



PROVINCIAL AUDITOR
of Saskatchewan

June 20, 2019

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, 2019*, 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 18, 2019.

Respectfully submitted,

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

Judy Ferguson, FCPA, FCA
Provincial Auditor

/kf



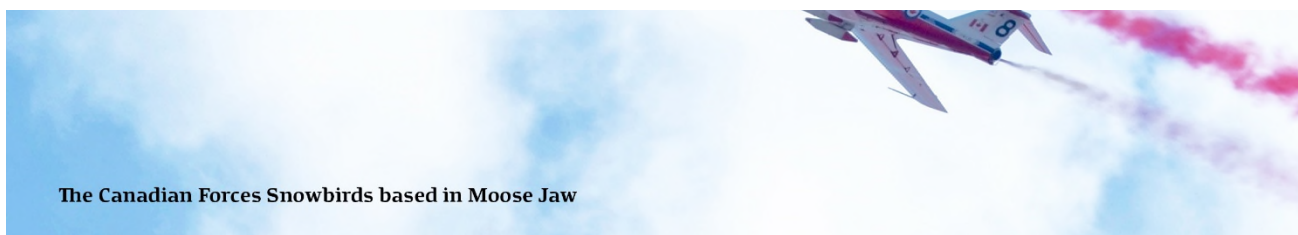
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Message from the Provincial Auditor



The Canadian Forces Snowbirds based in Moose Jaw



Message from the Provincial Auditor

2018-19 was a successful yet challenging year for the Office—the Office achieved each of its ten performance targets.

I have the privilege of leading quality, professional, and engaged staff. They work together well to get audits done in a cost-effective way and substantively on time. This year included the successful completion of the first integrated audit of the new Saskatchewan Health Authority by the agreed upon deadline. The Authority represents a significant part of the Government. As such, the Office auditing the Authority directly gives it knowledge important to the effective completion of the audit of the Summary Financial Statements, and facilitates audit efficiencies.

During the year, through its 2018 Report—Volumes 1 and 2, the Office gave legislators quality relevant audits, and objective advice. The high extent of implementation of recommendations shows its work contributed to better management in the public sector.

Also during the year, the Office managed both anticipated and unanticipated staff turnover.

The Office renewed its Executive team. In August, Ms Regan Sommerfeld (Deputy Provincial Auditor of the Environment and Infrastructure Division) retired after 19 years of serving the people of Saskatchewan. The Office thanks her, and wishes her a long and happy retirement.

Also in August, Mr. Trevor St. John was promoted to Deputy Provincial Auditor (Education Division) after an internal competition. Mr. Kelly Deis assumed responsibility for the Environment and Infrastructure Division. Periodic rotation of audit portfolios contributes to a fresh audit look at agencies, and the Office carrying out independent and objective audits.

Also, the Office continued to mitigate the impact of higher than anticipated turnover of staff. This is a challenging area for the Office as it finds the market for professional accountants and those training to become professional accountants remains strong.

The Office managed its finances prudently. It operated within its approved 2018-19 appropriation, prepared reliable financial statements, maintained effective financial-related controls, and complied with its governing authority—*The Provincial Auditor Act*.

Furthermore, the Office had some success in increasing public awareness of the Office and its role through its relatively new social media presence (Twitter and LinkedIn). The Office recognizes serving legislators effectively includes making sure the public is aware of and understands the role of Office and its work.

Overall, this Annual Report completes the accountability cycle that began when the Office tabled its *2019 Business and Financial Plan* in November 2017. It includes further detail on the Office's operational and financial performance for the year ended March 31, 2019. It includes unqualified independent external audit reports on key aspects of the Office's operations, finances, and controls. These reports give legislators and the public confidence in the reliability of the Office's administration.

In closing, I appreciate and value 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 careful public review of the Office's reports helps ensure the work of the Office makes a difference.

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 issues reliable financial and other reports, uses effective processes to safeguard public resources (i.e. resources with which it is entrusted), and complies with governing authorities.

In addition, the Office:

- Supports and adheres to Canadian generally accepted assurance standards as published by the Chartered Professional Accountants of Canada (CPA Canada)
- 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

The Office's work and reports contribute to informed decision making in government. This, in turn, helps the Government carry out its responsibilities 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:

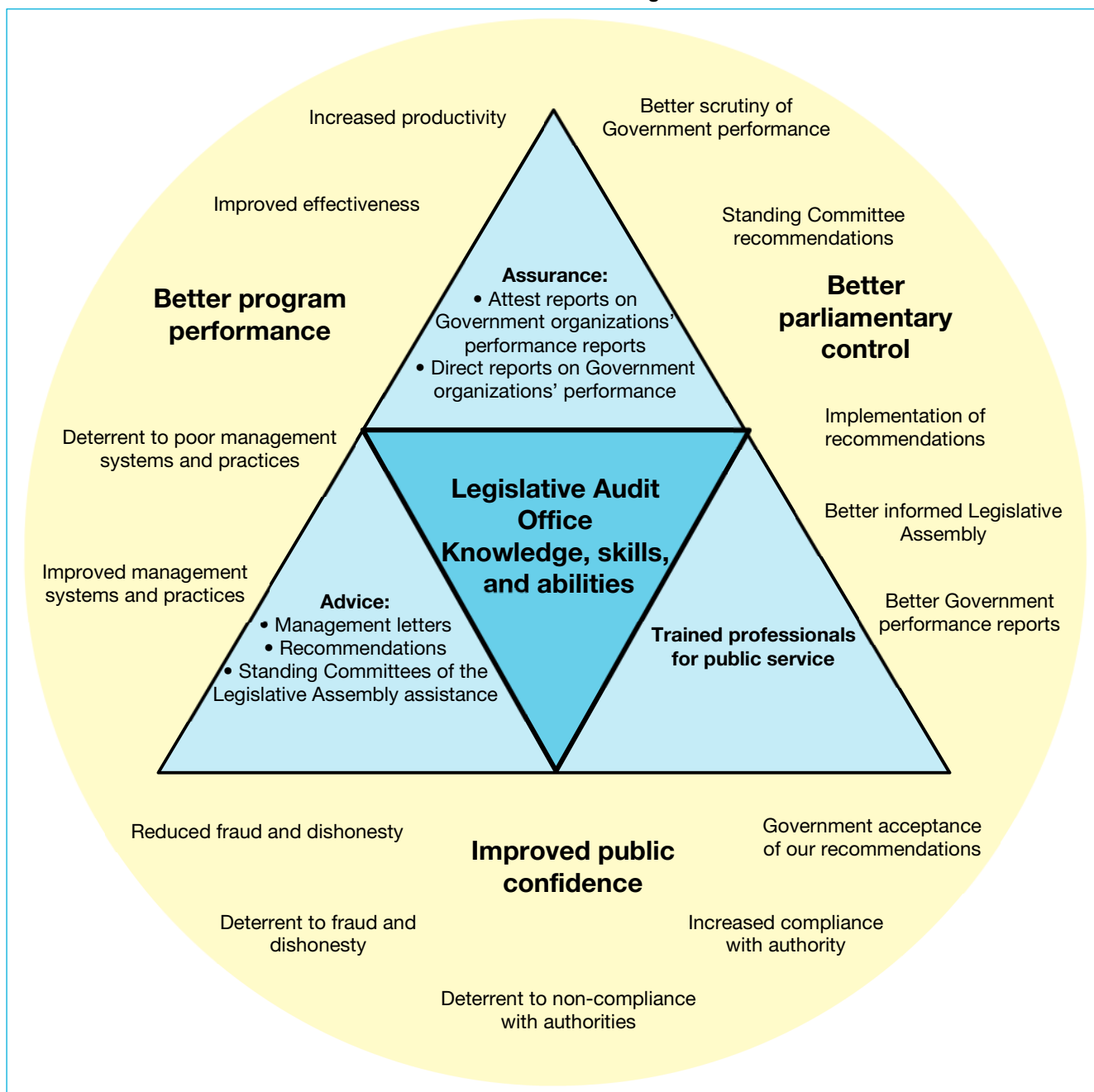
- Prepare and submit, each year to the Public Accounts Committee, key accountability documents—a business and financial plan, and an annual report on operations that includes audited financial statements
- Present to the Public Accounts Committee, for its review and approval, the Office's annual funding request and supplementary estimates (if any)
- Table with the Public Accounts Committee, for its information, the Office's human resources and financial management policies, and quarterly financial forecasts
- Use Canadian generally accepted assurance standards to carry out the Office's 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

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. The Committee's reports 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 with 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 at April 1 in each year);
- Makes the Office’s employees part of the Legislative Branch of Government. They are neither part of the Executive Branch of Government nor members of the public service of Saskatchewan. However, 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 Office’s annual funding;
- Gives the Provincial Auditor administrative independence—the power to administer, manage, and control the Office, its general business, as well as 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.

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

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 possible adverse consequences that it may experience from events or circumstances. Because it is not cost effective to eliminate all risks, the Office accepts some. The Office uses established systems and practices to reduce 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.

It includes the results of the current year audits of the Office highlighted in yellow. The Office's external auditor audits the Office's operational and financial performance.²

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, so its work helps to 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 quality control system includes documented quality control policies and procedures. This system also 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 quality as essential in audit work and helps ensure the Office and its staff comply with professional standards and legal requirements. This system also ensures the Office's audit reports are reliable. Furthermore, the Office's internal documentation, training materials, and appraisal procedures not only make certain staff are aware of, and adhere to, the Office's quality control policies and procedures, but also reinforce quality as essential in audit work.

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*.



The Office closely monitors potential threats to its independence and reports to the Assembly when it is concerned about such threats. 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 also 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 employees' views of the Office's working environment and makes adjustments so it provides a positive and respectful working environment and one that fosters a culture consistent with the Office's values.

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. 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 2017, 2018, and 2019 is audited. (See the **Operating Performance** section for details.)

The Office's established management practices promote effective use of resources. These practices include setting direction and 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, continually adjusting 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 to 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. The Office includes in this Report, the reports of its external auditor on the effectiveness of its financial management processes and compliance with the law to provide the legislators and the public with this assurance on the Office.

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 the





Office complies with the provisions of *The Provincial Auditor Act*. These reports provide the Legislative Assembly with the assurance that the Office fulfills its responsibilities.

Relevant Work

The Office sets goals and priorities that will result in relevant assurance and advice for its stakeholders as set out in its 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 facing the Government and the Office; 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, the Office 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 the 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 updates 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.

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. 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, 2018 to December 31, 2018, with its planned costs.



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 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 2018-19, the Committee approved the Office's 2019-20 request for resources as set out in its *2020 Business and Financial Plan*, and met five times 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 2018-19, two of the Committee's meetings included a review of the Office's reports.

The Office has processes to prepare reliable plans and performance reports. These documents convey vital information about the Office. The Office uses its plans and reports to communicate to its stakeholders what 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 the Office does not have enough resources to pay for the cost of its workforce, it reduces the size of its staff. When this happens, the Office 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 on 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 and non-financial related skills. During 2019, the Office employed 61 full-time equivalent positions. At March 2019, 31 of its employees were professional accountants and 24 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 2019, 14 employees were involved in 17 national and 6 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, 2019, 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 *2019 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.

2019 Operating Results by Strategic Goal

Introduction

The Office's strategic plan for the period from April 1, 2016 to March 31, 2021 was included in its *2019 Business and Financial Plan*. Prior to finalizing 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 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 to the Assembly
- Work 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 results (target) for each measure of success toward 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 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-up) 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:

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

Assembly's Acceptance of the Office's Recommendations

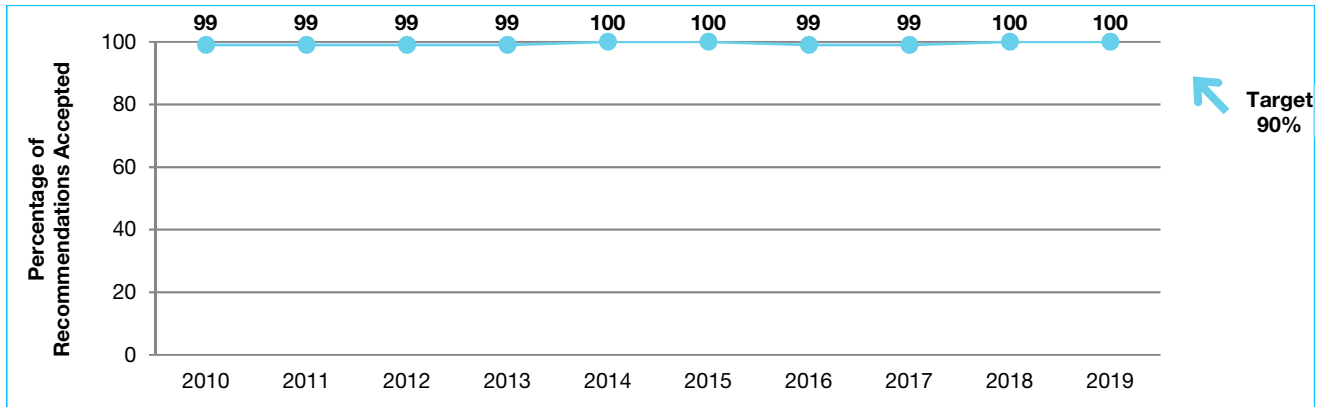
2019 Target: Committees accept 90% of the Office's recommendations.

2019 Results: Target met – For 2019, **Exhibit 3—Percentage of Recommendations Considered and Accepted by Legislative Committees from 2010 to 2019** shows that the Committees accepted, or partly accepted, 100% of the Office's recommendations that they considered. **Exhibit 3** shows that the Office achieved its target in each of the past 10 years.

From April 1, 2018 to March 31, 2019, PAC held six meetings and considered 148 recommendations from the Office's reports at five of those meetings. During the same period, the Crown and Central Agencies Committee held 11 meetings and considered seven recommendations from the Office's reports at two of those meetings.



Exhibit 3—Percentage of Recommendations Considered and Accepted by Legislative Committees from 2010 to 2019



Rationale and description of measure: The support of the Standing Committees on Public Accounts and Crown and Central Agencies (Committees) is critical in helping to hold the Government accountable and to 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 2014 to 2019 for the current reporting period.)

Government Acts on the Office’s Recommendations

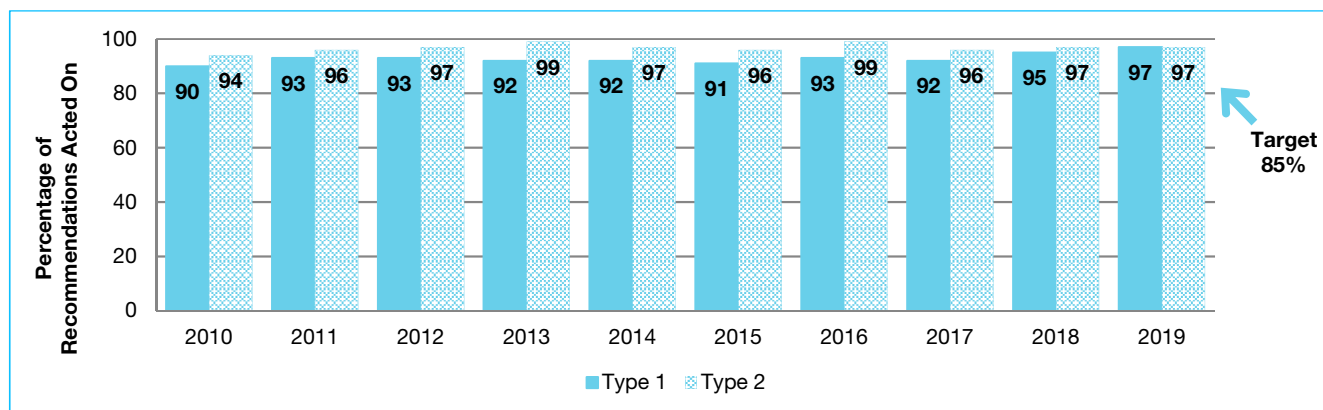
2019 Target: The Government acts on 85% of the Office’s recommendations.

2019 Results: Target met – The Government acted on 97% of Type 1 and 97% of Type 2 recommendations.

Exhibit 4—Percentage of Recommendations Acted on by the Government from 2010 to 2019 shows the 10-year trend for percentage of recommendations acted on by the Government.



Exhibit 4—Percentage of Recommendations Acted on by the Government from 2010 to 2019



Rationale and description of measure: The Office makes recommendations to help improve accountability and the Government’s delivery of programs. The extent to which the Government acts on recommendations shows the recommendations reflect areas 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** are tracked over a five-year period (e.g., April 2014 to March 2019 for the current reporting period)
- **Type 2** are tracked over a 10-year period (e.g., April 2009 to March 2019 for the current reporting period)

Type 1 recommendations are those that are less complex, easier to carry out, and can be implemented in one year.

Type 2 recommendations are those that are more difficult to carry out and may take up to five years to implement.

The Office made 195 Type 1 and 396 Type 2 recommendations during the current reporting period.

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

2019 Target: Post-audit feedback shows agencies acknowledge the value of and indicate satisfaction with the Office’s work.

2019 Results: Target met – As set out in **Exhibit 5—Agencies’ Value of and Satisfaction with the Office’s Work from 2015 to 2019**, survey responses indicate agencies value, and are satisfied with, the Office’s audit work.

From April 2014 to March 2019, 61% of agencies responded to the Office’s survey (157 survey responses out of 256 surveys sent) (2018 response rate: 58%).

Exhibit 5—Agencies’ Value of and Satisfaction with the Office’s Work from 2015 to 2019

Criteria	2015	2016	2017	2018	2019
Reports	very valuable	very valuable	very valuable	very valuable	very valuable
Recommendations	very valuable	very valuable	very valuable	very valuable	very valuable
Responsiveness	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied



Rationale and description of measure: The management of public sector ministries and agencies are key stakeholders of the Office—they are who the Office audits (auditees). For the Office to be successful in its vision and mission, auditees must view the Office’s work as 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
 - Recommendations to the agency were feasible and result in proper management of public resources and accountability
- Indicate their level of satisfaction with the Office’s work related to whether:
 - Planned work for the agency met its needs and the Office carried out its work according to the plan (responsiveness)
 - Office employees were knowledgeable and carried out their work professionally and courteously (professionalism)

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 continued impact of the amalgamation of the professional accountancy profession on staff training and employment opportunities, a robust job market for professional and training accountants, 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

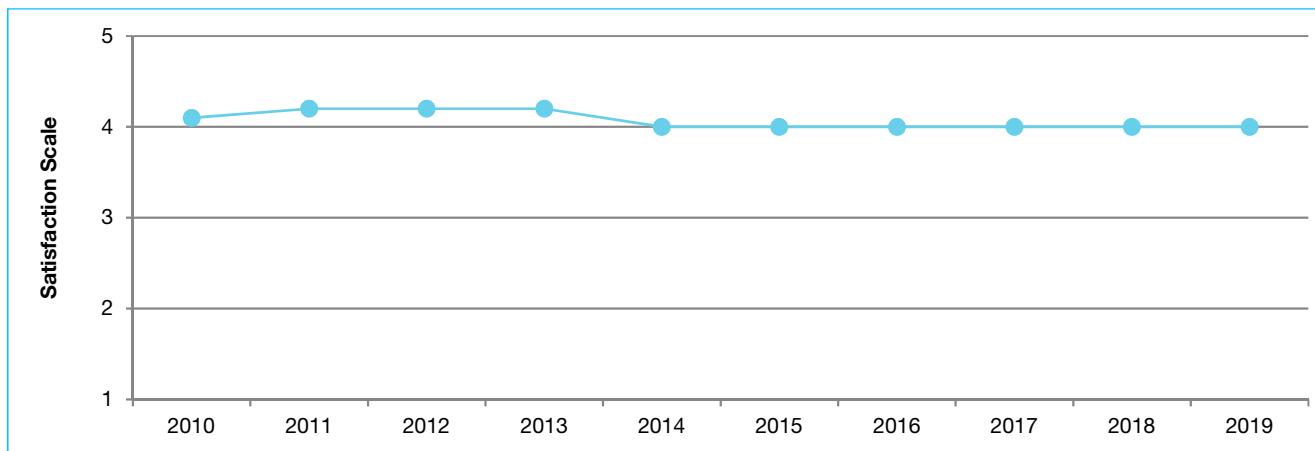
Employees’ Satisfaction with their Working Environment

2019 Target: Survey results show a positive level of employee satisfaction with the Office’s working environment.

2019 Results: Target met – Employee satisfaction remained positive over the past year. **Exhibit 6—Cumulative Average Response for All Indicators of Employee Satisfaction from 2010 to 2019** shows employee satisfaction remained stable over the last 10 years. In 2019, 79% of staff responded to the Office’s employee satisfaction survey (2018: 84%).



Exhibit 6—Cumulative Average Response for All Indicators of Employee Satisfaction from 2010 to 2019



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.

Proportion of Working Hours Spent on Training

2019 Target: Time spent on training activities averages a minimum of 7% of available working hours.

2019 Results: Target met – The **Schedule of Actual Time Spent on Tasks** shows the Office spent 7% of available working hours on training activities (2018: 7%). The Office continues to balance the need for increased training in areas such as changes in professional standards with the use of webinars and local training. This reduces travel time to attend some training events.

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

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.

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

2019 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.

2019 Results: Target met – The Office tabled its *2018 Report – Volume 1* on June 7, 2018, and *2018 Report – Volume 2* on December 11, 2018.

Target met – The Office provided 78% of its reports to government agencies by the agreed upon dates (2018: 81%). The Office continues to work on improving the timeliness of its issuance of reports (management letters) to agencies even though auditee survey responses reflect agencies are satisfied with the responsiveness of the Office's work.

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 of 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.

Work is Completed within Planned Costs

2019 Target: The Office completes audits within planned costs as set out in its approved budget.

2019 Results: Target met – The Office substantively completed its work within planned costs as set out in its *2019 Business and Financial Plan*. The footnotes to the **Schedule of Actual Costs to Audit Government Agencies** explain significant differences between planned and actual 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.

External Reviews Do Not Report Any Significant Deficiencies

2019 Target: None of the external reviewers reported significant deficiencies on the Office's policies and practices.

2019 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 found the Office's work complied with professional standards. It reviewed two of the Office's non-financial audit files in January 2018.

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

- The Office's 2018–19 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**

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 assurance 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, the independent external auditor of the Office 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

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 its accountability. This includes explaining how it manages potential or perceived threats to its independence. Concise 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



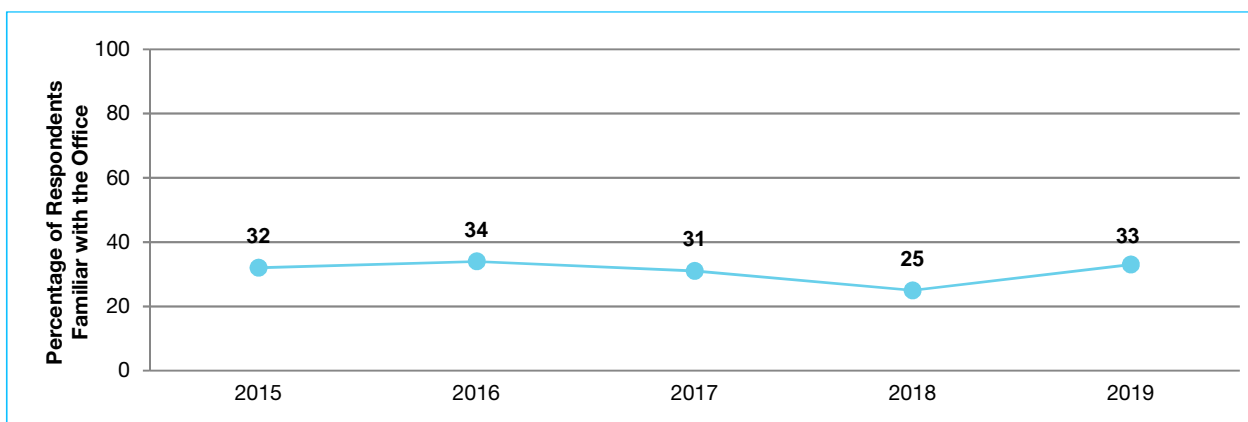
Public Familiarity with the Office

2019 Target: Results from an annual survey of public familiarity with the Office indicate a positive trend over a five-year period (i.e., from 2015 to 2019 for the current reporting period).

2019 Results: Target met – The results of the February 2019 survey indicate that 33% of respondents had some familiarity with the Office—an increase from the prior year (2018: 25%). **Exhibit 7—Public Familiarity with the Office from 2015 to 2019** shows the level of public awareness of the Office increased. In 2019, 800 residents of Saskatchewan responded to the online survey question. (2018: 804 residents).

To address declining public awareness, in May 2018, the Office initiated a social media presence (Twitter and LinkedIn). The Office is monitoring its impact on the public’s familiarity with the Office and its work.

Exhibit 7—Public Familiarity with the Office from 2015 to 2019



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.

The Omnibus survey asks Saskatchewan residents how familiar they are with the Office of the Provincial Auditor.

To measure the public’s awareness of the Office, each year, the Office participates in an online Omnibus survey and tracks its results.





Management's Representation on the Schedule of Results for Key Performance Measures and Schedule of Actual Time Spent on Tasks

The Office's management is responsible for the accompanying Schedule of Results for Key Performance Measures and Schedule of Actual Time Spent on Tasks (Schedules). Management prepared the Schedule of Results for Key Performance Measures in accordance with reporting principles as set out in the Schedule. Management prepared the Schedule of Actual Time Spent on Tasks in accordance with accounting principles as set out in the notes to the Schedule.

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 statistical records.

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

Virtus Group LLP audits the Office's Schedule of Results for Key Performance Measures and Schedule of Actual Time Spent on Tasks.

Virtus Group LLP reports to the Legislative Assembly that each of these Schedules are reliable. 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 18, 2019
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 undertaken a reasonable assurance engagement of the accompanying Schedule of Results for Key Performance Measures (the "Schedule") of the Office of the Provincial Auditor for the year ended March 31, 2019, which is prepared in accordance with reporting principles as set out in the Schedule.

Management's Responsibility

Management is responsible for the preparation and presentation of the Schedule in accordance and for such internal control as management determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a reasonable assurance opinion on the Schedule based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3000 *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the Schedule is fairly stated, in all material respects.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement is conducted in accordance with this standard will always detect a material misstatement. Material misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of the users of the report. A reasonable assurance engagement involves performing procedures to obtain evidence about the Schedule. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of material misstatement in the Schedule, whether due to fraud or error, and involves obtaining evidence about the Schedule.

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

Our Independence and Quality Control

We have complied with the ethical requirements of the Chartered Professional Accountants of Saskatchewan *Rules of Professional Conduct*, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply the *Canadian Standard on Quality Control 1* issued by CPA Canada and accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

In our opinion, the Schedule of Results for Key Performance Measures of the Office of the Provincial Auditor for the year ended March 31, 2019, is fairly stated in all material respects.

Virtus Group LLP

June 18, 2019
Regina, Saskatchewan

Chartered Professional Accountants





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

For the Year Ended March 31, 2019

The Office uses performance measures and targets to measure its progress toward achieving its strategic goals and priorities. The following sets out the 2019 Results as compared to Targets for each measure. Measures are grouped under the related goal as set out in the *2017–2021 Strategic Plan*.

The Office prepared this performance information in accordance with the following reporting principles:

- The performance information is relevant. It is related to stated strategic goals and performance targets and enables an assessment of our progress towards achieving the goals and targets. It shows how the Office achieved the results and how it measured its progress in achieving its 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.

<i>Strategic Goals and Priorities</i>	<i>Performance Measures and Targets</i>	<i>2019 Actual Results</i>
Demonstrate focus on the most relevant audit areas 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	The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations The results are based on recommendations considered by each Standing Committee during their meetings over the last five-year period (e.g., for 2019 – April 2014 to March 2019)	Target met 100% (2018 – 100%)
	Government acts on 85% of the Office’s recommendations 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 2019 – April 2014 to March 2019) 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 2019 – April 2009 to March 2019)	Target met Type 1 – 97% (2018 – 95%) Type 2 – 97% (2018 – 97%)



Strategic Goals and Priorities	Performance Measures and Targets	2019 Actual Results
<p>Demonstrate focus on the most relevant audit areas (continued)</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 2019 – April 2014 to March 2019)</p>	<p>Target met</p> <p>Agencies value, and are satisfied with the Office's work</p> <p>61% of agencies responded to 256 surveys sent</p> <p>(2018 – Agencies value, and are satisfied, with the Office's work. 58% of agencies responded to 277 surveys sent)</p>
<p>Sustain an engaged work force that contributes to the Office's success</p> <p>Priorities</p> <ul style="list-style-type: none"> – Support leadership development – Enhance strategies to recruit/retain staff – Equip staff to effectively manage change 	<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>79% of staff responded to the survey</p> <p>(2018 – Employees are satisfied. 84% 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</p> <p>(2018 – 7%)</p>
<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>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>2019 is the first year the information for this indicator is audited</p>	<p>Target met</p> <p>2018 Report – Volume 1 tabled June 7, 2018, and 2018 Report – Volume 2 tabled December 11, 2018</p> <p>Target met</p> <p>78%</p>





<i>Strategic Goals and Priorities</i>	<i>Performance Measures and Targets</i>	<i>2019 Actual Results</i>
<p>Improve our delivery of reliable audits at a reasonable cost (continued)</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>Office completes audits within planned costs as set out in its approved budget</p> <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>Most audits completed within planned costs as set out in the 2019 approved budget. Refer to Schedule of Actual Costs to Audit Government Agencies</p> <p>(2018 – Completed within planned costs)</p> <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>(2018 – 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 met</p> <p>An increased percentage of respondents expressed familiarity with the Office</p> <p>33% of 800 respondents were somewhat or very familiar with the Office</p> <p>(2018 – 25%, 804 respondents) (2017 – 31%, 801 respondents) (2016 – 34%, 800 respondents) (2015 – 32%, 800 respondents)</p>



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

To the Members of the Legislative Assembly of Saskatchewan

Opinion

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, 2019, which is prepared in accordance with the accounting principles as set out in the notes to the statistical information.

In our opinion, the accompanying Schedule presents fairly, in all material respects, the actual time spent on tasks of the Office of the Provincial Auditor for the year ended March 31, 2019, in accordance with the accounting principles set out in the notes to the schedule of statistical information.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statistical Information* section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the statistical information in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with the Governance for the Statistical Information

Management is responsible for the preparation and fair presentation of this statistical information in accordance with the 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 statistical information that is free from misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Office's reporting process.

Auditor's Responsibilities for the Audit of the Statistical Information

Our objectives are to obtain reasonable assurance about whether the statistical information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statistical information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statistical information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure, and content of the statistical information, including the disclosures, and whether the statistical information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Virtus Group LLP

June 18, 2019
Regina, Saskatchewan

Chartered Professional Accountants





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

For the Year Ended March 31

Employee time	Actual			Planned	
	2017	2018	2019	2019	2020
Working hours	86%	85%	86%	85%	85%
Vacation leave and statutory holidays ¹	12%	13%	12%	13%	13%
Sick leave	2%	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	70%	70%	71%	70%	70%
Support services	11%	11%	11%	11%	11%
Office administration	13% ³	12%	11%	12%	12%
Training	6%	7%	7%	7%	7%
Total work hours	100%	100%	100%	100%	100%
Total full-time equivalent positions ²	61	62	61 ⁴	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., 2018) or one less (i.e., 2017 and 2019).
- ² Includes employees and contracted assistance.
- ³ The Office finalized its Strategic Plan including assigning working groups to research key strategic initiatives.
- ⁴ This represents 59 full-time equivalent employees and 2 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, 2019

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, 2017 to March 31, 2019, and planned percentages for these tasks for the years ended March 31, 2019 and 2020.

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.



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 to planned costs, and provides reasons for key differences.

	Difference Between 2019 Actual and 2019 Budget	Difference Between 2019 Actual and 2018 Actual
Operating Expense	\$ in thousands	
Salaries	\$ (214)	\$ (48)
Employee benefits	(40)	(19)
Facilities and equipment	4	18
Administration	(31)	(3)
Agent and advisory services	(8)	(15)
Training and development	(7)	6
Total operating expense	\$ (296)	\$ (61)

Comparison of 2019 Results to Planned (Budget)

The Legislative Assembly funds the activities of the Office. For the 2019 fiscal year, the Legislative Assembly approved an appropriation (vote 28) for the Office of \$8,151 thousand and a contingency appropriation of \$535 thousand. Our *2019 Business and Financial Plan* (Plan) sets out the original basis for the Office's budget. The 2019 budget was based on 62 full-time equivalent (FTE) positions comprised of 60 salaried FTE positions and 2 contracted FTE positions.

Total 2019 operating expenses of \$7,880 thousand were \$296 thousand less than planned. The key reasons for the difference are as follows:

- **Decrease in salaries of \$214 thousand** – A robust market for professional accountants continues to result in higher than anticipated staff turnover. Actual 2019 salaried positions was 59 FTEs as compared to budgeted 60 FTEs thereby reducing salary expense.
- **Decrease in employee benefits of \$40 thousand** – The decrease in salaries as noted above reduced salary-based benefit premiums.
- **Decrease in administration of \$31 thousand** – Resulted from savings associated with the decision to not lease a vehicle for the Provincial Auditor, reduced printing costs for public reports, and reduced professional dues resulting from higher than planned staff turnover.





Comparison of 2019 Results to Prior Year

Total 2019 operating expenses of \$7,880 thousand were \$61 thousand less than the prior year. The key reason for the difference is as follows:

- **Decrease in salaries of \$48 thousand** – Savings resulting from differences in salaries between staff leaving and staff being hired.

The transfer to the General Revenue Fund of \$855 thousand includes the return of unused appropriations and other revenue as required by *The Provincial Auditor Act*.

Comparison of 2019 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 the Office receives, and the nature and extent of changes in professional standards.

In 2019, the Office was involved in the audits of 236 agencies for a total cost of \$7,956 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 2019 audits within the planned costs as set out in its *2019 Business and Financial Plan*. Footnotes to the Schedule explain differences between 2019 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 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 and Schedule of Actual Costs to Audit Government Agencies

The Office's management is responsible for the accompanying financial statements and Schedule of Actual Costs to Audit Government Agencies. Management prepared the financial statements in accordance with Canadian public sector accounting standards issued by the Public Sector Accounting Board, and the Schedule of Actual Costs to Audit Government Agencies in accordance with accounting principles as set out in the notes to the Schedule.

The Office maintains a comprehensive system of internal controls including an appropriate code of conduct, written policies and procedures, and an organizational 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 and the schedule of financial information.

Virtus Group LLP audits the Office's financial statements and Schedule of Actual Costs to Audit Government Agencies. 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 and Schedule of Actual Costs to Audit Government Agencies are both reliable, the Office's financial-related 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 18, 2019
Regina, Saskatchewan





Independent Auditors' Report on the Financial Statements

To the Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Office of the Provincial Auditor, which comprise the statement of financial position as at March 31, 2019, and the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.



Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vintus Group LLP

June 18, 2019
Regina, Saskatchewan

Chartered Professional Accountants



› *Statement 1*

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

As at March 31
(thousands of dollars)

	2019	2018
Financial Assets		
Cash (Note 3)	\$ 956	\$ 867
Accounts receivable	7	10
	963	877
Liabilities		
Accounts payable	42	50
Accrued vacation pay	80	64
Due to the General Revenue Fund	841	763
	963	877
Net debt	-	-
Non-Financial Assets		
Tangible capital assets (Note 4)	38	68
Prepaid expenses	89	92
	127	160
Accumulated surplus	\$ 127	\$ 160

(See accompanying notes)



Statement 2

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

For the Year Ended March 31
(thousands of dollars)

	2019		2018
	Budget (Note 5)	Actual	Actual
Revenue			
General Revenue Fund			
Appropriation	\$ 8,151	\$ 8,159	\$ 8,151
Contingency Appropriation	535	527	539
Other	6	16	7
Total revenue	8,692	8,702	8,697
Expense			
Salaries	5,443	5,229	5,277
Employee benefits (Note 6)	981	941	960
Facilities and equipment	793	797	779
Administration	419	388	391
Agent and advisory services	370	362	377
Training and development	170	163	157
Total operating expense	8,176	7,880	7,941
Transfer to General Revenue Fund (Note 7)	541	855	769
Total expense	8,717	8,735	8,710
Annual surplus (deficit)	\$ (25)	(33)	(13)
Accumulated surplus, beginning of year		160	173
Accumulated surplus, end of year		\$ 127	\$ 160

(See accompanying notes)



› **Statement 3**

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

For the Year Ended March 31
(thousands of dollars)

	2019		2018
	Budget	Actual	Actual
Annual surplus (deficit)	\$ (25)	\$ (33)	\$ (13)
Acquisition of tangible capital assets	(24)	(15)	(27)
Amortization of tangible capital assets	49	45	49
	25	30	22
Acquisition of prepaid expenses	-	(89)	(92)
Use of prepaid expenses	-	92	83
	-	3	(9)
(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)

	2019	2018
Operating Activities		
Cash received from:		
General Revenue Fund		
Appropriation	\$ 8,159	\$ 8,151
Contingency appropriation	527	539
Other	15	6
	8,701	8,696
Cash paid for:		
Salaries	5,214	5,261
Supplies and other	3,383	3,526
	8,597	8,787
Cash provided by (used in) operating activities	104	(91)
Capital Activities		
Cash used to acquire tangible capital assets	(15)	(27)
Cash used in capital activities	(15)	(27)
Increase (decrease) in cash	89	(118)
Cash, beginning of year	867	985
Cash, end of year (Note 3)	\$ 956	\$ 867

(See accompanying notes)



OFFICE OF THE PROVINCIAL AUDITOR NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

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 0.95% to 1.45% 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.

	2019 (000's)			2018 (000's)
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs	\$ 487	\$ 367	\$ 854	\$ 858
Additions during the year	12	3	15	27
Disposals during the year	(9)	-	(9)	(31)
Closing cost	490	370	860	854
Opening accumulated amortization	465	321	786	768
Annual amortization	29	16	45	49
Disposals	(9)	-	(9)	(31)
Closing accumulated amortization	485	337	822	786
Net book value	\$ 5	\$ 33	\$ 38	\$ 68

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).





On November 29, 2017, the Standing Committee on Public Accounts approved the Office's funding request of \$8,686 thousand that was prepared using the expenditure basis of accounting.

The 2019 Budget and Actual using the expenditure basis of accounting are as follows:

	2019 (000's)	
	Budget	Actual
Revenue		
General Revenue Fund		
Appropriation	\$ 8,151	\$ 8,159
Contingency Appropriation	535	527
Other	6	16
Total revenue	8,692	8,702
Expenditure		
Salaries	5,443	5,229
Employee benefits	981	952
Facilities and equipment	768	757
Administration	419	388
Agent and advisory services	370	362
Training and development	170	159
Total operating expenditure	8,151	7,847
Transfer to General Revenue Fund (Note 7)	541	855
Total expenditure	8,692	8,702
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 2019 of \$390 thousand (2018: \$409 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 Office's annual expense for 2019 of \$106 thousand (2018: \$108 thousand) is included in employee benefits.



7. Transfer to General Revenue Fund

The \$855 thousand transfer (2018: \$769 thousand) includes the Office's unspent appropriations of \$839 thousand and other revenue (i.e., bank interest) of \$16 thousand.

8. Contractual Obligations

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:

2020	\$ 56 thousand
2021	\$ 32 thousand
2022	\$ 7 thousand

9. Changes in Accounting Standards

The Office adopted the following new accounting standard issued by the Public Sector Accounting Board on its effective date.

The adoption of this standard did not result in changes to the financial results of the Office.

- Restructuring Transactions (effective April 1, 2018)

10. Future Changes in Accounting Standards

The Office assessed that the following new accounting standards will have no effect on its financial statements:

- Asset Retirement Obligations (effective April 1, 2021)
- Revenue (effective April 1, 2022)





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

To the Members of the Legislative Assembly of Saskatchewan

Opinion

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.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Information* section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Information

Management is responsible for the preparation and fair presentation of the financial information 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.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Virtus Group LLP

June 18, 2019

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)	2019		2018	
	Planned Costs	Actual Costs	Actual Costs	Actual Costs
Government Sector/Agency				
Advanced Education	\$ 815	\$ 862 ¹	\$ 780	
Agriculture	260	250	317	
Central Services	173	133	135	
Corrections and Policing	40	45	125	
Education	772	626 ²	642	
Energy and Resources	265	248	346	
Environment	189	186	260	
Executive Council	76	67	14	
Finance	908	958 ³	824	
Government Relations	252	255	278	
Health	1265	1300 ⁴	1,220	
Highways and Infrastructure	133	134	106	
Immigration and Career Training	155	158	144	
Justice and Attorney General	524	410 ⁵	439	
Labour Relations and Workplace Safety	22	28	85	
Legislative Assembly	111	115	135	
Parks, Culture and Sport	324	329	300	
Public Service Commission	64	80	69	
Saskatchewan Liquor and Gaming Authority	239	246	240	
SaskBuilds Corporation	11	16	31	
Social Services	249	233	246	
Trade and Export Development	-	-	-	
Workers' Compensation Board	43	18	22	
Crown Investments Corporation of Saskatchewan	73	58	63	
Saskatchewan Gaming Corporation	17	10	81	
Saskatchewan Government Insurance	126	146	94	
Saskatchewan Opportunities Corporation	10	8	7	



**For the Year Ended March 31
(thousands of dollars)**

Government Sector/Agency	2019		2018	
	Planned Costs	Actual Costs	Actual Costs	Actual Costs
Saskatchewan Power Corporation	84	69	193	
Saskatchewan Telecommunications Holding Corporation	68	59	46	
Saskatchewan Transportation Company	10	14	13	
Saskatchewan Water Corporation	21	7	102	
SaskEnergy Incorporated	44	30	41	
Government-Wide and Sectoral Work	332	108 ⁶	130	
Legislative Committees and Public Reports	476	396 ⁷	360	
	\$ 8,151	\$ 7,602	\$ 7,888	
Estimated costs to complete audits not complete at March 31, 2019 (Note 3)		354		
TOTAL COSTS (Note 4)	\$ 8,151	\$ 7,956	\$ 7,888	

(See accompanying notes)

Explanation of differences between 2019 actual costs and planned costs greater than \$75 thousand (in thousands of dollars):

- ¹ **Advanced Education** – In 2019, the Office's actual costs to March 31 combined with estimated costs to complete of \$60 were \$107 more than planned. The Office decided to audit two regional colleges sooner than planned to replace an audit deferred at the Ministry of Justice and Attorney General (refer to footnote 5). The Office assessed purchasing processes at Northlands College and board competency development at Carlton Trail College. The increased costs were somewhat offset by decreased costs for the Student Aid Fund audit because of fewer significant issues requiring research and staffing efficiencies.
- ² **Education** – In 2019, the Office's actual costs to March 31 combined with estimated costs to complete of \$53 were \$93 less than planned because of fewer significant issues requiring research and staffing efficiencies.
- ³ **Finance** – In 2019, the Office's actual costs to March 31 combined with estimated costs to complete of \$29 were \$79 more than planned due to more issues requiring research for the Summary Financial Statements and various pension and benefit plans. Also, there were inefficiencies for several audits at the Ministry because of reduced audit staff continuity resulting from higher turnover than anticipated.
- ⁴ **Health** – In 2019, the Office's actual costs to March 31 combined with estimated costs to complete of \$112 were \$147 more than planned due to audits at the Saskatchewan Health Authority being more complex than anticipated.
- ⁵ **Justice and Attorney General** – In 2019, the Office's actual costs to March 31 combined with estimated costs to complete of \$7 were \$107 less than planned. The Office decided to defer planned audits at the Ministry related to coroner services and client asset management at Public Guardian and Trustee. It replaced these audits with audits at two regional colleges (refer to footnote 1).
- ⁶ **Government-Wide and Sectoral Work** – In 2019, the Office's actual costs to March 31 combined with estimated costs to complete of \$3 were \$221 less than planned because of fewer complex matters requiring research than originally anticipated.
- ⁷ **Legislative Committees and Public Reports** – In 2019, the Office's actual costs were \$80 less than planned because of the following: In 2019, Legislative Committees met less frequently to discuss our audits than originally anticipated, and the Office spent less time to prepare and publish its 2019 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, 2019

1. Purpose

This schedule shows the Office's actual costs incurred up to March 31, 2019, and estimated costs to complete the audits of the various Government agencies as compared to the prior year. The results of the Office's 2019 work is reported in its *2018 Report – Volume 2* and *2019 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 for 2019 were originally presented to the Standing Committee on Public Accounts in the 2019 Business and Financial Plan. The 2019 planned costs shown on this schedule are restated to reflect the ministry reorganization in February 2018 and changes to ministerial responsibilities as presented in the 2020 Business and Financial Plan.

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, 2019, the Office estimated total costs to complete its 2019 Annual Work Plan would be \$7,956 thousand based on estimated costs of \$354 thousand to complete audits not done at March 31. At March 31, 2019, the 2018 Annual Work Plan was complete.





Actual	2019	2018
Average Cost-Per-Hour	\$ 106.62	\$ 108.43
Direct Costs (in thousands)	165	\$ 161

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	2019 Actual Costs	2018 Actual Costs
	(000's)	
2020 (estimate)	\$ 354	\$ -
2019	5,744	338
2018	1,858	5,694
2017	-	1,856
Total Actual Costs to Audit Government Agencies	\$ 7,956	\$ 7,888



Independent Auditors' Report on Effectiveness of Financial-Related Controls

To the Members of the Legislative Assembly of Saskatchewan

We have undertaken a reasonable assurance engagement of the Office of the Provincial Auditor's operating effectiveness of internal controls as of March 31, 2019, to express of an opinion as to the effectiveness of its internal controls 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.

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 internal controls related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of internal controls, based on our audit.

We used the control framework included in COSO's *Internal Control-Integrated Framework* to make our judgments about the effectiveness of the Office of the Provincial Auditor's internal controls. We did not audit certain aspects of internal controls concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

We conducted our reasonable assurance engagement in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001, *Direct Engagements*. This standard requires that we plan and perform this engagement to obtain reasonable assurance as to the effectiveness of the Office of the Provincial Auditor's internal controls related to the objectives stated above. The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the effectiveness of internal controls. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material misstatement when it exists.

Our audit on the effectiveness of the Office of the Provincial Auditor's internal controls 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.

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

In our opinion, subject to the limitations noted above, the Office of the Provincial Auditor's internal controls were operating effectively, in all material respects, to meet the objectives stated above as of March 31, 2019 based on COSO's *Internal Control-Integrated 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 and 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.

We have complied with the ethical requirements of the Chartered Professional Accountants of Saskatchewan *Rules of Professional Conduct*, founded on fundamental principles of integrity, objectivity, professional competency and due care, confidentiality and professional behaviour.

We apply the *Canadian Standard on Quality Control 1* issued by CPA Canada and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Virtus Group LLP

June 18, 2019
Regina, Saskatchewan

Chartered Professional Accountants



Independent Auditors' Report on Compliance with Authorities

To the Members of the Legislative Assembly of Saskatchewan

We have undertaken a reasonable assurance engagement of 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 investment activities during the year ended March 31, 2019.

Compliance with the provisions of the stated legislative and related authorities is the responsibility of management of the Office of the Provincial Auditor. Management is also responsible for such internal control as management determines necessary to enable the Office of the Provincial Auditor's compliance with the specified requirements.

Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements (CSAE) 3531 *Direct Engagements to Report on Compliance*. This standard requires that we plan and perform this engagement 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, in all significant respects. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity's compliance with the specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of risks of significant non-compliance, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material misstatement when it exists.

We believe the evidence is sufficient and appropriate to provide a basis of our opinion.

In our opinion, for the year ended March 31, 2019, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities.

We do not provide a legal opinion on the Office of the Provincial Auditor's compliance with 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 and 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.

We have complied with the ethical requirements of the Chartered Professional Accountants of Saskatchewan *Rules of Professional Conduct*, founded on fundamental principles of integrity, objectivity, professional competency and due care, confidentiality and professional behaviour.

We apply the *Canadian Standard on Quality Control 1* issued by CPA Canada and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Vintus Group LLP

June 18, 2019
Regina, Saskatchewan

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, 2019

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated June 18, 2019.

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.

Virtus Group LLP

June 18, 2019
Regina, Saskatchewan

Chartered Professional Accountants





Additional Information



Historic post office in downtown Battleford



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, 2019.

Borys, Angèle	\$ 176,575	McNaughton, Jordan	57,037
Clemett, Tara	165,625	O'Quinn, Carolyn	165,625
Deis, Kelly	176,575	Pituley, Jonathan	94,125
Dickin, Deann	93,500	Rau, Brent	93,225
Dressler, Nicole	94,125	Reimer, Dane	74,054
Drotar, Charlene	147,125	Robertson, Jennifer	58,787
Ellis, Mindy	69,473	Russell, Stephanie	94,825
Ferguson, Judy	237,505	Schwab, Victor	148,000
Fischer, Dean	55,826	Scott, Douglas	79,000
Forbes, Krysten	59,441	Shamrai, Alla	75,104
Halladeen, Aaron	102,280	Shaw, Jason	130,000
Heebner, Melanie	130,000	Sommerfeld, Regan	67,743
Iles, Amanda	86,140	St. John, Trevor	151,567
Kirton, Maygen	53,530	Sych, Larissa	58,754
Klassen, Linda	148,825	Tomlin, Heather	93,500
Krasivska, Ruslana	59,472	Volk, Rosemarie	148,825
Lam, Betty	79,000	Wandy, Jason	135,217
L'Heureux, Desirée	107,925	Yanyu, Melissa	109,212
Lindenbach, Michelle	120,825	Yee, Ken	73,000
Lowe, Kimberley	148,825	Young, Kristen	74,721
Mantyka, Scott	52,316		

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, 2019.

Public Employees Dental Plan	\$ 57,834
Public Employees Disability Income Plan	106,420
Public Employees Pension Plan	390,118
Receiver General for Canada – Canada Pension Plan	147,512
Receiver General for Canada – Employment Insurance	58,546
Saskatchewan Blue Cross	87,830





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, 2019.

Kimco Enterprises Inc. (Chateau Tower)	\$ 525,729
MNP LLP (Regina and Saskatoon)	101,914
Powerland	116,861
Virtus Group LLP	51,929

Public Reports

The Office submitted the following reports for tabling in the Legislative Assembly in 2018–19:

➤ Audit-related:

- *2018 Report – Volume 1* (June 2018)
- *2018 Report – Volume 2* (December 2018)

➤ Administrative:

- *Annual Report on Operations For the Year Ended March 31, 2018* (June 2018)
- *Business and Financial Plan For the Year Ended March 31, 2020* (November 2018)

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



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

