
- allow the Department access to Sask Sport's records to verify the reports received or require Sask Sport's auditor to verify the reports.

### We recommend

#### **.11 The Department's agreement with Sask Sport should:**

- **clearly set out the Department's objectives for the Fund;**
- **require Sask Sport to report to the Department on how well Sask Sport achieved the Department's objectives and on Sask Sport's system and practices for achieving the objectives; and**
- **allow the Department to verify the reports.**

**.12** The Department told us it plans to review the next agreement with Sask Sport and make the appropriate changes.

---

### Management of the Infrastructure Program needs improvement

---

**.13** The Department needs to improve its management of the Municipal Infrastructure Program (IP).

**.14** The Department has an appropriation for IP of \$21 million. The Department makes conditional grants to municipalities carrying out IP projects. To know if its appropriation is properly spent, the Department needs to know the costs of these projects and whether the municipalities comply with grant conditions.

**.15** The Department states it relies on the work done by the Department of Provincial Secretary to know the costs of IP projects and whether municipalities comply with grant conditions. The Provincial Secretary recommends municipalities' IP claims for payment. However, the Department has no written agreement with the Provincial Secretary setting out what work it will do for the Department. We think the Department needs a written agreement to ensure there is no misunderstanding of the work the Provincial Secretary needs to carry out for the Department. In Chapter

---

---

## Chapter 20 Department of Municipal Government

---

---

21, we report the Provincial Secretary does not carry out work to verify costs and ensure compliance with grant conditions.

### We recommend

**.16 The Department should obtain a written agreement with the Provincial Secretary for the management of the Infrastructure Program.**

---

### Proper financial statement standards required

**.17** The Department needs to set proper financial statement accounting principles (standards) for local governments.

**.18** The law (Section 70(1) of *The Rural Municipality Act, 1989* and Section 73(7) of *The Urban Municipality Act, 1984*) requires the Department to set the financial statement standards that local governments must use for public reporting. These financial statements should help users understand and assess a local government's management of the public resources entrusted to it.

**.19** The Canadian Institute of Chartered Accountants (CICA) has researched and developed standards for government financial statements. These standards ensure financial statements properly show a government's financial position, results of operations and changes in financial position. The CICA has rules and procedures to ensure standard setting is done according to due process. This is done through consultation and debate. The Provincial Government uses these standards to prepare its financial statements to report on the management of the public resources entrusted to it.

**.20** The Department set financial statement standards for local government before CICA recommended standards for local government. The Department's standards are not consistent with CICA's standards. The Department's standards do not result in showing a local government's proper financial position, results of operations and changes in financial position. Following are some significant deficiencies in the Department's standards:

- Local governments do not have to include all of the organizations they own or control in their financial statements. As a result, assets, liabilities, revenues and expenses may not be properly reported.

---

---

## Chapter 20 Department of Municipal Government

---

---

- Local governments record debt repayment as expenditures. As a result, expenses are not properly reported.
- Local governments charge expenses they may incur in the future (reserves) as an expense of the current year. As a result, actual expenses are not properly reported.
- Local governments do not have to disclose all their capital assets. As a result, users lack information to understand and assess the local government's management of its assets.

**We recommend**

**.21 The Department should require local governments to prepare their financial statements following the standards for local governments recommended by the CICA.**

**.22** The Department told us it has established a Municipal Financial Reporting Steering Committee in 1995. The Department also engaged a consultant to review existing local government financial reporting practices, using the reporting principles established by the CICA as a standard.

**Municipal Potash  
Tax Sharing  
Administration  
Board**

**.23** The Board collects and distributes taxes levied by rural municipalities on potash mines.

**.24** The Board had revenues and expenses of \$4.8 million in 1994. The Board's financial statements are included in the Public Accounts Compendium at page A261.

**Our audit conclusions  
and findings**

**.25** In our opinion:

- the Board's financial statements are reliable;
- the Board had adequate rules and procedures to safeguard and control its assets except for the matter reported in paragraphs .26 to .30; and
- the Board complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

---

---

## Chapter 20 Department of Municipal Government

---

---

Revenue sharing distributions to rural municipalities need correction

.26 The Board paid rural municipalities their share of potash producers' property taxes incorrectly.

.27 The Board bases a rural municipality's share of potash producers' property taxes on the number of square miles in the municipality. During the year, the Board approved a new method for calculating the number of square miles in a rural municipality.

.28 Management did not use the new method for calculating each rural municipality's share of potash producers' property taxes. As a result, the amount paid to each rural municipality was incorrect. However, the total amount paid to all rural municipalities was correct.

We recommend

**.29 The Board should make payments based on authorized rates.**

.30 The Board told us it will adjust rural municipalities' 1995 share of potash producers' property taxes for 1994 underpayments and overpayments.

**Northern Revenue Sharing Trust Account**

.31 The Northern Revenue Sharing Trust Account (NRSTA) receives money from the General Revenue Fund and municipal taxes. It provides grants under various northern grants programs and pays for municipal services.

.32 NRSTA had revenues of \$9.5 million in 1994 and held assets of \$18.7 million at December 31, 1994. NRSTA's financial statements are included in its Annual Report.

Our audit conclusions and findings

.33 In our opinion:

- NRSTA's financial statements are reliable;
- the Department had adequate rules and procedures to safeguard and control NRSTA's assets; and
- the Department complied with the authorities governing NRSTA's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the following matter.



---

---

## Chapter 20 Department of Municipal Government

---

---

Capital grant payments need to be in accordance with Regulations

**.34** The Department needs to follow subsection 8(2) of the Northern Revenue Sharing Grant Regulations when paying water and sewer capital grants.

**.35** The Regulations require the Department to pay grants for water and sewer projects as follows:

- 10% of the grant on approval of project;
- 35% of the grant on commencement of project;
- progress payment when the project is 75% complete; and
- final payment when the project is complete.

**.36** The Department paid municipalities based on bills received for the percentage of work complete. The percentage of work paid seldom agreed with the eligible percentage the Department could pay a municipality under the Regulations.

**We recommend**

**.37** NRSTA should make grant payments in accordance with the Northern Revenue Sharing Grant Regulations.

**.38** The Department told us it is impractical to follow the Regulations. The Department also told us it will propose changes to the Regulations to allow flexibility when making water and sewer capital grant payments.

**Saskatchewan Archives Board**

**.39** The Saskatchewan Archives Board (SAB) is responsible for acquiring and preserving historical documents relating to the history of Saskatchewan. SAB also provides these documents to the public for research.

**.40** SAB had revenue of \$1.9 million in 1995 and held assets of \$0.6 million at March 31, 1995. SAB's financial statements are included in the Public Accounts Compendium at page A318.

Our audit conclusions and findings

**.41** In our opinion:

- SAB's financial statements are reliable;
- SAB had adequate rules and procedures to safeguard and control its assets except for the matters reported in paragraphs .43 to .73; and

---

---

## Chapter 20 Department of Municipal Government

---

---

- SAB complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

.42 We also report another matter relating to the recommendations of the Standing Committee on Public Accounts in paragraphs .74 to .76.

---

Board of Directors  
need to better  
supervise operation

---

.43 The Board of Directors need to better supervise the operations of SAB.

.44 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 are responsible for the integrity of SAB's policies and procedures to safeguard and control SAB's assets.

.45 Also, the directors must monitor SAB's plans and performance. We found the following significant deficiencies in SAB's policies and procedures.

---

Timely and complete  
budgets required

---

.46 SAB does not prepare its annual budget on an appropriate basis. Also, the directors did not approve the budget for the year ended March 31, 1995 until September 1994.

.47 SAB prepares its annual budget on the cash basis of accounting rather than on the accrual basis of accounting. The directors approved the 1994-95 annual budget six months after the start of the year. Without timely and appropriate budgets, SAB cannot compare planned results with actual results. Directors and management need reports comparing planned with actual results to assess performance and make informed decisions.

.48 We also reported this matter in our 1995 Spring Report.

We recommend

**.49 The Board of Directors should review and approve SAB's budget before the start of the fiscal year.**

**.50 SAB should prepare the annual budget using the accrual basis of accounting.**

---

---

## Chapter 20 Department of Municipal Government

---

---

Timely and appropriate financial reports required

**.51** The directors do not review interim financial reports and the interim reports prepared for management are inadequate.

**.52** Directors and management need timely and accurate interim financial reports to monitor SAB's performance.

**.53** The interim financial reports reviewed by management are not timely or adequate. SAB prepares the reports using the cash basis of accounting rather than the accrual basis of accounting. The reports do not compare actual results with planned results.

**.54** We also reported this matter in our 1995 Spring Report.

We recommend

**.55** SAB should prepare timely interim financial reports using the accrual basis of accounting. These reports should compare budget with actual results. The reports should also highlight and explain variances between planned and actual results.

**.56** The Board of Directors and management should use the reports to monitor SAB's operation.

---

Written contracts required

---

**.57** SAB needs written contracts with The University of Saskatchewan (U of S) and Saskatchewan Property Management Corporation (SPMC).

**.58** The U of S provides SAB office space and administrative and accounting services. SPMC rents office space to SAB.

**.59** SAB needs written contracts to set out the responsibilities and legal obligations of each party for services provided.

**.60** The contract with the U of S should set out SAB's right to access accounting records, confidentiality needs, and the rules and procedures needed to safeguard and control SAB's assets.

**.61** The contract with SPMC should set out rental costs, maintenance duties, lease period, and cancellation terms.

**.62** We also reported this matter in our 1995 Spring Report.

---

---

## Chapter 20 Department of Municipal Government

---

---

We recommend

**.63 SAB should have written contracts with the U of S and SPMC.**

---

Equipment records required

**.64 SAB needs to keep adequate records of the equipment it owns.**

**.65** Since April 1975, SAB has purchased \$424,540 of equipment. Most of the equipment is in Regina. SAB does not have detailed records of equipment bought before the 1992/93 fiscal year in Regina.

**.66** Also, after SAB prepares records of the equipment it owns it should examine the equipment periodically to ensure the equipment exists and is in use. SAB should also compare the equipment on hand with its records.

**.67** The failure to keep equipment records could result in a loss of these assets without detection. Also, the lack of adequate records could result in inefficient purchasing, disposal, and use of equipment.

**.68** We also reported this matter in our 1995 Spring Report.

We recommend

**.69 SAB should keep records of all its equipment.**

**.70 SAB should periodically count its equipment and compare the count with the records.**

---

GST status not clear

**.71** SAB does not know its Goods and Services Tax (GST) status.

**.72** SAB has been collecting GST on sales since 1991. SAB has not yet remitted the amounts collected to Revenue Canada.

We recommend

**.73 SAB should clarify its GST status.**

---

Payee list required

**.74** SAB needs to comply with the Standing Committee on Public Accounts' recommendation to provide a list of payees to the Legislative Assembly for each fiscal year.

**.75** SAB did not table a list of payees for the year ended March 31, 1994 in the Assembly.

---

---

## Chapter 20 Department of Municipal Government

---

---

**We recommend** .76 SAB should provide a list of its payees to the Legislative Assembly.

<b>Saskatchewan Arts Board</b>	<p>.77 The Saskatchewan Arts Board fosters the development of the professional arts and artistic pursuits that enrich the lives of the people of Saskatchewan.</p> <p>.78 The Board had revenue of \$4.3 million in 1995 and held assets of \$2.8 million at March 31, 1995. The Board's financial statements are included in its Annual Report.</p>
--------------------------------	--

**Our audit conclusions and findings** .79 In our opinion:

- the Board's financial statements are reliable;
- the Board had adequate rules and procedures to safeguard and control its assets; and
- the Board complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

.80 We also report the following matter related to the recommendations of the Standing Committee on Public Accounts.

---

**Payee list required** .81 The Board did not comply with The Standing Committee on Public Accounts' recommendation to provide a list of payees to the Legislative Assembly for each fiscal year.

.82 The Board's annual report does list individual grants made by the Board.

**We recommend** .83 The Board should provide a list of its payees to the Legislative Assembly.

---

---

## Chapter 20 Department of Municipal Government

---

---

### Saskatchewan Centre of the Arts

**.84** The Saskatchewan Centre of the Arts (Centre) provides facilities, programs and services for entertainment, educational and cultural activities.

**.85** The Centre had revenue of \$3.7 million in 1995 and held assets of \$0.9 million at March 31, 1995. The Centre's financial statements are included in its Annual Report.

### Our audit conclusions and findings

**.86** In our opinion:

- the Centre's financial statements are reliable;
- the Centre had adequate rules and procedures to safeguard and control its assets except for the matter reported in paragraphs .88 to .93; and
- the Centre complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .94 to .98.

**.87** We also report another matter in paragraph .99 to .102 for the Legislative Assembly's attention.

---

### Non-compliance with rules and procedures

---

**.88** Management did not always follow the Centre's rules and procedures to ensure the accuracy of payments to event promoters.

**.89** Final statements are prepared for all Centre events. These statements show the gross ticket revenue, Centre charges, advances to the promoter and the final amount due to (from) the promoter.

**.90** The Centre's rules and procedures require management to review and approve the final statements to ensure final payments to promoters are correct.

**.91** Management did not always review and approve the final statements. Without this review, staff may make incorrect payments and revenue may be lost.

---

---

## Chapter 20 Department of Municipal Government

---

---

We recommend

**.92** The Centre should ensure management follows established rules and procedures to ensure the accuracy of payments.

**.93** Management told us they are now approving all statements before making the final payments on Centre events.

---

Out of province activities require specific authority

**.94** The Centre carried on activities outside the province without specific authority.

**.95** The Centre provided services for some out of province shows. Services provided included ticket sales and promotion. *The Saskatchewan Centre of the Arts Act* (Act) lists the Centre's powers, but does not give specific authority to operate outside the province.

**.96** The Centre obtained a legal opinion on this matter. The opinion stated the Act did not exclude the Centre from participating in out of province activities and appeared to permit them. However, the opinion also recommended the Centre should obtain specific authority for these activities by amendment to the Act.

We recommend

**.97** The Centre should seek changes to *The Saskatchewan Centre of the Arts Act* to provide specific authority for out of province activities.

**.98** Or, the Centre should not operate outside the province.

---

Loss of public money

**.99** The Centre's former box office manager produced and sold counterfeit tickets.

**.100** The Centre reported the suspected fraud to the police, who laid charges against the former box office manager, who later plead guilty.

**.101** The Centre honoured these tickets and has sought restitution for the tickets.

**.102** Management also informed the Board, the Minister in charge and the Centre's insurance company.

---

---

## Chapter 20 Department of Municipal Government

---

---

### Saskatchewan Heritage Foundation

**.103** The Saskatchewan Heritage Foundation (SHF) provides support for community based heritage projects. These projects conserve, restore, develop and interpret Saskatchewan's rich heritage resources.

**.104** SHF had revenue of \$0.4 million in 1995 and held assets of \$0.7 million at March 31, 1995. SHF's financial statements are included in its Annual Report.

Our audit conclusions  
and findings

**.105** In our opinion:

- SHF's financial statements are reliable;
- SHF had adequate rules and procedures to safeguard and control its assets except for the matters reported in paragraphs .106 to .118; and
- SHF complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .119 to .122.

---

Better information  
required

**.106** The Board of Directors requires better information to govern the operations of SHF.

**.107** To govern the operations of SHF properly the Board needs a financial plan (budget). The Board also needs monthly financial reports comparing actual results with the approved budget.

**.108** The Board did not receive or approve a budget for the 1994-95 fiscal year. Also, the Board did not receive internal financial reports showing a comparison of budget to actual results. The Board is responsible for SHF's activities. To carry out its responsibilities effectively, the Board needs to receive timely and reliable information from management to manage, direct and evaluate all of SHF's activities.

We recommend

**.109** The Board should require management to prepare a financial plan for SHF.



---

---

## Chapter 20 Department of Municipal Government

---

---

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

**.111 The Board should require management to prepare internal financial reports that compare actual results with the approved financial plan.**

---

Control systems  
require approval

---

**.112 The Board has not approved SHF's systems for safeguarding its assets.**

**.113 The Board is responsible for ensuring management has effective control systems for safeguarding SHF's assets. The Board could carry out this responsibility by approving a policies and procedures manual setting out management's rules and procedures for safeguarding SHF's assets.**

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

**We recommend**

---

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

---

Payments require  
authority

---

**.116 SHF made unauthorized payments to several grantees totalling \$66,963 during the year.**

**.117 SHF makes agreements with grantees to provide financial support for community-based heritage projects. The agreements include eligibility criteria that the grantee must meet before SHF can make a payment. During the year, we noted several payments to grantees that did not comply with the criteria in the agreements. For example, SHF paid \$23,000 to two grantees before receiving the documents required by the agreements.**

**We recommend**

---

**.118 SHF should ensure payments to grantees comply with agreements.**

---

Bank account  
requires approval

---

**.119 SHF did not comply with the Financial Administration Manual (FAM) issued by the Provincial Comptroller.**

---

---

## Chapter 20 Department of Municipal Government

---

---

.120 Section 610-2.04 of the FAM requires SHF to obtain the Provincial Comptroller's approval to open a bank account.

.121 SHF opened a bank account without obtaining the Provincial Comptroller's approval.

We recommend

**.122 SHF should obtain the Provincial Comptroller's approval to open bank accounts.**

**Saskatchewan  
Lotteries Trust Fund  
for Sport, Culture  
and Recreation**

.123 The Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Fund) receives net lottery profits from lottery tickets sold in Saskatchewan from the Western Canada Lottery Corporation. Under the terms of a lottery license Sask Sport administers the Fund for the Minister.

.124 The Fund had revenue of \$43.1 million in 1995 and held assets of \$24.5 million at March 31, 1995. The Fund's financial statements are included in the Public Accounts Compendium at page A375.

Our audit conclusions  
and findings

.125 My Office worked with KPMG Peat Marwick Thorne, the Fund's appointed auditor, using the framework recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. KPMG Peat Marwick Thorne and my Office formed the opinions in paragraph .126.

.126 In our opinion:

- the Fund's financial statements are reliable;
- the Department had adequate rules and procedures to safeguard and control the Fund's assets; and
- the Department complied with the authorities governing the Fund's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

.127 We report other matters for the Legislative Assembly's attention in paragraphs .128 to .134.

---

---

## Chapter 20 Department of Municipal Government

---

---

Better financial statements for the Fund required

**.128** The Fund's financial statements lack essential information to understand and assess the Fund's performance.

**.129** The Fund's financial statements do not show a comparison of planned results to actual results. A comparison of planned results to actual results helps legislators and the public understand and assess what the Fund planned to do and what it did.

**We recommend**

**.130** The financial statements for the Fund should show a comparison of actual results to planned results.

---

Financial statements required Treasury Board approval

**.131** The Department did not comply with the Treasury Board Accounting and Reporting Policy Manual (TBARM).

**.132** Section 1400 of TBARM requires all government entities to obtain Treasury Board approval of their financial statements.

**.133** The Department did not obtain Treasury Board approval for the Fund's financial statements.

**We recommend**

**.134** The Department should obtain Treasury Board's approval for the Fund's financial statements.

**Western Development Museum**

**.135** The Western Development Museum collects, preserves, restores historical objects and exhibits them to the public.

**.136** The Museum had revenue of \$2.9 million in 1995 and held assets of \$12.8 million at March 31, 1995. The Museum's financial statements are included in its Annual Report.

Our audit conclusions and findings

**.137** In our opinion:

- the Museum's financial statements are reliable;
- the Museum had adequate rules and procedures to safeguard and control its assets except for the matters reported in paragraphs .138 to .146; and
- the Museum complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

---

---

## Chapter 20 Department of Municipal Government

---

---

Manual needs updating

**.138** The Museum needs to update its accounting policies and procedures manual.

**.139** The Museum's written policies and procedures form part of its system of internal control. However, the Museum needs to update its manual for some of its accounting functions. The lack of an up to date manual increases the risk of a breakdown in internal controls at the Museum's various branches.

**.140** Branches need written guidance on what to do when opening a new bank account and when to make copies of computer files. They need to know the information the Board of Directors requires and when to supply it. During the year, the lack of an up to date manual resulted in one branch purchasing more inventory than required. Also, this branch failed to provide required information on inventory levels and grants.

We recommend

**.141** The Museum should ensure its accounting policies and procedures are up to date, are formally approved and meet its needs.

---

Written policies and procedures for internal financial reporting required

---

**.142** The Museum needs written policies and procedures for preparing its internal financial reports.

**.143** The Director of the Museum prepares reports for the Board of Directors to monitor the Museum's activities. However, the Museum has no written policies and procedures for preparing its internal financial reports. To ensure the correct preparation of these reports in the absence of the Director, the Museum needs written policies and procedures for preparing its reports.

**.144** The lack of written policies and procedures for preparing reports increases the risk of incorrect reports. Incorrect reports can lead to incorrect decisions.

**.145** In addition, the Board of Directors has not formally documented and approved its internal financial reporting needs.

We recommend

**.146** Management should prepare and the Board of Directors should approve written policies and procedures for preparing the Museum's internal financial reports.

**Chapter 21**  
**Department of Provincial Secretary**

---

---

**Table of Contents**

Introduction . . . . .	<b>.01</b>
Our audit conclusions and findings . . . . .	<b>.05</b>
Improved rules and procedures needed for IP program . . . . .	<b>.06</b>

## Chapter 21

### Department of Provincial Secretary

#### Introduction

**.01** The Department is to coordinate and manage intergovernmental relations, protocol services and French-language services. The Department is responsible for the Office of the Lieutenant Governor, the Legislative Building and Wascana Centre Authority.

**.02** The Department also is responsible for the Saskatchewan Infrastructure Program. This program provides funding for certain capital projects that result from participation in the Canada Saskatchewan Infrastructure Works Program.

**.03** The Department received \$13.6 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$247 thousand of revenue. Information about the Department's revenue and expenses appears in Volume 2 of Public Accounts at pages 10 and, 176 and 184 respectively.

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

	<u>Original Estimates</u>	<u>Actual</u>
(in thousands of dollars)		
Administration	\$ 916	\$ 782
Accommodation and Central Services	1,677	1,661
Protocol Office	457	732
Intergovernmental Affairs	763	806
Telecommunications and Broadcasting	243	227
Expenses of the Lieutenant Governor	248	234
Office of French-Language Coordination	239	225
Wascana Centre Authority	2,649	2,635
Canadian Intergovernmental Conference Secretariat	50	44
	7,233	7,387
Saskatchewan Infrastructure Program	17,855	6,191
	<u>\$ 25,088</u>	<u>\$ 13,578</u>

#### Our audit conclusions and findings

**.05** In our opinion:

- the Department has adequate rules and procedures to safeguard and control its assets

---

---

## Chapter 21 Department of Provincial Secretary

---

---

except for the matter reported in paragraphs .06 to .16; and

- the Department complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraph .06 to .16.

---

Improved rules and procedures needed for IP program

---

**.06** The Department needs to improve its rules and procedures for management of the Infrastructure Program (IP).

**.07** A management committee appointed by the Governments of Canada and Saskatchewan approve all IP projects. The Department makes conditional grants to the organizations carrying out the projects. The Department delegated the authority for paying the grants out of the Department's appropriation to other Government agencies. The Department, however, remains responsible to know the costs of projects and whether the organizations comply with the grant conditions.

**.08** The Department states it relies on work done by the Government agencies to verify the costs of projects and compliance with the grant conditions. However, the Department has no written agreements with the Government agencies setting out what work these agencies will do for the Department. As a result, misunderstandings may occur.

**.09** For example, the Department carries out work in the infrastructure program for the Department of Municipal Government. The Department receives claim forms directly from municipalities showing costs incurred. The Department reviews the claims to ensure they are signed by the municipality. The Department then recommends that the Department of Municipal Government pay the claim. The Department does not verify the information reported in the claims. We report in Chapter 20 that the Department of Municipal Government thinks the Provincial Secretary verifies costs and ensures compliance.

**.10** As stated earlier, the Department allows the Government agencies to authorize the payment of the conditional grants from the Department's appropriation. The Department established rules and procedures to ensure the charges are appropriate.

---

---

## Chapter 21 Department of Provincial Secretary

---

---

These rules and procedures include comparing the project cost information received from the organizations carrying out the work to the amount charged to the Department's appropriation. However, the Department does not regularly carry out this work. We note the Department was several months late in doing this work. As a result, the Department is not ensuring all charges to its appropriation are appropriate.

**.11** Also, the Department has advanced \$3.5 million out of its appropriation to the Department of Municipal Government for northern IP projects. The Department does not regularly receive information from the Department of Municipal Government to know the costs of northern projects and whether organizations carrying out projects complied with grant conditions. As a result, the Department is not ensuring this charge to the Department's appropriation is appropriate.

**.12** As well, the Department's agreement with the Federal Government requires the Department to submit claims for the costs of the IP program. The Department's claims are based on the charges to its appropriation. Since the Department is not regularly ensuring the accuracy of charges to its appropriation, it may be submitting incorrect claims to the Federal Government.

**We recommend**

**.13** The Department should obtain written agreements with Government agencies setting out clearly the work they will carry out for the Department.

**.14** The Department should regularly compare reports received from Government agencies carrying out Infrastructure projects to the amounts charged to the Department's appropriation.

**.15** The Department should establish rules and procedures to monitor the money advanced for northern Infrastructure.

**.16** The Department should ensure its claims to the Federal Government are accurate.



**Chapter 22**  
**Greystone Capital Management Inc.**

---

---

**Table of Contents**

Introduction . . . . .	.01
Public accountability required . . . . .	.08
Inability to discharge our duties . . . . .	.12

---

---

## Chapter 22

### Greystone Capital Management Inc.

---

---

#### Introduction

**.01** Greystone Capital Management Inc. (Greystone) acts as an investment manager for many Government agencies and other clients.

**.02** In 1988, Greystone was incorporated under *The Business Corporations Act* of Saskatchewan to provide investment management services. Government appointed boards and the Minister of Finance own most of Greystone's shares.

**.03** In 1994, Greystone had revenue of \$5.7 million, net income of \$1,500, and held assets of \$2.6 million at December 31, 1994.

**.04** Greystone has also registered several open-ended mutual funds with the Saskatchewan Securities Commission and is the fund manager. These funds allow Greystone's clients another means to participate in a pool of investment assets in particular segments of capital markets. Following is a list of these funds:

- Greystone Balanced Fund
- Greystone Canadian Equity Fund
- Greystone Canadian Fixed Income Fund
- Greystone Canadian Growth Fund
- Greystone International Equity Fund
- Greystone U.S. Equity Fund
- Greystone Money Market Fund

**.05** Government agencies invest in the Funds by buying units. Collectively, the units comprise an undivided interest in the Funds.

**.06** At December 31, 1994, Government agencies held nearly all of the units of the Greystone International Equity Fund. At December 31, 1994, the Fund had net assets of \$456 million and had over 34 million units outstanding. At June 30, 1995, the Fund had nearly 38 million units outstanding.

**.07** We do not have the financial statements for the other investment funds.

#### Public accountability required

**.08** The Government has never tabled Greystone's financial statements and the financial statements of Greystone's investment funds in the Legislative Assembly.

---

---

## Chapter 22 Greystone Capital Management Inc.

---

---

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

.10 Public accountability is strengthened when the Government tables the financial statements of all government organizations. We believe the Government should table the financial statements of Greystone and Greystone's investment funds. This way, the Assembly and the public can review Greystone's and Greystone's investment funds' performance.

We recommend

**.11 The Government should table Greystone's and Greystone's investment funds financial statements in the Legislative Assembly.**

---

Inability to discharge  
our duties

---

.12 Greystone has not allowed 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.

.13 Greystone believes it is not a government organization and that it does not deal with "public money" as that term is defined in *The Provincial Auditor Act*. Greystone has legal advice that it is not subject to an audit by the Provincial Auditor.

.14 As stated earlier, Government appointed boards own most of Greystone's shares. Therefore, Greystone is subject to the Government's control. We think the activities of Government appointed boards are subject to an audit by our Office whether the activities are carried out directly by Government appointed boards or by companies subject to control by Government appointed boards. To argue otherwise, defeats the object of *The Provincial Auditor Act*. (e.g., a board wishing to avoid the scrutiny of our Office and, thus, the Legislative Assembly would simply establish a company under *The Business Corporations Act* to carry out its activities and argue those activities are no longer subject to audit by our Office). Our Office has legal advice that Greystone is subject to an audit under *The Provincial Auditor Act*.

.15 Since we could not audit, we cannot advise the Assembly:

---

---

## Chapter 22 Greystone Capital Management Inc.

---

---

- if Greystone's and Greystone's investment funds' financial statements are reliable;
- if Greystone complied with the authorities governing its and the investment funds' activities it manages relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and
- if Greystone had adequate rules and procedures to safeguard and control its assets and the investment funds it manages.

**.16** We have also reported this matter for several years.

**We recommend**

**.17** The Government should ensure Greystone allows us to audit its accounts.

**.18** 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.

**.19** 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 and its investment funds. Accordingly, the Assembly cannot see relevant information about Greystone and its investment funds through the financial statements of other Crown agencies.

**.20** Regarding the beneficial ownership of defined benefit 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

---

---

## Chapter 22 Greystone Capital Management Inc.

---

---

the prudent management of money in the plan, but have a promise from the Government for a specific pension. The Government, and thus the taxpayer, 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.

.21 Also, three of the shareholders are not pension plans. The Government benefits directly from the prudent management of money related to the investment portfolios of Saskatchewan Government Insurance, Workers' Compensation Board and Saskatchewan Power Corporation.

**Chapter 23**  
**Public Service Commission**

---

---

**Table of Contents**

Introduction . . . . . **.01**

Our audit conclusions and findings . . . . . **.05**

Services provided without authority . . . . . **.07**

Complete financial information needed for full public accountability . . . . . **.12**

## Chapter 23

### Public Service Commission

Introduction	<p><b>.01</b> The Public Service Commission (PSC) acts as a central agency for some human resource activities for all Government departments and for several Crown agencies, e.g., New Careers Corporation. The PSC works to enable equity and fairness in personnel administration in the Public Service. In addition, it encourages good personnel practices.</p> <p><b>.02</b> Paragraph .05 in Chapter 3 sets out key issues the PSC faces.</p> <p><b>.03</b> In 1994-95, the PSC received \$6.4 million from the General Revenue Fund and spent this money on its programs. Also, PSC raised \$557 thousand of revenue. The PSC's Annual Report 1994-95 provides information about its expenses.</p> <p><b>.04</b> The following is a list of major programs and spending.</p>																
	<table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left; padding-right: 20px;"><u>Original Estimates</u></th> <th style="text-align: right; padding-right: 20px;"><u>Actual</u></th> </tr> <tr> <th colspan="2" style="text-align: center; padding-bottom: 5px;">(in millions of dollars)</th> </tr> </thead> <tbody> <tr> <td style="padding-right: 20px;">Staffing and Development</td> <td style="text-align: right;">\$ 2.0</td> <td style="text-align: right;">\$ 2.0</td> </tr> <tr> <td style="padding-right: 20px;">Employee Relations</td> <td style="text-align: right;">1.4</td> <td style="text-align: right;">1.5</td> </tr> <tr> <td style="padding-right: 20px;">Other</td> <td style="text-align: right;"><u>3.0</u></td> <td style="text-align: right;"><u>2.9</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ 6.4</u></td> <td style="text-align: right;"><u>\$ 6.4</u></td> </tr> </tbody> </table>	<u>Original Estimates</u>	<u>Actual</u>	(in millions of dollars)		Staffing and Development	\$ 2.0	\$ 2.0	Employee Relations	1.4	1.5	Other	<u>3.0</u>	<u>2.9</u>		<u>\$ 6.4</u>	<u>\$ 6.4</u>
<u>Original Estimates</u>	<u>Actual</u>																
(in millions of dollars)																	
Staffing and Development	\$ 2.0	\$ 2.0															
Employee Relations	1.4	1.5															
Other	<u>3.0</u>	<u>2.9</u>															
	<u>\$ 6.4</u>	<u>\$ 6.4</u>															

Our audit conclusions and findings

**.05** In our opinion:

- the PSC had adequate rules and procedures to safeguard and control its assets; and
- the PSC complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in paragraphs .07 to .11.

**.06** We also report a matter related to the PSC's public accountability to the Legislative Assembly in paragraphs .12 to .18.

---

---

## Chapter 23 Public Service Commission

---

---

Services provided  
without authority

.07 The PSC provided \$37,688 of services without proper authority.

.08 Under *The Public Service Act*, the PSC provides various services to employees subject to the Act. The Act does not allow the PSC to provide services to employees who are not subject to the Act.

.09 During the year, the PSC provided services of \$37,688 to employees who are not subject to the Act. These services included training, classification reviews, and negotiations.

We recommend

**.10 The PSC should obtain proper authority for providing services to employees who are not subject to *The Public Service Act*.**

.11 The PSC told us it now has authority.

---

Complete financial  
information needed  
for full public  
accountability

.12 The PSC needs to provide complete financial information to the Legislative Assembly and the public to be fully accountable for its financial activities.

.13 The Assembly and the public need complete financial information to understand and assess the financial performance of the PSC.

.14 In 1994-95, the PSC showed its actual and planned expenditures as \$6.377 million in its *Annual Report 1994-95*. The Report did not show any planned or actual revenue. The *Public Accounts 1994-95* also showed planned and actual expenditures as \$6.377 million and revenues as \$3 thousand.

.15 The PSC netted its revenues against its expenditures and publicly reported the net amount only. The PSC's actual and planned expenditures were \$6.944 million. Also, the PSC's planned and actual revenues were \$557 thousand.

.16 As a result, the Assembly and the public may not fully understand and assess the financial performance of the PSC.

We recommend

**.17 The PSC should provide complete financial information on its activities to the Legislative Assembly and the public.**



---

---

## Chapter 23 Public Service Commission

---

---

.18 The PSC told us it will disclose this information in future annual reports.

**Chapter 24**  
**Saskatchewan Liquor and Gaming Authority**

---

---

**Table of Contents**

Introduction . . . . .	.01
Our audit conclusions and findings . . . . .	.03
Independent internal audit information needed . . . . .	.04
Written operating agreement needs strengthening . . . . .	.11

---

---

## Chapter 24

# Saskatchewan Liquor and Gaming Authority

---

---

### Introduction

**.01** The Saskatchewan Liquor and Gaming Authority (SLGA) regulates liquor and gaming activities in the province. SLGA's main activities are operating retail liquor stores and managing video lottery terminal gaming.

**.02** SLGA had revenues of \$430.5 million in 1995 and held assets of \$301.5 million at March 31, 1995. Its financial statements are included in its annual report.

### Our audit conclusions and findings

**.03** In our opinion:

- SLGA's financial statements are reliable;
- SLGA had adequate rules and procedures to safeguard and control its assets except for the matters reported in paragraphs .04 to .20; and
- SLGA complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing.

---

### Independent internal audit information needed

**.04** The Board of Directors (Board) needs to receive independent information from SLGA's internal auditor to oversee management.

**.05** The Board is responsible for the management of SLGA. It is also responsible for ensuring SLGA achieves its goals and objectives. To carry out its responsibilities the Board needs independent information to ensure management adequately safeguards SLGA's assets, complies with the law and prepares proper financial statements.

**.06** One way for the Board to obtain information to oversee management effectively is to have an independent internal audit function. 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 SLGA's controls and help the Board exercise due diligence.

.07 Currently, SLGA has no audit committee and the internal auditor reports to management.

.08 To oversee management effectively the Board or an Audit Committee should:

- review and approve the Internal Auditor's plans;
- discuss the Internal Auditor's findings;
- monitor the Internal Auditor's activities, results, and the adequacy of corrective action taken; and
- consider matters raised by the Internal Auditor.

.09 We also reported this matter in our 1995 Spring Report

**We recommend**

**.10 The Internal Auditor should report directly to the Board or to an Audit Committee established by the Board.**

---

Written operating agreement needs strengthening

---

.11 SLGA's written operating agreement with Western Canada Lottery Corporation (WCLC) needs strengthening.

.12 The written agreement does not require WCLC to carry out the work so SLGA's control objectives are achieved or to report on the rules and procedures used to achieve the control objectives. It also does not provide for SLGA to monitor WCLC's actions to ensure proper management of the video lottery operations.

.13 Responsibility for achieving the control objectives rests with SLGA. The major control objectives are to ensure:

- public confidence in the integrity of the video lottery system;
- compliance with relevant laws concerning the operation of the video lottery system;
- complete and accurate recording of transactions;
- prompt and accurate invoicing of site contractors;

- adequate collection procedures;
- prompt receipt of money due to SLGA;
- timely and accurate financial reporting to permit management to make correct decisions;
- contingency arrangements providing for continuous operation of the video lottery system. This includes adequate program documentation, regular backup of program and data files and a disaster recovery plan; and
- adequate system security. This includes access controls, physical security and program change controls.

**.14** Also, SLGA has a verbal agreement with WCLC. The verbal agreement requires a report from WCLC describing the rules and procedures used to meet SLGA's control objectives. WCLC's external auditor audits the report.

**.15** We think WCLC's report and the external auditor's report on the rules and procedures provide adequate assurance SLGA has achieved its control objectives.

**.16** However, we think SLGA should obtain changes to the written agreement with WCLC. This will prevent future misunderstandings about WCLC's responsibility to do the work so SLGA's control objectives are achieved and to report on the rules and procedures used to achieve the control objectives.

**.17** We also reported this matter in our 1995 Spring Report.

**We recommend**

**.18** SLGA should amend its written agreement with WCLC to require WCLC to provide a report on the rules and procedures used to achieve SLGA's control objectives.

**.19** The revised agreement should require WCLC to have its auditor audit the report. Alternatively, or in addition, the revised agreement should allow SLGA's staff access to WCLC's records to verify the report.

**.20** Management told us in 1995-96 a new agreement will be signed which addresses these concerns.

**Chapter 25**  
**Saskatchewan Property Management Corporation**

---

---

**Table of Contents**

Introduction . . . . .	.01
Our audit conclusions and findings . . . . .	.03
A proper comparison of planned to actual results should be provided . . . . .	.06
Certain payments to contractors need to comply with the law . . . . .	.11
Recommendations of PAC . . . . .	.14

---

---

## Chapter 25

# Saskatchewan Property Management Corporation

---

---

### Introduction

**.01** Saskatchewan Property Management Corporation (SPMC) provides services, accommodation, and facilities to public agencies.

**.02** In the year ended March 31, 1995, SPMC had revenues of \$142 million and held assets of \$497 million. SPMC's *1994-95 Annual Report* contains its financial statements.

### Our audit conclusions and findings

**.03** Our Office worked with Deloitte & Touche (SPMC's appointed auditor) using the framework recommended by the Task Force on Roles, Responsibilities and Duties of Auditors. Deloitte & Touche and our Office formed the following opinions.

**.04** In our opinion:

- the financial statements of SPMC are reliable. However, we note a matter for the Legislative Assembly's attention in paragraphs .06 to .10 related to the financial statements.
- SPMC had adequate rules and procedures to safeguard and control its assets; and
- SPMC complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters noted in paragraphs .11 to .13.

**.05** We also report a matter related to recommendations of the Standing Committee on Public Accounts (PAC) in paragraph .14.

---

A proper comparison of planned to actual results should be provided

**.06** SPMC's financial statements do not include essential information on SPMC's planned results.

**.07** A comparison of planned to actual results is an essential component of good accountability. Such a comparison helps legislators and other users of financial statements understand and assess what SPMC planned to do compared to what it did.

.08 Currently, SPMC's audited financial statements show only the planned excess of expenses over revenue. We think the financial statements should show the planned results for each line item on the statement of revenue and expenses.

We recommend

.09 SPMC's financial statements should show the planned results for each line item on its statement of revenue and expenses.

.10 SPMC told us its 1996 financial statements will show the recommended information.

---

Certain payments to contractors need to comply with the law

---

.11 SPMC made three payments to contractors that were not paid in accordance with sections 43 and 44 of *The Builders' Lien Act*.

.12 *The Builders' Lien Act* requires SPMC to wait 40 days after the date of substantial completion of construction contracts before paying contractors. We noted three instances where SPMC did not wait the required 40 days before paying contractors. These payments totalled \$84,314.

We recommend

.13 SPMC should pay contractors according to *The Builders' Lien Act*.

---

Recommendations of PAC

---

.14 In January 1992, the Standing Committee on Public Accounts (PAC) asked us to review certain Government practices. In our April 1992 Special Report to PAC, we reported our findings from this review. We reviewed the status of SPMC's compliance with PAC's recommendations. Our review procedures consisted primarily of asking SPMC to tell us where it did not follow PAC's recommendations. SPMC reported the following matters:

- SPMC paid \$63,650 to an employee who was performing services solely for the benefit of the Department of Provincial Secretary. The other Government agency did not pay SPMC for these costs. Per SPMC, both SPMC and the other Government agency benefitted from the employee's work.



---

---

## Chapter 25 Saskatchewan Property Management Corporation

---

---

- SPMC provided \$6,480 of goods and services to Crown Investments Corporation of Saskatchewan without charge.

**Chapter 26**  
**Saskatchewan Research Council**

---

---

**Table of Contents**

Introduction .....	.01
Pension Plan .....	.03
Our audit conclusions and findings .....	.04
A proper comparison of planned to actual results should be provided .....	.06
Information about expenses by program needed .....	.10
Payee list required .....	.13

---

---

## Chapter 26

### Saskatchewan Research Council

---

---

Introduction	<p><b>.01</b> The Saskatchewan Research Council (SRC) provides scientific, engineering and technical services to help further the economy of the Province of Saskatchewan.</p> <p><b>.02</b> In the year ended March 31, 1995, SRC had revenue of \$21.5 million and held assets of \$8.5 million. SRC's <i>1994-95 Annual Report</i> contains its financial statements.</p>
Pension Plan	<p><b>.03</b> SRC also manages the Saskatchewan Research Council Employees' Pension Plan (Plan). At December 31, 1994, the Plan held assets of \$18.1 million and had a surplus of \$1.0 million.</p>

Our audit conclusions and findings

- .04** In our opinion:
- the financial statements of SRC and the Plan are reliable;
  - SRC had adequate rules and procedures to safeguard and control its and the Plan's assets; and
  - SRC complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.05** We report the following additional matters to the Legislative Assembly.

---

A proper comparison of planned to actual results should be provided

---

**.06** SRC's annual financial statements do not include essential information on SRC's planned results.

**.07** A comparison of planned to actual results is an essential component of good accountability. Such a comparison helps legislators and other users of financial statements understand and assess what SRC planned to do compared to what it did.

**.08** Currently, SRC's audited financial statements show only a comparison of planned net income to actual net income. We think the financial statements should show a comparison of

---

---

## Chapter 26 Saskatchewan Research Council

---

---

planned to actual results for each line item on the statement of operations.

We recommend

**.09 SRC's annual financial statements should show a comparison of planned to actual results for each line item on its statement of operations.**

---

Information about expenses by program needed

---

**.10 SRC's financial statements do not show expenses by program (e.g., research, and technology transfer).**

**.11** Information about expenses by program is an essential component of good accountability. Such information helps legislators and other users of financial statements understand and assess the financial resources employed by SRC to operate its programs.

We recommend

---

**.12 SRC's financial statements should show expenses by program.**

---

Payee list required

---

**.13** SRC did not comply with the Standing Committee on Public Accounts' (PAC) recommendation to provide a list of payees for each fiscal year.

**.14** In March 1993, PAC recommended:

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

**.15** SRC's 1993-94 Annual Report tabled in the Legislative Assembly did not contain a list of payees.

We recommend

**.16 SRC should provide a list of its payees to the Legislative Assembly.**

**Chapter 27**  
**Workers' Compensation Board**

---

---

**Table of Contents**

Introduction . . . . .	.01
Our audit conclusions and findings . . . . .	.03
Access to information is denied . . . . .	.07
WCB refuses to follow revised audit approach . . . . .	.16
We plan to audit the WCB directly . . . . .	.24
Appointed Auditor's Reports . . . . .	.28

## Chapter 27

# Workers' Compensation Board

Introduction	.01 The Workers' Compensation Board (WCB) provides worker's compensation to Saskatchewan workers and employers.		
	.02 The WCB's 1994 financial statements are included in its annual report. Those statements report the following financial results at December 31.		
		<u>1994</u>	<u>1993</u>
		(in millions of dollars)	
	Revenues	\$153	\$140
	Expenses	<u>165</u>	<u>137</u>
	Net income (loss)	<u>\$ (12)</u>	<u>\$ 3</u>
	Assets	\$537	\$515
	Liabilities	<u>487</u>	<u>453</u>
	Reserves & injury fund (net surplus)	<u>\$ 50</u>	<u>\$ 62</u>

**Our audit conclusions and findings**

.03 In our opinion, the WCB's financial statements are reliable. The WCB complied with the authorities governing its activities related to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing.

.04 My Office is unable to advise the Legislative Assembly on the adequacy of the WCB's financial management practices, i.e., its rules and procedures to safeguard and control its assets. We were denied access to necessary information and explanations. We set out why in paragraphs .07 to .15. We note in those paragraphs that on March 26, 1996, the WCB, through its appointed auditor, provided our Office copies of the reports we requested. At the date of this Report, we are reviewing those reports.

.05 In paragraphs .16 to .23, we also bring to the Assembly's attention our concern that the WCB refuses to follow the revised audit approach recommended in 1994 by the Task Force on Roles, Responsibilities and Duties of Auditors. In April 1995, the WCB was advised by Treasury Board that the recommendations of the Task Force should be followed.

---

---

## Chapter 27 Workers' Compensation Board

---

---

.06 To ensure we are able to more effectively fulfil our responsibilities to the Assembly in the future, we plan to audit the WCB directly. We think our work and reports are needed by the Assembly when examining how the Government carries out its responsibilities related to the workers' compensation program managed by the WCB.

---

Access to information  
is denied

.07 Since 1988, the Government, through an Order in Council, has appointed another auditor (i.e., KPMG Peat Marwick Thorne) to audit the WCB. Accordingly, we carry out our responsibilities to the Assembly by working with that other auditor. Before 1988, we audited the WCB directly.

.08 When the Government appoints another auditor, we provide that auditor various communications setting out our expectations. We also hold meetings to discuss planning and more specific issues. The purpose of these meetings is to ensure the appointed auditor and officials of my Office know what is expected. This way, my Office is more likely able to rely on the work of the appointed auditor when deciding what to report to the Assembly. We provide boards of directors and senior management an audit involvement memorandum. The memorandum includes the objectives and timelines for the audit.

.09 In October 1994, we asked KPMG Peat Marwick Thorne to ensure they examined certain specific issues so we could form our opinion on WCB's financial management practices. We wanted to know whether the WCB's Board and senior management group receive the information needed to control the WCB's operations. Such information would include approved financial plans, interim financial statements, and explanations when actual results varied from planned results.

.10 When we reviewed KPMG's audit files, we noted KPMG had decided to recommend to our Office that the WCB had adequate financial management practices. However, we could not find sufficient evidence in KPMG's audit files that the WCB's Board approved a complete financial plan, received complete interim financial statements, and received adequate explanations when actual results varied from planned results. In addition, when we reviewed the WCB's 1994 annual report, we noted the Board did not know why the annual adjustment to the liability for compensation benefits was so large. The 1994 adjustment exceeded \$28 million.

---

---

## Chapter 27 Workers' Compensation Board

---

---

.11 Accordingly, we asked KPMG to provide us with copies of the interim reports provided to the Board at the end of the first, second and third quarters of 1994. We wanted to examine those reports to help us decide whether we could rely on the work and reports of KPMG to form our audit opinion that the WCB had adequate financial management practices during 1994.

.12 In December 1995, following several requests for those reports, KPMG informed my Office that the WCB's Board had asked KPMG not to provide my Office the reports we requested.

.13 In March 1996, I met with the Chair of the WCB to determine why his Board decided not to allow my Office access to the reports we requested. He advised me that he and his Board hold the view there is no reason I need to have access to the reports. He argued I should be satisfied that access is provided to KPMG and that KPMG has concluded the WCB has adequate financial management practices.

.14 I pointed out to the Chair that my responsibility is to decide what conclusions and findings should be reported to the Assembly. To do so, I need to see evidence the WCB's Board and senior management group approve complete financial plans, receive complete interim financial statements, and receive adequate explanations when actual results varied from planned results. I also indicated I am concerned the Board does not know why the annual adjustment to the liability for compensation benefits is so large.

.15 On March 26, 1996, the WCB through KPMG provided my Office copies of the reports I requested. At the date of this Report, my Office is reviewing those reports.

---

WCB refuses to follow revised audit approach

---

.16 In my discussion with the Chair, I suggested that future audits should be carried out in accordance with the audit approach recommended in 1994 by the Task Force on Roles, Responsibilities and Duties of Auditors.

.17 The Task Force was formed in response to a recommendation of the Standing Committee on Public Accounts (PAC). After considering my concerns with the existing audit system, the PAC recommended "that the Government work co-



---

---

## Chapter 27 Workers' Compensation Board

---

---

operatively with the Provincial Auditor by involving him in the process of choosing appointed auditors, establishing audit plans, maintaining solid communications through frequent audit updates, and ensuring the Provincial Auditor has sufficient time to comment on the final audit report prior to its public release." The PAC's recommendation was concurred in by the Legislative Assembly.

.18 In response to the PAC's recommendation and after discussions with many officials, the Task Force was formed by the President of the Crown Investments Corporation of Saskatchewan (CIC) and my Office. The purpose was to establish a better approach to audits when the Government chooses to appoint another auditor.

.19 The Task Force recommends an approach which ensures appointed auditors, management and my senior staff work more closely at all stages of the audit. Both CIC and my Office support the approach recommended by the Task Force (see Chapter 6). In April, 1995, Treasury Board decided all Treasury Board Crown corporations and agencies should comply with the Task Force's recommendations. Treasury Board sent this decision to the WCB.

.20 The Chair advised me that the WCB was not involved in the deliberations of the Task Force and, therefore, does not support its recommendations. He also advised me the WCB does not take direction from Treasury Board.

.21 The new audit approach recommended by the Task Force provides an audit system in which I can carry out my responsibilities to the Assembly when the Government chooses to appoint another auditor. Prior to the new system, I had concluded that my Office would need to examine directly those organizations for which the Government had appointed another auditor. I had reached this conclusion because my Office was not able to obtain the information needed to carry out our responsibilities to the Assembly. Also, we could not assure the Assembly all significant issues were brought to its attention.

We recommend

**.22 The Government should direct the WCB to adopt the recommendations of the Task Force on Roles, Responsibilities and Duties of Auditors.**

---

---

## Chapter 27 Workers' Compensation Board

---

---

**.23** KPMG Peat Marwick Thorne advises my Office that KPMG is prepared to follow the Task Force's recommendations and has advised the WCB accordingly.

---

We plan to audit the WCB directly

---

**.24** Until the Government provides the direction we recommend and until the WCB agrees to follow that direction, I have asked officials of my Office to carry out the audit of the WCB directly. I have informed the WCB, KPMG, the Chair of Treasury Board, and the President of the Executive Council of my decision.

**.25** On May 1, 1996, we plan to begin our audit of the WCB's 1995 fiscal year. We plan to determine whether the WCB's financial statements are reliable, whether the WCB complied with authorities, and whether the WCB has adequate financial management practices.

We recommend

**.26** **The Government should direct the WCB to cooperate with my Office in carrying out our direct audit of the WCB.**

**.27** If I have further difficulty carrying out my responsibilities at the WCB, I will advise the Assembly.

---

Appointed Auditor's Reports

---

**.28** We relied on KPMG Peat Marwick Thorne's (the appointed auditor) 1994 reports on the WCB's financial statements and compliance with authorities.

**.29** For the reasons set out in this Chapter, we are still assessing whether we can rely on KPMG's 1994 report on the WCB's financial management practices, i.e., its rules and procedures to safeguard and control its assets.

---

---

## Appendix I

---

---

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

*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;

---

---

## Appendix I

---

---

(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;

(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. 1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4.

### 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. 1986-87-88, c.26, s.5.**

(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.

---

---

## Appendix I

---

---

(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. 1983, c.P-30.01, s.3; 1986-87-88, c.26, s.5.

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.

(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. 1983, c.P-30.01, s.4.

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. 1983, c.P-30.01, s.5.

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. 1983, c.P-30.01, s.6.

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. 1983, c.P-30.01, s.7.

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.

---

---

## Appendix I

---

---

(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 fund 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. 1983, c.P-30.01, s.8.

9 The provincial auditor shall require every person employed in his office who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation. 1983, c.P-30.01, s.9.

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. 1983, c.P-30.01, s.10.

### 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).

---

---

## Appendix I

---

---

(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. 1986-87-88, c.26, s.6.

**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 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. 1986-87-88, c.26, s.6.

**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 reservation 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;

---

---

## Appendix I

---

---

- (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
  - (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. 1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

**13** The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent. 1983, c.P-30.01, s.13.

**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;



---

---

## Appendix I

---

---

(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.

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

(a) cause copies of the reports to be delivered to all members of the Legislative Assembly;

(b) make the reports available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(4) Where the Speaker submits the reports referred to in subsection (1) to the Clerk of the Legislative Assembly pursuant to subsection (2), those reports shall be deemed referred to the Standing Committee of the Legislative Assembly on Public Accounts. 1994, c.44, s.2.

**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. 1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

**16(1)** Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

---

---

## Appendix I

---

---

- (i) requests the provincial auditor to perform a special assignment; and
  - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
- (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

- (a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and
- (b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

- (a) the Lieutenant Governor in Council:
  - (i) requests the provincial auditor to perform a special assignment; and
  - (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. 1983, c.P-30.01, s.16.

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,

---

---

## Appendix I

---

---

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. 1983, c.P-30.01, s.17.

**18** The provincial auditor shall:

- (a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;
- (b) assure himself that the securities described in clause (a) have been properly cancelled; and
- (c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities. 1983, c.P-30.01, s.18.

**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). 1983, c.P-30.01, s.19.

### 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. 1983, c.P-30.01, s.20.

**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. 1983, c.P-30.01, s.21.

---

---

## Appendix I

---

---

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 results of any audit or examination made by him. 1983, c.P-30.01, s.22.

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. 1983, c.P-30.01, s.23.

### 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. 1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

25 The provincial auditor may examine any person on 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

---

---

## Appendix I

---

---

exercise all the powers of commissioners under *The Public Inquiries Act*. 1983, c.P-30.01, s.25.

**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. 1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

**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. 1986-87-88, c.26, s.12.

**27(1)** An accountant, who is:

- (a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;
- (b) not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the office of the provincial auditor; and
- (c) appointed by the Lieutenant Governor in Council;

shall audit the accounts of the office of the provincial auditor.

(2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the office of the provincial auditor that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(3) The auditor of the office of the provincial auditor shall submit his report to the Standing Committee of the Legislative Assembly on Public Accounts. 1983, c.P-30.01, s.27.

**28** The provincial auditor may charge a reasonable fee for professional services provided by his office. 1983, c.P-30.01, s.28.

**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. 1983, c.P-30.01, s.29.

**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

---

---

## Appendix I

---

---

(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. 1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13.

**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. 1983, c.P-30.01, s.31; 1986-87-88, c.26, s.14.

**32(1)** The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Finance Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force. 1983, c.P-30.01, s.32.

REGINA, SASKATCHEWAN  
Printed by the authority of  
THE QUEEN'S PRINTER

---

---

## Appendix II

---

---

### 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, 1995.

<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
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
Canodev Research Inc.	July 31
Saskatchewan Canola Development Commission	July 31
Saskatchewan Grain Car Corporation	July 31

---

---

## Appendix II

---

---

Crown Agencies (continued):	Year End
RT and CC Investment Corporation	August 31
Saskatchewan Pulse Crop Development Board	August 31
National Pig Development (Canada) Co. Ltd.	September 30
Saskatchewan Transportation Company	October 31
Bayhurst Gas Limited	December 31
Channel Lake Petroleum Ltd.	December 31
CIC Industrial Interests Inc.	December 31
CIC Mineral Interests Corporation	December 31
CIC Pulp Ltd.	December 31
Crown Investments Corporation of Saskatchewan	December 31
DirectWest Publishers Inc.	December 31
Greystone Capital Management Inc.	December 31
KROP Transport Ltd.	December 31
LCL Cable Communications Ltd.	December 31
Liquor Board Superannuation Commission, The	December 31
Many Islands Natural Gas (Canada) Limited	December 31
Many Islands Pipe Lines (Canada) Limited	December 31
Milk Control Board, The	December 31
Moose Jaw Packers (1974) Ltd.	December 31
Municipal Employees' Superannuation Commission	December 31
Municipal Financing Corporation of Saskatchewan	December 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Enterprise Fund Inc.	December 31
Power Greenhouses Inc.	December 31
Power Corporation Superannuation Board	December 31
Saskatchewan Assessment Management Agency	December 31
Saskatchewan Auto Fund	December 31
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31
Saskatchewan Chicken Marketing Board	December 31
Saskatchewan Commercial Egg Producers' Marketing Board	December 31
Saskatchewan Development Fund Corporation	December 31
Saskatchewan Economic Development Corporation	December 31
Saskatchewan Forest Products Corporation	December 31
Saskatchewan Government Growth Fund Limited	December 31
Saskatchewan Government Growth Fund II Limited	December 31
Saskatchewan Government Growth Fund Management Corporation	December 31
Saskatchewan Government Insurance	December 31
Saskatchewan Housing Corporation	December 31
Saskatchewan Opportunities Corporation	December 31
Saskatchewan Pension Plan Board of Trustees	December 31
Saskatchewan Power Corporation	December 31
Saskatchewan Sheep Development Board	December 31
Saskatchewan Telecommunications	December 31



---

---

## Appendix II

---

---

### Crown Agencies (continued):

Year End

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
SaskEnergy Incorporated	December 31
SaskPen Properties Ltd.	December 31
SaskPower Commercial Inc.	December 31
SaskTel UK Holdings Inc.	December 31
SGI Canada Insurance Services Ltd.	December 31
South Saskatchewan River Irrigation District No. 1	December 31
SPI Marketing Group	December 31
TransGas Limited	December 31
Workers' Compensation Board (Saskatchewan)	December 31
Workers' Compensation Superannuation Board	December 31
582099 Saskatchewan Ltd.	February 28
Agricultural Credit Corporation of Saskatchewan	March 31
Agricultural Implements Board	March 31
Assiniboine Valley District Health Board	March 31
Battlefords District Health Board	March 31
Central Plains District Health Board	March 31
East Central District Health Board	March 31
Gabriel Springs District Health Board	March 31
Greenhead District Health Board	March 31
Health Services Utilization and Research Commission	March 31
La Ronge Hospital Board	March 31
Law Reform Commission of Saskatchewan	March 31
Living Sky District Health Board	March 31
Midwest District Health Board	March 31
Moose Jaw-Thunder Creek District Health Board	March 31
Moose Mountain District Health Board	March 31
New Careers Corporation	March 31
North Central District Health Board	March 31
North-East District Health Board	March 31
North Valley District Health Board	March 31
Northwest District Health Board	March 31
Parkland District Health Board	March 31
Pasquia District Health Board	March 31
Pipestone District Health Board	March 31
Prairie Agricultural Machinery Institute	March 31
Prairie West District Health Board	March 31
Prince Albert District Health Board	March 31
Provincial Mediation Board	March 31

---

---

## Appendix II

---

---

<b>Crown Agencies (continued):</b>	<b>Year End</b>
Public Employees (Government Contributory) Superannuation Board	March 31
Public Service Commission, The	March 31
Public Service Superannuation Board	March 31
Regina District Health Board	March 31
Rolling Hills District Health Board	March 31
Saskatchewan Arts Board, The	March 31
Saskatchewan Beef Stabilization Board	March 31
Saskatchewan Cancer Foundation	March 31
Saskatchewan Centre of the Arts	March 31
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Crop Insurance Corporation	March 31
Saskatchewan Energy Conservation and Development Authority	March 31
Saskatchewan Gaming Corporation	March 31
Saskatchewan Legal Aid Commission	March 31
Saskatchewan Liquor and Gaming Authority	March 31
Saskatchewan Lotteries Trust Fund for Sports, Recreation and Culture	March 31
Saskatchewan Municipal Board	March 31
Saskatchewan Property Management Corporation	March 31
Saskatchewan Research Council, The	March 31
Saskatchewan Wetland Conservation Corporation	March 31
Saskatoon District Health Board	March 31
South Central District Health Board	March 31
South Country District Health Board	March 31
South East District Health Board	March 31
Southwest District Health Board	March 31
SP Two Properties Ltd.	March 31
St. Louis Alcoholism Rehabilitation Centre	March 31
Swift Current District Health Board	March 31
Touchwood Qu'Appelle District Health Board	March 31
Transportation Partnerships Corporation	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
Northern Revenue Sharing Trust Account	December 31
Public Employees Deferred Salary Leave Fund	December 31

---

---

## Appendix II

---

---

Special Purpose and Trust Funds (continued):	Year End
Public Employees Dental Fund	December 31
Public Employees Disability Income Fund	December 31
Public Employees Group Life Insurance Fund	December 31
Saskatchewan Development Fund	December 31
Saskatchewan Government Insurance Superannuation Plan	December 31
Saskatchewan Research Council Employees' Pension Plan	December 31
Beef Development Board	March 31
Cattle Marketing Deductions Fund	March 31
Commercial Revolving Fund	March 31
Conservation and Development Revolving Fund	March 31
Correctional Facilities Industries Revolving Fund	March 31
Correspondence School Revolving Fund	March 31
Crop Reinsurance Fund of Saskatchewan	March 31
Fish and Wildlife Development Fund	March 31
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 Saskatchewan Economic Development Revolving Fund	March 31
Oil and Gas Environmental Fund	March 31
Prepaid Funeral Services Assurance Fund	March 31
Provincial Mediation Board Trust Account	March 31
Public Employees Benefit Agency Revolving Fund	March 31
Public Trustee for Saskatchewan	March 31
Queen's Printer Revolving Fund	March 31
Resource Protection and Development Revolving Fund	March 31
Saskatchewan Agricultural Returns Stabilization Fund	March 31
Saskatchewan Book Bureau Revolving Fund	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Prescription Drug Fund	March 31
Saskatchewan Student Aid Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Sinking Fund	March 31
Social Services Central Trust Account	March 31
Trust Funds at Court House, Local Registrars and Sheriff's Offices	March 31
Victims' Fund	March 31

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

Legislative Assembly Office	March 31
Ombudsman and Children's Advocate, Office of the	March 31
Provincial Auditor, Office of the	March 31

---

---

## Appendix II

---

---

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

Saskatchewan Archives Board	March 31
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31
University of Regina, The	April 30
University of Saskatchewan, The	April 30

---

---

## Appendix III

---

---

### Audits not completed at March 29, 1996

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

This Report includes all audits completed at March 29, 1996 for fiscal periods ended March 31, 1995 or earlier. Since 1988, we have prepared our Reports without completing all audits. This practice is necessary to improve the timeliness of the information given to the Members of the Legislative Assembly.

We will report audits completed after March 29, 1996 for fiscal periods ended March 31, 1995 or earlier to the Legislative Assembly in a future Report.

We have not completed the audit of the following organizations at March 29, 1996, and we will report our findings in a future Report to the Legislative Assembly.

Conservation and Development Revolving Fund  
Greystone Capital Management Inc.(1988, 1989, 1990, 1991, 1992, 1993, and 1994)  
Moose Mountain District Health Board  
Public Employees Deferred Salary Leave Fund  
Saskatchewan Broiler Hatching Egg Producers' Marketing Board  
Saskatchewan Chicken Marketing Board  
Saskatchewan Commercial Egg Producers' Marketing Board  
Saskatchewan Sheep Development Board  
Saskatchewan Turkey Producers' Marketing Board  
Saskatchewan Vegetable Marketing and Development Board  
Saskatoon District Health Board  
SaskPen Properties Ltd.  
Sinking Fund  
South Country District Health Board  
SP Two Properties Ltd.  
Swift Current District Health Board  
Workers' Compensation Board (Saskatchewan)

---

---

## Appendix IV

---

---

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

Appendix IV lists government organizations with fiscal periods ended March 31, 1995 or earlier that, in our and the organizations appointed auditors' opinion, had:

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

This list does not include organizations with fiscal periods ended December 31, 1994 or earlier that we listed in Appendix IV of our 1995 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:**

Department of Labour  
Indian and Metis Affairs Secretariat  
Women's Secretariat

### **Crown Agencies:**

Agricultural Implements Board  
Agri-Food Innovation Fund  
Law Reform Commission of Saskatchewan  
Saskatchewan Beef Stabilization Board  
Saskatchewan Communications Network Corporation  
Saskatchewan Gaming Corporation  
Saskatchewan Legal Aid Commission  
Saskatchewan Municipal Board  
Saskatchewan Telecommunications Superannuation Board  
Saskatchewan Wetland Conservation Corporation  
Tripartite Beef Administration Board

---

---

## Appendix IV

---

---

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

Wanuskewin Heritage Park Corporation  
Water Appeal Board

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

Correspondence School Revolving Fund  
Forest Renewal and Development Fund  
Judges of the Provincial Court Superannuation Fund  
Northern Saskatchewan Economic Development Revolving Fund  
Office of the Rentalsman Trust Account  
Oil and Gas Environmental Fund  
Provincial Mediation Board Trust Account  
Public Employees Benefits Agency Revolving Fund  
Public Employees (Government Contributory) Superannuation Board  
Public Service Superannuation Board  
Public Trustee for Saskatchewan  
Queen's Printer Revolving Fund  
Saskatchewan Agricultural Returns Stabilization Fund  
Saskatchewan Auto Fund  
Saskatchewan Book Bureau Revolving Fund  
School Division Tax Loss Compensation Fund  
Social Services Central Trust Account  
Victims' Fund

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

Ombudsman and Children's Advocate, Office of the  
Saskatchewan Legal Aid Commission Client Trust Accounts

---

---

## Appendix V

---

---

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

Our mission states "We encourage accountability and effective management in government operations". We do this by examining and reporting on:

- the reliability of financial information;
- compliance with authorities;
- the adequacy of management systems and practices related to financial reporting, compliance with authorities and safeguarding assets; and
- the adequacy of management systems and practices related to due regard to economy, efficiency and effectiveness.

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

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

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

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

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



---

---

## Appendix V

---

---

and related costs of control procedures. Pursuant to my responsibilities under Section 11(1) of *The Provincial Auditor Act*, I am required to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In my opinion, based upon the above criteria, the system of internal control of [Crown Agency X] in effect as at [date], taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to [Crown Agency X].

*Or if the examination disclosed conditions that, individually or in combination result in one or more material weaknesses, the opinion paragraph should be modified as follows:*

My examination disclosed the following conditions in the system of internal control of [Crown Agency X] as at [date] which in my opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to [Crown Agency X] may occur and not be detected within a timely period.

*The report should go on to describe all material weaknesses, state whether they resulted from the absence of control procedures or the degree of compliance with them, and describe the general nature of the potential errors or fraud that may occur as a result of the weaknesses.*

City  
Date

Chartered Accountant

---

---

## Appendix V

---

---

2. Following is an example of the opinion we form on an agency's compliance with the law regarding its spending, revenue raising, borrowing and lending activities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

*(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

*(The report should provide adequate explanation with respect to any reservation contained in the opinion together with, if relevant and practicable, the monetary effect.)*

City  
Date

Chartered Accountant

3. Following is an example of the opinion we form on the financial statements prepared by management of an agency.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and changes in financial position for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

City  
Date

Chartered Accountant

---

---

Appendix VI

---

---

---

**SASKATCHEWAN PUBLIC SERVICE  
COMMISSIONERS' REPORT**

**EFFECTIVENESS AND FAIRNESS  
OF THE  
STAFFING PROCESS**

For Permanent Positions in the  
Classified Public Service  
(Falling Under *The Public Service Act*)  
for the period  
October 1, 1993 to September 30, 1994

---

**TABLE OF CONTENTS**

**I. Introduction** ..... 3

**II. Executive Summary** ..... 4

**III. Description of the Commission's Process for Staffing Permanent Positions in the Classified Division of the Public Service** ..... 7

**Criterion 1** ..... 8  
*The Commission should ensure government departments and agencies clearly define their requirements when requesting the Commission to fill a classified permanent position*

**Criterion 2** ..... 8  
*Recruitment activities should be carried out and maximize the likelihood of attracting qualified candidates at a reasonable cost, within a reasonable time, and with due regard to equal opportunity to compete*

**Criterion 3** ..... 9  
*The selection process should ensure that the successful candidate possesses the appropriate knowledge, skills and abilities (KSA's)*

**Criterion 4** ..... 10  
*Cancelled competitions should be appropriately justified and documented*

**Criterion 5** ..... 10  
*Probationary employees should have their performance reviewed during their probationary period*

**Audit Report** ..... 13

---

---

## Appendix VI

---

---

### I. Introduction

The Saskatchewan Public Service Commissioners are appointed by Cabinet to represent the public interest and oversee the operations of the Public Service Commission (the Commission). The Chair of the Commission serves as a Commissioner and is also the Executive Officer of the Commission.

The Commission is the central human resource agency for the Saskatchewan Public Service. The Commission ensures equity and fairness in personnel administration within the Public Service.

The Public Service is comprised of the employees of Government line departments. It does not include the employees of Treasury Board Crown corporations or of Crown Investments Corporation of Saskatchewan (CIC) Crown corporations.

As of September 1994, the Public Service consisted of 11,838 employees (7,959 permanent employees and 3,879 non-permanent employees). Its permanent employees' salaries are approximately \$325 million annually.

The Public Service is separated into two divisions - unclassified and classified. As of September 1994, the unclassified division (excluding labour service and part-time) was made up of 234 employees appointed by cabinet (i.e., Order in Council). The classified division (including labour service and part-time) was made up of 11,604 employees appointed by the Chair of the Commission through a competitive process.

The responsibilities of the Commissioners are set out in Sections 6(1)(b), (c), and (d) of *The Public Service Act*.

*6.(1) The commission shall:*

- (b) represent the public interest in the improvement of personnel administration in the public service;*
- (c) make any investigation that it may consider desirable concerning personnel administration in the public service, and review any action by the chairman;*
- (d) perform such other acts as the Lieutenant-Governor in Council may from time to time direct.*

As an independent Commission serving the Public Service Commission, the Commissioners are committed to a staffing process that is:

- based on the principles of seniority, merit and fitness as set out in Section 17(2) of *The Public Service Act*; and,
- in full compliance with the provisions of *The Public Service Act* and Regulations, as well as the relevant provisions of collective bargaining agreements.

---

---

## Appendix VI

---

---

### II. Executive Summary

The Public Service Commission's Commissioners undertook this review to assess the effectiveness and fairness of the Commission's permanent staffing process. By undertaking this initiative and reporting our findings to the Legislature, we (the Commissioners) hope to contribute to the visibility and transparency of the staffing process in addition to representing the public interest by maintaining a staffing process for the permanent Public Service that is free of interference by elected officials and their staff and has the proper balance among the following broad objectives:

- a) access by the public of the province to permanent positions in the public service on a fair, equitable and open basis;
- b) maintaining a permanent public service which is, at all levels, broadly representative of the make-up of the population of the province as a whole; and
- c) maintaining a permanent public service of excellence that is able to attract and retain the best possible candidates by providing challenging and rewarding careers.

We asked the Staffing and Development Division of the Commission to work with the Office of the Provincial Auditor in developing a description of the Commission's staffing process for staffing permanent positions in the classified division of the Public Service. In addition, we asked the Provincial Auditor to audit the fairness of the description of this process. Section III sets out the description and is accompanied by the Auditor's report.

In addition, we reviewed the findings of the Provincial Auditor, discussed these findings with the Commission's Staffing and Development Division staff, and carried out further examinations we felt necessary. After our further investigation, we conclude, with satisfaction, that the management of the Staffing and Development Division's staffing process meets a high professional standard of service and is in general compliance with legislative requirements and collective agreements. The public of Saskatchewan is well served by the Division and can have full confidence that permanent appointments within the classified division of the Public Service are made on the basis of seniority, merit and fitness.

Based on our work, we conclude that for permanent appointments to the classified division of the Public Service:

- 1) The Commission consistently certifies candidates to these positions in the appropriate order based upon seniority, merit and fitness.
- 2) There is no evidence of interference by elected officials and their staff in the staffing process.
- 3) The selection process, from the screening of applications and interviews through reference checking, ensures candidates offered positions are qualified and possess the appropriate knowledge, skills and abilities.

---

---

## Appendix VI

---

---

- 4) The Commission makes appointments within the established salary ranges.
- 5) Interviewed candidates are notified of their results in the competition.
- 6) Cancelled competitions are appropriately justified and documented.
- 7) The Commission has a reasonable process to ensure probationary employees' performance is evaluated during their probationary period.

Also, we ask the Commission to consider making improvements in the following areas:

1) Documentation

- Government departments and agencies should identify their target date for the completion of the staffing of a position;
- The Commission's staffing consultants should document on the competition file when reference checking is waived;
- The Commission should strive for consistent documentation of selection panel activities and results;
- The Commission and Government departments and agencies should ensure results of reference checks are consistently and adequately documented.

2) Information To Be Shared More Readily

- When a competition is cancelled, the Commission should inform the Government department or agency, Union representative and Commissioners of the reasons for cancellation;
- The Commission should share success rates of probationary periods with the Commissioners.

Further audits will be undertaken from time to time as we, the Public Service Commissioners, believe is necessary and in the public interest.

---

---

## Appendix VI


---

---

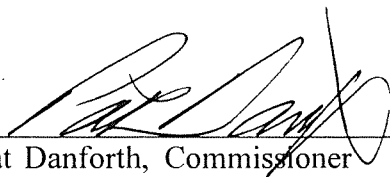
The Public Service Commissioners thank all the participants for their cooperation and commend the Staffing and Development Division for a job well done. We especially thank the Office of the Provincial Auditor (Saskatchewan) for advice and support in carrying out this review.



Ray Purdie, Commissioner



Rita Bouvier, Commissioner



Pat Danforth, Commissioner

Regina, Saskatchewan  
May 25, 1995



---

---

## Appendix VI

---

---

### III. Description of the Commission's Process for Staffing Permanent Positions in the Classified Division of the Public Service

The following describes the Commission's systems and practices in place from October 1, 1993 to September 30, 1994. It also describes the effectiveness of those systems and practices in fairly obtaining the right employees to meet the staffing needs in accordance with *The Public Service Act* and the collective bargaining agreements. These systems and practices relate to in-scope and out-of-scope staffing activities for permanent positions in the classified division of the Public Service.

The following does not describe all staffing activities in the Public Service. It does not describe the Commission's staffing systems and practices for nonpermanent employees in the classified division, or employees in the unclassified division of the Public Service. These staffing activities use a different process than described below and the Commission's involvement in these activities is different.

From October 1, 1993 to September 30, 1994, the level of activity during this review period included:

- 723 competitions
- \* 962 appointments
- \* 118 cancelled competitions (requested by departments)
- 372 probationary appointments

\* includes appointments/cancellations from competitions in previous time period not included in audit but appointed/cancelled during the audit period.

The Commission describes its above systems and practices based on five general criteria. These criteria were developed with the Office of the Provincial Auditor and are based on legislation, collective agreements and literature.

<b>The Five Criteria Are As Follows:</b>
1. The Commission should ensure government departments and agencies clearly define their requirements when requesting the Commission to fill a classified permanent position.
2. Recruitment activities should be carried out and maximize the likelihood of attracting qualified candidates at a reasonable cost, within a reasonable time, and with due regard to equal opportunity to compete.
3. The selection process should ensure that the successful candidate possesses the appropriate knowledge, skills and abilities (KSA's).
4. Cancelled competitions should be appropriately justified and documented.
5. Probationary employees should have their performance reviewed during their probationary period.

---

---

## Appendix VI

---

---

**Criterion 1: The Commission should ensure government departments and agencies (departments) clearly define their requirements when requesting the Commission to fill a classified permanent position.**

The Commission uses the process of defining the required education, experience, knowledge, skills and abilities considered essential for success in a particular position as the foundation on which it builds the rest of the staffing process. The Commission provides government departments with appropriate guidance, e.g. manuals guidelines and preprinted forms, to explain the staffing process.

The Commission ensures Government departments clearly define their requirements when requesting the Commission to fill a position.

Using the position description, organization chart and the classification specifications (benchmark) as a base, the Commission's staffing consultants facilitate a dialogue with the department's line manager to clearly define the position's essential requirements. For positions within the scope of the Saskatchewan Government Employees' Union (SGEU) Collective Bargaining Agreement, this exchange includes a Union representative. This group is referred to as the Selection Panel. All panel participants have an opportunity to state their point of view. The preferred objective for the panel is to reach a consensus, but the Commission's staffing consultant retains the authority to render a final decision.

The Commission's staffing consultants ensure the department provides the necessary information. The Commission ensures the selection panel defines the essential requirements before recruitment of applicants and ensures the requirements reflect the position description and classification specifications.

**Criterion 2: Recruitment activities should be carried out and maximize the likelihood of attracting qualified candidates at a reasonable cost, within a reasonable time, and with due regard to equal opportunity to compete.**

*The Public Service Act* and Regulations, along with the collective bargaining agreements, require the Commission to consider current employees as potential candidates before extending recruitment activities to the general public. To do this, the Commission maintains re-employment lists.

Generally, these lists consist of employees whose positions are abolished or downgraded and of employees returning from leaves of absence. We, the Commissioners, note that the re-employment lists may not include all eligible employees and that the Commission must play a leadership role in establishing and maintaining re-employment lists. A shared responsibility should exist among the Commission's staffing consultants, departments' human resource consultants, and the individuals themselves who have the right to choose whether or not they wish to go onto the re-employment list.

---

---

## Appendix VI

---

---

We also note that the Commission has started a new process after September 30, 1994 to ensure the Commission includes all eligible employees on the appropriate re-employment list.

If the position is not filled through the re-employment process, the Commission advertises to the employees of the public service and to the general public. When advertising, the Commission keeps in mind the need to advertise broadly enough to attract a pool of qualified candidates, while maintaining the costs within reasonable limits.

To ensure the use of cost-effective recruitment methods, the Commission provides guidance to departments on where, when and how to advertise positions. The Commission advertises all positions in the *Saskatchewan Careers Bulletin* which is published weekly.

The Commission tracks the length of time to complete each key step of the staffing process. The Commission has a client service standard turnaround time of fifty-five calendar days from close of an advertisement to certification or release. From October 1, 1993 to September 30, 1994, it took fifty-two days (median) for this process for all competitions.

The Commission has not established a client service standard turnaround time for the time between its receipt of the staffing request to the advertisement date. From October 1, 1993 to September 30, 1994, it took thirty days (median) for this process for all competitions. During this time, the Commission works with the selection panel to define the knowledge, skills and abilities essential for the position. The Commission feels it has little control over the above process and as a result, can not establish a relevant client service standard. However, we, the Commissioners, note the development of client service standards with the departments would assist the Commission in meeting the departmental staffing requirements. These client service standards should include agreement between the Commission and the department on the target date to fill the staffing request.

**Criterion 3: The selection process should ensure that the successful candidate possesses the appropriate knowledge, skills and abilities (KSA's).**

The Commission's selection process is a collaborative process. The selection panel works together to appropriately define the essential education, experience, knowledge, skills and abilities for the position being staffed. These KSA's act as the base upon which the panel screens applications for interviews and assesses candidates.

The Commission designs an assessment process to provide a fair and reasonable test to determine if the candidates possess all of the requirements essential for success in the position. The assessment process may include interviews, written tests, role plays, skill assessment instruments, results of reference checks, etc. These assessments test fairly the KSA's of the candidate against those essentials for success in the position. We, the Commissioners, note the need for consistent documentation on the competition file.

As part of the assessment process, selection panels conduct reference checks to investigate candidates' past performance in relevant work, educational or volunteer settings, and try to predict future performance in the position being staffed. Reference checks are always specific

---

---

## Appendix VI

---

---

to the KSA's required to perform the position's duties. We, the Commissioners, note a need to improve documentation of these checks, especially when reference checks are deemed not necessary.

Based on the seniority, merit and fitness determined through the assessment process, the Commission certifies, in the appropriate order, up to three qualified candidates. The department then recommends that the Commission appoint one of these candidates as a permanent or a probationary employee. The Commission makes the appointment as recommended.

The position advertisements advise candidates that if they are not contacted within four weeks, they will not be interviewed as required by *The Public Service Act*. Interviewed and successful candidates receive notice of success or failure.

### **Criterion 4: Cancelled competitions should be appropriately justified and documented.**

The Chair of the Commission cancels competitions only in exceptional circumstances and normally at the request of the government department.

When a department requests a cancellation, the Commission ensure the reasons for cancellation are acceptable. Where competitions are cancelled, reasons are normally operational in nature and are necessary due to department reorganization initiatives or budgetary considerations.

We, the Commissioners, feel the Commission should share information on reasons accepted for cancellations with the department, Union representatives, and the Commissioners.

### **Criterion 5: Probationary employees should have their performance reviewed during their probationary period.**

The probationary period is an extension of the staffing process. The Commission and the department use the probationary period as an opportunity to validate the selection decision made.

The Commission does not formally establish standards to evaluate probationary employees. Rather, the Commission gives departments appropriate guidance on evaluating employees and provides an evaluation system. In addition, the Commission establishes probationary periods following regulations and collective bargaining agreements.

The Commission requests that departments use this evaluation system. They ask departments to evaluate and document the probationary employees' performance and recommend to the Commission if the employee should be appointed permanently. For in-scope probationary employees, the collective bargaining agreements require the department to complete and discuss the evaluation with the employee within a specified time.

---

---

## Appendix VI

---

---

The department's evaluations of probationary employees are based on the essential KSA's, mutually agreed upon work plan objectives and the position's description. Using these factors, department managers coach and provide regular feedback to probationary employees. The Commission and the department take prompt action in response to any problems identified in the evaluation.

Normally, the Commission receives sufficient written evaluation information from departments. The Commission reviews this information. Although the Commission requests and reminds departments to provide necessary evaluation information within a required time, at times departments do not meet the Commission's requests.

Based on the department's evaluation and recommendation, the Chair either appoints or does not appoint employees as permanent. On occasion, due to the collective bargaining agreements' deadlines and not receiving the department's evaluation within the required time, the Chair must appoint an employee as permanent without sufficient or complete information.

Also at September 30, 1994, the Commissioners did not request or receive information on the overall success/failure of probationary employees and its impact on the staffing process. We, the Commissioners, have since requested and received this information.

---

---

**Appendix VI**

---

---

**AUDIT REPORT**

---

---

## Appendix VI

---

---

### AUDITOR'S REPORT

To the Public Service Commissioners and  
the Members of the Legislative Assembly of Saskatchewan

#### Objective

I have audited the Commissioners' assertion that Section III of the accompanying Report, *Saskatchewan Public Service Commissioners' Report - Effectiveness and Fairness of the Staffing Process*, fairly describes the Public Service Commission's systems and practices and the effectiveness of those systems and practices in fairly obtaining the right permanent employees to meet staffing needs of the classified Public Service according to *The Public Service Act* and collective bargaining agreements for the period October 1, 1993 to September 30, 1994. My audit was based on the criteria set out in that Report.

The staffing process in the Public Service also includes responsibilities for filling non-permanent positions in the classified division, filling positions in the unclassified division, targeting positions for employment equity, maintaining a classification system, and deciding staffing needs. My audit did not examine how these responsibilities are carried out. My audit also did not assess the appropriateness of the provisions in *The Public Service Act* and collective bargaining agreements.

#### Responsibilities

The Commissioners are responsible for preparing their Report. The Commissioners and the Public Service Commission (Commission) are responsible for maintaining effective systems and practices over staffing permanent employees of the classified Public Service. My responsibility is to express an opinion on the Commissioners' assertion as described above and set out in Section III of their Report and to express an opinion on the effectiveness of those systems and practices based on my audit.

#### Professional Standards

I conducted my audit in accordance with generally accepted auditing standards for value-for-money auditing recommended by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance that the Commissioners' assertion is free from significant misstatements. An audit includes examining, on a test basis, evidence supporting the content and disclosures in the Commissioners' assertion. An audit also includes assessing the criteria used and the significant judgements made by the Commissioners and the Commission, as well as evaluating the overall presentation of the Commissioners' assertion.

---

---

## Appendix VI

---

---

### Conclusion

In my opinion, Section III of their Report fairly describes the Commission's systems and practices in fairly obtaining the right permanent employees to meet staffing needs of the classified Public Service according to *The Public Service Act* and collective bargaining agreements for the period October 1, 1993 to September 30, 1994 based on the stated criteria. Also in my opinion, those systems and practices described in Section III of their Report, in all significant respects, are effective except for the weakness described below.

The Commission has not communicated to or agreed with departments and related Crown agencies, in writing, the expected length of time to hire a permanent classified employee. As a result, I cannot assess if the Commission hires permanent classified employees in a timely manner.

Because of inherent limitations in any systems and practices, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the staffing systems and practices to future periods is subject to the risk that the systems and practices may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Regina, Saskatchewan  
May 25, 1995

*Wayne Strelieff*  
Wayne Strelieff, CA  
Provincial Auditor



---

---

## Appendix VII

---

---

### Reports of appointed auditors

Appendix VII contains the reports of appointed auditors for the period before we followed the recommendations of the Task Force on the Roles, Responsibilities and Duties of Auditors. Reports of appointed auditors after we followed the recommendations of the Task Force are contained in the individual Chapters and Appendix IV of this Report except those reports where the appointed auditor and my Office hold different opinions. In those cases, Appendix VII also contains the appointed auditor's reports.

This Appendix does not include organizations with fiscal periods ended December 31, 1994 or earlier that we listed in Appendix VII of our 1995 Fall Report.

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

#### Crown Agency

#### Page

Agricultural Credit Corporation of Saskatchewan

VII - 2

---

---

## Appendix VII

---

---

### AGRICULTURAL CREDIT CORPORATION OF SASKATCHEWAN YEAR ENDED MARCH 31, 1995

We have examined the system of internal control of Agricultural Credit Corporation of Saskatchewan in effect as at March 31, 1995. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

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

The management of 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 judgment by management are required to assess the expected benefits and related costs of control procedures. Pursuant to our responsibilities under Section 11(1) of The Provincial Auditor Act, we are required to determine if there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, based upon the above criteria, the system of internal control of Agricultural Credit Corporation of Saskatchewan in effect as at March 31, 1995 taken as a whole, was sufficient to meet

---

---

## Appendix VII

---

---

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 Agricultural Credit Corporation of Saskatchewan.

Price Waterhouse  
Regina, Canada

May 16, 1995

### **AGRICULTURAL CREDIT CORPORATION OF SASKATCHEWAN YEAR ENDED MARCH 31, 1995**

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, 1995:

- The Agricultural Credit Corporation of Saskatchewan Act
- The Agricultural Credit Corporation of Saskatchewan Amendment Regulations, 1991
- The Agri-Food Equity Fund Regulations
- The Financial Administration Act, Sections: 38, 42, 43, 46 and 48
- The Department of Revenue and Financial Services Act, 1988, Sections 17 and 18
- The Farm Financial Stability Act, Sections 1 through 10, 16, 18 and 18.1
- The Counselling and Assistance Regulations, 1989

Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, Agricultural Credit Corporation of Saskatchewan has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 1995. 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.

---

---

## Appendix VII

---

---

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  
Regina, Canada

May 16, 1995