



SASKATCHEWAN

# Provincial Auditor Saskatchewan

1998 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**

**Internet e-mail: [info@auditor.sk.ca](mailto:info@auditor.sk.ca)**

**Website: [www.auditor.sk.ca](http://www.auditor.sk.ca)**

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SASKATCHEWAN

## Provincial Auditor Saskatchewan

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

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

Internet e-mail: wayne.strelioff.pas@govmail.gov.sk.ca

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May 5, 1998

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

Dear Sir:

I have the honour of submitting my 1998 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 Strelioff*

Wayne Strelioff, CA  
Provincial Auditor

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## **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** - innovative 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 1998 Spring Report to the Legislative Assembly. This Report focuses on the results of our work at government organizations with fiscal years ended during the year to December 31, 1997.

This is a significant step forward in terms of the timeliness of the work of my Office. In the past, the results of these audits would be reported to the Assembly in my Fall Report. I thank all of the many officials of government, employees of public accounting firms, and my staff for their efforts to make this happen.

*Wayne Strelieff*

Regina, Saskatchewan  
March 31, 1998

Wayne Strelieff, CA  
Provincial Auditor

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## Observations

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### Introduction

**.01** In this 1998 Spring Report to the Legislative Assembly, I report on my conclusions, findings and recommendations pertaining primarily to my audits of government organizations with fiscal years ended December 31, 1997. Many of those organizations are Crown corporations.

**.02** This is a significant step forward in terms of the timeliness of the work of my Office. In the past, the results of these audits would be reported to the Assembly in my Fall Report. I thank all of the many officials of government, employees of public accounting firms, and my staff for their efforts to make this happen.

### Well-performing organizations focus on achieving results

**.03** In my 1997 Fall Report, I state that across Canada and elsewhere, governments, legislators and their advisors are re-examining the state of public sector management and accountability practices. This re-examination is taking place because of the relentless pressure on scarce public resources and because of the increasing demand for public accountability.

**.04** The general consensus reached is that well-performing organizations focus their management and accountability efforts on achieving measurable results. Well-performing organizations are able to demonstrate they are doing the right things well.

**.05** A similar consensus is emerging in Saskatchewan. Some government managers are responding by rethinking the purpose of their organizations, and by setting out the goals they are working to achieve in terms of clear and measurable objectives. Some management leaders are also beginning to set out how they will determine if they are successful in terms of performance indicators and targets.

**.06** More leaders need to be encouraged to emerge. Some government organizations seem to be reluctant to publicly disclose their plans. Organizations worry they will then need to explain publicly why plans change or why actual results vary from those planned. Changing plans and explaining publicly why change is necessary is a normal and healthy part of managing any organization.

**.07** Perhaps it is time for legislators to step forward and to affirm their expectations in law. Legislators affirmed their

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expectations when they created district health boards. Through laws, district health boards are expected to report on whether their health programs improve the health status of their residents. The management of those health boards are actively working on how best to do this. They recognize changing to a results focus is required and is important.

**.08** Alternatively, managers may need more time to explore how best to change to a results focus before expectations are set out in law. Until recently, the primary focus of government organizations seems to be on complying with rules and on managing levels of activity. Therefore, a change to focusing on the achievement of measurable results may take significant time and effort.

**.09** Because change requires strong leadership, I think legislators need to step forward and let government officials know that management and accountability practices should embrace a focus on achieving measurable results.

**.10** Legislators can encourage change by taking two straightforward steps. First, they can ask the right questions. Second, they can ensure all government organizations make public their annual performance reports in a timely manner.

**.11** Legislators have many opportunities to question elected and appointed government officials. Their questions indicate to officials what performance expectations are important to legislators. Government officials often focus their management and accountability efforts in response to such questions. Therefore, legislators can effect change by asking the right questions. They can encourage a results focus by looking for opportunities to ask officials several key questions.

- What is your organization trying to achieve in terms of clear and measurable objectives?
- What performance indicators do you use (and why) to determine whether your organization is successful in achieving its objectives?
- What are the key risks your organization must manage well to succeed?

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- Where can the public obtain information about the status of your organization's objectives, performance indicators and key risks?
- What are the future plans of your organization?

.12 The second step legislators can take is to change the law, i.e., *The Tabling of Documents Act, 1991* to enable all government organizations to make public their annual performance reports in a timely manner (see Chapter 17, **Annual Reports of Departments and Crown Agencies**).

.13 If legislators changed the law to enable all government organizations to make public their annual reports in a more timely manner, legislators would signal to government officials that legislators view such reports as important evidence that government organizations are doing the right things well. Currently, many government organizations do not consider their annual performance reports as important because they cannot publish those reports until nearly twelve months after the end of each fiscal year. In addition, the Government itself does not yet publish an overall annual report.

.14 Much effort is required by everyone to effect change. Asking the right questions and enabling timely performance reporting are two steps all legislators can take now. These steps would help encourage more leaders to emerge. Strong leadership is an important ingredient to a well-performing organization and to a well-performing government.

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Examples of strengthened practices

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.15 In Chapter 8, **Crown Investments Corporation of Saskatchewan (CIC)**, I note CIC has taken steps to improve its performance reporting. CIC has taken a key step forward by beginning to implement a "balanced scorecard" performance measurement system for its subsidiary Crown corporations, e.g., SaskEnergy, SaskPower and SaskTel.

.16 In Chapter 10, **Pensions**, I note several public sector pension plans have significantly strengthened how they estimate and report pension plan obligations. I am particularly encouraged by those plans that now include in their financial statements specific performance indicators, targets and actual results, as well as future cash flow information, e.g., the

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Liquor Board Superannuation Plan and the Teachers' Superannuation Plan.

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The Public Accounts Committee serves as an important agent of change

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.17 In Appendix VII, I report on the status of the recommendations of the Standing Committee on Public Accounts. This Committee helps the Assembly hold the Government accountable for its management of public resources. It serves as the audit committee for the Assembly and thus, the public.

.18 Over the past five years, the Committee has recommended over 300 improvements to government management and accountability practices. I am encouraged that the Government has already implemented over 200 of those recommendations.

.19 In Appendix VII, I set out the status of the Committee's recommendations that either have been partially or not yet implemented. These include the Committee recommending or concurring with the following recommendations.

- The Government should provide a final report setting out how it addressed each of the recommendations of the 1991 Financial Management Review Commission.
- The Government should provide boards of directors with better guidance on how general laws affect the decision-making ability of boards.
- School divisions and local governments should prepare their financial statements in accordance with recommendations of The Canadian Institute of Chartered Accountants.
- Laws should be changed to allow all government agencies to publish their annual reports in a timely manner.

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The Crown Corporations Committee has an opportunity to effect positive change

.20 As I write this Report, the Standing Committee on Crown Corporations is meeting to enquire into the management and accountability practices of SaskPower. The focus is on the purchase, management and sale of Channel Lake Petroleum Ltd., a former subsidiary of SaskPower. The Committee has an opportunity to effect positive change on practices critical to public confidence in our institutions of government.

.21 The success of government is often discussed in the context of the public's confidence that their resources are well managed. Successful public and private sector organizations strive to ensure their stakeholders know the key issues or risks faced by organizations, what alternatives are being considered, and why a particular course of action is taken. Successful organizations answer the questions I posed earlier in paragraph .11 with respect to well-performing organizations. When confidence erodes, it is often because organizations cannot answer those questions or because stakeholders think they are not being given all the relevant information.

.22 In my Reports, I continue to identify opportunities to strengthen public confidence by ensuring government organizations provide legislators and the public with relevant and reliable information in a timely manner. I wish to bring the following opportunities to the attention of members of the Crown Corporations Committee as they consider what to include in their report to the Assembly on SaskPower and Channel Lake Petroleum Ltd.

1. *The responsibilities and duties of boards of directors need to be defined carefully and set out clearly* (see Chapter 4 of my 1995 Fall Report). Members of boards, government officials, legislators and the public need to know when boards are acting in an advisory role (and to whom), and when boards are acting in a decision-making role. When these roles are unclear, it is difficult to determine who is accepting responsibility for decisions and whether they are making fully informed decisions with due diligence.

In our system of government, Cabinet is ultimately responsible. Cabinet makes the key decisions and is held accountable for the performance of all government organizations. For example, within the Crown

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## Observations

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corporations sector, Cabinet appoints the chief executive officers and approves key rate changes and the borrowing of money. In such a system, the roles and responsibilities of boards and chief executive officers are particularly complex. The roles and responsibilities need to be defined carefully and set out clearly.

2. *Crown corporations should provide legislators with a summary of their corporate plans.* In other provinces, such planning information is made public either directly to legislatures or through public rate-setting bodies. Some Crown corporations place their business plans on internet websites. Federal Crown corporations compete for an annual award for the best summary corporate plan and annual performance report provided to Parliament.

I do not know how Saskatchewan legislators can understand and assess the actual performance of Crown corporations when legislators do not know the plans of all Crown corporations.

Setting out and answering questions on what one plans to do with the public's scarce resources is an important opportunity to gain the public's confidence that an organization is assessing alternatives and making reasonable choices. If an initiative like Channel Lake Petroleum Ltd. is explained as part of a transparent planning process, legislators will be better able to understand and assess why plans need to change or why actual performance did not meet expectations.

CIC is beginning to implement a "balanced scorecard" performance system (see Chapter 8). The performance information provided by this system should help the Government provide all legislators with solid planning and performance information.

3. *The overall plan presented to the Assembly should set out more clearly how all sectors of government are expected to work together and contribute to the goals and objectives of the Government* (see Chapter 2 in my 1997 Fall Report - Volume 1).

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Currently, the Government presents the Assembly with a plan focused primarily on those activities financed by general tax revenues and accounted for in the General Revenue Fund. As a result, those organizations that are not clearly included in the plan, e.g., SaskPower and SaskEnergy, might make decisions that are consistent with their own sense of priorities but that might be inconsistent with the goals and objectives of the overall government.

The Assembly needs to be able to assess whether the goals and objectives of each government organization, e.g., SaskPower, SaskEnergy, CIC and the Department of Energy and Mines are consistent with the overall goals and objectives of the Government. A more complete overall plan would help legislators understand and assess this relationship and how each organization plans to contribute to the goals and objectives of the Government.

4. *The method of accounting followed by all government organizations must be rigorous.* In 1996, Cabinet chose to direct SaskPower to follow accounting rules known as rate-regulated accounting. Such rules assume Cabinet, as the rate regulator, will choose which year revenues or expenses are to be recorded, regardless of the underlying economic reality (see Chapter 1 of this Report).

When Cabinet makes such choices, I think legislators cannot rely on SaskPower's key performance measures, such as net income and the cost of operations. Such measures no longer faithfully represent what they are intended to represent.

At a time when many people argue that Crown corporations such as SaskPower need to perform in a more competitive manner, it is worrisome SaskPower is directed to follow accounting rules that make it more difficult for anyone to understand and assess its performance.

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5. *When Crown corporations create subsidiary corporations, those subsidiaries should be expected to disclose publicly the same information as their parent Crown corporations.*

In previous Reports to the Assembly, I noted that necessary approvals and disclosures related to SaskPower and Channel Lake did not happen. Legislators are now discussing why such approvals and disclosures did not happen.

.23 I ask members of the Crown Corporations Committee to consider these five opportunities to effect positive change as they decide what lessons are learned as a result of their deliberations. By doing this, the Committee can contribute to improved management and accountability practices, and thereby, strengthen public confidence in our institutions of government.

.24 At the date of this Report, SaskPower's appointed auditors and my staff are not finished our audit of SaskPower for its year ended December 31, 1997 (see Chapter 1). The completion of this audit is affected by the diverse range of disclosures being made at the meetings of the Crown Corporations Committee.

.25 I have asked my staff to examine more directly such matters as the information flow between SaskPower management and its board of directors, and the purchase and sale of assets. If there are lessons learned that would improve our work at other Crown corporations, our approach to those audits will change. I will report the complete results of our audit of SaskPower in a future report to the Assembly.

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.26 In 1998, my Office has issued the following Reports to the Legislative Assembly:

- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan on the 1997 Financial Statements of CIC Subsidiary Crown Corporations* issued in April 1998; and
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for*



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*Years Ending in the Fiscal Year Ended March 31, 1997 issued in April 1998.*

.27 If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:  
[www.auditor.sk.ca](http://www.auditor.sk.ca)

- contact our Office by internet e-mail at:  
[info@auditor.sk.ca](mailto:info@auditor.sk.ca)

- or, write, phone or fax us at:  
Provincial Auditor Saskatchewan  
1500 Chateau Tower  
1920 Broad Street  
Regina, Saskatchewan  
S4P 3V7

Phone: (306) 787-6398  
Fax: (306) 787-6383

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## Observations

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

Ahmad, Mobashar  
Anderson, Mark  
Atkinson, Brian  
Bachelu, Gaylene  
Beblow, Jolene  
Black, Bob  
Borys, Angèle  
Clemett, Tara  
Coulter, Jill  
Creaser, Phil  
Dickin, Deann  
Deis, Kelly  
Duran, Jason  
Dyck, Lisa  
Earis, Lorianne  
Ferguson, Judy  
Forgie, Leanne  
Fry, Kristen  
Gavel, Charlene  
Grabarczyk, Rod  
Harasymchuk, Bill  
Harrison, Garnet  
Heffernan, Mike  
Jersak, Rodd  
Kenny, Wade  
Kinvig, Amy  
Klisowsky, Cathy  
Knox, Jane  
Kodas, John  
Kress, Jeff  
Kucher, Tara

Kuntz, Linda  
Lahti, Jay  
Lipon, Shelley  
Lowe, Kim  
Maier, Corrine  
Markewich, Dale  
Martens, Andrew  
Matchett, Joanne  
Montgomery, Ed  
Nyhus, Glen  
Oldershaw, Mark  
Orrange, Loyd  
Peters, Cory  
Pion, Josh  
Pradhan, Karim  
Salman, Salma  
Schiller, Rita  
Schwab, Victor  
Shorten, Karen  
Smith, Curtis  
Smith, Scott  
Smith, Shana  
Sturgeon, Darold  
Talbot, Marj  
Taylor, Kevin  
Tomlin, Heather  
Volk, Rosemarie  
Walker, Sandra  
Watkins, Dawn  
Wendel, Fred  
Wendel, Leslie

# Chapter 1

## Saskatchewan Power Corporation

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# Chapter 1

## Saskatchewan Power Corporation

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### Introduction

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

.02 SaskPower prepares consolidated financial statements to report on its activities. The consolidated financial statements include the financial activities of SaskPower and its subsidiaries.

.03 In 1997, SaskPower had revenue of \$930 million and net income of \$147 million. At December 31, 1997, it held assets of \$3.3 billion. SaskPower's *1997 Annual Report* includes its consolidated financial statements. The consolidated financial statements understate SaskPower's revenue and net income by \$14.6 million.

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### SaskPower's companies and pension plan

.04 At December 31, 1997, SaskPower controlled the following companies:

- **SaskPower Commercial Inc. (Commercial).** Commercial is incorporated under *The Business Corporations Act* [Saskatchewan]. SaskPower holds all the shares of Commercial. Commercial's mandate is to create opportunities in non-core and international markets and enhance the value of skills, technologies and products resident in SaskPower.

Commercial had \$0.7 million in assets at December 31, 1997. During 1997, Commercial had revenues of \$3 million and a net loss of \$2.1 million.

- **Power Greenhouses Inc. (Greenhouse).** Greenhouse is incorporated under *The Business Corporations Act* [Saskatchewan]. SaskPower holds all the shares in Greenhouse. Greenhouse's mandate is to produce tree seedlings suitable for planting in the prairies.

Greenhouse had \$3.4 million in assets at December 31, 1997. Its sole source of revenue

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## Chapter 1 Saskatchewan Power Corporation

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is from SaskPower. During 1997, SaskPower reimbursed Greenhouse for its costs of operations, totalling \$430,000.

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

Northern had assets of \$6.6 million at December 31, 1997. During 1997, it had revenues of \$1.4 million. Contributions from SaskPower comprise Northern's revenue. These contributions are based on power generated in northern Saskatchewan and investment income.

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

**.06** At December 31, 1997, the Plan had assets of \$628 million and liabilities of \$573 million.

Our audit conclusions  
and findings

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

**.08** In our opinion:

- the financial statements of SaskPower, its companies and the Plan are reliable except for the matter described in paragraphs .13 to .42. Ernst & Young formed a different opinion on the financial statements of SaskPower. Ernst & Young reports the financial statements of SaskPower "present fairly, in all material respects, the financial position of the

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## Chapter 1 Saskatchewan Power Corporation

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Corporation as at December 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles”;

- the companies and pension plan of SaskPower had adequate rules and procedures to safeguard and control their assets; and
- the companies and pension plan of SaskPower complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.09** We also report other matters for the Legislative Assembly’s attention in paragraphs .43 to .52.

**.10** We have not completed all our work regarding the audit of SaskPower for the year ended December 31, 1997. Therefore, we have not formed our opinion on SaskPower’s rules and procedures to safeguard and control its assets. Also, we have not formed our opinion on SaskPower’s compliance with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing. Also, Ernst & Young, SaskPower’s appointed auditor, has not yet formed their opinion on these matters.

**.11** As part of our audit work on SaskPower for the year ended December 31, 1997, we are examining SaskPower’s sale of its subsidiary Channel Lake Petroleum Ltd.

**.12** We will report our audit conclusions and findings on SaskPower in a report to the Assembly as soon as this work is completed.

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Cabinet’s choice to direct SaskPower not to record revenue impairs the reliability of financial statements

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**.13** SaskPower’s 1997 financial statements are not reliable because it continues to follow an inappropriate accounting policy directed by Cabinet.

**.14** In our 1997 Fall Report, we state that Cabinet chose to direct SaskPower to follow inappropriate accounting rules. As

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## Chapter 1 Saskatchewan Power Corporation

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a result, SaskPower understates its revenue and net income in its 1996 financial statements.

.15 Cabinet has not yet changed its direction to SaskPower. Accordingly, in its 1997 financial statements, SaskPower is, once again, understating its revenue and net income.

.16 Since implementing its new capital reconstruction charge in 1996, SaskPower has understated its revenue and net income by \$28 million. In 1996, SaskPower understated its revenue and net income by \$14 million. In 1997, SaskPower understated its revenue and net income by a further \$14 million. At December 31, 1997, SaskPower's assets are understated by \$28 million.

.17 These errors continue to grow and if not corrected will also undermine the reliability of the financial statements of the Crown Investments Corporation of Saskatchewan and the Government's summary financial statements because they include SaskPower's financial results.

.18 In 1996, SaskPower billed its customers a new flat-rate charge. It called this charge a "reconstruction charge." The reconstruction charge totalled \$14 million for 1996 and \$14 million for 1997. SaskPower expects to bill its customers similar amounts in future years.

.19 In its 1996 and 1997 financial statements, SaskPower followed the accounting rules set by Cabinet. SaskPower did not report as revenue the \$28 million charged to its customers. Also, SaskPower plans to report the \$28 million as a reduction in the amount of expenses SaskPower will report in the future.

.20 In our opinion, SaskPower should report the "reconstruction charge" as revenue because it billed this amount as part of the rates it charged for the electrical energy supplied to its customers. It is commonly understood that what a business charges for services and products is recorded as revenue. Therefore, SaskPower's 1996 and 1997 financial statements together understate both revenue and net income by a total of \$28 million.

.21 We encourage Cabinet to amend its direction to SaskPower. This direction has impaired the reliability of SaskPower's financial statements and if not corrected will ultimately impair the financial statements of the Crown

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## Chapter 1 Saskatchewan Power Corporation

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Investments Corporation of Saskatchewan and the Government's summary financial statements because they include SaskPower's financial results.

.22 We encourage Cabinet to direct SaskPower to record its "reconstruction charge" as revenue. Cabinet directed SaskPower to use the money collected from the "reconstruction charge" to help pay for infrastructure upgrades and reconstruction. If Cabinet wishes to show publicly that SaskPower uses the money from this charge for infrastructure upgrades and reconstruction, SaskPower can show that information in the notes to its financial statements. There is no need to direct SaskPower to exclude the "reconstruction charge" from revenue.

.23 We also encourage Cabinet to ensure its Crown corporations follow the accounting rules set out by The Canadian Institute of Chartered Accountants (CICA). The CICA provides accounting rules for measuring revenue. Using those rules ensures the financial performance of corporations is reported in a consistent and comparable manner.

.24 Cabinet has not directed other Crown corporations to exclude any of their charges from revenue.

.25 In 1997, we issued a Special Report to express our concerns about moving to a system of accounting in which revenues and expenses are measured differently by government corporations. Such a system would make it impossible to understand, compare and assess the performance of government corporations such as SaskPower, SaskTel, SaskEnergy and STC.

.26 In such a system, government corporations might account for similar transactions differently or account for similar transactions differently from one year to the next.

.27 In such a system, the important performance measures, e.g., net income and return on investment, contained within financial statements would not be useful because those measures would be calculated differently. This would make it impossible for Members of the Legislative Assembly (MLAs) and the public to understand, compare and assess the performance of government corporations.



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## Chapter 1 Saskatchewan Power Corporation

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.28 Increasingly, government corporations are facing competitive pressures. More than ever, MLAs and the public need to be able to understand and assess the financial performance of these corporations. To understand and assess performance, MLAs and the public need these companies to follow rigorous accounting rules to report their performance in a consistent and comparable manner.

.29 Over the last seven years, the Government has strengthened the integrity of the financial information provided to the Assembly. The Government now publishes excellent summary financial statements. Crown Investments Corporation has made solid improvements to its financial reporting. There are many other examples of good financial reporting progress.

.30 The choice made by Cabinet to direct SaskPower to not record its revenue from the rate reconstruction charge is a worrisome step backwards.

.31 In discussing the merits of this choice with government officials and their advisors, they suggested we examine the financial statements of utility corporations in other provinces. We could not find an example of a similar “reconstruction charge” in the financial statements of other utilities. We also could not find an example where the Cabinet of a provincial government is said to be the authority that sets the rates charged by such corporations.

.32 Since issuing our Special Report in 1997, we found other examples of infrastructure levies which are similar to SaskPower’s reconstruction charge. Such infrastructure levies are charged by municipalities for water utilities and also by airports. In Saskatchewan, both the City of Regina and the City of Saskatoon charge their customers an infrastructure levy for their water utilities. However, unlike SaskPower these organisations include these levies as revenue in their financial statements.

.33 SaskPower has vigorously sought support from other accountants to exclude its “reconstruction charge” from its revenue. SaskPower spent considerable resources to support its position. In general, these accountants advised SaskPower that it is appropriate to record its revenue in accordance with the direction of its regulator i.e., Cabinet. To follow this argument means that SaskPower’s financial statements would be considered appropriate whether or not SaskPower included

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## Chapter 1 Saskatchewan Power Corporation

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all of its charges in revenue as long as the accounting was consistent with Cabinet's choice. This type of accounting lacks rigor, permits manipulation of results and provides poor information. We encourage Cabinet to reject it.

.34 The practice of accounting and reporting for financial results in accordance with the decisions of a regulator is called rate-regulated accounting. Such an accounting leads to significant differences from the way other corporations report their financial results. For example, revenues and expenses earned or incurred in the current period can be deferred and recorded in future financial results. Also, expenses which will not be incurred until the future can be recorded in the current financial results.

.35 For example, if SaskPower planned a major program of expenditures to enhance its generation or distribution system over the next five years, Cabinet (the regulator) could choose to record these costs as expenses in its current financial results even though SaskPower has not yet incurred any costs. In our opinion, reporting your financial results in this manner is nonsensical and detracts from good financial reporting.

.36 MLAs and the public need good financial reporting to help them understand and assess the performance of Saskatchewan Crown corporations. These corporations should use rigorous rules to report their performance in a consistent and comparable manner.

.37 It is a worrisome step backwards for Cabinet to decide that one of its key corporations should move to a system of accounting in which financial results can be easily altered by accounting choices made by Cabinet, i.e., the regulator, regardless of the underlying economic reality.

.38 Some corporations argue rate-regulated accounting is appropriate when there is an independent regulator with the authority to decide what utility rates should be charged by monopoly-type corporations. Such corporations are now moving away from rate-regulated accounting because they and users of their financial statements need and demand more useful performance information.

.39 For example, Canadian telecommunication corporations are moving from rate-regulated accounting to business accounting. This move has caused huge write downs

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## Chapter 1 Saskatchewan Power Corporation

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of asset values. The write downs are needed to better reflect the financial performance of these corporations.

.40 In other provinces, electric utility corporations use accounting rules set by their public rate regulators. Those rules vary from jurisdiction to jurisdiction. Also, those rules vary from the general income measurement rules recommended by the CICA. As a result, the performance measures in the financial statements are not comparable among these electric utility corporations. This makes it difficult to compare the performance of similar enterprises in different jurisdictions. In addition, the performance measures are not comparable to other business enterprises.

.41 SaskPower plans to continue to exclude the “reconstruction charge” from revenue in future years. We encourage Cabinet to reconsider its choice to direct SaskPower not to include the “reconstruction charge” as revenue.

We continue to recommend

.42 Cabinet should direct SaskPower to:

- record the “reconstruction charge” as revenue;
- record the revenue from the “reconstruction charge” in the year customers are charged; and
- amend and re-issue its 1996 and 1997 financial statements, accordingly.

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Comparison of planned and actual results needed

.43 SaskPower’s 1996 annual report does not include full comparisons of planned activities to actual results. Also, the 1996 annual reports of its subsidiaries and its pension plan do not contain comparisons of planned activities to actual results.

.44 To assess performance of Crown agencies, MLAs and the public need adequate summary information about the plans of those agencies and about the achievement of those plans. All public sector agencies should provide their vision, long range goals, specific objectives, key performance targets, and main strategies for achieving those targets. They should also report on the extent to which they achieved those plans and targets.

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## Chapter 1 Saskatchewan Power Corporation

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.45 SaskPower has begun to expand the performance data it provides in its annual reports. For example, its 1995 and 1996 annual reports include 5 year comparisons of various key financial targets and data (e.g., capital structure, interest coverage ratio, capital expenditures internally funded, return on equity and return on capital). These annual reports also provide key operating data (e.g., number of customers, power usage by customer class, revenue by customer class and power generation statistics by type of generation).

.46 SaskPower management are also experimenting with ways to report investment performance information in its pension plan's financial statements and annual report. They plan to provide investment performance information in the pension plan's 1998 financial statements.

.47 We support these improvements. We encourage SaskPower to continue to review the experiences of other public sector agencies and continue to experiment with ways of reporting key plans, performance targets and results.

.48 We think disclosing a clear and meaningful comparison of planned performance to actual results will help MLAs and the public to understand and assess the performance of SaskPower, its subsidiaries and its pension plan.

We recommend

**.49 SaskPower should ensure its annual report and the annual reports of its subsidiaries and its pension plan include a comparison of planned activities to actual results.**

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SaskPower should disclose who received public money

.50 SaskPower and its subsidiaries did not give the Assembly a list of persons who received public money in 1997, as required by the Standing Committee on Public Accounts (PAC).

.51 CIC decides if SaskPower will provide this information to the Assembly. In paragraphs .32 to .36 of Chapter 8 (Crown Investments Corporation of Saskatchewan), we discuss this matter and why the information is important.

We recommend

**.52 SaskPower and its subsidiaries should:**

- **publish a list of persons who received money from them and the amounts the persons**

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## Chapter 1 Saskatchewan Power Corporation

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received following the PAC's current minimum disclosure amounts; or

- discuss different public disclosure requirements with the PAC or, if the Assembly so directs, with the Crown Corporations Committee.

# Chapter 2

## Workers' Compensation Board

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## Chapter 2

### Workers' Compensation Board

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#### Introduction

**.01** The Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979*. This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The Board of the WCB administers this program and manages the WCB. It also hears and adjudicates claims on appeal.

**.02** The 1997 Annual Report of the WCB will include WCB's 1997 financial statements. Those statements report the following financial results for the year ended December 31, 1997. The statements report revenues of \$237 million, expenses of \$161 million, assets of \$748 million and liabilities of \$633 million.

**.03** In this Chapter, we describe some recent events and the results of our audit.

#### Recent events

#### Accountability concern resolved

**.04** In our 1997 Fall Report – Volume 2, we report the Standing Committee on Public Accounts (PAC) approved the following motion:

*That the committee direct the Chair to seek legal arguments and legal opinions from Legislative Counsel and Law Clerk, Department of Justice, Provincial Auditor's office and the Workers' Compensation Board as they pertain to the autonomy of the Workers' Compensation Board and the jurisdiction of the Provincial Auditor to audit the Workers' Compensation Board.*

The PAC agreed legal opinions should be received by the PAC no later than May 31, 1997.

**.05** The PAC received a significant amount of information in response to this motion. In addition to arguments and legal opinions requested by the PAC, it received arguments and opinions on topics broader than that requested.

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## Chapter 2 Workers' Compensation Board

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.06 The arguments and opinions concerned us because they were inconsistent with previous views taken by the Government, the PAC and the legislators. We were worried these arguments and opinions could result in confrontation rather than co-operation. Also, we were concerned other Crown agencies would use these arguments to avoid accountability. As a result, the Assembly's ability to hold Crown agencies, including WCB, accountable for important public programs could diminish.

.07 On February 17, 1998, the PAC considered the arguments and legal opinions it had received and approved the following motion:

*That with respect to the issues regarding the Workers' Compensation Board before this committee, the committee makes the following recommendation to the Legislative Assembly:*

*That the Standing Committee on Public Accounts has the authority to examine those aspects of the reports of the Provincial Auditor which deal with the Compensation Board and which fall within the scope of the Provincial Auditor's mandate as stated in section 11 of The Provincial Auditor Act; and further*

*That pursuant to the terms of reference and mandate of the Standing Committee of Public Accounts, as a consequence of the Provincial Auditor having produced and tabled a report on the Workers' Compensation Board, the committee has the jurisdiction to consider that report as tabled and examine any subject in it; and further*

*That the Provincial Auditor has authority in relation to the accounts of the Workers' Compensation Board and that this authority is defined by the terms of subsection 11(1) of The Provincial Auditor Act and by concerns relating to the adjudicative independence of the board; and finally*

*That the Standing Committee on Public Accounts recognizes the autonomy and the independence of the Workers' Compensation Board and that the*



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## Chapter 2 Workers' Compensation Board

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*Provincial Auditor and the Standing Committee on Public Accounts should take significant care so that the fundamental principle of board independence is not eroded.*

We think by passing the above motion the PAC has satisfactorily resolved the worrisome matters we report in our 1997 Fall Report – Volume 2.

Our audit conclusions and findings
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Our audit conclusions and findings

**.08** Our Office worked with KPMG, the appointed auditor for WCB. KPMG and our Office formed the opinions in paragraph .09.

**.09** In our opinion:

- the WCB's financial statements for the year ending December 31, 1997 are reliable;
- the WCB had adequate rules and procedures to safeguard and control its assets, except where we report otherwise in this chapter; and
- the WCB complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.10** We also note other matters for the Assembly's attention in paragraphs .17 to .29.

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Matters reported in previous Reports

**.11** In our 1997 Fall Report, we describe the key issues the WCB faces and bring certain deficiencies to the Assembly's attention.

**.12** We plan to update and describe key issues the WCB faces in a future report. The deficiencies we note in our 1997 Fall Report relate to specific areas of WCB's operations. We realize that WCB did not have sufficient time to address these matters before December 31, 1997. Therefore, we do not repeat the details of these deficiencies in this Report. Instead, paragraphs .13 to .16 below summarize the contents of our Fall 1997 Report. We will continue to monitor WCB's progress on these matters and report in a future report.

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## Chapter 2 Workers' Compensation Board

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Sound financial management

System to determine compensation costs needs strengthening

.13 The WCB needs to improve its system to determine its compensation costs.

.14 We think an adequate compensation system is necessary to properly manage the WCB's operations. The WCB recognized its system to estimate and track compensation costs is not adequate. As a result, WCB began to develop a better system that will estimate the total cost of each reported claim. The new system under development, however, will not estimate the cost of claims incurred but not reported.

.15 During the year, WCB continued its work on developing its new compensation system. The WCB has not yet started work to establish a process for estimating the cost of claims incurred but not reported.

.16 We continue to recommend:

- the WCB should complete its system to estimate compensation costs it expects to pay for each reported claim;
- the WCB should develop a process for estimating claims incurred but not reported;
- the WCB's annual budget should include estimated compensation costs based on these systems; and
- the WCB's monthly financial statements should compare updated estimates of compensation costs, based on these systems, to those in its original budget and explain significant differences.

Public Accountability

Annual Report needs improvements

.17 We reviewed WCB's 1996 Annual Report. We assessed the adequacy of the information in this Report against the following criteria.

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## Chapter 2 Workers' Compensation Board

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.18 Information in annual reports should describe what the organization is all about, what it has done, where it is now, and what it plans to do. In addition, annual reports should make information available promptly and communicate information effectively.

.19 Our assessment shows WCB's 1996 Annual Report gives readers much useful information. However, the report could be further improved.

.20 The 1996 Annual Report does not clearly set out WCB's objectives (i.e., the specific results WCB wants to achieve given its goals and priorities, and when it wants to achieve them). These objectives would help readers understand how WCB plans to meet the goals and priorities set out in its Report.

.21 The Report includes much statistical and trend information. However, the Report includes limited discussion and analysis of this information. The Report needs to state and then compare the WCB's key performance indicators and targets against its actual results. This along with discussion and analysis would help the readers assess the WCB's success in achieving its goals.

We recommend

**.22 The WCB should continue to improve its published annual report by including:**

- **clear measurable objectives;**
- **a comparison of key performance indicators and targets to its actual results; and**
- **a discussion and analysis of its success to date in achieving its goals and objectives.**

Management's  
comments

.23 Management told us the Workers' Compensation Board accepts that annual reports can always be improved. Management also told us as a result of the extensive consultation that the Workers' Compensation Board undertakes with its stakeholders, the Workers' Compensation board will continue to examine the content of its annual report.

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Public disclosure of  
payments required

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.24 The WCB needs to comply with The Standing Committee on Public Accounts' (PAC) recommendations to

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## Chapter 2 Workers' Compensation Board

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provide a list of payees to the Legislative Assembly for each fiscal year.

.25 The PAC has also specified the required details of disclosure for Government agencies. The PAC wants agencies to provide a list of persons who received money from the agencies and the amount each person received if the received more than a specified amount in a fiscal year. Currently, the PAC wants agencies to disclose any person receiving money for salaries, supplying goods and services, or receiving transfer payments if they receive more than the following amounts:

Salaries	\$ 2,500
Suppliers of goods and services	\$ 20,000
Transfers	\$ 5,000

.26 The PAC also recommended different disclosure for certain kinds of payments on an ad hoc basis when the PAC thinks different disclosure will not impair achieving its initial objectives for wanting payee information. If WCB thinks it needs different public disclosure requirements, it should discuss those requirements with the PAC.

.27 The Legislative Assembly has restricted WCB from publishing a list of the names of individuals receiving compensation. However, WCB spends a significant amount on costs other than compensation. The WCB has not provided the Assembly with a list of persons who received public money for reasons other than compensation.

.28 We are often reminded that public disclosure is important for three reasons. First, public disclosure serves to remind all government officials they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision making as it ensures those who spend public money know their use of that money will be public. Third, public disclosure ensures the public knows who has received their money.

We recommend

**.29 The WCB should publish a list of persons, other than injured workers, who received money from it and the amounts the persons received following the PAC's current minimum disclosure amounts; or WCB should discuss different public disclosure requirements with the PAC.**

# Chapter 3

## Board of Internal Economy

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## Chapter 3

### Board of Internal Economy

#### Introduction

**.01** The Board of Internal Economy's mandate is to provide funding and support services to Members of the Legislative Assembly (MLAs), to the Legislative Assembly and its committees. It also informs the public of the Legislature's activities. The Board also provides administrative services for the Office of the Ombudsman and the statutory offices of the Information and Privacy Commissioner and of the Conflict of Interest Commissioner.

**.02** In 1996-97, the Board managed General Revenue Fund appropriations of \$14.0 million. Information about the Board's appropriation appears in the *Public Accounts, 1996-97 Volume 2*, pages 138 to 147.

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Payments and Allowances to MLAs	\$ 8.5	\$ 8.1
Legislative Assembly Services	3.0	2.9
Administration	1.7	1.7
Caucus Operations	1.0	1.0
Other	<u>0.4</u>	<u>0.3</u>
	<u>\$ 14.6</u>	<u>\$ 14.0</u>

#### Key issues the Board faces

**.04** To carry out our audit work, we must understand the key issues facing an organization. To identify key issues, we reviewed the Board's responsibilities outlined in section 68.8 of *The Legislative Assembly and Executive Council Act* and various reports and documents. We discussed our understanding of those issues with management to confirm we have identified the right issues.

**.05** It is important that legislators and the public know the key issues facing an organization and receive information on those issues to understand and assess the organization's performance. We highlight key issues in our reports to help

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## Chapter 3 Board of Internal Economy

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legislators and the public assess an organization's performance.

**.06** Information on how an organization manages its key issues fosters public confidence. Annual reports are often used to provide this information to legislators and the public. In paragraphs .59 to .65, we report the Board does not prepare an annual report and we recommend it do so.

**.07** Members of the Legislative Assembly have many important responsibilities. For example, MLAs:

- determine the laws that govern people and the Executive Government;
- hold the Executive Government accountable for how it carries out its activities; and
- bring the views and concerns of the people they represent to the Assembly for public discussion.

**.08** How MLAs carry out their responsibilities influences public confidence in our parliamentary system of government. The Board plays a key role in helping MLAs. In carrying out its role, the Board faces many issues.

**.09** In this Chapter, we identify four key issues facing the Board. The Board needs to ensure:

1. the Legislative Assembly and its committees can function effectively;
2. MLAs can receive appropriate resources, information, and advice to enable them to effectively carry out their responsibilities in the Assembly;
3. MLAs can receive appropriate resources to carry out their activities in their constituencies and are accountable for the use of those resources; and
4. the public can assess whether the work of the Assembly and MLAs is relevant and done well.

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## Chapter 3 Board of Internal Economy

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The Board needs to ensure the Legislative Assembly and its committees can function effectively.

.10 For our society to govern itself, it is important that MLAs debate and decide our taxes, the spending plans of the Executive Government, and the laws that govern us.

.11 To help this happen, the Board provides advisory and staff services to the Legislative Assembly, its committees, and to the Speaker's office.

.12 To do so effectively, the Board must ensure:

- the Assembly, its committees and the Speaker receive appropriate advice on procedural rules to ensure the effective operation of the Assembly and its committees;
- the debates and decisions of the Assembly and its committees are properly recorded;
- the Legislative Assembly building is properly secured, while ensuring public access; and
- adequate staffing exists in the Assembly to provide sessional services, and ensure staff are properly trained on procedural rules and protocol.

.13 The Board must ensure salaries and benefits of MLAs are set at a level that will attract appropriate people, and are seen as reasonable by taxpayers (see paragraph .19).

The Board needs to ensure MLAs can receive appropriate resources, information, and advice to enable them to effectively carry out their responsibilities in the Assembly.

.14 For MLAs to consider and debate issues in the Assembly, MLAs must know the rules and procedures of the Assembly, receive appropriate information and advice, have support staff and accommodations, and receive adequate resources.



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## Chapter 3 Board of Internal Economy

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.15 To help MLAs understand the workings of the Assembly and its committees, the Board provides training.

.16 To support the work of MLAs in the Assembly, the Board provides MLAs funding for and access to research and advice. The Board maintains the Legislative library and provides members with legal services for drafting bills, for obtaining legal opinions, and for interpreting legislation and regulations. Also, the Board provides resources to caucus offices for secretarial support, general operating expenses and research.

.17 The Board provides MLAs with administrative and secretarial support and accommodations when working at the Legislative Building.

.18 The Board faces a difficult challenge in determining the amount of resources necessary for MLAs to effectively carry out their work in the Assembly. To do so, the Board needs to obtain the views of MLAs. Also, taxpayers must view the amounts as reasonable. In addition, the Board must ensure the resources are used effectively.

.19 To meet this challenge, during 1994, Cabinet established an Independent Committee on MLA Compensation to make recommendations on salaries, allowances, and reimbursement of expenses. The Committee obtained the views of the public and the MLAs in determining its recommendations. Effective July 1, 1996, the Board established new rules and procedures for these expenses based on the Committee's recommendations.

The Board needs to ensure MLAs can receive appropriate resources to carry out their activities in their constituencies and are accountable for the use of those resources.

.20 To enable MLAs to fulfil their role as representatives of the citizens of Saskatchewan, MLAs need to receive proper expense allowances when working in their constituencies.

.21 The Board must determine what resources are necessary for MLAs to carry out their constituency activities effectively e.g., travel, telephone, secretarial, communication and constituency offices and services. To do so, the Board

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## Chapter 3 Board of Internal Economy

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needs to obtain the views of MLAs. Also, taxpayers must view the resources allocated as reasonable.

.22 The Board needs to ensure those resources are used appropriately. The Board makes resources available to MLAs and provides guidance on what the resources can be used for, how to make claims on the resources, and the reporting required. It also monitors all MLAs' expenditures.

.23 As discussed in paragraph .19, an Independent Committee on MLA compensation made recommendations respecting salaries, allowances, and reimbursement of expenses.

The Board needs to ensure the public can assess whether the work of the Assembly and MLAs is relevant and done well.

.24 The Board must ensure the public has the information it needs to understand and assess the performance of the Assembly and MLAs. The public wants to know what the Assembly does.

.25 Helping the public to know what the Assembly does is an important responsibility of the Board. The Board informs the public about debates and decisions through television broadcasts to all constituencies. Its Internet web-site ([www.legassembly.sk.ca](http://www.legassembly.sk.ca)) carries publications of the Assembly's debates and decisions, updated daily. The Board provides verbatim reports, legislative publications, educational material, and visitor services. Also, the Conflict of Interest Commissioner ensures proper disclosure of MLAs' conflicts of interest.

.26 The public also needs to know what the Board's plans are and what it achieved. The Board needs systems and practices to ensure the public is aware of the Board's goals, objectives, strategies, and action plans.

.27 To enable the public to know how successful the Board is in achieving its goals and objectives, the Board should prepare an annual report.

## Chapter 3 Board of Internal Economy

### What we audited

Our audit conclusions and findings

- .28** In our opinion:
- the Board had adequate rules and procedures to safeguard and control its assets except for the deficiencies reported in paragraphs .30 to .57; and
  - the Board complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except as we report in paragraphs .30 to .38.

**.29** In paragraphs .59 to .65, we discuss our view that the Board should provide the Assembly with an annual report.

Better control over the expenses of caucus offices required

**.30** The Board needs to improve its rules and procedures to know if caucus offices spend public money appropriately. The Board provides public money to caucus offices for research, secretarial, and other general expenses. A caucus office consists of two or more MLAs who belong to the same political party.

**.31** The Board paid the following money to caucus offices:

	1997	1996
Government Caucus	\$ 408,195	\$ 467,489
Opposition Caucus	341,104	344,993
Third Party Caucus	212,152	199,234
Independent	6,366	3,364
	<b>\$ 967,817</b>	<b>\$1,105,080</b>

**.32** The Board is accountable to the Assembly for how caucus offices use public money. Accordingly, the Board should establish rules and procedures to ensure the money is used for the intended purposes.

**.33** The Board has improved its rules and procedures for monitoring spending by caucus offices. The Board now requires all caucus offices to have audited financial statements

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## Chapter 3 Board of Internal Economy

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and audited schedules of capital assets prepared each year. The caucus offices are required to submit those reports to the Board. The Board will make the reports available for public viewing and table the reports in the Legislative Assembly.

.34 However, the Board still does not receive all the information it needs to ensure caucus offices use the money for the intended purposes. To obtain this assurance the Board should require caucus offices to provide:

- a list of persons who received public money from caucus offices and the amounts. The Board should specify the minimum amounts that require disclosure; and
- reports from their appointed auditors indicating whether the caucus offices:
  - have adequate rules and procedures to safeguard and control public money; and
  - used the money in compliance with the Board's directives.

.35 We have not determined whether caucus offices comply with Board directives because appointed auditors were not asked to report on compliance and we do not audit caucus offices directly.

.36 We also reported this matter in previous reports.

We recommend

**.37 The Board should establish rules and procedures to ensure the money provided to caucus offices is used for the intended purposes by requiring caucus offices to:**

- **provide the Board a list of persons who received public money from caucus offices and the amounts. The Board should specify the minimum amounts that require disclosure; and**
- **have their auditors report to the Board on:**
  - **the adequacy of the caucus offices' rules and procedures to safeguard and control public money; and**

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## Chapter 3 Board of Internal Economy

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- whether the caucus offices used the money given to them in compliance with the Board's directives.

**.38** The Board should table in the Legislative Assembly lists of persons who received public money from caucus offices' and the amounts.

**.39** The Board told us it:

prefers to monitor the effectiveness of the new caucus disclosure provisions (see paragraph .33) before determining whether further details such as payee lists ought to be tabled. The Board is concerned that in our system of parliamentary democracy, the Caucus' need for confidentiality must be respected. This pertains to the development of their adversarial strategies related to legislation and public policy.

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Better internal reports required

**.40** The Board needs to define what performance reports it requires from management.

**.41** The Board receives money from the General Revenue Fund to carry out its activities. The Board also collects money for some of the services it delivers. The Board is responsible to manage this public money and provide necessary services.

**.42** The Board has not defined the performance reports (financial, operational, and compliance) it requires. The Board approves an annual budget, but does not receive any financial or other performance reports from management.

**.43** Financial reports should be developed to show the Board's assets and liabilities, revenues and expenses, and whether the Board is achieving its expected financial results (budget). Financial reports should be prepared in accordance with generally accepted accounting principles.

**.44** Operational reports should be developed to show the effectiveness of the Board's programs and services (i.e., what the Board expects to accomplish and how it is performing towards those expectations).

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## Chapter 3 Board of Internal Economy

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.45 Compliance reports should be developed to show whether the board is complying with its governing authorities.

.46 We also reported these matters in our 1997 Spring Report.

We recommend

.47 The Board should define and document the financial, operational, and compliance reports it expects to receive from management.

.48 The Board should regularly receive and approve financial, operational, and compliance reports. These reports should compare actual results to planned results for the year-to-date and explain significant differences.

.49 The Board told us it agrees with our recommendation and “the best way to provide this information to Board members will be considered in the near future”.

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Better control over capital assets needed

.50 The Board needs better rules and procedures to safeguard and control its capital assets.

.51 The Board’s capital assets include office equipment and furnishings. The Board’s capital assets also include the office equipment and furnishings purchased by MLAs and caucus offices with money received from the Board.

.52 The Board does not know if its detailed records of capital assets are complete. Also, the Board has not:

- inspected its capital assets to ensure they still exist;
- assessed the risk of loss or damage to its capital assets; and
- acquired any necessary insurance.

.53 As a result, the Board does not know if its capital assets are damaged or missing. Also, the Board’s ability to operate effectively may be impaired if assets are lost or damaged and the Board lacks resources to replace them.

.54 We also reported this matter in our 1997 Spring Report.

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## Chapter 3 Board of Internal Economy

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We recommend

**.55** The Board should keep complete records of its capital assets.

**.56** The Board should periodically inspect its capital assets.

**.57** The Board should assess the risk of loss or damage to its capital assets and acquire insurance, if necessary.

**.58** The Board told us it:

has advanced significantly in its control over capital assets. The Board believes periodic inspections of constituency office capital assets are not cost effective at this time, as these offices are spread throughout the entire province. It intends to require MLAs and caucus offices to purchase insurance for capital assets.

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Annual report needed

**.59** The Board does not prepare an annual report on its performance.

**.60** *The Legislative Assembly and Executive Council Act* does not require the Board to prepare an annual report. However, almost all government organizations provide the Assembly with an annual report. In addition, the Standing Committee on Public Accounts recommended that all government departments provide timely annual reports on their activities.

**.61** An annual report would help legislators and the public to understand and assess the Board's performance. The annual report should describe how the Board manages its key issues. We have set out our understanding of the Board's key issues in paragraph .09.

**.62** The annual report should describe what the Board planned to achieve and how, and what performance indicators and targets it used to measure its performance. The report should also set out the Board's actual results compared to its plan, and show whether it met its goals and objectives.

**.63** The Board plays a key role in fostering public confidence in our parliamentary system of government. An annual report would contribute to public confidence.

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## Chapter 3 Board of Internal Economy

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.64 We also reported this matter in our 1997 Spring Report.

We recommend

.65 The Board should prepare an annual report on its performance and provide the report to the Legislative Assembly.

.66 The Board told us it:

believes that direct public access to Members and to the proceedings of the Assembly is the best form of communicating to the public what the Assembly and Members do. This enables the public to assess performance directly without having it filtered, packaged and massaged in a glossy report.



**Chapter 4**  
**Saskatchewan Transportation Company**

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## Chapter 4

### Saskatchewan Transportation Company

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#### Introduction

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

**.02** STC earned revenue of \$13.1 million, incurred a loss of \$8.6 million before subsidies, and held assets of \$18.3 million at December 31, 1997. STC's 1997 Annual Report includes its financial statements.

#### Key issues facing STC

**.03** To carry out our work, one of our objectives is to ensure we understand the key issues of significance and risk facing government agencies. Also, it is important that MLA's and the public are aware of these issues and receive information about them. We believe this will help MLA's and the public better understand and assess STC's performance.

**.04** To identify the key issues we reviewed STC's incorporating documents, its 1996 and 1997 Annual Reports and various submissions to STC's board of directors. We identified two key issues:

- maintaining the current level of passenger service as passenger numbers and the rural population decline within the subsidy provided by CIC; and
- maintaining a profitable freight and courier service with the deregulation of trucking services and increased competition.

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#### Our audit conclusions and findings

**.05** Our Office worked with Price Waterhouse, STC's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. Price Waterhouse and our Office formed the opinions referred to in paragraph .06.

**.06** In our opinion:

- STC's financial statements are reliable;
- STC had adequate rules and procedures to safeguard and control its assets, except for the

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## Chapter 4 Saskatchewan Transportation Company

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following significant information system and project management deficiencies; and

- STC complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.07** In paragraphs .24 to .32 we bring other significant matters to the attention of the Legislative Assembly.

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Information system management policies need improvements

**.08** STC's information system management policies need improvement. Without a formally approved security policy and a formally documented and tested contingency plan STC puts its systems and key information at risk. STC needs to improve its rules and procedures in the following areas:

- STC needs to complete and approve a formal information security and confidentiality policy; and
- STC needs to complete the documentation and testing of its contingency plan.

**.09** We reported these two deficiencies in past reports to the Legislative Assembly, including our 1997 Fall Report – Volume 2 (STC's year ended December 31, 1996). These deficiencies continued for STC's year ended December 31, 1997 except for some testing of its contingency plan. We have not repeated the detailed explanation of these deficiencies in this Report. The Standing Committee on Public Accounts (PAC) at its February 1998 meetings agreed with the following recommendations.

We recommend

**.10** STC should complete and approve a formal information security and confidentiality policy.

**.11** STC should complete the documentation and testing of its contingency plan.

**.12** Management told us they have drafted STC's security and confidentiality policies.

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## Chapter 4 Saskatchewan Transportation Company

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STC's project management practices need improvement

.13 STC's project management practices need improvement.

.14 A project is successful if it meets stakeholders' needs, is done on time, within budget and within prescribed quality. We evaluated the STC's express system against the criteria in the following paragraph.

.15 The Project Management Institute publication *Project Management Body of Knowledge* or the pmbok guide sets out a project management framework that includes eight criteria needed to reduce the risk of project failure. The eight criteria are:

- scope management - the processes involved in determining what the users' needs are and how they will be met;
- time management - the process of planning and controlling the project's activities to help get the project done on time;
- cost management - the process of planning, estimating and controlling the project's costs;
- quality management - the processes needed to ensure the project satisfies the stakeholders' needs;
- human resource management - setting the organizational structure of the project team, its training and staffing;
- communications management - processes to ensure the timely and complete creation, movement and storage of information;
- risk management - processes to identify, evaluate, plan and respond to risks; and
- procurement management - the processes to decide what to contract for, tendering and selecting the best contractor and negotiating, managing and closing the contract.

.16 Good quality management practices require adequate testing to ensure all needs are met and the system works as planned. These practices also require a review of lessons learned by looking at how well a corporation followed the eight criteria.

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## Chapter 4 Saskatchewan Transportation Company

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.17 In 1996, STC started a new information system to bill for express services. The project management did not adequately ensure quality management of the project.

.18 At the end of 1997, STC determined that its new express system did not meet its needs. The new express system was started before it was adequately tested. The system made billing customers difficult and time consuming. STC then decided to quit using the express system for billing and went to a manual process.

.19 We reported in our 1997 Fall Report – Volume 2, that STC started a new express system without adequately estimating the time it would take to enter data and bill customers. As a result, management spent extra effort to catch up on the data in 1997.

.20 Once STC caught up, they discovered errors in the express system. These errors resulted in a delay in billing certain customers. The delay in billing customers makes collection difficult. The lack of good project management processes led to STC having difficulty collecting certain customers' accounts.

.21 STC has taken action to fix the problem with new procedures for billing customers. STC plans to actively collect outstanding customers' accounts. STC has been assessing the lessons learned from this project to ensure good project management practices are used in the future.

We recommend

**.22 STC should establish corporate project management and system development policies based on an analysis of the lessons learned from the express system project.**

**.23 STC should establish adequate systems and practices to ensure that all revenue is recorded and billed on a timely basis.**

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Comparison of  
planned and actual  
results needed

.24 STC's 1997 Annual Report does not include comparisons of planned to actual results.

.25 To assess performance of Crown agencies, MLAs and the public need adequate information about the plans of those agencies and about the achievement of those plans. All public sector agencies should provide their vision, long range goals,

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## Chapter 4 Saskatchewan Transportation Company

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specific objectives, key performance targets, and main strategies for achieving those targets. They should also report on the extent to which they achieved those plans. CIC is also setting performance targets for STC. STC must set out what it expects to achieve and what STC achieved given the risks it faces.

**.26** STC has some performance data in its annual reports. For example, its 1997 Annual Report includes operating goals that can be measured against future results. They have set eight goals including passenger miles travelled, number of communities served, and quarterly freight profits.

**.27** We support these measures. We encourage STC to continue reviewing the experiences of other public sector agencies and to experiment with ways of reporting key plans, performance targets and results.

**.28** We think disclosing a clear and meaningful comparison of planned performance to actual results will help MLAs and the public to understand and assess the performance of STC.

**We recommend**

**.29** STC should ensure its annual report includes a comparison of planned results to actual results.

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STC should disclose who received public money

**.30** STC did not give the Assembly a list of persons who received public money in 1997, as required by the Standing Committee on Public Accounts (PAC).

**.31** CIC decides if STC will provide this information to the Assembly. In paragraphs .32 to .36 of Chapter 8 (Crown Investments Corporation of Saskatchewan), we discuss this matter and why the information is important.

**We recommend**

**.32** STC should:

- publish a list of persons who received money from them and the amounts the persons received following the PAC's current minimum disclosure amounts; or
- discuss different public disclosure requirements with the PAC or, if the Assembly so directs, with the Crown Corporations Committee.

**Chapter 5**  
**Saskatchewan Opportunities Corporation**

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## Chapter 5

# Saskatchewan Opportunities Corporation

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### Introduction

**.01** Saskatchewan Opportunities Corporation (SOCO) facilitates economic growth in the Province through direct investment in businesses and development of infrastructure.

**.02** SOCO earned revenue of \$8 million, had a net income of \$2.3 million, and held assets of \$92.6 million at December 31, 1997. SOCO's 1997 Annual Report includes its financial statements.

### Our audit conclusions and findings

**.03** Our Office worked with Hill McKillop, SOCO's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. Hill McKillop and our Office formed the opinions referred to in paragraph .04.

**.04** In our opinion:

- SOCO's financial statements are reliable;
- SOCO had adequate rules and procedures to safeguard and control its assets, except for the lack of documentation of the control system to ensure the reliability of financial information described in paragraphs .06 to .10; and
- SOCO complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

**.05** In paragraphs .11 to .21 we bring other significant matters to the attention of the Legislative Assembly.

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### Control system needs improvement

**.06** SOCO's control system to ensure the reliability of financial information needs improvement.

**.07** Control systems ensure the reliability of financial information. Good control systems include:

- proper authorization of transactions and activities;
- proper segregation of duties;



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## Chapter 5 Saskatchewan Opportunities Corporation

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- design and use of documents and records;
- proper review, verification and approval of recorded amounts; and
- communicating the control system.

**.08** Documentation of control system is key to communication and review of the controls. Communication of controls ensures staff know the control system. Review of controls ensures the control system is operating properly.

**.09** SOCO should document its independent review and approval of transactions and loan loss provisions and the accuracy of key information used in the preparation of financial reports. One method of improving the control system would be documenting the review and approval procedures in job descriptions and procedure manuals.

**We recommend**

**.10** SOCO should improve the documentation of its review and approval procedures. SOCO should ensure these review procedures are communicated.

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Comparison of  
planned and actual  
results needed

**.11** SOCO's 1997 Annual Report does not include comparisons of planned to actual results.

**.12** To assess performance of Crown agencies, MLAs and the public need adequate information about the plans of those agencies and about the achievement of those plans. All public sector agencies should provide their vision, long range goals, specific objectives, key performance targets, and main strategies for achieving those targets. They should also report on the extent to which they achieved those plans.

**.13** CIC approves performance targets for its Crowns. SOCO's annual report should set out what SOCO expects to achieve and what SOCO achieved.

**.14** SOCO should also report on whether it achieved the economic targets set out by the Government's *Partnership for Growth* report.

**.15** SOCO has some performance data in its annual reports. For example, its 1997 Annual Report includes a list

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## Chapter 5 Saskatchewan Opportunities Corporation

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and value of investments made and the number of jobs created.

**.16** We support these measures. We encourage SOCO to continue reviewing the experiences of other public sector agencies and experimenting with ways of reporting key plans, performance targets and results.

**.17** We think disclosing a clear and meaningful comparison of planned performance to actual results will help MLAs and the public to understand and assess the performance of SOCO.

**We recommend**

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**.18** SOCO should ensure its annual report includes a comparison of planned results to actual results.

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SOCO should disclose who received public money

**.19** SOCO did not give the Assembly a complete list of persons who received public money in 1997, as required by the Standing Committee on Public Accounts (PAC). SOCO did provide a list and value of all investments made since its inception in its annual report.

**.20** CIC decides if SOCO will provide this information to the Assembly. In paragraphs .32 to .36 of Chapter 8 (Crown Investments Corporation of Saskatchewan), we discuss this matter and why the information is important.

**We recommend**

**.21** SOCO should:

- **publish a complete list of persons who received money from them and the amounts the persons received following the PAC's current minimum disclosure amounts; or**
- **discuss different public disclosure requirements with the PAC or, if the Assembly so directs, with the Crown Corporations Committee.**

**Chapter 6**  
**Saskatchewan Telecommunications Holding Corporation**

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## Chapter 6

# Saskatchewan Telecommunications Holding Corporation

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### Introduction

**.01** The Saskatchewan Telecommunications Holding Corporation (Holdco) provides voice, data, Internet, text and messaging services over a fiber-optics based, fully digital network. It also provides cellular, paging and Fleetnet 800 service. Holdco owns and controls the companies described in paragraphs .04 and .05. Holdco also sponsors the pension plan described in paragraph .06.

**.02** Holdco prepares consolidated financial statements to report on its activities. These statements include the financial activities of Holdco and the companies it controls (subsidiaries) and its other investments.

**.03** Holdco had revenue of \$694 million and net income of \$40.6 million in 1997. At December 31, 1997, it held assets of \$1.2 billion and debt of \$389.4 million. Holdco's 1997 annual report includes its consolidated financial statements.

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### Subsidiaries and the Pension Plan

**.04** At December 31, 1997, Holdco owned and controlled the following active companies:

- **Saskatchewan Telecommunications (SaskTel)**

SaskTel is incorporated under *The Saskatchewan Telecommunications Act* and is wholly owned by Holdco. SaskTel markets and supplies a range of voice, data, text and image products, systems and services.

SaskTel had revenue of \$573 million and net income of \$11.5 million in 1997. At December 31, 1997, it held assets of \$956.8 million and debt of \$344.5 million. SaskTel tables its financial statements in the Assembly each year.

- **Saskatchewan Telecommunications International Inc. (STI Inc.)**

STI Inc. is incorporated under *The Business Corporations Act (Saskatchewan)* and is wholly owned by Holdco. STI Inc. markets management and technical expertise around the world. In 1997, it incorporated a wholly owned

subsidiary, Saskatchewan Telecommunications Consulting Inc., under *The Business Corporations Act (Canada)*. It provides project management services in the Phillipines and its financial activities are included in the consolidated financial statements of STI Inc.

STI Inc. has revenue of \$15.6 million and net income of \$1.9 million in 1997. At December 31, 1997, it held assets of \$12 million. STI Inc. tables its consolidated financial statements in the Assembly each year.

- **SaskTel Holding (New Zealand) Inc. (NZ Inc.)**

NZ Inc. (previously 593779 Sask Ltd.) was incorporated under *The Business Corporations Act (Saskatchewan)* in 1990 and is wholly owned by Holdco. In 1997, NZ Inc.'s sole purpose was to hold a \$15.2 million investment in Saturn Communications Ltd. (Saturn). NZ Inc. does not prepare financial statements.

NZ Inc. owns 35% of the shares of Saturn. Saturn is a cable TV company located in Wellington, New Zealand.

- **3339807 Canada Ltd., 3364381 Canada Ltd., and DirectWest Publishing Partnership**

3339807 Canada Ltd. and 3363381 Canada Ltd. were incorporated under *The Business Corporations Act (Canada)* in 1997 and are wholly owned by Holdco. Their sole purpose is to jointly own 100% of DirectWest Publishing Partnership. They do not prepare financial statements.

DirectWest Publishing Partnership was formed as a partnership in 1997 when Holdco through the above companies acquired the remaining 50%. It previously operated as DirectWest Publishing Ltd. The Partnership publishes, prints and distributes SaskTel's telephone

books. At December 31, 1997, it held assets of \$13.5 million.

- **SaskTel New Media Fund Inc.**

The Fund was incorporated under *The Non-Profit Corporations Act, 1995* in 1997. Through this Fund, Holdco committed to spend about \$1.8 million for the support of the development of multi-media in Saskatchewan. The Fund does not prepare financial statements.

**.05** At December 31, 1997, Holdco owned 100% of the following companies. These companies had no activity for the year ended December 31, 1997 and did not prepare financial statements.

- 620064 Saskatchewan Ltd.
- SaskTel U.K. Holdings Inc.
- 604408 Saskatchewan Ltd. which wholly owns Hollywood at Home Inc.

**.06** The Saskatchewan Telecommunications Superannuation Plan (Pension Plan) is a defined benefit pension plan. *The Saskatchewan Telecommunications Superannuation Act* established the Pension Plan for employees of SaskTel hired before October 1, 1977. A Board appointed by the Lieutenant Governor in Council administers the Pension Plan.

**.07** At December 31, 1997, the Pension Plan had assets of \$693.5 million, liabilities of \$1.1 million and estimated actuarial present value of accrued pension benefits of the Plan of \$569 million.

Our audit conclusion and findings

**.08** Our Office worked with Deloitte & Touche, the appointed auditor for Holdco, SaskTel, STI Inc. and the Pension Plan. Also, our Office worked with Ernst & Young, the appointed auditor for DirectWest Publishing Partnership (DirectWest). Our Office and the appointed auditors worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. The appointed auditors and our Office formed the opinions in paragraph .09.

.09 In our opinion:

- the financial statements of Holdco, SaskTel, STI Inc., DirectWest and the Pension Plan are reliable;
- Holdco, SaskTel, STI Inc., DirectWest and the Pension Plan had adequate rules and procedures to safeguard and control their assets; and
- Holdco, SaskTel, STI Inc., DirectWest and the Pension Plan 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 .11 to .19.

.10 We also report other matters for the Legislative Assembly's attention in paragraphs .20 to .40.

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Share purchase needs approval

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.11 Holdco did not obtain the approval of the Lieutenant Governor in Council to set up or buy shares of certain companies.

.12 In 1997, Holdco set up SaskTel New Media Fund Inc. For a nominal amount in 1997, Holdco's wholly-owned subsidiary, STI Inc., set up SaskTel Telecommunications Consulting Inc. Also for \$26.9 million, NZ Inc. purchased 35% of the shares of Saturn Communications Ltd. (Saturn).

.13 Section 11 of *The Saskatchewan Telecommunications Holding Corporations Act* allows Holdco to make the investments set out in paragraph .12. However, sections 29(1) and 30 of *The Crown Corporations Act, 1993* require public disclosure of these transactions. It requires Holdco to obtain the approval of the Lieutenant Governor in Council before it purchases the shares of a company or create a new company.

.14 Holdco did not obtain an Order in Council for the above purchases. Further, it does not think the requirements of *The Crown Corporations Act, 1993* are clear when shares are purchased by its subsidiaries. It seeks clarification.

.15 We note laws set out the powers that Crown corporations can exercise. Also, the laws require public

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## Chapter 6 Saskatchewan Telecommunications Holding Corporation

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disclosure of certain transactions and activities (e.g., requiring the approval of the Lieutenant Governor in Council for the purchase of share investments). Subsidiaries of Crown corporations are usually created under The Business Corporation Acts. These Acts do not limit the powers of the subsidiaries or contemplate public disclosure.

.16 We do not see any logical reason as to why the Assembly would want subsidiaries of Crown corporations to have more powers than their parent Crown corporation or to provide less public disclosure than their parent Crown corporation.

.17 We realize that lawyers can argue both sides of this issue.

.18 During 1997, Holdco provided the Crown Corporations Committee with information on Saturn as a "significant transaction" and tabled the related purchase agreement in the Assembly. We also note Holdco obtained, in 1997, an Order in Council for the purchase of shares in various companies (e.g., 3339807 Canada Ltd. and 3363381 Canada Ltd.) and for the formation of DirectWest Publishing Partnership.

We recommend

**.19 Holdco should obtain an Order in Council before it or its subsidiaries sets up, buys shares of or invests in companies.**

Improving public accountability
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.20 In this section, we discuss three areas where Holdco could provide the MLAs and public with more or better information. These areas relate to Holdco and its subsidiaries and include:

- comparisons of planned to actual results in annual reports,
- providing the Assembly with financial statements, and
- publishing lists of persons who received money from them.



.21 In February 1998, the Standing Committee on Public Accounts (PAC) discussed its expectations of disclosing information on the above three areas. The PAC agrees that the spirit of accountability is an important fundamental of government. Also, the PAC notes that the circumstances for public disclosure of information for every agency may be unique and may differ. For Crown corporations, the PAC also intends to ask the Assembly to refer such disclosure issues to the Standing Committee on Crown Corporations.

.22 Public disclosure of information is important for three reasons. First, public disclosure serves to remind all government officials they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision making as it ensures those who spend public money know their use of that money will be public. Third, public disclosure ensures the public knows who has received their money.

.23 With these three fundamental principles in mind, we encourage Holdco and its subsidiaries to work with the Committees of the Assembly to improve the information they make public.

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Comparison of  
planned to actual  
results

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.24 Holdco's annual report does not include a full comparison of plans to actual results. Also, its subsidiaries do not publish annual reports.

.25 To assess performance of public sector agencies, Members of the Assembly (MLAs) and the public need adequate summary information about plans and about the achievement of those plans. All public sector agencies should provide their vision, long-range goals, specific objectives, key performance targets, and main strategies for achieving those targets. They should also provide the extent to which they achieved those plans.

.26 Over the last few years, Holdco has improved its annual report. Its performance data has expanded and it now provides information on factors that may influence its future in its annual reports.

.27 For example, in its 1997 annual report, Holdco indicates it raised 28% (1996 - 26%) of its revenues from non-traditional sources and it hopes to derive 40% of its revenues

from these sources by 1998. Also, the 1997 Annual Report provides five-year comparisons of various key financial measures and data (e.g., return on net assets, debt ratio, internally generated funds as a percent of net construction expenditures, capital expenditures), and key operating data (e.g., long distance minutes, long distance messages, number of employees).

.28 We support these changes. We encourage Holdco to continue to review the experiences of other public sector agencies and to continue to experiment with ways of reporting key plans, performance targets and results for its activities and those of its subsidiaries.

.29 Disclosing clear and meaningful comparisons of planned performance to actual results helps MLAs and the public to understand and assess the extent to which Holdco, and its subsidiaries achieved their plans.

We recommend

.30 **Holdco should continue to improve its annual report to clearly report on the achievement of its plans.**

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Assembly needs more financial information

.31 Holdco does not table financial statements of all of its subsidiaries in the Assembly.

.32 The public is the beneficial owners of the public money and property within each public sector agency. They provide the governments with the necessary mandate and resources. In turn, each public sector agency must be accountable to MLAs and the public.

.33 Financial statements are one important way to provide such an accounting. These statements report on the financial condition and the results of operations of the public agency. Also, the PAC recommends all government corporations give the Assembly their financial statements.

.34 As explained in paragraphs .04 to .05, Holdco's operations are diverse. It carries out a good portion of its operations through its subsidiaries. Two of its subsidiaries, SaskTel, and STI Inc, table their audited financial statements in the Assembly each year as does its pension plan, SaskTel Superannuation Plan.

**.35** However, the Assembly does not receive separate financial statements for all of Holdco's subsidiaries. Holdco does not prepare financial statements for inactive subsidiaries (e.g., 604408 Saskatchewan Ltd) or for subsidiaries who do not have active operations (e.g., SaskTel Holding (New Zealand) Inc.). Also, Holdco has not yet tabled the audited financial statements of DirectWest Publishing Partnership.

**We recommend**

**.36** Holdco should provide the Assembly with audited financial statements of its active subsidiaries.

**.37** For its other subsidiaries, Holdco should provide the Assembly with either audited financial statements or with adequate financial information on the financial condition and the results of operations of each.

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Disclosure of who received public money

**.38** Holdco and its subsidiaries did not give the Assembly a list of persons who received public money in 1997 as required by the PAC.

**.39** We understand the Crown Investments Corporation decides if Holdco will provide this information to the Assembly. In paragraphs .32 to .36 of Chapter 8 (Crown Investments Corporation of Saskatchewan), we discuss this matter and why this information is important.

**We recommend**

**.40** Holdco and its subsidiaries should:

- publish a list of persons who received money from them and the amounts the persons received following the PAC's current minimum disclosure amounts; or
- discuss different disclosure requirements with the PAC or, if the Assembly so directs, with the Standing Committee on Crown Corporations.

**Chapter 7**  
**Saskatchewan Government Insurance**

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## Chapter 7

# Saskatchewan Government Insurance

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### Introduction

**.01** Saskatchewan Government Insurance (SGI) is a property and casualty insurance corporation. SGI manages the Saskatchewan Auto Fund (SAF). SAF receives money from the motoring public and pays claims.

**.02** SGI CANADA Insurance Services Ltd. (SCISL) is a subsidiary of SGI. SGI and SAF own 53% and 20% of SCISL's issued share capital respectively. CIC Industrial Interest Inc. owns the remaining 27%. SCISL sells property and casualty insurance outside Saskatchewan.

**.03** SGI earned revenue of \$180 million during 1997 and held assets of \$352 million as at December 31, 1997. SGI's annual report includes its financial statements.

**.04** SAF earned revenue of \$418 million during 1997 and held assets of \$535 million as at December 31, 1997. SAF's annual report includes its financial statements.

**.05** SCISL earned revenue of \$3 million during 1997 and held assets of \$13.2 million as at December 31, 1997. SCISL's annual report includes its financial statements.

### Our audit conclusions and findings

**.06** Our Office worked with KPMG, the appointed auditor for SGI, SAF and SCISL, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. KPMG and our Office formed the opinions in paragraph .07.

**.07** In our opinion:

- SGI's, SAF's, and SCISL's financial statements are reliable;
- SGI had adequate rules and procedures to safeguard and control its assets and SAF's assets except for the matter reported in this Chapter. SCISL had adequate rules and procedures to safeguard and control its assets; and
- SGI complied with the authorities governing its activities and activities of SAF. SCISL complied with the authorities governing its

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## Chapter 7 Saskatchewan Government Insurance

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activities except for the matter reported in this Chapter.

.08 We also report other matters for the Legislative Assembly's attention in this Chapter.

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Timely bank  
reconciliation needed

.09 SGI needs to follow its rules and procedures to ensure its recorded bank balances are reconciled to the banks' records on a timely basis.

.10 Reconciling recorded bank balances to the banks' records provides a check on the accuracy and reliability of accounting records. It also provides assurance that all charges to the bank accounts are proper.

.11 During the year, SGI began to use a new computer system. The new system required SGI to change the way it reconciles its recorded bank balances to the banks' records. The new system required SGI to reconcile its recorded bank balances to the banks' records manually. SGI manually reconciled all its recorded bank balances to the banks' records except for two bank accounts. SGI did not reconcile these two bank accounts during the period April 1997 to December 1997.

.12 To ensure all charges to the two unreconciled bank accounts were proper, SGI compared cheques cashed by its banks to the cheques SGI issued on these bank accounts. All cheques charged to these bank accounts were proper.

.13 SGI has not yet fully reconciled its recorded bank balance to the banks' records for these two accounts.

We recommend

**.14 SGI should follow its rules and procedures to ensure all of its recorded bank balances are reconciled to the banks' records in a timely manner.**

.15 Management told us SGI realizes the importance of fully reconciling all its bank accounts and continues in its efforts to ensure all of its bank accounts are fully reconciled in a timely manner.

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Share purchase  
lacked approval

.16 SGI lacked proper approval for the purchase of common shares by SCISL.

## Chapter 7 Saskatchewan Government Insurance

.17 In 1997, SCISL acquired common shares of a hail insurance company (Company). SCISL directly and indirectly controls 36% of the Company.

.18 Subsection 29(1) of *The Crown Corporations Act, 1993* requires SGI to obtain Lieutenant Governor in Council (Cabinet) approval before it can purchase shares of a company. This approval ensures such purchases are made public. Crown Investments Corporation (CIC) obtains the necessary Cabinet approval for Crown corporations.

.19 SGI asked CIC to obtain Cabinet approval to buy shares. CIC told SGI that because SCISL bought the shares, SGI does not need Cabinet approval. Therefore, SGI did not obtain Cabinet approval.

.20 We note laws set out the powers that Crown corporations can exercise. Also, laws require public disclosure of certain transactions and activities (e.g., requiring the approval of Cabinet for the purchase of share investments). Subsidiaries of Crown corporations are usually created under *The Business Corporation Acts*. These Acts do not limit the powers of the subsidiaries or contemplate public disclosure.

.21 We do not see any reason why the Assembly would want subsidiaries of Crown corporations to have more powers than their parent Crown corporation or to provide less public disclosure than their parent Crown corporation.

.22 We realize that lawyers can argue both sides of this issue.

.23 We note, on November 27, 1997, SGI provided the Chair of the Crown Corporations Committee with information on the Company as a "significant transaction".

**.24 SGI should obtain Cabinet approval before its subsidiary purchases shares in another corporation.**

.25 SGI, SAF, and SCISL do not include a comparison of planned performance to actual results in their annual reports.

.26 It is difficult to understand and assess SGI's, SAF's, and SCISL's performance without knowing what they planned to achieve. We think this information is essential. For example, for the year ended December 31, 1997, SGI had

We recommend

Comparison of  
planned and actual  
results required

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## Chapter 7 Saskatchewan Government Insurance

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revenues and expenses of \$180 million and \$155 million respectively. Because SGI has not set out its planned revenues and expenses, legislators and the public cannot assess whether SGI has performed as planned.

.27 We have heard the argument that disclosing planned performance information could harm Crown corporations' ability to manage their business successfully. We note Crown corporations in other jurisdictions provide future years' planned performance information.

.28 We think disclosing summarized historical planning information will not impede SGI, SAF, and SCISL's ability to be competitive. We think a clear and meaningful comparison of planned performance to actual results will help the public and members of the Legislative Assembly understand and assess the performance of SGI, SAF, and SCISL. It will also provide SGI an opportunity to explain how the current environment influences their performance.

We recommend

**.29 SGI, SAF, and SCISL should include a comparison of planned performance to actual results in their annual reports.**

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List of persons who received public money required

.30 SGI, SAF, and SCISL did not provide the Assembly with a list of persons who received public money.

.31 The Standing Committee on Public Accounts (PAC) recommended that Crown corporations should have the same public reporting requirements as do Government departments unless otherwise stated in the mandate of the corporation.

.32 The PAC has also specified the required details of disclosure for Government agencies. The PAC wants agencies to provide a list of persons who received money from the agencies and the amount each person received if the person received more than a specified amount in a fiscal year. Currently, the PAC wants agencies to disclose any person receiving money for salaries, supplying goods and services, or receiving transfer payments if they receive more than the following amounts:

Salaries	\$2,500
Suppliers of goods and services	\$20,000
Transfers	\$5,000



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## Chapter 7 Saskatchewan Government Insurance

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.33 The PAC has recommended different disclosure for certain kinds of payments on an ad hoc basis when the PAC thinks it is appropriate and still achieves the initial objectives for requiring payee information. If SGI thinks it needs different public disclosure requirements, it should discuss those requirements with the PAC.

.34 We are often reminded that public disclosure is important for three reasons. First, public disclosure serves to remind all government officials they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision making as it ensures those who spend public money know their use of that money will be public. Third, public disclosure ensures the public knows who has received their money.

We recommend

.35 SGI, SAF, and SCISL should:

- publish a list of persons who received money from them and the amounts the persons received following the PAC's current minimum disclosure amount; or
- discuss different public disclosure requirements with the PAC.

**Chapter 8**  
**Crown Investments Corporation of Saskatchewan**

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## Chapter 8

# Crown Investments Corporation of Saskatchewan

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### Glossary

For the purposes of this chapter, the following definitions apply.

**Crown corporation** – A Crown corporation under CIC’s direction: created by an Act of the Saskatchewan Legislative Assembly, or by Cabinet through an Order in Council. Examples are SaskPower, Saskatchewan Government Insurance, and Saskatchewan Transportation Company.

**Subsidiary of a Crown corporation** – A corporation controlled by CIC or by a Crown corporation; usually created under *The Business Corporations Act* (Saskatchewan) or the *Canada Business Corporations Act*. Examples are CIC Pulp Ltd. and SaskPower Commercial Inc.

**Subsidiary** – A Crown corporation or a subsidiary of a Crown corporation.

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## Chapter 8

### Crown Investments Corporation of Saskatchewan

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#### Introduction

**.01** Management of Crown Investments Corporation of Saskatchewan (CIC) advises CIC's Board of Directors about subsidiaries and pension plans under CIC's control. In turn, CIC's Board provides advice about these subsidiaries and pension plans to Executive Council (Cabinet). A list of subsidiaries and pension plans appears in the table at the end of this Chapter. CIC also holds investments in several companies.

**.02** CIC's *1997 Annual Report* contains three sets of financial statements. The first set shows CIC's financial results consolidated with those of its subsidiaries. The second set shows the financial results of activities of CIC, the legal entity. The third set shows the financial results of activities that CIC manages through its subsidiary CIC Industrial Interests Inc. (CIC III).

**.03** The first set of financial statements shows CIC had revenue of over \$2.9 billion in 1997 and held assets of over \$7.4 billion at December 31, 1997.

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#### Our audit conclusions and findings

**.04** In our opinion:

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

**.05** We also report other matters for the Legislative Assembly's attention in this Chapter.

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#### Manual of policies and procedures for Crown corporations needed

**.06** CIC needs to document all its policies related to its Crown corporations in a manual.

**.07** Management of Crown Investments Corporation of Saskatchewan (CIC) advises CIC's Board of Directors about Crown corporations under CIC's control. In turn, CIC's Board provides advice about these corporations to Executive Council (Cabinet). This responsibility includes co-ordinating

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## Chapter 8 Crown Investments Corporation of Saskatchewan

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the strategic direction of its Crown corporations and monitoring and evaluating their performance.

**.08** Over several years, CIC has developed many policies pertaining to its Crown corporations. These include direction about how to prepare business and performance measurement plans, guidelines for foreign investment, and policies concerning human resource matters.

**.09** These policies are not kept in a manual. Therefore, there is no one reference source for CIC or its Crown corporations that provides guidance on CIC's expectations. Having these policies in a manual would provide CIC and its Crown corporations' management with quick and easy access to CIC's written expectations. Also, a policy manual is especially useful for providing guidance in a period of change and when CIC's expectations of its Crown corporations are changing.

**.10** In addition, CIC should ensure it formulates policies for all significant matters consistent with its role of coordinating the strategic direction of its Crown corporations and monitoring and evaluating their performance. Such policies should include CIC's expectations regarding tendering practices, the acquisition of share investments, and standard pension plan assumptions to be used by pension plans sponsored by its Crown corporations. Currently, defined benefit pensioners of SaskPower and SaskTel receive the same inflation adjustments to their pensions. Yet SaskTel and SaskPower use different assumptions when calculating their pension liabilities.

**We recommend**

**.11** CIC should document all its policies related to its Crown corporations in a manual.

**.12** The manual should contain CIC's expectations on all significant issues relating to CIC's responsibility for coordinating the strategic direction of its Crown corporations and monitoring and evaluating their performance.

**.13** The manual should be given to appropriate management of CIC and management of its Crown corporations.

**.14** CIC management told us they plan to compile a manual within the next fiscal year.

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## Chapter 8 Crown Investments Corporation of Saskatchewan

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Subsidiaries of Crown corporations should provide the same level of public disclosure as the Crowns

.15 Some Crown corporations do not obtain the same level of approval and provide less public disclosure of transactions made through their subsidiaries than they would if the Crown corporations made the same transactions directly.

.16 The powers that CIC's Crown corporations can exercise are set out in legislation. Certain transactions, such as the purchase of the shares of other corporations require Order in Council (Cabinet) approval and are publicly disclosed.

.17 Subsidiaries of these Crown corporations are usually created under Business Corporations Acts. These Acts do not contemplate Cabinet approval or public disclosure of these transactions.

.18 We are not aware of any reason why the Assembly would want subsidiaries of Crown corporations to exercise greater powers, or provide less public disclosure, than is required by the Crown corporations.

.19 We realize that lawyers can argue on both sides of this issue. However, we encourage CIC to demonstrate its leadership role and ensure subsidiaries of Crown corporations get the same approvals and make the same public disclosure of transactions that is required of Crown corporations.

We recommend

.20 CIC should ensure subsidiaries of Crown corporations get the same approvals and provide the same level of public disclosure of their transactions that is required of Crown corporations.

.21 CIC management told us they are currently examining this matter.

---

Public accountability information

.22 CIC's annual report and the annual reports of its subsidiaries do not contain all of the essential accountability information described in paragraphs .23 and .24.

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Comparison of planned and actual results needed

.23 CIC's annual report and the annual reports of its subsidiaries do not include full comparisons of planned results to actual results. It is difficult to understand and assess the performance of these government corporations without

knowing their main goals and key indicators of success. We think this information is essential.

.24 To assess performance of Crown agencies, MLAs and the public need adequate summary information about the plans of those agencies and about the achievement of those plans. All public sector agencies should provide their vision, long range goals, specific objectives, key performance targets, and main strategies for achieving those targets. They should also report on the extent to which they achieved those plans and targets.

.25 CIC has taken steps to improve its performance reporting. For example, CIC's 1997 annual report includes its vision, mission, and information on actual results compared to plans set out in its 1996 annual report.

.26 CIC is continuing to pursue improvements to its performance reporting. In 1997, CIC began to implement the Balanced Scorecard performance measurement system. CIC's objective is "to balance the Crowns' business needs with meaningful accountability to the people of Saskatchewan." The Balanced Scorecard will be used to evaluate financial performance as well as the achievement of targets for innovation and growth, customer satisfaction, and public policy. Once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote the continuous improvement of each Crown corporation's performance. CIC intends to introduce this approach for each Crown corporation in 1998.

.27 Also, CIC and its Crown corporations have begun to expand the performance data they provide in their annual reports. For example, some Crown corporations' annual reports include 5 year comparisons of various key financial measures (e.g. return on equity and return on capital). They also provide key operating data and statistics.

.28 We support the improvements discussed in paragraphs .25 to .27. We encourage CIC to continue improving its performance measurement and public reporting practices.

.29 We think disclosing a full comparison of planned results to actual results will help MLA's and the public to

## Chapter 8 Crown Investments Corporation of Saskatchewan

understand and assess the performance of CIC and its subsidiaries.

We recommend

**.30** CIC should continue to improve its annual report and the annual reports of its subsidiaries by including full comparisons of planned results to actual results.

Payee lists required

**.31** CIC and its subsidiaries did not give the Assembly a list of persons who received public money in 1997.

**.32** In 1993, the Standing Committee on Public Accounts (PAC) recommended that Crown corporations should have the same public reporting requirements as do government departments unless otherwise stated in the mandate of the corporation.

**.33** The PAC has also specified the required details of disclosure for government agencies. The PAC wants agencies to provide a list of persons who received money from the agencies and the amount each person received if the person received more than a specified amount in a fiscal year. Currently, the PAC wants agencies to disclose any person receiving money for salaries, supplying goods and services, or receiving transfer payments if they receive more than the following amounts:

Salaries	\$ 2,500
Suppliers of goods and services	\$ 20,000
Transfers	\$ 5,000

**.34** The PAC has also recommended different disclosure for certain kinds of payments on an ad hoc basis when the PAC thinks different disclosure will not impair achieving its initial objective for wanting payee information. If CIC and its subsidiaries think they need different public disclosure they should discuss those requirements with the PAC.

**.35** In February 1998, the PAC discussed its previous recommendation regarding agencies making public lists of persons who have received money from them. The PAC agreed the spirit of accountability is an important fundamental of government. Also, the PAC noted that circumstances for every government agency may be unique and may vary, and that broad sweeping recommendations that blanket all agencies are not appropriate. For Crown corporations, the PAC also



intends to ask the Assembly to refer this issue to the Crown Corporations Committee for its consideration.

.36 We are often reminded that public disclosure is important for three reasons. First, public disclosure serves to remind all government officials they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision making as it ensures those who spend public money know their use of that money will be public. Third, public disclosure ensures the public knows who has received their money.

We recommend

.37 **CIC and its subsidiaries should:**

- **publish a list of persons who received money from them and the amounts the persons received following the PAC's current minimum disclosure amounts; or**
- **discuss different public disclosure requirements with the PAC or, if the Assembly so directs, with the Crown Corporations Committee.**

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## Chapter 8 Crown Investments Corporation of Saskatchewan

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### Table of Subsidiaries and Pension Plans under CIC's Control

CIC Industrial Interests Inc.  
CIC Pulp Ltd.  
CIC Forest Products Ltd.  
National Pig Development (Canada) Co. Ltd.  
Capital Pension Plan

CIC Mineral Interests Corporation

Saskatchewan Development Fund Corporation  
Saskatchewan Development Fund

SaskEnergy Incorporated  
TransGas Limited  
Many Islands Pipe Lines (Canada) Limited  
SaskEnergy International Incorporated  
Bayhurst Gas Limited

Saskatchewan Forest Products Corporation

Saskatchewan Government Growth Fund Management Corporation  
Saskatchewan Government Growth Fund Ltd.  
Saskatchewan Government Growth Fund II Ltd.  
Saskatchewan Government Growth Fund III Ltd.  
Saskatchewan Government Growth Fund IV Ltd.

Saskatchewan Government Insurance  
SGI Canada Insurance Services Ltd.  
Saskatchewan Government Insurance Superannuation Plan

Saskatchewan Opportunities Corporation

Saskatchewan Power Corporation  
SaskPower Commercial Inc.  
Power Greenhouses Inc.  
Northern Enterprise Fund Inc.  
Power Corporation Superannuation Plan

Saskatchewan Telecommunications Holding Corporation  
Saskatchewan Telecommunications  
Saskatchewan Telecommunications International Inc.  
SaskTel Telecommunications Consulting Inc.  
SaskTel U.K. Holdings Inc.  
SaskTel Holding (New Zealand) Inc.  
SaskTel New Media Fund Inc.  
3339807 Canada Ltd.  
3364381 Canada Ltd.  
DirectWest Publishing Partnership  
604408 Saskatchewan Ltd.  
Hollywood at Home Inc.  
620064 Saskatchewan Ltd.  
Saskatchewan Telecommunications Employees' Superannuation Plan

Saskatchewan Transportation Company

Saskatchewan Water Corporation

# Chapter 9

## Municipal Government

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## Chapter 9

# Municipal Government

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### Introduction

**.01** The Department of Municipal Government is responsible for supporting and maintaining a viable system of municipal government in Saskatchewan.

**.02** The Department helps enable communities to provide local governance, public protection, social housing, and access to sport, recreation, culture, and information. The Department also works in partnership with communities by providing financial and technical support and by developing legislation, regulations, and other policies to meet the changing needs of Saskatchewan people.

### Special purpose funds and Crown agencies

**.03** In our 1997 Fall Report – Volume 2, we state we had not completed our audit for the following special purpose funds and Crown agencies for the year ended March 31, 1997:

Associated Entities Fund  
First Nations Fund  
Saskatchewan Archives Board  
Saskatchewan Arts Board  
Saskatchewan Centre of the Arts

**.04** This Chapter contains our audit conclusions and findings for the special purpose funds and Crown agencies listed in paragraph .03 except for the First Nations Fund. It also includes the following special purpose fund and Crown agencies for their years ended December 31, 1997:

Northern Revenue Sharing Trust Account  
Municipal Potash Tax Sharing Administration Board  
Saskatchewan Housing Corporation

**.05** A separate section in this Chapter explains our inability to discharge our duties relating to the First Nations Fund.

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### Our audit conclusions and findings

**.06** In our opinion:

- the financial statements for the funds and agencies referred to in paragraph .04 are reliable;
- the Department and its agencies referred to in paragraph .04 had adequate rules and

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## Chapter 9 Municipal Government

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procedures to safeguard and control their assets except for Saskatchewan Archives Board; and

- the Department and its agencies referred to in paragraph .04 complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

Saskatchewan  
Archives Board

**.07** The Saskatchewan Archives Board (Board) is responsible for acquiring and preserving documents relating to the history of Saskatchewan. The Board also provides these documents to the public for research.

**.08** The Board had revenue of \$2.2 million in 1997 and held assets of \$0.3 million at March 31, 1997.

Written contracts  
needed

**.09** The Board needs written contracts with The University of Saskatchewan (U of S) and Saskatchewan Property Management Corporation (SPMC).

**.10** The U of S provides the Board office space and administrative and accounting services. SPMC rents office space to the Board.

**.11** The Board needs written contracts to set out the responsibilities and legal obligations of each party for services provided.

**.12** The contract with the U of S should set out the Board's right to access accounting records, confidentiality needs, and the rules and procedures needed to safeguard and control the Board's assets.

**.13** The contract with SPMC should set out rental costs, maintenance duties, the lease period, and cancellation terms.

**.14** In March 1993, the Standing Committee on Public Accounts (PAC) reviewed the matter of the necessity of contracts when providing goods or services to others. The Committee recommended "organizations should have properly authorized contracts before providing goods or services to others".

**.15** We also reported this matter in our 1997 Spring Report and in our previous reports.

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## Chapter 9 Municipal Government

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.16 In 1997, PAC considered this matter and concurred with our recommendation.

**We recommend**

.17 **The Board should have written contracts with the U of S and SPMC.**

.18 Management told us the Board is currently negotiating an agreement with the U of S and is seeking a similar arrangement with SPMC.

**First Nations Fund**

.19 *The Gaming Corporation Act* established the First Nations Fund. First Nations Fund (Fund) is responsible for carrying out economic development, social development, justice, health, and other initiatives related to Indian Bands. The Fund is a Crown agency accountable for how it carries out its responsibilities to the Minister of Municipal Government (Minister).

.20 The Assembly appropriates money from the General Revenue Fund to finance the activities of the Fund. The Assembly appropriated \$2.2 million for 1997 and \$14.5 million (including \$11.1 million supplementary estimates) for 1998. We also note the 1999 estimates include \$12.1 million for the Fund.

.21 The Fund receives its money from the Department. For the year ended March 31, 1997, the Department paid \$2.2 million to the Fund.

.22 Order in Council 725/95 appointed the board of trustees for the Fund. Order in Council 189/97 appointed KPMG as the auditor for the Fund.

**Inability to discharge our duties**

.23 The Fund's trustees restricted our ability to obtain the information and explanations we require to properly carry out our duties to the Assembly. As a result, we did not audit the Fund's accounts for the year ended March 31, 1997.

.24 The trustees' action impaired the Fund's public accountability to the Legislative Assembly, the Minister, and the public.

.25 As stated above, the Fund is accountable to the Minister for controlling and safeguarding public money. The Minister, in turn, is accountable to the Legislative Assembly

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## Chapter 9 Municipal Government

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for the administration of this public money. We are responsible to audit all public money.

.26 Sometimes, the Government appoints private sector auditors to audit the accounts of special purpose funds and Crown agencies. When the Government appoints private sector auditors, we work with the appointed auditors using the process recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. The Task Force was formed by the President of the Crown Investments Corporation (CIC) and our Office in response to a recommendation of the Assembly. The Standing Committee on Public Accounts, Treasury Board, and CIC support the process recommended by the Task Force.

.27 The Task Force's process ensures we obtain the information, reports, and explanations we require from management and the trustees of the Fund to properly carry out our duties to the Assembly. The process also ensures our work and the appointed auditor's work serves the Assembly efficiently.

.28 One of the processes requires us to have access to the appointed auditors files. KPMG told us the Fund's trustees have refused to allow us access to KPMG's files to properly carry out our work for the Assembly.

.29 Because the trustees did not allow us to properly carry out our work for the Assembly, we cannot advise the Assembly if:

- the Fund's financial statements are reliable;
- the trustees had adequate rules and procedures to safeguard and control public money;
- the trustees complied with the authorities governing the Fund's activities related to financial reporting, safeguarding assets, spending, borrowing, and investing;
- the Fund lost any public money from fraud, default, or mistake of any person;

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## Chapter 9 Municipal Government

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- any officer or employee of the Fund has wilfully or negligently omitted to collect or receive public money; and
- the trustees made an expenditure from the Fund that was not properly vouchered or certified.

We recommend

**.30** The Department should direct the trustees to allow our Office to carry out our responsibilities to the Legislative Assembly following the recommendations of the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.



# Chapter 10

## Pensions

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## Pensions

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## Chapter10

### Pensions

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#### Introduction

**.01** The Government's pension plans are significant to the Legislative Assembly, the members of the pension plans and the public.

**.02** Through the plans, the Government manages a significant amount of assets and actuarial liabilities. At March 31, 1997, the plans held assets of \$5.4 billion and had actuarial liabilities of \$8.5 billion. The membership of these plans is also significant. At March 31, 1997 there were 66,218 active, 30,905 retired and 27,925 inactive members (see Exhibits 5 - 7).

#### Purpose of Chapter

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

- the significance of the Government's pension plans;
- the status of systems and practices to manage pension risks;
- the systems and practices used by pension plans to maximise investment earnings within acceptable risk levels;
- the progress made in improving the annual reports of the Government's pension plans and reducing differences in legislative requirements affecting these annual reports;
- our follow-up work on the Government's actions in response to our recommendations on pensions included in our 1997 Spring Report; and
- our future audit plans.

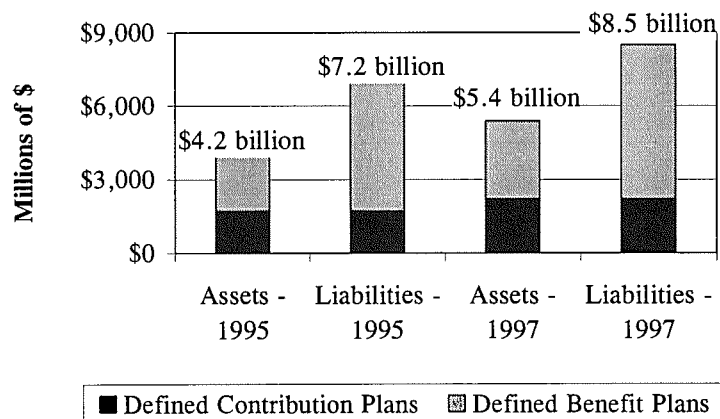
# Chapter 10 Pensions

## PART A - Significance of Pension Plans

**.04** This Chapter reports on fifteen of the Government's pension plans. At March 31, 1997, these plans held assets of \$5.4 billion and had actuarial liabilities of \$8.5 billion. In our 1996 Spring Report, we reported these plans held assets of \$4.2 billion and had actuarial liabilities of \$7.2 billion as at March 31, 1995 (see Exhibit 1).

Exhibit 1

Total Assets and Actuarial Liabilities



**.05** The 15 Plans include 10 defined benefit and 5 defined contribution plans.

**.06** In **defined benefit plans**, the Government (for the Municipal Employees' Pension Plan – the municipal employers) promises to pay each member a pension based on the member's salary and years of service.

**.07** In 1978, the Government reduced its risks by closing its defined benefit pension plans to new members except for the Judges of the Provincial Court Superannuation Plan and the Municipal Employees' Pension Plan. After 1978, new government employees become members of the defined contribution plans (see paragraph .10)

**.08** The **defined benefit plans** included in this Chapter are:

- Judges of the Provincial Court Superannuation Plan (JDG);
- Liquor Board Superannuation Plan (LB);

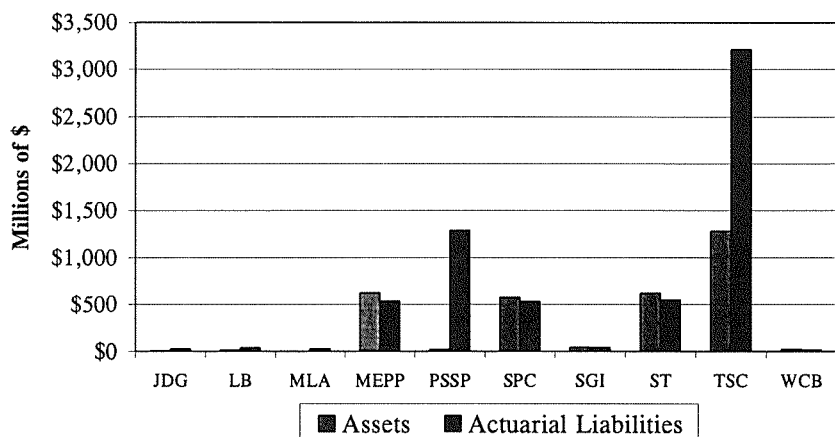
## Chapter 10 Pensions

- Members of the Legislative Assembly Superannuation Plan (MLASP);
- Municipal Employees' Pension Plan (MEPP);
- Public Service Superannuation Plan (PSSP);
- Power Corporation Superannuation Plan (SPC);
- Saskatchewan Government Insurance Superannuation Plan (SGI);
- Saskatchewan Telecommunications Superannuation Plan (ST);
- Teachers' Superannuation Plan (TSC); and
- Workers' Compensation Board Superannuation Plan (WCB).

**.09** Exhibit 2 compares the assets and actuarial liabilities of the Government's defined benefit pension plans based on their June 30, 1996, December 31, 1996 or March 31, 1997 financial statements. Unfunded actuarial liabilities occur when actuarial liabilities exceed pension assets. The TSC plan has the largest unfunded liability at \$1.9 billion. The PSSP has the second largest unfunded liability at \$1.3 billion. We note PSSP is the only plan where member contributions are not paid into a separate fund. There are also some plans that have surpluses. Surpluses occur when pension assets exceed pension actuarial liabilities.

**Exhibit 2**

### Government Defined Benefit Pension Plans



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## Chapter 10 Pensions

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**.10** In defined contribution plans, the Government and the plan member each pay a fixed percentage of the member's salary into a fund (except for Saskatchewan Pension Plan, where the Government no longer contributes). The member's pension is based on the accumulated contributions (i.e., total contributions made by the member and the Government over the member's career) and the investment earnings thereon.

**.11** The defined contribution plans referred to in this Chapter are:

- Capital Pension Plan Inc. (CIC) (e.g., includes employees of Saskatchewan Government Insurance, Saskatchewan Gaming Corporation, Saskatchewan Transportation Company, Saskatchewan Water Corporation and certain other agencies);
- Members of the Legislative Assembly Superannuation Plan (MLA - DC);
- Public Employees (Government Contributory) Superannuation Plan (PESP) (effective July 1, 1997 became the Public Employees Pension Plan);
- Saskatchewan Pension Plan (SPP); and
- Saskatchewan Research Council Employees Pension Plan (SRC).

**.12** Exhibit 3 shows the size of each of the Government's defined contribution plans based on their December 31, 1996 and March 31, 1997 financial statements. The PESP is the largest plan with assets of over \$1.6 billion.

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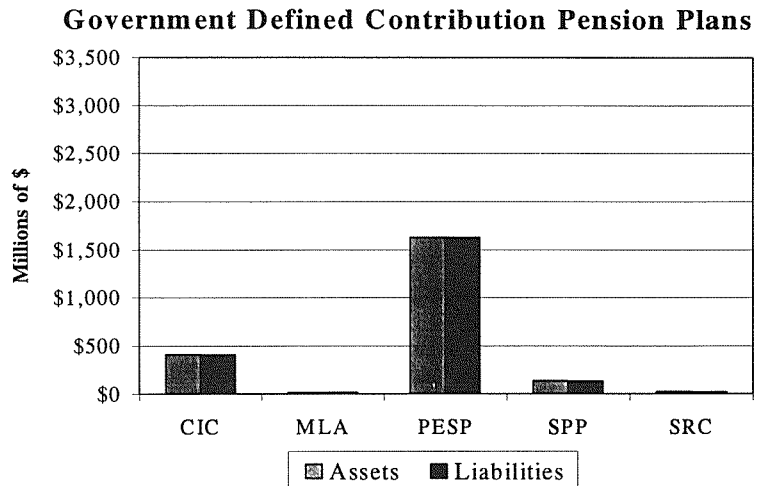
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## Chapter 10 Pensions

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Exhibit 3



### Annual Pension Costs

**.13** In Chapter 5 of our 1996 Spring Report, we set out the annual pension cost of Government pension plans as a percentage of salary. Exhibit 4 provides updated information on average annual cost, members' contributions and the Government's and municipal employers' contributions based on their June 30, 1996, December 31, 1996 or March 31, 1997 financial statements and the related actuaries report.

**.14** In Exhibit 4, we also include the cost of the Saskatchewan Teachers Retirement Plan in addition to the 15 Government pension plans listed in paragraphs .08 and .11. We do not include the MLASP – defined benefit plan in Exhibit 4 as this plan has only two active members.

**.15** The Saskatchewan Teachers Retirement Plan is not included for discussion elsewhere in this Chapter. The Department of Education provides contributions to this Plan based on rates negotiated through the collective bargaining process. Information included in Exhibit 4 for this plan is based on the Plan's June 30, 1997 financial statements.

**.16** Exhibit 4 shows the Government's costs vary from a low of 3.5% for the SGI Plan to a high of 13.8% for the Judges Plan.

## Chapter 10 Pensions

### Exhibit 4

#### Average Annual Pension Costs as a Percentage of Members' Average Annual Salaries

	$\left( \frac{\text{Average Pensions}}{\text{Earned By Members}} \right)$	$\left( \frac{\text{Members' Contributions}}{\text{Earned By Members}} \right)$	$= \frac{\text{Costs of Government}}{\text{Earned By Members}}$
<b>Defined Contribution Plans</b>			
Members of the Legislative Assembly			
Superannuation Plan (MLA - DC)	18.0%	9.0%	9.0%*
Capital Pension Plan Inc.(CIC)	11.0%	5.5%	5.5%
Public Employees (Government			
Contributory) Superannuation Plan (PESP)	10.0%	5.0%	5.0%
Saskatchewan Research Council Employees			
Pension Plan (SRC)	5.0%	0.0%	5.0%
Saskatchewan Pension Plan (SPP)	**	**	**
<b>Defined Benefit Plans</b>			
Municipal Employees' Pension Plan (MEPP)	13.2%	5.5%	***
Judges of the Provincial Court			
Superannuation Plan (JDG)	18.2%	4.4%	13.8%
Liquor Board Superannuation Plan (LB)	13.8% +	5.5%	8.3%
Public Service Superannuation Plan (PSSP)	11.5% +	5.6%	5.9%
Saskatchewan Government Insurance			
Superannuation Plan (SGI)	8.5%	5.0%	3.5%
Power Corporation Superannuation			
Plan (SPC)	15.1% +	5.8%	9.3%
SaskTel Superannuation Plan (ST)	14.6% +	5.7%	8.9%
Teachers' Superannuation Plan (TSC)	17.8%	6.6%	11.2%
Workers' Compensation Board			
Superannuation Plan (WCB)	16.2% +	5.7%	10.5%
<b>Other - Defined Benefit Plans</b>			
Sask Teachers Retirement Plan (STRP)	13.0%	6.7%	6.3%@

\* Members join the MLA - DC 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%.



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## Chapter 10 Pensions

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\*\* Members of SPP may contribute up to a maximum of \$600 per year. The Government stopped paying matching contributions to members of the SPP plan in the 1992/93 fiscal year.

\*\*\* The Government is responsible for managing this plan. The Government does not pay any of the plan's costs. Plan members pay 5.5% of their salary and the municipal governments and school boards match it. The remaining costs of 2.2% of member's salary is funded from the plan's surplus.

@ The Government is only required to contribute 6.05% of salary for that portion of salary subject to Canada Pension Plan integration and at 7.85% thereafter.

+ These plans have the same pension promise. However, differences in assumptions (e.g., interest rates, salary increases, mortality, termination, retirement rates) cause differences in the average pensions earned by employees.

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## Chapter 10 Pensions

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PART B - Status of System and Practices used to Manage Pension Risks

.17 In Chapter 5 of our 1996 Spring Report, we outline the risks for pension plans if they are not managed well. In that Report, we also list the systems and practices the Government needs to manage its pension risks. The Government needs systems and practices to ensure pension plans:

- comply with the law;
- keep accurate and complete records to meet all reporting needs;
- safeguard their investments;
- submit timely reports to the Legislative Assembly, plan members and government agencies. These reports should permit the evaluation and comparison of planned performance to actual performance (e.g., targeted investment rates of return and actual returns);
- manage cash flows; and
- maximize investment earnings within levels of acceptable investment risk.

.18 Based on our 1996/97 audit, we conclude, pension plans:

- complied with the law except for the MLASP;
- kept accurate and complete records to meet reporting needs;
- adequately safeguarded their investments;
- need to submit timely reports that include an evaluation and comparison of planned performance to actual performance. These reports should be provided to the Legislative Assembly, members and government agencies; and

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## Chapter 10 Pensions

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- need to manage their cash flows carefully.

.19 In 1997, we decided to study the systems and practices used by pension plans to maximize their investment earnings within acceptable risk levels.

.20 The following section describes the objectives of our study, our work and our conclusions.

System and practices used for Pension Plans to maximize investment earnings
---

.21 Pension plans need to maximize their investment earnings within acceptable levels of risk. The systems and practices needed to accomplish this include:

- assessing and establishing the risk levels that are acceptable to plan members and the Government;
- establishing investment objectives (including the target rates of return, the laws investments must comply with and the types of investments) using established risk levels;
- monitoring and reporting on investment performance in meeting objectives including whether investments comply with the law; and
- setting criteria for the selection of investment managers.

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Objectives of our study

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.22 The objective of our study was to determine if the *statements of investment objectives* of the 15 pension plans in paragraphs .08 and .11 clearly:

- assess and establish the risk levels that are acceptable to plan members and the Government; and
- establish their investment objectives (including the target rates of return, the laws investments must comply with and the types of investments) using their established risk levels.

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## Chapter 10 Pensions

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.23 We studied the *statements of investment objectives* (statements) of the 15 pension plans using the criteria in paragraphs .26 to .27. We used the statements of these 15 pension plans for their years ended June 30, 1996, December 31, 1996 or March 31, 1997.

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Assurance standards

.24 This study is not an audit.

.25 We did our study in accordance with the recommendations of The Canadian Institute of Chartered Accountants. Our procedures consisted of studying relevant documents, discussion and analysis.

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Criteria

.26 Auditors need criteria to evaluate matters they study. Criteria are reasonable and attainable standards of performance and control against which auditors can assess the adequacy of systems and practices. To complete our study, we developed criteria. We provided the criteria to pension plan administrators for their comments. We reviewed the comments we received and made changes to our criteria.

.27 The agreed upon criteria are that pension plans should have a *statement of investment objectives* which clearly sets out:

- The plan's assessment of the risk level that is acceptable to plan members and the Government, considering:
  - the type of pension plan which will indicate who bears the risk (i.e., for defined benefit plans – the Government bears the risk and for defined contribution plans the members bear the risk).
  - the demographics of the membership (e.g., average age of employees and retiree proportion);
  - current funded status of the plan (e.g., is the plan currently in a surplus or deficit position); and

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## Chapter 10 Pensions

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- the time horizon of the plan (e.g., is the plan ongoing or facing a wind-up).
- Investment objectives such as rates of return and types of investments describing:
  - risk tolerance and return expectations of plan members and the Government;
  - guidance on the types of investments that are acceptable (e.g., legal requirements with which the plan must comply);
  - cash flow requirements of the plan;
  - responsibilities of the investment manager and the number of managers required; and
  - the reporting and review process that the plan would use.

Our conclusions

**.28** We concluded the pension plans' *statements of investment objectives* did not clearly set out and state the risk level acceptable to their plan members and the Government. The plans' statements did state their investment objectives. However, these objectives were not based on stated risk levels acceptable to plan members and the Government.

We recommend

**.29** Pension plans' statements of investment objectives should include a clear assessment of the risk level acceptable to plan members and the Government. Pension plans' investment objectives should be based on the risk level acceptable to plan members and the Government.

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Pension plan administrators co-operation

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**.30** We appreciate the co-operation and help provided by pension plan administrators.

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Our detailed findings

**.31** Paragraphs .32 to .37 set out our detailed findings by criterion.

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## Chapter 10 Pensions

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*Statements of investment objectives* should clearly set out the plans' assessment of acceptable risk

### Our findings

.32 We found 13 out of 15 plans had *statements of investment objectives* (statements) that did not clearly assess and state the risk level of their members and the Government (e.g., the ability to accept downturns in the market and return on investment versus growth).

.33 All 15 plans' statements imply a risk level in setting their investment return objectives and asset mix guidelines. However, only two plans' statements stated a risk level. Plans' statements should clearly state the acceptable risk level so that the investment manager is aware of the risk level. The plans can then establish an appropriate asset mix and investment quality guidelines.

.34 All 15 plans' statements indicated the type of plan and who was at risk (i.e., the member or the Government).

.35 Four out of 15 plans' statements provided little or no information on demographics of the membership. Two of these and two other statements provided little or no information on current funded status. We think plans should include this information in their statements to help readers understand the pension plans and their risk assessments.

.36 All 15 plans' statements indicated the time horizon of the plan.

Statements should set out clearly investment objectives

### Our findings

.37 Generally, we found plans established and clearly stated their investment objectives in the statements. However, plans need to improve their statements by:

- stating clearly the assessed risk tolerance of members and the Government (13 plans need to improve);
- stating what are the expected asset class (e.g., short term securities, bonds and equities) rates of return and real rates of return (2 plans need to improve);

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## Chapter 10 Pensions

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- outlining the combined asset mix objectives and rebalancing guidelines (i.e., guidelines for the allocation of assets to each of the plan's investment managers) for those plans with more than one manager (2 plans need to improve);
- providing guidelines on acceptable related-party transactions (2 plans need to improve);
- clearly outlining cash flow requirements (2 plans need to improve);
- outlining what terms would result in an investment manager being terminated (2 plans need to improve);
- establishing policies that investment managers must follow for selecting investment dealers (10 plans need to improve);
- outlining the process the plan will use to monitor and evaluate the manager's performance (1 plan needs to improve);
- stating the reporting requirements of the party delegated voting rights acquired through pension plan investments (e.g., typically plans delegate the voting rights of investments they purchase to their investment manager or custodian) (12 plans need to improve); and
- including a suggested format which investment managers must follow when reporting on compliance with the plan's investment policy (2 plans need to improve).

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## Chapter 10 Pensions

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### PART C - Annual Report Progress

Past  
recommendations

**.38** In our 1997 Spring Report, we make three recommendations relating to the annual reports of the Government's pension plans. We recommended:

- the Government should table all of its pension plans' annual reports in the Legislative Assembly;
- the Government should improve the content of its pension plans annual reports; and
- the Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is more appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.

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All annual reports  
need to be tabled in  
the Legislative  
Assembly

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**.39** We reported in our 1997 Spring Report that the Government did not table in the Assembly the annual reports of Capital Pension Plan Inc., Saskatchewan Government Insurance Superannuation Plan, Power Corporation Superannuation Plan, and the Saskatchewan Telecommunications Superannuation Plan. However, all these plans tabled their financial statements for December 31, 1996 in the Legislative Assembly.

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We continue to  
recommend

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**.40** The Government should table all of its pension plans' annual reports in the Legislative Assembly.

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Progress on  
recommendations in  
our 1997 Spring  
Report

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**.41** To determine what progress the Government has made in improving pension plan annual reports, we examined the most recent annual report for each of the following ten plans:

- Municipal Employees' Pension Plan (December 31, 1996);



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## Chapter 10 Pensions

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- Workers' Compensation Board Superannuation Plan (December 31, 1996);
- Judges of the Provincial Court Superannuation Plan (March 31, 1997);
- Members of the Legislative Assembly Superannuation Plan (March 31, 1997);
- Public Employees (Government Contributory) Superannuation Plan (March 31, 1997);
- Public Service Superannuation Plan (March 31, 1997);
- Teachers' Superannuation Plan (June 30, 1996);
- Liquor Board Superannuation Plan (December 31, 1996);
- Saskatchewan Pension Plan (December 31, 1996); and
- Saskatchewan Research Council Employees' Pension Plan (December 31, 1996).

.42 Our comments in paragraphs .43 to .67 relate to the pension plans identified in paragraphs .39 and .41.

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Annual report content

.43 We think annual reports should describe:

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

.44 The following lists our findings related to each of the above issues.

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## Chapter 10 Pensions

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### What the Plan is all about

**.45** We found all annual reports need to improve the information on the plans' purposes and goals (e.g., to provide a source of income to retired members in an efficient and effective manner).

**.46** The annual reports did not describe the plans' broad goals or measures of success. Also, they did not describe all of the plans' annual objectives or the financial and operating targets needed to accomplish their broad goals.

**.47** Four out of the ten plans continue to have only a brief description of the plan with little explanation of the role of the Board and administrator.

**.48** Several reports provided better explanations of the role of specialists such as investment manager, custodian and investment consultant. We found more Plans are now beginning to provide information about investment objectives in their annual reports.

### What the Plan has done

**.49** We found annual reports still need to provide more information to enable readers to assess the plans' performance.

**.50** Seven out of ten annual reports provided their rolling four-year annualized rate of return and their targeted rate of return for this period. The rolling four-year annualized rate of return is the annualized rate of returns for the most recent four years. The Teachers' Superannuation Plan provided its current year and five year average annual return and its objectives. The Saskatchewan Pension Plan provided its objective and annual return for 1996 only.

**.51** We encourage the disclosure of actual and targeted rates of return in the financial statements. Additional credibility is added when actual and targeted rates of return are included in the financial statements because the information is audited.

**.52** We commend the Teachers' Superannuation Plan, the Liquor Board Superannuation Plan, Saskatchewan

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## Chapter 10 Pensions

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Telecommunications Superannuation Plan and the Municipal Employees' Pension Plan for providing actual and targeted rates of return in their most recent audited financial statements.

**.53** All annual reports still provide little or no information comparing actual results with their planned results for:

- operating costs;
- operating targets;
- member service and satisfaction; and
- compliance with the law.

Where the Plan is now
-----------------------

**.54** We found all annual reports need to provide more information to enable readers to assess the plans' current situation and their progress in meeting their goals and objectives.

**.55** All reports need to provide financial highlights and analysis, and information about significant matters. All plans provided some information on their current activities. However, it remains difficult for readers of annual reports to decide whether plans have met their goals and objectives and how they are progressing towards them.

What the Plan intends to do
-----------------------------

**.56** We found all annual reports need to provide information about the plans' future intentions.

**.57** One plan out of the ten plans provided cash flow forecasts in their financial statements and four other plans provided these forecasts in their annual reports.

**.58** We encourage the disclosure of cash flow information in the plan's financial statements. Additional credibility is added when cash flow information is included in the financial statements because this information is audited.

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## Chapter 10 Pensions

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.59 Three plans have recently issued financial statements including cash flow forecasts. These statements were issued after our review of their annual reports. We commend the Teachers' Superannuation Plan, the Liquor Board Superannuation Plan and the Public Service Superannuation Plan for providing cash flow forecasts in their most recent audited financial statements.

.60 All plans provide little information on their future intentions (i.e., changes in goals, objectives, strategies to improve performance, anticipated changes affecting plan assets, liabilities, future revenue and expenses, plan membership, approved changes to legislation). For example, readers should know what a plan intends to do with the surplus of assets over liabilities or how a plan will manage a deficit.

Annual report presentation
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.61 In general, the presentation of annual reports was good. The information was well organized and presented.

.62 In our 1997 Spring Report, we encouraged pension plan administrators to write the reports to help readers better understand the plans. We also suggested the plans use more graphs or charts to present their information. A few plans used more tables and graphs to present their information.

We recommend

**.63 The Government should continue to improve the content of its pension plans' annual reports.**

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Legislative requirements

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.64 Significant differences in legislative requirements for the disclosure of information in the annual reports of the Government's pension plans continue.

.65 As noted in our 1997 Spring Report, some plans have no legislative requirement to give the Legislative Assembly an annual report. Others are required to provide details of investments sold and purchased during the year and the investments held at year end. Some plans have legislative requirements to provide detailed information on their members who have retired or died during the year.

.66 Since our 1997 Spring Report, the Assembly decided PESP no longer has to provide a statement of all PESP's

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## Chapter 10 Pensions

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securities and a statement of all securities acquired or disposed of in a year.

**We continue to  
recommend**

**.67 The Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.**

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## Chapter 10 Pensions

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### PART D - Follow-up Work

Progress on recommendations in our 1996 Spring Report

**.68** In our 1996 Spring Report, we made four recommendations regarding the Government's pension plans. We recommended:

- the Government should study the investment earnings allocation policies of its defined contribution pension plans to decide whether it is appropriate to have a consistent policy. If consistent policies are not considered appropriate, the Government should explain why;
- the Government should use consistent estimates for COLA (cost of living adjustment) increases and inflation to calculate the pension liability for its defined benefit pension plans;
- the Government's defined benefit pension plans' annual reports should show future cash flow information; and
- the Government should consider establishing a pension commission to study the many issues related to its pension plans.

**.69** In May 1996, the Standing Committee on Public Accounts (PAC) met to consider these recommendations. At this meeting, PAC adopted our recommendations. In paragraphs .72 to .99, we report on the Government's actions regarding our recommendations.

**.70** The following procedures describe our follow-up work. We:

- examined the plans' financial statements for their years ended June 30, 1996, December 31, 1996 or March 31, 1997;
- discussed progress with pension plan administrators; and
- read the Government's October 1996 response to the PAC report.

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## Chapter 10 Pensions

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.71 The work we did to report on our follow up is not an audit.

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Allocations of earnings are nearly all consistent

.72 All but one of the Government's **defined contribution plans** followed consistent policies for allocating their investment earnings to plan members.

.73 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.

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

.75 In the past, the Government's defined contribution pension plans followed different policies for allocating investment earnings to plan members. Some plans allocated more of their annual investment earnings to plan members than did other plans. All of the defined contribution plans in paragraph .11 now allocate all investment earnings directly to plan members, except for the Saskatchewan Pension Plan. This Plan continues to allocate only a portion of its total investment earnings to plan members. At December 31, 1997, the amount not allocated was \$5.8 million (1996 - \$5.0 million).

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

.77 In October 1996, the Government responded to the Standing Committee on Public Accounts' recommendation on this matter. The Government said:

*Currently independent boards and officials make decisions to reflect the needs and*

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## Chapter 10 Pensions

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*preferences of the members of each individual plan. As a result, the decisions made by the boards and officials may result in different earnings allocation policies.*

We recommend

**.78** The Government should ensure the Saskatchewan Pension Plan's investment earnings allocation policy is consistent with other defined contribution pension plans.

---

Estimates are nearly all consistent

**.79** All but one of the Government defined benefit plans listed in paragraph .08 used consistent estimates to calculate their pension liabilities. The inconsistency in one plan's estimates relates to future ad hoc increases to pensions to help pensioners cope with inflation.

**.80** Ad hoc increases to pensions help pensioners cope with inflation and are referred to as COLA. Since 1985, the Government based these adjustments on increases in the Consumer Price Index (CPI).

**.81** The Government makes these COLA increases under *The Superannuation (Supplementary Provisions) Act*. The Act applies to the following five defined benefit plans:

- Liquor Board Superannuation Plan;
- Public Service Superannuation Plan;
- Power Corporation Superannuation Plan;
- Saskatchewan Telecommunications Superannuation Plan; and
- Workers' Compensation Board Superannuation Plan.

**.82** In our 1997 Spring Report, we report the range of estimates for ad hoc increases used by the Government's pension plans had narrowed. We also report four plans calculated their pension liabilities using future increases of 50% of CPI. However, the Saskatchewan Telecommunications Superannuation Plan (SaskTel Plan) calculates its liability using future increases of 60% of CPI.

**.83** Since our 1997 Spring Report, we found the four plans continue to calculate the pension liability of their plans using



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## Chapter 10 Pensions

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future increases of 50% of CPI. The SaskTel Plan continues to use future increases of 60% of CPI. If the SaskTel Plan had used the same estimate of future increases that is used by the other four plans, its pension liability would be \$19.5 million less. The amount of \$19.5 million is based on the analysis provided by SaskTel's actuary.

**.84** With inconsistent estimates, boards of directors of the plans, government agencies, the Legislative Assembly, members of the plans, and the public lack comparable information. They need comparable information to understand and assess the performance of the Government's pension plans.

**.85** In October 1996, the Government responded to the Standing Committee on Public Accounts' recommendation on this matter. It said "The Government is working on achieving a final resolution to this issue."

We continue to recommend

**.86** The Government should ensure the Saskatchewan Telecommunications Superannuation Plan use an estimate for COLA increases which is consistent with the other defined benefit pension plans.

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Plans now have cash flow information

**.87** All of the Government's defined benefit plans with unfunded liabilities now have information on their cash flows. Some plans included future cash flow information in their annual reports and others in their financial statements.

**.88** As stated in our 1996 Spring Report, pension plans need cash flow information to manage their investments. Also, all pension plans need future cash flow information to know when they will need cash to pay the pensions promised by the Government.

**.89** Pension plans with unfunded liabilities need to publicly disclose information on their future cash flows so that the Legislative Assembly and the Public know these plans' future cash requirements.

**.90** Also, future cash flow information should be included in pension plans' audited financial statements. Additional credibility is added to the cash flow information when it is included in the financial statements because they are audited.

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## Chapter 10 Pensions

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The distribution of the financial statements is often wider than the annual report.

**.91** In October 1996, the Government responded to the Standing Committee on Public Accounts' recommendation on this matter. It said "The Government is working towards inclusion of this information in annual reports of defined benefit plans for 1996-97."

We continue to recommend

**.92** The Government's defined benefit pension plans with unfunded liabilities should show future cash flow information in their financial statements.

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Pension commission/task force not established

**.93** The Government has not established a pension commission/task force.

**.94** We recommended in our 1996 Spring Report the Government should consider establishing a pension commission/task force to study its pension plans. We said a commission/task force could examine the many issues related to its pension plans.

**.95** A pension commission/task force could study many issues related to pension plans including:

- when and how the Government will fund the unfunded pension liability of \$3.1 billion;
- what should be done with the surplus accumulated in pension plans, if any;
- whether it is appropriate for different member groups to receive different benefits (e.g., different rates of indexing for inflation); and
- performing an assessment to decide whether current administrative responsibilities could be combined under fewer organizations to help reduce administrative costs and/or improve investment earnings.

All defined benefit plans are closed with the exception of the MEPP and Judges Plan. New employees became members of the PESPP or CIC Plan. Currently, several boards administer

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## Chapter 10 Pensions

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the closed defined benefit plans. These defined benefit plans provide similar benefits, collect similar contributions at similar rates and have similar administrative systems.

.96 In May 1996, the Standing Committee on Public Accounts recommended the following, "The government should establish a pension commission to study the many issues related to its pension plans."

.97 In October 1996, the Government responded to the Standing Committee on Public Accounts' recommendation. It said:

*The Government has systems in place to manage and account for its public sector pension plans. The Government will continue to work toward resolution of issues respecting the pension plans it administers.*

*The Government recognizes its financial obligations, including its pension obligations. Balanced budgets and the Government's debt reduction strategy will ensure the Government is able to meet its future obligations while safeguarding core areas including health and education.*

.98 We continue to think a pension task force would provide an opportunity for all those affected to provide their opinions. It could also facilitate consensus on pension issues and provide direction to the Government on its pension plans.

**We continue to recommend**

**.99 The Government should establish a task force to study the many issues related to pension plans.**

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## Chapter 10 Pensions

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PART E - Future Audit Plans

Our future audit plans

**.100** We plan to continue to examine the systems and practices pension plans use to manage their key risks. We also plan to complete our study of plans' systems and practices used by pension plans to maximize investment earnings within acceptable risk levels.

**.101** We will report our conclusions and findings in a future Report. In future Reports, we will also provide an update of the pension plan earnings and operating costs.

**.102** In addition, we will provide an update on the progress pension plans have made in improving their annual reports.

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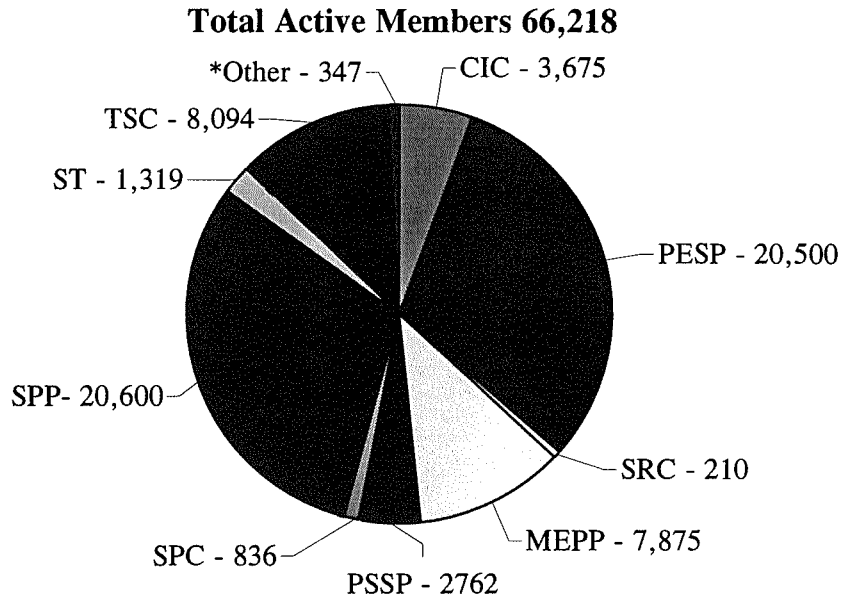
## Chapter 10 Pensions

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### Exhibit 5

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



Pension Plans as referred in paragraphs .08 to .11.

\*Other is comprised of:

- Members of the Legislative Assembly Superannuation Plan
- Judges of the Provincial Court Superannuation Plan
- Liquor Board Superannuation Plan
- Saskatchewan Government Insurance Superannuation Plan
- Workers' Compensation Board Superannuation Plan

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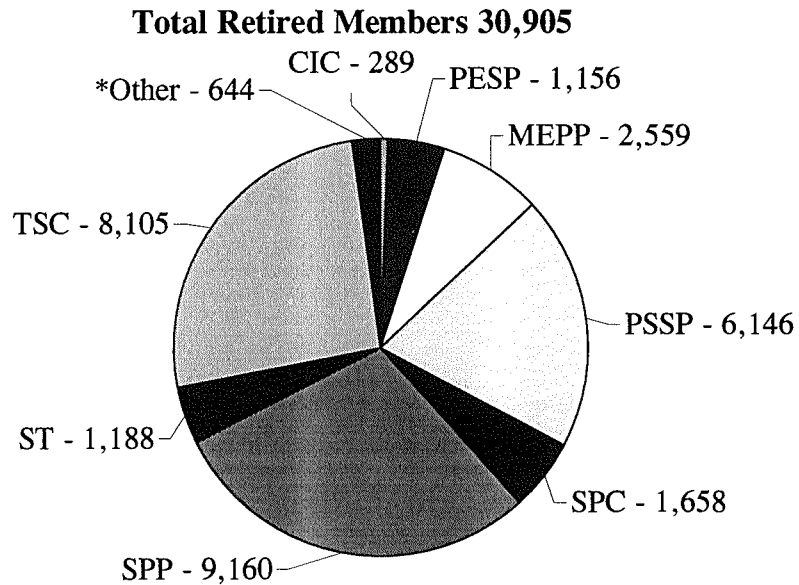
## Chapter 10 Pensions

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### Exhibit 6

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



Pension Plans as referred in paragraphs .08 to .11.

\*Other is comprised of:

- Members of the Legislative Assembly Superannuation Plan
- Judges of the Provincial Court Superannuation Plan
- Liquor Board Superannuation Plan
- Saskatchewan Government Insurance Superannuation Plan
- Workers' Compensation Board Superannuation Plan
- Saskatchewan Research Council Employees Pension Plan

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## Chapter 10 Pensions

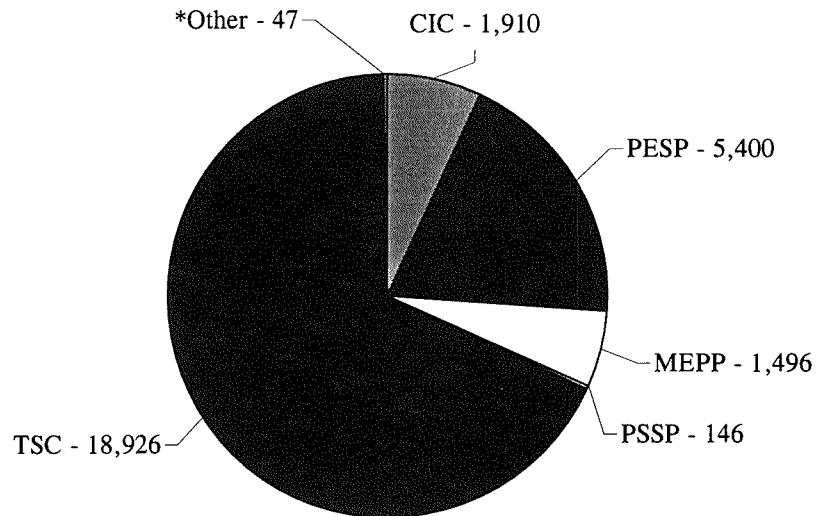
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### Exhibit 7

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

Total Inactive Members 27,925



Pension Plans as referred in paragraphs .08 to .11.

\*Other is comprised of:

- Members of the Legislative Assembly Superannuation Plan
- Judges of the Provincial Court Superannuation Plan
- Liquor Board Superannuation Plan
- Saskatchewan Government Insurance Superannuation Plan
- Workers' Compensation Board Superannuation Plan
- Saskatchewan Telecommunications Superannuation Plan
- Power Corporation Superannuation Plan

\*\*Inactive members are those who no longer make contributions, but will receive a pension when they retire or become eligible to retire.

# Chapter 11

## Justice

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## Chapter 11

### Justice

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#### Introduction

**.01** The Department of Justice 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, land titles, and personal property. The Department also regulates pensions, credit unions, and businesses.

**.03** In 1996-97, the Department received \$185 million from the General Revenue Fund and spent this money on its programs. Also, the Department raised \$63 million of revenue. Information about the Department's revenues and expenses appears in the *Public Accounts 1996-97 Volume 2* and in the Department's annual report.

**.04** The Department is also responsible for the operations of several trust and special purpose funds and Crown agencies.

Agricultural Implements Board  
Correctional Facilities Industries Revolving Fund  
Judges of the Provincial Court Superannuation Plan  
Law Reform Commission of Saskatchewan  
Office of the Rentalsman Trust Account  
Provincial Mediation Board Trust Account  
Public Trustee for Saskatchewan  
Queen's Printer Revolving Fund  
Saskatchewan Legal Aid Commission  
Trust accounts for courts, local registrars, and sheriffs  
Victims' Fund

**.05** Our 1997 Fall Report Volume 2 included the results of our audits of the Department and some of its trust and special purpose funds and Crown agencies. At that time, we had not completed the 1996-97 audits of the following trust and special purpose funds and Crown agencies:

Correctional Facilities Industries Revolving Fund  
Judges of the Provincial Court Superannuation Plan  
Office of the Rentalsman Trust Account  
Provincial Mediation Board Trust Account

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## Chapter 11 Justice

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Public Trustee for Saskatchewan  
Victims' Fund

**.06** We have now completed these audits. The results are reported below.

Our audit conclusions  
and findings

**.07** In our opinion:

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

Correctional  
Facilities Industries  
Revolving Fund

**.08** The Correctional Facilities Industries Revolving Fund (Fund) sells products produced by inmates of the Correctional Centres. The Fund's programs are intended to provide basic work skills and trade skills training to the inmates and to reduce the costs to operate, maintain, and repair correctional facilities. The Fund had revenue of \$1.2 million in 1997 and held assets of \$714 thousand at March 31, 1997. The Fund's financial statements are included in the *Financial Statements – Compendium 1996-97*.

Financial reports  
need improvement

**.09** The Department needs to improve its internal financial reports for the Fund.

**.10** The Fund's quarterly financial reports show a comparison of costs-to-date to annual forecast and explain significant variances.

**.11** However, the reports do not show costs-to-date compared to budget-to-date and explain the significant variances. With this information, management could better assess whether the Fund is achieving its cost and activity

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## Chapter 11 Justice

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targets during the year. Also, management would be better able to prepare accurate forecasts to the year-end.

.12 For example, in the Fund's December 31, 1996 quarterly financial reports, the forecast to March 31, 1997 was not accurate. The actual gross profit for the first nine months of the year to December 31, 1996 was \$107,000. Staff forecasted a year-end gross profit of \$240,000. The actual year-end gross profit was \$146,000, a difference of \$94,000.

.13 Inadequate reports can result in incorrect decisions.

### We recommend

**.14 The Fund's quarterly financial reports should include a comparison between planned and actual results for the period and year-to-date and include an explanation of variances.**

.15 Management told us they have developed and implemented a more detailed quarterly financial reporting process.

---

### Contract costs require monitoring

.16 The Department needs to follow its established rules and procedures for monitoring the costs of large contracts.

.17 The Department has a system that allows timely comparisons of actual to planned costs for larger contracts. However, the Department does not always use the system.

.18 A timely comparison of actual costs to planned costs would assist management:

- in controlling the costs of large contracts; and
- in preparing estimates and customer quotes for future similar contracts.

.19 Failure to monitor the costs of large contracts can result in cost over-runs and losses to the Fund.

.20 We also reported this matter in our 1995, 1996, and 1997 Spring Reports.

.21 The Public Accounts Committee agreed with our recommendation on December 12, 1996.

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## Chapter 11 Justice

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We recommend

**.22 The Department should follow its established rules and procedures for monitoring the costs of large contracts.**

.23 Management told us in the future they will ensure the Department follows its established rules and procedures for monitoring the costs of large contracts.

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Better procedures needed to ensure contract prices are appropriate

.24 The Department needs to document and consistently apply its rules and procedures to ensure prices quoted to customers for large contracts are appropriate.

.25 The Department has established rules and procedures to require a second person to review and approve price quotes and leave evidence that this has been done. The review and approval of the estimates and quotes reduces the possibility of errors occurring in contract prices quoted to customers. If the price quoted is too low, the Fund could incur losses on these contracts.

.26 However, these rules and procedures have not been adequately communicated to staff.

.27 As a result, there is not always evidence a second person has reviewed and approved the accuracy of estimates and quotes.

.28 We also reported this matter in our 1997 Spring Report.

We recommend

**.29 The Department should document and consistently apply its rules and procedures to ensure all estimates and customer quotes for large contracts are reviewed and approved by a second person.**

Public Trustee for Saskatchewan

.30 The Public Trustee for Saskatchewan (Trustee) administers dependent adults' and infants' property by acting as their trustee.

.31 The Trustee administered assets valued at \$119 million at March 31, 1997. The Trustee's financial statements are included in the *Financial Statements – Compendium 1996-97*.

Continued operations at risk

.32 The Trustee's ability to continue operations is at risk.

.33 In our 1997 Spring Report, we report continued operations of the Trustee were at risk due to:

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## Chapter 11 Justice

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- old computer equipment;
- the lack of a tested disaster recovery plan because compatible computer equipment is not available; and
- computer programs that cannot handle year 2000 data.

.34 We continue to be concerned about the urgent need for the trustee to develop a new computer system.

.35 During the year, the Trustee set up a task force to develop a new computer system.

**We recommend**

**.36 The Public Trustee should replace its computer system as soon as possible.**

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**Passwords need strengthening**

.37 The Trustee needs to strengthen password controls to ensure the completeness and accuracy of client records.

.38 The Trustee keeps the financial records of over 5,000 clients on a computer system. These records are important because they record the assets held in trust for dependent adults and infants. The Trustee needs to ensure these records are complete and accurate. Complete and accurate records are necessary to ensure clients and their beneficiaries are paid correctly.

.39 To ensure client records are complete and accurate, the Trustee requires an independent check and approval of all changes to client financial records. The Trustee uses passwords to ensure all changes are authorized. Staff who prepare the changes cannot change client records. Their passwords do not permit them to do this. Staff who check and approve the changes have passwords that permit them to change client records.

.40 We found staff do not regularly change their passwords. This increases the risk that passwords become known. When passwords become known, unauthorized staff may change client records.

.41 As a result, the completeness and accuracy of the Trustee's client records are at risk.

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## Chapter 11 Justice

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.42 We also reported this matter in our 1997 Spring Report.

We recommend

**.43 The Public Trustee should ensure all staff regularly change their passwords.**

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Staff training needed

.44 The Trustee needs to train staff so they understand and properly account for investments.

.45 The Trustee invests over \$100 million of clients' money and allocates investment earnings to its clients. Investments are becoming more complex. The Trustee needs to train staff so they understand and properly account for investments. Training is necessary so the Trustee can keep accurate client records.

.46 We noted errors in clients' records because the Trustee recorded earnings from an investment incorrectly. The Trustee incorrectly recorded earnings from its investment in a mutual fund. A mutual fund issued additional fund units to the Trustee. The Trustee recorded the additional units as investment income in the amount of \$800,000. However, the additional units did not increase the value of the Trustee's investment. The additional units only resulted in the investment being represented by more units having a lower value per unit. Because the overall value of the investment did not change, the Trustee did not earn investment income from the additional units.

.47 As a result of incorrectly recording additional fund units as investment earnings, the Trustee overstated its investment income and the value of its investments by \$800,000. Also, the Trustee incorrectly allocated this amount to its clients.

.48 We advised the Trustee of the error and the Trustee corrected its records.

We recommend

**.49 The Public Trustee should train staff so they understand and properly account for investments.**

# Chapter 12

## Agriculture and Food

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## Chapter 12

### Agriculture and Food

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#### Introduction

**.01** The Department of Agriculture and Food's mandate is to foster a commercially viable, self-sufficient, sustainable agriculture and food industry. In 1997, the Department had revenue of \$50 million and expenditures of \$326 million.

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#### Contents

**.02** This Chapter contains our audit conclusions and findings for several funds managed by the Department which were not completed in time to include in our 1997 Fall Report – Volume 2. These are the Conservation and Development Revolving Fund, the Livestock Services Revolving Fund, the Horned Cattle Fund, and the Cattle Marketing Deductions Fund for the year ended March 31, 1997.

**.03** Also, this Chapter contains joint recommendations by our Office and the Department to improve accountability of marketing and development agencies to producers, to the Agricultural and Food Products Development and Marketing Council, and to the Assembly.

**.04** In addition, this Chapter contains our audit conclusions and findings for the Saskatchewan Canola Development Commission for the year ended July 31, 1997.

**.05** We have not yet completed our audits of the Milk Control Board or the SPI Marketing Group for the year ended December 31, 1997. We will report the results of these audits in a future Report.

#### Our audit conclusions and findings

**.06** In our opinion:

- the financial statements for the funds listed in paragraph .02 are reliable;
- the Department complied with the authorities governing the activities of the funds listed in paragraph .02 relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and
- the Department had adequate rules and procedures to safeguard and control the assets of the funds listed in paragraph .02 except for several matters previously reported in our 1997



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## Chapter 12 Agriculture and Food

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Fall Report – Volume 2 related to other funds managed by the Department.

.07 In the following paragraphs, we report our recommendations regarding the Department and the funds listed in paragraph .02.

We recommend

.08 The Department should work with the advisory committees of the Cattle Marketing Deductions Fund and the Horned Cattle Fund to find out what financial reports they need to monitor the operation of these funds.

.09 The Department should establish written rules and procedures for preparing accurate and timely reports required by the advisory committees of the Cattle Marketing Deductions Fund and the Horned Cattle Fund.

.10 The Department should prepare complete accounting policies and procedures manuals for all the organizations it administers.

.11 The Department and the advisory committees should approve the policies and procedures as they are completed.

Agricultural and  
Food Products  
Development and  
Marketing Council

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

.13 Under the Act, the Government creates agencies to carry out public programs for the Minister. The Government gives these agencies access to public resources (check-off fees) to finance these programs. These agencies are agricultural boards, commissions or councils.

.14 These agricultural boards, commissions and councils may be appointed by the Government or they may be producer-elected. However, regardless of the method of appointment they are accountable to the Minister for their operations. In turn, the Minister is accountable to the Legislative Assembly for the operations of agricultural boards, commissions and councils because the agencies carry out public programs with public resources. Also, if the Boards of

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## Chapter 12 Agriculture and Food

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directors of these agencies are producer-elected, they are accountable to the producers.

.15 The Agricultural and Food Products Development and Marketing Council (Council) was created by *The Agri-Food Act* and is responsible for supervising the following agencies:

- Saskatchewan Alfalfa Seed Producers' Development Commission;
- Saskatchewan Broiler Hatching Egg Producers' Marketing Board;
- Saskatchewan Canola Development Commission;
- Saskatchewan Chicken Marketing Board;
- Saskatchewan Commercial Egg Producers' Marketing Board;
- Saskatchewan Flax Development Commission;
- Saskatchewan Pulse Crop Development Board;
- Saskatchewan Sheep Development Board;
- Saskatchewan Turkey Producers' Marketing Board; and
- SPI Marketing Group.

.16 In the following paragraphs, we and the Department report joint recommendations to improve the accountability and reporting practices of the agencies listed in paragraph .15. We also report on our audit of the Saskatchewan Canola Development Commission.

Joint  
recommendations to  
improve  
accountability

.17 In February 1998, the Standing Committee on Public Accounts (PAC) recommended our Office work together with the Department of Agriculture and Food to determine reporting requirements for agencies created under *The Agri-Food Act*.

.18 In response to this recommendation, we met with the Department and jointly decided on the following

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## Chapter 12 Agriculture and Food

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recommendations to improve accountability and reporting practices for these marketing and development agencies.

.19 These joint recommendations are intended to improve accountability of marketing and development agencies to producers, the Council and the Legislative Assembly. These joint recommendations have not yet been discussed with these agencies and are subject to consultation with the agencies.

We recommend

.20 The Council should require its marketing and development agencies to provide producers with annual reports containing audit reports on each agency's:

- financial statements;
- rules and procedures to safeguard and control its assets; and
- compliance with authorities.

.21 The Council should require its marketing and development agencies to provide a comparison of actual results to planned results in each agency's audited financial statements; and to include as a supplement to each agency's annual report a list of persons who received money from the agency and the amount. This list should be available to producers upon request.

.22 The Council after consultation with each marketing and development agency should decide what categories of persons should be disclosed and the threshold amounts that require disclosure to ensure appropriate accountability.

.23 On receiving these annual reports and supplementary reports, the Council should review the reports to ensure they include all required information and follow up on areas requiring the Council's attention.

.24 The Council's annual report to the Assembly should include summary financial information to show the total activities of the agencies under the supervision of the Council and that the content of the summary financial information be determined in consultation with the Department and the Provincial Auditor.

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## Chapter 12 Agriculture and Food

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Saskatchewan Canola  
Development  
Commission

**.25** The Saskatchewan Canola Development Commission (Commission) investigates new uses for canola oil and meal, promotes the value of canola oil and its products, and develops market opportunities for canola. The Commission does this by funding approved research and development projects, providing grants and promoting canola.

**.26** The Commission had revenues of \$1.1 million in 1996-97 and held total assets of \$1.3 million at July 31, 1997. The Commission's annual report includes its financial statements.

**.27** Canodev Research Inc. (Canodev) is a wholly-owned subsidiary of the Commission. Canodev was incorporated under *The Business Corporations Act* (Saskatchewan). Canodev administers research and development projects to investigate and promote canola and its by-products.

**.28** Canodev had revenues of \$47 thousand in 1996-97 and held assets of \$308 thousand at July 31, 1997.

Our audit conclusions  
and findings

**.29** In our opinion:

- the Commission and Canodev's financial statements are reliable;
- the Commission and Canodev had adequate rules and procedures to safeguard and control their assets except for the need to improve its service agreements as reported in paragraphs .30 to .33; and
- the Commission and Canodev complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the need to obtain Lieutenant Governor in Council approval before creating subsidiaries as reported in paragraphs .34 to .39.

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Service agreements  
need improvement

**.30** The Commission needs to improve its service agreements for canola promotion. The Commission is responsible for advertising programs, sales promotion programs and consumer education programs to expand awareness and demand for canola and canola products. The

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## Chapter 12 Agriculture and Food

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Commission carries out many of its responsibilities by contracting consultants. Therefore, the Commission needs to ensure the delivery of promotional services by consultants achieves the goals of the Commission.

.31 We think service agreements should:

- set out the roles and responsibilities of both parties;
- include measurable performance expectations to be achieved;
- require reporting of actual performance in relation to expectations; and
- allow the Commission to verify the contractor's performance.

.32 The Commission made a contract for canola oil promotion after the year end. The funding for this project is \$325,000. The agreement does not set out the roles and responsibilities of both parties or include measurable performance expectations. The agreement does give the Commission the right to demand interim reports on the project. However, the agreement does not include specific performance reporting requirements. Also, the agreement does not allow the Commission to verify the contractor's performance.

**We recommend**

**.33 The Commission should strengthen its service agreements with consultants.**

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Subsidiary created without authority

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.34 The Commission created a subsidiary without Lieutenant Governor in Council approval.

.35 On July 25, 1994, the Commission incorporated Canodev Research Inc. (Canodev) to administer research and development projects. The Commission is the sole owner of Canodev.

.36 The Lieutenant Governor in Council established the Commission by Order in Council 95/91. The Order gave the Commission specific powers. The Commission was not given the power to create a subsidiary. Therefore, the Commission went beyond its powers when it incorporated Canodev. The

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## Chapter 12 Agriculture and Food

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Commission has not obtained appropriate approval for creating Canodev.

.37 We also reported this matter in our 1997 Spring Report and previous reports.

**We recommend**

**.38 The Commission should obtain Lieutenant Governor in Council approval before creating subsidiaries.**

.39 The Commission told us creating a subsidiary is within its powers because the subsidiary would be carrying out the purposes of the Commission under the plan. Also, the Commission told us it does not want to be engaged in any activity that anyone can suggest is improper or illegal. Therefore, its solicitor wrote the Minister requesting a change in the Saskatchewan Canola Development Plan regulations specifically allowing the Commission to create a subsidiary.

# Chapter 13

## Finance

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## Chapter 13

### Finance

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#### Introduction

#### .01 The Department of Finance (Department):

- administers various tax, grant, and refund programs;
- arranges financing, banking, investing and borrowing functions;
- provides policy and financial analyses to the Treasury Board and Executive Council;
- develops tax policy alternatives;
- provides economic forecasting, and economic, social and statistical data;
- prepares the annual *Budget Address*, the *Estimates*, and the *Public Accounts*; and
- administers public sector pension and benefit plans.

**.02** Also, the Department helps the Government and the Legislature manage and account for public money. As well, it controls spending from the General Revenue Fund (GRF) and ensures the GRF receives all revenue.

**.03** In 1997, it received \$1.453 billion from the GRF and spent this money on its programs. It also collected revenues of \$4.839 billion. These revenues include \$499 million received from Crown agencies for debt costs.

**.04** Information about the Department's revenues and expenses is in the *Public Accounts 1996-97 Volume 2* on pages 9, 11, and 80 to 87. Additional information is in the *Public Accounts 1996-97 Volume 1* on page 13.



## Chapter 13 Finance

.05 The following is a list of major revenue sources:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Individual Income Taxes	\$ 1,178	\$ 1,277
Interest – Crown Corporations	497	499
Sales Tax	770	841
Transfers from Government of Canada:		
Equalization	315	176
Canada Health and Social Transfers	508	487
Fuel Taxes	339	365
Corporation Capital and Income Taxes	433	474
Tobacco Taxes	111	117
Income from Government Entities	632	421
Motor Vehicle Fees	92	95
Other	<u>130</u>	<u>87</u>
Revenue transferred to the General Revenue Fund	<u>\$ 5,005</u>	<u>\$ 4,839</u>

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Interest - GRF	\$ 813	\$ 794
Interest - Crown Corporations	<u>497</u>	<u>499</u>
Interest on Debt	1,310	1,293
Employee Benefits	137	136
Tax Collection Expenses	8	8
Provincial Comptroller	4	4
Budget Analysis	4	4
Other	<u>8</u>	<u>8</u>
	<u>\$ 1,471</u>	<u>\$ 1,453</u>

Special purpose funds and Crown agencies

.07 The Department is responsible for managing the following special purpose funds and Crown agencies.

A: Year end: December 31

Extended Health Care Plan  
 Extended Health Care Plan for Certain Other Employees  
 Liquor Board Superannuation Commission, The

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## Chapter 13 Finance

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Municipal Employees' Pension Commission  
Public Employees Deferred Salary Leave Fund  
Public Employees Disability Income Fund  
Public Employees Dental Fund  
Public Employees Group Life Insurance Fund  
Saskatchewan Pension Plan  
Workers' Compensation Board Superannuation Plan

B: Year end: March 31

General Revenue fund (GRF)  
Members of the Legislative Assembly Superannuation Plan  
Public Employees Benefits Agency Revolving Fund  
Public Employees Pension Plan (previously called the  
Public Employees (Government Contributory)  
Superannuation Plan)  
Public Service Superannuation Plan  
Saskatchewan Pension Annuity Fund (previously included in  
the Public Employees (Government Contributory)  
Superannuation Plan)  
Sinking Fund

The Department also prepares the Government's Summary Financial Statements.

### Contents

**.08** This Chapter contains a section explaining the key issues facing the Department. Also, the Chapter contains our audit conclusions and findings on the Department for the year ended March 31, 1997 and on its special purpose funds and Crown agencies for their years ended March 31, 1997 and December 31, 1997 except where we report otherwise in this Chapter. We have already reported the results of the following audits for the year ended March 31, 1997 in our 1997 Fall Report – Volume 2:

- Government's Summary Financial Statements;
- General Revenue Fund;
- Members of the Legislative Assembly Superannuation Plan; and
- Public Employees Benefits Agency Revolving Fund.

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## Chapter 13 Finance

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Key issues facing the  
Department

**.09** One objective of our Office is to identify key issues a department needs to manage well. We must know these issues to do our audit effectively.

**.10** It is important that Members of the Legislative Assembly (MLAs) and the public know the key issues facing a department. Also, they should receive information on these issues to understand and assess a department's performance. We think sharing our understanding with MLAs and the public will help them better understand and assess the Department's performance.

**.11** Information on how a department is managing its key issues is an ingredient to public confidence. Annual reports are often used to provide this information to MLAs and the public.

**.12** We identified the following key issues the Department must manage well to be successful. It must:

- give Treasury Board accurate and useful information to enable it to develop, manage and evaluate the Government's fiscal plan;
- manage the Government's debt;
- manage investments;
- collect revenues due to the Department;
- publish useful planning and performance reports;
- manage several Government pension and benefit plans; and
- ensure designated Government entities comply with Treasury Board's directives.

**.13** To identify these key issues, we reviewed *The Financial Administration Act, 1993* and other legislative authorities. We also reviewed the Estimates, the Public Accounts, the Budget Address and Prospectus documents. In addition, we discussed these issues with key officials within the Department.

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## Chapter 13 Finance

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Giving Treasury Board accurate and useful information to enable it to develop, manage and evaluate the Government's fiscal plan

**.14** The Department provides financial and policy analysis to Treasury Board (the Board). To provide this analysis it seeks input from various sources inside and outside of the Government. It does this by studying the budget requests of Government entities and assessing alternatives. The Board uses this information when preparing the Estimates and in managing and evaluating its plan.

**.15** Information given to the Board should be timely and useful for making key decisions. Also, the information provided should be as complete and accurate as possible. One of the Department's main goals is to enhance the fiscal strength of the Government. Inadequate information could cause the Board to make poor decisions. In turn, this could prevent the Government from meeting its financial goals.

Managing the Government's debt

**.16** The Department manages the Government's debt and loan guarantees. Managing the debt is critical because debt costs make up a large part of the Government's costs. Managing the debt well will minimize these costs. This in turn will help the Department improve the fiscal strength of the Government.

**.17** Managing the debt includes:

- meeting the terms of existing debt;
- refinancing debt when cost-effective to do so;
- minimizing the cost of new debt;
- managing currency and interest rate risks; and
- ensuring cash is available when needed.

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## Chapter 13 Finance

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### Managing investments

**.18** The Department provides investment management services for many Government entities. These services include initiating investment transactions, providing custodial services and offering investment advice. To do these well, it must maximize return on investments given the risk the Government is willing to accept. Also, it must ensure investments mature or can be sold when the money is needed.

**.19** The Department is responsible for investments totalling more than a billion dollars. Therefore, investment income is significant. Maximizing the return on investments will help to enhance the fiscal strength of the Government. Also, ensuring it can sell the investments when it needs money will reduce the need to borrow. This in turn will reduce the Government's costs.

### Collecting revenues due to the Department

**.20** The Department receives significant revenues from income taxes, transfers from the Federal Government, consumption taxes and fees. In 1997, these revenues were \$4.3 billion. Collecting all these revenues is critical to help the Government meet its financial goals.

**.21** The Federal Government administers income taxes according to provincial legislation and an agreement with the Provincial Government. To ensure collection of all of its income taxes, the Department must know whether the Federal Government has properly assessed Saskatchewan taxes.

**.22** The Federal Government decides the amount of federal transfers according to federal legislation. Equalization and Canada Health and Social Transfers are the main federal transfers. Each province sends data to the Federal Government. The Federal Government uses the data to calculate the transfers. To calculate transfers properly all provinces must send accurate and complete data. The Department must know whether the Federal Government has an appropriate system to ensure all provinces have provided accurate data. In addition, the Department must know whether the Federal Government has properly calculated the transfers.

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## Chapter 13 Finance

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.23 The Department administers consumption taxes, other taxes and fees according to provincial legislation. The Department must have effective systems and practices to collect all the taxes and fees due to the Department.

Publishing useful planning and performance reports

.24 The Department prepares several of the Government's planning and performance reports. These reports include the Estimates, the annual Budget Address, the Public Accounts and the Mid-Year Financial Report. The public and MLAs need information to evaluate the Government's plans and performance.

.25 Providing useful planning and performance reports will make it possible for MLAs and the public to decide if policy and/or administrative changes are necessary. Therefore, it is important the Department provides planning and performance reports that the MLAs and the public can use to make informed decisions.

Managing several Government pension and benefit plans

.26 The Department administers several Government pension and benefit plans. If the plans are not well managed, the Government faces several risks. These include:

- accountability to the public and MLAs will be impaired (e.g., plans may be unable to prepare financial statements);
- plan members will receive smaller pensions or benefits (e.g., poor investment returns);
- the costs to the taxpayers for the Government's pension promises will increase (e.g., poor investment returns);
- plan members and the public will lack confidence in the Government (e.g., plans may be unable to provide information to plan members); and

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## Chapter 13 Finance

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- the Government will lack essential cash flow information to manage other activities such as borrowing and taxation policies.

Ensuring designated Government entities comply with Treasury Board's directives

.27 The Board's directives exist to ensure sound financial practice and proper administration of public money. If Government entities do not follow these directives, public money could be lost or improperly spent. Therefore, ensuring compliance with Board directives is critical.

.28 The Provincial Comptroller is responsible for ensuring compliance with the Board's directives. To do this, he directs how entities are to comply with the Board's directives and he monitors compliance. His directives are set out in the Financial Administration Manual and in Bulletins.

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Our audit conclusions  
and findings

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.29 In our 1997 Fall Report - Volume 2 we reported on the Department's funds and agencies with years ending on or before March 31, 1997, except we had not completed our audits of the financial statements for the following funds and agencies:

- The Liquor Board Superannuation Commission (December 31, 1996);
- Members of the Legislative Assembly Superannuation Plan (March 31, 1997);
- Municipal Employees' Pension Commission (December 31, 1996);
- Public Employees (Government Contributory) Superannuation Plan (March 31, 1997);
- Public Service Superannuation Plan (March 31, 1997); and
- Workers' Compensation Board Superannuation Plan (December 31, 1996).

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## Chapter 13 Finance

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**.30** We have now completed our audits of these financial statements and report that the financial statements for these funds and agencies are reliable.

**.31** Also, for the Department for the year ended March 31, 1997 and its funds and agencies with years ending December 31, 1997, in our opinion:

- the financial statements for the funds and agencies listed in paragraph .07A are reliable except we have not completed the audit of the funds and agencies listed in paragraph .32.
- the Department and its funds and agencies listed in paragraph .07A had adequate rules and procedures to safeguard and control their assets except we have not completed the audit of the funds and agencies listed in paragraph .32
- the Department and its funds and agencies listed in paragraph .07A complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except we have not completed the audit of the funds and agencies listed in paragraph .32.

**.32** We have not yet completed our audit of the following funds and agencies for their years ended December 31, 1997:

- Municipal Employees' Pension Commission;
- Public Employees Disability Income Fund;
- Public Employees Group Life Insurance Fund;  
and
- Workers' Compensation Board Superannuation Plan

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Annual report needed

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

**.34** The Standing Committee on Public Accounts recommends departments provide timely annual reports on



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## Chapter 13 Finance

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their activities. MLAs and the public use annual reports to assess the performance of departments.

.35 To be useful, an annual report should be timely and describe:

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

.36 Other provincial finance departments prepare and publish annual reports on their activities. Examples include Alberta, British Columbia and Manitoba.

.37 We also reported this matter in our 1997 Spring Report and in previous reports.

We recommend

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

.39 In January 1998, the Deputy Minister of Finance told us the Department did not prepare an annual report because it provides information in other reports tabled in the Assembly. These reports include the Estimates, the Budget Speech, the Mid-Year Financial Report, the Economic Review and the Public Accounts. In our view, these reports do not meet the criteria set out in paragraph .35.

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Special warrants

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**.40** The law requires us to report when a special warrant approved the payment of public money. In 1996-97, the Government approved the spending of \$207 million by special warrant. It later included these special warrants in an appropriation act.

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Update on a previous recommendation

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**.41** This section provides information on the Department's progress in addressing a previous recommendation.

**.42** In our Spring 1995 Report we recommended the Department should prepare financial statements for the Government's Sinking Fund.

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## Chapter 13 Finance

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.43 Generally, when the Government borrows money, the debt is a charge on and payable from the General Revenue Fund (GRF). For some debts, the Government requires a sinking fund. The GRF pays money into the Sinking Fund to retire the debts on maturity. At March 31, 1997, the Sinking Fund had net assets of \$770 million.

.44 We think the Department should prepare and publish financial statements for the Sinking Fund. These statements should show the Sinking Fund's assets, liabilities, revenues and expenses. We think this information is necessary to help legislators and the public to understand and assess the Department's management of the Sinking Fund.

.45 We reported this matter in our 1997 Spring Report and previous reports. In our 1997 Spring Report, we reported the Department told us it was exploring how best to comply with our recommendation.

.46 During the year, the Department improved the sinking fund information shown in the Government's statements. This new disclosure is a step forward. However, the Department needs to provide more information on the Sinking Fund's assets, liabilities, revenues and expenses to help legislators and the public to understand and assess the Department's management of the Sinking Fund.

.47 The Department told us it continues to explore how best to comply with the spirit of our recommendation to provide accountability information to help legislators and the public to understand and assess the Department's management of the Sinking Fund.

# Chapter 14

## Environment and Resource Management

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## Chapter 14

### Environment and Resource Management

#### Introduction

.01 The Department of Environment and Resource Management is responsible for managing, enhancing and protecting the province's natural resources and sustaining them for future generations.

.02 The Department received \$102 million from the General Revenue Fund for its programs. Also, the Department collected revenue of \$34 million. Information about the Department's revenues and expenses appears in the Department's annual report and *Public Accounts 1996-97 Volume 2*. Information about the Department's mandate and its organization structure are also available at the Department's website ([www.gov.sk.ca/govt/environ](http://www.gov.sk.ca/govt/environ)).

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

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Forest Fire Management	\$ 24	\$ 35
Operations	20	21
Forestry, Fish and Wildlife	13	14
Environmental Protection	12	13
Administration	11	11
Other	7	8
	<u>\$ 87</u>	<u>\$ 102</u>

#### Financial background

.04 For 1996-97, the Government's summary financial statements show environment and natural resource expenses of \$141 million. Table 1 sets out environment and natural resource expenses as shown in the Government's summary financial statements reconciled to environment and natural resource spending reported by the Department.

## Chapter 14 Environment and Resource Management

Table 1

(in millions of dollars)

Department of Environment and Resource Management ( <i>Public Accounts</i> <i>1996-97 Volume 2</i> (page 67))	\$ 102
Deduct expenses shown as:	
Economic development related to forests	(7)
Add expenses incurred by:	
SaskWater	36
Agriculture	8
Others	2
Environment and natural resources expenses per the Government's summary financial statements	\$ 141

Special purpose funds      **.05**    The Department is also responsible for managing the following special purpose funds:

- Commercial Revolving Fund
- Fish and Wildlife Development Fund
- Resource Protection and Development Revolving Fund

**.06**    The purpose of the Commercial Revolving Fund is to conduct commercial activity required for the promotion, development and management of provincial parks. The Fund had revenue of \$7.4 million in 1997 and held assets of \$1.1 million at March 31, 1997.

**.07**    The purpose of the Fish and Wildlife Development Fund is to conduct fish and wildlife habitat conservation and enhancement projects. The Fund had revenue of \$2.8 million in 1997 and held assets of \$15 million at March 31, 1997.

**.08**    The purpose of the Resource Protection and Development Revolving Fund is to provide resource protection and development services. The Fund had revenue of \$1.9 million in 1997 and held assets of \$2.7 million at March 31, 1997.

**.09**    *Financial Statements Compendium 1996-97 Part A* includes the above Funds' financial statements.

Our audit conclusions  
and findings

- .10**    In our opinion:
- the financial statements for the funds listed in paragraph .05 are reliable;

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## Chapter 14 Environment and Resource Management

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- the Department had adequate rules and procedures to safeguard and control its assets and the assets of its special purpose funds listed in paragraph .05 except for the matters relating to internal reporting and the Department's capital assets reported in this Chapter; and
- the Department complied with the authorities governing its activities and the activities of its special purpose funds listed in paragraph .05 relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

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Internal reporting  
needs improvement

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**.11** The Department needs better information to monitor its activities and the activities of its special purpose funds.

**.12** The Department has not defined and documented its operational and compliance reporting requirements.

**.13** Operational reports should show the effectiveness of programs (i.e., what did the Department expect to accomplish and how is it performing toward that expectation).

**.14** Compliance reports should describe the Department's compliance with its legislative and related authorities (e.g., legislation or policy manuals). The reporting can be done on an exception basis.

**.15** The Department has a strategic planning process. It developed a Five-Year Plan 1997-2002 that defines the mandate, strategic principles, and trends and issues of the Department. Also, the Department developed a Corporate Plan (Plan). The Plan documents the goals, strategies, and action plans for the Department. We encourage the Department to continue refining its strategic planning process. This will help the Department define its operational and compliance reporting requirements.

**.16** During the year, the Department established rules and procedures for preparing internal financial reports. We think these rules and procedures are adequate.

**.17** Management prepared internal financial reports for the Department, the Commercial Revolving Fund, and the

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## Chapter 14 Environment and Resource Management

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Resource Protection and Development Revolving Fund. However, these reports did not compare and explain major variances between year-to-date actual expenses and planned expenses for the same period as required by the established rules and procedures.

**.18** Also, the Department did not follow its established rules and procedures for preparing internal financial reports for the Fish and Wildlife Development Fund. The internal financial reports for the Fish and Wildlife Development Fund did not:

- compare actual results with planned results;
- provide explanations for variances between planned and actual results; and
- provide a projection of expected results to the end of the year based on current information.

**.19** Inadequate financial reports may result in incorrect management decisions.

**.20** We also reported this matter in our 1997 Spring Report.

We recommend

**.21** The Department should define and document its operational and compliance reporting requirements.

**.22** The Department should follow its established rules and procedures for preparing all of its internal financial reports.

**.23** Management told us the Department is working on defining its operational reporting needs. Management also told us they plan to develop a new financial reporting system that will accommodate the Department's reporting requirements.

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Complete capital assets records needed

**.24** The Department needs better rules and procedures to safeguard and control its equipment (capital assets).

**.25** The Department has capital assets records. However, the Department does not know if these records are complete and accurate because it does not reconcile these records to its

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## Chapter 14 Environment and Resource Management

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financial records. The Department's financial records show the cost of capital assets totals approximately \$15 million.

**.26** Lack of complete capital assets records may result in a loss of these assets without timely detection.

**.27** We also found the Department has not:

- assessed the risk of loss or damage to its capital assets (e.g., risk reduced by measures such as restricted access and/or insurance); or
- included information about its capital assets in its annual report. (Such information would include the cost of the assets and, their unconsumed cost.)

**.28** Section 640 of the Provincial Comptroller's *Financial Administration Manual* provides guidance to departments in this area.

**We recommend**

**.29** The Department should keep complete records of its capital assets. The Department should also:

- periodically reconcile its capital assets records to its financial records;
- determine if the risk of loss of its capital assets is at an acceptable level; and
- include information about its capital assets in its annual report.

**.30** Management told us they plan to develop a new financial reporting system that will accommodate the Department's reporting requirements.



# Chapter 15

## Post-Secondary Education and Skills Training

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## Chapter 15

### Post-Secondary Education and Skills Training

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Introduction	.01 The Department of Post-Secondary Education and Skills Training is responsible for policies and programs relating to post-secondary education and job related training. To deliver education programs, the Department works with many agencies.
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Special purpose funds and Crown agencies	.02 The Department is responsible for the following special purpose funds and Crown agencies:
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	<u>Year end</u>
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
New Careers Corporation	March 31
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Private Vocational Schools Training Completion Fund	March 31
Saskatchewan Indian Regional College	June 30
SIAST	June 30
Southeast Regional College	June 30
Student Aid Fund	March 31

.03 The Department is also responsible for the University of Saskatchewan and the University of Regina. The year-end for the universities is April 30.

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.04 Our 1997 Fall Report – Volume 2 contains our findings for the Department, its special purpose funds, and its Crown agencies for their fiscal years ending on or before June 30, 1997, except for the regional colleges. We had not completed our 1997 audit of the regional colleges at the time of our 1997 Fall Report – Volume 2. This Chapter contains those findings.

Regional Colleges	.05 The Government created nine regional colleges under <i>The Regional Colleges Act</i> to provide training and learning opportunities in the communities they serve. The Government has appointed other auditors to audit these colleges.
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## Chapter 15 Post-Secondary Education and Skills Training

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**.06** Our Office worked with the appointed auditors of the regional colleges referred to in paragraph .07 using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.

**.07** Following is a list of the colleges and their appointed auditors included in this Chapter:

Carlton Trail Regional College	E.J.C. Dudley & Co.
Cumberland Regional College	T.A. Jellicoe
Cypress Hills Regional College	Stark & Marsh
North West Regional College	Downie Johnson Svenkeson
Northlands College	Eldon Moline
Parkland Regional College	Skilnick & Partner
Prairie West Regional College	Gilchrist & Co.
Saskatchewan Indian Regional College	KPMG
Southeast Regional College	Court & Laidlaw

**.08** We set out our audit conclusions and findings for the regional colleges for the year ended June 30, 1997 in two sections. The first section deals with eight colleges where we have similar audit conclusions and findings. The second section deals with different audit conclusions and findings for the Saskatchewan Indian Regional College.

### Section 1

Our audit conclusions  
and findings

**.09** The appointed auditors and our Office formed the opinions referred to in paragraph .10.

**.10** In our opinion and the appointed auditors' opinions:

- the colleges' financial statements are reliable;
- the colleges had adequate rules and procedures to safeguard and control their assets except for the matters described in paragraphs .15 to .24 of this section of the Chapter; and
- the colleges complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for

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## Chapter 15 Post-Secondary Education and Skills Training

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the matters described in paragraphs .25 to .31 of this section of the Chapter relating to Southeast Regional College's capital assets records.

.11 We relied on the appointed auditors' reports on the colleges' rules and procedures to safeguard and control their assets for the colleges referred to in paragraph .08 except for Carlton Trail Regional College.

.12 In the opinion of its appointed auditor, Carlton Trail Regional College had adequate rules and procedures to safeguard and control its assets. The appointed auditor's opinion is included in Appendix V1.

.13 In our opinion, Carlton Trail Regional College had adequate rules and procedures to safeguard and control their assets except for the matter reported in paragraphs .15 to .19.

.14 *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the reports of an appointed auditor. Our additional audit work consisted of reviewing the college's internal reports and discussion with its management.

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Boards of Directors  
need better  
information to  
oversee colleges'  
performance

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.15 For Carlton Trail Regional College, Cypress Hills Regional College, Northlands College, Parkland Regional College, and Prairie West Regional College, the boards of directors need better information to monitor the colleges' performance. The directors should receive reports that show whether the services provided achieved the intended outcomes.

.16 In our 1997 Spring Report, we made recommendations related to improving the performance reports used by the directors to monitor the colleges' performance. We recognize the colleges did not have sufficient time to address all the recommendations before June 30, 1997. Therefore, in this section we summarize the recommendations and note progress made by the colleges on improving their performance reports.

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## Chapter 15 Post-Secondary Education and Skills Training

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Progress on  
improving  
performance reports

.17 For the five colleges mentioned in paragraph .15, the directors developed goals and objectives during their strategic planning process. The goals and objectives are noted in the respective colleges' budget documents.

.18 Also, during the year, the directors developed a performance reporting policy. The policy requires financial reports prepared in accordance with generally accepted accounting principles for each program with comparisons of planned results to actual results. Also, the policy requires quarterly performance reports for the colleges' programs with comparisons of planned results with actual results. The colleges have begun to present financial reports that meet the requirements of the directors' reporting policy.

.19 The colleges are still working on developing performance reports that are able to measure the progress of the colleges in meeting their objectives. We encourage the colleges to continue refining their strategic planning and performance monitoring practices.

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Written and tested  
contingency plan  
needed

.20 Cypress Hills Regional College, North West Regional College, and Parkland Regional College need written and tested contingency plans to ensure they can operate effectively in case of major loss or destruction of their computer systems.

.21 The colleges are dependent on their computer systems. To provide continuous services, the colleges must ensure their systems and data are available when needed. If they are not, the colleges may miss commitments, delay decisions, and lose essential data. This increases program and service costs and may weaken the public's confidence in the colleges.

.22 Good contingency plans should include:

- the procedures for making electronic copies (backups) of the system programs, applications, data, and recovery procedures;
- the procedures for the safe storage of the backups and the contingency plan;
- the recovery time for systems, applications, and data;

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## Chapter 15 Post-Secondary Education and Skills Training

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- the arrangements made to replace or rent essential information technology equipment;
- the requirement for senior management to approve the plans;
- the procedures for periodically testing the contingency plan;
- the training of staff in contingency plan procedures; and
- the plan to deal with the year 2000 problems.

**.23** Senior management should review and approve the contingency plan. Management needs to ensure the recovery time will meet the needs of the organization and that the plan works.

We recommend

**.24** The colleges should prepare, test, and approve a written contingency plan.

---

Capital assets records needed

**.25** The Southeast Regional College did not keep adequate records of its capital assets. The College's financial statements for the year ended June 30, 1997 include \$1.6 million of capital assets.

**.26** To safeguard and control its capital assets, the College needs to keep adequate records. The College should reconcile its capital asset records to its financial records regularly. Also, the College should examine the capital assets periodically to verify their existence.

**.27** The College does not reconcile its capital asset records to its financial records regularly. As a result, the College does not know if its capital asset records are complete.

**.28** Also, the College does not periodically examine the assets to verify their existence. As a result, capital assets may be lost or stolen without detection.

**.29** *The Regional Colleges Regulations* also requires the College to keep adequate records of its capital assets.

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## Chapter 15 Post-Secondary Education and Skills Training

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We recommend

**.30** The College should ensure its capital asset records are accurate.

**.31** The College should periodically examine its capital assets to verify their existence.

Section 2
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Saskatchewan Indian Regional College

**.32** *The Regional Colleges Act* established the Saskatchewan Indian Regional College. The College provides training and learning opportunities to members of First Nations in Saskatchewan.

**.33** The College had revenue of \$7.9 million in 1997 and held assets of \$2.3 million at June 30, 1997. The College's annual report contains its financial statements.

Our audit conclusions and findings

**.34** KPMG and our Office formed the opinions referred to in paragraph .35.

**.35** In our opinion and the appointed auditor's opinion:

- the College's financial statements are reliable;
- the College had adequate rules and procedures to safeguard and control its assets except for the matters described in paragraphs .46 to .54 of this section of the Chapter relating to written governance policies; and
- the College complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters described in paragraphs .37 to .45 of this section of the Chapter relating to compliance with *The Regional Colleges Act*.

**.36** We also report other matters for the Legislative Assembly's attention in paragraphs .55 to .63.

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## Chapter 15 Post-Secondary Education and Skills Training

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Compliance with *The Regional Colleges Act*

.37 The College is subject to *The Regional Colleges Act*. The Act requires the members of the Board of Directors be appointed by an Order in Council. There was no Order in Council appointing four persons regularly taking part in the Board's meetings.

.38 The College paid these four persons salary and expenses. In addition, the salary the College paid to members of the Board was more than the salary approved by Order in Council. In 1997, the total amount paid to the members of the Board for salary was approximately \$34,000. The College lacked authority to make these payments.

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

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

.41 *The Regional Colleges Regulations* made under the Act requires the Minister to approve the College's personnel policy. The Minister did not approve the College's personnel policy.

.42 *The Regional Colleges Regulations* made under the Act requires that a person shall not serve as Chair of the Board for more than two consecutive terms. The Chair of the Board has served more than two consecutive terms as Chair.

.43 We also reported these matters in our 1997 Fall Report – Volume 2 and in our previous reports.

**We recommend**

.44 The College should comply with *The Regional Colleges Act*. Alternatively, the Department of Post-Secondary Education and Skills Training should propose changes to the Act to exempt the College from the requirements of the Act.

.45 On February 17, 1998, the PAC considered our recommendations and “concurred with the qualification that there are outstanding compliance issues because of Federal government funding and the Federation of Saskatchewan Indian Nations' (FSIN) management.”



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## Chapter 15 Post-Secondary Education and Skills Training

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Written governance policies required

.46 The Board of Directors needs written governance policies setting out what they expect from management.

.47 The directors are responsible for the financial affairs of the College. To fulfil this responsibility, the directors need to establish and communicate policies. Policies should prescribe what and how things should be done and prohibit inappropriate action.

.48 The directors need to give adequate direction to management for safeguarding and controlling the College's assets. The directors also need to know that management discharges its responsibilities according to the directors' policies.

.49 To govern the operations of the College effectively, the directors should have written policies:

- setting out the services the directors want delivered, at what cost, and the performance the directors expect of senior management;
- setting out the information the directors need to monitor the College's performance (e.g., performance reports and assurance that assets are safeguarded);
- setting out delegated authority to management; and
- ensuring adequate accountability to the members of First Nations, the Minister of Post-Secondary Education and Skills Training, and the Legislative Assembly.

.50 Written policies provide for the orderly and efficient conduct of business. Written policies also reinforce the directors' delegation of authority and responsibilities for all employees.

.51 We also reported this matter in our 1997 Fall Report – Volume 2.

We recommend

**.52 The Board of Directors should establish written governance policies.**

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## Chapter 15 Post-Secondary Education and Skills Training

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**.53** The Board of Directors should ensure senior management has provided adequate direction to staff to safeguard and control the College's assets.

**.54** On February 17, 1998, the Standing Committee on Public Accounts (PAC) considered our recommendations and "concurred with the qualification that there are outstanding compliance issues because of Federal government funding and the FSIN's management."

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Other payments

**.55** During the year, the College paid \$15,000 to Saskatchewan Indian Training Assessment Group (SITAG), a related organization, to cover the pay and expenses for SITAG's Board of Directors. We are unable to determine whether these payments were used for educational purposes.

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Payee list required

**.56** The College needs to comply with the PAC's recommendations to provide a list of payees to the Legislative Assembly for each fiscal year.

**.57** The PAC has also specified the required details of disclosure for Government agencies. The PAC wants agencies to provide a list of persons who received money from the agencies and the amount each person received if the person received more than a specified amount in a fiscal year. Currently, the PAC wants agencies to disclose any person receiving money for salaries, supplying goods and services, or receiving transfer payments if they receive more than the following amounts:

Salaries	\$2,500
Suppliers of goods and services	\$20,000
Transfers	\$5,000

**.58** The PAC also recommended different disclosure for certain kinds of payments on an ad hoc basis when the PAC thinks different disclosure will not impair achieving its initial objectives for wanting payee information. If the College thinks it needs different public disclosure requirements, it should discuss those requirements with the PAC.

**.59** The College has not made public a list of persons who received money from the College and the amount they received.

**.60** We think public accountability would be strengthened if the College provided a list of persons that received money from it. This way the Assembly and the public, including members of First Nations, could review the use of money by the College. Also, we think officials make better spending decisions when they must answer for who received money from them.

**.61** We also reported this matter in our 1997 Fall Report – Volume 2 and in our previous reports.

We recommend

**.62** The College should:

- **publish a list of persons who received money from the College and the amounts the persons received following the PAC’s current minimum disclosure amounts; or**
- **discuss different public disclosure requirements with the PAC.**

**.63** On February 17, 1998, the PAC discussed our recommendation that the College should provide, to the Legislative Assembly, a list of persons who received money from the College. The PAC “concurred with the qualification that there are outstanding compliance issues because of Federal government funding and FSIN’s management.”

# Chapter 16

## Staffing the Public Service

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## Chapter 16

### Staffing the Public Service

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#### Introduction

**.01** In this Chapter, we describe the Public Service and set out progress made in response to our earlier recommendations.

**.02** In Chapter 3 of our 1996 Spring Report, we reported on the process the Public Service Commission (PSC) used to staff classified permanent positions. To make this process more effective, we recommended:

- the PSC should agree with departments and agencies, in writing, on the expected length of time to hire a permanent employee in the classified division of the Public Service; and
- the PSC should compare actual times to hire employees to those agreed upon as a part of its performance monitoring.

**.03** In this Chapter, we revisit the relevance of our recommendations and set out related actions taken by the PSC.

#### Public Service

**.04** Under *The Public Service Act*, the Public Service refers to those persons employed in government departments and agencies. It includes less than one-third of all government. The remaining two-thirds are employed by Crown corporations (e.g., SaskPower, SaskTel and the Saskatchewan Crop Insurance Corporation) and district health boards. These organizations do not use the services of the PSC. The persons employed by them are not considered part of the Public Service.

**.05** The Public Service consists of two divisions: unclassified (i.e., Order in Council appointments) and classified. From September 1994 to January 1998, the Public Service is 16% smaller. It has moved from 11,838 to 9,897 positions. Figure 1 shows a breakdown of total positions by type. It shows the reduction in the Public Service occurred in the classified division.

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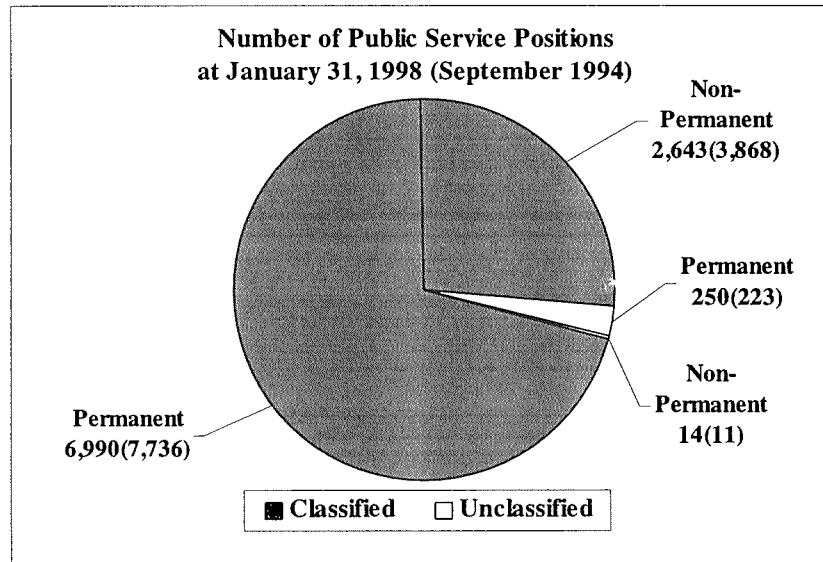
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## Chapter 16 Staffing the Public Service

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Figure 1



(Source: Public Service Commission)

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Our work done

**.06** To determine the continued relevance of our recommendations and progress made, we carried out the following procedures. We asked various PSC officials to explain any actions taken. We then reviewed relevant minutes, reports and other documents. This work does not constitute an audit.

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Summary of current status

**.07** The PSC's staffing process is changing. The staffing process we examined in 1996 continues but significant changes are underway. Although our 1996 Spring Report and recommendations remain relevant today, they will be soon out-dated. In paragraphs .09 to .12, we explain why.

**.08** The PSC has made progress in effecting our recommendations since our last follow-up (Chapter 25 - 1997 Spring Report). The PSC changed the staffing process to make it more efficient. These changes help ensure departments and agencies agree on the expected length of time to hire a permanent classified employee. These changes also provide the department manager and the PSC with the ability to better manage the timeframe to staff a position.

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PSC making changes

**.09** In Chapter 2 of our 1997 Fall Report, we briefly discuss some of the PSC's plans and set out its four priority

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## Chapter 16 Staffing the Public Service

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strategies. The PSC is moving forward on its plans. In 1997, the PSC initiated a review of the efficiency and effectiveness of the human resource management function used for the Public Service. Based on the results of the initial phase of this review, the PSC identified changes necessary. Some were short-term, while others would take at least three to five years to effect.

.10 In late 1997, Cabinet approved an action plan to change the human resource function used for the Public Service. This includes approval:

- to introduce a new *Public Service Act*;
- to redesign the respective roles of the PSC and of key department officials (e.g., permanent heads, line managers, human resource managers);
- to redesign the staffing process once new roles are set; and
- to change how information technology supports human resource management.

.11 These changes, once in effect, should result in a staffing process that differs significantly from the one on which our Office reported in 1996.

.12 We are pleased to note that PSC has considered our recommendations in the development of their new system. We do not plan any further follow-up work on those recommendations.

# Chapter 17

## Annual Reports of Departments and Crown Agencies

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## Chapter 17

### Annual Reports of Departments and Crown Agencies

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#### Introduction

**.01** In this Chapter, we set out progress made by the Government in response to recommendations we made in Chapter 8 of our 1992 Annual Report.

**.02** To make annual reports better performance reports and more timely, we continue to recommend:

- 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 Government should propose changes to the law to ensure timely public release of annual reports of all government organizations.
- The Assembly should refer all annual reports of government organizations to a standing committee. Such a referral would assist Members of the Legislative Assembly (MLAs) in their review of the performance of government organizations.

#### Work done

**.03** To determine the progress made, we carried out the following procedures. This work does not constitute an audit.

- We assessed the adequacy of information contained in ten annual reports for years ending December 31, 1996 or earlier against the criteria set out in figure 1.
- We surveyed officials from 21 government organizations and asked for their views on their annual reports based on the criteria set out in

figure 1. Sixteen government organizations responded.

- We looked for changes in laws relating to the preparation and release of annual reports.
- We determined when annual reports became available to MLAs and the public.
- We reviewed verbatim reports of legislative committees to help determine their expectations of annual reports and their use of annual reports.

Figure 1

Good annual reports clearly describe:

1. What the organization is all about (corporate overview).
2. What the organization has done (review of operations).
3. Where the organization is now (financial summary and analysis).
4. What the organization plans to do (future operations).

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Summary of current status

**.04** We found the information contained in annual reports continues to improve but slowly. Survey results show officials think their annual reports are important accountability documents. They are aware of the areas where further improvements are needed. The main areas are better and more complete descriptions and analysis of what their organizations have achieved. In paragraphs .10 to .19, we set out the details of our survey and assessment results.

**.05** We note laws, relating to the preparation of annual reports, have not changed. The laws do not require various government organizations to provide the Assembly and the public with annual reports. (See Chapter 6 of our 1996 Fall Report for a listing of organizations affected.)

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## Chapter 17 Annual Reports of Departments and Crown Agencies

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Action required on  
PAC  
recommendations

**.06** In 1995, the Standing Committee on Public Accounts (PAC) recommended the law be amended to enable the tabling of annual reports when the Assembly is not in session. We note the law has not changed.

**.07** MLAs and the public do not receive most annual reports on a timely basis. Public Accounts and annual reports of CIC Crown Corporations are timely because the law permits the Government to release these reports when the Assembly is not in session. Unless the law specifically permits the public release of the report before it is tabled in the Assembly, current practice expects annual reports to be tabled in the Assembly before they are made public.

**.08** Organizations are generally required to have their annual reports ready for tabling within 90 days of their year end. This means organizations with March and June year ends must be ready to table their reports in July and October, respectively. Organizations with December year ends must be ready to table by April. The Assembly usually sits in the spring and ends its sitting before July. So, organizations with March and June year ends do not table their reports until the next spring. As a result, the information in these reports is almost a year old. This reduces the usefulness of these annual reports.

**.09** In 1995, PAC did not support our recommendation that the Assembly refer all annual reports to a standing committee. Rather, it suggested members use and refer to these reports in the review of the Public Accounts and the reports of our Office. We note the Standing Committee on Crown Corporation uses the information contained in annual reports in its reviews. From verbatim reports, it is not apparent if PAC does.

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Detailed results of  
survey and  
assessments

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**.10** The following compares our survey results to the results of our assessments of ten annual reports by each criterion. (See figure 1.) In general, we found the survey results and results of our assessments consistent.

What the organization is all about (corporate overview)

.11 Most respondents thought their annual reports stated their mandate, goals and organization structure. They felt reports did not provide much information on their working environment or describe their key or critical assets.

.12 Our assessments found the same. We noted improvements from previous years in this area. More reports included the goals of the organization and in a few cases, described how they know when they will get there (e.g., performance measures).

What the organization has done (review of operations)

.13 Generally, respondents thought their reports did not completely or clearly describe their achievement of goals. Reports did not include comparisons of actual results with those planned or to key performance targets.

.14 Our assessments found the same. Reports continue to focus on activities and outputs as opposed to the results achieved.

Where the organization is now (financial summary and analysis)

.15 Most respondents stated their reports provided analysis and discussion of key financial results. Respondents felt reports contained an adequate description of management's responsibilities and financial information.

.16 Our assessments differed. We found limited analysis and discussion of financial results. Also, the financial information provided by departments was often incomplete.

.17 Department annual reports, typically, provide good information on their expenditures. However, other financial information (e.g., revenues, assets, liabilities) is generally not provided in their annual reports. Public Accounts – Volume 2 provides details on department's revenues and expenses. Annual reports of departments do not refer to this information. We also note, as yet, departments do not prepare or include

financial statements in their annual reports.

What the organization plans to do (future operations)

**.18** Most respondents thought their reports described some future intentions and outlooks.

**.19** Our assessments generally found the same. A few reports provided more information than before. We look forward to the inclusion of more complete descriptions of plans and outlook.

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Progress to be monitored

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**.20** We will continue to monitor the information contained in the annual reports of government organizations and report our findings.

**.21** In this Report, we note examples of Government organizations that are improving the information in their annual report (i.e., Crown Investments Corporation).

# Chapter 18

## Standing Committee on Public Accounts

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## Chapter 18

### Standing Committee on Public Accounts

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Overview of  
Committee's role and  
responsibilities

**.01** At the beginning of each Legislature, the Legislative Assembly appoints the Standing Committee on Public Accounts (Committee). The Committee helps the Assembly hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Legislative Assembly and thus the public.

**.02** The management of public resources begins and ends in the Assembly. The Assembly refers to the Committee, the review of reports on the Government's management of public resources, the Public Accounts of Saskatchewan and the reports of our Office.

**.03** The Government manages Saskatchewan's public resources through a vast and complex structure of over 200 organizations, including departments, boards, and Crown corporations.

**.04** The Committee's main objective is to understand, assess and correct inadequacies and issues that are raised by Committee members and our Office. To meet its responsibilities, the Committee can review, examine and evaluate the financial and administrative activities of all government departments, agencies and Crown corporations included in the Public Accounts and our Reports.

**.05** The Committee has access to all government organizations and their officials. The officials attend the Committee meetings and answer questions about the administration of programs and services. The Committee reports its findings and recommendations to the Assembly.

**.06** The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

**.07** The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources.

**.08** Discussion and adoption of its recommendations to the Assembly result in a more open and accountable government and better management of government operations. By questioning, requesting information and making

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## Chapter 18 Standing Committee on Public Accounts

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recommendations in its reports to the Assembly, the Committee also acts as an agent of change in the practices of government management. The work of the Committee contributes to public confidence in our system of government.

.09 Our Office attends the Committee's meetings to help the Committee in its review.

.10 The Committee's meetings are open to the public. During 1997, Hansard verbatims of the Committee's meetings, minutes and reports were made available to the public on the Committee's web page (part of the Assembly's Internet web site - [www.legassembly.sk.ca/committees/Public\\_Accounts](http://www.legassembly.sk.ca/committees/Public_Accounts)).

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### Committee activities

.11 In our previous Reports, we reported the accomplishments of the Committee up to the fall of 1996. We think reporting the activities and achievements of the Committee helps strengthen public confidence in our system of government. This Chapter reports on the accomplishments of the Committee from the fall of 1996 to April of 1998.

.12 We commend the Committee for its many significant accomplishments.

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### The members of the Standing Committee on Public Accounts

.13 Members of the Committee at its last sitting in the second session of the twenty-third Legislature were as follows:

- June Draude, Chair
- Ed Tchorzewski, Vice-Chair
- Rod Gantefoer
- Jack Gooshen
- Jack Hillson
- Walter Jess
- Mark Koenker
- Violet Stanger
- Andrew Thomson
- Grant Whitmore

.14 Dale Flavel served on the Committee until April 1997. Gerard Aldridge, Maynard Sonntag, Lynda Haverstock, Bob Pringle and Don Toth served until December 1997.



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## Chapter 18 Standing Committee on Public Accounts

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### Public meetings

**.15** Since we last reported on its work in the fall of 1996, the Committee has held two series of public meetings. In the first series, it met six times from April 15, 1997 to May 20, 1997. During these meetings, the Committee completed its review of our 1996 Spring Report.

**.16** The Committee's second series of meetings were held in February 1998. During these meetings, the Committee completed its review of our 1996 Fall Report except for our findings related to the Workers' Compensation Board.

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### Second Report contains 141 recommendations

**.17** As a result of its first series of meetings, on April 22, 1997, the Committee tabled its Second Report of the 23<sup>rd</sup> Legislature containing 141 recommendations (see Appendix VII). The Assembly concurred in the Report. The Government has responded to the Committee on the Report.

**.18** The recommendations in the Second Report relate to changes that would result in more open and accountable government and better management of government operations. For example, the recommendations called for:

- Boards of directors to require complete financial plans and comparison of actual results to those financial plans.
- The Assembly to receive timely financial statements from the Government's Superannuation Funds.
- Improvements in carrying out, updating and evaluating social assistance case plans.
- Improved reporting to the Assembly on health plans, performance targets and results, information on District Health Boards' services and programs and the health status of their residents.
- Improving the reporting responsibilities of Universities.

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## Chapter 18 Standing Committee on Public Accounts

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.19 The Committee chose not to deal with five recommendations in our 1996 Spring Report relating to the Crown Investments Corporation. The Committee recommended that the Legislative Assembly request the Standing Committee on Crown Corporations examine those recommendations.

.20 The Committee has not yet reported to the Assembly on the results of its second series of meetings held in February 1998. Some of the entities reviewed include the Departments of Agriculture and Food, Finance, Education, Training and Employment, Health, Municipal Government, Executive Council, the Saskatchewan Government Growth Fund Management Corporation, the Saskatchewan Transportation Company, Saskatchewan Government Insurance, and the Crown Investments Corporation.

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Status of past  
recommendations of  
the Committee

.21 Over the past 5 years, the Committee has made approximately 300 recommendations. Some of these recommendations may take a number of years to implement. Also, some of the recommendations are very recent and the Government has not had time to act on them. However, we note that to date, the Government has already implemented over 200 of the Committee's recommendations.

.22 The Committee has asked us to monitor compliance with its recommendations and to advise it of their status.

.23 We think it is important the Committee know which of its past recommendations the Government has not yet fully acted on. Therefore, in Appendix VII, we provide a list of outstanding recommendations and their status at March 1998. Because of the large number, the Appendix does not include recommendations that have been implemented.

.24 In future reports, we will continue to monitor the status of the Committee's recommendations. We think this is important to help the Committee complete the accountability cycle.

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## Chapter 18 Standing Committee on Public Accounts

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.25 We congratulate the Committee for its diligent efforts in fostering more open and accountable government and better management of government operations. We look forward to helping the Committee carry out its important responsibilities in a more timely manner.

# Chapter 19

## Standing Committee on Crown Corporations

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## Chapter 19

# Standing Committee on Crown Corporations

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### Introduction

**.01** The Legislative Assembly of Saskatchewan has three scrutiny Committees: the Standing Committee on Public Accounts; the Special Committee on Regulations; and the Standing Committee on Crown Corporations. These Committees help the Assembly hold the Government accountable.

**.02** When the Assembly receives the annual reports and financial statements of Crown corporations and related agencies, it sends them to the Standing Committee on Crown Corporations (Committee). The Committee can review the annual reports, financial statements, and operations of those corporations.

**.03** The Committee focuses its reviews on corporations that generate revenues from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives and past performance indicators.

**.04** Crown corporations and related agencies manage about 40% of the Government's total financial activities. At the Government's March 31, 1997 fiscal year end, Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries, Workers' Compensation Board, and Saskatchewan Liquor and Gaming Authority had assets of \$9.1 billion, liabilities of \$6.1 billion, revenues of \$3.7 billion, and expenses of \$2.7 billion. These Crown corporations and related agencies are the focus of the Committee's activities.

**.05** Because of the amount of financial activity the Government manages through Crown corporations, the Committee has an important role in helping the Assembly hold the Government accountable.

**.06** The Committee also receives reports of significant transactions at CIC, CIC Industrial Interests Inc., and all CIC Crown corporations. These reports outline the objectives of the transactions, their financial implications, and the authority for the transactions. The Committee reviews the significant transaction reports at its meetings.

**.07** Ministers and Crown corporation officials attend the Committee's meetings. They answer questions about the

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## Chapter 19 Standing Committee on Crown Corporations

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financial results, plans and priorities, and significant transactions of their corporations. The Committee reports the results of its reviews to the Legislative Assembly.

.08 Our Office attends the meetings of the Committee to help it in its reviews. When a corporation has an appointed auditor, the Committee also invites the appointed auditor to help in its review.

.09 The Committee's meetings are open to the public. Notices of meetings, verbatim reports, and minutes of the meetings are available on the website of the Legislative Assembly of Saskatchewan ([www.legassembly.sk.ca](http://www.legassembly.sk.ca)).

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### Committee members

.10 The members of the Committee during the 2<sup>nd</sup> Session of the 23<sup>rd</sup> Legislature are:

- Pat Lorje, Chair
- Kim Trew, Vice-Chair
- Bob Bjornerud
- Doreen Hamilton
- Ben Heppner
- Lloyd Johnson
- Lindy Kasperski
- Myron Kowalsky
- Glen McPherson
- Andy Renaud

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### Committee's role evolves

.11 Recently, the Committee changed its operations to help it function more effectively. In the Committee's first report of the 22<sup>nd</sup> Legislature (May 28, 1992), it recommended that the Minister may provide the opportunity for officials of the corporation to address the Committee directly. The Committee thought it was appropriate for corporation officials to address it directly on technical and administrative matters.

.12 The Committee's fourth report of the 22<sup>nd</sup> Legislature (May 5, 1994) recommended further changes. The changes included:

- ensuring all Crown corporations and related agencies annual reports are referred to the Committee when they are tabled in the Assembly;

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## Chapter 19 Standing Committee on Crown Corporations

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- requiring the Committee to meet within four weeks after the beginning of a new session;
- permitting Members to ask general questions about future objectives and past performance indicators of Crown corporations;
- requesting that CIC prepare and present to the Committee an annual statement that includes CIC's mandate, goals, objectives, and performance indicators; the structure of CIC's investments; and CIC's rationale for the retention or divestment of investments;
- requesting that the Minister responsible for CIC notify the Committee within 90 days of significant transactions; and
- allowing the news media unrestricted access to make audio and audio-visual recordings at Committee meetings.

.13 The changes to the Committee's mandate and operations have strengthened the Committee. The changes should help the Committee function more effectively.

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Additional duties for  
the Committee

.14 The Legislative Assembly sends all of our Reports to the Standing Committee on Public Accounts. The Public Accounts Committee reviews our Reports and sends its conclusions and recommendations to the Assembly.

.15 Recently, the Public Accounts Committee recommended that the Assembly should send parts of our Reports to the Crown Corporations Committee for review.

.16 If the Assembly sends parts of our Reports to the Crown Corporations Committee for review, we think the Committee should reconsider its mandate and operations. The Committee should ensure there is a clear understanding of the purpose of its review of our Reports. For example, will the Committee begin to make recommendations for change to the Assembly for such matters as:

- the adequacy of safeguards to protect assets from loss, waste and misappropriation;

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## Chapter 19 Standing Committee on Crown Corporations

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- whether appropriate financial management controls exist;
- the value for money obtained by selling a Crown corporation or agency; and
- the efficiency, economy, and effectiveness of government programs administered by Crown corporations and their achievement of stated goals?

.17 The Committee may want to consider documenting its operating procedures and practices so that those attending and participating at meetings understand what is to happen. For example, is our Office to be an advisor to the Committee? Our Office advises the Public Accounts Committee on accounting and administrative matters and/or on issues in our Reports. Also, will the Committee want the assistance of the Provincial Comptroller or officials of CIC at its meetings?

.18 If the Assembly decides to send parts of our Reports to the Committee, we think it is an excellent opportunity for the Crown Corporations Committee and the Public Accounts Committee to review their mandates and operations. The objective of such a review should be to strengthen both Committees. Then, both Committees can be more effective in helping the Legislative Assembly hold the Government accountable.

.19 Our Office is prepared to assist the Committees in such a review.

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Committee's second report

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.20 On April 3, 1997, the Committee presented its second report of the 23<sup>rd</sup> Legislature. The Committee reported completion of its review of four annual reports of corporations for their 1994 fiscal year and fourteen annual reports of corporations for their 1995 fiscal year.

.21 The Committee's report did not include its observations or make recommendations on the annual reports of those corporations.



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## Chapter 19 Standing Committee on Crown Corporations

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Committee activities since its second report

**.22** To March 31, 1998, the Committee held 12 meetings. During these meetings, the Committee:

- completed its review of nine Crown corporations annual reports for their 1996 fiscal year;
- accepted CIC's policy guidelines for reporting on significant transactions;
- completed its review of the following significant transactions:
  - the sale of Wascana Energy Inc. shares by CIC Industrial Interests Inc.; and
  - SaskTel Holding Corporation's investment in Saturn Communications (New Zealand); and
- began hearings on the acquisition, management, and sale of Channel Lake Petroleum Ltd. by SaskPower and the payment of severance to Mr. John R. Messer when he ceased to serve as President and CEO of SaskPower.

**.23** The Committee's review of Crown corporation annual reports for their 1996 fiscal year included SaskPower. In 1996, SaskPower changed its accounting policies. Prior to 1996, SaskPower followed generally accepted accounting principles. SaskPower now follows accounting policies set by Cabinet for a "reconstruction charge". We think this is inappropriate. We think the \$14 million reconstruction charge should be reported as part of SaskPower's revenue and net income.

**.24** The Committee's review of SaskPower included our concerns with its accounting for the \$14 million reconstruction charge. We look forward to the Committee's recommendations.

**.25** The Committee resolved an outstanding issue about what is a significant transaction CIC and its subsidiaries should report to the Committee. The Committee accepted CIC's policy guidelines for reporting on significant transactions. It sets out the definition of a significant

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## Chapter 19 Standing Committee on Crown Corporations

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transaction for the Committee. It also clarifies when the 90-day time period begins for reporting the transaction to the Committee (see Exhibit A).

.26 We think CIC's policy guidelines are an excellent guide for corporations to use for reporting significant transactions to the Committee. We encourage all corporations and related agencies to use these guidelines.

***CROWN INVESTMENTS CORPORATION  
OF SASKATCHEWAN***



***SIGNIFICANT TRANSACTIONS  
POLICY GUIDELINES***



## INTRODUCTION

There is considerable public attention on the state of the Government's finances and interest in improved information being made available to legislators and the public. The Fourth Report of the Standing Committee on Crown Corporations (the "Crown Corporations Committee"), dated May 5, 1994, requested that the Minister Responsible for Crown Investments Corporation provide certain information to the Committee on any significant transactions undertaken by CIC. The Committee also recommended that the requirement to provide information on significant transactions be expanded to include all CIC Crown corporations.

CIC encourages the implementation of practices that will enhance its public accountability. It is committed to continuing efforts to make the Crown corporation sector more open and accountable to its stakeholders by providing a greater degree of public transparency in the business decisions and planning of Crown corporations. CIC also recognizes that the need for disclosure must be balanced with the legitimate need for confidentiality when required to protect commercially sensitive competitive information, or where bound by transaction confidentiality agreements. As such, the following policy guidelines for reporting on significant transactions have been developed and approved by the Crown Corporations Committee.

## APPLICABILITY

The policy of reporting significant transactions would apply to CIC, CIC Industrial Interests Inc. ("CIC III"), and all CIC Crown corporations including:

SaskEnergy Incorporated  
Saskatchewan Development Fund Corporation  
Saskatchewan Forest Products Corporation  
Saskatchewan Government Growth Fund Management Corporation  
Saskatchewan Government Insurance  
Saskatchewan Opportunities Corporation  
Saskatchewan Power Corporation  
Saskatchewan Telecommunications Holding Corporation  
Saskatchewan Telecommunications  
Saskatchewan Transportation Company  
Saskatchewan Water Corporation

## COMMENCEMENT

This policy is effective August 1, 1997.

## DEFINITION

Significant transactions are defined for the purposes of this policy as those which:

- involve the following activities where the transaction is both **material and outside the ordinary course of business**:



- the acquisition of a major investment or asset, or the assumption of a major liability;
  - a material change in the terms and conditions governing an existing investment or asset; or,
  - divestment of a major asset or investment, **or**,
- is judged by the Crown corporation to be sensitive and likely of interest to legislators and the public.

### **Material Transactions**

Material transactions, for purposes of this policy, are defined as any exceeding one percent of total assets of the Crown corporation. In the case where a CIC Crown corporation owns subsidiaries, material transactions undertaken by the parent corporation or any of its subsidiaries are defined as those exceeding one percent of assets of the consolidated reporting entity.

Material transactions for CIC (legal) and CIC III are defined as any exceeding one percent of assets of each corporation.

### **Ordinary Course of Business**

A transaction is in the ordinary course of business when it is **usually, frequently or regularly undertaken by the corporation for the purpose of generating revenue**. A transaction may not be in the ordinary course of business if the transaction is of a size or type not usually undertaken by the corporation.

### **Sensitivity**

Sensitivity normally pertains to items which are known to be of particular interest to legislators and/or the public. Examples include international investments and creation of new corporations. It is incumbent upon management of Crown corporations to assess whether a transaction is likely to be of interest to legislators and to report upon such transactions.

Assessing what is a significant transaction requires judgement. It is the responsibility of each Crown corporation to assess significance in consideration of the above noted factors. In addition, what is significant may vary from one Crown corporation to another, and change over time.

### **Exclusions**

For additional certainty, transactions that are **not** considered significant for purposes of this policy include, but are not limited to, the following:

- settlements under collective agreements, early retirement programs, or corporate downsizing or restructuring;
- utility rate increases;
- capital spending exceeding one percent of assets, but which occurs in the ordinary course of existing business; or,
- the termination of “shell companies” (ie. those with nominal or no assets and liabilities) unless the transaction is considered to be sensitive in nature.



## REPORTING REQUIREMENT

Within ninety (90) days of the transaction, the following documents should be provided (see Appendix A for an example of the following):

- Memo to the Minister Responsible from the President outlining the transaction;
- Letter from the Minister to the Chair of the Committee, including:
  - objectives of the transaction;
  - financial implications and statement of change in liabilities for the Corporation and Saskatchewan; and
  - the authority for the transaction.

The requirement to report within “ninety (90) days of the transaction” means the date at which the transaction substantively occurs. This would typically, but not always, be the date upon which funds are advanced or received (as opposed to the date a commitment is made).

For administrative efficiency, a Crown corporation is considered to be in compliance with the reporting requirement where a transaction has been discussed by Crown corporation officials with the Crown Corporations Committee and includes the details described above.

The need for disclosure must be balanced with the legitimate need for confidentiality when required to protect commercially sensitive competitive information, or where bound by transaction confidentiality agreements. To the extent that a Crown corporation is required to hold information confidential by these considerations, it is exempted from submitting these details in a written significant transactions report.



400 - 2400 College Avenue  
Regina, Saskatchewan  
Canada S4P 1C8

General Inquiry: (306) 787-6851  
Telecopiers: (306) 787-8125  
(306) 787-8030

**SAMPLE MEMO**

**FROM:** David Dombowsky  
President

**DATE:** March 26, 1996

**TO:** Honourable Berny Wiens  
Minister of Crown Investments Corporation

**RE: CROWN CORPORATIONS COMMITTEE**

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Enclosed for your signature is a letter to the Crown Corporations Committee providing the details of the repayment of the Dairy Producers Co-Operative Limited loan to CIC III. The Committee requires CIC to table with the Committee the details of any "significant transaction" that we undertake.

Please call if you have any questions.

David Dombowsky

Enclosure

## SAMPLE LETTER

March 29, 1996

Ms. Pat Lorjé  
Chair of the Standing Committee on Crown Corporations  
Room 105  
Legislative Building  
Regina, Saskatchewan  
S4S 0B3

Dear Ms. Lorjé:

### **RE: Repayment of Loan by Dairy Producers Co-Operative Limited**

The Fourth Report of the Standing Committee on Crown Corporations, dated May 5, 1994 requested that the Minister responsible for Crown Investments Corporation provide certain information to your Committee on any significant transactions that are undertaken by the Corporation. Accordingly, I am pleased to provide you with information on the key elements of the repayment of the loan by Dairy Producers Co-Operative Limited ("DPCL") to CIC Industrial Interests Inc. ("CIC III").

#### SITUATION PRIOR TO TRANSACTION

- DPCL borrowed \$10 million from CIC III in 1990 for the purpose of assisting with the purchase of milk supply and processing plants in Manitoba to compete with other Canadian and U.S. processors. Expected benefits for Saskatchewan included additional jobs, value added production, and long-term preservation of the Saskatchewan dairy industry.
- The loan agreement provided that interest payments during the period 1990-1995 were to be based on cash availability. DPCL's actual results from 1990-1995 were weaker than anticipated at the time the loan was granted. This led to capitalization of interest and interest payment deferrals. As at **Dec. 31, 1994**, the audited financial statement of CIC III showed the amount owing (thousands) from DPCL as follows:

Loan Receivable	\$ 11,803
Interest Receivable	0
Less: Deferred Interest	<u>(1,303)</u>
<b>Total Book Value</b>	<b><u>\$ 10,500</u></b>

- Additional interest of \$2.6 million was accrued for a total of \$13.1 million;
- DPCL initially offered \$10.5 million to CIC III in December 1995 to terminate the loan;
- Significant terms in the loan agreement were as follows:
  - Total principal and interest were fully payable to CIC III by January 1, 2000;



- DPCL was permitted to prepay the entire amount upon giving CIC III 30 days' notice;
  - CIC III was entitled to collateral security including a charge on certain lands (subject only to permitted encumbrances, the most significant of which was the Bank of Montreal) and a second charge on personal property; and
  - CIC III's consent was required to amend corporate structure, amalgamate or merge with others, sell assets charged to CIC III, etc.
- During the term of the loan, DPCL experienced significant losses and breached its loan covenants with its primary lender, the Bank of Montreal. Given the weak financial performance of the company and the Bank of Montreal's first charge on a majority of the assets, CIC III was in a weak position as a lender.

#### OBJECTIVES OF THE TRANSACTION

The objectives of the transaction were to:

- Facilitate the merger with Dairyworld, Canada's second largest dairy cooperative and Western Canada's largest food manufacturer. Prior to the merger, Dairyworld was approximately three to four times the size of DPCL. With this merger, the two dairy co-operatives agreed to combine their operations and operate as a single legal entity which will be the second largest Canadian dairy (Ault is the largest). Saskatchewan will operate as a regional office and will select 50% of the board members. No plant closings are forecast for Saskatchewan; and
- Obtain a return on the loan made to DPCL.

#### THE TRANSACTION

- DPCL approached CIC III with an initial payout offer of \$10.5 million in December 1995;
- Because DPCL was offering less than the full amount owing, CIC III carefully assessed the advantages and disadvantages relative to the offer. Based on negative industry trends, the weak historical financial performance of DPCL, the weak collateral security position of CIC III, and the proposed merger plans CIC III concluded that they were willing to accept a lower return on the loan to DPCL than the amount originally agreed to in the loan agreement;
- Following negotiations, CIC III and DPCL agreed in principal to payout terms in December 1995. The total amount of the payout (including principal and interest) was \$11.8 million;

- On January 5, DPCL transferred the funds into a trust account for the benefit of CIC III. The trust account was used during the period of closing of the merger between DPCL and Dairyworld. CIC III agreed to terminate its rights as outlined in the loan agreement; and
- On January 9, 1996, funds were received by CIC III. A decision was made by CIC III that the funds would be used for the repayment of outstanding debt.

#### IMPLICATIONS OF THE TRANSACTION

- CIC's assets decreased by \$10.5 million, cash of \$11.8 million was received, and the loan agreement was terminated. DPCL was able to conclude the merger with Dairyworld;
- The merger of the two Western Canadian dairy cooperatives projects synergistic savings through consolidation, increased efficiencies and reduced capital expenditures. As well, risk diffusion results from the broader base of operations and customers. These benefits will contribute to the longer term success of the dairy industry in Saskatchewan; and
- DPCL/Dairyworld will become the second largest dairy in Canada (Ault is the largest).

#### AUTHORITIES

This transaction was negotiated pursuant to the agreement between the following parties:

CIC Industrial Interests Inc; and

Dairy Producers Co-Operative Limited.

The transaction was approved by the board of CIC III and Crown Investments Corporation.

I would be pleased to provide any further information on this transaction that the Committee might require.

Yours sincerely,

Bernhard H. Wiens  
Minister of Crown Investments Corporation

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# Appendix I

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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

#### Short Title

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

#### Interpretation

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;

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- (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

#### **Appointment of provincial auditor**

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.

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## Appendix I

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(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.

### **Salary**

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.

### **Acting provincial auditor**

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.

### **Qualifications of provincial auditor, acting provincial auditor**

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan. 1983, c.P-30.01, s.6.

### **Advisors, etc.**

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.

### **Office of the provincial auditor**

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.

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

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

(4) *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act* apply to the provincial auditor and the permanent and full-time employees of the office of the provincial auditor, and all credits in any superannuation plan or 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.

### **Confidentiality**

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.

### **Delegation of authority**

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

### **Examination of accounts**

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;

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## Appendix I

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(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants. 1986-87-88, c.26, s.6.

### **Reliance on report of appointed auditor**

**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.

### **Annual Report**

**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:

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- (a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;
- (b) any public money was not duly accounted for and paid into the appropriate fund;
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;
- (d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;
- (e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;
- (f) a special warrant authorized the payment of public money; or
- (g) essential records were not maintained or the rules and procedures applied were not sufficient:
  - (i) to safeguard and control public money;
  - (ii) to effectively check the assessment, collection and proper allocation of public money; or
  - (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



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(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.

### Special report

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.

### Tabling of reports

14(1) Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as practicable:

- (a) his annual report prepared pursuant to section 12;
- (b) any supplemental report based on the financial statements of the Government of Saskatchewan; and
- (c) any special report that is prepared by him pursuant to section 13;

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

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

(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.

### Certification of Statements

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:

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- (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.

### Special assignments

16(1) Where:

- (a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:
  - (i) requests the provincial auditor to perform a special assignment; and
  - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
- (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

- (a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and
- (b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

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- (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.

### **Improper retention of public money**

**17** Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance. 1983, c.P-30.01, s.17.

### **Cancelled securities**

**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.

### **Attendance before Public Accounts Committee**

**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

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- (b) during its review of the items described in clause (a). 1983, c.P-30.01, s.19.

### AUDIT COMMITTEE

#### **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.

#### **Meetings of audit committee**

**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.

#### **Information on scope and results of audits**

**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.

#### **Availability of reports**

**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

#### **Right to information, accommodation**

**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:

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- (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.

### **Inquiries**

**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 exercise all the powers of commissioners under *The Public Inquiries Act*. 1983, c.P-30.01, s.25.

### **Working papers**

**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.

### **Change in auditor**

**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.

### **Auditor to audit office of provincial auditor**

**27(1)** An accountant, who is:

- (a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;

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(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.

### **Fees**

**28** The provincial auditor may charge a reasonable fee for professional services provided by his office. 1983, c.P-30.01, s.28.

### **Limitation of liability**

**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.

### **Information confidential**

**30** The provincial auditor, any employee in his office, an appointed auditor, any employee of an appointed auditor or any advisor, specialist or consultant engaged pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law. 1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13.

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### Appropriation

**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.

### Transitional

**32(1)** The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial 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.

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## Appendix II

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

Appendix II lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly and other organizations subject to an audit examination under *The Provincial Auditor Act* at March 31, 1998.

<b>Departments and Secretariats:</b>	<b>Year End</b>
Department of Agriculture and Food	March 31
Department of Economic and Co-operative Development	March 31
Department of Education	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 Intergovernmental and Aboriginal Affairs	March 31
Department of Justice	March 31
Department of Labour	March 31
Department of Municipal Government	March 31
Department of Post-Secondary Education and Skills Training	March 31
Department of Social Services	March 31
Executive Council	March 31
Indian and Metis Affairs Secretariat	March 31
Women's Secretariat	March 31
<b>Crown Agencies:</b>	<b>Year End</b>
Doukhobors of Canada C.C.U.B. Trust Fund	May 31
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
Southeast Regional College	June 30
Teachers' Superannuation Commission	June 30
Transportation Partnerships Corporation	June 30
Canodev Research Inc.	July 31
Saskatchewan Alfalfa Seed Producers Development Commission	July 31
Saskatchewan Canola Development Commission	July 31



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Crown Agencies (continued):	Year End
Saskatchewan Flax Development Commission	July 31
Saskatchewan Grain Car Corporation	July 31
Saskatchewan Pulse Crop Development Board	August 31
National Pig Development (Canada) Co. Ltd.	September 30
3339807 Canada Ltd.	December 31
3364381 Canada Ltd.	December 31
604408 Saskatchewan Ltd.	December 31
620064 Saskatchewan Ltd.	December 31
Bayhurst Gas Limited	December 31
Channel Lake Petroleum Ltd.	December 31
CIC Forest Products 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 Partnership	December 31
Greystone Capital Management Inc.	December 31
Hollywood At Home Inc.	December 31
KROP Transport Ltd.	December 31
Liquor Board Superannuation Commission, The	December 31
Many Islands Pipe Lines (Canada) Limited	December 31
Milk Control Board	December 31
Moose Jaw Packers (1974) Ltd.	December 31
Municipal Employees' Pension 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 Forest Products Corporation	December 31
Saskatchewan Government Growth Fund Ltd.	December 31
Saskatchewan Government Growth Fund II Ltd.	December 31
Saskatchewan Government Growth Fund III Ltd.	December 31
Saskatchewan Government Growth Fund IV Ltd.	December 31
Saskatchewan Government Growth Fund Management Corporation	December 31
Saskatchewan Government Insurance	December 31
Saskatchewan Housing Corporation	December 31

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Crown Agencies (continued):	Year End
Saskatchewan Opportunities Corporation	December 31
Saskatchewan Pension Plan	December 31
Saskatchewan Power Corporation	December 31
Saskatchewan Sheep Development Board	December 31
Saskatchewan Telecommunications	December 31
Saskatchewan Telecommunications Holding Corporation	December 31
Saskatchewan Telecommunications International, Inc.	December 31
Saskatchewan Telecommunications Superannuation Board	December 31
Saskatchewan Transportation Company	December 31
Saskatchewan Turkey Producers' Marketing Board	December 31
Saskatchewan Water Corporation	December 31
SaskEnergy Incorporated	December 31
SaskEnergy International Incorporated	December 31
SaskPen Properties Ltd.	December 31
SaskPower Commercial Inc.	December 31
SaskTel Holding (New Zealand) Inc.	December 31
SaskTel New Media Fund Inc.	December 31
SaskTel Telecommunications Consulting 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
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31
TransGas Limited	December 31
Workers' Compensation Board	December 31
Workers' Compensation Superannuation Board	December 31
Agricultural Credit Corporation of Saskatchewan	March 31
Agricultural Implements Board	March 31
Assiniboine Valley District Health Board	March 31
Associated Entities Fund	March 31
Battlefords District Health Board	March 31
Board of Governors, Uranium City Hospital	March 31
Central Plains District Health Board	March 31
East Central District Health Board	March 31
First Nations Fund	March 31
Gabriel Springs District Health Board	March 31
Greenhead District Health Board	March 31
Health Services Utilization and Research Commission	March 31
Keewatin Yathé District Health Board	March 31
La Ronge Hospital Board	March 31
Law Reform Commission of Saskatchewan	March 31
Living Sky District Health Board	March 31

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<b>Crown Agencies (continued):</b>	<b>Year End</b>
Lloydminster District Health Board	March 31
Mamawetan/Munito Uskiy 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
Public Employees Pension Plan	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 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 Health Information Network	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Legal Aid Commission	March 31
Saskatchewan Liquor and Gaming Authority	March 31
Saskatchewan Municipal Board	March 31
Saskatchewan Pension Annuity Fund	March 31
Saskatchewan Property Management Corporation	March 31
Saskatchewan Research Council, The	March 31
Saskatchewan Student Aid Fund	March 31
Saskatchewan Trade and Export Partnership Inc.	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

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<b>Crown Agencies (continued):</b>	<b>Year End</b>
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
Twin Rivers District Health Board	March 31
Water Appeal Board	March 31
Western Development Museum	March 31

<b>Special Purpose and Trust Funds:</b>	<b>Year End</b>
Capital Pension Plan	December 31
Extended Health Care Plan	December 31
Extended Health Care Plan for Certain Other Employees	December 31
Northern Revenue Sharing Trust Account	December 31
Public Employees Deferred Salary Leave Fund	December 31
Public Employees Dental Fund	December 31
Public Employees Disability Income Fund	December 31
Public Employees Group Life Insurance Fund	December 31
Saskatchewan Development Fund	December 31
Saskatchewan Government Insurance Superannuation Plan	December 31
Saskatchewan Research Council Employees' Pension Plan	December 31
Agri-Food Equity Fund	March 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Big Game Damage Compensation Fund	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
Learning Resources Distribution Centre Revolving Fund	March 31
Livestock Services Revolving Fund	March 31
Members of the Legislative Assembly Superannuation Fund	March 31
Oil and Gas Environmental Fund	March 31
Prepaid Funeral Services Assurance Fund	March 31
Private Vocational Schools Training Completion Fund	March 31

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<b>Special Purpose and Trust Funds (continued):</b>	<b>Year End</b>
Provincial Mediation Board - Office of the Rentalsman Trust Account	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 Legal Aid Commission Client Trust Accounts	March 31
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31
School Division Tax Loss Compensation Fund	March 31
Sinking Fund	March 31
Social Services Central Trust Account	March 31
Transportation Partnerships Fund	March 31
Trust Funds at Court House, Local Registrars and Sheriff's Offices	March 31
Victims' Fund	March 31

<b>Other organizations subject to examination under <i>The Provincial Auditor Act</i>:</b>	<b>Year End</b>
Legislative Assembly Office	March 31
Ombudsman and Children's Advocate, Office of the	March 31
Provincial Auditor, Office of the	March 31
Saskatchewan Archives Board, The	March 31
Wanuskewin Heritage Park Corporation	March 31
University of Regina, The	April 30
University of Regina Crown Foundation	April 30
University of Regina Academic and Administrative Employees Pension Plan	December 31
University of Regina Pension Plan for Eligible Part-Time Employees	December 31
University of Regina Master Trust	December 31
University of Regina Non-Academic Pension Plan	December 31
University of Saskatchewan, The	April 30
University of Saskatchewan Crown Foundation	April 30
University of Saskatchewan Academic Employees' Long-Term Disability Fund	April 30
University of Saskatchewan Academic Employees' Pension Plan	December 31
University of Saskatchewan Clinicians Service-Side Pension Plan	December 31
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31
University of Saskatchewan Research Fund	December 31

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## Appendix III

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### Audits not completed at March 31, 1998

The Standing Committee on Public Accounts recommends an audit of every government organization every year. To ensure we make timely reports to the Assembly, we report on all audits completed at the time of the Report.

This Report includes all audits completed at March 31, 1998. Generally, this covers most government organizations with fiscal year ends of December 31, 1997 or earlier. Over the next two or three years, we plan to improve the timeliness of our work so all March year ends are reported in our fall reports and December year ends are reported in our spring reports. This Report continues the transition.

We have not completed the audits of the following government organizations and will report the results of those audits in a future Report to the Assembly.

#### Crown Agencies:

First Nations Fund  
Greystone Capital Management Inc. (1988 - 1997 inclusive)  
KROP Transport Ltd.  
Milk Control Board  
Moose Jaw Packers (1974) Ltd.  
Municipal Employees' Pension Commission  
Saskatchewan Alfalfa Seed Producers Development Commission  
Saskatchewan Broiler Hatching Egg Producers' Marketing Board  
Saskatchewan Chicken Marketing Board  
Saskatchewan Commercial Egg Producers' Marketing Board  
Saskatchewan Flax Development Commission  
Saskatchewan Government Growth Fund Ltd.  
Saskatchewan Government Growth Fund II Ltd.  
Saskatchewan Government Growth Fund III Ltd.  
Saskatchewan Government Growth Fund IV Ltd.  
Saskatchewan Government Growth Fund Management Corporation  
Saskatchewan Pulse Crop Development Board  
Saskatchewan Sheep Development Board  
Saskatchewan Turkey Producers' Marketing Board  
SaskPen Properties Ltd. (December 31, 1994 - 1997 inclusive)  
SP Two Properties Ltd. (March 31, 1995 - 1997 inclusive)  
SPI Marketing Group  
Workers' Compensation Superannuation Board

#### Special Purpose and Trust Funds:

Public Employees Disability Income Fund

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## Appendix III

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### Special Purpose and Trust Funds (continued):

Public Employees Group Life Insurance Fund

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

University of Regina Academic and Administrative Employees Pension Plan  
University of Regina Master Trust  
University of Regina Non-Academic Pension Plan  
University of Regina Pension Plan for Eligible Part-Time Employees  
University of Saskatchewan Academic Employees' Long-Term Disability Fund  
University of Saskatchewan Academic Employees' Pension Plan  
University of Saskatchewan Clinicians Service-Side Pension Plan  
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan  
University of Saskatchewan Research Fund

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## Appendix IV

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

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

In Chapter 23, Part C of our 1997 Fall Report – Volume 2, we report that we had not completed our audits of five district health boards. We have now completed these audits. Our conclusions, findings, and recommendations for these five districts are similar to those reported for the 25 districts included in paragraphs .13 to .70 in Part C of Chapter 23 of our 1997 Fall Report – Volume 2. As a result, we have not repeated our conclusions, findings, and recommendations for these five districts in a separate chapter in this Report.

Following is a list of government organizations where we have completed our work with fiscal periods ended December 31, 1997 or earlier that, in our and the organization's appointed auditor's opinion, had:

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

### **Departments and Secretariats:**

Women's Secretariat

### **Crown Agencies:**

Associated Entities Fund  
CIC Mineral Interests Corporation  
Municipal Financing Corporation of Saskatchewan  
Municipal Potash Tax Sharing Administration Board  
Power Corporation Superannuation Board  
Saskatchewan Arts Board, The  
Saskatchewan Centre of the Arts  
Saskatchewan Energy Conservation and Development Authority  
Saskatchewan Grain Car Corporation  
Saskatchewan Housing Corporation  
Saskatchewan Pension Plan  
Saskatchewan Telecommunications Superannuation Board



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## Appendix IV

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

Teachers' Superannuation Commission

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

Capital Pension Plan

Extended Health Care Plan

Extended Health Care Plan for Certain Other Employees

Northern Revenue Sharing Trust Account

Provincial Mediation Board - Office of the Rentalsman Trust Account

Provincial Mediation Board Trust Account

Public Employees Deferred Salary Leave Fund

Public Employees Dental Fund

Saskatchewan Development Fund

Saskatchewan Government Insurance Superannuation Plan

Saskatchewan Research Council Employees' Pension Plan

School Division Tax Loss Compensation Fund

Victims' Fund

### **Other organizations subject to examination under *The Provincial Auditor Act***

University of Regina Academic and Administrative Employees Pension Plan  
(December 1995 and 1996)

University of Regina Master Trust (December 1995 and 1996)

University of Regina Non-Academic Pension Plan (December 1995 and 1996)

University of Regina Pension Plan for Eligible Part-Time Employees  
(December 1995 and 1996)

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## Appendix V

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

Our mission states “We encourage accountability and effective management in government operations”. We do this by examining and reporting on:

- the reliability of financial information;
- compliance with authorities;
- the adequacy of management systems and practices related to financial reporting, compliance with authorities and safeguarding assets; and
- the adequacy of management systems and practices related to due regard to economy, efficiency and effectiveness.

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

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

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

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

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

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## Appendix V

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benefits and related costs of control procedures. Pursuant to my responsibilities under Section 11(1) of *The Provincial Auditor Act*, I am required to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In my opinion, based upon the above criteria, the system of internal control of [Crown Agency X] in effect as at [date], taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to [Crown Agency X].

*Or if the examination disclosed conditions that, individually or in combination result in one or more material weaknesses, the opinion paragraph should be modified as follows:*

My examination disclosed the following conditions in the system of internal control of [Crown Agency X] as at [date] which in my opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to [Crown Agency X] may occur and not be detected 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

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## Appendix VI

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### Reports of appointed auditors

Appendix VI contains the report of an appointed auditor that we have not relied on and the report of the appointed auditor indicates a matter or issue that should be reported to the Assembly.

Appendix VI does not contain the reports of appointed auditors that indicate a matter or issue to report to the Assembly when we have not done our work. Appendix III contains a list of work not done.

**Crown Agency**

**Page**

Carlton Trail Regional College

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## Appendix VI

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### CARLTON TRAIL REGIONAL COLLEGE YEAR ENDED JUNE 30, 1997

We have examined the system of internal control of Carlton Trail Regional College in effect as at June 30, 1997. 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 of 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 Carlton Trail Regional College is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgment by management are required to assess the expected benefits and related costs of control procedures. Pursuant to your responsibilities under Section 11(1) of The Provincial Auditor Act, you are required to determine if there is a system of internal control in effect which provides management with reasonable, but not absolute assurance that:

- (a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- (b) all public money is fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- (c) transactions are executed in accordance with management's authorization, public money expended is applied to the 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 Carlton Trail Regional College in effect as at June 30, 1997, taken as a whole, was sufficient to meet the

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## Appendix VI

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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 Carlton Trail Regional College.

Wynyard, Saskatchewan  
September 12, 1997

Chartered Accountants

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## Appendix VII

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### **Our Office's assessment of the status of the Standing Committee on Public Accounts' recommendations**

We last reported on our assessment of the status of the Standing Committee on Public Accounts' (PAC) recommendations in our 1996 Fall Report. In that report, we set out all the PAC's recommendations made before the end of the Twenty-second Legislature that had not been fully implemented.

To date, during the Twenty-third Legislature, PAC has made two reports to the Legislative Assembly. The first was tabled on June 13, 1996 and the second on April 22, 1997. The Government has responded to the two reports.

Over the past 5 years, the Committee has made or concurred in approximately 300 recommendations (see Glossary). Some of these recommendations may take a number of years to implement. Also, some of the recommendations are very recent and the Government has not had time to implement them.

However, we note that to date, the Government has implemented over 200 recommendations. We have not included the recommendations that have been implemented due to the large number.

This table provides a list of PAC recommendations not yet fully acted on by the Government.



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## Appendix VII

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### Glossary

**Concur:** Starting with the 23<sup>rd</sup> Legislature, PAC's 1<sup>st</sup> and 2<sup>nd</sup> Reports contain two types of recommendations.

1) Recommendations PAC has made itself or recommendations of our Office that PAC adopted as its own. PAC expects an official response from the Government on all of these recommendations. In the following table, these recommendations are identified by a bold number (e.g., **3**) preceding them.

2) Recommendations of our Office which PAC supports, agrees or concurs with and on which it notes the Government is making progress in complying with. PAC does not expect a formal response from the Government on these recommendations. However, because these recommendations are a matter of ongoing record, PAC expects the Government's progress in complying with them to be followed up. In the following table, these recommendations are identified by a non-bolded number (e.g., 10.46) preceding them. The non-bolded numbers reflect the chapter and paragraph numbers per our related Report.

**Report/study:** When PAC recommends the Government examine, consider, study or review an issue, the PAC needs to know what the Government decided and why the decision was taken. The Government's response should:

- clearly define the issue,
- set out the sources of supporting information gathered by surveys, interviews or literature searches,
- outline the major factors involved – the pros and cons, and
- the action it proposes to take.

**Not implemented:** Based on the last time we audited the area or organization, action has not been taken on this recommendation. Action taken by the Government since the last time we audited the organization is noted. However, because the action has not been confirmed by our Office, it is not considered in our assessment of the recommendation's status.

**Partially implemented:** Based on the last time we audited the organization, some action has been taken on this recommendation. Action taken by the Government since the last time we audited the organization is also noted. However, because the action has not been confirmed by our Office, it is not considered in our assessment of the recommendation's status.

## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
<b>Second Report of PAC - 22<sup>nd</sup> Legislature - tabled March 3, 1993</b>		
1993	<b>12a,b.</b> The Government should establish consistent policies for entertainment, employee recognition, advertising and donations for all organizations and the policies should be made public.	<b>Not implemented.</b> The Government does not have consistent policies for entertainment, employee recognition, advertising and donations for all organizations.
1993	<b>12c.</b> The <u>Legislative Secretary Expense Regulations</u> should be changed to specify conditions for assigning vehicles.	<b>Not implemented.</b> The Government has not changed these regulations. Currently, there are no Legislative Secretaries.
<b>Third Report of PAC - 22<sup>nd</sup> Legislature - tabled March 19, 1993</b>		
1993 (3 <sup>rd</sup> ) 1994 (6 <sup>th</sup> ) 1995 (7 <sup>th</sup> ) 1996 (1 <sup>st</sup> )	<p>In its reports of 1993, 1994, 1995 and 1996, PAC recommends:</p> <p>3. The Government should study the implications and issues related to the preparation of a multi-year financial plan for the Government as a whole.</p> <p>4. As to the matter of annual financial plans showing proposed revenue-raising programs and spending programs of all government organizations, and the matter of a multi-year plan for all government organizations, this Committee recommends that the Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance undertake discussions on this issue, and return to this Committee with a joint report.</p> <p>During these discussions, the Committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.</p>	<p><b>Study deferred by PAC.</b> The Government has not presented a study to the Committee for consideration. In its October 1995 response to the PAC's seventh report, the Government stated this recommendation "contains a number of issues that significantly impact Government processes, including governance and financial planning and reporting. The Government is in the process of studying these issues and assessing the implications. Until the Government has fully analysed the concerns, the basis for its current budget and its operating processes will be maintained"</p> <p>The PAC, in its April 1997 2<sup>nd</sup> Report of the 23<sup>rd</sup> Legislature, stated it "is satisfied with the Government's explanation that it currently prepares a comprehensive financial plan, and that multi-year budgeting on a government-wide basis would significantly impact a number of government processes, including governance, financial planning and reporting. Consequently the Committee decided that it is premature for the Government to consider moving towards multi-year, government-wide planning information until such time as there have been standards and consistency developed for reporting this information."</p> <p>In Volume 1 of our 1997 Fall Report we note the non-financial portion of the Government's overall plan has improved in recent years. However, the 1997-98 overall plan provides the financial plan only for the General Revenue Fund.</p>

## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS – APRIL 1998
1993 (3 <sup>rd</sup> )  1994 (6 <sup>th</sup> )	In its reports of 1993 and 1994, PAC recommends:  <b>10.</b> The Government should adopt the accounting principles and reporting standards established by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants (CICA) and is encouraged to move toward the use of these principles for the preparation of financial plans and budgets.	<b>Partially implemented.</b> The Government follows PSAAB recommendations in preparing the Summary Financial Statements that show the entire operations of the Government as required by PSAAB. However, the Government does not currently prepare a financial plan that shows the entire operations of the Government as contemplated by PSAAB.
1993	<b>12.</b> With regard to strengthening the ability of legislators to hold Crown corporations accountable:  <ul style="list-style-type: none"> <li>• Decisions to create Crown corporations should be properly reported to and debated by the Assembly;</li>   <li>• Crown corporations should have the same public reporting requirements as do Government departments unless otherwise stated in the mandate of the corporation.</li> </ul>	<b>Partially implemented.</b>  Legislation now exists for all corporations governed by <i>The Crown Corporations Act, 1993</i> . The Act requires bodies incorporated by Crown corporations or designated subsidiary Crown corporations to table a report outlining the name and reasons for incorporation.  Crown corporations governed by other legislation (e.g., <i>The Business Corporations Act</i> ) and Departments have no such requirement.  The Government expects Treasury Board Crowns to follow reporting requirements similar to government departments.  Other Crown corporations do not follow the same public reporting requirements as Government departments.
1993	<b>17.</b> <i>The Provincial Auditor Act</i> should be amended to require the Board of Internal Economy to approve the spending plans of the Provincial Auditor.	<b>Not implemented.</b> Although the Act has not been amended, the current convention is our Office goes to the Board of Internal Economy for approval of our spending plan.

## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS – APRIL 1998
1993	<p><b>19.</b> Regarding Information Systems Controls:</p> <ul style="list-style-type: none"> <li>• The Government should establish a policy on the timing and frequency of security audits of any service bureau in order to ensure the protection of data files and programs;</li> <li>• Government organizations should improve their controls over the access of computer programmers to government records; and</li> <li>• Government organizations should have adequate written and tested contingency plans.</li> </ul>	<p><b>Partially implemented.</b></p> <p>In 1993, the Government established a policy in the Financial Administration Manual recommending departments should ensure independent security reviews of service bureaus be conducted once every three years. There is no policy for other Government organizations.</p> <p>In our Spring 1996 Report, we reported that controls to protect the confidentiality and integrity of systems and data continue to need strengthening.</p> <p>In our Spring 1996 Report, we reported that approved and tested contingency plans continue to be needed.</p>
1993	<p><b>68.</b> With regard to the Agricultural and Food Products Development and Marketing Council:</p> <ul style="list-style-type: none"> <li>• the Council should monitor the activities of the marketing boards it controls to ensure they comply with authorities and have adequate rules and procedures to safeguard and control their assets.</li> </ul>	<p><b>Not implemented.</b> In our Spring 1998 Report, the Department of Agriculture and our Office have made a number of joint recommendations to improve accountability and reporting practices for the marketing boards.</p>
<b>Sixth Report of PAC - 22<sup>nd</sup> Legislature – tabled March 29, 1994</b>		
1994	<p><b>3.</b> Your Committee recommends that the Government should move towards disclosing, in the summary financial statements, information on its infrastructure investments.</p>	<p><b>Partially implemented.</b> In its August 1994 response to the PAC's sixth report the Government stated it is "currently reviewing the issue". In the March 31, 1997 Summary Financial Statements, the Government stated "Reporting policies are currently being developed, and information gathered, for other capital property. This includes infrastructure such as highways, bridges and dams and land acquired for public use."</p>
1994	<p><b>12.</b> Your Committee recommends that the interim report issued by the Government reflect the financial results of the Government as a whole, show the financial results to the interim date compared to what was planned and show the forecast to the end of the year.</p>	<p><b>Not implemented.</b> The 1997-98 Government Mid-Year Financial Report does not reflect the financial results of the Government as a whole or, show the financial results to the interim date compared to what was planned. Rather it focuses on the financial activity of the General Revenue Fund.</p>

## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS – APRIL 1998
1994	<p><b>15.</b> Your Committee recommends that the Government give consideration to the advisability of introducing legislation to limit the amount of public money that can be committed by the Government to a new project or program without the specific prior approval of the Legislative Assembly.</p>	<p><b>Not implemented.</b> The Government has not presented a study to the Committee for consideration.</p> <p>In its August 1994 response to the PAC's sixth report, the Government said it believes The Crown Corporations Act, 1993 (the Act), addressed this issue for Part II Crown corporations. "Beyond the provisions made through the Act, the Government is not currently in a position to proceed with implementation of this recommendation. However, the Government believes the issue is worthy of study."</p>
1994	<p><b>19.</b> Your Committee recommends that the Government provide mandate statements to the Legislative Assembly for each government organization and that those statements be referred to a standing committee for regular review.</p>	<p><b>Partially implemented.</b> Agencies that table their annual reports in the Assembly do provide mandate statements setting out their purpose and accountabilities. Those corporations that do not table annual reports in the Assembly do not provide this information.</p>
1994	<p><b>30.</b> Your Committee recommends that policies established to deal with Committee recommendations should be documented in the Treasury Board Accounting and Reporting Manual or in a comprehensive manual with similar authority.</p>	<p><b>Not implemented.</b> In its August 1994 response to the PAC's sixth report, the Government stated the Treasury Board Accounting Manual includes a majority of recommendations. It added a "manual is not maintained to document any other types of recommendations."</p>
1994  1996 (1 <sup>st</sup> )	<p>In its reports of 1994 and 1996, PAC recommended:</p> <p><b>38.</b> Your Committee recommends that appropriate legislative amendments be made to require reports to be released when the Legislative Assembly is not in session in the same manner as pursuant to Section 35 of <i>The Crown Corporations Act</i> where documents are required to be tabled.</p>	<p><b>Not implemented.</b> The Government has not made amendments. In its August 1994 response to the PAC's sixth report, the Government stated it is currently considering the recommendation.</p>

## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
<b>Seventh Report of PAC - 22<sup>nd</sup> Legislature - tabled May 10, 1995</b>		
1995	<p>1. The government review whether forecasts of the cash required to meet existing pension liabilities should be provided to the Assembly and included in the Summary Financial Statements.</p>	<p><b>Partially implemented.</b> The Government has not provided a study to the Committee for consideration.</p> <p>In its October 1995 response to the PAC's seventh report, the Government stated it intends to assess who should receive this information and that due to the involvement of actuaries, it will take some time for the Government to make it available.</p> <p>In the last year, the Government has provided future cash flow information in its unfunded defined benefit pension plans' financial statements or annual reports.</p> <p>However, it has not provided this information in the Summary Financial Statements.</p>
1995	<p>2. The government should examine how to disclose more fully, in departmental and Treasury Board agency annual reports, information to describe its investment in infrastructure.</p>	<p><b>Not implemented.</b> The Government has not provided a study to the Committee for consideration. In its October 1995 response to the PAC's seventh report, the Government stated "more work is needed to determine what constitutes useful information respecting infrastructure investment."</p> <p>In the March 31, 1997 Summary Financial Statements, the Government stated "Reporting policies are currently being developed, and information gathered, for other capital property. This includes infrastructure such as highways, bridges and dams and land acquired for public use."</p>

## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
<b>First Report of PAC - 23<sup>rd</sup> Legislature - tabled June 16, 1996</b>		
1996	<p>4. The Government direct the Crown Investments Corporation to develop and issue annual report guidelines for agencies under its jurisdiction to ensure that annual reports describe: what the Crown agency is all about; what the Crown agency has done; where the Crown agency is now; and what the Crown agency plans to do.</p>	<p><b>Not implemented.</b> In its October 1996 response to the PAC's 1<sup>st</sup> Report, the Government said CIC and its subsidiaries are currently considering adoption of the annual report disclosure requirements of the Toronto Stock Exchange.</p> <p>In its 1997 Annual Report, CIC said it began to implement a Balanced Scorecard performance measurement system for itself and will begin to implement it in other Crown corporations in 1998. This system will be used to evaluate financial performance as well as the achievement of targets in the areas of innovation and growth, customer satisfaction, and public policy. Once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance.</p>
1996	<p>5). a. The Government provide the Legislative Assembly with a final, concluding report on the implementation of the Gass Commission [Financial management Review Commission],</p> <p>b. The report should detail which recommendations have been implemented, which have not been implemented and should be, and what plans are in place to do so; and which recommendations should not be implemented, and the reasons why not.</p> <p>c. The Government should release background papers, studies and all other material that can be appropriately released along with this report.</p>	<p><b>Not implemented.</b></p>

## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
1996	<p>6)a. The Government should advise each Crown agency's Board of Directors which general law provides broad powers and duties to specific government officials or groups (e.g., Cabinet, Treasury Board, Ministers and the Board of CIC).</p> <p>b. The responsible government official or group should provide the Boards of Directors of each Crown agency with written guidance setting out how general laws affect the Board's decision-making ability.</p> <p>c. The responsible government official or group should ensure the related Board of Directors are informed of the nature and effect of how the responsible government official or group uses general laws.</p>	<p><b>Partially implemented.</b> The Government is working towards finalizing a Handbook for Boards of Directors entitled "Understanding General Laws". It is to provide information to assist directors understand how general laws affect their roles, responsibilities and duties.</p> <p>CIC has recently begun providing seminars for the Boards of Directors of its subsidiary corporations.</p>
1996	<p>7. The Government address the concerns raised in Chapter 4 of the Spring 1996 Report of the Provincial Auditor, being recommendations regarding the need for: security policies and procedures found at paragraphs 4.31; 4.32; 4.33; better accountability for security found at paragraphs 4.42; 4.43; 4.44; staff security awareness found at paragraphs 4.51; 4.52; 4.53; an IT security assessment found at paragraph 4.61; strengthening controls to protect the confidentiality and integrity of data found at paragraphs 4.70; 4.71; 4.72; 4.73; and approved and tested contingency plans found at paragraphs 4.84; 4.85; and 4.86.</p>	<p><b>Partially implemented.</b> Based on our audits of government organizations, there has been improvement in these areas. We will be updating the status of our study in the fall of 1998 and report on the results in a future report.</p>



## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS – APRIL 1998
1996	<p>8. The government should study the investment earnings allocation policies of its defined contribution pension plans to determine whether it is appropriate to have consistent policy. If consistent policies are not considered appropriate, the government should explain why.</p>	<p><b>Implemented except for one agency.</b> The Government has not provided a study to the Committee for consideration.</p> <p>However, based on our audits, earnings allocation policies are now all consistent except for the Saskatchewan Pension Plan.</p> <p>The PAC in its April 1997 2<sup>nd</sup> Report of the 23<sup>rd</sup> Legislature, stated it “is satisfied with the Government’s explanation that because independent boards and officials make decisions to reflect the needs of the members of each additional plan, the decisions made may result in different earnings allocation policies.”</p>
1996	<p>9. The Government should use consistent estimates for COLA (Cost of Living Adjustments) increases and inflation to calculate the pension liability for its defined benefit pension plans.</p>	<p><b>Implemented except for one agency.</b> All of the Government’s defined benefit based pension plans now use consistent estimates for inflation to calculate their pension liabilities. All but SaskTel use consistent estimates for COLA (Cost of Living Adjustments).</p>
1996	<p>11. The Government should establish a pension commission to study the many issues related to its pension plans.</p>	<p><b>Not implemented.</b> In its October 1996 response to the PAC’s 1<sup>st</sup> Report, the Government said it has systems in place to manage and account for its pension plans. It will continue to work toward resolution of issues respecting the pension plans it administers.</p>
1996	<p>12. The Department of Health and District Health Boards work together over the next few years to improve needs assessment processes and address those concerns raised by the Provincial Auditor.</p>	<p><b>Partially implemented.</b> District Health Boards are working on needs assessments. However, they still need help from the Department and others to: plan for needs assessment over the long term; to collect and compare key information at all levels and report information that forms a provincial health picture; and analyse health status information and health needs to set priorities for action in their District.</p>
1996	<p>13. The District Health Boards (DHBs) cited need improvement in overseeing senior management and the Department of Health should work towards improving internal reporting to ensure that adequate and timely internal reports are prepared for their board.</p>	<p><b>Partially implemented.</b> The majority of the Boards now receive accurate and complete internal financial reports which include costs of services and activities. However, the Boards need to improve how they set direction and monitor the Districts’ performance.</p>

## Appendix VII

PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
1996	<p>PAC concurs:</p> <p>9C.21 DHBs' management should recommend, for board of director approval, proper rules and procedures to safeguard and control their assets.</p>	<p><b>Partially implemented.</b> The majority of Boards have approved proper rules and procedures. However, there are still a number of Boards that have not approved proper rules and procedures to safeguard and control their assets.</p>
1996	<p>PAC concurs:</p> <p>9.51 Management of DHBs should establish and the directors should approve written policies and procedures to govern:</p> <ul style="list-style-type: none"> <li>▪ The proper authorization and recording of transactions; and</li> <li>▪ Preparation of monthly financial reports.</li> </ul>	<p><b>Partially implemented.</b> The majority of Boards have approved rules and procedures to govern the authorization and recording of transactions and the preparation of monthly financial statements. However, there are still a number of Boards that have not approved these rules and procedures.</p>
1996	<p>PAC agrees:</p> <p>9C.57 DHBs should establish written criteria for hiring staff and should prepare written job descriptions and formal training plans.</p>	<p><b>Implemented in all but one agency.</b> All but one District has now established written hiring criteria and formal training plans.</p>
1996	<p>PAC concurs:</p> <p>9C.64 DHBs should establish written rules and procedures for systems development.</p>	<p><b>Partially implemented.</b> The majority of Boards have established written rules and procedures for systems development. However, there are still a number of Boards that have not.</p>
1996	<p>PAC concurs:</p> <p>9C.70 DHBs should have adequate operating agreements with each organization that provides services on behalf of the DHBs.</p>	<p><b>Partially implemented.</b> All but two Boards now have adequate operating agreements.</p>
1996	<p>PAC concurs:</p> <p>9C.79 DHBs should request the Minister's approval to borrow money, buy or sell real property, and construct facilities as required by <i>The Health Districts Acts</i>.</p>	<p><b>Partially implemented.</b> Most Boards now obtain the Minister's approval to borrow money, buy or sell real estate and construct facilities. However, there are three that have not obtained Ministerial approval for these types of transactions.</p>

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PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
1996	PAC concurs:  9C.91 DHBs should request the Minister's approval before purchasing hospital equipment costing more than the prescribed limit.	<b>Partially implemented.</b> Most Boards have requested the Minister's approval before purchasing hospital equipment. However, there are still a number of Boards that have not.
1996	PAC concurs:  9C.108 DHBs should put all of their residents' money in designated bank accounts.	<b>Implemented in all but one agency.</b> All but one District have put their residents' money in designated bank accounts.
1996	PAC concurs:  9C.134 DHBs should submit their audited financial statements to the Minister before the deadline.	<b>Partially implemented.</b> Most Boards have submitted their audited financial statements to the Minister before the deadline. However, there are still a number of Boards that have not.
1996	PAC concurs:  9C.136 DHBs should work with the Department, other DHBs and our Office to ensure DHBs are able to provide the Minister and the public the full range of required information.	<b>Partially implemented.</b> Districts have started to give more information to the Minister and the public. However, the information provided does not meet the full range of requirements in <i>The Health Districts Act</i> .
1996	<b>15.</b> The Department of Health consult with the District Health Boards on the issue of preparing lists of payees and the Government report the results of the consultation to the Standing Committee on Public Accounts.	<b>Partially implemented.</b> Most Boards have prepared and published a list of their payees. However, a number have not.
1996	PAC concurs:  9D.09 Each DHB should make its annual report public within three months of its fiscal year end and required by <i>The Health Districts Act</i> .	<b>Not implemented.</b>

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PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
<b>Second Report of PAC - 23<sup>rd</sup> Legislature - tabled April 22, 1997</b>		
1997	17. The Legislative Assembly request the Standing Committee on Crown Corporations to examine whether the Crown Investments Corporation of Saskatchewan should ensure that the government's public policy objectives for CIC and Part II Crown corporations are clearly defined and presented to the Legislative Assembly for scrutiny.	<p><b>Partially implemented.</b> The Legislative Assembly has not requested the Standing Committee on Crown Corporations to examine this recommendation.</p> <p>In its August 1997 response to the PAC's 2<sup>nd</sup> Report, the Government said "It is CIC's intention to report on public policy objectives in the 1997 Annual Reports of subsidiary Crown corporations."</p> <p>In a Government document entitled "Saskatchewan's Crown Corporations - A New Era", published in June 1997, four major Crown Corporations set out their public policy objectives.</p>
1997	18. The Legislative Assembly request the Standing Committee on Crown Corporations to examine whether the Crown Investments Corporation of Saskatchewan should provide a summary of its plans and its subsidiaries to the Assembly for use by the Standing Committee on Crown Corporations.	<p><b>Not implemented.</b> The Legislative Assembly has not requested the Standing Committee on Crown Corporations to examine this recommendation.</p> <p>However, in its August 1997 response to the PAC's 2<sup>nd</sup> Report, the Government said "CIC is examining ways to provide disclosure on key targets and corporate objectives of CIC and its subsidiary Crown corporations in the annual reports."</p>
1997	19. The Legislative Assembly request the Standing Committee on Crown Corporations to examine whether the annual reports of the Crown Investments Corporation of Saskatchewan and its subsidiary Crown corporations should contain a comparison of planned activities to actual results.	<p><b>Not implemented.</b> The Legislative Assembly has not requested the Standing Committee on Crown Corporations to examine this recommendation.</p> <p>In its 1997 Annual Report, CIC said it began to implement a Balanced Scorecard performance measurement system for itself and will begin to implement it in other Crown corporations in 1998. This system will be used to evaluate financial performance as well as the achievement of targets in the areas of innovation and growth, customer satisfaction, and public policy. Once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance.</p>
1997	PAC concurs.  K.9 CIC should ensure Part II Crowns use Government approved estimates for computing pension liabilities.	<p><b>Implemented except for one agency.</b> The Government has not formally approved or communicated consistent estimates for computing pension liabilities to CIC and the Part II Crowns. However, all Part II Crowns except SaskTel use consistent estimates.</p>

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PAC REPORT YEAR	RECOMMENDATION	STATUS – APRIL 1998
1997	<p>22. The Legislative Assembly request the Standing Committee on Crown Corporations to examine the matter of analysis of each significant investment and commitment CIC holds or plans to hold.</p>	<p><b>Not implemented.</b> The Legislative Assembly has not requested the Standing Committee on Crown Corporations to examine this recommendation.</p> <p>Since August 1997, CIC and its subsidiaries have presented analyses on significant transactions they have entered into. However, they have not presented analyses on all the investments they hold.</p>
1997	<p>28)a. The Department of Post Secondary Education and Skills Training should continue to work with the Saskatchewan Indian Regional College; continue to respect aboriginal self-government and political accord issues; remove the Saskatchewan Indian Institute of Technologies (SIIT) from the legal requirements of <i>The Regional Colleges Act</i>; and</p> <p>b. Legislative changes could be achieved through introduction in the Legislative Assembly of a Private Members' bill initiated by the Saskatchewan Indian Regional College.</p>	<p><b>Partially implemented.</b> In its August 1997 response to the PAC's 2<sup>nd</sup> Report, the Government said these "issues are being considered as part of the bilateral discussions on a broad range of educational matters between Federation of Saskatchewan Indian Nations and the Province."</p> <p>SIIT has not been removed from the legal requirements of <i>The Regional Colleges Act</i>.</p> <p>Legislative changes have not been introduced.</p>
1997	<p>29. The Government should give timely financial statements of Superannuation Funds to the Legislative Assembly.</p>	<p><b>Implemented except for one agency.</b> Superannuation Funds with March 1997 year ends tabled their financial statements in accordance with <i>The Tabling of Documents Act, 1991</i>. Superannuation Funds with December 1997 year ends were tabled in accordance with the Act except for the Workers' Compensation Board Superannuation Plan.</p>
1997	<p>30. The Government should issue Regulations providing direction for the handling of profits or losses from annuity underwriting.</p>	<p><b>Partially implemented.</b> Saskatchewan Pension Plan's legislation has been amended so that any annuity underwriting losses are payable out of the GRF. In its August 1997 response to PAC's 2<sup>nd</sup> Report, the Government said "Annuity underwriting surpluses will be dealt with in legislation if they get to a significant size."</p>
1997	<p>PAC concurs:</p> <p>O.1 The Department (of Social Services) should provide workers with complete written guidance to carry out, record and revise case plans.</p>	<p><b>Partially implemented.</b> In January 1996, the Government announced the redesign of its social assistance programs. It expects to implement proposed changes in July 1998. The Department is using our recommendations in developing new programs and procedures.</p>

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PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
1997	<p>PAC concurs:</p> <p>O.2 The Department (of Social Services) should establish clear criteria to identify clients most likely to benefit from case planning.</p>	<b>Partially implemented.</b> See O.1 above.
1997	<p>PAC concurs:</p> <p>O.3 The Department (of Social Services) should provide a system that helps workers consistently record current case planning information and progress toward client goals.</p>	<b>Partially implemented.</b> See O.1 above
1997	<p>PAC concurs:</p> <p>O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department (of Social Services) should evaluate the effects of case planning.</p>	<b>Partially implemented.</b> See O.1 above
1997	<p>PAC concurs:</p> <p>P.1 Management (of Saskatchewan Government Growth Fund Management Corporation) should invest money held for investors in eligible businesses as required by the Canada Immigration Regulations or seek changes to the Regulations.</p>	<b>Not implemented.</b> In our 1997 Fall Report, we indicate at the request of PAC, our Office wrote the Auditor General of Canada regarding this point. The Auditor General told us the Federal Government is aware improvements are needed in the Program. Working groups have been established to examine how it could be improved. The Auditor General will discuss the matter with program officials.
1997	<p>31. Executive Council provide clarification as to the legislative powers of Crown corporation subsidiary companies, with respect to the selling of real property with a sale price exceeding \$150,000.</p>	<b>Not implemented.</b> In its August 1997 response to the PAC's 2 <sup>nd</sup> Report, the Government said "The Crown Corporations Committee is currently considering a proposal outlining the approval process for significant transactions and how they will be reported."
1997	<p>PAC concurs:</p> <p>S.1 Saskatchewan Transportation Company (STC) should establish a written information security and confidentiality policy that includes adequate rules and procedures to monitor and control access to its computer system.</p>	<b>Not implemented.</b> Management has informed us they are currently finalizing a policy to send to the Board.

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PAC REPORT YEAR	RECOMMENDATION	STATUS – APRIL 1998
1997	PAC concurs:  S.2 STC should adequately control changes made to computer programs and information stored on its computer system.	<b>Not implemented.</b> Management has told us they plan to implement new policies prior to the next major change to their computer system.
1997	PAC concurs:  S.4 STC should prepare a written contingency plan and test the plan.	<b>Not implemented.</b> Management has informed us they are currently finalizing a policy to send to the Board.
1997	PAC concurs:  8.33 The Department (of Health) should work with the DHBs to ensure they submit timely Health Plans.	<b>Partially implemented.</b> We note improvement in the timeliness of the Department's approval of districts' health plans during the past few years.
1997	<b>34.</b> The Department of Health should work with District Health Boards to ensure the District Health Boards submit all periodic reports on time.	<b>Partially implemented.</b> We note the districts have significantly improved the timing and quality of their quarterly financial reports.
1997	PAC concurs:  8.49 The Department (of Health) should set written rules and procedures for preparing internal financial reports.	<b>Partially implemented.</b> The Department has issued draft guidelines to the Districts.
1997	<b>36.</b> The Deputy Minister of Health should approve in writing the rules and procedures for internal financial reports.	<b>Partially implemented.</b> The Department has issued draft guidelines.
1997	<b>37.</b> The Department of Health review its internal financial reports to ensure they meet the needs of senior management to plan adequately and appropriately in relation to the Provincial Auditor's recommendations 8.55 (to show a comparison of actual results to budgeted results year-to-date and highlight and explain major variances between year-to-date actual and budgeted results).	<b>Not implemented.</b> The Department has not provided a study to the Committee for consideration.  However, the Department told us it has completed a review of its internal reports and is satisfied they meet the needs of senior management.

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PAC REPORT YEAR	RECOMMENDATION	STATUS – APRIL 1998
1997	<p>PAC concurs:</p> <p>8.72 The Department (of Health) should continue to work with the DHBs and our Office to ensure the DHBs are able to provide the Minister (of Health) the full range of information required by law.</p> <p>8.73 The Department (of Health) should advise DHBs which services and activities to cost and what cost information is needed by the Department.</p>	<p><b>Partially implemented.</b> The Department and districts have set up a working group to prepare a framework for districts to measure and report on the health status of residents and the effectiveness of district programs. The working group is obtaining advice from all key stakeholders and our Office.</p>
1997	<p><b>38.</b> The Provincial Auditor, the Department of Health, and the Department of Finance work together and attempt to resolve the issue of accounting raised in paragraph 8.100 (The Department (of Health) should ensure it accounts for charges to its appropriation using the accrual method of accounting).</p>	<p><b>Not implemented.</b></p>
1997	<p>PAC concurs:</p> <p>8.112 In its annual report to the Legislative Assembly, the Department (of Health) should provide a summary of its financial and operational plan, performance targets, and actual results. This summary should include DHB plans, targets and results.</p>	<p><b>Partially implemented.</b> The Department's 1997 Annual Report sets out its operational goals and some financial goals. It does not include performance targets for either the Department or the DHBs. It does provide some financial results for the Department and the Districts but no operational results.</p>
1997	<p>PAC concurs:</p> <p>8.113 The Department (of Health) 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.</p>	<p><b>Partially implemented.</b> The Department's 1997 Annual Report shows the costs of DHB services but does not show the health status of residents or the effectiveness of DHB programs.</p>



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PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
1997	<p>PAC concurs:</p> <p>8.185 The La Ronge Hospital should improve its internal financial reports to include:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• an explanation of major variances between year-to-date actual results and year-to-date budgeted amounts, using levels of activity when possible;</li> <li>• financial information on all activities of the Hospital including the capital fund and fund raising activities; and</li> <li>• actual amounts of the prior year for comparison purposes.</li> </ul>	<p><b>Partially implemented.</b> However, the internal reports do not provide an explanation of major variances between year-to-date actual results and year-to-date budgeted amounts.</p> <p>However, the internal reports do not provide an explanation of major variances between year-to-date actual results and year-to-date budgeted amounts.</p> <p>In addition, the internal reports do not provide financial information on all activities of the Hospital including the capital fund and fund raising activities.</p>
1997	<p>PAC concurs with respect to post-secondary education:</p> <p>10.39 The Department (of Post-Secondary Education and Skills Training) should require the (universities) it funds to report on their systems and practices to meet the Department's program objectives.</p> <p>10.40 The Department should require the universities it funds to report on their performance in achieving the Department's objectives</p> <p>10.41 The Department should table these reports in the Legislative Assembly.</p>	<p><b>Not implemented.</b> Using the 1997 discussion document entitled <u>Public Interest and Revitalization of Saskatchewan Universities</u>, the Department and the Universities are working together to make clear the public's expectations for the Universities.</p> <p>Also, as recommended by <u>The Report of the Minister's Special Representative on University Revitalization</u> (1996), the Universities along with the Department, are working to develop a new format for the Universities' annual reports to the Assembly. For the year ending April 30, 1997, both Universities published annual reports. The content of these reports vary. Also these reports are not yet tabled in the Assembly. At present, the Minister tables only the financial statements of the Universities.</p>
1997	<p>PAC concurs:</p> <p>10.46 The Department of Education should require school divisions to prepare their financial statements following the standards recommended by the CICA for governments.</p>	<p><b>Not implemented.</b> The Department is working with school divisions to develop a standard set of financial statements which comply with CICA standards.</p>

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PAC REPORT YEAR	RECOMMENDATION	STATUS – APRIL 1998
1997	<p>PAC concurs:</p> <p>10.98 The Department (of Post-Secondary Education and Skills Training) should verify critical information on student loan applications.</p>	<p><b>Not implemented.</b> The Department has taken some steps towards verifying critical information on student loan applications. We have not yet completed our assessment of the Department's revised procedures.</p>
1997	<p>PAC concurs:</p> <p>11.13 The Department (of Justice) should continue to improve its internal financial reports for all programs areas. Using the accrual basis of accounting, the reports should:</p> <ul style="list-style-type: none"> <li>• provide a comparison of the actual to budgeted results for the period based on levels of activity whenever possible;</li> <li>• highlight and explain major variances for senior management on a consistent basis; and</li> <li>• include forecasts of revenue and expenditures to the year-end showing budget information based on levels of activity whenever possible.</li> </ul>	<p><b>Partially implemented.</b> The Department's internal financial reports now explain major variances and include forecasts using levels of activity where appropriate.</p>
1997	<p>PAC concurs:</p> <p>11.19 The Department (of Justice) should adequately segregate the duties of its employees (in the provincial court offices).</p>	<p><b>Partially implemented.</b> Since the Department does not have adequate staff to segregate duties at smaller court offices, it has obtained exemptions from the Financial Administration Manual requirements for minimum control standards for these smaller court offices.</p>
1997	<p>PAC concurs:</p> <p>11.57 The Department (of Justice) should establish rules and procedures to monitor the costs of large contracts (re the Correctional Facilities Industries Revolving Fund).</p>	<p><b>Not implemented.</b> As reported in our 1997 Spring Report, the Department told us it has developed a system that will allow timely comparison of actual costs to planned costs for larger contracts.</p>

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PAC REPORT YEAR	RECOMMENDATION	STATUS - APRIL 1998
1997	PAC concurs:  19.20 The Department of Highways and Transportation (DHT) should clearly document and follow rules and procedures for preparing interim financial reports.	<b>Not implemented.</b> As reported in our 1997 Fall Report, the Department is developing a new financial system and plans to document its interim financial reporting as part of the new system.
1997	PAC concurs:  19.39 The DHT should update its accounting manuals to define clearly the roles and responsibilities of the (Highway's Revolving) Fund's accounting staff and the accounting policies and procedures for the Fund.	<b>Not implemented.</b> See 19.20 above.
1997	PAC concurs:  19.54 The DHT should formally define and document its reporting needs and assess the cost effectiveness of its accounting system for meeting these needs.	<b>Not implemented.</b> See 19.20 above.
1997	PAC concurs:  20.21 The Department (of Municipal Government) should require local governments to prepare their financial statements following the standards for local governments recommended by the CICA.	<b>Not implemented.</b> As reported in our 1997 Fall Report, the Department told us it intends to undertake further consultations with stakeholders regarding the financial statements format and the overall financial accountability framework for municipalities. The Department's goal is to develop a plan that will allow for the successful implementation of the accounting policies recommended by the CICA for local governments. This may involve phasing-in changes over a number of years.
1997	PAC concurs:  20.63 Saskatchewan Archives Board should have written contracts with the U of S and SPMC.	<b>Not implemented.</b> As reported in this Report, the Board is negotiating an agreement with the U of S and is seeking a similar arrangement with SPMC.
1997	PAC concurs:  20.111 The Board of Directors of the Saskatchewan Heritage Foundation should require management to prepare internal financial reports that compare actual results with the approved financial plan.	<b>Not implemented.</b> As reported in our 1997 Spring Report, management has told us they have established rules and procedures to ensure the accuracy of the internal financial reports. Also, management told us they will prepare proper financial reports for directors.