

**Special Report
to the
Legislative Assembly of Saskatchewan
Regarding Changes to
*The Provincial Auditor Act, Bill 14***

April 2001



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Vision

We envision effective, open and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly.
We are committed to fostering excellence in public sector management and accountability.

April 11, 2001

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I present herewith my *Special Report to the Legislative Assembly of Saskatchewan Regarding Changes to The Provincial Auditor Act, Bill 14*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully submitted,

Fred Wendel, CMA, CA
Acting Provincial Auditor

/dd

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cc: Ms Gwenn Ronyk, Clerk of the Legislative Assembly

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Purpose of the Report

The purpose of this Report is to provide the Legislative Assembly with our views of Bill 14, *An Act to amend The Provincial Auditor Act*, and to report on the process leading up to the Bill. We think it is important for the Assembly to have our views because the Provincial Auditor is the Assembly's Officer charged with administering the Act.

We support the Bill because it improves the Provincial Auditor's independence and maintains the Government's accountability to the Assembly. Also, the Bill results from a reasonable process that provided for adequate consultation among key legislators, the Minister of Finance, and our Office.

We discuss these reasons more fully later in this Report.

Background

On December 6, 1999, the Government announced that it intended to introduce changes to *The Provincial Auditor Act*. The Speech from the Throne announced that the Government would introduce changes to update the Act.

In our 1999 Fall Report – Volume 2, we advised the Assembly that while we had not asked for changes to the Act, we viewed the announcement as an opportunity to strengthen our system of public accountability. We hold this view because the Act is a key part of that system.

We said we would recommend changes with a view to strengthening the accountability of the Government to the Legislative Assembly and maintaining the independence of our Office. We also said we would seek the views of the Standing Committee on Public Accounts regarding changes that we planned to recommend.

The Public Accounts Committee is made up of elected members from all political parties and is chaired by a member from the Official Opposition. We work with this Committee to improve the Government's management of public resources and the Government's accountability to the Assembly.

In our 2000 Fall Report – Volume 3, we said that we would make this special report to the Legislative Assembly when the Minister of Finance introduced changes to *The Provincial Auditor Act* to the Assembly. Under our parliamentary system of government, the Minister must introduce changes to the Act. As stated earlier, we think it is important for the Assembly to have our views because the Provincial Auditor is the Assembly's officer responsible to administer the Act.

A Reasonable Process

The process leading up to the Bill to change *The Provincial Auditor Act* was reasonable. The process resulted in appropriate consultation among key legislators, the Minister of Finance, and our Office. The key legislators (i.e., Public Accounts Committee) most affected by changes to the Act had the opportunity to recommend changes. The process was open to the public.

The process was as follows: in December 1999 and February 2000, we received proposed changes to the Act from the Minister of Finance. In January and February 2000, we asked the Minister to wait before proceeding with changes. We asked the Minister to wait until we had received the views of the Public Accounts Committee on changes that we planned to recommend.

In February 2000, we issued a special report that included our recommendations for changes to the Act. The changes were intended to improve the Government's accountability to the Assembly, to improve our accountability to the Assembly and to maintain the independence of the Office. We made the report to obtain the Public Accounts Committee's views on our recommended changes. It is important to obtain the Committee's views because the Committee's mandate is to "work with the Provincial Auditor to achieve maximum accountability (of the Government) to the Legislature."

In May 2000, the Minister of Finance appointed advisers to advise him about changes to the Act. In June 2000, the advisers reported to the Minister and the Minister provided the advisers' report to the Public Accounts Committee.

The Public Accounts Committee held meetings to discuss our special report to the Assembly and the report of the Minister's advisers. The Committee heard from our Office, from some of the Minister's advisers, and from the Provincial Comptroller (an employee of the Department of Finance). The Public Accounts Committee met on June 1, 6, and 13 and November 21, 22, and 23, 2000. The discussions can be reviewed online at <http://www.legassembly.sk.ca/committees/verblis.htm>.

The Public Accounts Committee accepted some of our recommendations and some of the recommendations of the Minister's advisers. In addition, the Public Accounts Committee made some of its own recommendations.

In our 2000 Fall Report – Volume 3, we said we would draft the changes to *The Provincial Auditor Act* taking into account the Public Accounts Committee's recommendations. We said we would send those changes to the Minister of Finance for his consideration.

On December 27, 2000, while we were in the process of drafting the changes, we received proposed changes to the Act from the Provincial Comptroller, who was preparing them for the Minister. We decided to work with the Provincial Comptroller to draft proposed changes that would reflect the views of the Public Accounts Committee. We wrote the Minister of Finance on January 5, 2001 advising him of our change in plans and said we would keep him informed of our progress.

On March 16, 2001 we wrote to the Minister. We advised that we had worked with the Provincial Comptroller and that we agreed the Provincial Comptroller's draft of February 22, 2001 adequately reflected the views of the Public Accounts Committee.

Our Views

In our view, the Bill:

- ◆ Maintains the Government's accountability to the Assembly;
- ◆ Improves the Provincial Auditor's independence; and
- ◆ Improves the Provincial Auditor's accountability to the Assembly.

Government's Accountability to the Assembly

The Government's accountability to the Assembly remains unchanged under the Bill. We made several recommendations in our February 2000 Special Report intended to improve the Government's accountability to the Assembly. The Public Accounts Committee did not accept those recommendations during its November 2000 meetings.

Provincial Auditor's Independence

The Bill improves the Provincial Auditor's independence because the Public Accounts Committee, an all-party committee, will select and recommend the next Provincial Auditor for appointment by the Assembly. In our 2000 Special Report, we recommended the Public Accounts Committee should select the Provincial Auditor. Under the current law, Cabinet selects and appoints the Provincial Auditor after consultation with the Chair of the Public Accounts Committee.

The Bill also improves the Provincial Auditor's independence because the Public Accounts Committee, which does not include cabinet ministers, will approve the Provincial Auditor's budget. We recommended this change in our 2000 Special Report. Currently, the Board of Internal Economy, an all-party board of the Assembly that does include cabinet ministers, approves the Provincial Auditor's budget.

The Bill requires the Provincial Auditor to return all unspent money at the end of each year to the General Revenue Fund. This practice is known as "lapsing appropriations."

Before 1983, the Provincial Auditor was subject to lapsing appropriations. In 1983, *The Provincial Auditor Act* gave the Provincial Auditor full independence to manage the Office. Part of this independence included the Provincial Auditor's ability to retain unspent money to pay for such things as the costs of necessary unplanned extra audit work to safeguard public resources. In the past, we have used this money to pay for unplanned necessary work at Saskatchewan Indian Gaming Authority, Workers' Compensation Board, and Saskatchewan Power Corporation.

We were concerned when the Minister's advisers proposed that we should return to this practice of lapsing appropriations. We were

concerned because the practice would reduce our independence by reducing our resources to carry out necessary unplanned extra audit work.

We discussed our concerns with the Public Accounts Committee. The Committee reduced most of the negative impacts of “lapsing appropriations” by recommending that the Bill should provide for the Provincial Auditor to obtain an extra appropriation each year for unforeseen costs. An extra appropriation each year will ensure the Provincial Auditor retains the independence to manage effectively the Office. The Bill provides for this extra appropriation.

Provincial Auditor’s Accountability

The Provincial Auditor’s accountability to the Assembly is improved because the Bill proposes that the Provincial Auditor must provide the Assembly with an annual Business and Financial Plan and an Annual Report on Operations. We recommended this change in our 2000 Special Report. The Provincial Auditor has voluntarily provided the Assembly with these documents for many years.

Other Comments on the Bill

The Bill provides for a ten-year term for the Provincial Auditor. Our February 2000 Special Report recommended a ten-year term for the Provincial Auditor to provide for periodic renewal.

We also note that the Bill provides that the Standing Committee on Public Accounts and the Standing Committee on Crown Corporations will have access to research resources. In the past, we have recommended that the Public Accounts Committee should have research resources. The Bill provides for the creation of an advisory group to serve both Committees. The advisory group can advise the Committees on the following matters:

- ◆ Recommending a Provincial Auditor;
- ◆ Reviewing the estimates of the Provincial Auditor;
- ◆ Reviewing the annual report on operations of the Provincial Auditor;
- ◆ Reviewing the Provincial Auditor’s public reports on the Government’s performance; and
- ◆ Any other matters that the Public Accounts Committee may request.

Appendix 1 – Bill 14 *An Act to amend The Provincial Auditor Act*

[Click here to view the Bill](#)