

### **THIRD REPORT – Presented March 17, 1993, S.P. 73**

Mr. Swenson, Chairman of the Standing Committee on Public Accounts, presents the Committee's report as follows:

Your Committee respectfully requests from the Government a response to this report **within 120 days**.

Your Committee held several meetings to discuss an interpretation of its order of reference from the Legislative Assembly and furthermore outlined a number of operating principles and practices to be followed in the fulfilment of its mandate.

Your Committee completed its deliberations on the Provincial Auditor's Annual Report for the year ended March 31, 1991 and the Public Accounts of Saskatchewan for 1990-91.

Your Committee held 17 meetings during the Second Session, Twenty-Second Legislature to complete the review of certain departments and agencies.

#### **CHAPTER 1 – OBSERVATIONS**

##### **Strengthening Public Accountability (.01-.04)**

- 1) Your Committee considered the Provincial Auditor's concerns about strengthening public accountability and that the first important step for the Government to follow is to plan, manage and account for its operations as a whole.

##### **Financial Plan for Government (.05-.07)**

- 2) More specifically, your Committee agreed in principle with the concept of the need for a multi-year financial plan for the Government.

##### **Recommendation**

- 3) Your Committee recommends that the Government study the implications and issues related to the achievement of this goal.
- 4) That, as to the matter of an annual financial plan showing proposed revenue-raising programs and spending programs of all government organizations and the matter of a multi-year plan for all government organizations this Committee recommends that the Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance undertake discussions on this issue, and return to this Committee with a joint report. During these discussions, the Committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.

##### **Financial Reports (.08-.10)**

- 5) Your Committee noted that the Government had moved forward with reporting financial results of the Government as a whole by publishing summary financial statements for the Province in the 1992 Public Accounts.

##### **Annual reports for Government Organizations (.11-.14)**

- 6) The Committee noted the Provincial Auditor's comments that significant improvement had been made in terms of preparing a report for each Government organization and making them public.

##### **Recommendation**

- 7) Your Committee agreed with the Provincial Auditor's recommendation that the Government provide to the Legislative Assembly, information about the objectives of making and keeping investments in mixed corporations and recommends that the Legislative Assembly instruct the Crown Corporations Committee to study how the above recommendation should be implemented.

## **CHAPTER 2 – APPOINTED AUDITORS**

### **Recommendation**

- 8) Your Committee examined the Provincial Auditor's concerns about the delay in receiving on a timely basis, the reports and working papers of an appointed auditor, delays which ultimately affect public accountability.
- 9) Your Committee recommends that the Government work cooperatively with the Provincial Auditor by involving him in the process of choosing appointed auditors, establishing audit plans, maintaining solid communications through frequent audit updates, and ensuring that the Provincial Auditor has sufficient time to comment on the final audit report prior to its public release.

## **CHAPTER 3 – FINANCIAL MANAGEMENT REVIEW COMMISSION**

Commission's Recommended Accounting Principles (.11-.14)

### **Recommendation**

- 10) Your Committee recommends that the Government adopt the accounting principles and reporting standards established by the Public Sector Accounting and Auditing Committee (PSAAC) of the Canadian Institute of Chartered Accountants (CICA) and encourages the Government to move towards the use of these principles for the preparation of financial plans and budgets.

Crown Corporation Accountability (.20-.21)

- 11) Your Committee reviewed some of the Commission's recommendations which stressed the need to strengthen the ability of legislators to hold Crown corporations accountable.

### **Recommendation**

- 12) Your Committee agreed to recommend as follows:

- \* Decisions to create Crown corporations should be properly reported to and debated by the Assembly;
- \* A mandate for each Crown corporation should be prepared and provided to the Assembly, setting out the corporation's purpose and accountabilities;
- \* Crown corporations should have the same public reporting requirements as do Government departments unless otherwise stated in the mandate of the corporation;
- \* Financial statements for each and every subsidiary within the purview of the Crown Investments Corporation of Saskatchewan should be provided to the Assembly on a timely basis.

Specific Objectives, Expected Costs and Management Plans (.22-.27)

### **Recommendation**

- 13) To enable legislators to better assess the relative merits of transactions or commitments before they are entered into by the Government, your Committee recommends that the Government set out clearly specific objectives, criteria to be used to determine whether those objectives are being achieved, expected costs and a management plan for each significant transaction and commitment.

## **CHAPTER 4 – CORPORATION ACCOUNTABILITY**

Tabling of Financial Statements (.01-.10)

### **Recommendation**

- 14) Your Committee recommends that all Government corporations table annual financial statements in the Assembly, including those where the Crown owns less than 100 per cent of the issued share capital.

Equal Accountability (.11-.23)

### **Recommendation**

- 15) Your Committee recommends that:

The Public Accounts should include the financial statements for all Government corporations;

All Government departments, agencies, and Crown corporations reporting to Treasury Board provide a list of persons who have received money;

The Legislative Assembly ask the Crown Corporations Committee to consider whether those corporations designated under Part II of The Crown Corporations Act should report the same kind of information as is required by departments.

Crown Corporation Dividends (.24-.29)

- 16) That the Committee notes the Auditor's comments but points out that there are now annual financial statements which report on all government financial activity, therefore, enabling the Legislature to hold the Government accountable.

Furthermore, the Committee notes the Provincial Auditor is now the sole Auditor for Crown Investments Corporation.

## **CHAPTER 5 – ACCOUNTABILITY PROCESS**

### **Recommendation**

- 17) Your Committee recommends that the Provincial Auditor Act be amended to require the Board of Internal Economy to approve the spending plans of the Provincial Auditor.

## **CHAPTER 8 – BOARD OF DIRECTORS PAY AND EXPENSES**

### **Recommendation**

- 18) Your Committee recommends that agencies obtain proper authority for pay and expenses of directors.

## **CHAPTER 10 – CONTROLS OVER INFORMATION SYSTEMS**

- 19) Your Committee recommends that:

- \* The Government should establish a policy on the timing and the frequency of security audits of any service bureau in order to ensure the protection of data files and programs;
- \* Government organizations improve their controls over the access of computer programmers to government records;
- \* Government organizations should have adequate written and tested contingency plans.

## **CHAPTER 16 – DEPARTMENT OF ENERGY AND MINES**

Payments Requiring Authority (.07-.14)

- 20) Your Committee reviewed the comments of the Provincial Auditor concerning a payment to NewGrade Energy Inc. relating to royalty remissions granted to producers who supplied natural gas to NewGrade. By terms of the remission orders, producers were required to assign to NewGrade their right to the remissions made. In the opinion of the Provincial Auditor the payment to NewGrade in the amount of the remissions constituted a grant to NewGrade and, accordingly was made without proper authority. The Provincial Auditor also reported this matter in his Annual Report for 1989-90.
- 21) The Department advised the payment was part of assistance committed to the NewGrade project by the Province for a minimum period of 15 years under terms negotiated with the other parties involved in the project.

#### **Recommendation**

- 22) Your Committee reiterates its recommendation made in its Report to the Assembly (S.P. #62) dated May 25, 1992:

That, if the remissions of natural gas royalties is to continue to be paid to NewGrade Energy Inc. the amount to be provided should be included in the Estimates and presented to the Legislative Assembly for their consideration.

### **CHAPTER 12 – CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN (CIC)**

#### **Public Accountability (.04-.11)**

- 23) Your Committee reviewed the Provincial Auditor's comments that CIC's financial statements are not fairly presented. The Provincial Auditor believes the financial statements inappropriately mix CIC's financial results with the financial results of "Part II" Crown corporations such as Saskatchewan Power Corporation.

#### **Recommendation**

- 24) Your Committee recommends that CIC prepare financial statements that show how it managed the assets entrusted to it by the Assembly.

#### **Lack of Authority for Program Expenses (.12-.15)**

- 25) Your Committee considered the Provincial Auditor's concerns that the expenses of the Community Bond Program were paid out of the Saskatchewan Diversification Corporation (SDC) instead of being appropriated and paid out of the Consolidated Fund.

#### **Recommendation**

- 26) Your Committee recommends that the Consolidated Fund pay the expenses of the Community Bond Program.

#### **Lack of authority for Various Transactions (.16-.36)**

- 27) Your Committee reviewed the Provincial Auditor's concerns about the apparent lack of authority for share purchases, loans, advances, assistance and loan guarantees transacted by two subsidiaries of CIC, i.e. SDC and CIC Industrial Interests Inc. (CIC III).

#### **Recommendation**

- 28) Your Committee recommends that CIC obtain proper authority for share purchases, advances, loans, assistance and loan guarantees before undertaking such transactions.

### **CHAPTER 19 – DEPARTMENT OF FINANCE**

#### **Public Accountability (.08-.31)**

- 29) Your Committee examined the Provincial Auditor's comments that the department should prepare the Government's financial statements and the financial statements for the Consolidated Fund for the year ended March 31, 1992 using recommended accounting principles of the Canadian Institute of Chartered Accountants (CICA).
- 30) Your Committee notes the Government prepared summary financial statements for the year ended March 31, 1992 using CICA's recommended accounting principles except that unfunded pension liabilities were not recorded. The Committee was informed that the Government still intends to establish a Pension Review Commission as was indicated in the 1992 Budget Address.
- 31) Your Committee also notes the Government is moving toward accrual accounting in the Consolidated Fund for the 1993-94 fiscal year.

#### Appropriation Control (.32-.42)

- 32) Your Committee reviewed the Provincial Auditor's comments that changes were needed to *The Financial Administration Act* to ensure Crown agencies return unspent appropriations to the Consolidated Fund.
- 33) Your Committee was advised by department officials that amendments to *The Financial Administration Act* are being contemplated to clarify that Crown agencies are not required to repay unexpended appropriations from the Consolidated Fund. However control of public money will be retained by allowing the recovery of unspent appropriations under Order in Council authority.

#### Special Warrant Lacks Authority (.43-.47)

- 34) Your Committee reviewed the Provincial Auditor's concerns that an Order in Council authorizing a Special Warrant for payment of \$13,600,000 to SPMC did not meet the conditions required for the issue of such Special Warrants.

### **Recommendation**

- 35) Your Committee recommends special warrants presented to the Lieutenant Governor comply with *The Financial Administration Act*.

#### Comptroller's Revenue Controls (.48-.55)

- 36) Your Committee reviewed the Provincial Auditor's comments that the Comptroller has not documented his rules and procedures for supervising the receipt, recording and proper disposition of public money.
- 37) Your Committee noted that the Comptroller is contemplating a higher priority for this matter.

#### Loan Guarantees (.60-.65)

- 38) Your Committee considered the Provincial Auditor's concerns that the Legislative Assembly is not required to be informed in all cases of the facts connected with payments made for loan guarantees. Your Committee also addressed the Provincial Auditor's concern that the government be required to include guarantees and programs of guarantees in its fiscal plan and provide for the Assembly's approval of the amounts involved.
- 39) Your Committee notes the Department of Finance has provided for more disclosure of loan guarantees in the 92-93 budget and is studying what other steps can be taken in this regard.

#### Payments Requiring Authority (.82-.86)

- 40) Your Committee reviewed the Provincial Auditor's concerns that surviving spouses were not being paid by the Department according to *The Members of the Legislative Assembly Superannuation Act, 1979*.

#### Annuity Underwriting (.87-.92)

- 41) Your Committee reviewed the Provincial Auditor's concerns that *The Members of the Legislative Assembly Act, 1979* does not specify the handling of profits or losses from annuity underwriting by the Department.
- 42) Your Committee noted the Department reported that legislative amendments are anticipated to clarify the above issues.

Current Policy and Procedures Manual (.123-.126)

- 43) Your Committee reviewed the Provincial Auditor's comments that the Department should prepare complete and current policy and procedures manuals for the operations of the Public Employees (Government Contributory) Annuity and Superannuation Funds.
- 44) Your Committee was advised by department officials that a first draft of such a manual will be ready in February 1993.

## **CHAPTER 15 – EDUCATION**

Northlands Career College (.05-.13)

- 45) Your Committee considered the Provincial Auditor's comments that the Northlands Career College establish procedures that result in timely and accurate financial statements for the Board and that its management follow established banking and payroll procedures.
- 46) Your Committee notes the Department has reported on a number of improvements that have been instituted in the 1992-93 fiscal year in response to the Provincial Auditor's findings and that these changes will be evaluated by the Auditor.

Saskatchewan Indian Regional College (.20-.28)

- 47) Your Committee considered the issues regarding compliance of the College with certain requirements of *The Regional Colleges Act*. This matter was also raised by the Provincial Auditor in the previous year.
- 48) The Department explained that, although the College is fully funded by the federal government and receives no funding by the provincial government, governance of the College under this Act allows recognition of the College as a provincial training institution which can deliver accredited adult basic education programing.
- 49) For the above reason, the Department's main interest is to ensure the quality of programing provided. Because the two areas of non-compliance do not relate to quality of programing, the Department believes its main interest is being served in the education being provided although there is technically a problem in compliance with the Act.

### **Recommendation**

- 50) Your Committee reviewed this issue and recommends that the Provincial Auditor and the provincial government enter into discussions with the federal government, the Auditor General of Canada, and the appropriate organizations representing aboriginal people, concerning the question of accountability for the Saskatchewan Indian Regional College and similar institutions.

Student Aid Fund (.29-.50)

- 51) Your Committee reviewed the Provincial Auditor's comments about the insufficient verification of critical information on student loan applications resulting in public funds being placed at risk.
- 52) Your Committee notes the Department reported on various prepayment and post-payment audit procedures established by the Department in the 1992-93 fiscal year. These procedures will be evaluated by the Provincial Auditor.

53) Your Committee reviewed the Provincial Auditor's comments that the Department did not provide the full interest subsidy required under the terms of the student loan agreements for loans received in 1986-87.

54) Your Committee noted the Provincial Auditor's Comments in this regard.

Teacher's Superannuation Commission (.51-.62)

55) Your Committee reviewed the comments of the Provincial Auditor concerning changes needed to *The Teachers' Superannuation Act* to set out clearly the amount the Minister of Finance must pay to the Teachers' Superannuation Fund under a particular provision of that Act.

#### **Recommendation**

56) Your Committee recommends the Government attempt to resolve the issue of the amount the Minister of Finance must pay to the Teachers' Superannuation Fund.

### **CHAPTER 25 INVESTMENT CORPORATION OF SASKATCHEWAN (ICS)**

57) Your Committee discussed the ability of the Provincial Auditor to audit ICS. ICS contends that it is not subject to an audit under *The Provincial Auditor Act* and accordingly has not permitted the Provincial Auditor to proceed with an audit. This matter was also discussed in the previous year.

#### **Recommendation**

58) Your Committee recommends that the Government review the matter of its relationship with ICS and the obligations of the Provincial Auditor in this regard.

### **CHAPTER 20 HEALTH**

Lakeside Home and La Ronge Hospital Board (.05-.21)

59) Your Committee reviewed the Provincial Auditor's comments regarding the delay in tabling the annual reports for these organizations.

#### **Recommendation**

60) Your Committee recommends that the Board of Governors, Lakeside Home and the La Ronge Hospital Board table their annual reports in the Legislative Assembly as required by *The Tabling of Documents Act*.

61) Your Committee reviewed the Provincial Auditor's reservation of opinion on the financial statements of the La Ronge Hospital Board for the year ended March 31, 1990. The hospital operations were transferred to provincial control in November 1989. Because arrangements for the transfer were not finalized in a timely way, inventory acquired at the transfer date had to be estimated.

#### **Recommendation**

62) Your Committee recommends that when the Department is involved in the transfer of hospital operations to provincial control, proper arrangements should be in place to permit accurate asset determinations for the purpose of financial statement preparation.

Souris Valley Regional Care Centre (.22-.30)

63) Your Committee reviewed the Provincial Auditor's comments that the Centre's 1990 annual report included unaudited financial statements.

#### **Recommendation**

64) Your Committee recommends the Souris Valley Regional Care Centre include audited financial statements in its annual report.

## **CHAPTER 35 SASKATCHEWAN TRANSPORTATION COMPANY (STC)**

65) Your Committee reviewed the following concerns raised by the Provincial Auditor:

- \* needed changes in Company financing;
- \* control of management by Board of Directors;
- \* need for written policies and procedures;
- \* lack of timely reports from appointed auditors.

### **Recommendation**

66) Your Committee recommends that:

- \* appointed auditors give required reports to the Provincial Auditor on a timely basis;
- \* the Board of Directors of STC control management;
- \* STC work with CIC: a) to improve efficiencies within STC, b) to identify uneconomical routes and quantify the cost of those routes so decisions can be made on their continuation, and c) to ensure any decisions made be reported to the Crown Corporations Committee for review;
- \* STC prepare written policies and procedures to govern the following activities:
  - pay and personnel policies for out-of-scope employees;
  - management and employee expenses;
  - tendering;
  - management of capital construction;
  - expenditure approvals;
  - segregation of employee duties;
  - follow-up in collection of accounts receivable;
  - systems development.

## **CHAPTER 13 DEPARTMENT OF AGRICULTURE AND FOOD**

67) Your Committee reviewed numerous observations made by the Provincial Auditor concerning Crown agencies and special purpose funds under the Department's responsibility.

### **Recommendation**

68) Your Committee recommends that:

- \* the Government review the matter of the Agricultural and Food Products Development and Marketing Council and the financial statements of marketing boards under its control being included in the annual report;
- \* the Council monitor the activities of the marketing boards it controls to ensure they comply with authorities and have adequate rules and procedures to safeguard and control their assets;

### **Recommendation**

69) While your Committee notes that a review of the Saskatchewan Sheep Development Board (SSDB) is under way, your Committee recommends that:

- \* SSDB document its policies and procedures to safeguard and control its assets and comply with the law;
- \* SSDB comply with the law and have an annual general meeting of producers;
- \* SSDB keep minutes of its annual meetings;
- \* SSDB establish proper systems to verify registration of breeding ewes and payment of required service fees as required by law or change the law;
- \* SSDB assess penalties to producers who are late in paying service fees and charges as required by law or change the law;
- \* SSDB buy insurance for the sheep and lamb it markets as required by law or change the law;
- \* SSDB include its audited financial statements in its annual report;



## **Recommendation**

70) Your Committee recommends that:

- \* the Saskatchewan Vegetable Marketing Board establish a system to ensure all eligible producers are registered as required by law or change the law;
- \* appointed auditors for Agricultural Corporation of Saskatchewan (ACS) submit required reports and information to the Provincial Auditor on a timely basis, but notes that this now appears to be taking place;
- \* ACS prepare a written contingency plan and test the plan;
- \* the Department charge farmers lease rates for Crown lands as required by law;
- \* the Department obtain proper authority for all its borrowing in the future, but notes that the Saskatchewan Hog Assured Returns Program (SHARP) was discontinued March 31, 1991;
- \* the Department table the annual report for The Saskatchewan Agricultural Stabilization Fund in the Legislative Assembly as required by *The Tabling of Documents Act*, and notes the Department reports that the 1990-91 annual report was tabled on time;
- \* in future, the Department obtain the proper authority for any and all payments it makes;
- \* the Department establish procedures to ensure that in future the Department pays interest from trust funds to beneficiaries on a timely basis.

71) In addition to the above recommendations, your committee noted a difference of opinion between the Provincial Auditor and ACS concerning the latter's authority to charge a 2% capital loan fee on capital loans issued beginning with the 1987-88 fiscal year.

72) Your Committee also notes ACS reports it has adequately segregated the duties of persons using its computer systems and that this matter will be monitored by the Provincial Auditor.

## **CHAPTER 24 – FAMILY FOUNDATION**

Appropriate Required (.05-.08)

73) Your Committee reviewed the Provincial Auditor's concerns with respect to payments of \$1.5 million made by Sask Sport Inc. to the Saskatchewan Arts Board, on direction of the Minister.

## **Recommendation**

74) Your Committee recommends that the Minister comply with *The Interprovincial Lotteries Act* when directing Sask Sport Inc. to make payments under the lotteries trust fund created under the Act.

Saskatchewan Arts Board

Payments Lacking Authority (.20-.25)

75) Your Committee reviewed the Provincial Auditor's concerns that the Executive Director of the Saskatchewan Arts Board was paid a retirement allowance without the authorization of an Order in Council. Your Committee was assured that the Board will henceforth follow proper procedure in this respect.

Saskatchewan Centre of the Arts & Western Development Museum

Public Accountability (.32-.33) (.45-.46)

76) Your Committee was assured that the Saskatchewan Centre of the Arts and the Western Development Museum would comply with *The Tabling of Documents Act* in presenting their respective annual report to the Legislative Assembly on a timely basis, a delay caused by the late

preparation of financial statements in the organization because of new accounting procedures.

Saskatchewan Heritage Foundation

Board of Directors Required (.37-.40)

**Recommendation**

- 77) Your Committee recommends that, the Government appoint the directors of new corporations before commencement of operation.
- 78) Your Committee expresses its appreciation to the Provincial Auditor and his staff and to the Provincial Comptroller and his staff for their assistance. Your Committee is also thankful to the Clerk of the Committee and the Legislative Assembly staff for their work on behalf of the Committee.

Respectfully submitted,

Rick Swenson, MLA  
Chairman

**Concurrence**

That the Third Report of the Standing Committee on Public Accounts be now concurred in.  
(*Mr. Swenson – Debate, agreed March 17, 1993*)