

## **SIXTH REPORT — Presented March 29, 1994 (S.P. 129)**

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

### **CHAPTER 2 — UNDERSTANDING THE FINANCES OF THE GOVERNMENT**

#### **Summary Financial Statements**

- 1) Your Committee considered the Provincial Auditor's support of a Government initiative towards providing more complete and reliable financial information by issuing an audited summary financial statement showing the financial conditions and results of Government operations as a whole.

#### **Infrastructure**

- 2) Your Committee noted the Provincial Auditor's concern about the lack of information in the Government's summary financial statements on its infrastructure of roads, buildings and dams.

#### **Recommendation**

- 3) Your Committee recommends that the Government should move towards disclosing, in the summary financial statements, information on its infrastructure investments.

#### **Financial Plan of the Government**

#### **Recommendation**

- 4) With respect to the Government's financial plan for the activities as a whole, including a multi-year forecast, your Committee reiterates Recommendations 3 and 4 on this issue as reported to the Legislative Assembly on March 17, 1993 in its Third Report.
- 5) Your Committee notes that discussions on this issue by officials from the Provincial Auditor's Office, the Department of Finance, and Crown Investments Corporation (CIC) are well under way.

### **CHAPTER 3 — THE FINANCIAL MANAGEMENT REVIEW COMMISSION**

#### **On-Going Progress Report**

- 6) Your Committee considered the need for periodic progress reports from the Government on its implementation of the recommendations of the Commission.

#### **Recommendation**

- 7) Your Committee recommends that the Government should report annually on its progress in implementing the recommendations and guidelines of the Financial Management Review Commission.
- 8) Your Committee considered the need to adopt, through legislation, the accounting principles and reporting standards of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants (CICA).

#### **Recommendation**

- 9) Your Committee reiterates Recommendation 10 as reported to the Legislative Assembly on March 17, 1993, in its Third Report.
- 10) Your Committee considered the issue of unrecorded Government pension liability and agreed to accept the recommendations of the Provincial Auditor, the CICA and the Financial Management Review Commission that the Provincial Government of Saskatchewan record the liability for pension obligations and that this reporting be consistent across all Government Departments, Agencies and Crowns, but that the Government do so at an appropriate time.

- 11) Your Committee considered the issue of inclusion, by the Government in its interim financial report, of an accounting of the results to that date relative to what was planned.

**Recommendation**

- 12) Your Committee recommends that the interim report issued by the Government reflect the financial results of the Government as a whole, show the financial results to the interim date compared to what was planned and show the forecast to the end of the year.
- 13) Your Committee considered the issue of disclosure by all Government Departments, Agencies and Crown Corporations of payments made to employees and suppliers of goods and services.

**Recommendation**

- 14) Your Committee reiterates Recommendation 15 as reported to the Legislative Assembly on March 17, 1993 in its Third Report.

**Recommendation**

- 15) Your Committee recommends that the Government give consideration to the advisability of introducing legislation to limit the amount of public money that can be committed by a Government to a new project or program without the specific prior approval of the Legislative Assembly.
- 16) Your Committee considered the issue of providing to the General Revenue Fund all dividends taken from Government Corporations and of presenting to the Legislative Assembly the financial plans of corporations during the estimates process for approval of planned use of earnings.
- 17) Your Committee also discussed the use of the accounting policies recommended by the CICA as the basis for preparing the annual financial plan for presentation to the Legislative Assembly.
- 18) Your Committee noted that these issues on the question of financial plans are being discussed by the Provincial Auditor and other relevant parties.

**Recommendation**

- 19) Your Committee recommends that the Government provide mandate statements to the legislative Assembly for each government organization and that those statements be referred to a standing committee for regular review.

**Recommendation**

- 20) Your Committee recommends that the Government present to the Legislative Assembly, in a timely manner, information on each significant transaction or commitment respecting:
- specific business or public policy objectives;
  - financial implications;
  - management process to be used;
  - legislative authority under which a decision is made;
  - organizational structure;
  - process by which the public will be informed of status or performance.
- 21) On the issue of changes to *The Provincial Auditor Act* seeking to confirm the principle that the Provincial Auditor is responsible for reporting to the Legislative Assembly on all government organizations, your Committee agreed that further consideration of this question be postponed until after the Task Force on Roles, Responsibilities and Duties of Auditors has reported.

**CHAPTER 4 — ABILITY TO FULFIL OUR ROLE**

- 22) Your Committee discussed a number of issues including resource allocation within the office of the Provincial Auditor, the appointment process of the Provincial Audit Committee, and accountability

of third party funding (health boards).

- 23) Your Committee agreed that consideration of this chapter be postponed until after the Task Force on Roles, Responsibilities and Duties of Auditors has reported.

## **CHAPTER 5 — STANDING COMMITTEES OF THE LEGISLATIVE ASSEMBLY**

### **Recommendation**

- 24) Your Committee recommends that the Government comply with the Committee's request for a comprehensive response to each of its reports and notes that an impressive number of the Committee's past recommendations have already been implemented by the Government.

### **Recommendation**

- 25) Your Committee recommends that the Legislative Assembly consider providing research assistance to the Committee as a priority, when resources permit, to help your Committee achieve greater effectiveness.
- 26) Your Committee notes that Members should continue to make use of analytical aids suggested by the Canadian Comprehensive Auditing Foundation and the Financial Management Review Commission, thereby assisting Members in their pursuit of in-depth examination of administrative actions of government organizations.
- 27) Your Committee notes and commends the Standing Committee on Crown Corporations for its practice of directly questioning officials of Crown Corporations on matters of an administrative or financial nature and non-policy oriented subjects, rather than dealing exclusively with the Minister responsible.

## **CHAPTER 6 — SPECIAL ASSIGNMENT**

### **Recommendation**

- 28) On the issue of reporting, by the Office of the Executive Council, the costs and expenditures of goods and services required for the operation of Ministers' offices, your Committee reiterates Recommendation 10 reported to the Legislative Assembly in its Second Report dated March 3, 1993.
- 29) Your Committee addressed the Provincial Auditor's concerns with the Government's "action reports" with respect to the Committee's recommendations and the lack of documentation and monitoring of Government action on Committee recommendations.

### **Recommendation**

- 30) Your Committee recommends that policies established to deal with Committee recommendations should be documented in the Treasury Board Accounting and Reporting Manual or in a comprehensive manual with similar authority.

### **Recommendation**

- 31) Your Committee recommends that the policies should apply to all government organizations. (At present, much of the Treasury Board manual is considered to apply only to departments.)
- 32) Your Committee further recommends that the Government examine what measures are required to ensure compliance with policies intended to apply to all government organizations.

## **CHAPTER 7 — BOARD OF DIRECTORS PAY AND EXPENSES**

### **Recommendation**

- 33) Your Committee reiterates Recommendation 18 reported to the Legislative Assembly in its Third Report dated March 17, 1993.

## CHAPTER 8 — ANNUAL REPORTS OF GOVERNMENT DEPARTMENTS

- 34) Your Committee discussed the purpose, contents and guidelines on annual reports of Government Departments and Agencies and their consideration by Members of the Legislative Assembly.

### Recommendation

- 35) Your Committee recommends that the Government's existing guidelines on annual reports be strengthened to make annual reports a more useful accountability document.

### Recommendation

- 36) Your Committee recommends that all Government Departments be required to provide annual reports on their activities and to do so in a timely manner.

### Recommendation

- 37) Your Committee recommends that, upon tabling in the Legislative Assembly, all annual reports of Government Departments and Agencies reporting to Treasury Board be referred to the Standing Committee on Public Accounts to assist in its review of Public Accounts and of the Report of the Provincial Auditor.

### Recommendation

- 38) Your Committee recommends that appropriate legislative amendments be made to require reports to be released when the Legislative Assembly is not in session in the same manner as pursuant to Section 35 of *The Crown Corporations Act* where documents are required to be tabled.

## CHAPTER 9 — DEPARTMENT OF AGRICULTURE AND FOOD

- 39) Based on information provided to the Committee, it was agreed that the issues raised by the Provincial Auditor's recommendations in paragraphs .10, .29, .31, .34, .38, .43, .54, .57, .66, .71, .76, .80, .83, .86, .91, .99, .106, .109, .113, .124, .128, .129, .134, .137, .148, .158, .163, .170, .174, .179, .182, .186, and .196, were satisfactorily resolved or were in the process of being resolved.
- 40) With respect to paragraph .15, your Committee noted that the process for paying appropriations to the Gross Revenue Insurance Fund was unique to the 1991-92 fiscal year and has not occurred since.
- 41) With respect to the concerns raised by the Provincial Auditor's recommendations in paragraphs .19 and .23 on the reports and activities of the Agricultural and Food Products Development and Marketing Council, your Committee noted the following:
- that the Department is in basic agreement with paragraph .19 which recommends that the Council should include in its annual report the financial statements of the development and marketing boards, but that there may be some logistical problems because of different fiscal years;
  - that the Council has taken some steps to implement the recommendations of the Provincial Auditor and will continue to do so with respect to paragraph .23, which recommends that the Council monitor the activities of the Boards to ensure they comply with authorities and have adequate rules and procedures to safeguard and control their assets.
- 42) With regard to the Provincial Auditor's recommendation in paragraph .46 that the Saskatchewan Canola Development Commission submit to the Council its 1991 Annual Report by the required date, your Committee noted that the Commission is currently required to file its report within 60 days. The matter is under review by the Department in the broader context of the accountability discussions involving the Council.
- 43) Your Committee noted the Department's comments with regard to the recommendation in

paragraph .101 that the Saskatchewan Vegetable Marketing and Development Board obtain Order in Council approval for its agreements with the federal government. The Department believes that it does not require Order in Council approval, but has agreed to review that position jointly with the Provincial Auditor.

- 44) Your Committee discussed the recommendation in paragraph .124 that the Agricultural Credit Corporation obtain an Order in Council to approve its cost of borrowing rates. Your Committee notes that the Department has received legal advice from the Justice Department solicitors identifying this to be a fee and not an interest charge. The Department feels secure in this position and therefore the Committee agrees that it does not present a particular problem.

## **CHAPTER 10 — DEPARTMENT OF COMMUNITY SERVICES**

- 45) Based on information provided to the Committee, it was agreed that the issues raised by the Provincial Auditor's recommendations in paragraphs .12, .20, .27, .28, .30, .35, .46, .47, .48, .49, .55, .56, .57, .58, .59, .63, .64, .65, .75, .80, .86, .89, .91, .96, .117, .121 and .122 have been resolved satisfactorily.
- 46) Your Committee considered the comments of the Provincial Auditor in paragraph .108 concerning the apparent lack of authority for Saskatchewan Housing Corporation (SHC) to operate the Home Improvement Program. The Department believes that there is adequate legislative authority to operate the program. Both views are supported by conflicting legal opinions. The issue has remained unresolved for several years.
- 47) Your Committee noted the concerns of the Provincial Auditor and also noted the Government's position and encourages the Government in future, when it is contemplating establishing new programs, to ensure that adequate authority be clearly provided in the legislation.

## **CHAPTER 11 — DEPARTMENT OF ECONOMIC DIVERSIFICATION AND TRADE**

- 48) Based on information provided to your Committee, it was agreed that the issues raised by the Provincial Auditor's recommendations in paragraphs .13, .16, .18, .21, .22, and .25 were satisfactorily resolved or were in the process of being resolved.
- 49) Your Committee considered the Provincial Auditor's recommendation in paragraph .29 that the Government consider whether it continues to be appropriate to exempt Community Bond Corporations from *The Securities Act, 1988*. The Department advised your Committee that discussions were held with the Securities Commission with a view to determining the legislative changes necessary to comply with this recommendation. The Department anticipates the Government will propose these amendments in 1994.

## **CHAPTER 12 — DEPARTMENT OF EDUCATION**

- 50) Based on information provided to your Committee, it was agreed that the issues raised by the Provincial Auditor in paragraphs .13, .22, .23, .40 and .41 were resolved or were in the process of being resolved.
- 51) Your Committee considered the Provincial Auditor's recommendation in paragraph .32 that the Saskatchewan Indian Regional College comply with *The Regional Colleges Act*. This matter was also raised by the Provincial Auditor in his Annual Reports for the two previous years. Your Committee was informed that the Department has formed a committee jointly with the College to examine its legislative status and its relationship within the college system. The Department expects the issue to be resolved within the next year through this process. Your Committee believes this process is consistent with the recommendation made in its Third Report dated March 17, 1993 '.
- 52) Your Committee considered the Provincial Auditor's recommendation in paragraph .59 that the Government propose changes to *The Teachers' Superannuation Act* to set out clearly the amount the Minister must pay to the Fund. The Department advised your Committee that the issue had been resolved through recent collective bargaining with the Saskatchewan Teachers Federation and that necessary legislative amendments to reflect the collective agreement, including this issue, were currently being drafted.

## CHAPTER 13 — DEPARTMENT OF ENERGY AND MINES

- 53) Your Committee reviewed the comments by the Provincial Auditor concerning a payment to NewGrade relating to royalty remissions granted to producers who supplied natural gas to NewGrade. By the 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 Reports for the two previous years.
- 54) The Department indicated to your Committee that it does not intend to change its practice so as to include the payments to NewGrade in its expenditure estimates.
- 55) Your Committee reiterates its recommendation made in its First Report to the Legislative Assembly dated May 25, 1992 and its Third Report dated March 17, 1993:
- 56) That, if the remissions of natural gas royalties are to continue to be paid to NewGrade, the amount provided be included in the Estimates of expenditure and be presented to the Legislative Assembly for its consideration.

## CHAPTER 14 — DEPARTMENT OF EXECUTIVE COUNCIL

- 57) Your Committee considered the Provincial Auditor's recommendation in paragraph .06 that the Department either comply with *The Election Act* or propose changes that would allow reimbursement for payments to registered political parties. Your Committee noted that the Chief Electoral Officer has advised that the registered political parties in the instance described are considered as agents. But as there is the possibility of confusion arising out of the Act, your Committee notes the comments of the Chief Electoral Officer that the matter could be dealt with through legislative amendment to remove any ambiguity.
- 58) Your Committee considered the Provincial Auditor's recommendation in paragraph .11 that the Department should obtain proper bills, vouchers and proof of payment to support claims for election expenses. Your Committee notes that the Chief Electoral Officer will be consulting with the Provincial Comptroller and the Provincial Auditor with a view to clarifying this matter so that there can be agreement as to what constitutes a proper bill, voucher, or proof of payment.

## CHAPTER 15 — DEPARTMENT OF FINANCE

- 59) Based on information provided to your Committee, it was agreed that the issues raised by the Provincial Auditor's recommendations in paragraphs .43, .53, .60, .65, .73 have been satisfactorily resolved.
- 60) Your Committee considered the Provincial Auditor's recommendation in paragraph .29 where it was proposed that the Department either seek changes to the MLA Superannuation Act or comply with the law. Your Committee notes that the Department also believes that there is a need for clarification of this matter in the law.
- 61) Your Committee considered the Provincial Auditor's recommendation in paragraph .35. The Department agrees with the recommendation that changes to the law are needed to specify the handling of profits and losses on annuity underwriting.
- 62) Your Committee reviewed the following reservations expressed by the Provincial Auditor on the Province's Summary Financial Statements and the separate financial statements for each of the Consolidated Fund, the Heritage Fund and the Combined Funds as reproduced in paragraphs .10 to .21 (which do not necessarily apply in each case):
  - 1) The Department prepared the financial statements using the modified cash basis of accounting. This basis of accounting is inappropriate because the financial statements are incomplete.

2) The Department charged loan and investment losses of the relevant Funds directly to equity. The Department should have recorded these losses as expenditures.

3) The Department did not properly report the pension liabilities of the relevant funds.

The Committee notes that:

1) The Government, effective with the 1993-94 fiscal year, adopted the accrual method of accounting;

2) Effective with the 1992-93 fiscal year, the Government no longer charges loan and investment losses of the relevant funds directly to equity and that these losses are now recorded as expenditures;

3) The Government recognizes that although pension liabilities are reported, there continues to be a difference of opinion with the Provincial Auditor as to how this should be reported.

## **CHAPTER 16 — DEPARTMENT OF HEALTH**

63) Based on information provided to your Committee, it was agreed that issues raised by the Provincial Auditor's recommendation in paragraphs .07, .22 and .25 had been satisfactorily resolved or were in the process of being resolved.

64) Your Committee considered the Provincial Auditor's recommendation in paragraph .14 that the Saskatchewan Alcohol and Drug Abuse Commission establish rules and procedures to prepare timely and accurate financial reports. The Department agreed with the recommendation and also informed your Committee that the Commission was disestablished in August, 1993 and that its operations had been subsumed by the Department.

## **CHAPTER 17 — DEPARTMENT OF HIGHWAYS AND TRANSPORTATION**

65) This chapter contains the results of two pilot value-for-money audits as well as audits of the Department's Consolidated Fund appropriations and revenues and the Highways Revolving Fund. The two pilot audits examined the Department's procedures for meeting the goals of its surface repair maintenance plan and the procedures for managing its contracts with private sector highway builders.

66) Your Committee was informed that the Department was working towards implementing the recommendations made by the Provincial Auditor in paragraphs .20, .29, .30 and .31.

67) Your Committee considered the Provincial Auditor's recommendation in paragraph .124 that the Department obtain Treasury Board approval for recovery rates for the revolving fund. Your Committee notes that Department was attempting to comply through discussions with Treasury Board officials. Your Committee encourages Treasury Board to develop an appropriate mechanism to facilitate compliance.

68) Based on information provided to your Committee, it was agreed that issues raised by the Provincial Auditor's recommendations in paragraphs .015, .22 and .26 have been satisfactorily resolved.

69) Your Committee considered the Provincial Auditor's recommendation in paragraph .29 that the Department obtain the Board of Revenue Commissioners authority to write off unpaid fines. Your Committee notes that this is not a problem with respect to people who wish to have their drivers' licenses in the Province because of the Department's procedures to withhold licenses when certain driving offence fines are not paid.

70) Your Committee also encouraged the Department to attempt to ensure that even if a fine is written off as an accounting practice, that certain ramifications may remain in appropriate cases.

## **CHAPTER 19 — DEPARTMENT OF NATURAL RESOURCES**

71) Based on information provided to your Committee, it was agreed that the issues raised by the Provincial Auditor's recommendations in paragraphs .10, .14 and .24 have been resolved satisfactorily.

## **CHAPTER 20 — DEPARTMENT OF SOCIAL SERVICES**

72) Based on information presented to your Committee, it was agreed that the issue raised by the Provincial Auditor's recommendation in paragraph .11 has been resolved satisfactorily.

## **CHAPTER 21 — INDIAN AND METIS AFFAIRS SECRETARIAT**

73) Your Committee agreed to note that the Provincial Auditor's recommendations in paragraphs .08 and .12 were being complied with by the Secretariat.

## **CHAPTER 22 — INVESTMENT CORPORATION OF SASKATCHEWAN**

74) Your Committee considered the Provincial Auditor's recommendation in paragraph .12 that the Government ask its officials who vote ICS shares to allow the Provincial Auditor to audit ICS. Alternatively, that the Government introduce legislation to exempt ICS from being subject to *The Provincial Auditor Act*. The Committee hears testimony from the President of ICS who presented the Corporation's legal position.

75) Your Committee agreed to note the following:

- the pension plans are audited by the Provincial Auditor;
- the plans can choose their own management company, i.e., they can go to someone other than ICS if they wish;
- ICS is a private company incorporated under *The Business Corporations Act*;
- ICS shares are held by the shareholders as trustees for the beneficial owners of the shares who are the plan members;
- each pension plan is accountable to its own members;
- ICS manages private funds as well as public pension plans;
- Your Committee could call pension plan officials for accountability purposes should the Provincial Auditor, through the audit process, identify any audit problems or for any other reason should the Committee decide to examine plan officials.

## **CHAPTER 23 — LEGISLATION (THE BOARD OF INTERNAL ECONOMY)**

76) Based on information provided to your Committee, it was agreed that the issue raised by the Provincial Auditor's recommendation in paragraph .15 has been resolved satisfactorily.

## **CHAPTER 24 — SASKATCHEWAN AUTO FUND**

77) Based on information provided to your Committee, it was agreed that the issue raised by the Provincial Auditor's recommendation in paragraph .06 has been resolved satisfactorily.

78) Your Committee considered the Provincial Auditor's recommendation in paragraph .13 that SGI should properly register in the name of SGI the title to a property rather than have this property registered in the name of a numbered company. Your Committee learned from SGI that all issued shares in the numbered company were held by SGI on behalf of the Auto Fund and the numbered company was merely an instrument to hold title. SGI advised your Committee that the numbered company has been wound up and title to the property is now in the name of SGI.

## **CHAPTER 25 — SASKATCHEWAN FOREST PRODUCTS CORPORATION (SFPC)**

79) Your Committee considered the Provincial Auditor's recommendation in paragraph .06 that, by Order-in-Council, the SFPC Board meet at least once every three months. SFPC has not yet complied with this recommendation.



- 80) Your Committee considered the Provincial Auditor's recommendation in paragraph .09 that, by Order-in-Council, SFPC require Order-in-Council approval to relocate its head office from Prince Albert to Hudson Bay. SFPC has not yet complied with this recommendation.
- 81) Your Committee recommends that SFPC comply with the Provincial Auditor's recommendations in paragraphs .06 and .09.

#### **CHAPTER 26 — SASKATCHEWAN GAMING COMMISSION**

- 82) Based on information provided to your Committee, it was agreed that the issue raised by the Provincial Auditor's recommendation in paragraph .08 has been resolved satisfactorily.
- 83) Your Committee considered the Provincial Auditor's recommendation in paragraph .13 about the lack of established audit procedures to ensure the accuracy of licensee returns and to ensure licensees are using gaming proceeds for authorized purposes.
- 84) Your Committee noted that the newly formed Liquor and Gaming Authority had taken some steps to comply with the Auditor's recommendation, but underlined the need to adopt adequate inventory controls over bingo paper.

#### **CHAPTER 27 — SASKATCHEWAN POWER CORPORATION (SPC)**

- 85) Based on information provided to your Committee, it was agreed that issues raised by the Provincial Auditor's recommendations in paragraphs .33, .58, .67, .68 and .74 have been satisfactorily resolved or were in the process of being resolved.
- 86) Your Committee considered the Provincial Auditor's recommendation in paragraph .16 that SPC include, in its financial statements, additional information about its pension plan. Your Committee was informed that additional information has been included in the 1992 financial statements of the pension plan and that the financial statements for SPC meet the minimum requirements for Generally Accepted Accounting Principles (GAAP), although they may not include all the information required by the Public Sector Accounting and Auditing Board (PSAAB) statements. The Committee expects to consider this matter further when the Provincial Auditor reports for the 1992 fiscal year.
- 87) Your Committee considered the Provincial Auditor's recommendation in paragraph .17. Your Committee agreed that the Government should ensure that when there are different actuarial assumptions underlying pension plan calculations, the differences are appropriate. Your Committee encourages the Government to consider this matter.
- 88) Your Committee considered the Provincial Auditor's recommendation in paragraph .26 that the Government establish a process to ensure the timely appointment of Boards of Directors of Crown agencies. Your Committee was informed of a new practice adopted by SPC. Board members are now appointed for staggered one-year terms and the responsibility for dealing with reappointments as they come up from time to time is monitored by the SaskPower legal department. Your Committee is satisfied that the matter is being addressed on a regular basis, at least from the perspective of SaskPower.
- 89) Your Committee considered the Provincial Auditor's recommendation in paragraph .76 that the financial statements of Northern Enterprise Fund Inc. (NEFI) be tabled in the Legislative Assembly and agreed with it.

#### **CHAPTER 28 — SASKATCHEWAN WATER CORPORATION**

- 90) Your Committee considered the Provincial Auditor's recommendations in paragraphs .16 and .17 that the Corporation disclose related party transactions more fully in its financial statements and continue to disclose a description of its acquired physical assets in the notes to future financial statements. Your Committee agreed to note that the Corporation has complied or is working towards complying with these recommendations.