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Main points

In this chapter, we report the results of our audit of Saskatchewan Water Corporation (Sask Water) for the year ended December 31, 2002. We concluded that Sask Water's financial statements are reliable. From our audit of Sask Water's practices to safeguard public resources, we concluded that Sask Water needs to ensure its information technology data is secure. We also found that Sask Water complied with the authorities governing its activities.

In prior years, we recommended that Sask Water improve its annual reports. We are pleased to report that Sask Water significantly improved its annual report for the year ended December 31, 2002.

Introduction

From January 1, 2002 through September 30, 2002, the Saskatchewan Water Corporation (Sask Water) operated under the authority of *The Water Corporation Act*. Under this Act, Sask Water managed, developed, controlled, and protected the water and related land resources of Saskatchewan. On October 1, 2002 that Act was replaced by *The Saskatchewan Water Corporation Act*. Under this new Act, Sask Water's mandate is to construct, acquire, manage, or operate waterworks and to provide services in accordance with agreements it makes under the Act.

At December 31, 2002, Sask Water held assets of \$70.1 million, had revenues of \$30.2 million, and had expenses of \$33.5 million. Sask Water's 2002 Annual Report includes its financial statements.

Our audit conclusions and findings

Our Office worked with Meyers Norris Penny LLP, the appointed auditor for Sask Water, using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at <http://www.auditor.sk.ca/rrd.html>). The appointed auditor and our Office formed the opinions below.

In our opinion, for the year ended December 31, 2002:

- ◆ **Sask Water's financial statements are reliable;**
- ◆ **Sask Water complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and**
- ◆ **Sask Water had adequate rules and procedures to safeguard and control its assets except that it needs to set appropriate security policies to protect its information technology data.**

We also report one other matter for the attention of the Legislative Assembly (Assembly) and provide a progress report on a prior recommendation that Sask Water has addressed.

Better security needed

In past reports to the Assembly, we recommended that Sask Water set appropriate security policies for its information technology (IT) systems and data. In December 2001, the Standing Committee on Crown Corporations agreed with this recommendation.

Beginning in October 2002, Sask Water purchases by contract its corporate services functions (i.e., finance and administration, human resources, information systems, and legal) from the Saskatchewan Watershed Authority (Authority). Therefore, to deliver its services to customers, ensure compliance with authorities, and manage its financial affairs, Sask Water now depends on IT services purchased from the Authority. Sask Water needs to know that the Authority protects Sask Water's IT data from unauthorized access and accidental or deliberate destruction.

Sask Water has a contractual agreement with the Authority that sets out the responsibilities of each party. Under the agreement, the Authority is responsible for managing IT policies including security. As of December 31, 2002, Sask Water had not received assurance that the Authority had a formal corporate security policy or an approved and tested disaster recovery plan. Without this assurance, Sask Water does not know whether its data is adequately protected. Sask Water is at risk of incurring financial losses caused by: the release of confidential information, decisions based on incorrect information, or the loss of information. Therefore, we continue to recommend that Sask Water ensure that appropriate security policies and procedures are in place to protect its data.

Management of Sask Water told us that it has requested the Authority to implement appropriate security policies and procedures to protect the interests of Sask Water.

List of persons who received public money

In past reports to the Assembly, we recommended that Sask Water annually provide the Assembly with a list of persons who received public money. As of December 2002, Sask Water did not provide such a listing to the Assembly. This is consistent with other Crown Investments

Corporation of Saskatchewan's Crowns. Chapter 11 of this report includes an update on this matter.

Annual Report improved

In our 2002 Spring Report to the Legislative Assembly, we recommended that Sask Water improve its annual reports. Sask Water's annual reports should describe the key risks that it faces in achieving its objectives and should provide reasons for significant differences between planned and actual results.

We reviewed Sask Water's Annual Report for the year ended December 31, 2002. We are pleased to report that Sask Water made improvements to this Annual Report. These improvements address our past recommendation.

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