

Business and Financial Plan
For the Year Ended March 31, 2012

As Presented to the
Standing Committee on Public Accounts

December 2010



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Vision

We envision effective, open, and accountable government.

Mission

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



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SASKATCHEWAN

December 6, 2010

The Honourable D. Toth
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *Business and Financial Plan for the Year Ended March 31, 2012*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Brian Atkinson, FCA
Acting Provincial Auditor

/cp

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Glossary

Estimate – Future-oriented financial information prepared using actual results where available and assumptions all of which reflect the entity’s planned course of action for the period covered given management’s judgement as to the most probable set of economic conditions.

Forecast – Future-oriented financial information prepared using assumptions that reflect the entity’s planned courses of action for the period given management’s judgement as to the most probable set of economic conditions (CICA Handbook).

Projection – Future-oriented financial information prepared using assumptions that reflect the entity’s planned courses of action for the period given management’s judgement as to the most probable set of economic conditions, together with one or more hypotheses that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management’s judgement (CICA Handbook).

2011-12 Funding Request

Funding request

Our Office asks the Standing Committee on Public Accounts to recommend to the Legislative Assembly an appropriation for the operation of the Office of \$7.620 million for 2011-12 and a contingency appropriation of \$514 thousand for unforeseen expenses. These appropriations will enable our Office to fulfill the statutory duties under *The Provincial Auditor Act*.

As required by *The Provincial Auditor Act*, we present our estimates, supported by our business and financial plan, to the Standing Committee on Public Accounts. In Appendix I, we set out the estimates for 2011-12 in the format the Legislative Assembly expects. These estimates include an amount for unforeseen expenses as expected by the Act.

Appropriation

Our 2012 funding request reflects an increase of \$115,000 (1.5%) over our 2011 approved appropriation. In making this request, our Office has recognized the current fiscal constraints the Government faces. As outlined below, our Office plans to absorb significant additional costs caused by external factors. For 2012, the key external factors affecting the costs of our Office include the employment market for auditors, changes in accounting and auditing standards, and the number of government agencies.

The job market for professional auditors and auditors training to become professionals remains strong. To maintain our ability to recruit and retain employees, our Office must offer reasonable salaries and benefits based on market conditions within both the public and private sectors.

Our salary cost for 2012 includes general salary increases of 1.5% at April 1, 2010 and 2.0% at April 1, 2011. These increases reflect increases authorized by the Government for its employees. These general salary adjustments increase our salary and benefit costs by \$198,000. We plan to absorb \$83,000 of these costs by continuing to find better ways to do our work and decreasing our workforce by one full-time equivalent.

Significant changes in Canadian accounting and auditing standards continue. For example, the Canadian Audit and Assurance Standards Board has adopted international auditing standards for financial statement audits and is re-examining

other assurance standards. The Public Sector Accounting Standards Board is allowing certain types of government agencies to adopt international financial reporting standards (IFRS) and expects to introduce additional accounting standards. These changes result in changes in audit methodology and additional audit work effort for all auditors including our Office. For our 2012 funding request, we plan to find further audit efficiencies so that we can absorb the cost of additional work resulting from these changes.

We note that the strong job market and changes to accounting and auditing standards have caused increases in the fees of appointed auditors. The fees paid to appointed auditors by six significant crown agencies increased by 6% from 2009 to 2010. Furthermore, these crown agencies have approved appointed auditor fee increases of about 5% for 2011.

As *The Provincial Auditor Act* requires us to audit all government agencies, the Government's creation and wind-up of agencies can impact our total costs. Agencies created and wound-up since our last business and financial plan have not significantly affected our total costs for 2012. (See page 35 for further details of government agencies created and wound up in 2010-11.)

Contingency appropriation

The Legislature amended *The Provincial Auditor Act* in June 2001. The amended Act changed how we finance our operations. Up to 2001, we maintained net financial assets equal to approximately one month's salary and benefit expenses. We used this money to respond to costs of unplanned work, pressure to improve the timeliness of our work, and unplanned salary and benefit increases. This practice enhanced our independence by providing the resources necessary to manage effectively unforeseen circumstances.

The amended Act requires the Provincial Auditor to return all unspent money at the end of the year to the General Revenue Fund. This practice is known as "lapsing appropriations." To enable the Provincial Auditor to retain the independence to manage effectively, the Standing Committee on Public Accounts recommended that the amended Act provide for the Provincial Auditor to obtain an extra appropriation each year. The amended Act provides for a contingency appropriation for unforeseen expenses.

Our funding request includes a contingency appropriation of \$514,000. This contingency appropriation approximates our previous net financial asset target of one month's salary and benefits.

Independent assurance on our funding request

This business and financial plan includes our audited financial forecast. The financial forecast reflects our funding request. The auditor reports that our financial forecast is consistent with and reasonable in relation to our operating plan (i.e., our goals and objectives). (See page 25 for the auditor's report of the auditor Cabinet has hired to audit our Office.)

Our Office has provided the Committee with an audited financial forecast for the last thirteen years. We provide an audited financial forecast in response to the 1999 request of the Board of Internal Economy to provide it with independent advice to help it assess our requests for resources.

Introduction

The Legislative Assembly sets out the accountability process for our Office in *The Provincial Auditor Act*. The process requires the Provincial Auditor to submit two key reports to the Assembly each year:

- An annual business and financial plan. This plan must include the Office's planned operations and its planned revenues and expenses for the upcoming year.
- An annual report on operations. This report must include a summary of the Office's operations and audited financial statements for the preceding year.

As required by law, we present this business and financial plan directly to the Legislative Assembly. This gives Members of the Assembly time to review our plans before we appear before the Standing Committee on Public Accounts. It also allows Members the opportunity to advise the Committee on the relevance of our planned work.

Members may find our most recent annual report useful in their review of this Business and Financial Plan (the Plan). Our Annual Report of Operations for the Year Ended March 31, 2010 was tabled in the Legislative Assembly on June 10, 2010. A copy of this report is available on our website. The Report describes our performance in achieving the goals and objectives set out in our 2010 Business and Financial Plan. Members should find this information helpful in assessing our effectiveness.

The Plan includes a brief description about our Office (i.e., Context), our operational plans for 2011-12 (i.e., What we do) and the costs of those plans (i.e., audited financial forecast) along with various other supporting reports and schedules. For example, the Plan includes a schedule of actual and planned costs to audit government agencies. Because salaries and benefits account for 80% of our spending, this Plan includes details on salary costs and on actual and planned use of staff time over five years.

We prepared this Business and Financial Plan using sound reporting practices. We based our practices on the Public Sector Accounting Board's *Statement of Recommended Practice (SORP-2) Public Performance Reporting* published by The Canadian Institute of Chartered Accountants in 2006.

Context

Independence

The Provincial Auditor Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor. The Act gives the Provincial Auditor the responsibility to audit all government agencies and report the results of the audits to the Legislative Assembly.

The Act ensures that the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards. The Standing Committee on Public Accounts, an all-party committee that does not include cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for a 10-year term. The Act sets the Provincial Auditor's salary and benefits. A resolution of the Legislative Assembly is required to remove the Provincial Auditor from office. The Standing Committee on Public Accounts recommends the amount of resources for the Provincial Auditor's Office. The Act gives the Provincial Auditor the authority to decide which employees to hire, what audit work needs to be done, and how the work is carried out. Also, the Provincial Auditor, through Office policies, requires all employees to confirm annually whether they have any relationships with the Government that could be perceived to affect their independence and objectivity.

Who we serve

The Office of the Provincial Auditor helps the Legislative Assembly hold the Government accountable for how it manages public resources. Our Office examines the Government's management of public resources and reports its findings to the Assembly.

What we do

Our vision

We envision effective, open, and accountable government.

Our mission

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

Our mission shapes what we do and how we respond to key economic, political, social, and technological forces affecting those we serve.

How we carry out our mission

To fulfill our mission, we provide independent assurance (audit reports) and advice on the Government's management of and accountability practices for the public resources entrusted to it. We support and adhere to the accounting and assurance standards published by The Canadian Institute of Chartered Accountants. In particular, we provide the following services:

- We advise the Legislative Assembly on:
 - the reliability of the Government's public performance reports
 - the Government's compliance with legislative authorities
 - the adequacy of the Government's management of public resources
- We encourage discussion and debate about public sector management and accountability issues
- We assist the Standing Committees on Public Accounts and Crown and Central Agencies
- We develop professionals for public service

Our reports

We report our assurance and advice to the Assembly and the Government. At the end of each audit, we report our assurance and advice to government officials. We provide assurance by way of reports on financial statements, compliance with authorities, and the adequacy of management systems and practices. We provide advice and assurance by way of letters to management setting out our conclusions, findings, and recommendations for improvement.

We also provide assurance and advice to the Legislative Assembly and the public in our reports to the Assembly. These reports summarize our work at government agencies. They provide assurance and advice on the whole Government, sectors of the Government, and on each government agency's: financial statements, compliance with authorities, and the adequacy of its management systems and practices.

We decide what matters to report in the context of the following questions:

- Does the matter affect the Assembly's ability to control the financial activities of the Government?

- Does the matter affect the Assembly's ability to hold the Government accountable for how it administers public money?
- Does the matter involve improving how the Government administers public money?
- Does the matter involve non-compliance with legislative authorities?

When an agency's financial statements, compliance with authorities, and processes to safeguard public resources are satisfactory, we also report that information to the Government and to the Legislative Assembly.

Our key outputs and expected outcomes

Exhibit 1 shows the outputs and expected outcomes of our work. We have three primary outputs. These are assurance (audit reports), advice (recommendations), and trained professionals for public service.

As shown in Exhibit 1, our assurance and advice result in two final outcomes. These outcomes are improved public confidence in the Government and improved performance in the delivery of government programs.

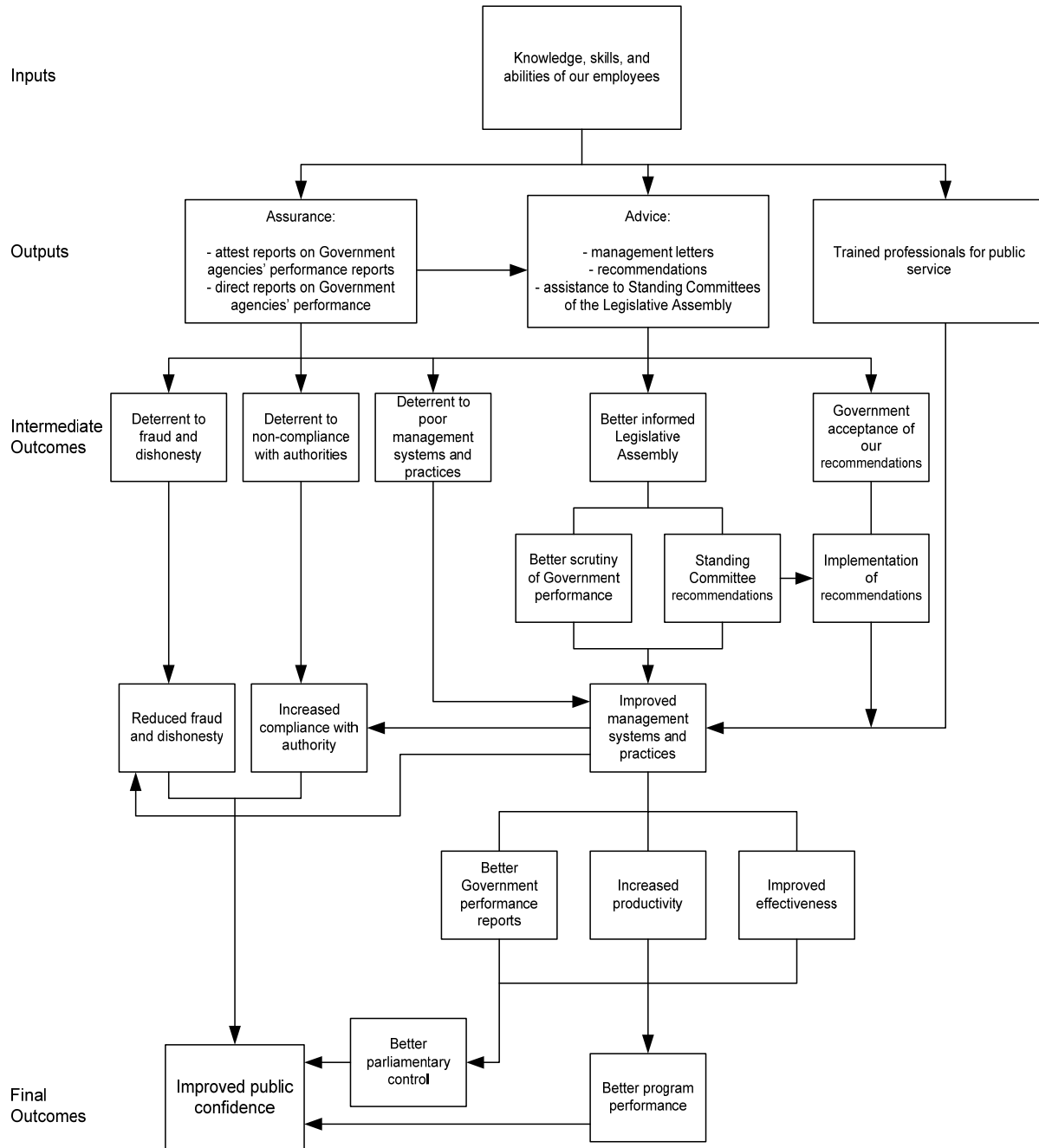
For our parliamentary system of government to work properly, the system must enjoy public confidence. To merit this confidence, government programs must be effective and the Government must be open and accountable.

Our work and reports directly affect public confidence in the Government. They provide the public with confidence that the Government's public performance reports are reliable, it uses adequate processes to safeguard public resources, and it has complied with governing authorities.

One important responsibility of the Legislative Assembly is to hold the Government accountable for its management of public resources. By providing relevant, reliable, and timely reports, we help the Assembly to carry out this responsibility.

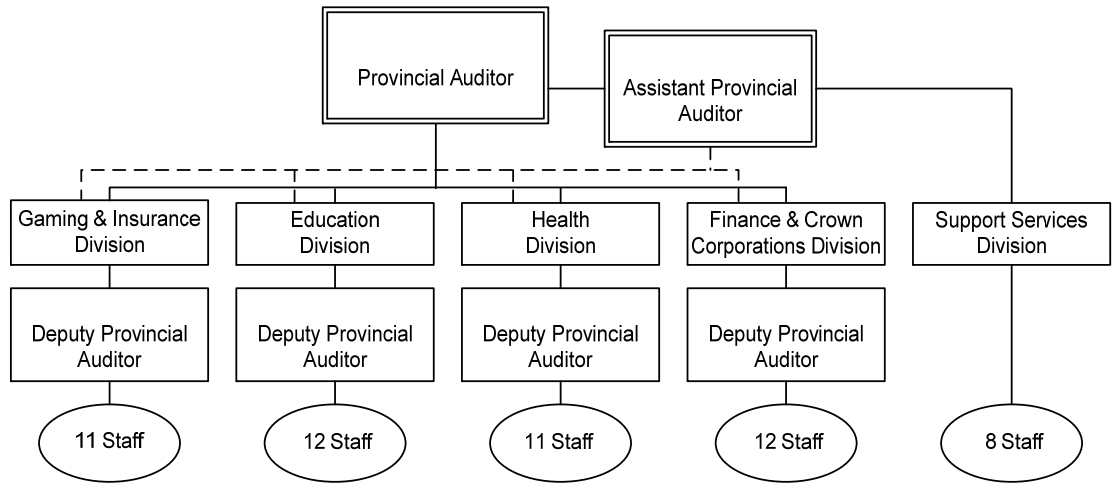
Our work and reports call for public accountability for government operations and sound management. They contribute to informed decision making in government and business-like processes. In turn, this helps the Government carry out its responsibility to use sound management practices.

Exhibit 1—What We Do and the Impact of Our Work



Our organization

Our planned organization for 2011-12:



Our Gaming and Insurance Division's responsibilities include examining the Government's gaming, insurance, pension, and resource management programs. The Government earns about \$2 billion annually from non-renewable resources and its pension liabilities total over \$7 billion. Pension and insurance liabilities require our staff to acquire knowledge to understand the methods used by actuaries and the accounting practices in these industries. Gaming operations (casinos) and resource management also require our staff to understand the unique risks in these industries.

Our Education Division's responsibilities include examining the Government's education, training, labour, telecommunications, and infrastructure programs. The education sector (including early childhood development, pre-kindergarten to grade 12 education, technical training, post-secondary education, and provincial libraries) spends over \$2 billion annually. In addition, the Government has over \$10 billion invested in infrastructure. The Division is also responsible for our government-wide information technology audits.

Our Health Division's responsibilities include examining the Government's programs related to health (including regional health authorities), justice, welfare (including child and family services), and distribution of natural gas for home heating. The health and welfare sector spends about \$5 billion annually. Auditing the delivery of health care and welfare requires our staff to understand risks associated with these programs.

Our Finance and Crown Corporations Division's responsibilities include examining the Government's provincial taxation, cash flow and debt management, transportation, agricultural, and power production and transmission programs. It also leads the audits of the Government's summary financial statements and Crown Investments Corporation of Saskatchewan.

Our Support Services Division's responsibilities include administration, human resources, research, methodology, training, secretarial, clerical, and information technology.

During 2012, our Office expects to employ 60 people (2011 – 61 people). At October 31, 2010, 29 of our employees are professional accountants. Twenty are training to become professional accountants.

Our employees are our most valuable resource because "what we do" depends on their knowledge and skills. Creating and maintaining an environment that encourages ongoing learning is crucial to our success.

Our competencies

Our knowledge, skills, and abilities affect what we do for the public, the Legislative Assembly, and the Government. We apply the following special competencies and experience to our work and reports:

- objectivity, because of our full independence from the Executive Government (i.e., ministries, crown corporations, boards, commissions, funds)
- thorough knowledge of the:
 - complex structure and systems the Government uses to manage public resources
 - structure of legislative authorities governing the activities of government agencies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
 - audit of information technology systems
 - accounting and assurance standards published by The Canadian Institute of Chartered Accountants
- working knowledge of the issues facing government agencies operating in diverse types of businesses including education, health, insurance, protection of people and property, pension and benefit plans, energy,

telecommunications, gaming, transportation, renewable resources, non-renewable resources, human resources, construction, and financial services

- a business view derived from rigorous professional training that we blend with our practical knowledge of public administration

Risk management

Sound risk management is essential for us to help the Legislative Assembly hold the Government accountable for its management of public resources. To manage risk, we must identify, assess, and reduce possible adverse consequences the Office may experience from events or circumstances.

We routinely identify and assess our risks. We have established processes to reduce to an acceptable level the likelihood that our risks will have adverse consequences on our ability to carry out our duties under *The Provincial Auditor Act*. We accept some degree of risk because it is not cost effective to eliminate all risks.

Each year, we include our auditor's report on our systems and practices in our annual report on operations. In our 2010 Annual Report on Operations, our auditor reported that our Office had adequate processes to safeguard public resources entrusted to it by the Assembly. We have not made significant changes to our systems and practices since that audit.

The following are our key risks.

Our stakeholders do not support our goals and objectives. For the Office to remain viable, legislators, the public, and government officials (our stakeholders) should support our goals and objectives. Pursuing our goals and objectives must result in relevant assurance (audit reports) and advice for our stakeholders. We have established processes so that we set goals and objectives that will result in relevant assurance and advice for our stakeholders.

The Government does not act on our recommendations. Doing independent, reliable, and relevant work at a reasonable cost is vital to our Office's success. These attributes are also essential for our stakeholders to value our advice. We must understand the challenges that the Government faces. Also, our advice must help improve program performance. We have established processes so

that our assurance and advice is independent, relevant, reliable, and cost effective.

We do not adequately understand or respond to the challenges and risks faced by our stakeholders. If our assurance and advice is to be reliable, we must understand the challenges and risks faced by the Government. How the Government manages its risks affects the nature and extent of work we must do to report to the Assembly.

We must also understand the challenges and risks faced by legislators and the public if our assurance and advice is to be relevant. To be relevant, our assurance and advice should result in better parliamentary control over government activities and better program performance. We have established processes to set goals and objectives that enable us to understand the challenges and risks faced by our stakeholders.

The Standing Committees on Public Accounts and Crown and Central Agencies are unable to fulfill their responsibilities. Our Office must provide assurance and advice that is consistent with the Committees' objectives.

The Standing Committee on Public Accounts is the audit committee for the Legislative Assembly. The Committee is a key agent of change for improving the Government's management of public resources. The Committee's mandate is to help the Legislative Assembly hold the Government accountable for its spending of taxpayers' money and its stewardship over public resources. The Committee reviews and evaluates the activities of government ministries and Crown agencies. The Committee works with the Provincial Auditor to carry out the Committee's mandate.

The Standing Committee on Crown and Central Agencies helps the Legislative Assembly hold the Government accountable for its management of public resources. The Committee considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, supply and services, central agencies, liquor, gaming, and all other revenue related agencies and entities. Since 2001, the Assembly has referred the parts of our reports that relate to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries to the Committee for review. During those reviews, the Committee works with the Provincial Auditor to carry out the Committee's mandate.

We have established processes to provide independent, relevant, and reliable information that is consistent with the Committees' objectives.

We lose or stakeholders perceive that we have lost our independence. *The Provincial Auditor Act* makes our Office responsible to examine all public resources managed by the Government and the Legislative Assembly (e.g., Board of Internal Economy). The Act makes our Office independent of appointed and elected officials so that we can administer the Act without the risk of intimidation.

We carefully guard our independence and report to the Assembly when we are concerned about our independence. Also, we have established processes to maintain objectivity and independence in our work for the Legislative Assembly.

We provide inappropriate or incorrect assurance and advice. Stakeholders must trust and value our assurance (audit reports) and advice. Gaining and keeping their trust is essential for the viability of the Office. We have established processes to ensure that our work is reliable.

We do not have the required competencies and resources. The quality of our work is dependent on the knowledge, skills, and abilities of our employees.

We have established hiring processes and training programs to ensure we acquire and maintain the competencies discussed on page 12.

To discharge our statutory duties, we need sufficient resources to employ the required competent people. We also need sufficient resources to equip, support, and house our employees. We need the support of legislators to obtain the required resources. To gain this support, we have established processes to ensure that our work is relevant to legislators and reliable. Also, we publish a business and financial plan and an annual report on operations to build legislators' support for our request for resources.

We do not manage our resources effectively. Our management practices must promote the effective use of our resources. We have established processes to keep the risk of not doing so at a minimum. Our major input cost to provide our services is salaries and benefits. Salaries and benefits account for 80% of our spending. We carefully monitor the use of staff time. Page 37 shows the actual and planned use of staff time for five years.

What We Plan To Do

Our goals and objectives

We have three goals:

- Foster well-managed Government
- Encourage meaningful reporting by Government
- Manage our business effectively

Exhibit 2 sets out our goals and objectives. On pages 41 to 55, we set out the goals, objectives, general strategies, and action plans included in our 2009-2012 strategic plan.

Exhibit 2—Our Goals and Objectives

Goal 1 – Foster well-managed Government

Objectives:

- 1.1 Our stakeholders value our assurance and advice to strengthen the Government's accountability to the Assembly.
- 1.2 Our stakeholders value our assurance and advice to strengthen the Government's processes to achieve intended results.

Goal 2 – Encourage meaningful reporting by Government

Objectives:

- 2.1 The Government provides useful summary plans and results to the Assembly.
- 2.2 Significant agencies provide useful plans and results to the Assembly.
- 2.3 Our stakeholders value our timely assurance and advice on the Government's reports on plans and results.

Goal 3 – Manage our business effectively

Objectives:

- 3.1 Our stakeholders understand and value what we do.
- 3.2 We continuously improve our work.
- 3.3 We embrace our guiding principles.

Our guiding principles

Our Office is committed to earning the respect and confidence of legislators, the public, government officials, and our professional colleagues. Our guiding principles help us meet this objective. The following principles guide us:

Accountability – We actively take responsibility for achieving positive results and explaining our performance.

Balance – We support the balance between work, home, and community responsibilities.

Independence – We maintain our objectivity in all our work.

Innovation – We seek better ways to achieve results and foster continuous learning.

Integrity – We work in a professional, honest, courteous, and fair manner.

Leadership – We lead by example and encourage open communication and teamwork.

Factors affecting our work plan

Our work plan for 2012 enables us to fulfill our duties under *The Provincial Auditor Act*. The Act sets out the government agencies we must examine.

We use a risk-based model to set priorities and allocate resources for our work plan. The model uses criteria to guide us in assessing the impact of each audit on our overall ability to serve the Legislative Assembly.

The key external factors affecting our costs for 2012 are discussed on page 3.

We set out our detailed work plan for 2012 at pages 30 to 32. It shows the costs to audit and report on government agencies for our fiscal year ended March 31, 2012 and comparative information. The work plan reflects our goals and guiding principles. It also reflects known information (at October 31, 2010) about the following factors:

- the 2011 level of government revenues and spending
- the number of government agencies in 2011

- the quality of and changes in the Government's records, systems, practices, and personnel
- the Government's use of appointed auditors
- professional standards
- the co-operation we expect to receive from government officials and appointed auditors when we do our work
- the public's expectations

At October 31, 2010, the Government manages 292 agencies. Many of these agencies use appointed auditors.

It is the Government's decision to use appointed auditors. The Government has stated that it uses appointed auditors so the Saskatchewan public accounting industry can develop and retain local expertise. The Government is accountable for the costs of using appointed auditors and, therefore, our financial plan does not reflect these costs. However, our detailed work plans reflect the known use of appointed auditors because it affects our costs and the way we carry out our work. The use of appointed auditors reduces our costs but increases the total cost of auditing to taxpayers. It costs more to audit when there are two auditors. Page 63 sets out the total costs to audit government agencies for the last five years.

When the Government appoints a second auditor, we follow the recommendations of the *Task Force on Roles, Responsibilities, and Duties of Auditors* (the document is available on our website). Following these recommendations will ensure that we serve the Assembly efficiently.

Forces and trends affecting our work plan

Forces and trends also affect our work plans. Six major forces and trends affect our stakeholders (i.e., legislators, the public, and government officials). They also shape our work.

Advancing technology – making possible new ways of communicating and providing services, quicker and often at less cost, but requiring attention to security and loss of privacy.

Changing demographics – an aging population, a growing Aboriginal population, the depopulation of rural Saskatchewan, and increasing retirements.

Economic constraints – increasing demand for government services and continued demand for lower taxes.

Globalization – a highly integrated and interdependent world with an increasingly mobile skilled workforce, strong international competition, and global standards.

Pressure on the environment – the sustainability of our environment balanced with the need for long-term economic activity.

Governance – the need for increased public confidence in government agencies and the increased expectation for public consultation in decision-making processes.

These forces and trends have increased the public's expectations. For example, current technology gives the public more accessible information and knowledge about services and taxes in other jurisdictions. Changes in demographics will result in increased demands for services (e.g., health care). The Government's ability to manage scarce public resources and meet the public's increased expectations impacts public attitude.

In Saskatchewan, these forces and trends continue to strain public resources and how the Government organizes, delivers services, and ensures adequate participation in decision making.

Our focus

We plan to focus our efforts on helping our stakeholders address the challenges emerging from these forces and trends as well as several more specific issues. In particular, we will encourage the Government to address the following challenges:

- Report on how it manages the risks related to advancing technology, changing demographics, economic constraints, globalization, and pressure on the environment
- Improve its management of risks for effective service delivery related to public sector human resources, the environment, and the public's valuable infrastructure including information technology
- Improve governance processes for better management of public resources

- Strengthen its management of complex accountability relationships with non-government organizations (e.g., service agreements with community-based organizations, public private partnerships)
- Strengthen its management of and accountability for intergovernmental and interagency programs
- Improve the quality of information provided to legislators on the plans and results of the overall Government and each of its agencies including Crown corporations

Indicators of success

We measure our success by monitoring six general indicators. These indicators relate to key outcomes that we plan to achieve through accomplishing our goals and objectives.

1. Our stakeholders value our assurance and advice. (goal 1, objectives 1 & 2)

- The Government acts on 80% of those recommendations that are more than one year old that do not involve major changes.
- The Government acts on 80% of those recommendations that are more than five years old that involve major changes.
- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.

2. The Government and its agencies provide useful plans and results to the Assembly. (goal 2, objectives 1 & 2)

- The Government's 2011 performance plan summary has improved when compared to our assessment of the 2009 plan.
- In 2011, 70% of significant agencies publicly report their financial and operating results compared to their targets including information on their key risks and how they manage those risks.

3. The Assembly receives our timely assurance on the Government's reports on plans and results. (goal 2, objective 3)

- Our work is reported by established deadlines and within the planned costs set out in our Business & Financial Plan.

4. Our stakeholders understand and value what we do. (goal 3, objective 1)

- The Government acts on 80% of those recommendations that are more than one year old that do not involve major changes.
- The Government acts on 80% of those recommendations that are more than five years old that involve major changes.
- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.
- Our work is reported by established deadlines and within the planned costs set out in our Business & Financial Plan.
- Post audit questionnaires indicate a positive trend in satisfaction with our work.
- Our auditor reports publicly and positively on our performance (e.g., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of one additional key non-financial performance indicator per year).

5. We continuously improve our work. (goal 3, objective 2)

- Our staff time is used as set out in our Business and Financial Plan.
- Post audit questionnaires indicate a positive trend in satisfaction with our work.
- Our pass rates for students in professional accounting programs exceed national averages each year.
- Positive reports on our work from the Institute of Chartered Accountants of Saskatchewan.
- Positive CCOLA Peer Review reports on our work.
- Our work is reported by established deadlines and within the planned costs set out in our Business & Financial Plan.
- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.

6. We maintain a positive healthy work environment. (goal 3, objective 3)

- Our corporate culture surveys indicate a positive trend in our working environment.

Historical comparison of the costs of our work plans

Table 1 shows a five-year summary comparison of costs to discharge our duties under *The Provincial Auditor Act*.

Table 1

(in \$ millions)

Work Plan Costs				
Our Costs to Audit Each Government Agency				
for Our Fiscal Years Ended March 31				
as at October 31, 2010				
2009 Actual	2010 Actual	2011 Planned	2012 Planned	2013 Planned
6.789	6.865	7.505	7.620	7.743

(Details on pages 30 to 32)

(Details to be
determined in
2011)

The cost to carry out our work plan shows differences between years. Our annual reports on operations for 2009 and 2010 contain detailed explanations about our planned and actual costs.

Our funding request on page 3 explains the differences between our 2011 and 2012 planned costs to audit government agencies.

On pages 30 to 34, we compare our detailed work plans for the years 2009 to 2012. We explain differences between years on these pages.

The 2013 work plan costs in Table 1 reflect our performance target for 2013. We plan to absorb inflationary increases except for general salary and benefit increases that the Government gives to public servants. This cost projection also assumes that the number of government agencies, the quality of their management systems and practices, the use of appointed auditors, professional standards, and total Government revenues and expenses will remain constant.

Impact of alternative funding levels

If we do not obtain sufficient revenue from the Standing Committee on Public Accounts, we will not be able to carry out our work plan.

Also as previously noted, we use a risk-based model to set our work plan. Our model reflects that we must provide assurance on the Government's summary financial statements along with assurance on the adequacy of the Government's

management of public resources, and compliance with the law. If we are unable to obtain sufficient revenue, we would provide less service by not auditing certain agencies in the following sequence:

- revolving and other special purpose funds
- agricultural marketing boards and funds
- certain CIC related Crown corporations
- certain school divisions

When we do not examine Government agencies, the Assembly does not receive our assurances on the Government's financial statements, its compliance with governing authorities, and the adequacy of its management of public resources. If necessary, we will report to the Legislative Assembly which Government agencies we were unable to audit. When this is necessary, we are concerned with the impact this message has on public confidence in our system of Government.

Supporting Reports and Schedules

Management's Responsibility for the Financial Forecast

The accompanying financial forecast consisting of a statement of revenue and expense included in the Business and Financial Plan for the Office of the Provincial Auditor for the year ending March 31, 2012 is the responsibility of management of the Office. Management has prepared the financial forecast in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this Business and Financial Plan is consistent with that in the financial forecast.

To ensure the integrity and objectivity of the financial data, management maintains an appropriate code of conduct, a comprehensive system of internal controls including written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that the most probable set of economic conditions are reflected in the assumptions the Office developed to prepare the financial forecast. These measures also provide reasonable assurance that the assumptions are suitably supported and consistent with the goals and plans developed by the Office, and provide a reasonable basis for the forecast.

The financial forecast was audited by Virtus Group LLP. Their report to the Standing Committee on Public Accounts stating the scope of their examination and opinion on the financial forecast appears on page 25.

November 23, 2010
Regina, Saskatchewan



Brian Atkinson, FCA
Acting Provincial Auditor

AUDITORS' REPORT ON FINANCIAL FORECAST

To the Standing Committee on Public Accounts:

The accompanying financial forecast of the Office of the Provincial Auditor consisting of a Statement of Revenue and Expense for the year ending March 31, 2012 has been prepared by management using assumptions with an effective date of October 31, 2010. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Auditing Guideline published by The Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the Office, and provide a reasonable basis for the forecast
- this forecast reflects such assumptions
- the financial forecast complies with the presentation and disclosure standards for forecasts published by The Canadian Institute of Chartered Accountants

Since this forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variances may be material. Accordingly, we express no opinion as to whether this forecast will be achieved.

November 23, 2010
Regina, Saskatchewan

Vintus Group LLP

CHARTERED ACCOUNTANTS

Statement of Revenue and Expense For the Years Ended March 31

	2009 Actual	2010 Actual	2011 Estimate	2012 Forecast (Note 4)	2013 Projection
	(\$ Thousands)				
REVENUE:					
General Revenue Fund					
- Current Year's Appropriation	6,677	7,008	7,505	7,620	7,743
- Contingency Appropriation (Note 8)	438	463	503	514	524
Other	15	2	5	5	5
Total Revenue	7,130	7,473	8,013	8,139	8,272
EXPENSE:					
Salaries (see page 36) (Note 5)	4,351	4,552	5,073	5,283	5,389
Employee benefits	756	803	828	885	902
Administration	536	564	620	594	594
Rent of space	367	383	395	394	394
Agent and advisory services (Note 5)	429	512	409	313	313
Training and development	171	162	175	175	175
Total operating expense (Note 6)	6,610	6,976	7,500	7,644	7,767
Transfer to GRF (Note 7)					
- Return of unused Appropriation	481	465	540	514	524
- Other	15	2	5	5	5
Total transfer to GRF	496	467	545	519	529
Total expense	7,106	7,443	8,045	8,163	8,296
Annual surplus (deficit)	24	30	(32)	(24)	(24)
Accumulated surplus, beginning of year	153	177	207	175	151
Accumulated surplus, end of year	177	207	175	151	127

(see accompanying notes on pages 27 to 29)

Notes to the Statement of Revenue and Expense For the Year Ended March 31, 2012

1. General Information

The financial information presented covers five years. The information for 2009 and 2010 comes from the Office's audited financial statements included in the Office's annual reports on operations for those years. Virtus Group LLP audited the Office's 2009 and 2010 financial statements. The information for the 2011 estimate and the 2013 projection is not audited.

2. Summary of Accounting Policies

The Office used accounting principles published by The Canadian Institute of Chartered Accountants to prepare this financial information. The Office considers the following accounting policies to be significant:

(a) Revenue

The Office records the appropriation from the General Revenue Fund when it is receivable.

Other revenue is recognized on the basis of the percentage of work completed for those government agencies that have signed contracts to pay fees or have otherwise agreed to pay fees.

(b) 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

3. Financial Information is a Forecast

The financial information presented for 2012 is a forecast, and accordingly actual results will vary and the variations may be material. The Office will report actual results compared to planned results for 2011 and 2012 in the Office's 2011 and 2012 Annual Reports on Operations. The Office provides its annual report on operations to the Legislative Assembly.

4. Assumptions

The Office prepared the financial information for the year ended March 31, 2012 using the significant assumptions set out below. The assumptions reflect the Office's planned course of action for this period as set out on pages 41 to 55. The Office based the assumptions on management's judgement of the most probable set of economic conditions for this period based on known information at October 31, 2010. The significant assumptions are:

Appropriation is the amount of money the Office needs from the General Revenue Fund to finance operations. The Office returns any amounts not required during the year to the General Revenue Fund at year-end.

Contingency Appropriation is the amount of money from the General Revenue Fund required for unforeseen expenses. The Office returns any amounts not required during the year to the General Revenue Fund at year-end.

Other includes fees charged to agencies for ancillary services and other income. The Office does not keep fees and other income, it gives all receipts to the General Revenue Fund.

Salaries are based on 60 full-time equivalents at an average salary cost of \$88,100 (see page 36).

Average salary cost is determined using best estimates of expected pay for current and new employees based on past trends and expected economic conditions. The average salary cost includes economic adjustments of 1.5% at April 1, 2010 and 2% at April 1, 2011. Average salary cost also reflects the effect on our salary costs of three professional accountants leaving the Office and hiring seven new staff.

Employee benefits include the costs of the following benefits: Canada pension plan, employment insurance, workers' compensation, public employees pension plan, public employees dental plan, public employees disability income plan, public employees group life plan, extended health plan, maternity/paternity top-up plan, and a flexible benefit plan. The costs reflect current rates charged for these benefits.

Administration reflects management's best estimates based on past trends and current economic conditions for costs such as: travel to audits, amortization of tangible capital assets, computer hardware and software maintenance, professional fees and dues, telephone, printing, and office supplies.

Rent of space and office equipment is nearly all for office space and is based on a ten-year lease that commenced April 1, 2002.

Agent and advisory services represents management's best estimates for legal costs, the cost of auditing the Office, and other contractual services. It includes costs for staff assistance of two full-time equivalents.

Training and development costs are the estimated out-of-pocket costs to train staff to become professional accountants, keep the knowledge and skills of current professional accountants up-to-date, and gain knowledge in specialized areas. The Office based the costs on past trends and office policies. (See pages 39 to 40.)

The 62 full-time equivalents (60 FTE salaried staff plus 2 FTE contracted staff assistance) reflects the number of persons necessary to obtain 69,000 audit hours to audit the agencies set out on pages 31 to 32. The 69,000 audit hours takes into account known information at October 31, 2010 about the state of the government's systems and practices, the number of government agencies, the Government's use of appointed auditors, and auditing standards. The Office based the number of persons necessary to achieve 69,000 audit hours on the planned use of staff time set out on pages 37 to 38.

5. Agent and Advisory

In 2009, 2010, and 2011 the Office required extra contract staff due to higher than anticipated staff turnover, maternity leaves, and other leaves of absence.

6. Total operating expense

The Office's actual spending for the seven months ended October 31, 2010 was \$4.2 million (unaudited).

7. Transfer to General Revenue Fund (GRF)

The Provincial Auditor Act requires the Office to give all fees and other revenues to the General Revenue Fund. The Act also requires the Office to return any excess appropriations to the General Revenue Fund. The Office anticipates that it will deposit \$5,000 of fees and other revenue and \$540,000 of our appropriations to the General Revenue Fund for March 31, 2011.

8. Contingency Appropriation

In the past, the Office maintained net financial assets equal to approximately one month's salary and benefit expenses. This practice allowed our Office to manage unforeseen circumstances effectively. To enable the Provincial Auditor to retain the independence to manage effectively, the Public Accounts Committee recommended that the Act should provide for the Provincial Auditor to obtain an extra appropriation each year. The Act provides for a contingency appropriation in place of the Office maintaining net financial assets.

9. Schedule of Revenue and Expenditure (\$ Thousands)

The Office prepared this schedule using the expenditure basis of accounting. Expenditures are the cost of goods and services acquired in the year whether or not the Office has made payment. The appropriation from the General Revenue Fund is determined using the expenditure basis of accounting.

For the Years Ended March 31	2009 Actual	2010 Actual	2011 Estimate	2012 Forecast	2013 Projection
REVENUE:					
General Revenue Fund					
- Appropriation	6,677	7,008	7,505	7,620	7,743
- Contingency Appropriation	438	463	503	514	524
Other	15	2	5	5	5
Total Revenue	7,130	7,473	8,013	8,139	8,272
EXPENDITURE:					
Salaries	4,351	4,552	5,073	5,283	5,389
Employee benefits	756	816	828	885	902
Administration	550	576	588	570	570
Rent of space and equipment	367	383	395	394	394
Agent and advisory services	429	512	409	313	313
Training and development	181	167	175	175	175
Total operating expenditure	6,634	7,006	7,468	7,620	7,743
Transfer to GRF					
- Return of Appropriation	481	465	540	514	524
- Other	15	2	5	5	5
Total transfer to GRF	496	467	545	519	529
Total expenditure	7,130	7,473	8,013	8,139	8,272
Excess of revenue over expenditure	-	-	-	-	-

Schedule of Actual and Planned Costs to Audit Government Agencies for the years ended March 31

The following schedule shows our actual costs to audit government agencies for our fiscal years ended March 31, 2009 and March 31, 2010. The schedule also shows our planned costs to audit government agencies for our fiscal years ended March 31, 2011 and March 31, 2012.

The "nature of each examination" is described in section 11 of *The Provincial Auditor Act*, which states:

- 11(1) *The Provincial Auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:*
- (a) *the accounts have been faithfully and properly kept;*
 - (b) *public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;*
 - (c) *public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and*
 - (d) *essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.*

The information for 2009 and 2010 was originally provided in the Schedule of Actual Costs to audit Government Agencies included in our 2009 and 2010 Annual Reports on Operations. The audited information noted there would be future costs to complete these audits. Virtus Group LLP audited those schedules. Also, those schedules provide a comparison of our planned and actual costs to audit agencies for those years and an explanation for significant differences. The actual results reported here have been updated to include costs for these audits up to October 31, 2010.

	2009	2010
	(\$ Thousands)	
Actual costs as at March 31 audited by Virtus Group LLP	6,263	6,228
Additional costs to October 31, 2010	494	499
Projected costs to complete work	<u>32</u>	<u>138</u>
Total costs to audit government agencies	<u><u>6,789</u></u>	<u><u>6,865</u></u>

**Schedule of Actual and Planned Costs
to Audit Government Agencies
for the years ended March 31
as at October 31, 2010**

Ministry or Agency	2009 Actual	2010 Actual	2011 Planned	2012 Planned
			(\$ Thousands)	
Executive Council	37	16	19	15
Information Technology Office	106	117	126	116
Legislative Assembly	91	85	89	93
Ministry of Advanced Education, Employment and Immigration	742	807 * (7)	846	866
Ministry of Agriculture	296	274	285	307
Ministry of Corrections, Public Safety and Policing	105	170 (8)	125	174
Ministry of Education	215	332 * (9)	689 (4)	788 (1)
Ministry of Energy and Resources	97 *	97 *	104	116
Ministry of Enterprise and Innovation	37	43	-	-
Enterprise and Innovation Programs	-	-	4	6
Ministry of Environment	189	180	226	180
Ministry of Finance	823	827 *	835	855
Ministry of First Nations and Métis Relations	47	57	54	56
Ministry of Government Services	122	90	138	89
Ministry of Health	887	1,035 * (10)	1,043	1,067
Ministry of Highways and Infrastructure	132	82	124	102
Ministry of Intergovernmental Affairs	10	8	-	-
Ministry of Justice and Attorney General	256	272	302	322
Ministry of Labour Relations and Workplace Safety	-	-	-	22
Ministry of Municipal Affairs	111	109	142	152
Ministry of Social Services	199	260 (11)	235	305 (2)
Ministry of Tourism, Parks, Culture and Sport	213	220	207	227
Office of the Provincial Capital Commission	-	-	-	11
Office of the Provincial Secretary	12	9	9	9
Public Service Commission	107	58	107	59
Crown Investments Corporation of Saskatchewan	101	134	95	83
Enterprise Saskatchewan	-	-	19	17
Information Services Corporation of Saskatchewan	15	14	18	17
Innovation Saskatchewan	-	-	12	12
Saskatchewan Development Fund Corporation	3	3	5	3
Saskatchewan Gaming Corporation	149	43 * (12)	43	53
Saskatchewan Government Growth Fund Management Corporation	21	12 *	22	24
Saskatchewan Government Insurance	109	103	103	97
Saskatchewan Liquor and Gaming Authority	400	267 (13)	262	251
Saskatchewan Opportunities Corporation	6	9	8	49

Ministry or Agency	2009 Actual	2010 Actual	2011 Planned	2012 Planned
	(\$ Thousands)			
Saskatchewan Power Corporation	68	62	121	102
Saskatchewan Research Council	127	116	117	108
Saskatchewan Safety Council	28	27	21	-
Saskatchewan Telecommunications Holding Corporation	118	70	90	76
Saskatchewan Transportation Company	15	6	9	9
Saskatchewan Water Corporation	16	17	18	19
SaskEnergy Incorporated	74	52 *	80	74
Workers' Compensation Board	77	42	104 ⁽⁵⁾	53
Government-wide, Sectoral, and Special issue work	164 *	174	149	200
Legislative Committees and Public Reports	432	428	500 ⁽⁶⁾	436 ⁽³⁾
TOTAL COSTS	6,757	6,727	7,505	7,620
* Costs remaining to complete audits not done at October 31, 2010	32	138	-	-
TOTAL COSTS TO AUDIT GOVERNMENT AGENCIES	6,789	6,865	7,505	7,620
Average cost per audit hour**	\$ 101.89	\$ 105.76	\$ 104.51	\$ 107.82

**The average cost per audit hour is the total expenditure for the year from page 29, less direct costs (e.g., audit travel, audit advisors, and report publishing costs), divided by the total audit hours for all employees for the year (see page 28). The increase in the average cost per hour is primarily due to increasing salaries and benefits which are based on the economic adjustments to salaries and benefits given to public servants (see page 36).

Explanations for Differences Greater Than \$60,000 Between Years

2012 Planned Costs

- (1) **Ministry of Education** – Our 2012 planned costs are more than our 2011 planned costs by \$99,000. For 2012, we plan to assess the adequacy of the ministry's processes to increase the proportion of students who complete grade 12 increasing our costs by \$40,000. Also for 2012, we plan to follow up past recommendations regarding processes to regulate the safety and well-being of children receiving child care services and processes to achieve compliance by school divisions in delivering student instruction time required by the Minister increasing our costs by \$20,000.
- (2) **Ministry of Social Services** – Our 2012 planned costs are more than our 2011 planned costs by \$70,000. In 2012, we plan to assess the adequacy of the Ministry's processes to select community-based organizations to provide services to citizens on the Ministry's behalf increasing our costs by \$40,000. Also in 2012, we plan to assess the adequacy of the Saskatchewan Housing Corporation's processes to maintain housing units increasing our costs by \$43,000.
- (3) **Legislative Committees and Public Reports** – Our 2012 planned costs are less than our 2011 planned costs by \$64,000. For 2012, we no longer plan to prepare our report on Understanding the Finances of Government decreasing our costs by \$33,000. Also for 2012, we anticipate fewer staff will attend Legislative Committee meetings decreasing our costs by \$31,000.

2011 Planned Costs

- (4) **Ministry of Education** – To complete all of our 2010 work will cost a further \$8,000. As a result, our 2011 planned costs are more than our 2010 actual costs by \$349,000. For 2011, our planned costs increase by \$403,000 to audit the 29 school divisions. In 2010, we followed up our recommendations regarding the ministry's processes to ensure its partners meet requirements for completing approved capital construction projects increasing our costs by \$7,000. Also in 2010, we assessed whether the ministry had adequate processes to regulate the safety and well-being of children receiving child care services increasing our costs by \$43,000.
- (5) **Workers' Compensation Board (WCB)** – Our 2011 planned costs are more than our 2010 actual costs by \$62,000. In 2010, we did not require an actuarial advisor decreasing our costs by \$3,000. For 2011, we plan to follow up on past recommendations regarding WCB's monitoring of payments to specified organizations increasing our costs by \$13,000. Also for 2011, we plan to assess the adequacy of WCB's processes to implement its new claims administration system increasing our costs by \$36,000.
- (6) **Legislative Committees and Public Reports** – Our 2011 planned costs are more than our 2010 actual costs by \$72,000. In 2010, fewer staff attended Crown and Central Agencies Committee meetings reducing our costs by \$34,000. Our costs to prepare and publish our 2010 reports were \$39,000 less than anticipated.

2010 Actual Costs

- (7) **Ministry of Advanced Education, Employment and Immigration** – To complete all of our 2010 work will cost a further \$4,000. As a result, our 2010 actual costs are more than our 2009 actual costs by \$69,000. In 2009, our costs to audit the University of Regina were \$24,000 less than in 2010 due to improved internal controls and fewer financial statement issues than in 2010. For 2010, the audits of 2 new agreements increased our costs by \$41,000.
- (8) **Ministry of Corrections, Public Safety and Policing** – Our 2010 actual costs are more than our 2009 actual costs by \$65,000. In 2010, we assessed the adequacy of the Ministry's management of the labour costs in the provincial correctional centres related to absenteeism increasing our costs by \$73,000.
- (9) **Ministry of Education** – To complete all of our 2010 work will cost a further \$8,000. As a result, our 2010 actual costs are more than our 2009 actual costs by \$125,000. Our work in 2010 included \$80,000 to audit 13 school divisions for the first time and \$15,000 to audit 2 new benefit plans.

- (10) **Ministry of Health** – To complete all of our 2010 work will cost a further \$15,000. As a result, our 2010 actual costs are more than our 2009 actual costs by \$163,000. In 2010, we assessed the adequacy of the Saskatoon Regional Health Authority's (SRHA) processes to protect its information technology infrastructure increasing our costs by \$50,000. Also in 2010, we assessed the adequacy of Regina Qu'Appelle Regional Health Authority's (RQRHA) patient safety processes increasing our costs by \$66,000. Also in 2010, our work included assessing the human resource plans of the SRHA and RQRHA increasing our costs by \$41,000.
- (11) **Ministry of Social Services** – Our 2010 actual costs are more than our 2009 actual costs by \$61,000. In 2010, we assessed the adequacy of the Ministry's processes to secure physical information increasing our costs by \$44,000.
- (12) **Saskatchewan Gaming Corporation (SGC)** – To complete all of our 2010 work will cost a further \$28,000. As a result, our 2010 actual costs are less than our 2009 actual costs by \$78,000. As a result of the government's decision to have an appointed auditor for SGC, we did less direct audit work at SGC. This decision decreased our costs in 2010 by \$75,000.
- (13) **Saskatchewan Liquor and Gaming Authority (SLGA)** – Our 2010 actual costs are less than our 2009 actual costs by \$133,000. As a result of the government's decision to have an appointed auditor for the Saskatchewan Indian Gaming Authority (SIGA), we did less direct audit work at SIGA. This decision decreased our costs in 2010 by \$151,000. Our work in 2010 increased by \$15,000 to conduct a special investigation into the loss of public money at SIGA (reported in Chapter 14B of our 2009 Report – Volume 3).

Government Agencies Created in 2010-11

The following agencies were created, became a government-controlled agency, or were subject to audit by the Provincial Auditor during 2010-11 and result in more work for us in 2011-12. As a result, we request additional resources in 2011-12 to do these audits:

Ministry of Corrections, Public Safety and Policing Technical Safety Authority of Saskatchewan, The	21,000
Ministry of Health Physician Recruitment Agency of Saskatchewan	9,100
Ministry of Labour Relations and Workplace Safety	21,500
Office of the Provincial Capital Commission	11,400
Crown Investments Corporation of Saskatchewan Sask Immigrant Investor Fund Inc.	<u>4,800</u>
	<u>\$ 67,800</u>

Government Agencies Wound Up in 2010-11

The following agencies were wound up, ceased to be a government-controlled agency, or were no longer subject to audit by the Provincial Auditor during 2010-11 and result in less work for us in 2011-12. As a result, we do not request resources in 2011-12 to do these audits:

Ministry of Advanced Education, Employment and Immigration Responsibility for Labour moved to new ministry	\$ (12,600)
Ministry of Agriculture Milk Control Board	(26,500)
Crown Investments Corporation of Saskatchewan Big Sky Farms Inc.	(11,000)
Sask Development Fund Corporation Sask Development Fund	(2,600)
Saskatchewan Telecommunications Holding Corporation DirectWest Canada Inc.	(4,500)
SaskEnergy Inc. Heritage Gas	<u>(9,200)</u>
	<u>\$ (66,400)</u>

We submit our request for resources in November of a year (2010) for the next April to March fiscal (2011-12) year. Our request is for the purpose of auditing government agencies for their years ended in the period January 1, 2011 to December 31, 2011. We base our request on information known to October 31, 2010. We will reflect information received after that date in our next request for resources.

Forecast and Actual Full-Time Equivalent Positions and Average Salaries

Information on full time equivalent positions and salary levels of employees

Fiscal Year Ended	Full-Time Equivalent Positions		Average Salaries ¹	
	Forecast	Actual	Forecast	Actual
2003	59	55	62,085	62,000
2004	57	57	63,965	63,298
2005	57	55	65,140	65,964
2006	57	53 ²	64,860	67,453 ²
2007	57	57	65,300	68,211
2008	57	58	71,000	73,517
2009	58	56	77,220	77,700
2010	58	55	81,600	82,800
2011	61	60 ³	84,700	84,600 ³
2012	60		88,100	

¹ Our average salaries have increased from 2003 to 2012 primarily due to the Provincial Auditor's staff receiving similar economic adjustments as those the Government provided to public servants. In the following table, we set out the economic adjustments the Government provided to public servants. These economic adjustments alone would cause our average salary at March 31, 2003 to increase from \$62,000 per year to \$78,800 by March 31, 2012. The rest of the increase, to \$88,100 for 2012, was caused by our need to respond to market pressures in 2005 and 2009. The economy in these years provided more opportunities for new university graduates causing increased starting salaries. We increased our starting salaries 13% for 2005 and 5.6% for 2009. These decisions impacted salaries for all staff training to become professional accountants. Also, the economy created more opportunities and higher salaries for recently qualified professional accountants. In 2006, the Government increased the salaries for its classification plan for senior employees. We also responded to this pressure and increased senior staff salaries by 4%.

Economic adjustments provided to public servants:

July 1, 2003	2.5%	July 1, 2007	6.1%	April 1, 2010	1.5%
July 1, 2005	1.0%	April 1, 2008	4.0%	April 1, 2011	2.0%
July 1, 2006	2.8%	April 1, 2009	4.5%	April 1, 2012	2.0%

² Because a number of staff were on maternity and other leaves this year, we replaced these staff with contract staff from accounting firms. This changed the usual composition of our normal average salary.

³ Estimated number of full-time equivalent positions and average salaries for 2011 based on information known at October 31, 2010.

Schedule of Actual and Planned Time Spent on Tasks For the Years Ended March 31

Time spent	Actual			Planned	
	2008	2009	2010	2011	2012
Working hours	83%	85%	85%	84%	85%
Vacation leave and statutory holidays	15% ¹	13% ¹	12% ¹	14%	13%
Sick leave	2%	2%	3% ²	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	67%	67%	67%	68%	68%
Support services	12%	12%	11%	10%	10%
Office administration	13%	13%	14% ³	12%	12%
Training	8%	8%	8%	10% ⁴	10% ⁴
Total work hours	100%	100%	100%	100%	100%
Total full-time equivalent positions	59	59	59	63	62

(see accompanying notes to the schedule on page 38)

¹ Our vacation leave and statutory holidays are similar to those provided to employees in the public service. 2008 reflects one more statutory holiday (Easter) for the period and that staff were encouraged to take their unused vacation entitlements from previous years. 2009 reflects one less statutory holiday (Easter) for the period. In 2010, we contracted more staff assistance than originally planned. Hours received from contracted assistance does not include time for vacation leave and statutory holidays.

² 2010 was not a representative year for the office. Several staff required leave to recover from serious illnesses during the year.

³ Administration time increased in 2010 to research and assess the impact of new accounting, auditing, and quality control standards on the work of the Office.

⁴ Planned training time for 2011 and 2012 continues to anticipate the need for more training time to maintain knowledge related to the new auditing and accounting standards.

Notes to the Schedule of Actual and Planned Time Spent on Tasks For the Years Ended March 31

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, 2008 to March 31, 2010. The schedule also shows planned percentages for these tasks for the years ended March 31, 2011 and 2012.

The information for 2008, 2009, and 2010 comes from the Schedule of Actual Time Spent on Tasks included in our Annual Reports on Operations for those years. The 2008, 2009, and 2010 schedules were audited by Virtus Group LLP.

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 paid. It is based on years of service. Employees also receive 12 paid statutory holidays.

Sick leave – Sick leave paid. The amount of paid leave is based on years of service.

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 Detailed Work Plan. 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 group 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 our employees instruct our courses.

Full-time equivalent positions – Total paid hours divided by 1950 hours.

3. Time Allocation Policies

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

Training Schedule

Information on the cost of training. The schedule shows the staff hours, staff salary cost, and out-of-pocket costs.

Fiscal Year	Forecast			Actual		
	Hours ^{1,2}	Salary Cost	Out-of-Pocket Cost	Hours ^{1,2}	Salary Cost	Out-of-Pocket Cost
2002-03	7,410	210,508	149,000	6,030 ³	165,341 ³	150,724
2003-04	7,919	213,567	149,000	7,618	231,564	142,504
2004-05	8,195	248,382	149,000	7,462	220,291	138,222
2005-06	8,714	259,442	149,000	6,152 ⁴	187,796 ⁴	159,252
2006-07	8,830	267,917	149,000	6,850 ⁴	229,940 ⁴	155,475
2007-08	8,800	291,736	160,000	7,701	261,027	154,793
2008-09	8,740	313,400	160,000	7,931	292,026	180,677
2009-10	8,760	334,800	175,000	7,656 ³	280,606 ³	167,420
2010-11	9,996 ⁵	421,300	175,000	9,937 ⁶	409,510 ⁶	175,030 ⁶
2011-12	10,120	454,100	175,000			

¹ We are a training office for people to become professional accountants (CA, CMA, CGA). About 50% of our training hours relates to training these students. This is the key strategy we use to recruit staff.

² We did a survey of the legislative auditors across Canada. We received responses from 10 out of 11 of the legislative auditors. Following are the results of the survey based on 2010 training policies:

Type of training	Legislative Auditors Average 2010	Provincial Auditor Saskatchewan 2010	Provincial Auditor Saskatchewan Forecast 2012
Training new staff to become professionals	9 days	11 days	11 days
Keeping our existing professional staff current	9 days	7 days	8 days
Specialized training (e.g., computers, pensions, tax, etc.)	9 days	11 days	11 days

³ Our hours decreased as we spent less time on our in-house training courses than originally planned for the year.

⁴ Time spent on audits increased during 2006 and 2007 due to special investigations and additional audits not known when time allocation was originally planned. As a result, some management and specialist training was deferred.

- ⁵ Beginning in 2011, we are planning to use more senior staff time for the training of other professional staff to transfer knowledge as part of our succession plan and in response to the significant changes in professional standards.
- ⁶ This is an estimate for 2010-11 based on known information at October 31, 2010.

Summary of Our 2009 – 2012 Strategic Plan

Our goals and objectives

We have three goals. These are:

- ◆ foster well-managed government
- ◆ encourage meaningful reporting by government
- ◆ manage our business effectively

Pages 42 to 55 set out our goals and objectives for the period April 1, 2009 to March 31, 2012 for pursuing our mission. We also set out our strategies and action plans to manage the risks that might prevent us from achieving our objectives.

Pages 56 to 57 include a glossary of terms and abbreviations used in our strategic plan.

The indicators we use to measure our success in achieving our goals and objectives and our performance targets for these indicators are set out on pages 20 to 21.

Goals	Objectives	General strategies
1. Foster well-managed Government	1. Our stakeholders value our assurance and advice to strengthen the Government's accountability to the Assembly.	1. Work with significant agencies on their processes to strengthen the accountability of the agencies they supervise. 2. Encourage legislators to put in law sound accountability requirements for the Government (starting in 2009). 3. Advise legislators of the state of the Government's accountability to the Assembly.

Action plans

1. Keep informed of and share changes in accountability processes in other jurisdictions.
2. Work with key supervisory agencies to build capacity for results-based management.
3. Explain the importance of our assurance on key performance reports (results) to key supervisory agencies.
4. Encourage the use of the key elements of sound planning and reporting for the overall Government and for significant agencies.
5. Encourage significant agencies to ensure accountability to the Assembly in their agreements with others they supervise.

-
1. Advise legislators of new accountability legislation in other Canadian jurisdictions.
 2. Promote the value of legislation to sustain accountability requirements.

-
1. Report on accountability arrangements that present the Government with significant risks (e.g., municipal governments, school boards, non-government agencies, public private partnerships, intergovernmental agencies).
 2. Advise legislators of the impact of changes in key accountability arrangements to foster appropriate accountability to the Assembly.
 3. Assess the adequacy of accountability in key agreements.
 4. Provide input to the CICA on public sector accounting and auditing issues, and explain the impact to legislators, as needed.
 5. Report to legislators on the state of the Government's overall accountability to the Assembly compared with other Canadian jurisdictions.
-

Goals	Objectives	General strategies
1. Foster well-managed Government	2. Our stakeholders value our assurance and advice to strengthen the Government's processes to achieve intended results.	<hr/> <p>1. Evaluate the Government's processes to achieve planned results including its governance and risk management processes.</p> <hr/> <p>2. Assess the adequacy of the Government's processes to manage its human resources, the environment, and public infrastructure including information technology.</p> <hr/> <p>3. Assess the adequacy of the management of complex accountability relationships.</p> <hr/> <p>4. Advise legislators of the challenges in managing the key forces and trends affecting the Government.</p> <hr/>

Action plans

1. Examine the adequacy of the financial controls of government agencies.
2. Examine compliance with authorities by government agencies.
3. Examine the adequacy of processes used by the overall Government and significant agencies to manage key risks including delivery of services by other parties (e.g., school boards, non-government agencies).

-
1. Assess whether significant agencies have the key elements of a sound human resource plan.
 2. Examine the adequacy of one significant agency's processes to implement its succession plan.
 3. Assess the adequacy of agencies' management of significant infrastructure (e.g., health facilities, information technology, highways, energy distribution systems).
 4. Assess the adequacy of controls for security of significant IT infrastructure.
 5. Assess the adequacy of agencies' project management processes to implement significant infrastructure.
 6. Assess the adequacy of agencies' processes to manage risks to the environment.

-
1. Assess the adequacy of processes to manage key intergovernmental and interagency programs.
 2. Assess whether key supervisory agencies set out adequate control expectations to the government agencies they supervise and have adequate controls to monitor compliance with their expectations.
 3. Assess the adequacy of processes to manage complex accountability relationships with non-government organizations (e.g., service agreements with community-based organizations, public private partnerships).

-
1. Report on the financial condition of the Government to help explain the economic constraints faced by the Government.
 2. Encourage the Government to report on its assessment of its financial condition.
 3. Report on new key challenges faced by the Government.
-

Goals	Objectives	General strategies
2. Encourage meaningful reporting by Government	1. The Government provides useful summary plans and results to the Assembly.	1. Encourage key officials to improve the performance plan summary and reporting of results to the Assembly. 2. Report areas for improving the performance plan summary and reporting of results.
	2. Significant agencies provide useful plans and results to the Assembly.	1. Assess key performance reports of significant agencies and sectors.

Action plans

1. Meet with key officials to discuss the benefits of improving the performance plan summary and reporting of results.
2. Offer advice on processes to build capacity to improve the performance plan summary and reporting of results.

-
1. Assess the performance plan summary against SORP-2 reporting attributes to identify areas for improvement.
 2. Monitor status of performance plans and reporting of results in other Canadian jurisdictions.
 3. Discuss with key officials and legislators the benefits of legislative committees reviewing the performance plan summary and reporting of results.

-
1. Assess performance plans of significant agencies against SORP-2 reporting attributes starting in 2011.
 2. Assess annual reports of significant agencies against SORP-2 reporting attributes starting in 2011.
 3. Assess performance plans and report of results of sectors, within a year of the plans and results becoming public.
 4. Assess the guidance key supervisory agencies provide to supervised agencies about key performance reports.
 5. Assess whether 2 significant agencies have the ability to collect and analyze reliable performance information.
 6. Encourage Finance to require Ministry financial statements for tabling in the Assembly.
-

Goals	Objectives	General strategies
2. Encourage meaningful reporting by Government	3. Our stakeholders value our timely assurance and advice on the Government's reports on plans and results.	1. Provide timely assurance on government agencies' financial reports. 2. Inform legislators of the benefits of providing assurance on government agencies' performance reports. 3. Encourage government agencies to seek our assurance on their performance reports. 4. Provide timely assurance on government agencies' performance reports for non-financial information.
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	1. Ensure we have the resources and access to the competencies necessary to respond to the risks faced by our stakeholders.

Action plans

1. Examine the reliability of the financial statements of the overall Government and of all government agencies.
2. Deliver our reports on the results of our work to government officials within the agreed upon time frame.
3. Deliver timely public reports on the results of our work to the Legislative Assembly.
4. During entry/exit meetings, advise officials of their need to be prepared for the implementation of the international financial reporting standards (IFRS), as applicable.

-
1. Report on the benefits of providing assurance on significant agencies' performance reports.

-
1. During the entry/exit meeting with significant agencies, encourage them to include an assurance report from our Office on their performance information.

-
1. Examine the reliability of key non-financial indicators included in the performance reports of 2 significant agencies.
 2. Deliver our reports on the results of our work to government officials in the agreed upon time frame.
 3. Deliver timely public reports on the results of our work to the Legislative Assembly.

-
1. Seek and monitor the views of our stakeholders on our plans and performance.
 2. Prepare our resource proposals based on how we plan to respond to our risks and the risks faced by our stakeholders.
 3. Clearly explain our resource proposals to PAC.
 4. Maintain a competency-based framework for human resource management.
 5. Maintain a sound human resource plan (including succession plan) that sets out required competencies and development plans.
 6. Hire, train, and contract as expected in our human resource plan.
 7. Use external experts as needed.
 8. Use employee development plans and performance assessments to ensure we possess and maintain the necessary competencies.
 9. Stimulate and support innovation.
-

Goals	Objectives	General strategies
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	2. Maintain our status as a recognized training office for professional accountants. 3. Provide relevant, reliable, and timely service at a reasonable cost.
		4. Maintain support for our recommendations.
		5. Communicate in a clear, accessible, and timely manner.

Action plans

1. Ensure the work experience provided to our professional accounting students meets the requirements of their governing body (i.e., CA, CMA, CGA).
2. Monitor the impact of the changes to the accounting profession's experience requirements on our ability to recruit and train professional accounting students.

-
1. Use a risk-based model to determine our work priorities.
 2. Discuss audit requirements with government agencies at entry/exit meetings and document agreed-upon requirements in our audit planning memoranda.
 3. Complete audit work according to the audit planning memoranda. If necessary, explain any significant changes to the plan.
 4. Complete our work according to professional standards.
 5. Monitor our performance using feedback obtained from government agencies (e.g., Post Audit Questionnaires).
 6. Monitor our planned and actual costs and manage the impact of any significant differences.
 7. Monitor information about costs of similar service providers to benchmark our costs.
 8. Pay our staff based on market conditions.

-
1. Ensure our reports clearly explain deficiencies, consequences, and resulting recommendations.
 2. Make clear presentations to boards, management, PAC, CCA, and the public.
 3. Monitor acceptance of our recommendations.
 4. Consider costs and benefits when making recommendations and set out recommendations in the context of key risks.

-
1. Use our key communication policies.
 2. Make our reports accessible to our stakeholders.
 3. Clearly explain our work and findings.
 4. Strengthen our presentation skills.
 5. Review current practice regarding timing and content of our public reports.
 6. Monitor content of our public website to ensure information is current, relevant, and searchable.
 7. Inform members of key legislative committees about the products and services that we deliver.
 8. Distribute to our stakeholders a summary pamphlet outlining our role and the products and services that we deliver.
-

Goals	Objectives	General strategies
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	6. Maintain our independence and objectivity.
	2. We continuously improve our work.	1. Enhance our knowledge and skills in the areas of auditing financial reporting, financial controls, risks, accountability, and compliance with related authorities.
		2. Maintain special knowledge in the many diverse and complex businesses the Government manages.
		3. Maintain current and effective methodology.

Action plans

1. Promote the basic principles for legislative auditors (i.e., refer to February 2000 CCOLA paper – *Legislative Audit: Serving the Public Interest*).
2. Explain our independence to our stakeholders.
3. Identify and respond to initiatives that might affect our independence.
4. Make staff aware of our need to be and appear to be independent (through objectivity policies).
5. Follow our policy for the rotation of key personnel on audits.

-
1. Maintain and enhance our internal training program (e.g., for changes in Canadian assurance and auditing standards and adoption of IFRS) using CCOLA resources when appropriate.
 2. Pursue external training and development opportunities.
 3. Participate on provincial and national committees (e.g., CCOLA, CICA, ICAS, IIA).
 4. Keep our practices current by using our Practice Review Committee.
 5. Use quality control processes to maintain consistent practices.
 6. Monitor external organizations for risk management practices (e.g., Conference Board of Canada, CCAF, CICA, Australian Audit Office).
 7. Be responsive to the impact of changes in professional assurance standards and best practice for reporting on financial control.
 8. Seek opportunities, provincially and nationally, to make presentations and lead discussions in key areas of legislative auditing.

-
1. Maintain relevant specialities.
 2. Ensure succession of key specialists on an ongoing basis.
 3. Enhance knowledge transfer for complex audits and key government functions.
 4. Allocate resources to enhance transfer of knowledge.

-
1. Monitor and learn from our experiences and the practices of our professional colleagues.
 2. Challenge the status quo while ensuring quality control.
 3. Support CCOLA's quality assurance process for ensuring the adequacy of our methodology.
 4. Encourage harmonization of methodology within CCOLA.
 5. Use the Professional Engagement Manual maintained by the CICA and CaseWare (or other appropriate sources) to document our audit work.
 6. Monitor the impact of changes in Canadian assurance and auditing standards and IFRS on our methodology.
-

Goals	Objectives	General strategies	
3. Manage our business effectively	2. We continuously improve our work.	4. Develop expertise in auditing performance management.	
		5. Offer our advice and training programs to others.	
		6. Continue to strengthen and simplify our management information system.	
		7. Continue to strengthen and simplify our administrative practices.	
		8. Continue to strengthen and simplify how we plan, assess, and report our performance.	
		3. We embrace our guiding principles.	1. We maintain a positive work environment.

Action plans

1. Monitor and learn from our experiences and the practices of our professional colleagues in other legislative audit offices.
2. Encourage transfer of knowledge and skills for auditing performance management throughout the Office.
3. Support innovative audit approaches and sharing of experiences.

-
1. Offer advice and training to our professional colleagues (CCOLA, appointed auditors).
 2. Offer advice and training to government officials when appropriate.

-
1. Adjust internal information systems (e.g., information centre, Intranet, databases) to respond to staff's needs.
 2. Improve the ability of staff to access our internal information when they are away from the office.

-
1. Encourage staff to search for and share efficiencies.
 2. Acquire quality goods and services at the best prices.
 3. Improve the efficiency of preparing and issuing our reports.

-
1. Prepare an annual business and financial plan.
 2. Use a risk-based model to determine our audit priorities.
 3. Continue to improve our risk-based model.
 4. Report publicly our plans and results.
 5. Continue to expand the nature and scope of the assurances our auditor provides to legislators on our performance (e.g., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of our key non-financial performance indicators.)
 6. Reassess the performance targets for our indicators of success.

-
1. Respond to staff's concerns and trends identified in our corporate culture surveys.
 2. Use the performance management process to help ensure staff are adequately trained and provided with challenging and varied work.
 3. Use an exit interview process for staff leaving the Office.
 4. Promote two-way feedback on staff performance.
 5. Use appropriate communication methods to advise others of key information and decisions.
 6. Improve communication of Executive Committee's key decisions.
 7. Adjust workloads to facilitate a balance between work, home, and community.

-
1. Address all recommendations of the Occupational Health and Safety Committee (OH&S) in a timely manner.
 2. Facilitate safe work practices as defined by the Office.
-

Strategic Plan Glossary

Accountability – the ability to demonstrate responsible action and report performance in light of agreed-upon expectations.

Action plans – the activities, time lines, and resources to accomplish goals and objectives and to implement strategies. Our action plans are carried out annually during the two-year plan, except where a specific date is indicated. The costs of our action plans are reported annually to the Legislative Assembly in our Business and Financial Plan.

Agency – an entity of Government accountable for public money.

Assembly – the Legislative Assembly of Saskatchewan.

Assurance – the Provincial Auditor Saskatchewan issues a written communication expressing a conclusion concerning a subject matter for which an agency is responsible.

Business plan – an agency's planned operations for the fiscal year.

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

Competency-based framework – the framework used for human resource management and policy development that identifies the competencies necessary for our Office to be successful. Competencies are the elements our Office must know, be able to do, and attitudes we must possess.

Control – those elements of an agency (including its resources, systems, processes, culture, structure, and activities) that, taken together, support people in the achievement of the agency's objectives.

Financial plan – an agency's planned revenues and expenses for the fiscal year.

Goal – a general statement of desired results to be achieved over an unspecified period of time.

Governance – generally refers to the processes by which organizations are directed, controlled, and held to account, and is underpinned by the principles of openness, integrity, and accountability. Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the top of organizations.¹

Government – ministries and Crown agencies as defined in *The Provincial Auditor Act*.

Guiding principles – the key values that are used to assist decision making.

Interagency – between two or more Government agencies.

Intergovernmental – between two or more levels of government (e.g., municipal, provincial, federal).

Mission – the broad, long-term purpose of an agency and its primary focus including the stakeholders to be served.

Objective – a measurable, time-defined result to be achieved that leads to the achievement of each goal.

¹ *Governance in the Public Sector: A Governing Body Perspective*, The International Federation of Accountants, p. 1, August 2001.

Outcome – the consequence or result of activities (e.g., our work results in better management systems and practices; Members of the Legislative Assembly are better able to assess the performance of the Government as a result of our work).

Performance indicator – a factor chosen to monitor success in achieving objectives.

Performance plan – an agency's business and financial plan.

Performance report – compares an agency's planned and actual results (e.g., an annual report, financial statements).

Results – outcomes achieved and outputs.

Risk – the possibility that an agency will experience adverse consequences from events or circumstances (e.g., a major financial, operational, or legal issue an agency must manage well for success in achieving its objectives).

Sectors – multiple government agencies working together to deliver common programs or to achieve common goals.

SORP-2 – The Canadian Institute of Chartered Accountants *Statement of Recommended Practice 2 - Public Performance Reporting*.

Stakeholders – those who have an interest in our decisions, including the people of Saskatchewan, Members of the Legislative Assembly and Standing Committees, and officials/managers/employees of Government.

Strategies – the approaches that can be taken to meet objectives and achieve goals.

Supervisory agencies – agencies that have some responsibility for other agencies.

Vision – a brief description of the ideal state.

Abbreviations

CCA – The Standing Committee on Crown and Central Agencies

CCAF – Canadian Comprehensive Auditing Foundation

CCOLA – Canadian Council of Legislative Auditors

CICA – The Canadian Institute of Chartered Accountants

ICAS – Institute of Chartered Accountants of Saskatchewan

IIA – Institute of Internal Auditors

PAC – The Standing Committee on Public Accounts

Other Information

Spending Trends

In the past, members of the Standing Committee on Estimates and the Standing Committee on Public Accounts wanted to know what our spending trends were over a ten-year period.

The following information shows the trend of our spending from 2001 to 2010. The financial trends of the Government are best represented by the total revenue plus the total expense, as well as the total assets plus the total liabilities from the Government's summary financial statements.

Table 2

Year End	Provincial Auditor's		Government's Financial Trends			
	Spending		Revenue and Expense		Assets and Liabilities	
2001	4.8	million	20.6	billion	35.0	billion
2002	4.9	million	22.0	billion	36.0	billion
2003	5.3	million	23.4	billion	36.9	billion
2004	5.4	million	23.3	billion	37.2	billion
2005	5.5	million	25.7	billion	38.8	billion
2006	5.7	million	26.9	billion	40.0	billion
2007	6.0	million	29.4	billion	41.7	billion
2008	6.3	million	32.2	billion	44.4	billion
2009	6.6	million	37.0	billion	43.3	billion
2010	7.0	million	35.9	billion	45.9	billion

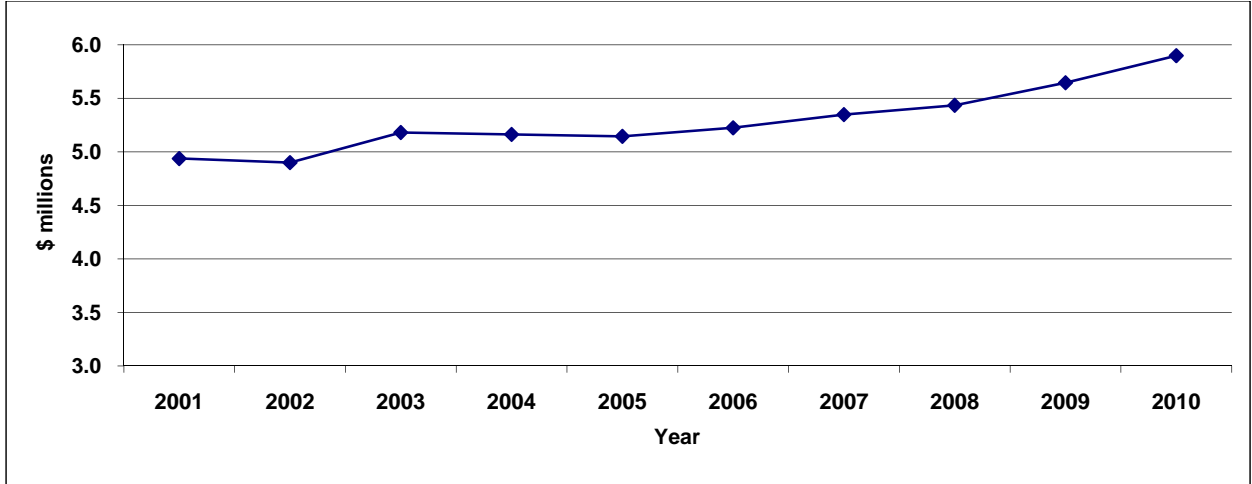
The Provincial Auditor's reported spending, for 2001 to 2010 inclusive, does not include appointed auditors' fees charged to government agencies. The decision to use appointed auditors rests with the Government. Accordingly, the costs of appointed auditors are not within the Provincial Auditor's control and are, therefore, not reflected in the Provincial Auditor's spending.

The Government's financial numbers come from its summary financial statements. The total revenues plus the total expense are used to reflect the increase in the volume of transactions our Office is responsible for auditing. We also have to audit the total assets plus the total liabilities of the Government. Graphs 1 and 2 (page 59) include the above information adjusted for inflation using 2002 as the base year.

From 1987 to 1995, our appropriation was not sufficient to carry out our work plan. This resulted in no reports, or late reports, to the Members of the Legislative Assembly on certain government agencies. For the 16 years ended March 31, 2011, our requested appropriation was accepted and the appropriation was sufficient for our Office to carry out our work plan. From 2001 to 2010 our spending has increased 46%. During the same period, the Government's spending has increased 74%.

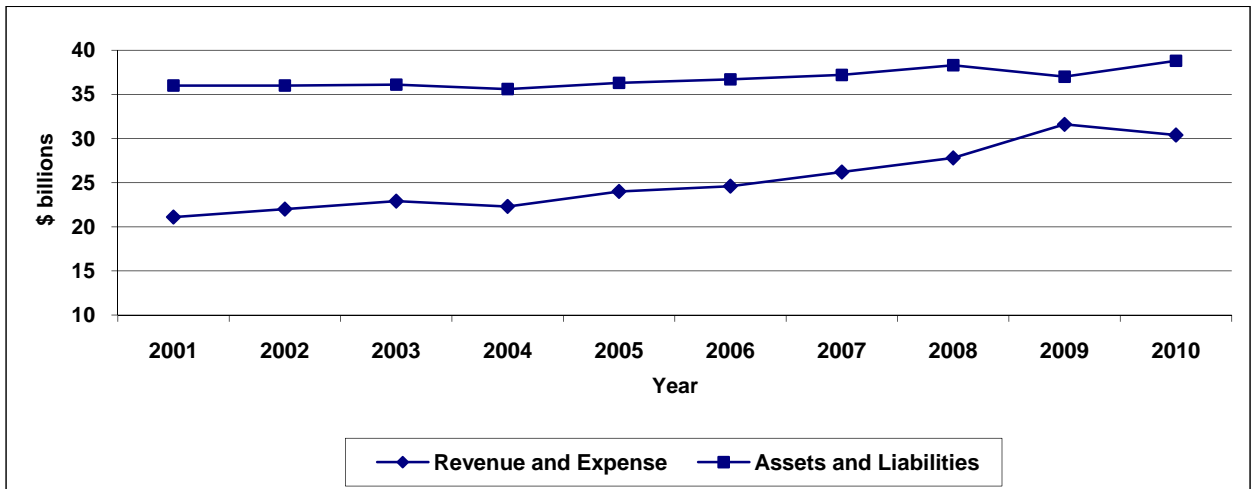
Graph 1 Provincial Auditor's Spending

These numbers come from Table 2. The numbers are adjusted for inflation using The Consumer Price Index of Saskatchewan and 2002 as the base year.



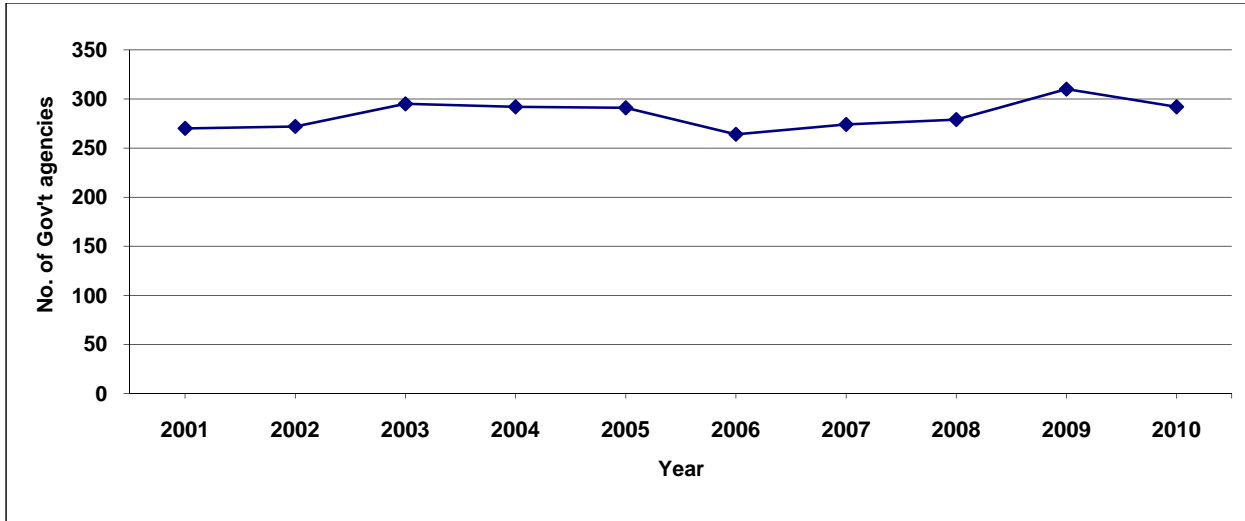
Graph 2 Government's Financial Trends

These numbers come from Table 2. The numbers are adjusted for inflation using The Consumer Price Index of Saskatchewan and 2002 as the base year.



Graph 3 Number of Government Agencies

Our work is also affected by the number of government agencies. The following graph shows the ten-year trend in the number of government agencies.



Out-of-Province Travel

Information on the last five years "out-of-province travel".

	2007-08	2008-09	2009-10	2010-11	2011-12
Forecast	\$ 50,150 ^{1,2}	\$ 50,400 ^{1,2}	\$ 49,800 ^{1,2}	\$ 46,500 ^{1,2}	\$ 45,100 ^{1,2}
Actual	31,879 ³	34,090 ³	33,753 ³	45,123 ⁴	

¹ Our costs include participation in national working groups with the legislative audit community to agree on guidelines for auditing and reporting on performance. Also, some of our specialized training is not available in province (e.g., pension and benefit plans, gaming and insurance areas.)

² Our costs also include travel for some of our students to attend sessions for the CA School of Business (CASB) in Alberta. CASB does not always host all sessions in Saskatchewan.

³ Some of our specialized training was available in province, which was not anticipated when we set the forecast.

⁴ This is an estimate to March 31, 2011. The actual to October 31, 2010 is \$30,463.

Senior Management Salaries

Annual salaries of senior management for the past five years and the percentage change from the previous year.

Annual salaries as at March 31:

Name	2006	2007	Percent Increase from 2006 ¹	2008	Percent Increase from 2007 ²	2009	Percent Increase from 2008 ³	2010	Percent Increase from 2009 ⁴
Wendel, G. F. ⁶	149,176	153,735	3.06%	163,252	6.19%	172,556	5.70%	195,131	13.08% ⁵
Atkinson, B. R.	123,949	129,099	4.15%	138,778	7.50%	149,576	7.78%	161,318	7.85%
Ahmad, M.	110,175	117,790	6.91%	125,082	6.19%	135,000	7.93%	146,000	8.15%
Ferguson, J. D.	110,175	117,790	6.91%	125,082	6.19%	135,000	7.93%	146,000	8.15%
Heffernan, M. A.	110,175	117,790	6.91%	125,082	6.19%	135,000	7.93%	146,000	8.15%
Montgomery, E.	110,175	117,790	6.91%	125,082	6.19%	135,000	7.93%	146,000	8.15%

¹ The government granted salary increases to all out-of-scope public servants of 2.8% on July 1, 2006. In addition, the government increased the salaries for its classification plan for senior employees. We increased senior staff salaries by 4%.

² The government granted salary increases to all out-of-scope public servants of 6.1% on July 1, 2007.

³ The government granted salary increases to all out-of-scope public servants of 4% on April 1, 2008.

⁴ The government granted salary increases to all out of scope public servants of 4.5% on April 1, 2009.

⁵ The law states that the Provincial Auditor's salary is the average of the salaries paid to Deputy Ministers and the Provincial Auditor receives any economic adjustments that Deputy Ministers receive.

⁶ Mr. G. Fred Wendel retired as Provincial Auditor on April 30, 2010.

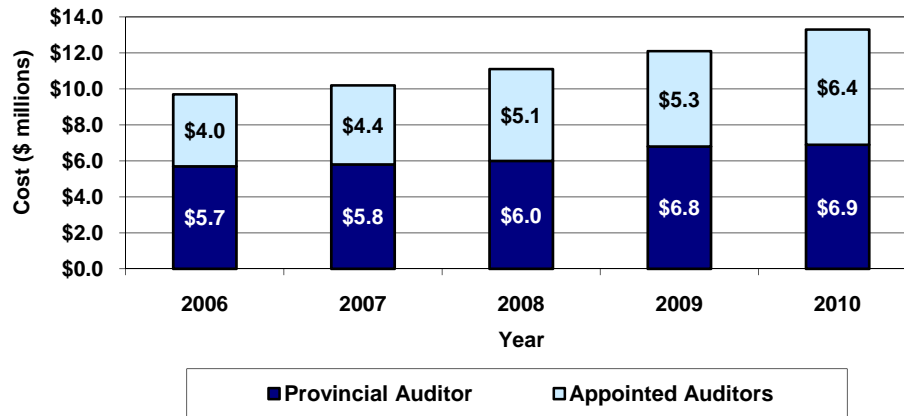
Total Costs to Audit Government Agencies

Following is a summary of the total costs to audit government agencies for the last five years.

Many of the 292 agencies that the Government manages use appointed auditors. The Government has stated that it uses appointed auditors so the Saskatchewan public accounting industry can develop and retain local expertise. The Government is accountable for the costs of using appointed auditors and, therefore, our financial plan does not reflect these costs. However, our detailed work plans reflect the known use of appointed auditors because it affects our costs and the way we carry out our work. The use of appointed auditors reduces our costs but increases the total cost of auditing to taxpayers. It costs more to audit when there are two auditors.

Year	Costs (\$ millions)		Total
	Provincial Auditor ¹	Appointed Auditors ²	
2006	\$ 5.7	\$ 4.0	\$ 9.7
2007	\$ 5.8	\$ 4.4	\$10.2
2008	\$ 6.0	\$ 5.1	\$11.1
2009	\$ 6.8	\$ 5.3	\$12.1
2010	\$ 6.9	\$ 6.4	\$13.3

Total Costs to Audit the Government of Saskatchewan



¹ Actual costs for the Provincial Auditor to audit government agencies.

² Fees paid by government agencies to appointed auditors for audit services.

Appendix I – Provincial Auditor's Estimates

Provincial Auditor Vote 28

The Office serves the people of Saskatchewan through the Legislative Assembly. The Office encourages accountability and effective management in government operations through its independent examinations, advice, and reports on the management of public resources entrusted to government.

Summary of Appropriation and Expense (in thousands of dollars)

	<u>Estimated 2011-12</u>	<u>Estimated 2010-11</u>
Provincial Auditor	7,620	7,505
Unforeseen Expenses	<u>514</u>	<u>503</u>
Appropriation	<u><u>8,134</u></u>	<u><u>8,008</u></u>
Capital Asset Acquisitions.....	(27)	(31)
Capital Asset Amortization.....	<u>51</u>	<u>40</u>
Expense	<u><u>8,158</u></u>	<u><u>8,017</u></u>

Provincial Auditor

Vote 28 – Continued

(in thousands of dollars)

	Estimated 2011-12	Estimated 2010-11
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Provincial Auditor (PA01)

Provides for the audits of the administration of programs and activities of government ministries, health and education institutions, commissions, boards, and Crown corporations and for reporting the results of all audits annually to the Legislative Assembly and the public. It also provides assistance to the Standing Committees on Public Accounts and Crown and Central Agencies in their review of the Provincial Auditor's Report, the Public Accounts, and other reports.

Allocations

Provincial Auditor Operations.....	7,418	7,310
Provincial Auditor's Salary (Statutory).....	202	195

Classification by Type

	2011-12	2010-11		
Salaries	5,283	5,169		
Goods and Services.....	2,310	2,305		
Capital Asset Acquisitions.....	27	31		
	7,620	7,505		

This subvote includes "Statutory" amounts. The amount "To Be Voted" is \$7,418K.

Unforeseen Expenses (PA02)

Provides for unforeseen expenses pursuant to Section 10.1 of *The Provincial Auditor Act*.

Classification by Type

	2011-12	2010-11		
Salaries	514	503		
	514	503		

Amortization of Capital Assets

Accounts for the estimated annual consumption of the capital assets utilized by the Office of the Provincial Auditor. Amortization is calculated using the straight-line method based on the estimated useful life of the asset. Changes in valuation or loss on disposition of assets are also treated as amortization.

Categories of Amortization

Office and Information Technology	51	40
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Classification by Type

	2011-12	2010-11		
Amortization of Capital Assets	51	40		
	51	40		

Amortization is a non-voted, non-cash expense and is presented for information purposes only.