

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 the Legislative Assembly receives from government agencies. We do this by independently auditing all government agencies and reporting our results and recommendations to the Legislative Assembly.

The Government delivers its services through about 270 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 about 140 agencies.

Since we last reported in the fall of 2006, our work has centered on three areas. These areas are:

- financial audits of agencies with December 31, 2006 year-ends
- financial audits of agencies with March 31, 2006 year-ends that were not completed in time to report in Volume 3 of our 2006 Report
- in-depth audits of key risks the Government faces

The following is a brief summary of the results and advice contained in this report.

### **Agencies with December 31, 2006 year-ends**

Crown Investments Corporation of Saskatchewan (CIC) and its related agencies (e.g., SaskPower, SaskEnergy) make up about one third of all government agencies.

We found that for the year ended December 31, 2006, CIC and its related agencies:

- had reasonable practices to safeguard public resources
- complied with governing authorities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- had reliable financial statements

The other agencies with December 31, 2006 year-ends also had reliable financial statements. However, for some Department of Finance agencies,

we had concerns with their practices to safeguard public resources and their compliance with authorities governing their activities.

## **Agencies with March 31, 2006 year-ends**

The Department of Corrections and Public Safety lost trust money belonging to inmates and young offenders. The Department needs to ensure that staff follow established policies.

Saskatchewan Association of Health Organization's (SAHO) policies and procedures were not adequate to properly protect its bank accounts from misuse. While we found no losses, conditions existed that could have resulted in the misuse of money.

The Department and SAHO need to fix these problems promptly.

## **Key risk audits**

Over the last several months, we have carried out a number of in-depth audits related to key risks that government agencies face. These risks relate to how these agencies manage the forces and trends that influence them. The forces and trends include advancing technologies, managing infrastructure, pressures on the environment, population changes, and managing for and demonstrating results.

Saskatchewan Government Insurance (SGI) and Saskatchewan Indian Gaming Authority (SIGA) need to improve their project management practices. SGI is developing a \$35 million computer system for the Auto Fund. SIGA is developing a \$60 million casino at WhiteCap Dakota First Nation.

SaskTel needs to improve the management of its intellectual property. It needs an overall plan for intellectual property. SaskTel also needs processes to comply with intellectual property rights it acquires from others.

The Department of Agriculture and Food uses many good practices to regulate and control pesticides. However, it needs to do an overall risk assessment to guide its activities.

The Workers' Compensation Board has good practices to ensure that in the future it will have people with the right skills in the right place to deliver its services. Employers expect a shortage of workers in the future. Finding and keeping qualified employees will be a greater challenge.

Managing for results by focusing on achieving planned outcomes is an effective way to manage. Five Hills Regional Health Authority's culture is outcome oriented and it is increasingly adopting outcome management processes. However, it needs to analyze formally the results it is achieving and use its analysis in its decision-making processes.

Reporting publicly on results improves the management of public resources and informs readers about the complexity of providing public services. Saskatchewan Transportation Company's Balanced Scorecard in its 2006 annual report contains reliable and understandable performance information. The information demonstrates the results STC has achieved. However, STC needs to improve how it prepares the information.

## **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:

Ahmad, Mobashar	Kress, Jeff
Anderson, Mark	L'Heureux, Desirée
Atkinson, Brian	Lindenbach, Michelle
Bachelu, Gaylene	Lipoth, Becky
Bailey, Brendan	Lowe, Kim
Bell, Kelli	Martens, Andrew
Bernath, Eric	Montgomery, Ed
Blelloch, Kevin	Mowat, Audra
Bogdasavich, Michelle	Nyhus, Glen
Borys, Angèle	O'Quinn, Carolyn
Clemett, Tara	Pattullo, Candice
Creighton, Kerri	Ross, Chantara
Deis, Kelly	Rybachuk, Corrine
Dickin, Deann	Schwab, Victor
Drotar, Charlene	Shaw, Jason
Duran, Jason	Shorten, Karen
Ferguson, Judy	Sommerfeld, Regan
Grabarczyk, Rod	St. John, Trevor
Grunert, Cherie	Thorson, Angela
Harasymchuk, Bill	Tomlin, Heather
Heebner, Melanie	Toth, Stephanie
Heffernan, Mike	Volk, Rosemarie
Hoang, Lysa	Walker, Sandra
Hungle, Angie	Watkins, Dawn
Kahovec, Steven	Wendel, Leslie
Knox, Jane	Zerr, Jennifer
Kotylak, Jonathan	



## Compilation of main points

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## **Chapter 2—Agriculture and Food**

This chapter reports on the adequacy of the processes that the Department of Agriculture and Food (Department) uses to regulate the sale, use, storage, transportation, and disposal of pesticides.

Adequate regulatory processes for pesticides include the following:

- ◆ Licensing persons who are educated and trained to handle pesticides
- ◆ Providing information on current best practices in safe pesticide use
- ◆ Monitoring and enforcing compliance with pesticide control laws
- ◆ Reviewing and recommending updates to pesticide control laws
- ◆ Reporting on pesticide use and control in the province

The Department had adequate pesticide regulation processes except it has not done an overall risk analysis to guide its activities. As a result, its monitoring and enforcement activities may not focus on areas with higher risks.

To help focus its monitoring and enforcement activities on areas with higher risks, the Department needs to formally analyze the risks that users do not follow the pesticide control laws. It should then develop a monitoring and enforcement strategy to reduce these risks.

## **Chapter 3—Corrections and Public Safety**

The Department needs to follow its policies and procedures to properly safeguard and control money held in trust for inmates and young offenders. We report the Department lost about \$25,000 of trust money in 2005-06 and about \$18,000 of trust money in 2006-07.

The Department needs to secure and monitor access to its information technology systems and data to ensure the confidentiality, integrity, and availability of its systems and data.

The Department also needs to complete, approve, and test its business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. In addition, the Department needs to improve its human resource plan to ensure it has the right people, in the

right jobs, and at the right time to meet the Department's goals and objectives.

## **Chapter 4—Finance**

In this chapter, we report that the Public Employees Benefits Agency (PEBA), a division of the Department of Finance, needs to receive timely and accurate information to properly administer employee benefit programs. It needs this information to ensure all employer contributions are received and only eligible employees receive benefits.

PEBA also administers the Municipal Employees Pension Plan for the Municipal Employees' Pension Commission. We report that the Commission needs a written, tested, and approved disaster recovery plan for its computer systems to provide critical services in the event of a disaster.

## **Chapter 5—First Nations and Métis Relations**

In this chapter, we report on the audit of the Métis Development Fund. We also report that the Department of First Nations and Métis Relations has implemented recommendations we made in 2003 about the Aboriginal Employment Development Program. The Department has improved the reliability and consistency of information related to the participation of Aboriginal people in the provincial workforce. It reports progress using trends in the number of Aboriginal people employed by its partners.

## **Chapter 6—Health**

In this chapter, we report the results of our audits of the Saskatchewan Association of Health Care Organizations (SAHO) and eight benefit plans for employees in the health system and an audit at the Five Hills Regional Health Authority.

To safeguard resources from misuse, SAHO must segregate the duties of its employees in the following areas:

- ◆ cash receipts and bank deposits
- ◆ entries to its accounting records
- ◆ agreeing accounting records to bank records

- ♦ payments to suppliers
- ♦ disability income payments

SAHO needs to strengthen its processes to safeguard the assets of its benefits plans by:

- ♦ monitoring the contribution revenue collected from participating members (e.g., regional health authorities)
- ♦ preparing and reviewing interim financial statements for the benefit plans
- ♦ developing investment policies for its dental, extended health, and group life insurance plans to manage risks and monitor performance
- ♦ ensuring payments made by its agent comply with the agreements with the agent and the plan texts

As reported in our 2005 Report – Volume 3, we have audited the processes two departments used to achieve their planned outcomes. As reported in this chapter, we carried out a similar audit at the Five Hills Regional Health Authority.

Focusing on the achievement of planned outcomes is an effective way to manage and is in use worldwide. Agencies within the Government, in recent years, have adopted this management approach. As with any significant change in management approach, we expect that it will take several years to make full use of an outcome-oriented approach.

We anticipated that the Five Hills Regional Health Authority, formed in 2002, would be at an early stage in applying outcome-oriented management processes. Overall, we found the Region has an organizational culture that expects an outcome orientation. Some of its management practices are moving quickly towards an outcome orientation while a few are progressing more slowly.

We recommend the Region formally analyze results (i.e., activities completed and outcomes achieved) and use that analysis to support decisions. We also recommend it use a management development program that includes an outcome-oriented approach.

## **Chapter 7—Learning**

This chapter reports the results of the audit of the Teachers' Superannuation Plan operated by the Teachers' Superannuation Commission (Commission) for the year ended June 30, 2006.

We report that the Commission needs to do more work to fully address our past recommendations. It needs to develop and implement both a strategic plan and a communication plan. It also needs to approve an adequate information technology plan and information technology policies and procedures based on a threat and risk assessment.

Also, the Commission needs to prepare a written disaster recovery plan for its critical information technology systems and regularly test that plan to ensure it works.

## **Chapter 8—Liquor and Gaming Authority**

In this chapter, we report the results of our audit of SIGA's project management processes for the Dakota Dunes Casino for the period ending December 31, 2006.

We report that SIGA had adequate project management processes to manage the Dakota Dunes Casino project except that SIGA needs:

- ♦ adequate project plans and financing prior to starting major work on construction projects
- ♦ adequate dispute resolution processes with its key partners on these projects
- ♦ to improve construction progress reports it provides to the Board

We make four recommendations to help SIGA improve its project management processes.

## **Chapter 9—Workers' Compensation Board**

In this chapter, we report the results of our audit of the Workers' Compensation Board (WCB) and the Pension Plan for the Employees of

the Workers' Compensation Board (Pension Plan) for the year ended December 31, 2006. The WCB administers the Pension Plan.

We concluded that, in 2006, the WCB had adequate processes to safeguard its and the Pension Plan's public resources and had complied with the law. Also, the financial statements for the WCB and the Pension Plan are reliable.

In this chapter, we also report on our examination, in 2006, of the adequacy of the WCB's succession management processes. We concluded that the WCB had adequate processes for succession management.

## **Chapter 10—Saskatchewan Government Insurance**

In this chapter, we report that the financial statements of Saskatchewan Government Insurance (SGI), its pension plan, the companies SGI owns, and the Saskatchewan Auto Fund (Auto Fund) all for the year ended December 31, 2006 are reliable. SGI had adequate processes to safeguard its public resources, resources of the pension plan, companies it owns, and Auto Fund. In addition, SGI complied with authorities governing its activities and the activities of its pension plan, companies it owns, and Auto Fund.

This chapter also reports the results of our audit of SGI's project management processes for Auto Fund's Redevelopment Project for the year ended January 31, 2007. The Auto Fund Redevelopment Project is a significant investment in information technology that SGI will use to deliver Auto Fund products (e.g. vehicle insurance and registrations). We concluded that SGI had adequate processes to manage the project except that it needs to:

- ◆ monitor the benefits it expects
- ◆ document its risks, security, and communication strategies

We make two recommendations to help SGI improve its project management practices.

## **Chapter 11—Saskatchewan Telecommunications Holding Corporation**

Many of SaskTel's activities and services involve the use of intellectual property. Without appropriate rights to use—and protection of intellectual property—SaskTel would not be able to effectively carry on its businesses.

This chapter reports the results of our audit of how well SaskTel manages that intellectual property. SaskTel had adequate processes to manage intellectual property at November 30, 2006, except it should:

- ◆ develop a plan for managing intellectual property
- ◆ include intellectual property issues in its risk management framework
- ◆ consistently document intellectual property agreements with its subsidiaries
- ◆ establish centralized responsibility for maintaining original contracts
- ◆ implement a system to assist it to comply with the intellectual property rights it has acquired
- ◆ monitor its progress in achieving its plan for managing intellectual property

We also report the follow-up of our audit of SaskTel's governance of owned and controlled companies. SaskTel has addressed our recommendations.

Also, for the year ended December 31, 2006, SaskTel and its related companies and pension plan had reliable financial statements, had adequate processes to safeguard public resources, and complied with authorities governing their activities.

## **Chapter 12—Saskatchewan Transportation Company**

Reporting of results is evolving both within agencies and publicly. Meaningful information about results helps management, boards of directors, and legislators carry out their oversight responsibilities.

Users also want to know if they can rely on the information included in annual reports. Auditing performance information fosters accurate,



complete, and credible reports and helps agencies improve the processes used to prepare these reports.

Saskatchewan Transportation Company (STC), in common with other Saskatchewan agencies, continues to provide better information on its performance to legislators and the public in its annual reports.

In this chapter, we report on the results of our audit of STC's performance information (called the 2006 Balanced Scorecard) included in its 2006 Annual Report. We are pleased to report that STC's 2006 Balanced Scorecard is prepared in accordance with the reporting principles of reliability, understandability, and consistency. STC's 2006 Annual Report includes our unqualified audit opinion on its Balanced Scorecard.

Also, we make two recommendations to help STC improve the processes it uses to prepare information presented in its balanced scorecard reports.

## **Chapter 13—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; 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 recommendations. This chapter sets out the status of the Committee's recommendations that the Government has not yet implemented.

