

**Report to the  
Standing Committee on Public Accounts  
Regarding the  
Request to Amend the Provincial  
Auditor's Funding Request**

**January 2009**



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### **Our vision**

We envision effective, open, and accountable government.

### **Our mission**

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



SASKATCHEWAN

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January 15, 2009

Mr. Harry Van Mulligen, Chair  
Standing Committee on Public Accounts  
Room 140, Legislative Building  
REGINA, SK S4S 0B3

Dear Mr. Van Mulligen:

I have the honour to submit my report on the Standing Committee on Public Accounts' request to amend the Provincial Auditor's funding request.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "F. Wendel".

Fred Wendel, CMA, CA  
Provincial Auditor

/dd



# Request to Amend the Provincial Auditor’s Funding Request

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## Background

On the 9<sup>th</sup> and 10<sup>th</sup> of December 2008, the Standing Committee on Public Accounts (PAC) considered and deferred my request for funding for the 2009-10 operation of the Office of the Provincial Auditor. My funding request is contained in my 2010 Business and Financial Plan presented to PAC in November 2008. I understand that PAC plans to consider my funding request at its 20 January 2009 meeting.

## Request

At the 10 December 2008 meeting, a Committee member provided me with a written request to recalculate my request for resources. See Appendix A for a copy of this request.

Although this is not an official PAC motion, I prepared this report to foster an open discussion of my budget request. I also reviewed the PAC Hansard Verbatim Reports for the 9<sup>th</sup> and 10<sup>th</sup> of December 2008 to identify other considerations. See Appendix B for a copy of the verbatim.

The request and PAC discussion raises the following points:

- ◆ the written request suggests my budget request reconsider the impact of the following:
  - decrease in auditing assignments (Saskatchewan Indian Gaming Authority and Saskatchewan Gaming Corporation)
  - anticipation of training costs for new standards associated with The Institute of Chartered Accountants' decision to move to International Financial Reporting Standards for publicly accountable enterprises
  - other efficiencies that may be attained with the Office's operations
  - calculating the contingency fund at a lesser amount because it has not been fully used over the past number of years
- ◆ my budget request should be consistent with the Minister of Finance's direction to limit growth and spending to about 4.5 percent over the course of the next year
- ◆ a review of the operations of my office may be appropriate at this time

- ◆ budgets should not be determined by applying a percentage to last year's budget

## Response to request and points raised

After further analysis and reconsideration, I continue to request an appropriation of \$6.985 million for the 2009-10 operation of the Office of the Provincial Auditor. This appropriation is shown as **Provincial Auditor (PA01)** on page 74 of my 2010 Business and Financial Plan. I think this amount is reasonable and necessary to discharge my duties under *The Provincial Auditor Act*.

I do not seek an adversarial relationship with government agencies or this Committee. However, 80% of our expenses are for salaries. Therefore, if the Committee does not provide adequate funding for the Office, I explain on page 24 of the 2010 Business and Financial Plan that I will have to reduce the number of staff employed. This will result in us not auditing some government agencies next year. I would report which agencies we did not audit next year. I am concerned with the impact of this message on public confidence in our system of Government.

In the next section, I provide additional detail to help Members understand why I think this amount is reasonable and necessary. To respond directly to the points raised, I provide this detail using the following headings:

- ◆ Decrease in auditing assignments
- ◆ Transition to International Financial Reporting Standards
- ◆ Comparison to Minister of Finance's limitation of 4.5 per cent
- ◆ Efficiencies in operations (including method used to determine request)
- ◆ Contingency appropriation

## Decrease in auditing assignments

To address the Government's decision to appoint private sector auditors to audit the Saskatchewan Gaming Corporation and the Saskatchewan Indian and Gaming Corporation, my request for resources reduced my 2010 planned costs to audit these agencies by \$199,000.



## Transition to International Financial Reporting Standards

To address The Institute of Chartered Accounts' decision to move to International Financial Reporting Standards for publicly accountable agencies, my request for resources included an additional \$179,000.

Many government agencies will need to convert their financial systems and public reports during 2009-10 to become compliant with International Financial Reporting Standards (IFRS). Much work and spending is already happening.

CIC expects each of its Crown corporations to prepare an IFRS conversion charter (plan) that includes the budgeted costs to convert to IFRS. These budgets are to include the audit costs of the private sector auditor. The Crowns are working on their budgets. I understand that one Crown is finished its plan. Investment Saskatchewan Inc. has completed its conversion charter and has budgeted for additional audit costs for its appointed auditor for the IFRS conversion at \$286,000.

We also discussed the overall increase in private sector audit fees for the CIC Crowns with CIC. CIC advises us that it has advised its Board of Directors that current audit fees of \$3.7 million for the CIC Crowns will increase by about \$3.5 million to complete the IFRS conversion in 2010.

We also have additional audit work to do. For example, we will be doing ongoing reviews at government agencies on the financial systems needed to comply with IFRS and reviewing draft financial statements prepared using IFRS. We estimate that for the 2009-10 fiscal year we will have to spend about \$167,000 on related audit work and \$12,000 on training related to the conversion to IFRS.

## Comparison to Minister of Finance's limitation of 4.5 per cent

Following is the recalculation of my resource request to compare to a suggestion that I should limit our growth and spending to 4.5 per cent to comply with the Minister of Finance's direction. Because I have not seen any correspondence from the Minister of Finance asking government agencies to limit their expense growth to 4.5 per cent, I calculated this

**Provincial Auditor's Funding Request**

guideline using two different methods. When I compare my request to these calculated amounts, my request is lower in both cases.

	<b>(000's)</b>
<b>Appropriation request for 2010</b>	<b><u>\$ 6,985</u></b>
<b>Method 1</b>	
Appropriation request for 2009	\$ 6,677
Add: New government agencies	51
IFRS conversion	<u>167</u>
Sub total	6,895
Deduct: Gaming audits	<u>199</u>
Adjusted 2009 base	6,696
4.5 per cent increase	<u>301</u>
<b>Total using 4.5% guideline</b>	<b><u>\$ 6,997</u></b>
<b>Method 2</b>	
Appropriation request for 2009	\$ 6,677
Deduct: Gaming audits	<u>199</u>
Adjusted 2009 base	6,478
4.5 per cent increase	<u>292</u>
Sub total	6,770
Add: New government agencies	51
IFRS conversion	<u>167</u>
<b>Total using 4.5% guideline</b>	<b><u>\$ 6,988</u></b>

Using Method 1, my appropriation request for 2010 is \$12,000 less than the 4.5 per cent guideline. Also, using Method 2, my appropriation request for 2010 is \$3,000 less than the 4.5 per cent guideline.

I do not endorse or use either method to determine my resource requests to PAC. Later, I briefly explain the method used to determine my request

for resources. My 2010 Business and Financial Plan fully explains the method used.

## **Efficiencies in operations (including method used to determine request)**

We agree that the ongoing need to look for efficiencies, doing independent, reliable, and relevant work at reasonable cost is vital to our success. Our management practices must promote the effective use of our resources. My Office must also follow professional standards. The Institute of Chartered Accountants of Saskatchewan examines my Office regularly for compliance with professional standards.

The following sets out key activities we do to look for efficiencies in our audit processes.

In our 2008 Annual Report on Operations, Cabinet's auditor<sup>1</sup> reports that my Office had adequate processes to safeguard the public resources entrusted to it by the Assembly. The auditor concluded that my Office has effective control to establish a financial plan to achieve its goals and to monitor and react to its progress towards the objectives established in its financial plan (see Appendix C). I have not made significant changes to the systems and practices since that audit.

Cabinet's auditor also provides the Assembly and PAC with assurance about the reasonableness of my funding request. Each year, Cabinet's auditor audits the financial forecast. This forecast is the basis for my request for a \$6.985 million appropriation. The auditor concluded that our 2010 financial forecast is consistent with and reasonable in relation to our operating plan. See page 27 of the 2010 Business and Financial Plan.

The Legislative Assembly and its Committees do not receive an audit report on the budgets of ministries when they approve their budgets. The Assembly and the Committees do not receive assurance from my Office that ministry budgets are reasonable to carry out their work plans.

Salaries and benefits account for nearly 80% of our spending. We have established processes to promote the effective use of our resources. We

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<sup>1</sup> On the recommendation of PAC, the Lieutenant Governor in Council appoints an auditor to audit my Office. The auditor has the same powers and performs the same duties as the Provincial Auditor.

carefully plan and monitor the use of staff time. Staff are held accountable for how they spend their time. See page 41 of the 2010 Business and Financial Plan for the planned and actual use of employees' time for the last five years.

Each year, to estimate the resources necessary to discharge my responsibilities, we forecast the resources and costs for the audit of each government agency. Our budget processes do not just add a percentage increase to last year's budget to determine our request for resources. Rather, we base the forecast on information we know at October 31. The forecast takes into account such things as the number of government agencies, the level of government spending, professional standards, the quality of government agencies' systems and practices, and the co-operation we expect to receive from government officials and appointed auditors. Staff are held accountable to meet established budgets and comply with professional standards.

We routinely compare our audit processes and costs with private sector auditors that audit government agencies. We find that we compare favourably. For example, the Government recently hired a private sector auditor to audit the Saskatchewan Gaming Corporation for the period ended 31 December 2008 for a budgeted fee of \$165,000. Our budget last year to audit the Saskatchewan Gaming Corporation directly was \$95,000.

In December 2008 and January 2009, my senior management team reviewed the assumptions we used at 31 October 2008 to prepare the request for resources. They looked for significant changes to these assumptions that would change our requested appropriation. They did not find significant changes.

Because Committee members seem to be requesting additional assurance that our processes are efficient, I have decided to have a special examination on the efficiency of my Office carried out by the Office of the Auditor General of Canada. Legislative auditing requires unique skills and the Auditor General of Canada has those skills and resources.

I have discussed this examination with the Auditor General of Canada who has agreed in principle to my request for a special examination. Our Offices will have to work out when the examination would take place and

the costs over the next few months. I will ask this Committee to approve this special examination and provide the resources to pay for it. I will make the results of the examination public.

## Contingency appropriation

The contingency appropriation is shown as **Unforeseen Expenses (PA02)** on page 74 of my 2010 Business and Financial Plan.

The 2010 contingency appropriation is equal to one month's salary expenses and benefits. This is the same basis the Office used before 2001 when the law changed and every year since then.

We agree the contingency amount could be recalculated on a different basis. However, it is difficult to know whether there is a misuse of public money or major financial system weakness at a government agency that requires a special investigation until we start the audit of the agency. We also do not to use the contingency appropriation unless absolutely necessary. This is also why the contingency amount has not been used to the extent budgeted.

Since the law was changed to require a contingency appropriation, the maximum amount we have used in any one year is about \$275,000. If the Committee wishes, it could approve a contingency appropriation of \$275,000 for 2010 without any significant reduction in protection for the Government, the Committee, and my Office.

As explained on page six of the 2010 Business and Financial Plan, *The Provincial Auditor Act* was changed in 2001 so that we could no longer retain money at the end of the year. Previously, we had used the money we retained so that we had the independence and resources to respond to unplanned work. Otherwise, we would have had to seek a special warrant before we could carry out the work.

Since 2001, the Act requires us to return any unspent money to the General Revenue Fund. The law also requires us to obtain a contingency appropriation to retain the independence to respond to unplanned work, for example, an investigation of the misuse of public resources or an audit of a new government agency. Otherwise, we would have to make a special report to the Assembly and request a special warrant to obtain the money. The contingency appropriation was also intended to protect the Government from our Office making information public through a special

## Provincial Auditor's Funding Request

report requesting a special warrant to do an investigation before the work is complete.

Should circumstances require more money for my Office to pay for unplanned expenses, the law permits me to make a special public report and for PAC to meet, consider the report, decide on the request for money, and obtain a special warrant for the money for my Office.

## Appendix A

December 10, 2008

To the office of the Provincial Auditor

Re: Business and Financial Plan of the Provincial Auditor 2008-2009

The Standing committee of Public Accounts (PAC) hereby tables the request of the Provincial Auditor to January 20, 2009.

PAC suggests a re-calculation of the request considering the decrease in accounting assignments (Saskatchewan Indian Gaming Authority and Saskatchewan Gaming Corporation) and consideration of the anticipation training costs.

Furthermore, PAC notes that the contingency fund has not been utilized to the extent for which it has been budgeted over the past number of years and we would suggest this could be calculated at a lesser amount.

In light of these and possibly other efficiencies that may be attained within the amount, we would request your re-consideration and would be prepared to consider this at the next PAC meeting scheduled for January 20, 2009.

Harry Van Mulligen (Chair)

CC: Warren Michelson (Vice-Chair)  
Michael Chisholm  
Jeremy Harrison  
Fred Bradshaw  
Jim Reiter  
John Neilson

## Appendix B

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Public Accounts Committee

December 9, 2008

**The Chair:** — Questions. Are there any questions? Mr. Nilson.

**Mr. Nilson:** — On page 38 you list government agencies created and wound up. Can you explain these ones that have been created or why they now are requiring work? Here I'm just looking at the labour market agreement. Is that something that has just taken more work but you used to do it anyway, or is it something brand new?

**Mr. Wendel:** — Something new.

**Mr. Nilson:** — That's new. And what about the teachers' plans?

**Mr. Wendel:** — I think those existed, but they didn't ever prepare financial statements like they should and bring them forward to the Assembly, and they're going to begin to do that.

**Mr. Nilson:** — Okay. And then the next one, the Government Growth Fund. Are those all new corporations, or what is that?

**Mr. Wendel:** — Those would be new agencies we have to do some work on, but it's very minimal. It would just be to make sure that we go and find out if they had any activity, if they had nothing. And \$100 is essentially one person going out for an hour as, you know, as a professional that's an hour or two and that's it.

**Mr. Nilson:** — And then the ones that are wound up, SaskPen Properties, you're ignoring them completely. Is that the perspective?

**Mr. Wendel:** — That's been an outstanding issue with government for many years. We reported that we were not able to audit them because we were denied access to SaskPen Properties, and I think it was last year or 18 months ago they sold the shares that the government agencies owned. They were no longer controlled by the pension plans and so on, so we no longer have to audit them. But we always just kept one hour or an hour and a half in the job to keep it alive. And we're taking it off the list.

**Mr. Nilson:** — Okay, thank you.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Just a comment that you indicated in the last 13 years that whatever you kind of put forward just kind of automatically went through. So I just thought, you know, we're dealing with a new government here and I just thought I would



let you know that things aren't the way they always were.

**The Chair:** — Summing it up, I think it fair to say that the increases that you're projecting mirror the increases generally in government for salaries and other inflation. That in terms of additional activity during the year, expanding scope and so on, simply reflects a decision by the government to increase your office's involvement with respect to Saskatchewan gaming authority and . . . Which was it? They asked you last year to, yes, the Saskatchewan Indian Gaming Authority. Oh no, it decreases your costs in the . . . Sorry about that. Decreases your costs. Where is the expansion in this year's budget then in terms of your activity?

**Mr. Wendel:** — Well the first expansion was the general salary increases that the public service is going to get on April 1, 2009. We're going to match that to keep our employees. That's our biggest cost.

The other big increase in our cost is the move to international financial reporting standards for major government agencies, and that's going to require a great deal of work. Everybody's working very hard to try and get up to speed and to comply with the new standards. We were guessing that's going to cost us about \$180,000, and that's offset because the government decided to move Saskatchewan Indian Gaming Authority and Saskatchewan Gaming Corporation to an appointed auditor situation, at which point the amount of our work decreases. We're still there, we're still working there, but we do less work.

[09:45]

**The Chair:** — Okay. So in many ways it can be seen as a status quo budget in terms of the total amount.

**Mr. Wendel:** — That would be correct, Mr. Chair. But in not . . . no new scope, other than we're trying to move to the international reporting standards as everybody else is.

**The Chair:** — Any further questions? Mr. Chisholm.

**Mr. Chisholm:** — What is your timing requirement to . . . If we were to decide today to just table this so that we have an opportunity to . . . Would that be acceptable? I'm just throwing it out.

**Mr. Wendel:** — That's the decision of this committee. I think there's a . . . The only timing I'm aware of is you have to have it to the Speaker and Treasury Board by a certain date, and I don't know what date that would be. They don't confide in me on those dates.

**Mr. Chisholm:** Right. Thank you.

**The Chair:** — Any further questions? If not then I would . . . Mr. Michelson.

**Mr. Michelson:** — I was just going to make a motion that we table this upon discussions with Finance.

**The Chair:** — I think we need some specific motions that . . . All right. Mr. Michelson, your motion is to . . .

**Mr. Michelson:** — To table this report until we . . .

**Mr. Nilson:** — Can I ask a question?

**The Chair:** — Yes. Sorry. Go ahead.

**Mr. Nilson:** — The timeline involved here, I still don't have it clear as to when the Legislative Assembly's budget is to be approved. I know from the processes that the provincial budget is right now in the process of being put together, and so if we table it, how many . . . is it a month from now or two? You know, because I think we may have missed some of the time deadlines for this particular budget if we don't deal with it now.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — I would like to table it for a month anyway, just to further converse with the Ministry of Finance, where they're at.

**Mr. Nilson:** — I have a suggestion. Why don't we table it until tomorrow. That will give you a chance to find out if in fact tabling it for a month would cause difficulties for the Finance department, because that's exactly what I'm concerned about is that they like to have finalized the budgets in December because they're working on it right now. So my suggestion, we would table it till tomorrow.

**Mr. Michelson:** — Okay. That's probably a good suggestion. Thanks.

**The Chair:** — If it's helpful, I can share with you a letter I just received from the Minister of Finance which indicates that ministries were directed to limit inflationary pressures to no more than 4.5 per cent, and so I think the auditor's proposal is consistent with that. But if you want to move that we table it until tomorrow . . . Mr. Michelson?

**Mr. Michelson:** — Yes please.

**The Chair:** — Okay. So moved by Mr. Michelson that this request be tabled until tomorrow. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Thank you very much. We're recessed for 10 minutes, pending the arrival of our next ministry.

[The committee recessed for a period of time.]

**Business and Financial Plan of the Provincial Auditor**

**The Chair:** — So the business then for the committee is consideration of the Provincial Auditor's business and financial plan for the year ended March 31, 2010. And it's incumbent upon the committee to deal with the specific question of estimates for the Office of the Provincial Auditor and then to forward these to the Speaker as Chair of the Board of Internal Economy. So what is the committee's wish? Mr. Harrison.

**Mr. Harrison:** — Yes. Thank you, Mr. Chair. I guess firstly, I know we had talked about this with some brevity yesterday. But just in terms of the new spending, I've carefully reviewed the report or the submission from the Provincial Auditor, but I just wanted to clarify. There are some functions that are new that the auditor is undertaking, but there's also some that have been, that are no longer needed to be done by the Provincial Auditor. Maybe if you could just explain that in some detail.

[11:00]

**Mr. Wendel:** — I'm not sure that I understand the question yet, but I don't think there's any activities that we've undertaken that are no longer necessary. I'm not sure I understand.

**Mr. Harrison:** — My understanding had been that some audit functions that you had performed in previous years will no longer be done this year.

**Mr. Wendel:** — Oh all right, yes, now I understand. What we included in the report is reduction of our resources because there's an appointed auditor for Saskatchewan Indian Gaming Authority and Saskatchewan Gaming Corporation. There's no need. Now we are still auditing there we're not finished, but it's been a reduction.

**Mr. Harrison:** — Right, and what was the dollar level of that reduction? Was it around \$150,000 or something around that?

**Mr. Wendel:** — The reduction that's noted there is \$199,000 on page 5.

**Mr. Harrison:** — All right. Well, I'm speaking on behalf of government members. We would like to have . . . I mean there'd been a direction that had come from the Minister of Finance to limit the growth and spending to about 4.5 per cent over the course of the next year. We would ask that the auditor examine the operations of his office and the Provincial Auditor's office with an eye to looking for efficiencies. I know the other ministries are often asked to do that by the auditor.

We would like the auditor to undertake that examination, report to the committee at our next meeting, which I understand is going to be in late January, and with an objective to coming forward with a proposal to limit the growth and spending in the office to at minimum four and a half per cent. And this proposal is higher and taking into account lessened functions, is significantly higher from my understanding. So I would ask that we do that, and if that needs to be in the context of a formal

motion, we'll move it.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — I'll ask some questions. I think if you actually read the whole paragraph on page 5 and 6, it quite clearly explains that there may be a reduction of 199,000 on page 5. But on page 6 there's an increase of 179,000 because of the change in the rules around audit and training so that in fact all of the amounts are explained and that the total amount here is 4.6 per cent. So I guess I'm wondering, is the request to take off point one per cent of what's being proposed here? If that's what's being suggested, I think it makes more sense to recognize that the auditor over many years has a good record of being very careful with their budget requests, and basically just approve what we have here.

**Mr. Chisholm:** — I'd just like to make a comment too. I certainly also agree that the auditor's performance in the past, at least ever since I've been associated, has been commendable, but I also think a time does come when a person doesn't just add a percentage to what was last year as a standard budgeting practice. And that's what ... We're interested in going back, seeing if there are any other efficiencies in a reasonable period of time so that we're not late with our budget process but that it does fit in with the kind of budgeting that we're trying to do across government completely.

**The Chair:** — I'd just ask, does that delay to January 20 provide any challenges for the Board of Internal Economy that we're aware of?

**Mr. Michelson:** — Apparently not. That's not a problem there.

**The Chair:** — That's not an issue. Are members, recognizing that the provincial government itself is ... The Minister of Finance is indicating to departments that their budget for the coming year can reflect a 4.5 per cent increase in salary costs, as I understand it, and the auditor is recommending 4.6 per cent even though his salaries to recruit employees have increased far beyond 4.5 per cent. Is the committee thinking that the auditor should look at the scope of what he does in terms of ... that the auditor should be less engaged somehow in consideration of government activities? Mr. Harrison.

**Mr. Harrison:** — No I don't think that's the suggestion at all, Mr. Chair, but we feel that perhaps a review of the operations of the auditor's office is in order and would be appropriate at this time.

And, you know, obviously the financial and economic situation in this province is much better than most jurisdictions around the world, but we're not an island and there's going to be challenges in the coming years with respect to the economic position or financial position of the government, which isn't always going to be as rosy as it was this year. So we think that looking for efficiencies and reporting back to this committee is appropriate and we would ask that that be undertaken.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — So as I understand it, your issue was point one per cent here, based on what the Minister of Finance has

recommended, which is about \$6,700.

**Mr. Harrison:** — No, I think that's an inaccurate characterization of what we're asking for. I think that the important piece of this is looking for the efficiencies in the operation of the office, and I don't think that's an inappropriate suggestion. We offered that number as a direction that was given to other ministries. We're not saying that that, you know, is a goal for the auditor's office, but we would like to see a review undertaken of the operation

**The Chair:** — So what you're recommending then at this point, that we table the *Business and Financial Plan* until our next meeting?

**Mr. Harrison:** — That's right.

**The Chair:** — Okay. Someone want to move that then?

**Mr. Chisholm:** — I'll move it.

**The Chair:** — Moved by Mr. Chisholm. That agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's tabled until our next meeting.

## Appendix C

**Annual Report on Operations for the Year Ended March 31, 2008**

**AUDITORS' REPORT**

To the Members of the Legislative Assembly of Saskatchewan

**Introduction**

We have audited the Office of the Provincial Auditor's control as of March 31, 2008 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan to achieve its goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial reports.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

We used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make our judgements about the effectiveness of the Office of the Provincial Auditor's control. We did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives reliably.

The Office of the Provincial Auditor's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

**Scope**

We conducted our audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of the Office of the Provincial Auditor's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

**Conclusion**

In our opinion, the Office of the Provincial Auditor's control was effective, in all material respects, related to the objectives stated above as of March 31, 2008 based on the CICA criteria of control framework.

**Limitations**

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

May 28, 2008  
Regina, Saskatchewan

*Viviana Crowe LLP*

Chartered Accountants

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Provincial Auditor Saskatchewan