



PROVINCIAL AUDITOR
of Saskatchewan

Annual Report on Operations

For the Year Ended March 31, 2018





PROVINCIAL AUDITOR
of Saskatchewan

June 21, 2018

The Honourable M. Docherty
Speaker of the Legislative Assembly
Room 129, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *Annual Report on Operations For the Year Ended March 31, 2018*, to be laid before the Legislative Assembly in accordance with the provisions of section 14.1 of *The Provincial Auditor Act*. The information in this Report reflects known events up to June 19, 2018.

Respectfully submitted,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA
Provincial Auditor

/ah



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Message from the Provincial Auditor





Message from the Provincial Auditor

The Office's success depends on the efforts of many people including its staff. I thank them for their expertise, professionalism, continued support, and dedication.

The Office appreciates and values the co-operation and assistance of legislators, government officials, and appointed auditors. In particular, I thank the Standing Committee on Public Accounts for its attention to and support of the work of the Office. Its support helps ensure the work of the Office makes a difference.

2017-18 was a year of continuing change and success. Change brings challenges. In 2017-18, the Office achieved all but one of its ten performance targets.

The Government has acted on more than 90% of the recommendations the Office has made. During the year, the Office improved the timeliness of its reporting to Government agencies by providing about 80% of its reports by the agreed upon dates. Also, on an overall basis, government officials acknowledge the value of and indicate satisfaction with the Office.

In addition, the Office staff expressed satisfaction with their working environment even though the Office continued to experience higher than anticipated turnover of manager-level staff. The market for new professional accountants, including staff from the Office, continues to be strong. The Office is closely monitoring and taking steps to mitigate the impact of market conditions on staff retention and of turnover on its work.

In May 2018, the Office created a social media presence (Twitter and LinkedIn) to help address declining public awareness about the Office. In a 2018 online survey, only about 25% of the public expressed awareness of the Office and its role. The Office will use its new social media presence as one of its communications strategies to inform the public about the Office's work. It will monitor the success of using social media in increasing public awareness. The Office recognizes serving legislators effectively includes public awareness and understanding of its work and role.

In 2017-18, the Office managed its finances prudently. It operated within its approved 2017-18 appropriation, prepared reliable financial statements, maintained effective financial-related controls, and complied with its governing authority—*The Provincial Auditor Act*.

To give legislators and the public confidence in the reliability of the Office's administration, this Report includes unqualified independent audit reports on key aspects of the Office's operations, finances, and controls.

Overall, this Annual Report completes the accountability cycle that began when the Office tabled its *2018 Business and Financial Plan* in December 2016. It includes detail on the Office's operational and financial performance for the year ended March 31, 2018.

In conclusion, I am proud to say that the Office works diligently to fulfill its vision—A valued and independent legislative auditor advancing excellence and inspiring confidence in public sector performance.

Judy Ferguson, FCPA, FCA
Provincial Auditor



Understanding the Office of the Provincial Auditor





Purpose of the Office of the Provincial Auditor

For the parliamentary system of government to work properly, it must have the public's confidence. To merit this confidence, government programs must be effective, open, and accountable to the public. One important responsibility of the Legislative Assembly is to hold the Government of Saskatchewan accountable for its management of public resources. The Office of the Provincial Auditor contributes to this accountability process. **Exhibit 1** shows the value and benefits of a legislative audit office.

The Office's work and reports affect public confidence in the Government. They provide legislators and the public with critical information on whether the Government's financial and other reports are reliable, the Government uses effective processes to safeguard the resources with which it is entrusted (public resources), and the Government has complied with governing authorities.

The Office:

- Recommends improvements to the Government's management of public resources and compliance with authorities
- Encourages discussion and debate about public sector management and accountability issues
- Assists the Standing Committee on Public Accounts and the Standing Committee on Crown and Central Agencies in carrying out their mandates in holding the Government to account
- Develops professionals for the public service
- Supports and adheres to the generally accepted auditing standards as published by the Chartered Professional Accountants of Canada (CPA Canada)

The Office's work and reports contribute to informed decision making in government. This, in turn, helps the Government carry out its responsibility using sound management practices.

Accountability of the Office

The Office is accountable to the Legislative Assembly through the Standing Committee on Public Accounts. Key accountability mechanisms in *The Provincial Auditor Act* require the Provincial Auditor to:

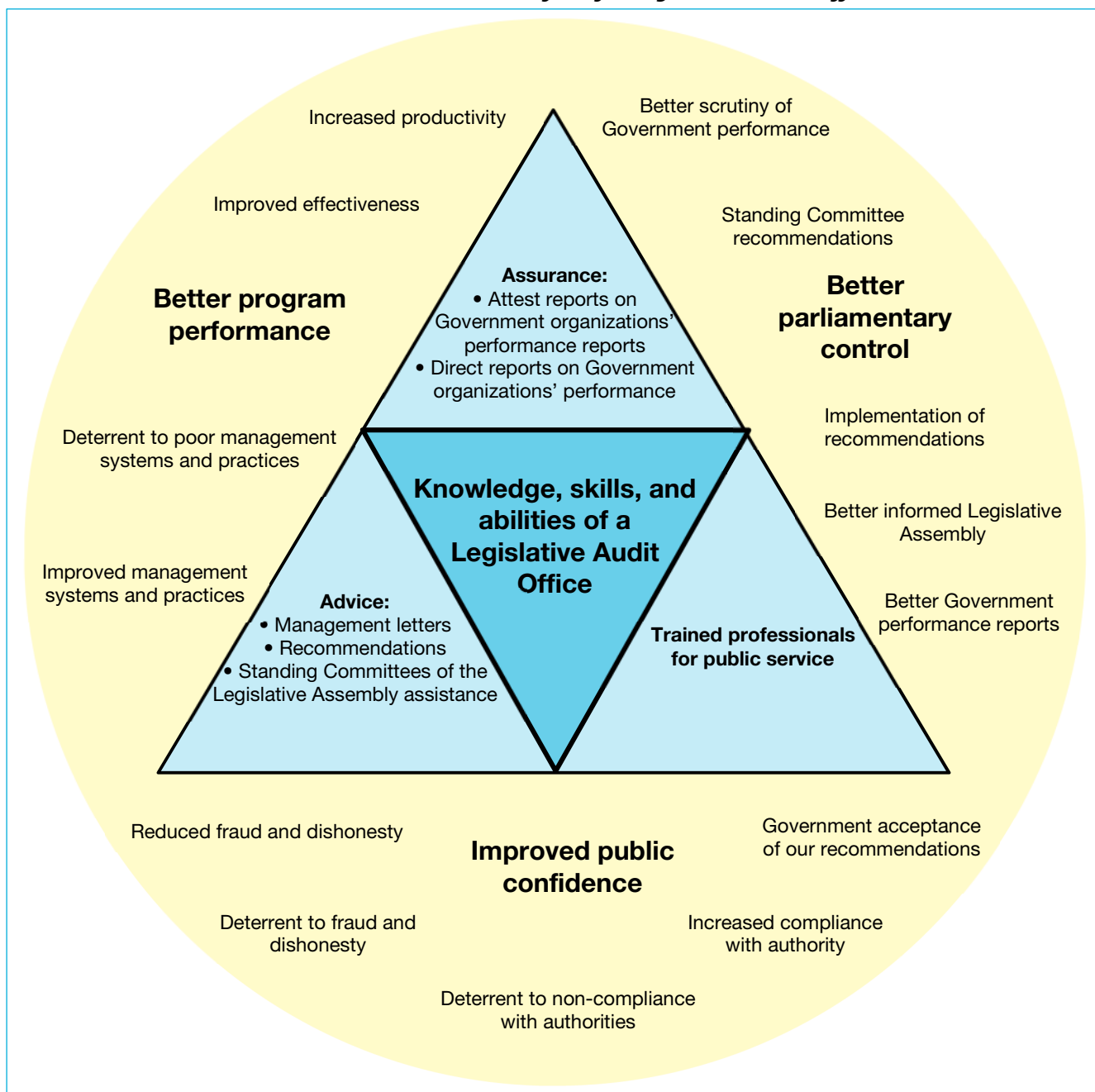
- Prepare and submit, each year to the Public Accounts Committee, key accountability documents—a business and financial plan, and an annual report on operations that includes audited financial statements
- Present to the Public Accounts Committee, for its review and approval, its annual funding request and supplementary estimates (if any)
- Provide the Public Accounts Committee with, for its information, the Office's human resources and financial management policies, and quarterly financial forecasts
- Use Canadian generally accepted auditing standards to carry out its audits
- Be a member in good standing of the Institute of Chartered Professional Accountants of Saskatchewan including maintaining firm and member licensing requirements for the provision of professional accounting services¹

In addition, *The Rules and Procedures of the Legislative Assembly of Saskatchewan* require the Public Accounts Committee to review and report to the Assembly on the results of its review of the Provincial Auditor's reports. These reports of the Public Accounts Committee include whether the Committee agrees with recommendations the Office makes in its reports.

¹ *The Provincial Auditor Act* deems the Provincial Auditor a firm for the purposes of *The Accounting Profession Act*.



Exhibit 1—The Value and Benefits of a Legislative Audit Office



Light yellow: Value and benefits of a Legislative Audit Office
Light blue: Key services and products of a Legislative Audit Office
Adapted from a Canadian Legislative Auditors Working Group



Auditor Independence

Auditor independence is critical for a successful legislative audit regime. Auditor independence allows auditors to exercise objectivity—to not be compromised by bias, conflict of interest, or undue influence of others. Independence also enhances professional skepticism (i.e., appropriate challenge of management’s assertions).

To achieve auditor independence, the Provincial Auditor, the Office, and its staff must be independent of the Government and be able to exercise that independence—they must be able to make decisions without being affected by influences that would compromise their judgment.

The Provincial Auditor Act provides the legislative framework for the independence of the Office and its staff. The Act:

- Creates an independent Officer of the Legislative Assembly called the Provincial Auditor. It gives the Provincial Auditor the responsibility to audit all government agencies and report the results directly to the Legislative Assembly.
- Ensures the Provincial Auditor is independent from elected and appointed officials including the Assembly’s committees and boards.
- Requires an order of the Legislative Assembly based on a unanimous recommendation of the Public Accounts Committee to appoint the Provincial Auditor for an eight-year non-renewable term. The Public Accounts Committee is an all-party committee that does not include Cabinet ministers.
- Requires an order of the Legislative Assembly to remove the Provincial Auditor from office for cause.
- Sets the Provincial Auditor’s salary and benefits (e.g., 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).
- Makes the employees of the Office part of the Legislative Branch of the Government. They are not part of the Executive Branch of Government or members of the public service of Saskatchewan. The Act gives the Office’s employees access to similar benefits as those available to public servants.
- Requires the Public Accounts Committee to review the Office’s annual *Business and Financial Plan* and recommend to the Assembly the annual funding for the Office.
- Gives the Provincial Auditor administrative independence—the power to administer, manage, and control the Office and general business, and oversee and direct the Office’s staff. This includes deciding which employees to hire and at what rate, what audit work to do, and how to carry out the work.

The Office has put into place additional safeguards to enable staff to act with integrity, and exercise objectivity and professional skepticism.

Maintaining Effective Systems and Practices

Sound risk management and effective systems and practices are essential for the Office’s management and use of public resources. As part of risk management, the Office identifies and assesses the possible adverse consequences that it may experience from events or circumstances. Because it is not cost effective to have no risks, the Office accepts some. It uses established systems and practices to reduce those risks to an acceptable level and implements strategies to manage residual risks.

The Office maintains strong systems and practices supported by policies and procedures so that:

- The Office provides quality services and products at a reasonable cost



- The Office's work is relevant—it assists in strengthening and advancing the Government's ability to achieve intended results
- The scope of the Office's work covers all government agencies accountable to the Legislative Assembly and the people of Saskatchewan
- Stakeholders understand and value the Office's work

The following briefly describes the Office's key systems and practices for each of these areas.

The office's external auditor audits the Office's operational and financial performance.² Results of the current year audits are highlighted in yellow.

Quality Work at a Reasonable Cost

Doing independent, reliable, and quality work at a reasonable cost is vital to the Office's success. These attributes are also essential for the Office's stakeholders to value its work. The Office must understand the challenges that the Government faces. Also, its work must help improve the performance of government programs.

The Office keeps abreast of changes to and complies with the accounting and auditing profession's generally accepted standards of practice as published by CPA Canada. The objective of these standards is to maintain and enhance the quality of audit work.

The Office's established system of quality control includes documented quality control policies and procedures. This system includes the following elements: leadership responsibilities for quality within the Office, ethical requirements, acceptance of specific assurance work, human resources, engagement performance, and monitoring.

The Office's quality control system promotes recognition that quality is essential in audit work. It helps ensure the Office and staff comply with professional standards and legal requirements. It also ensures that the Office's audit reports are reliable. The Office's internal documentation, training materials, and staff appraisal procedures ensure staff are aware of and adhere to the Office's quality control policies and procedures, and reinforce the view that quality is essential in its audit work.

The Office closely monitors potential threats to its independence and reports to the Assembly when it is concerned about threats to its independence. It maintains objectivity and independence in its work. Accordingly, the Office asks staff to confirm annually, in writing, that they comply with its objectivity and independence standards. The Office changes senior staff on significant audits at reasonable intervals.

Having skilled legislative auditors is essential to quality audits. The Office maintains hiring, training, and performance evaluation policies. These help the Office attract and retain staff with the required knowledge and expertise, provide staff with the necessary knowledge, skills, and abilities to do their work, and provide compensation competitive with the Government. These also help the Office broaden staff skills in key sectors (e.g., health, education, and social services), IT, and general management. Where the Office does not have the knowledge and expertise needed on staff for a specific audit, it contracts for such.

In addition, because the quality and cost of its work is directly related to its employees' productivity, the Office actively plans for the use of its employees' time and monitors their use of time. It compares planned to actual results, and explains and acts on differences. It plans for and manages staff turnover. Also, it monitors its

² The external auditor of the Office is appointed by the Lieutenant Governor in Council on the recommendation of the Public Accounts Committee pursuant to section 27 of *The Provincial Auditor Act*.



employees' views of the Office's working environment and makes adjustments so that it provides a positive and respectful working environment and one that fosters a culture consistent with the Office's values.

The **Schedule of Actual Time Spent on Tasks** compares the actual use of the Office's employees' time with planned use. The actual information for 2016, 2017, and 2018 is audited. The Office's external auditor reported in the **Independent Auditors' Report on the Schedule of Actual Time Spent on Tasks** that the information is reliable. (See the **Operating Performance** section for details.)

The Office's established management practices promote effective use of resources. These practices include setting direction, setting performance targets, monitoring values, training staff, maintaining procedural manuals, delegating authority, processing transactions, and monitoring and reporting results.

In addition, the Office uses standard methods for carrying out its work and continually changes its methods to reflect best practice. To identify best practice, it continually compares its methods with other legislative auditors and private sector auditors. Its methods cover how it plans, executes, supervises, reviews, and reports its work. It monitors all of its work so that the work meets its standard methods. Also, it has well-defined procedures for working with private sector auditors who audit government agencies (appointed auditors).

The Office's reporting processes help ensure it reports its work by established deadlines and within the planned costs set out in its annual business and financial plan. The Office tracks, monitors, and forecasts the cost of each audit. It explains and acts on differences between planned and actual costs. It also routinely compares its costs with private sector auditors' costs to audit government agencies.

The Office maintains effective financial management systems and practices that include using an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates incompatible duties.

For all government agencies, the Office reports on the effectiveness of their processes to safeguard public resources, prepare reliable financial reports, and comply with the law. These types of assurances (audit reports) are important to legislators and the public.

To provide the legislators and the public with this assurance on the Office, the Office includes in this Report the reports of the Office's external auditor on the effectiveness of the Office's financial management processes and compliance with the law. The **Independent Auditors' Report on Effectiveness of Financial-Related Controls** indicates the Office's controls are effective. The **Independent Auditors' Report on Compliance with Authorities** indicates that the Office complied with the provisions of *The Provincial Auditor Act*. These reports provide the Legislative Assembly with assurance that the Office is fulfilling its responsibilities.

Relevant Work

The Office sets goals and priorities that will result in relevant assurance and advice for its stakeholders. The Office maintains a **five-year strategic plan**. The strategic plan provides a foundation for developing the Office's annual business and financial plans provided to the Public Accounts Committee.

To help direct its efforts toward relevant issues, the Office's planning processes seek external input. They include identifying external forces, emerging trends, and risks; and assessing their impact on the Office and its plans.

How the Government manages its risks affects the nature and extent of the Office's work. The Office uses a risk-based model to focus its work. The Office focuses its efforts on helping its stakeholders address the challenges and opportunities emerging from external forces and trends.





The Office's reporting processes include reporting its assurance and advice directly to the Legislative Assembly and the Government. Its reports contain the matters that, in the Office's view, are significant to the Assembly and the public.

Before submitting its Reports to the Assembly, the Office prepares and discusses the results of each audit with the applicable agency. This includes meeting with agencies to confirm the findings and gain support for its recommendations. When deciding what to report, the Office considers whether the matter:

- Affects the Assembly's ability to control the financial activities of the Government or to hold the Government accountable for how it administers public money
- Involves improving how the Government administers public money or its compliance with legislative authorities
- Involves non-compliance with legislative authorities

At the end of each audit, it issues a final report to the Minister responsible, senior officials of the agency and, if applicable, the chair of the agency's governing body (e.g., board) with a copy to the Chair and Secretary of Treasury Board and to the Provincial Comptroller.

The Office uses surveys to assess the satisfaction of agencies it audits with its work. It also continuously seeks advice from stakeholders when it works with appointed auditors.

Scope of Work

As part of its annual business and financial planning process, the Office prepares an annual work plan that covers all government agencies. Because the Legislative Assembly, Cabinet, and government agencies create or wind up other government agencies, the Office monitors their actions and continually changes its list of government agencies. It estimates the costs of carrying out the work plan and asks the Assembly for the money to carry out the plan.

The audited **Schedule of Actual Costs to Audit Government Agencies** compares the Office's actual costs to examine government agencies for years ending in the period January 1, 2017 to December 31, 2017, with its planned costs. In the **Independent Auditors' Report on the Schedule of Actual Costs to Audit Government Agencies**, the Office's external auditor reported that the actual cost information is reliable.

Stakeholders Understand and Value Work

Gaining and keeping the trust of legislators and the public is essential to the viability of the Office. The Office must provide independent, relevant, and reliable information that is consistent with legislators' objectives. To do this, the Office works closely with the following legislative committees:

- **The Standing Committee on Public Accounts** helps the Assembly hold the Government accountable for its management of public resources. The Committee reviews, examines, and evaluates the activities of government ministries and Crown agencies. The Committee is required to review and report to the Assembly on the results of its review of the Public Accounts and of the Reports of the Office. Because of its scrutiny role, the Committee functions as the audit committee for the Legislative Assembly and thus, for the public. The Office works with the Committee to carry out its mandate. In 2017-18, the Committee approved the Office's 2018-19 request for resources as set out in its *2019 Business and Financial Plan* and met once to review the Office's reports.



- **The Standing Committee on Crown and Central Agencies** helps the Legislative Assembly hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations, supply and services (e.g., Ministry of Central Services), central government agencies (e.g., Ministry of Finance), liquor, gaming, and all other revenue-related agencies and entities. The Committee does this, in part, by reviewing chapters in the Office's reports, and the annual reports and financial statements of agencies within its subject area. It reports to the Assembly on the results of its review. These reports may contain recommendations resulting from the Office's audit work. In 2017-18, the Committee's meetings did not include a review the Office's reports.

The Office has processes to prepare reliable plans and performance reports. These documents convey vital information about the Office. It uses its plans and reports to communicate to its stakeholders who it is, its plans, the results of its work, and its performance. It seeks and monitors the views of its stakeholders on its plans and performance. Each year, it provides the Assembly with its annual business and financial plan and an annual report on operations. The Public Accounts Committee reviews and provides its advice on these reports.

To fulfill its statutory duties, the Office needs sufficient resources to employ competent people. It also needs enough resources to equip, support, and house its employees. It needs the support of legislators to get the required resources. To gain this support, the Office has established processes to ensure that its work is both relevant to legislators and reliable. It publishes a business and financial plan and an annual report on operations to build legislators' support for its request for resources. When it does not have enough resources to pay for the cost of its workforce, it reduces the size of its staff. When this happens, it does not do all the work the law requires it to do and it advises its stakeholders.

The Office uses processes to report its assurance and advice to the Legislative Assembly and its other stakeholders in a clear, accessible, and timely manner. It monitors legislators' and the Government's acceptance of its recommendations and routinely follows up unimplemented recommendations. It makes its plans and reports readily accessible to legislators, the public, and government officials. It monitors the use of its reports (e.g., by legislators, legislative committees, and the public).

The Office's Employees

The Office's employees are its most valuable resource in the delivery of quality and timely products and services to its stakeholders. To have the right balance of skills, knowledge, and expertise the Office needs professional staff with a mix of financial-related and non-financial related skills. During 2018, the Office employed 62 full-time equivalent positions. At March 2018, 32 of its employees were professional accountants and 21 were training to become professional accountants. Approximately one-third of the Office's employees, in addition to being professional accountants, have other training or hold non-accounting designations (e.g., human resources, risk management, information systems audit, pension plan administration, internal audit, public administration).

Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to the Office's success. The Office supports employees in broadening their knowledge and skills through their participation and leadership roles on relevant provincial and national committees (such as professional accounting bodies and legislative audit forums). During 2018, 14 employees were involved in 18 national and 5 provincial committees/boards including the Canadian Council of Legislative Auditors, Institute of Chartered Professional Accountants of Saskatchewan, Institute of Internal Auditors of Canada, and Chartered Professionals in Human Resources Saskatchewan.

The Office trains professionals for the public service (primarily professional accountants). During the year ended March 31, 2018, five employees left the Office to accept public sector positions. Their experience with the Office provides them with a strong foundation to contribute to improved management systems and practices in those agencies.



The Provincial Audit Team



Photo taken by Arnold McKenzie



Operating Performance





Management Discussion and Analysis

Background for Measuring the Office's Performance

The Office has the following three primary services and products as explained in its *2018 Business and Financial Plan* and reflected in **Exhibit 1 – The Value and Benefits of a Legislative Audit Office**—assurance (audit reports), advice (recommendations), and trained professionals for the public service.

The Office provides assurance through its reports on the reliability of financial statements, compliance with authorities, and the effectiveness of management systems and practices on the Government, sectors of the Government, and on each government agency. The Office's advice is a by-product of its assurance work. The Office provides assurance and advice to:

- Government officials through management letters setting out its conclusions, findings, and recommendations for improvement.
- The Legislative Assembly and the public in its public reports to the Assembly. These reports summarize its work at government agencies.

As shown in **Exhibit 1 – The Value and Benefits of a Legislative Audit Office**, the Office's key services and products provide value and benefits including improved public confidence in government and better performance in the delivery of government programs. The Office also makes recommendations to encourage the Government to improve the delivery of its programs.

2018 Operating Results by Strategic Goal

Introduction

The Office's approved strategic plan for the period April 1, 2016 to March 31, 2021 was included in its *2018 Business and Financial Plan*. Prior to approval of the strategic plan, the Office sought external input at key stages including consulting with key stakeholders and legislators.

The plan includes four strategic goals, supporting priorities, and related performance measures and targets. The Office's supporting strategic priorities reflect areas of focus or change conditions that require the Office to invest time and resources to achieve its strategic goals.

As reflected in **Exhibit 2—2017 - 2021 Strategic Plan**, the Office has set measures for each of its four strategic goals.



Exhibit 2—2017 – 2021 Strategic Plan

VISION

A valued and independent legislative audit office
advancing excellence
and inspiring confidence in public sector
performance

MISSION

We promote accountability and better management by providing
Legislators and the public with an independent assessment of the
government's use of public resources

STRATEGIC GOALS

Demonstrate
focus on the
most relevant
audit areas

Sustain an engaged
work force that
contributes to the
Office's success

Improve our delivery
of reliable audits at
a reasonable cost

Increase the
awareness of the
role of the office

STRATEGIC PRIORITIES

- Seek input from key stakeholder groups to identify areas of focus
- Streamline processes to determine areas of focus
- Communicate multi-year work plan with key stakeholders

- Support leadership development
- Enhance strategies to recruit/retain staff
- Equip staff to effectively manage change

- Continuously improve our work
- Meet professional standards
- Deploy resources based on reasonable budgets and deadlines

- Educate the legislators, public, and public sector agencies about the work we do
- Enhance accessibility to the work we do

PERFORMANCE MEASURES

- Government acts on the Office's recommendations
- Assembly's acceptance of the Office's recommendations
- Auditees' value of and satisfaction with the Office's work

- Employees' satisfaction with their working environment
- Proportion of working hours spent on training

- Timely assurance on reports to agencies and the Assembly
- Work is completed within planned costs
- External reviews do not report any significant deficiencies

- Public familiarity with the Office

The complete 2017 – 2021 Strategic Plan is available at <https://auditor.sk.ca/about/2017-2021-strategic-plan>.





The following compares the Office's current year actual results to planned (target) for each measure of success towards meeting its 2017-2021 strategic goals. This section should be read along with the audited **Schedule of Results for Key Performance Measures**.

Consistent with prior years, the Office's external auditor has reported in the **Independent Auditors' Report on the Schedule of Results for Key Performance Measures** that the Office's performance information was relevant, reliable, and understandable.

Goal 1 – Demonstrate focus on the most relevant audit areas

The Provincial Auditor Act makes the Office the auditor of all Provincial Government ministries and agencies. As an independent legislative audit office, the Office is uniquely positioned to carry out objective and unbiased audits independent of the Government.

The Office carries out various types of audits (e.g., integrated [financial-related], performance, and follow-ups) using Canadian professional auditing standards. The Act gives the Office the power to decide what work to do, how to carry it out, and when.

For the Office's work to be relevant, it must focus its efforts on areas of public interest, and on where it can add value to its clients, and other key stakeholders. The Office must consult with key stakeholders to understand their needs and perspectives, share its plans, and explain the impact and value of its work.

The Office measures its success in demonstrating focus on the most relevant audit areas using the following measures:

- Government acts on the Office's recommendations
- Assembly's acceptance of the Office's recommendations
- Auditees' value of and satisfaction with the Office's work

Government Acts on the Office's Recommendations

Rationale and description of measure: The Office makes recommendations to help improve the Government's performance reports (e.g., financial statements) and its delivery of programs. The extent to which the Government acts on recommendations demonstrates that the recommendations reflect areas that are important to improve public sector management and, in part, the impact of the Office's work. The Office groups its recommendations into two types:

- **Type 1** recommendations are those that are less complex, easier to carry out, and can be implemented in one year; these are tracked over a five-year period (e.g., April 2013 to March 2018 for the current reporting period)
- **Type 2** recommendations are those that are more difficult to carry out and may take up to five years to implement; these are tracked over a 10-year period (e.g., April 2008 to March 2018 for the current reporting period)

The Office made 252 Type 1 and 352 Type 2 recommendations during the current reporting period.

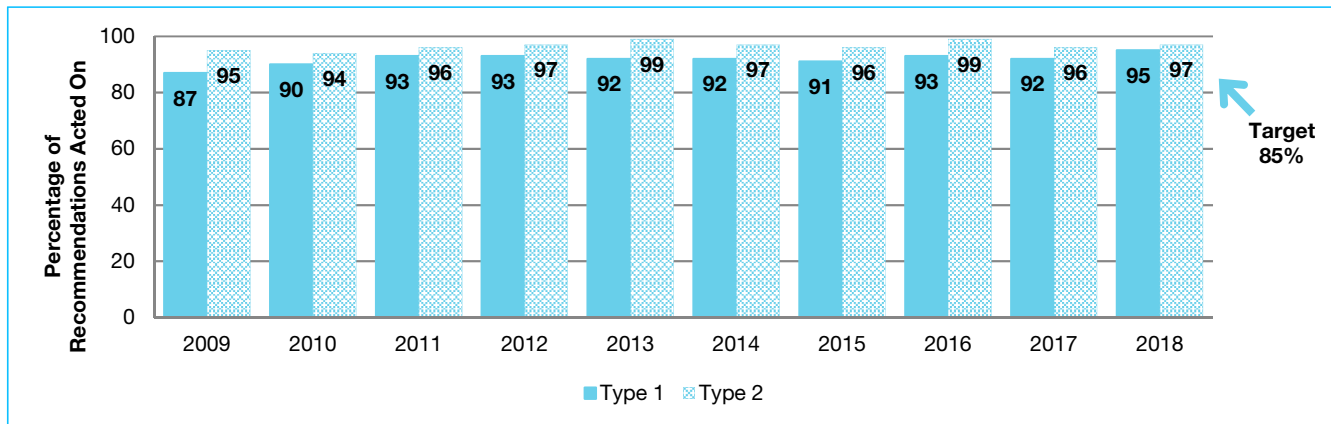
2018 Target: The Government acts on 85% of the Office's recommendations.

2018 Results: Target met – The Government acted on 95% of Type 1 and 97% of Type 2 recommendations.

Exhibit 3—Percentage of Recommendations Acted on by the Government from 2009 to 2018 shows the 10-year trend of percentage of recommendations acted on by the Government.



Exhibit 3—Percentage of Recommendations Acted on by the Government from 2009 to 2018



Assembly's Acceptance of the Office's Recommendations

Rationale and description of measure: The support of the Standing Committees on Public Accounts and Crown and Central Agencies (Committees) is critical to help hold the Government accountable and help improve public sector management. The Office makes recommendations to help improve accountability and the delivery of programs. The Committees' acceptance of the Office's recommendations is an indication of the Assembly's confidence in and satisfaction with the Office's work.

The Committees' established practice is to decide whether they agree with the Office's recommendations in their review and consideration of the Office's reports.

The extent to which each Committee accepts recommendations demonstrates the Committee thinks the recommendations reflect areas that are important to improve public sector management and / or accountability.

The Office tracks the Committees' consideration of its recommendations over a five-year period using Committee decisions as reflected in the Committees' minutes (i.e., from 2013 to 2018 for the current reporting period).

2018 Target: Committees accept 90% of the Office's recommendations.

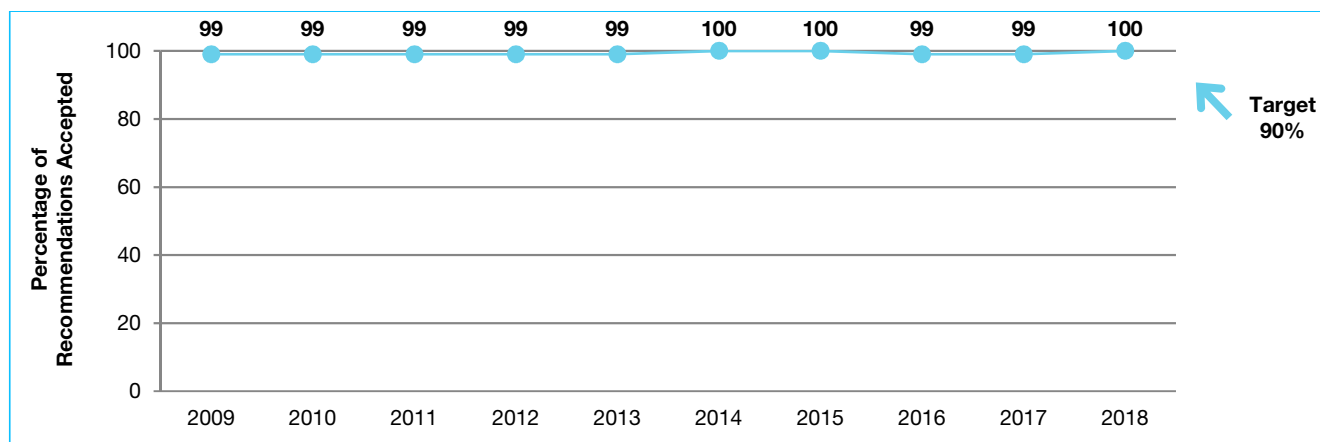
2018 Results: Target met – For 2018, **Exhibit 4—Percentage of Recommendations Considered and Accepted by Legislative Committees from 2009 to 2018** shows that the Committees accepted, or partly accepted, 100% of the Office's recommendations that they considered. **Exhibit 4** shows that the Office achieved its target in each of the past 10 years.

During the period April 1, 2017 to March 31, 2018, PAC held 5 meetings and considered 27 recommendations from the Office's reports at one of those meetings. During the same period, the Crown and Central Agencies Committee held 10 meetings but did not consider any recommendations from the Office's reports at those meetings.





Exhibit 4—Percentage of Recommendations Considered and Accepted by Legislative Committees from 2009 to 2018



Auditees' Value of and Satisfaction with the Office's Work

Rationale and description of measure: The management of public sector ministries and agencies are key stakeholders of the Office—they are who we audit (auditees). For the Office to be successful in its vision and mission, auditees must view the Office's work as being relevant and valuable.

The Office surveys agencies it audits to obtain feedback on their satisfaction with the Office's work. It tracks their feedback over a five-year period. The survey asks auditees to:

- Acknowledge the value of the Office's work related to whether:
 - Reports to the agency's Minister were understandable, accurate, and relevant (reports)
 - Recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations)
- Indicate their level of satisfaction with the Office's work related to whether:
 - Planned work for the agency met its needs and that the Office carried out its work according to the plan (responsiveness)
 - Office employees were knowledgeable and carried out their work professionally and courteously (professionalism)

2018 Target: Post-audit feedback shows agencies acknowledge the value of and indicate satisfaction with the Office's work.

2018 Results: Target met – As set out in **Exhibit 5—Agencies' Value of and Satisfaction with the Office's Work from 2014 to 2018**, survey responses indicate agencies value and are satisfied with the Office's audit work.

During the five-year period of April 2013 to March 2018, 58% of agencies responded to the Office's survey (160 responses out of 277 surveys sent) (2017 response rate: 54%).



Exhibit 5—Agencies’ Value of and Satisfaction with the Office’s Work from 2014 to 2018

Criteria	2014	2015	2016	2017	2018
Responsiveness	satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Reports	very valuable	very valuable	very valuable	very valuable	very valuable
Recommendations	very valuable	very valuable	very valuable	very valuable	very valuable

Goal 2 – Sustain an engaged work force that contributes to the Office’s success

The Office operates within an environment of constant change with ever shifting priorities. Recent key changes directly affecting the Office include new professional assurance and accounting standards for non-financial and financial work, the impact of the amalgamation of the professional accountancy profession on staff training and employment opportunities, a robust job market for manager-level staff, and fiscal pressures across government.

The Office carries out both financial and non-financial audits. Approximately 20% of the Office’s work relates to non-financial audits. Besides training staff to become professional accountants and strategically contracting expertise for its non-financial work, the Office must attract and retain staff with diverse skill sets (e.g., financial, IT, internal control systems, performance management, governance, risk management).

The Office’s staff are its most valuable resource because the quality and timeliness of the Office’s work depends on their knowledge, skills, and professionalism. The Office must make sure its staff have and maintain the necessary knowledge and skills; it must provide staff with a supportive work environment conducive to facilitating timely and quality work.

The Office measures its success in sustaining an engaged work force that contributes to the Office’s success using the following measures:

- Employees’ satisfaction with their working environment
- Proportion of working hours spent on training

Employees’ Satisfaction with their Working Environment

Rationale and description of measure: A good working environment for employees assists with employee productivity and retention. The Office surveys employees on satisfaction each year. The survey gives employees an opportunity to express their level of satisfaction on 11 key indicators of the Office’s working environment. The survey uses a rating scale of one through five where five is the most positive response.

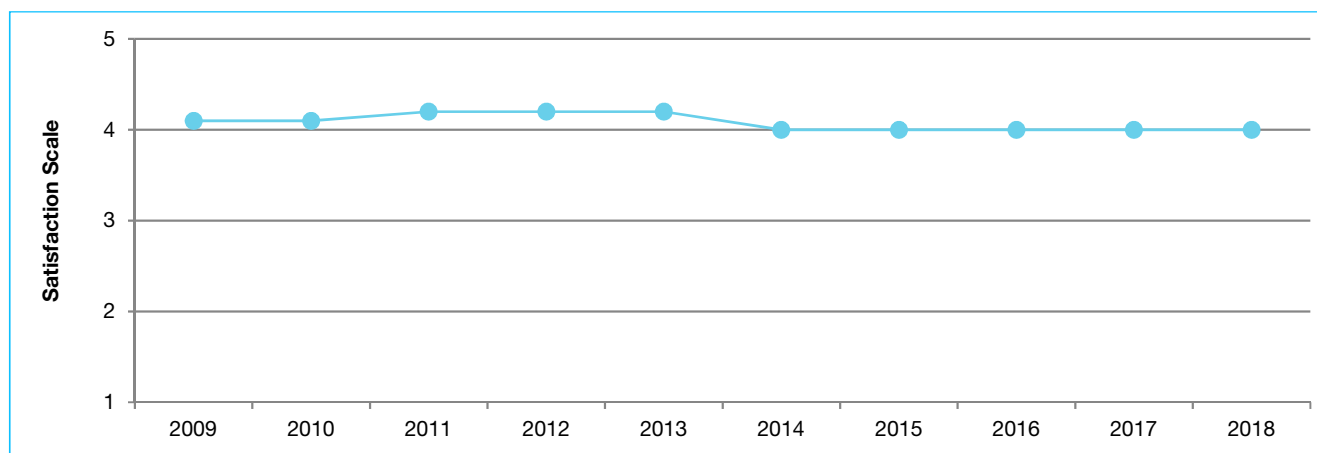
2018 Target: Survey results show a positive level of employee satisfaction with the Office’s working environment.

2018 Results: Target met – Employee satisfaction remained positive over the past year. **Exhibit 6—Cumulative Average Response for All Indicators of Employee Satisfaction from 2009 to 2018** shows employee satisfaction has remained stable over the last 10 years. In 2018, 84% of staff responded to the survey (2017: 79%).





Exhibit 6—Cumulative Average Response for All Indicators of Employee Satisfaction from 2009 to 2018



Proportion of Working Hours Spent on Training

Rationale and description of measure: To maintain staff competencies and its status as a training office for legislative auditors, the Office must allocate sufficient resources for training activities. The Office tracks the time each employee spends on training activities.

Available working hours are the amount of time available after deducting vacation leave, statutory holidays, and sick leave.

2018 Target: Time spent on training activities averages a minimum of 7% of available working hours.

2018 Results: Target met – The **Schedule of Actual Time Spent on Tasks** shows that the Office spent 7% of available working hours on training activities (2017: 6%). In 2018, the Office was able to balance the need to increase training for the implementation of some of its strategic plan initiatives and changes in professional standards with the use of webinars and training available in Saskatchewan. This lessened travel time to attend some training events.

Goal 3 – Improve the Office’s delivery of reliable audits at a reasonable cost

The Office’s advice, findings, and recommendations must be accurate, fair, timely, and understandable for them to be of value to legislators, the public, and those we audit.

The Office must keep its audit methodology current and aligned with professional standards. In addition, it must implement its methodology efficiently and economically. This includes accepting new ideas and change.

The Office measures its success in improving its delivery of reliable audits at a reasonable cost using the following measures:

- Timely assurance on reports to agencies and the Assembly
- Work is completed within planned costs
- External reviews by CPA Saskatchewan practice inspectors, Canadian Council of Legislative Auditors (CCOLA) peer reviewers, and the Office’s external independent auditor do not report any significant deficiencies



Timely Assurance on Reports to Agencies and the Assembly

Rationale and description of measure: Legislators, the public, and government agencies need timely assurance to have confidence in the Office's findings and recommendations.

The Office regularly schedules the completion of its reports on the results of its work to the Assembly (e.g., Volume 1). The Office reports the results of audits in the report following their completion. Consistent with *The Provincial Auditor Act*, the Office submits its reports to the Speaker for tabling in the Assembly.

The Office compares the timeliness of its reports to government agencies to established planned dates. The Office establishes deadlines when planning each audit. The Office sets out planned dates in audit plans discussed with and provided to government agencies. For financial statement audits, it sets planned dates consistent with statutory tabling deadlines.

2018 Targets: The Office submits Volume 1 for tabling within the first two weeks of June and Volume 2 within the first two weeks of December. The Office provides at least 75% of its reports to government agencies by agreed upon dates.

2018 Results: Target met – The Office tabled its *2017 Report - Volume 1* on June 6, 2017, and *2017 Report - Volume 2* on December 12, 2017.

Target met – The Office provided 81% of its reports to government agencies by the agreed upon dates (2017: 72%). The Office continues to work on improving the timeliness of its issuance of reports (management letters) to agencies. As mentioned previously, auditee survey responses reflect agencies are satisfied with the responsiveness of the Office's work.

Work is Completed within Planned Costs

Rationale and description of measure: The Office wants to provide relevant, reliable, and timely products and services at a reasonable cost. The Office tracks the planned and actual costs to examine each government agency each year.

The Office's annual *Business and Financial Plan* sets out planned costs to examine government agencies for the year of the Plan. The Office's *Annual Report on Operations* compares the planned to actual costs to examine agencies for that year and explains significant differences, if any.

2018 Target: The Office completes audits within planned costs as set out in its approved budget.

2018 Results: Target met – The Office substantively completed its work within planned costs as set out in its *2018 Business and Financial Plan*. Significant differences between planned and actual costs are explained in the footnotes to the **Schedule of Actual Costs to Audit Government Agencies**.

External Reviews Do Not Report Any Significant Deficiencies

Rationale and description of measure: The following three external reviewers assess the Office's quality of and compliance with policies and practices to provide quality audits.

CPA Saskatchewan conducts practice inspections of the Office about every three years. In its inspections, it determines whether the Office has policies, practices, and procedures in place that would enable it to provide public accounting services in accordance with the standards of the Canadian accounting profession.

On a voluntary basis, the Office participates in the Inter-jurisdictional Peer Review Process of CCOLA. Every second year, it asks another legislative audit office, through a review of a number of its audit files, to determine





whether its audit work complied with generally accepted auditing standards published by CPA Canada (professional standards).

The Assembly requires an annual audit of the Office by an auditor who is independent of the Office and who has the same audit responsibilities as the Office. Each year, this auditor provides the Assembly with his/her opinion on the following:

- The reliability of the Office's financial statements
- The Office's compliance with *The Provincial Auditor Act*
- The effectiveness of the Office's financial controls
- The reliability of the Office's key performance indicators

2018 Target: None of the external reviewers report significant deficiencies on the Office's policies and practices.

2018 Results: Target met

The 2018 CPA Saskatchewan practice inspection of the Office did not identify any reportable deficiencies.

As part of the CCOLA Peer Review Process, the Office of the Auditor General of British Columbia reviewed two of the Office's non-financial audit files in January 2018. It reported that the Office's work complied with professional standards.

The external auditor of the Office reached unqualified opinions for all of the above areas and had no significant matters to report to the Assembly. The Office's external auditor reports the following:

- The Office's 2017-18 financial statements are reliable, it complied with *The Provincial Auditor Act*, and it had effective financial controls as set out in the **Independent Auditors' Report on the Financial Statements**, the **Independent Auditors' Report on Compliance with Authorities**, and the **Independent Auditors' Report on Effectiveness of Financial-Related Controls**
- The Office's performance information is reliable as set out in the **Independent Auditors' Report on the Schedule of Results for Key Performance Measures**
- There are no significant matters to report to the Assembly as set out in the **Independent Auditors' Report on Significant Matters**

Goal 4 – Increase the Awareness of the Role of the Office

Gaining and keeping the trust of legislators and the public is key to the Office being a credible and trusted advisor to legislators and the public.

The Office must be well positioned to clearly communicate its purpose, its independence, its work, and how it is accountable. This includes explaining how it manages potential or perceived threats to its independence. Clear and open communications will help ensure legislators, the public, and others have a clear and accurate understanding of its role and responsibilities.

The Office measures its success in increasing awareness of the role of Office using the following measure:

- Public familiarity with the Office



Public Familiarity with the Office

Rationale and description of measure: To achieve the Office’s vision and mission, it is important that the public is aware of the Office’s work and the role of the Provincial Auditor as an independent Officer of the Legislative Assembly.

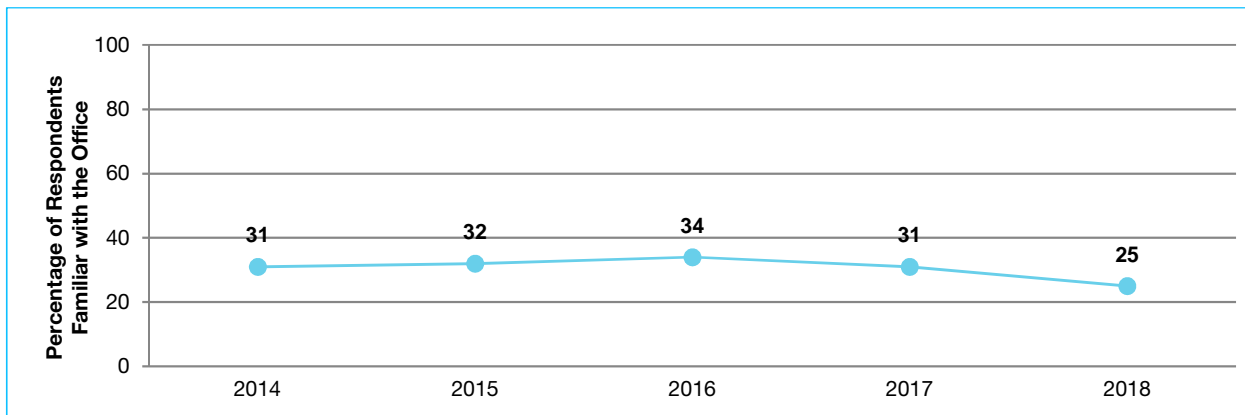
To measure the public’s awareness of the Office, each year, the Office participates in an online Omnibus survey of Saskatchewan residents and tracks its results. The survey asks participants how familiar they are with the Office of the Provincial Auditor.

2018 Target: Results of annual survey of public familiarity with the Office indicate a positive trend over a five-year period (i.e., from 2014 to 2018 for the current reporting period).

2018 Results: Target not met – The results of the March 2018 survey indicate that 25% of respondents had some familiarity with the Office—a decrease from the prior year (2017: 31%). **Exhibit 7—Public Familiarity with the Office from 2014 to 2018** shows the level of public awareness of the Office has decreased for the past two years. 804 residents of Saskatchewan responded to the online survey question in 2018 (2017: 801 residents).

To address declining public awareness, in May 2018 the Office initiated a social media presence (Twitter, LinkedIn) and plans to monitor its impact.

Exhibit 7—Public Familiarity with the Office from 2014 to 2018





Independent Auditors' Report on the Schedule of Actual Time Spent on Tasks

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Time Spent on Tasks of the Office of the Provincial Auditor for the year ended March 31, 2018, which is prepared in accordance with the principles as set out in the notes to the schedule of statistical information.

Management's Responsibility for the Statistical Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of statistical information that is free from misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual time employees spent on tasks of the Office of the Provincial Auditor for the year ended March 31, 2018, in accordance with the principles set out in the notes to the schedule of statistical information.

June 19, 2018
Regina, Saskatchewan

Virtus Group LLP

Chartered Professional Accountants



—Audited—

OFFICE OF THE PROVINCIAL AUDITOR SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Year Ended March 31

Employee time	Actual			Planned	
	2016	2017	2018	2018	2019
Working hours	85%	86%	85%	84%	85%
Vacation leave and statutory holidays ¹	13%	12%	13%	14%	13%
Sick leave	2%	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	71% ³	70%	70%	70%	70%
Support services	11%	11%	11%	11%	11%
Office administration	13% ⁴	13% ⁵	12%	12%	12%
Training	5% ³	6%	7%	7%	7%
Total work hours	100%	100%	100%	100%	100%
Total full-time equivalent positions ²	60	61	62 ⁶	62	62

(See accompanying notes)

Explanations of statistical differences in the use of employee time.

- ¹ The Office provides vacation leave and statutory holidays similar to those provided to employees in the public service. Periodically, there is one more statutory holiday (Good Friday) in the period (i.e., 2016 and 2018). Periodically, there is one less statutory holiday (Good Friday) in the period (i.e., 2017 and 2019).
- ² Includes employees and contracted assistance.
- ³ During 2016, some management and specialized training was deferred to meet audit deadlines. In addition, some specialized training was available via webinar or in Saskatchewan thereby decreasing travel time for training events.
- ⁴ Office administration time increased in 2016 as a result of developing a new five-year Strategic Plan.
- ⁵ The Office finalized its Strategic Plan including assigning working groups to begin research on key strategic initiatives.
- ⁶ This represents 59 full-time equivalent employees and 3 full-time equivalent contracted assistance.



**OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE SCHEDULE OF ACTUAL TIME SPENT ON TASKS**

For the Year Ended March 31, 2018

1. Purpose

This schedule shows work tasks and the percentage of time spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2016 to March 31, 2018, and planned percentages for these tasks for the years ended March 31, 2018 and 2019.

2. Definitions

Working Hours – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation Leave and Statutory Holidays – Vacation leave is based on years of service. Employees also receive paid provincial statutory holidays similar to those provided in the public service.

Sick Leave – Sick leave is based on approved leave taken prior to being eligible for long-term disability benefits.

Total Paid Hours – This is the total of working hours, vacation leave, statutory holidays, and sick leave. Employees must work a minimum of 1950 hours per year to receive full pay.

Audit Hours – This is the time spent on the audits set out in the **Schedule of Actual Costs to Audit Government Agencies**. Audit hours do not include the time spent on support services, office administration, and training.

Support Services – This is the time spent on accounting, computer maintenance and support, and other administrative support.

Office Administration – This is time spent on human resource activities, internal committees and working groups, office-wide and division planning activities, and time that does not fall within any other working hours task category.

Training – This is time spent on staff development, courses, and seminars. The time includes both employee attendance time and instructor time when employees instruct courses.

Full-time Equivalent Positions – Total paid hours divided by 1950 hours.

3. Time Allocation Policies

Employees and contract staff are required to record actual time spent on each task to the nearest quarter hour. Staff supervisors approve all time recorded. The Office uses the staff time information to pay employees and contract staff, and monitor productivity. The Office also uses this information to determine and monitor the costs to audit government agencies.

4. Planned Time

The percentages of planned time set out in the Schedule are those presented to the Standing Committee on Public Accounts in the **Schedule of Planned Time Spent on Tasks** in the Office's *Business and Financial Plans* for the related fiscal year.



Management's Representation on the Schedule of Results for Key Performance Measures

Management of the Office of the Provincial Auditor prepared its performance information for key performance measures in accordance with the following reporting principles:

- The performance information is relevant. It is related to stated objectives and performance targets and enables an assessment of our progress towards achieving the objectives and targets. It shows how the Office achieved the results and how it measured its progress towards the performance targets.
- The performance information is reliable. It is based on data that are accurate, complete, and available over a long period of time and at a reasonable cost. It is derived from data that is fair and unbiased and capable of being replicated by independent and knowledgeable observers.
- The performance information is understandable. It provides the level of detail needed to enable a proper understanding of performance and is limited to a key set of performance measures that are comparable over time and aggregated at appropriate and meaningful levels.

Judy Ferguson, FCPA, FCA
Provincial Auditor

Angèle Borys, CPA, CA, CPHR
Deputy Provincial Auditor and
Chief Operating Officer

June 19, 2018
Regina, Saskatchewan





Independent Auditors' Report on the Schedule of Results for Key Performance Measures

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Results for Key Performance Measures of the Office of the Provincial Auditor reporting management's progress in achieving stated objectives and performance targets for the year ended March 31, 2018, which is prepared in accordance with the reporting principles set out on page 26 of the *Annual Report on Operations*.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with the reporting principles set out on page 26 of the *Annual Report on Operations*, and for such internal control as management determines is necessary to enable the preparation of performance information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of reporting principles used and the reasonableness of significant judgments made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule presents fairly, in all material respects, the Office of the Provincial Auditor's progress towards achieving stated objectives and performance targets in accordance with the reporting principles set out on page 26 of the *Annual Report on Operations*.

Vintus Group LLP

June 19, 2018
Regina, Saskatchewan

Chartered Professional Accountants



OFFICE OF THE PROVINCIAL AUDITOR SCHEDULE OF RESULTS FOR KEY PERFORMANCE MEASURES

For the Year Ended March 31, 2018

The Office uses performance measures and targets to measure its progress towards achieving its strategic goals and priorities. The following sets out the 2018 Results as compared to Targets for each measure. Measures are grouped under the related goal as set out in the *2017-2021 Strategic Plan*.

<i>Strategic Goals and Priorities</i>	<i>Performance Measures and Targets</i>	<i>2018 Actual Results</i>
<p>Demonstrate focus on the most relevant audit areas</p> <p>Priorities</p> <ul style="list-style-type: none"> – Seek input from key stakeholder groups to identify areas of focus – Streamline processes to determine areas of focus – Communicate multi-year work plan with key stakeholders 	<p>Government acts on 85% of the Office's recommendations</p>	<p>Target met.</p>
	<p>Results for Type 1 recommendations are based on all recommendations that are more than one year old and do not involve major changes made in a five-year period (e.g., for 2018 – April 2013 to March 2018).</p>	<p>Type 1 – 95% (2017 – 92%)</p>
	<p>Results for Type 2 recommendations are based on all recommendations that are more than five years old and involve major changes made in a 10-year period (e.g., for 2018 – April 2008 to March 2018).</p>	<p>Type 2 – 97% (2017 – 96%)</p>
	<p>The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations</p> <p>The results are based on recommendations considered by each Standing Committee during their meetings over the last five-year period (e.g., for 2018 – April 2013 to March 2018).</p>	<p>Target met.</p> <p>100% (2017 – 99%)</p>
<p>Auditees' post-audit feedback acknowledges value and satisfaction with our work</p> <p>Results are based on the responses to surveys sent to agencies during a five-year period (e.g., for 2018 – April 2013 to March 2018).</p>	<p>Target met.</p> <p>Agencies value and are satisfied with the Office's work</p> <p>58% of agencies responded to 277 surveys sent.</p> <p>(2017 – Agencies value and are satisfied with the Office's work. 54% of agencies responded to 274 surveys sent)</p>	





—Audited—

Strategic Goals and Priorities	Performance Measures and Targets	2018 Actual Results
<p>Sustain an engaged work force that contributes to the Office's success</p> <p>Priorities – Support leadership development – Enhance strategies to recruit/retain staff – Equip staff to effectively manage change</p>	<p>Results of annual staff survey indicate a positive level of satisfaction with the Office's working environment</p> <p>Employees, through an annual survey, are asked to express their level of satisfaction with 11 key indicators of the Office's working environment.</p> <p>Training in the Office averages a minimum percentage of 7% of available working hours</p>	<p>Target met.</p> <p>Employees are satisfied</p> <p>84% of staff responded to the survey. (2017 – Employees are satisfied. 79% of staff responded to the survey)</p> <p>Target met.</p> <p>7%</p> <p>Staff continue to access specialized training available in province or via webinar. Refer to Schedule of Actual Time Spent on Tasks. (2017 – 6%)</p>
<p>Improve our delivery of reliable audits at a reasonable cost</p> <p>Priorities – Continuously improve our work – Meet professional standards – Deploy resources based on reasonable budgets and deadlines</p>	<p>The Office provides assurance within agreed upon timelines</p> <ul style="list-style-type: none"> ➤ Submits Volume 1 within first two weeks of June and Volume 2 within first two weeks of December ➤ Provides at least 75% of reports to Government agencies by agreed upon dates <p>Results are based on whether the Office provided planned reports (e.g., management letters) to government agencies by agreed upon dates.</p> <p>The information for this measure is not currently audited. The Office plans to have this measure audited in the future.</p> <p>Office completes audits within planned costs as set out in its approved budget</p>	<p>Target met.</p> <p><i>2017 Report – Volume 1</i> tabled June 6, 2017, and <i>2017 Report – Volume 2</i> tabled December 12, 2017</p> <p>Target met.</p> <p>Audits completed within planned costs as set out in the 2018 approved budget. Refer to Schedule of Actual Costs to Audit Government Agencies. (2017 – Completed within planned costs)</p>



—Audited—

Strategic Goals and Priorities	Performance Measures and Targets	2018 Actual Results
<p>Improve our delivery of reliable audits at a reasonable cost</p> <p>Priorities</p> <ul style="list-style-type: none"> – Continuously improve our work – Meet professional standards – Deploy resources based on reasonable budgets and deadlines 	<p>External reviewers (i.e., CPA Saskatchewan practice inspectors, Canadian Council of Legislative Auditors (CCOLA) peer reviewers, and the Office’s external independent auditor on the work of the Office) do not report any significant deficiencies on the Office’s policies and practices</p> <p>CPA Saskatchewan periodically inspects the Office’s practice for compliance with professional standards.</p> <p>The Office participates in the CCOLA Inter-jurisdictional Peer Review Process every second year.</p> <p>The external auditor of the Office provides audit opinions on the Office’s:</p> <ul style="list-style-type: none"> ➤ Financial statements ➤ Schedule of Actual Costs to Audit Government Agencies ➤ Schedule of Actual Time Spent on Tasks ➤ Schedule of Results for Key Performance Measures ➤ Effectiveness of its financial controls to safeguard public resources ➤ Compliance with authorities 	<p>Target met.</p> <p>None of the external reviewers reported significant deficiencies.</p> <p>The 2018 CPA Saskatchewan practice inspection did not identify any reportable deficiencies.</p> <p>The January 2018 CCOLA peer review reported that the Office’s work complied with professional assurance standards.</p> <p>The Office’s external auditor issued an unqualified opinion for each of the areas listed.</p> <p>(2017 – no significant deficiencies reported)</p>
<p>Increase the awareness of the role of the Office</p> <p>Priorities</p> <ul style="list-style-type: none"> – Educate the legislators, public, and public sector agencies about the work we do – Enhance accessibility to the work we do 	<p>Results of annual survey of public familiarity with the Office indicate a positive trend over a five-year period</p> <p>Each year, the Office participates in an online Omnibus survey of Saskatchewan residents that asks how familiar they are with the Office of the Provincial Auditor.</p>	<p>Target not met.</p> <p>25% of 804 respondents were somewhat or very familiar with the Office</p> <p>This is a decrease from the prior year. To address declining public awareness, in May 2018 the Office initiated a social media presence and plans to monitor its impact.</p> <p>(2017 – 31%, 801 respondents) (2016 – 34%, 800 respondents) (2015 – 32%, 800 respondents) (2014 – 31%, 803 respondents)</p>





Financial Performance





Financial Discussion and Analysis

Introduction

The following financial discussion and analysis should be read with our audited **Financial Statements** and our audited **Schedule of Actual Costs to Audit Government Agencies**.

The financial discussion and analysis provides reasons for significant differences between our actual expenses as compared to budget and to the prior year. Our audited schedule of actual costs to audit government agencies compares our actual costs to planned, and provides reasons for key differences.

	Difference Between 2018 Actual and 2018 Budget	Difference Between 2018 Actual and 2017 Actual
Operating Expense	\$ in thousands	
Salaries	\$ (203)	\$ 53
Employee benefits	(28)	--
Facilities and equipment	15	51
Administration	(36)	6
Agent and advisory services	43	(13)
Training and development	(13)	14
Total operating expense	\$ (222)	\$ 111

Comparison of 2018 Results to Planned (Budget)

The Legislative Assembly funds the activities of the Office. For the 2018 fiscal year, the Legislative Assembly approved an appropriation (vote 28) for the Office of \$8,151 thousand and a contingency appropriation of \$539 thousand. Our *2018 Business and Financial Plan* (Plan) sets out the original basis for the Office's budget. The 2018 budget was based on 62 full-time equivalent (FTE) positions comprised of 60 salaried FTE positions and 2 contracted FTE positions.

Total 2018 operating expenses of \$7,941 thousand were \$222 thousand less than planned. The key reasons for the difference are as follows:

- **Decrease in salaries of \$203 thousand** – During both years, our FTE compliment was lower than planned because of higher than anticipated staff turnover. This reflects a robust market for recent professional accountants. Actual 2018 salaried positions was 59 FTEs as compared to budgeted 60 FTEs reducing salary expense and increased agent and advisory services.
- **Decrease in employee benefits of \$28 thousand** – The decrease in salaries as noted above reduced salary-based benefit premiums.
- **Decrease in administration of \$36 thousand** – Mainly due to fewer audit travel costs than anticipated, savings associated with the decision to not lease a vehicle for the Provincial Auditor, and reduced printing costs for public reports.





- **Increase in agent and advisory services of \$43 thousand** – Mainly due to more use of contract staff to offset higher than anticipated staff turnover.

Comparison of 2018 Results to Prior Year

Total 2018 operating expenses of \$7,941 thousand were \$111 thousand more than prior year. The key reasons for the difference are as follows:

- **Increase in salaries of \$53 thousand** – Mainly due to slightly higher staffing level in 2018 (actual 2018 salaried positions was 59 FTE) compared to 2017 (actual 2017 salaried positions was 58 FTE).
- **Increase in facilities and equipment of \$51 thousand** – Mainly due to escalation for building operating costs, such as utilities, for our leased office space.

The transfer to the General Revenue Fund of \$769 thousand includes the return of unused appropriations and other revenue as required by *The Provincial Auditor Act*.

Comparison of 2018 Costs to Audit Government Agencies to Planned

The Office's costs to audit government agencies is directly influenced by the types and amounts of revenues and expenses of the Government, the number of government agencies, the quality of the Government's and its agencies' records, the co-operation that the Office receives, and the nature and extent of changes in professional standards.

In 2018, the Office was involved in the audits of 246 agencies for a total cost of \$7,892 thousand as compared to planned costs of \$8,151 thousand. As noted in the audited **Schedule of Actual Costs to Audit Government Agencies**, the Office completed most 2018 audits within the planned costs as set out in its *2018 Business and Financial Plan*. Footnotes to the schedule include reasons for differences between 2018 actual costs and planned costs greater than \$75 thousand.

List of Payees

Consistent with the Legislative Assembly's expectation that all government agencies provide a list of persons who have received money, the **Additional Information** section of this Report includes a list of persons who provided goods and services over \$50 thousand to the Office.



Management's Responsibility for the Financial Statements

The Office's management is responsible for the accompanying financial statements. Management prepared these statements in accordance with Canadian public sector accounting standards issued by the Public Sector Accounting Board.

The Office maintains a comprehensive system of internal controls including an appropriate code of conduct, written policies and procedures, and an organization structure that segregates incompatible duties. It designed its system of controls to provide reasonable assurance that its transactions are recorded and executed in compliance with applicable legislation and authorities, its assets are properly safeguarded, and it maintains reliable financial records.

Management is also responsible for the integrity of other information included in this *Annual Report on Operations*. The financial information presented elsewhere in this *Annual Report on Operations* is consistent with that in the financial statements.

Virtus Group LLP audits the Office's financial statements. Virtus Group LLP also audits the effectiveness of the Office's controls over safeguarding public resources, and its compliance with applicable legislative authorities.

Virtus Group LLP reports to the Legislative Assembly that the Office's financial statements are reliable, the Office's controls are functioning effectively, and the Office complied with applicable legislative authorities. Each report of Virtus Group LLP states the scope of its audit and opinion. Each of these is included in this *Annual Report on Operations*.

Judy Ferguson, FCPA, FCA
Provincial Auditor

Angèle Borys, CPA, CA, CPHR
Deputy Provincial Auditor and
Chief Operating Officer

June 19, 2018
Regina, Saskatchewan





Independent Auditors' Report on the Financial Statements

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Office of the Provincial Auditor which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2018, and the results of its operations, change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

June 19, 2018
Regina, Saskatchewan

Virtus Group LLP

Chartered Professional Accountants



—Audited—

› *Statement 1*

**OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF FINANCIAL POSITION**

As at March 31
(thousands of dollars)

	2018	2017
Financial assets		
Cash (Note 3)	\$ 867	\$ 985
Accounts receivable	10	7
	877	992
Liabilities		
Accounts payable	50	39
Accrued vacation pay	64	48
Due to the General Revenue Fund	763	905
	877	992
Net debt	-	-
Non-financial assets		
Tangible capital assets (Note 4)	68	90
Prepaid expenses	92	83
	160	173
Accumulated surplus	\$ 160	\$ 173

(See accompanying notes)



› *Statement 2*

**OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF OPERATIONS**

For the Year Ended March 31
(thousands of dollars)

	2018		2017
	Budget (Note 5)	Actual	Actual
Revenue			
General Revenue Fund			
Appropriation	\$ 8,151	\$ 8,151	\$ 8,218
Contingency Appropriation	539	539	532
Other	3	7	53
Total revenue	8,693	8,697	8,803
Expense			
Salaries	5,480	5,277	5,224
Employee benefits (Note 6)	988	960	960
Facilities and equipment	764	779	728
Administration	427	391	385
Agent and advisory services	334	377	390
Training and development	170	157	143
Total operating expense	8,163	7,941	7,830
Transfer to General Revenue Fund (Note 7)	542	769	958
Total expense	8,705	8,710	8,788
Annual surplus (deficit)	(12)	(13)	15
Accumulated surplus, beginning of year		173	158
Accumulated surplus, end of year		160	\$ 173

(See accompanying notes)



—Audited—

Statement 3

**OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended March 31
(thousands of dollars)

	2018		2017
	Budget	Actual	Actual
Annual surplus (deficit)	\$ (12)	\$ (13)	\$ 15
Acquisition of tangible capital assets	(41)	(27)	(56)
Amortization of tangible capital assets	53	49	52
	12	22	(4)
Acquisition of prepaid expenses	-	(92)	(83)
Use of prepaid expenses	-	83	72
	-	(9)	(11)
(Increase) decrease in net debt	-	-	-
Net debt, beginning of year	-	-	-
Net debt, end of year	\$ -	\$ -	\$ -

(See accompanying notes)





› **Statement 4**

**OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CASH FLOWS**

For the Year Ended March 31
(thousands of dollars)

	2018	2017
Operating activities		
Cash received from:		
General Revenue Fund		
Appropriation	\$ 8,151	\$ 8,218
Contingency appropriation	539	532
Other	6	53
	8,696	8,803
Cash paid for:		
Salaries	5,261	5,242
Supplies and other	3,526	3,582
	8,787	8,824
Cash used in operating activities	(91)	(21)
Capital activities		
Cash used to acquire tangible capital assets	(27)	(56)
Cash used in capital activities	(27)	(56)
Decrease in cash	(118)	(77)
Cash, beginning of year	985	1,062
Cash, end of year (Note 3)	\$ 867	\$ 985

(See accompanying notes)



OFFICE OF THE PROVINCIAL AUDITOR NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

1. General Information

The *Provincial Auditor Act* establishes the Office of the Provincial Auditor as part of the Legislative Branch of Government independent of the Executive Branch of the Government of Saskatchewan. The Office:

- Examines the administration of government programs and activities carried out by government ministries, health and education institutions, commissions, boards, and Crown corporations (e.g., the Executive Branch)
- Reports the results of examinations to the Legislative Assembly and the public
- Helps the Standing Committees on Public Accounts and Crown and Central Agencies in their review of the Provincial Auditor's reports, the Public Accounts, and other reports

2. Summary of Accounting Policies

The Office uses Canadian public sector accounting standards to prepare its financial statements. A statement of remeasurement gains and losses has not been presented in these financial statements because all financial instruments are measured at amortized cost. The following accounting policies are considered to be significant.

(a) Revenue

The appropriations from the General Revenue Fund are recorded when authorized by the Legislative Assembly.

Other revenue consists of bank interest that is recorded when earned.

(b) Transfer to General Revenue Fund

The *Provincial Auditor Act* requires that all other revenue received by the Office be deposited to the General Revenue Fund. The Act also requires the Office return any unspent appropriations, as determined using the expenditure basis of accounting, to the General Revenue Fund.

(c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture (desks, file cabinets)	10 years
Other furniture	5 years
Other equipment	3 years





(d) Financial Instruments

The Office’s financial instruments include accounts receivable, accounts payable, accrued vacation pay, and due to the General Revenue Fund. All financial instruments are carried at amortized cost, which approximates fair value due to their immediate or short-term maturity. These instruments have no significant exposure to interest rate, credit, or liquidity risks.

3. Cash

Cash consists of interest-bearing money on deposit with the bank. The interest rates ranged from 0.20% to 0.95% during the year.

4. Tangible Capital Assets

The recognition and measurement of tangible capital assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Office.

	2018 (000's)			2017 (000's)
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs	\$ 494	\$ 364	\$ 858	\$ 818
Additions during the year	23	4	27	56
Disposals during the year	(30)	(1)	(31)	(16)
Closing cost	487	367	854	858
Opening accumulated amortization	462	306	768	732
Annual amortization	33	16	49	52
Disposals	(30)	(1)	(31)	(16)
Closing accumulated amortization	465	321	786	768
Net book value	\$ 22	\$ 46	\$ 68	\$ 90

Annual amortization is included in facilities and equipment expense in the Statement of Operations.

5. Budget

The budget shown in the Statement of Operations is presented using the expense basis of accounting.

Under *The Provincial Auditor Act*, the Standing Committee on Public Accounts is charged with the review and approval of the Office’s funding request (appropriation and contingency appropriation).



—Audited—

On January 11, 2017, the Standing Committee on Public Accounts approved the Office's funding request of \$8,690 thousand that was prepared using the expenditure basis of accounting.

The 2018 Budget and Actual using the expenditure basis of accounting are as follows:

	2018 (000's)	
	Budget	Actual
Revenue		
General Revenue Fund		
Appropriation	\$ 8,151	\$ 8,151
Contingency Appropriation	539	539
Other	3	7
Total revenue	8,693	8,697
Expenditure		
Salaries	5,480	5,277
Employee benefits	988	949
Facilities and equipment	752	782
Administration	427	383
Agent and advisory services	334	377
Training and development	170	160
Total operating expenditure	8,151	7,928
Transfer to General Revenue Fund (Note 7)	542	769
Total expenditure	8,693	8,697
Excess of revenue over expenditure	\$ -	\$ -

6. Employee Future Benefits

The Office participates in a defined contribution pension plan: The Public Employees Pension Plan. The Office's financial obligation to the plan is limited to contributions of 7.6% of employees' salaries for current service. The Office's annual pension expense for 2018 of \$409 thousand (2017: \$411 thousand) is included in employee benefits.

The Office also participates in The Public Employees Disability Income Plan. The Office's financial obligation to the plan is limited to contributions of 2.14% of employees' salaries for current service. The





—Audited—

Office's annual expense for 2018 of \$108 thousand (2017: \$107 thousand) is included in employee benefits.

7. Transfer to General Revenue Fund

The \$769 thousand transfer (2017: \$958 thousand) includes the Office's unspent appropriations of \$762 thousand and other revenue (i.e., bank interest) of \$7 thousand.

8. Commitments

In 2011-12, the Office entered into a new 10-year lease commencing April 1, 2012, for its accommodations. Annual lease payments are \$488 thousand before escalation adjustments.

For the following fiscal years, the Office is also committed to make future annual payments for operating leases of:

2019	\$52 thousand
2020	\$8 thousand

9. Changes in Accounting Standards

The Office adopted the following new or amended accounting standards issued by the Public Sector Accounting Board on their effective date.

The adoption of these standards did not result in changes to the financial results of the Office.

- Public Sector Handbook Introduction (effective January 1, 2017)
- Inter-Entity Transactions (effective April 1, 2017)
- Related Party Disclosures (effective April 1, 2017)
- Assets (effective April 1, 2017)
- Contingent Assets (effective April 1, 2017)
- Contractual Rights (effective April 1, 2017)

10. Future Changes in Accounting Standards

The Office has assessed that the new Restructuring Transactions standard effective April 1, 2018 will have no effect on its financial statements.



Independent Auditors' Report on the Schedule of Actual Costs to Audit Government Agencies

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Costs to Audit Government Agencies of the Office of the Provincial Auditor for the period as described in note 1, which is prepared in accordance with accounting principles as set out in the notes to the schedule of financial information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual costs to audit government agencies of the Office of the Provincial Auditor for the period as described in note 1 in accordance with the accounting principles set out in the notes to the schedule of financial information.

Virtus Group LLP

June 19, 2018
Regina, Saskatchewan

Chartered Professional Accountants





**OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES**

For the Year Ended March 31 (thousands of dollars)	2018		2017	
	Planned Costs	Actual Costs	Actual Costs	Actual Costs
Government Sector/Agency				
Advanced Education	\$ 851	\$ 788	\$ 841	
Agriculture	281	316	197	
Central Services	153	128	164	
Economy	383	444 ¹	424	
Education	729	615 ²	708	
Environment	248	252	369	
Executive Council	18	14	15	
Finance	845	784	893	
Government Relations	222	239	306	
Health	1,317	1,154 ³	1,118	
Highways and Infrastructure	157	105	408	
Justice	479	558 ⁴	490	
Labour Relations and Workplace Safety	63	85	22	
Legislative Assembly	115	126	117	
Parks, Culture and Sport	255	283	323	
Public Service Commission	64	65	68	
Saskatchewan Liquor and Gaming Authority	232	240	179	
SaskBuilds Corporation	21	31	12	
Social Services	248	244	176	
Workers' Compensation Board	32	17	97	
Crown Investments Corporation of Saskatchewan	80	63	83	
Saskatchewan Gaming Corporation	80	90	21	
Saskatchewan Government Insurance	89	94	51	
Saskatchewan Opportunities Corporation	12	7	9	
Saskatchewan Power Corporation	152	133	31	
Saskatchewan Telecommunications Holding Corporation	62	46	96	
Saskatchewan Transportation Company	10	13	5	
Saskatchewan Water Corporation	73	93	15	
SaskEnergy Incorporated	58	41	26	



—Audited—

For the Year Ended March 31
(thousands of dollars)

Government Sector/Agency

	2018			2017	
	Planned Costs		Actual Costs		Actual Costs
Government-wide and Sectoral Work	347		122	⁵	138
Legislative Committees and Public Reports	475		360	⁶	441
	\$ 8,151		\$ 7,550		\$ 7,843
Estimated costs to complete audits not complete at March 31, 2018 (Note 3)			342		
TOTAL COSTS (Note 4)	\$ 8,151		\$ 7,892		\$ 7,843

(See accompanying notes)

Explanation of differences between 2018 actual costs and planned costs greater than \$75 thousand (in thousands of dollars):

- ¹ **Economy** – In 2018, the Office’s actual costs to March 31 and estimated costs to complete of \$17 were \$78 more than planned. In 2018, the audit to assess the Ministry’s processes to regulate oil, gas, and pipeline industry reportable incidents was more complex than originally anticipated due to decentralized processes requiring audit work and travel to several locations. In addition, audit work to follow up past recommendations about the Ministry’s processes to manage future cleanup of oil and gas wells was more complex due to recent events in the industry. Note: The responsibility for these two areas transferred to the newly created Ministry of Energy and Resources effective February 2, 2018.
- ² **Education** – In 2018, the Office’s actual costs to March 31 and estimated costs to complete of \$38 were \$76 less than planned because of fewer significant issues requiring research and efficiencies in staff used.
- ³ **Health** – In 2018, the Office’s actual costs to March 31 and estimated costs to complete of \$74 were \$89 less than planned. In 2018, the Office redirected some of its resources initially planned for work at regional health authorities (e.g., deferring an audit of facilities maintenance activities) given the first time annual audit of the newly created Saskatchewan Health Authority for 2019.
- ⁴ **Justice** – In 2018, the Office’s actual costs to March 31 and estimated costs to complete of \$3 were \$82 more than planned due to inefficiencies in annual integrated audits resulting from staff turnover and increased complexities in audit work.
- ⁵ **Government-wide and Sectoral Work** – In 2018, the Office’s actual costs to March 31 and estimated costs to complete of \$8 were \$217 less than planned because of fewer complex matters requiring research than originally anticipated.
- ⁶ **Legislative Committees and Public Reports** – In 2018, the Office’s actual costs were \$115 less than planned because of the following: In 2018, Legislative Committee meetings discussing our work met less frequently than originally planned, and the Office spent less time to prepare and publish its 2018 reports than planned.



**OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT
AGENCIES**

For the Year Ended March 31, 2018

1. Purpose

This schedule shows the Office's actual costs incurred up to March 31, 2018, and estimated costs to complete the audits of the various agencies of the Government as compared to the prior year. The results of the Office's 2018 work is reported in its *2017 Report – Volume 2* and *2018 Report – Volume 1* reports tabled in the Legislative Assembly and available on the Office's website. Also, each year, the Office sets out its Annual Work Plan in its *Business and Financial Plan – Schedule of Planned Costs to Audit Government Agencies* (Annual Work Plan).

2. Cost Allocation Policies

Government agencies have various fiscal year-ends (e.g., March 31, June 30, August 31, and December 31). Due to the nature of auditing, audit activity related to an agency occurs before and after its fiscal year-end. As such, while most do, not all audits start and finish within the Office's fiscal year. As a result, the Office's total annual operating expenditure is allocated to pay for portions of more than one Annual Work Plan.

Total Operating Expenditure is the total operating expenditure as reported in the audited financial statements for the related fiscal year. It reflects total costs incurred to March 31 in that fiscal year.

Each year, the Office allocates its total operating expenditure to the audit categories set out in its Annual Work Plan. It uses hours reported for each audit in approved employee time sheets as the basis of its allocation. It applies direct costs to their relevant audit agency and year. It determines cost-per-hour based on employees' pay and benefits and a portion of other costs (e.g., facilities and equipment, administration, training and development) allocated based on the planned time spent on audits (audit hours). Cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.

Planned Costs shown on the schedule are the planned costs as presented to the Standing Committee on Public Accounts in the Annual Work Plan for the Office's 2018 fiscal year.

Actual Costs per government agency shown on the schedule are the sum of actual direct costs related to relevant audits plus the product of actual time (hours) spent by employees multiplied by cost-per-hour.

3. Additional Cost Information

At March 31, 2018, the Office estimated total costs to complete its 2018 Annual Work Plan would be \$7,892 thousand based on estimated costs of \$342 thousand to complete audits not done at March 31. At March 31, 2018, the 2017 Annual Work Plan was complete.



—Audited—

Actual	2018	2017
Average Cost-per-hour	\$ 108.43	\$ 107.10
Direct Costs (in thousands)	\$ 161	\$ 176

Average cost-per hour is the total operating expenditure for the year less direct costs divided by total hours for all employees for the year. Direct costs are costs other than salaries that are directly related to specific audits (e.g., travel).

4. Source of Funds

The following provides the amount of operating expenditure by fiscal year used to pay for auditing government agencies.

Fiscal Year Costs Incurred	2018 Actual Costs	2017 Actual Costs
	(in 000's)	
2019 (estimate)	\$ 342	\$ —
2018	5,694	375
2017	1,856	5,643
2016	—	1,825
Total Costs to Audit Government Agencies	\$ 7,892	\$ 7,843





Independent Auditors' Report on Effectiveness of Financial-Related Controls

To the Members of the Legislative Assembly of Saskatchewan

We have audited the Office of the Provincial Auditor's control as of March 31, 2018 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 for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Chartered Professional Accountants of Canada (CPA Canada) 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.

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.

We used the control framework included in the *Guidance on Control* published by CPA Canada (control framework) to make our judgments 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.

We conducted our audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. 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.

Our audit on the effectiveness of the Office of the Provincial Auditor's control related to the above objectives does not constitute an audit of internal control over financial reporting performed in conjunction with an audit of financial statements in *CPA Canada Handbook – Assurance* Section 5925 An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and 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 that the degree of compliance with control activities may deteriorate.

In our opinion, based on the limitations above, the Office of the Provincial Auditor's internal controls were effective, in all material respects, to meet the objectives stated above as of March 31, 2018, based on the CPA Canada criteria of control framework.

This report is provided solely for the purposes of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report should not be used for any other purpose. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 19, 2018
Regina, Saskatchewan

Chartered Professional Accountants



Independent Auditors' Report on Compliance with Authorities

To the Members of the Legislative Assembly of Saskatchewan

We have audited the Office of the Provincial Auditor's compliance with the provisions of *The Provincial Auditor Act* pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2018.

Compliance with the provisions of the stated legislative and related authorities is the responsibility of management of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Office of the Provincial Auditor complied with the criteria established by the legislation and related authorities referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the criteria, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, for the year ended March 31, 2018, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities.

This report is provided solely for the purpose of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report should not be used for any other purposes. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

June 19, 2018
Regina, Saskatchewan

Virtus Group LLP

Chartered Professional Accountants





Independent Auditors' Report on Significant Matters

To the Members of the Legislative Assembly of Saskatchewan

Re: Audit of the Office of the Provincial Auditor for the year ended March 31, 2018

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated June 19, 2018.

In accordance with *The Provincial Auditor Act*, our responsibilities to report to the members of the legislative assembly also appear to include:

To report matters that, in our judgment, are significant (exceptions/deficiencies), if any, which may impact the annual financial statements and related controls.

This report is based only on matters assessed and relied upon for purposes of our audit opinions on the office's financial statements, internal controls and legislative compliance. This form of report is referred to as a derivative report, i.e., it is derived from the process, procedures, and findings related to the audit.

Based on the above noted reporting requirements, we provide the following observations:

Governance and Management Control

- No reportable matters identified.

Systems Control

- No reportable matters identified.

Financial Statement Presentation and Disclosure

- No reportable matters identified.

Other Matters

- No reportable matters identified.

Detailed findings and observations with respect to internal controls, and/or financial statement presentation and disclosure are discussed with the Office's management during the course of and completion of our work.

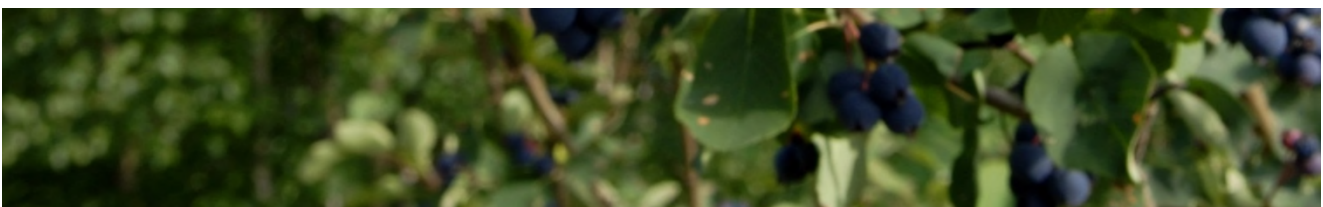
June 19, 2018
Regina, Saskatchewan

Virtus Group LLP

Chartered Professional Accountants



Additional Information





List of Payees

Salaries

List of employees earning \$50,000 or more and their earnings (e.g., salary, vacation pay, flexible benefit account) for the year ended March 31, 2018.

Agioritis, Ani	\$ 55,797	O'Quinn, Carolyn	160,825
Borys, Angèle	176,575	Pituley, Jonathan	90,825
Carlson, Troy	55,758	Rau, Brent	80,796
Chessie, Kelly	88,188	Reimer, Dane	55,986
Clemett, Tara	160,825	Robertson, Jennifer	93,675
Deis, Kelly	176,575	Russell, Stephanie	78,610
Dickin, Deann	92,500	Schwab, Victor	145,825
Dressler, Nicole	90,825	Scott, Douglas	73,888
Drotar, Charlene	142,855	Shamrai, Alla	55,172
Ellis, Mindy	72,807	Shaw, Jason	126,235
Ferguson, Judy	228,739	Sommerfeld, Regan	157,748
Halladeen, Aaron	99,325	St. John, Trevor	138,895
Heebner, Melanie	126,235	Sych, Larissa	57,057
Iles, Amanda	89,425	Tomlin, Heather	92,500
Klassen, Linda	145,825	Volk, Rosemarie	146,825
Lam, Betty	74,819	Wandy, Jason	126,235
L'Heureux, Desirée	105,825	Yanyu, Melissa	94,094
Lindenbach, Michelle	119,825	Yee, Ken	71,560
Lowe, Kimberley	146,825	Young, Kristen	64,574
Miller, Chad	82,247		

Benefits

List of pension and benefit payments of the Office of the Provincial Auditor for \$50,000 or more for the year ended March 31, 2018.

Public Employees Dental Plan	\$ 54,578
Public Employees Disability Income Plan	108,443
Public Employees Pension Plan	409,221
Receiver General for Canada – Canada Pension Plan	155,413
Receiver General for Canada – Employment Insurance	62,595
Saskatchewan Blue Cross	62,963
Workers' Compensation Board	51,012



Goods and Services

List of persons or organizations that provided goods and services to the Office of the Provincial Auditor for \$50,000 or more for the year ended March 31, 2018.

Institute of Chartered Professional Accountants of Saskatchewan	\$ 54,133
Compugen	62,020
MNP LLP (Regina and Saskatoon)	55,557
National Leasing	55,251
Pharos Business & Taxation Advisors	101,039
Powerland	75,173
S & U Homes (Chateau Tower)	520,598

Public Reports

The Office submitted the following reports for tabling in the Legislative Assembly in 2017-18:

- Audit-related:
 - *2017 Report – Volume 1* (June 2017)
 - *2017 Report – Volume 2* (December 2017)
- Administrative:
 - *Annual Report on Operations For the Year Ended March 31, 2017* (June 2017)
 - *Business and Financial Plan For the Year Ended March 31, 2019* (November 2017)

The Reports are publicly available as soon as they are tabled on the Office's website—www.auditor.sk.ca.

Office Values

The Office uses the following Value Statements to guide the Office and its staff. The Value Statements highlight specific behaviours expected of the Office and its staff; adherence to them is critical to the Office's achievement of its mandate and success.

Independence—We maintain objectivity

Innovation—We challenge the status quo to strive for excellence

Trust and Integrity—We are professional, honest, courteous, and fair

Leadership—We lead by example and encourage open communication and teamwork

Balance—We support harmony between work, personal life, and community involvement

Learning—We promote a culture of continuous learning that stimulates personal and professional growth

Diversity of Thought—We gain strength from our varied experiences, knowledge, and backgrounds

Accountability—We take responsibility for our work and performance





Glossary of Terms

Agency – an entity of Government accountable for public money

Auditee – management of public sector ministries and agencies audited by the Office

CCOLA – the Canadian Council of Legislative Auditors is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices, and professional development in legislative auditing

CPA Canada – Chartered Professional Accountants Canada represents Canada's Chartered Professional Accountant profession both nationally and internationally

Crown and Central Agencies Committee – the Standing Committee on Crown and Central Agencies considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, central government agencies, liquor, gaming, and all other revenue related agencies and entities

General Revenue Fund (GRF) – is the main fund that receives government revenue. The GRF is available for appropriation by the Legislative Assembly for the public services of Saskatchewan. The GRF financial statements account for transactions of the GRF

Mission – the fundamental purpose or reason for being, what it does, for what purpose, and who its clients are

Performance Measure – an indicator of success that marks progress towards goals and is fundamental to measuring alignment to the organization's vision, mission, and values

Public Accounts Committee (PAC) – the Standing Committee on Public Accounts scrutinizes the fiscal management, administration, and stewardship of public assets by the Government of Saskatchewan

Strategic Goal – statement that establishes time bound 'stretch' that, if achieved, would advance the organization towards its vision

Strategic Priority – a change condition necessary to achieve the organization's goal that requires investment (i.e., people, time, money, other resources)

Target – a clear and measurable definition of success that signals what is important, tells what is expected (e.g., how much by when), and helps focus attention

Vision – a description of the preferred state written as an aspirational statement