

Key messages

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Observations

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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information government agencies give to the Legislative Assembly.

The Government delivers its services through nearly 300 agencies. These agencies include departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers mainly agencies with December 31, 2005 year-ends. Our 2005 Report – Volume 3 covered mainly agencies with March 31, 2005 year-ends.

For the most part, the 145 agencies covered by this report have adequate practices to manage risks to public resources. That is, the agencies have sound practices to safeguard public resources and have complied with the laws governing their operations. Also, most agencies published reliable financial statements.

Part A of this chapter highlights issues concerning risk management and accountability for several government agencies covered in this report. Part B presents the main points for each chapter of this report to provide an overall summary of the report.

Risk management

My Office continues to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to effective government services and the ability to pay for those services. The key forces and trends affecting the Government include advancing technologies, economic constraints, globalization, pressures on the environment, and population changes.

Government agencies that are managed well have a clear plan of what they want to do, they determine the risks that may prevent them from carrying out their plan, and they have strategies to reduce their risks. They also monitor their progress in achieving their plan.

In addition, well-managed agencies tell legislators and the public what they plan to do and how much it should cost. They then report what they

actually did and what they spent. Having to answer for what they actually did compared to what they planned to do improves how government agencies manage public resources.

Under the headings of infrastructure, population changes, economic constraints, and advancing technologies, I highlight some of my Office's work related to these key forces and trends.

Infrastructure

The Government has more than \$9 billion invested in infrastructure such as roads, dams, buildings, gas lines, and power plants. To provide public services, the Government spends significant sums of money annually on infrastructure. The Government does not spend money only to buy or build infrastructure, it also spends money to maintain and operate the infrastructure.

Chapter 9—Saskatchewan Power Corporation (SaskPower) reports on the adequacy of SaskPower's processes to plan for its power production needs. These processes help ensure SaskPower can provide enough electricity to the province. SaskPower has nearly \$2 billion invested in power production infrastructure.

SaskPower should document better its processes for identifying its electricity needs. It should align its electricity generation needs with its strategic plan. Also, SaskPower should include electricity generation in its overall risk management framework.

Chapter 12—Saskatchewan Water Corporation (SaskWater) reports on the adequacy of SaskWater's practices to maintain its infrastructure. SaskWater's infrastructure includes seven water treatment plants, 32 water pump stations, and over 770 km of water pipelines. The estimated replacement cost of this infrastructure is about \$250 million.

SaskWater needs to prepare detailed records of its infrastructure and its current condition. It also needs to prepare a comprehensive maintenance plan.

Population change

Saskatchewan faces a potential shortage of skilled workers. This is a risk for the Government and for the economy as a whole. This year, we continued our focus on human resource plans.

Public sector agencies need sound human resource plans. Human resource planning helps to ensure agencies have the right people with the right skills at the right times.

Chapter 11—Saskatchewan Government Insurance (SGI) reports on the adequacy of SGI's succession planning processes. SGI expects up to 50% of its managers will retire over the next ten years. This loss of corporate knowledge may affect SGI's ability to serve its customers.

Our audit concluded that SGI had good succession planning processes.

Chapter 3—Learning reports on the adequacy of Saskatchewan Institute of Applied Science and Technologies' (SIAS'T's) human resource processes to build its human capacity for current and future needs. SIAS'T is part of the solution for reducing future shortages of trained people in the province. To be effective, SIAS'T must have the human capacity to prepare people for work.

SIAS'T has many good processes to build its human resource capacity. However to build human capacity effectively, SIAS'T needs to improve its processes. It should analyze and communicate workforce shortages and the barriers it must overcome to reduce those shortages. Also, it should evaluate progress on building human capacity.

Chapter 2—Health reports on whether the Saskatchewan Health Workforce Action Plan and related documents contain the key elements of a sound human resource plan. The Workforce Plan is a response to the 2004 First Ministers' agreement to strengthen health care. First Ministers committed to make public their plans to train, recruit, and retain health care professionals.

The Workforce Plan contains most elements of a sound human resource plan for doctors, nurses, pharmacists, and technologists. The Plan acknowledges that the Department does not have systems to easily

determine the shortages in human resource capacity. To improve the Plan, the Department should include information on human capacity shortages and strategies to reduce those shortages.

Economic constraints

The demand for public services continues along with the demand for lower taxes. Good governance and supervisory practices help agencies respond to these pressures.

Chapter 4—Property Management (SPM) reports on its processes to purchase supplies. Each year, SPM purchases or helps purchase over \$100 million of supplies and services. Good purchasing processes are necessary for the proper use of public money, service efficiency, and access to quality supplies on time.

SPM needs to monitor purchasing processes to ensure compliance with the law. It also needs to get prompt feedback from government agencies to allow it to monitor the performance of supplies and suppliers.

Chapter 11—Saskatchewan Government Insurance (SGI) reports SGI incurred a loss of \$9.7 million on an insurance policy where SGI permitted an agent to administer claims under that policy. SGI needs better processes to examine and assess claims under agents' administration.

Chapter 6—Workers' Compensation Board (WCB) reports that the WCB needs to prepare accurate internal reports for the Board of Directors. These reports allow the Board to monitor the WCB's performance and are used for decision-making. The reports that the Board received for most of the year did not show the correct investment income and could have resulted in incorrect decisions. WCB needs to prepare accurate reports for the Board.

Advancing technologies

Advances in information technology have a large impact on the risks at government agencies.

Computer systems and networks bring new risks to the security (i.e., accessibility, integrity, and confidentiality) of information that agencies use

to manage. For information to be accessible, agencies must have plans to operate if their systems fail.

Chapter 5—Finance reports that the Department built a new system to manage the accounts of Public Employees Pension Plan’s members. We audited the Department’s processes to protect the new system from unauthorized access, unscheduled downtime, and inaccurate processing.

Finance needs processes for controlling user access to the system. It also needs a complete disaster recovery plan.

Government accountability

My Office continues to focus on improving the Government’s accountability to the Legislative Assembly. The ability of the Assembly to hold the Government accountable is key to good government.

Legislators and the public need information about the capacity of each major category of infrastructure and the extent to which the infrastructure achieved planned results. Public agencies should also explain how they manage risks to their infrastructure.

Chapter 2—Health reports on the adequacy of public information about the health system infrastructure. Health needs to provide considerably more information about the health system infrastructure to fully inform legislators and the public.

Acknowledgement

The dedicated efforts of the staff of this Office are essential for the continuing achievement of its responsibilities. The knowledge and commitment of our staff make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

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Compilation of main points

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Chapter 2—Health

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. This chapter reports on two audits.

In the first audit, we assessed if the Department's Saskatchewan Health Workforce Action Plan and related documents contain the key elements of a sound human resource plan. The health sector faces high workforce risks due to a variety of factors. These risks affect health agencies' processes to manage their human resources. A sound human resource plan helps reduce these risks. We report that the Saskatchewan Health Workforce Action Plan and related documents contain most elements of a sound human resource plan for the four health provider groups it covers: doctors, nurses, pharmacists, and technologists.

In the second audit, we assessed the Department's and other health agencies' public information on key infrastructure they use to provide services. Health agencies' facilities and equipment are important for the delivery of health services. Health agencies rely on their equipment to provide health care services and their facilities to provide comfort and safety to all patients. The public needs to know if the infrastructure available helped or hindered the Department's and other health agencies' ability to achieve their planned results. We report that the Department and other health agencies need to improve the information that they publish about key infrastructure.

Chapter 3—Learning

This chapter reports audits at the Teachers' Superannuation Commission and at Saskatchewan Institute of Applied Science and Technology.

We report the results of the audit of the Teachers' Superannuation Plan operated by the Teachers' Superannuation Commission (Commission) for the year ended June 30, 2005.

We concluded that the financial statements of the Commission are reliable and it complied with the authorities governing its activities. The Commission had adequate processes to safeguard public resources; except the Commission needs to establish information technology security

policies and procedures. The Commission also needs a written and tested disaster recovery plan.

In our 2003 Report – Volume 1, we reported that the Government's pension plans need to improve their governance processes. We continue to recommend the Commission develop strategic plans, define responsibilities and its operational information needs, develop communication plans, and establish policies for code of conduct and governance self assessment.

We also set out the findings of our audit of the Saskatchewan Institute of Applied Science and Technology's (SIASST) human resource processes to build its human capacity for current and future needs. Human resource processes at SIASST vary for different employee groups.

We report that SIASST, at January 31, 2006, had adequate human resource processes to build human capacity except as follows. SIASST needs processes to analyze and communicate workforce gaps and barriers. It also needs processes to evaluate progress towards current and future human capacity needs.

Chapter 4—Property Management

Each year, Saskatchewan Property Management (SPM) purchases or helps purchase over \$100 million of supplies and services. *The Purchasing Act, 2004* requires SPM to obtain supplies centrally for government departments, boards, commissions, and Crown corporations. In this chapter, we report on whether SPM has adequate processes at October 31, 2005 to purchase supplies valued at over \$25,000.

To purchase supplies valued at over \$25,000, we expected that SPM would:

- ◆ define the need and specifications for required supplies
- ◆ obtain quotations fairly
- ◆ select suppliers for required goods
- ◆ monitor performance of the purchasing process

As at October 31, 2005, SPM had adequate processes to purchase supplies over \$25,000 except for monitoring the performance of the purchasing process. SPM needs to get prompt feedback from user

agencies to monitor the quality of supplies and performance of suppliers. SPM also needs to monitor compliance with the *Purchasing Act, 2004* whether it purchases the supplies directly or delegates the purchase to public agencies.

Chapter 5—Finance

In this chapter, we report the results of our audit of the Public Employees Pension Plan's (PEPP) controls to protect its pension administration system from unauthorized access, unscheduled downtime, and inaccurate processing. We assessed PEPP's processes for the period August 15, 2005 to December 31, 2005.

We found PEPP has adequate controls to protect its pension administration system except PEPP needs policies and procedures for granting, removing, and monitoring user access. PEPP also needs a complete disaster recovery plan.

We also report the results of our audits of Finance-administered special purpose funds and Crown agencies with years ending December 31, 2005. We found that Finance generally does a good job of managing the funds and agencies.

However, for the Public Employees Dental Fund, Finance needs to ensure it receives accurate reports for dental claims paid for enhanced benefits. Without adequate reports, Finance does not know if each employer fully pays for the enhanced benefits claimed by employees.

Chapter 6—Workers' Compensation Board

In this chapter, we report the results of our audits of the Workers' Compensation Board (WCB) and the Pension Plan for the Employees of the WCB (Pension Plan) for the year ended December 31, 2005.

We concluded that the financial statements of the WCB and the Pension Plan are reliable and the WCB complied with authorities governing its activities and the activities of the Pension Plan. Also, we concluded that the WCB had adequate rules and procedures to safeguard its and the Pension Plan's public resources except it needs to strengthen its processes to prepare interim financial reports.

We make two recommendations for the WCB to help improve its processes. We recommend that:

- ◆ the WCB establish processes to accurately determine and record its investment income
- ◆ the WCB include written explanations of all significant differences between planned and actual results in its interim financial reports

Chapter 7—Liquor and Gaming Authority

The Liquor and Gaming Authority (Liquor & Gaming) is responsible to develop, promote, or support activities or programs designed to encourage responsible alcohol consumption. As the principal distributor and retailer of alcohol, Liquor & Gaming plays a significant role in encouraging the responsible use of alcohol. In this chapter, we describe our assessment of the adequacy of the processes Liquor & Gaming uses to encourage responsible use of beverage alcohol. We assessed Liquor & Gaming's processes at December 31, 2005.

We found Liquor & Gaming had adequate processes to encourage responsible use of beverage alcohol except that Liquor & Gaming needs to:

- ◆ formally assign responsibility for encouraging responsible use of beverage alcohol
- ◆ prepare a complete plan to encourage the responsible use of beverage alcohol
- ◆ continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol

Chapter 8—Government Relations

The Department of Government Relations (Department) is responsible for the Northern Revenue Sharing Trust Account (NRSTA). The Department has made progress in addressing our previous recommendation to better supervise the operations of NRSTA. However, more progress is needed.

Also, the Department needs to monitor fuel product prices for a northern community to ensure the prices are consistent with those set out in the fuel supply contract.

Chapter 9—Saskatchewan Power Corporation

SaskPower, as a power-producer, must operate with a very long-time horizon. Power plants are expected to operate for up to 50 years. Maintaining and building power plants is expensive. SaskPower spends about \$125 million each year to maintain its plants. Over the last five years, SaskPower has invested \$1 billion in its plants. SaskPower expects to continue making large investments in plants over the next 20 years to deal with both aging plants and growing electricity needs. The longer-term nature of the power industry, along with the high cost of infrastructure, increases the importance of good planning.

This chapter reports on the adequacy of SaskPower's processes at December 31, 2005 to plan for its infrastructure needs related to generating electricity. These processes help make sure SaskPower supplies enough electricity to meet the province's electricity needs. The chapter notes SaskPower had good processes to identify its power generation needs and set strategies to manage its plants. SaskPower needs to better document its processes and improve processes to ensure analyses of risks and alternative strategies are consistent.

Also, for the year ended December 31, 2005, SaskPower, its three subsidiaries, and the Power Corporation Superannuation Plan each had reliable financial statements, had adequate processes to safeguard public resources, and complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Chapter 10—Saskatchewan Telecommunications Holding Corporation

In this chapter, we describe the results of our audit of Saskatchewan Telecommunications Holding Corporation (SaskTel). We report that while SaskTel had adequate processes in many areas to safeguard public resources, it needs to make improvements at Navigata Communications Partnership and its pension plan. The Partnership needs to:

- ◆ ensure the completeness of revenue and the accuracy of its financial records
- ◆ improve its computer security
- ◆ ensure the Pension Committee monitors the pension plan
- ◆ ensure the activities of the pension plan are in accordance with the plan text

Also, we outline the criteria we will use to assess SaskTel's processes to manage its intellectual property. We are sharing the criteria to assist other agencies to assess their own processes.

Chapter 11—Saskatchewan Government Insurance

This chapter describes the result of our audits of Saskatchewan Government Insurance (SGI), the companies it owns, Saskatchewan Auto Fund, and SGI Superannuation Plan for the year ended December 31, 2005. SGI owns SGI Canada Insurance Services Ltd., Coachman Insurance Company, and Prince Edward Island Insurance Company.

We concluded that Coachman Insurance Company (Coachman) needs to strengthen its controls to monitor claims under agents' administration. During the year, Coachman incurred previously unreported and unrecorded claims resulting in a loss of \$9.7 million from a policy under an agent's administration.

In 2006, we also examined the adequacy of SGI's succession planning processes for its key positions. For this examination, key positions include the President, Vice Presidents, Assistant Vice Presidents, managers, underwriters, and claim adjusters. We concluded that SGI had adequate succession planning processes for its key positions.

Chapter 12—Saskatchewan Water Corporation

In this chapter, we report the results of our audit of the Saskatchewan Water Corporation (SaskWater) for the year ended December 31, 2005.

We conclude that SaskWater's financial statements are reliable; it had adequate processes to safeguard public resources; and it complied with the authorities governing its activities.

This chapter also contains the results of our audit of SaskWater's processes to maintain its water treatment and transmission infrastructure. We recommend that SaskWater compile detailed information about its infrastructure to identify maintenance needs and use a maintenance plan to improve infrastructure efficiency and reliability for the lowest possible long-term cost.

Chapter 13—Saskatchewan Opportunities Corporation

In this chapter, we report the results of the audit of Saskatchewan Opportunities Corporation (SOCO) for the year ended December 31, 2005.

We concluded that the financial statements of SOCO are reliable. SOCO complied with the authorities governing its activities and had adequate processes to safeguard public resources except as noted below.

SOCO needs to establish written processes to ensure all construction project costs are properly recorded.

Chapter 14—Standing Committee on Crown and Central Agencies

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central agencies, liquor and gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. The Government has implemented most of the Committee's

Chapter 1B – Compilation of main points

recommendations. This chapter sets out the status of the Committee's recommendations that the Government has not yet implemented.