Health

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Health

Introduction

The Department of Health's (Health) mandate is to protect and improve the health of Saskatchewan people. To do this, Health provides policy direction, direct services, and funding to health providers and health agencies.

Government spending on health

For the year ended March 31, 2005, Health received $2.8 billion from the General Revenue Fund for its programs. Health also raised revenue of $24.0 million. Health's annual report contains information about the Department of Health's revenues and expenses (see http://www.health.gov.sk.ca/).

Table 1 shows total health revenues of $3.04 billion by source for the year ended March 31, 2005. Table 2 shows total health costs of $2.99 billion by program for the year ended March 31, 2005. The costs in Table 2 do not include health services paid directly by the Federal Government, nor the costs that individuals and private sector organizations pay directly for health services.

Crown agencies

Health is responsible for the following Crown agencies.

Year-end March 31
12 Regional Health Authorities
Board of Governors, Uranium City Hospital
Health Quality Council
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Foundation
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
St. Louis Alcoholism Rehabilitation Centre

Year-end December 31
SAHO Master Trust Combined Investment Fund
SAHO Disability Income Plan–Canadian Union of Public Employees (C.U.P.E.) Fund

SAHO Disability Income Plan–Service Employees International Union (S.E.I.U.) Fund
SAHO Disability Income Plan–Saskatchewan Union of Nurses (S.U.N.) Fund
SAHO Disability Income Plan–General Fund
SAHO Core Dental Plan Fund
SAHO In-Scope Extended Health/Enhanced Dental Fund
SAHO Out-of-Scope Extended Health/Enhanced Dental Fund

Table 1

Health Sector **Revenues** by Source for the year ended March 31
(in millions of dollars)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Revenue Fund	$2,774	$2,516	$2,343	$2,200	$2,076	$1,956	$1,789	$1,677	$1,608	$1,555
Service fees revenue	126	121	113	110	109	99	97	99	95	94
Transfers from other governments	26	28	18	28	23	21	21	19	17	24
Ancillary revenue	17	26	22	20	18	17	16	15	15	15
Donations	16	15	18	15	17	12	16	15	9	12
Investment income	4	5	7	9	11	11	9	9	10	11
Other	74	59	69	43	38	43	55	28	42	26
Total revenues	$3,037	$2,770	$2,590	$2,425	$2,292	$2,159	$2,003	$1,862	$1,796	$1,737

Table 2

Health Sector **Costs** by Program* for the year ended March 31
(in millions of dollars)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Acute Services	$1,169	$1,063	$ 963	$ 900	$ 824	$ 797	$ 683	$ 627	$ 592	$ 506
Supportive care services	585	554	512	507	482	447	417	389	387	415
Medical services and education	496	455	446	421	401	384	392	384	353	346
Community care services	286	277	305	276	252	235	218	205	189	225
Prescription drugs	212	194	173	156	141	128	115	98	94	93
Provincial health services	175	162	144	136	122	102	97	92	84	98
Central Support Services	44	46	23	21	16	32	22	22	23	18
Other	26	34	44	60	43	38	39	23	52	36
Total costs	$ 2,993**	$2,785	$ 2,610	$2,477	$2,281	$ 2,163	$ 1,983	$ 1,840	$1,774	$ 1,737

Source: *Public Accounts: Volume 2: Details of Revenue and Expenditure* (see http://www.gov.sk.ca/finance/paccts) and the March 31, 2005 financial statements of the RHA Health Boards and other government health agencies.

* Health costs by program have been reclassified to conform with the Department of Health's current expense categories. Prior year numbers have been restated to conform with this new classification.

** The Government's summary financial statements (SFS) for the year ended March 31, 2005 show health costs of $2,943 million, a difference of $50 million from the total health costs in Table 2. This difference is due to: 1) differences in accounting policies for tangible capital assets and inventories; and 2) inter-entity expense eliminations and adjustments within the SFS not recorded in the health costs in Table 2.

Our audit conclusions and findings

We have completed the audits of Health and the Crown agencies listed earlier except for the audits of the Board of Governors, Uranium City Hospital (Board), and SAHO and its benefits plans. The Board and SAHO have not prepared financial statements for the year ended March 31, 2005, and SAHO has not completed financial statements for its benefits plans for the year ended December 31, 2004. Accordingly, we have not completed our audits of the financial statements. We will report the results of these audits in a future report.

Our audit opinions below include the results of Health and other agencies except for our audits of the 12 regional health authorities. These are reported in Part C–Regional Health Authorities of this chapter.

Our Office worked with Deloitte & Touche LLP, SAHO's appointed auditor, on the audits of SAHO for the year ended March 31, 2005 and its benefit plans for the year ended December 31, 2004. We followed the framework 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).

In our opinion, for the year ended March 31, 2005:

- **Health and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Health and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matters reported in this chapter**
- **the financial statements for the agencies listed earlier are reliable**

Supervisory controls need improvement

Health needs to strengthen its supervisory controls over regional health authorities (RHAs) and other health agencies.

Health must ensure that RHAs and other health agencies are achieving Health's objectives. To do this, Health needs to supervise the performance of these agencies.

Health's supervisory controls were not adequate in the following areas.

Accountability of Regional Health Authorities to Health

In previous reports, we recommend that Health receive complete and timely information to ensure public money entrusted to the RHAs is used properly.

Health and the RHAs have worked together in recent years to agree on the format of quarterly and annual performance reports that show the RHAs' progress in achieving Health's objectives. The agreed upon reports include a wide range of performance measures. The reports are timely, but contain few performance targets. Performance targets are essential to performance reporting because targets describe the level of desired performance, i.e., quantity, quality, and timing of expected performance.

We reported this matter in previous years. In January 1999, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Department of Health receive complete information to ensure that the public money entrusted to RHAs is used properly.

Now that Health is receiving the RHAs' reports, it needs written policies and procedures for monitoring the reports and taking corrective action if needed. Such policies and procedures, approved by senior management, would guide staff in how to monitor the RHAs' performance, how to assess whether progress is satisfactory or needs improvement, and how to take or recommend corrective action if required. Without adequate

monitoring of the RHAs' performance, Health's senior management may make incorrect decisions.

1. **We recommend that the Department of Health establish written policies and procedures for monitoring the regional health authorities' performance reports and taking corrective action when required.**

Control of capital assets

Health is responsible for health care in the province. It uses over $900 million of capital assets to deliver health care.

Capital assets include buildings and equipment. A capital asset plan would document decisions intended to ensure that Health has the capital assets required to deliver its services effectively, efficiently, and economically. A capital asset plan would help Health select the capital assets that have the best value and keep them in good working order.

Without a capital asset plan, Health cannot ensure that it has adequate capital assets to deliver essential health services.

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Health develop a capital asset plan to help ensure that it can carry out its strategic plan.

After the year-end, Health told us that it is preparing a capital asset plan.

Internal audit needs strengthening

Health needs to ensure that it receives independent information on the effectiveness of its processes to safeguard public resources and ensure that its revenues and expenses comply with the law.

Health needs to focus activities of its internal audit where Health is at greatest risk of loss of public money or spending money for unintended purposes. A risk-based audit plan would help Health assess if its processes are adequate.

2. **We recommend that the Department of Health focus the work of its internal auditor on the activities where Health is at greatest risk of loss of public money or spending money for unintended purposes.**

Rules and procedures for drug payments not followed

Health needs to follow its processes for "exception drug status" (EDS) payments.

Health has adequate processes for approving payments for drugs that are normally ineligible for payment (i.e., EDS). A drug that is normally ineligible for payment may become eligible if it proves to be more effective than the eligible drugs for treating the patient. EDS drugs are often more expensive than eligible drugs. The cost of the EDS Program has risen from $15.4 million in 1998-99 to $59 million in 2004–05.

Physicians, dentists, optometrists, and pharmacists may apply to Health for EDS coverage on behalf of patients. Applicants can submit requests to Health by telephone, mail, or fax. Health's policy is to review the applications to ensure that they satisfy the criteria before approving the drug for EDS coverage. The EDS criteria include the qualifying diagnosis, the patient's medical history, and the ineffectiveness of the eligible drugs on the patient's condition.

The majority of requests for EDS coverage come from pharmacists. Health requires pharmacists to document the physician's diagnosis and compliance with other eligibility criteria for each EDS coverage request. However, in many cases, pharmacists were either not recording the diagnosis or the source of the diagnosis. Health paid for these EDS drugs.

Lack of compliance with Health's processes for EDS coverage could result in unauthorized and unnecessary drug payments. In addition, we are unable to determine whether all drug payments have adequate authority.

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Health ensure pharmacists follow its processes for "exception drug status" payments.

Accounting policies not consistent with GAAP

In March 2005, the Minister of Health signed capital project agreements for 2006 with Regional Health Authorities for $11.9 million. The agreements do not allow Health to pay for construction until the RHAs have done the work.

The Financial Administration Act, 1993 (FAA) allows Health to record expenditures only when it has received goods or services or when the eligibility and performance requirements have been met. Nonetheless, Health recorded costs of $11.9 million for capital construction not done.

Health did not give the RHAs this money. Health recorded an equivalent amount as a grant payable. Health thinks its practices comply with the FAA and Canadian generally accepted accounting principles (GAAP). This is consistent with the direction provided to Health by the Provincial Comptroller.

We think the FAA and GAAP require public agencies to expense grants when the receiving organization has met the eligibility requirements (i.e., as construction is done). When public agencies approve grants for a future period, GAAP requires them to record the grant expense in the period in which the receiving agencies use the grant. Had Health followed our interpretation of the FAA and GAAP, Health expenditures would be reduced by $11.9 million and its grants payable would be decreased by an equivalent amount.

This difference of opinion also exists regarding the accounting for this construction revenue by the Regional Health Authorities. Health determines the financial statement format for RHAs. Health originally instructed all RHAs to record the 2006 construction grants as revenue in 2005.

We discuss this matter on page 80 in Part C – Regional Health Authorities of this chapter.

We reported this matter in previous reports. In June 2004, PAC recommended that the Department of Health "follow the accounting procedures as laid out by the Provincial Comptroller."

The Canadian Institute of Chartered Accountants (CICA) is currently examining accounting standards concerning government transfer payments (grants) to clarify principles for recording grants because current standards do not provide sufficient guidance. The CICA project is not finished. We are awaiting further clarification from the CICA.

Business continuity plan required

Health needs a written, tested, and approved business continuity plan (BCP)[1] to help ensure that it can continue to provide critical services in the event of a disaster.

Health's critical services include providing medical services through the regional health authorities and the province's doctors, administering the Saskatchewan Prescription Drug Plan, providing provincial laboratory services, operating the Health Information Services Centre to support the operations of the regional health authorities, and the provision of emergency services in the event of a health emergency.

Health must provide these services, even if a disaster disrupts its ability to operate and provide services in the usual manner. Without an adequate business continuity plan, Health is at risk of not being able to provide critical services.

To prepare an adequate business continuity plan, Health should:

- ensure management supports the plan. Management should make the required resources available to create and maintain the business continuity plan.

[1] **Business Continuity Plan** (BCP)—Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP)—Plans by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as a **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity plan.

- design the plan using a threat and risk assessment. This would include identifying and ranking its critical services.
- include plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of critical services.
- document the plan, have management approve it, and make it easily accessible when the plan needs activation.
- test the plan initially and on an ongoing basis.
- include policies for ongoing maintenance and updating of the plan.

Health does not have a complete business continuity plan. Health has recently developed and approved a Business Continuity Planning policy. The policy outlines who is responsible for developing, implementing, and maintaining the BCP and outlines the key activities required for business continuity planning. The policy also requires coordination of Health's BCP with key partners including the regional health authorities, other government departments, the federal government, etc. As well, Health has drafted interim notification procedures that it will follow in the event that an emergency occurs before it has completed its full BCP.

Health has also documented some parts of a business continuity plan. For example, it has documented emergency services procedures that would be used in the event of a disaster in a Saskatchewan community or a health emergency. However, it has not yet developed or documented all of the key components of a business continuity plan.

3. We recommend that the Department of Health prepare a complete business continuity plan.

Management told us that while they do recognize the need for a BCP for Health, they consider the development of emergency plans to be more critical. They have developed extensive emergency plans that they can use in the event of an emergency relating to health, such as a pandemic, water quality problems in a particular community, or an accidental toxic leak. Health has completed its development of its emergency plans and will now begin developing a BCP.

Métis Addictions Council of Saskatchewan Inc.

Introduction

The Métis Addictions Council of Saskatchewan Inc. (MACSI) provides addictions services on behalf of Health. In 2004-05, Health gave MACSI $2.4 million for its services.

MACSI is incorporated under *The Non-profit Corporations Act, 1995.* MACSI is not a Crown agency as defined in *The Provincial Auditor Act* and is not subject to an audit by our Office. In 2004, we accepted a special assignment to audit MACSI as requested by Order in Council 111/2004.

We reported the results of our audit in our Chapter 2E of our 2004 Report – Volume 3. We found that:

- money paid to MACSI by Health during the period June 2001 to February 18, 2004 was not used appropriately, was not fully accounted for, and was not properly disposed of in accordance with the terms and conditions of the funding agreements
- MACSI did not maintain essential records, and rules and procedures to appropriately safeguard and control the money it received from Health during the period April 1, 1998 to February 18, 2004
- Health's oversight processes were not adequate to ensure that MACSI properly protected all public money and spent it prudently and for intended purposes
- Health did not always take prompt and appropriate action to remedy all significant problems it knew, or should have known, about MACSI's operations during the period April 1, 1998 to March 31, 2003

We made nine recommendations for MACSI and four recommendations for Health.

Our follow up

We enquired, through Health, if Health and MACSI had implemented our recommendations. We also examined written control policies and

procedures that Health and MACSI have established to address our recommendations.

Our recommendations for MACSI

The interim Board of MACSI has adequately addressed our recommendations except as follows.

Recommendation 3. We recommend that the Board establish a long-term strategic plan, and annual business and financial plans for the Métis Addictions Council of Saskatchewan Inc.

The interim Board established an annual business plan and annual financial plan for the 2004-2005 fiscal year. The interim Board decided to defer establishing a long-term strategic plan for the agency until a permanent Board was established. Due to the delay in setting up a permanent Board, Health told us the interim Board plans to develop a strategic plan during the 2005-06 fiscal year.

Recommendation 5. We recommend that the Board provide governance training for its members.

Health told us that members of the Board will receive governance training when a new permanent Board is established. A comprehensive training manual is being developed which will fully inform Board members of their responsibilities and the expectations of their role.

Recommendation 6. We recommend that the Board periodically assess its own performance.

Health told us that processes for regular review of Board performance will be addressed as part of long-term strategic planning.

Recommendation 8. We recommend that the Board ensure all signing officers are bonded (i.e., insured against theft or fraud).

Health is in the process of determining if it is cost effective to require small community-based organizations (CBOs) to obtain insurance. Health also now requires CBOs to ensure signing officers and other key personnel obtain police record checks prior to assuming positions of trust

within the CBOs. Health thinks this will help prevent losses of public money.

Recommendation 9. We recommend that the Department of Health work with MACSI to determine the amount that the former executive committee members of the board of directors owe MACSI and try to recover the money.

Health told us it is considering recovering the money in two ways: 1) by restitution order, if a court determines that money was taken through criminal wrongdoing, or 2) by civil action, if other moneys were spent improperly but not illegally. Health will seek legal advice on the likelihood of recovering any funds once the outcome of the RCMP investigation is known.

Our recommendations for Health

Health has addressed our recommendations except as follows.

Recommendation 10. We recommend that the Department of Health strengthen its processes to keep informed about any significant problems at community-based organizations (CBOs). The processes should include:

- doing a risk assessment on all CBOs to determine the nature and extent of processes needed to monitor each CBO's performance
- identifying objectives and performance measures for each CBO
- reviewing each CBO's performance reports routinely
- carrying out regular on-site assessments of high risk CBOs
- attending board of director's meetings of high risk CBOs

Health has developed a preliminary risk assessment tool to identify high-risk CBOs. The tool is not yet adequate to determine the nature and extent of monitoring required for each CBO. Health is identifying objectives and performance measures for each CBO and reviews each CBO's performance routinely. For MACSI, Health is carrying out regular on-site assessments and attending board meetings.

Health told us it is in the process of refining the risk assessment tool and expects to be using it by the 2005-06 fiscal year. Once complete risk assessments are done, Health will consider the need for on-site visits and

attendance at Board meetings of those CBOs identified as being high-risk.

Saskatchewan Cancer Foundation

The Saskatchewan Cancer Foundation (Foundation) conducts research, education, prevention, early detection, treatment, and supportive care programs for the control of cancer in Saskatchewan. The Foundation had revenues of $62.2 million in 2005 and held assets of $43.7 million at March 31, 2005.

Setting direction and monitoring performance

Board needs to complete the setting of performance targets

The Board has made progress in setting the direction and monitoring the performance of the Foundation. The Board has developed a strategic plan to direct management in conducting research, education, prevention, early detection, treatment, and supportive care programs for cancer control in the province. The plan outlines the expected results (objectives). The Board has determined performance indicators useful in monitoring progress. The Board has set long-term targets for some objectives.

Management has translated the strategic plan into an operational plan, with specific activities, measures, and some short-term activity-based targets to measure success.

Performance targets help define what successful achievement of an objective is, help measure progress towards achieving the objective, and can aid in prioritizing objectives when an entity has limited resources and capacity. The Board has set some performance targets.

Without Board set targets for each key indicator, management may not know if it is focusing the Foundation's scarce resources correctly and effectively to meet the Board's strategic objectives and priorities. Also, without reporting actual performance against key targets, the Board may not know if its objectives are being achieved according to its plan.

4. **We recommend that the Board of the Saskatchewan Cancer Foundation complete setting the performance targets needed to monitor progress in achieving objectives.**

Safeguarding public resources

Boards of agencies need to ensure that management has established adequate rules and procedures to safeguard public resources.

We note the following instances where the Foundation's rules and procedures were not adequate to safeguard public resources.

Information technology processes need to be strengthened

The Foundation needs to strengthen the preparation, approval, and implementation of information technology (IT) processes to ensure the confidentiality, integrity, and availability of information systems and data.

IT processes help ensure vital information is protected, accurate, complete, authorized, and available. IT processes should be based on a formal threat and risk analysis. A threat and risk analysis would allow management to identify the processes it needs to protect systems and data.

The Foundation has implemented some IT processes. For example, the Foundation has defined how it grants or removes access to its systems. Also, the Foundation has processes for making changes to the systems. The Foundation has not completed a formal threat and risk assessment and therefore is at a risk of not identifying all processes needed to protect its systems and data.

Without adequate IT processes, the Foundation risks the unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and the loss of vital information.

5. **We recommend that the Saskatchewan Cancer Foundation complete a formal threat and risk analysis of its information technology to ensure its processes are adequate to protect its systems and data.**

Business continuity plan needed

The Foundation needs a written, tested, and approved business continuity plan to ensure that it can continue to deliver its programs and services if its facilities or people are unavailable or if its IT systems fail.

We described the key elements of a business continuity plan earlier.

6. We recommend that the Saskatchewan Cancer Foundation prepare a complete business continuity plan.

Others matters

Improper use of assets

During the audit, management told us that an employee misused the Foundation's assets.

The Foundation has determined that approximately $2,000 in cash donations was stolen and not recovered at the Saskatoon Cancer Centre. Due to lack of controls over these donations, we are unable to determine if additional money was stolen. An employee is suspected of collecting donations from the public, altering tax receipts, and pocketing the collected cash. Management has reported this matter to the police and advises us that controls are being enhanced to further reduce the risk of this situation reoccurring.

Saskatchewan Association of Health Organizations

The primary business of Saskatchewan Association of Health Organizations (SAHO) is to provide leadership, support, and services that will assist its membership in effectively delivering a comprehensive range of health services to the people of Saskatchewan. Its members are the various healthcare providers within the Province. The largest members are the regional health authorities.

SAHO also provides administrative services for various employee benefit plans used by its members. The employee benefit plans include disability income plans, dental plans, extended health plans, and life insurance plans. SAHO is the central policyholder of the dental, extended health,

and life insurance plans and the administrator of the four disability income plans on behalf of its membership and the applicable unions.

For the year ended March 31, 2005, the SAHO had total expenses of $13.3 million (unaudited), an annual operating surplus of $13,300 (unaudited), and held assets of $21.9 million (unaudited).

The SAHO Master Trust Combined Investment Fund holds the SAHO Disability Income Plans' investments. For the year ended December 31, 2004, this fund had investment income of $5.3 million (unaudited), and held net assets of $68 million (unaudited).

For the year ended December 31, 2004, the SAHO Disability Income Plans had the following financial results (unaudited):

	Revenue	Expense	Increase (decrease) in Net Assets	Assets	Liabilities
			In thousand's		
Disability Income Plan–C.U.P.E. Fund	$7,995	$8,847	($852)	$18,359	$21,315
Disability Income Plan–S.E.I.U. Fund	$8,502	$8,957	($455)	$18,890	$20,720
Disability Income Plan–General Fund	$6,497	$4,011	$2,486	$16,445	$18,184
Disability Income Plan–S.U.N. Fund	$6,742	$5,492	$1,250	$16,918	$19,896

For the year ended December 31, 2004, the SAHO Dental Plans had the following financial results (unaudited):

	Revenue	Expense	Increase (decrease) in Net Assets	Assets	Liabilities
			In thousand's		
SAHO Core Dental Plan Fund	$12,606	$12,998	($392)	$10,486	$2,824
SAHO In-Scope Extended Health/Enhanced Dental Fund	$22,509	$24,877	($2,368)	$9,699	$4,671
SAHO Out-of-Scope Extended Health/ Enhanced Dental Fund	$2,250	$3,138	($888)	$326	$1,148

Audit findings

Verification of compliance with insurance agreements and plan texts needed

SAHO needs to strengthen its processes to ensure that payments made by its insurance carrier for its dental benefits plans (i.e., Core Dental Plan, In-Scope Extended Health/Enhanced Dental, Out-of-Scope Extended Health/Enhanced Dental) comply with its agreements with its insurance carrier and its plan texts. Plan texts are documents that, for example, set out rules for contributions and benefits.

Some benefit plans choose to do their own administration and make payments under the terms of the plans. In these cases, benefit plans have the supporting documentation (i.e., claim forms) to monitor and verify that payments are made in accordance with the plan.

Some benefit plans choose to contract with others (i.e., insurance companies) to provide administration and payment services on their plans' behalf. These benefit plans need processes to ensure payments follow the terms of the agreements with the insurance company and the plan texts.

For its dental benefit plans, SAHO has contracted with an insurance company to provide administration and payment services. SAHO receives monthly reports from the insurance company that shows activity for the month (i.e., amounts received, amounts paid, number of claims). SAHO, however, does not verify that the insurance company has complied with the terms of the agreements and the plan texts. SAHO does not receive and review claim forms given to the insurance company by healthcare workers to make a claim. Nor does SAHO (or an independent representative) go to the insurance company each year to review the claim forms and the process for making payments. As a result, SAHO does not know if payments made by the insurance company for SAHO's dental benefit plans complied with the agreements between SAHO and the insurance company and the plan texts. Therefore, SAHO may pay more for claims than required resulting in less net assets for future plan needs. Also, SAHO may agree to higher premium rates with the insurance company than needed to operate the plan.

7. We recommend that Saskatchewan Association of Health Organizations ensure that payments for dental benefits comply with the agreements with the insurance company and the plan texts.

Service agreements needed

SAHO needs a written agreement with all healthcare agencies where it provides services.

Many healthcare agencies within the Province use SAHO's payroll and benefit plan administration services. No service agreement currently exists between SAHO and each healthcare agency governing each party's role. The service agreements with each healthcare agency should:

- describe the authority and responsibility of SAHO and the healthcare agency.
- describe the services to be provided and their objectives.
- describe the basis for paying for those services.
- require SAHO to periodically report its assessments of the control it has established to achieve the healthcare agency's objectives. These reports should be audited by SAHO's auditor.

8. We recommend that Saskatchewan Association of Health Organizations make service agreements with each healthcare agency for all the services it provides.

Security policies and procedures needed

SAHO needs to formally prepare, approve, and implement written security policies and procedures for its information systems.

SAHO needs strong security policies and procedures to ensure that its data and systems are protected. For example, the policy and procedures should clearly identify the rules that staff need to follow. SAHO also needs to define how compliance with security policies and procedures will be monitored and how security weaknesses will be addressed. These

should also include staff awareness training that would help ensure staff is informed of security policies, security risks, and privacy issues.

The lack of security policies and procedures has created security weaknesses. For example, SAHO has not set minimum password standards and allows inappropriate access by employees to systems and data. This weakness increases the risk of inappropriate access and the misuse of public money.

9. We recommend that Saskatchewan Association of Health Organizations prepare, approve, and implement written security policies and procedures for its information systems.

Information technology disaster recovery plan needed

SAHO needs a written, tested, and approved information technology (IT) disaster recovery plan to ensure that it can continue to deliver its programs and services if its IT systems are not available. SAHO should base the plans on a risk assessment focusing on key programs, systems, and data.

An IT disaster recovery plan should:

- set out the responsibilities of those who are to implement the plan
- include emergency procedures to be used while the system is unavailable
- include steps for the recovery and restoration of the system
- be regularly tested and updated

10. We recommend Saskatchewan Association of Health Organizations prepare an information technology disaster recovery plan.

Planned audit of central payroll system

Background

SAHO provides human resource and payroll services to almost all healthcare agencies in the province. SAHO processes payroll for approximately 37,000 people. Last year, the total payroll expenditures from the payroll system exceeded $1.2 billion. The RHAs incur the majority of the payroll expenditures. The RHAs must ensure they have adequate financial controls and reporting. SAHO performs payroll processing on their behalf on a cost recovery basis. SAHO has a Human Resource Management Steering Committee represented by members from the RHAs. The Steering Committee makes recommendations to management of SAHO about changes to the human resource and payroll system (e.g., enhancements).

This section describes our planned audit of the SAHO payroll system. We will include the results of the audit in a future report to the Legislative Assembly.

Our audit objective, criteria, and timing

The objective of our audit is to assess whether SAHO has adequate central controls to secure transactions on the payroll system for the period January 1, 2006 to March 31, 2006. The central controls are SAHO's policies and procedures for ensuring the security, integrity, and availability of the payroll system.

We use criteria to assess SAHO's processes. The criteria are based upon the *Trusted Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants, international standards, literature, and reports of other legislative auditors. SAHO agreed with the criteria.

Our criteria, set out in the Exhibit below, describe the key processes that we expect SAHO to use to secure transactions on its payroll system.

Exhibit 1—Audit criteria for securing the payroll system

To ensure SAHO has adequate central controls to secure transactions on the payroll system for the period January 1, 2006 to March 31, 2006, SAHO should:

1. **Show management commitment to security (governance)**
   - 1.1 Responsibility for security is clearly defined
   - 1.2 A threat and risk assessment has been performed
   - 1.3 IT planning supports security
   - 1.4 Management has approved policies and procedures to secure the SAHO payroll system
   - 1.5 Management monitors security
   - 1.6 Service level agreements set out security, processing, and availability requirements
2. **Protect the payroll system from unauthorized access**
   - 2.1 User access is adequate to protect the payroll system from unauthorized access
   - 2.2 Physical security is adequate to protect the payroll system from unauthorized access
3. **Ensure the payroll system is available for operation**
   - 3.1 System and data backups occur and are tested
   - 3.2 Disaster recovery and business continuity plans are implemented
4. **Ensure the integrity of payroll transaction processing**
   - 4.1 Change management processes exist and are followed
   - 4.2 Computer operation processes exist and are followed

We will use the criteria described in this chapter to carry out our audit of SAHO's controls for securing the payroll system. We plan to report the results of this audit in a future report to the Legislative Assembly.

Selected references

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