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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 and the public receive 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 275 agencies. These agencies include ministries, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers about 130 agencies.

Since we last reported in the fall of 2007, our work has centred on three areas. These areas are:

- ◆ financial audits of agencies with a December 31, 2007 fiscal year
- ◆ financial audits of agencies with a fiscal year ending before December 31, 2007 that were not completed in time to report in our 2007 Report – Volume 3
- ◆ in-depth audits of key risks the Government faces

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

Agencies with a December 31, 2007 fiscal year

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

For the year ended December 31, 2007, CIC and its related agencies complied with governing authorities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. CIC and its related agencies published reliable financial statements.

CIC and its related agencies had reasonable practices to safeguard public resources except Investment Saskatchewan Inc. needs to comprehensively evaluate the performance of its investment manager. As well, it should set

out and monitor expected and actual public policy outcomes for each investment.

Investment Saskatchewan is responsible for investments worth about \$400 million. In November 2006, Investment Saskatchewan signed an agreement with an investment manager to obtain exclusive investment services. Beginning January 1, 2007, the investment manager had full authority to buy and sell Investment Saskatchewan's investments within the limits set out in the agreement.

Other agencies with December 31, 2007 fiscal years also had reliable financial statements and complied with their governing authorities. However, some agencies supervised by the Ministry of Finance need to better safeguard public resources.

Agencies with fiscal years before December 31, 2007

The Ministry of Corrections, Public Safety and Policing needs better control over trust money belonging to inmates. The Ministry needs to ensure that staff follow established policies.

The Teachers' Superannuation Commission needs to improve its governance processes. It also needs to keep complete financial records for teachers' benefit plans (e.g., disability and dental). As well, it should provide the Legislative Assembly with financial statements and an annual report on the activities of each of those plans.

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. The audits examined several high risk areas including the quality of information provided to the public, protection of the public, the environment, information technology, and government vehicles. The following comments highlight some of these audits.

The surgical wait times report published by the Ministry of Health could be more useful to help patients estimate the time they will wait for surgery or to select a hospital for their surgery. Our report identifies problems with the information in the surgical care registry that is used to prepare the report.

The information in the registry was not complete, accurate, and consistent among regions. When the information in the registry is improved, the Ministry will have better information to make resource allocation decisions and patients will have better information for their decisions.

The Ministry of Corrections, Public Safety and Policing needs to do timely assessments and case plans to help ensure inmates receive rehabilitation services before they are released. Timely services are particularly important for inmates sentenced for partner abuse and sexual or general assault. The Ministry needs to monitor reoffending rates in relation to rehabilitation programs taken to help measure the success of its rehabilitation programs. During 2006-2007, 50% of inmates had reoffended within 24 months of release.

The Ministry of Environment needs a complete and accurate record of contaminated sites so it has information to effectively monitor these sites. It should complete its risk assessments for identified contaminated sites so it can deal with the most serious sites quickly. Also, the Ministry should provide better guidance to employees for monitoring sites. Making these improvements will help protect people and the environment.

The Public Service Commission and the Saskatchewan Legal Aid Commission need better controls to secure the confidentiality, integrity, and availability of the information in their computer systems. The Public Service Commission is responsible for the computer system used to pay about 12,000 employees of ministries. The Saskatchewan Legal Aid Commission uses its computer systems to store clients' privileged information. The Commission receives about 21,000 applications for legal services each year.

The Saskatchewan Association of Health Organizations has made substantial progress in improving the security of the payroll system it uses to pay about 40,000 health workers.

The Ministry of Government Services does not have adequate processes to maintain its vehicle fleet in a safe condition and in an economical manner. The Ministry has a fleet of about 5,000 vehicles. It assigns vehicles to operators and tells them to follow the maintenance procedures set out in the vehicle manufacturers' owner manuals. The Ministry does not have adequate records or processes to know if vehicle operators carry out

required maintenance to keep vehicles safe and to help ensure warranty protection for serious repairs.

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 | Kahovec, Steven |
| Anderson, Mark | Knox, Jane |
| Atkinson, Brian | Kress, Jeff |
| Bachelu, Gaylene | Lindenbach, Michelle |
| Bailey, Brendan | Lipoth, Becky |
| Bell, Kelli | Lowe, Kim |
| Bernath, Eric | Martens, Andrew |
| Bleloch, Kevin | Montgomery, Ed |
| Bogdasavich, Michelle | Nyhus, Glen |
| Borys, Angèle | Ochieng, Jennifer |
| Clemett, Tara | O'Quinn, Carolyn |
| Deis, Kelly | Pattullo, Candice |
| Dickin, Deann | Reimer, Stephanie |
| Drotar, Charlene | Rybchuk, Corrine |
| Duran, Jason | Schwab, Victor |
| Ferguson, Judy | Shaw, Jason |
| Grabarczyk, Rod | Shorten, Karen |
| Halladeen, Aaron | Sommerfeld, Regan |
| Hamilton, Scott | St. John, Trevor |
| Hansen, Melissa | Thorson, Angela |
| Harasymchuk, Bill | Tomlin, Heather |
| Heebner, Melanie | Toth, Stephanie |
| Heffernan, Mike | Volk, Rosemarie |
| Herauf, Jena | Walker, Sandra |
| Hoang, Lysa | Watkins, Dawn |
| Hungle, Angie | Wendel, Leslie |
| Jensen, Rory | Zerr, Jennifer |

Compilation of main points

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Chapter 2—Corrections, Public Safety and Policing

The Ministry of Corrections, Public Safety and Policing (Ministry) needs to follow its policies and procedures to promptly reconcile its recorded bank balances to the bank's records. The Ministry also needs to develop policies and procedures to record its revenues accurately and completely. It needs to control employees' pay and complete its business continuity plan.

In Saskatchewan, the crime rate is high and former inmates often re-offend after their release into the community. The Ministry delivers programs and services to rehabilitate inmates and reduce re-offending.

We audited how the Ministry rehabilitates adult inmates who have been sentenced to a term in a provincial correctional centre. We found the Ministry selects rehabilitation programs based on research evidence showing that the programs can be effective. The Ministry uses evidence-based case management processes but needs to improve their timeliness and consistency. The Ministry monitors whether inmates re-offend but does not monitor whether inmates completed (before their release into the community) all the rehabilitation programs agreed to in inmates' case plans. We made four recommendations related to consistent use of the Ministry's policies and monitoring rehabilitation programs.

Chapter 3—Education

The Teachers' Superannuation Commission (Commission) needs to comply with its governance manual that outlines its governance processes. It also needs to develop and implement a strategic plan based on risks and a written communication plan. To ensure it has the human resources required to achieve its objectives, the Commission must identify its human resource needs and develop strategies to address any competency gaps.

To control public money relating to the benefits programs it administers, the Commission needs to establish and communicate to staff its policies and procedures. Also, it must obtain approval for bank borrowing as required by *The Financial Administration Act, 1993*.

To help ensure it receives accurate interim and annual financial reports for the pension plan and the benefits programs it administers, the Commission must provide complete and written guidance to staff for preparing interim

and year-end financial reports. Such guidance will also help the Commission to give its annual report to the Legislative Assembly on time. The Commission also needs to provide more information to the Legislative Assembly about the benefit plans it provides for teachers. The Legislative Assembly should receive a report on activities and financial statements for each benefit plan.

Chapter 4—Environment

The chapter reports the result of our work to assess the Department of Environment's (Ministry) processes to regulate contaminated sites at August 31, 2007. The Ministry had adequate processes to regulate contaminated sites except it needs to:

- ◆ establish an adequate system for tracking contaminated sites
- ◆ complete its risk assessments for contaminated sites and rank them in terms of priority
- ◆ complete its written guidance for monitoring contaminated sites
- ◆ prepare a communication plan for internal and external reporting on the status of contaminated sites

Chapter 5—Finance

The Ministry of Finance, primarily through the Public Employees Benefits Agency (PEBA), administers 18 government pension and benefits plans. For the year ending December 31, 2007, the financial statements of each of these are reliable. All plans had adequate rules and procedures to safeguard the public resources and comply with the authorities governing their activities, except for the following matters.

The Municipal Employees' Pension Commission continues to need a written, tested, and approved disaster recovery plan for its computer systems to help ensure that it can continue to operate effectively in the event of a disaster.

The Saskatchewan Pension Plan needs to improve its security policies and procedures for information technology.

At December 31, 2007, PEBA has signed service agreements with the pension and benefit plans that it administers. These service agreements

set out the roles and responsibilities of PEBA and the plans, the services that PEBA will provide, and service delivery targets. We assessed the adequacy of PEBA's processes to manage the delivery of agreed-upon services to the pension and benefit plans for the period April 1, 2007 to December 31, 2007. We found PEBA had adequate processes except that it needs to explain significant differences between expected and actual results for each service standard described in the service agreements.

Chapter 6—Government Services

This chapter reports on the adequacy of the processes that the Ministry of Government Services (Ministry) uses to maintain its vehicle fleet.

We concluded the Ministry did not have adequate processes at December 31, 2007 to maintain its vehicles in a safe condition and in an economical manner.

The Ministry needs to establish processes to ensure its vehicle fleet meets the safety standards of *The Traffic Safety Act*. The Ministry needs to keep reliable maintenance and repairs records for its vehicles. Senior management of the Ministry needs to receive reports to verify that vehicles are appropriately maintained.

Chapter 7—Health

The Ministry of Health (Health) prepared its surgical wait times report in accordance with the reporting principles of reliability, understandability, and consistency except the limitations in the wait times information is not adequately described. As a result, the report is not as useful as it could be in providing patients with an estimate of the time they will wait for surgery or where to have surgery, or to help management make decisions on health service allocations.

The Saskatchewan Association of Health Organizations (SAHO) has addressed three of our four recommendations for the payroll system it uses to provide payroll services to approximately 40,000 people in almost all health care agencies in the province. SAHO has strengthened its processes to ensure the integrity and availability of its payroll system. It continues to make progress on ensuring the security of the payroll system.

Health has made progress addressing our past recommendations on Saskatchewan's *Health Workforce Action Plan*. Health is working with other jurisdictions to develop a workforce projection model to provide information on the gaps in health sector human resources. It has also provided public information on strategies to develop the current health workforce.

Chapter 8—Justice and Attorney General

The Saskatchewan Legal Aid Commission (Commission) is a Crown agency of the Ministry of Justice and Attorney General. Each year, the Commission provides over 21,000 applicants in financial need with legal advice and representation. It uses information technology (IT) systems to help deliver these services. The Commission must protect the confidentiality, integrity, and availability of these systems and data stored within them.

We assessed the adequacy of the Commission's processes used to protect its systems and data. We found the Commission needs to:

- ◆ update its IT security policies and procedures based on a risk assessment
- ◆ physically secure its network computers located in area offices
- ◆ follow its password standards and monitor user access to its systems
- ◆ adequately configure, update, and monitor its computers and network equipment
- ◆ store, secure, and test its backup of information stored on its computers
- ◆ develop and test a disaster recovery plan for its information systems and data

Chapter 9—Public Service Commission

PSC is a central human resource agency primarily for staff employed by government ministries.

PSC is responsible for the computerized human resources and payroll system. This system contains personnel and payroll information. PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on this system with two exceptions. First, it did

not have adequate policies and procedures for monitoring user access to the system. Second, PSC did not provide user agencies with updated written guidance over the approval of payroll payments and sufficient information to help them monitor the accuracy of their payroll.

Chapter 10—Saskatchewan Institute of Applied Science and Technology

Saskatchewan Institute of Applied Science and Technology (SIAST) plays an important role in preparing skilled workers. In our 2006 Report – Volume 1 (Chapter 3, pp. 45-57), we set out the results of our audit of human resource processes used by SIAST. We reported that, as of January 2006, SIAST had adequate human resource processes to build human capacity except for four areas. In brief, we recommended that SIAST improve how it:

- ◆ analyzes competency gaps in its entire workforce
- ◆ identifies and plans to address barriers to its human capacity
- ◆ informs key staff about trends and effective strategies to overcome barriers to human capacity
- ◆ monitors human resource risks and evaluates progress

By March 31, 2008, SIAST had taken some action on all four recommendations. Further action is required.

SIAST told us that restructuring for a more strategic approach and staff vacancies delayed SIAST's response. SIAST plans further action on the recommendations.

Chapter 11—Saskatchewan Research Council

The protection of intellectual property is very important to the Saskatchewan Research Council (SRC) because its business involves research and development for itself and others. To fulfill its mission, SRC must effectively manage intellectual property. It must identify and protect the intellectual property that it develops and it must respect the intellectual property of its partners and clients.

This chapter reports the results of our audit of how well SRC manages intellectual property. SRC had adequate processes to manage intellectual property, except it should:

- ♦ follow its policies for management of intellectual property
- ♦ make an agreement with its wholly owned company (subsidiary) for ownership and management of intellectual property
- ♦ complete its central recording of all significant intellectual property
- ♦ implement performance measures to help it manage intellectual property

Chapter 12—Investment Saskatchewan Inc.

Investment Saskatchewan is responsible for investments of about \$400 million and has plans to invest a further \$150 million over the next five years. Most of its investments are in non-publicly traded Saskatchewan companies.

Since November 2006, Investment Saskatchewan has hired an investment manager to exclusively buy and sell its current and future investments within certain limits. Through the five-year agreement with an automatic three-year renewal, Investment Saskatchewan has delegated key investment decisions to its investment manager. Although it has delegated these decisions, Investment Saskatchewan remains responsible for its investments and the oversight of them.

The performance of its investment manager is essential to the success of Investment Saskatchewan. We examined whether Investment Saskatchewan had adequate processes to oversee its investments. We found that, to perform a comprehensive evaluation of the investment manager's performance, Investment Saskatchewan needs to document its requirements, expectations, and planned assessment procedures.

Also, to provide its investment manager with informed advice on divesting, Investment Saskatchewan needs information on the public policy outcomes relevant to each investment. To manage its investing risks, it needs to receive sufficient documentation, analysis, and updates of each investment's key risks.

Chapter 13—Saskatchewan Power Corporation

During 2007, we assessed SaskPower's progress in addressing the recommendations we made in 2006 on processes to plan for infrastructure needs related to electricity generation and the conditions that allowed a loss of public money.

We concluded that SaskPower has made significant progress in addressing our recommendations relating to its processes to plan for infrastructure needs, but it needs to do more to:

- ◆ assess alternative strategies that address identified infrastructure needs
- ◆ document specific infrastructure risks associated with its specific infrastructure decisions

Regarding our recommendations on the conditions that allowed a loss of public money, we concluded SaskPower has addressed our recommendations.

Also, for the year ended December 31, 2007, SaskPower, its three subsidiaries and the Power Corporation Superannuation Plan each had reliable financial statements, 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 14—Standing Committee on Crown and Central Agencies

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central government 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. At December 2007, 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.