Report of the Provincial Auditor

to the Legislative Assembly of Saskatchewan

2008 Report
Volume 3

Provincial Auditor Saskatchewan

Vision
We envision effective, open, and accountable government.

Mission
We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

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SASKATCHEWAN

November 24, 2008

The Honourable D. Toth
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2008 Report – Volume 3*, to be laid before the Legislative
Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act.*

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our 2008 Reports

In 2008, our Office issued six other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

♦ visit our website at:

www.auditor.sk.ca

♦ contact our Office by Internet e-mail at:

info@auditor.sk.ca

♦ write, phone, or fax us at:

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Our Reports:

♦ *Report to the Legislative Assembly of Saskatchewan on the 2007 Financial Statements of CIC Crown Corporations and Related Entities: April 2008*

♦ *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2007 Calendar Year: April 2008*

♦ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2008 Report – Volume 1 (May 2008)*

♦ *Annual Report on Operations For the Year Ended March 31, 2008 (June 2008)*

♦ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2008 Report – Volume 2 (September 2008)*

♦ *Business and Financial Plan For the Year Ended March 31, 2010: As Presented to the Standing Committee on Public Accounts: November 2008*

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

Our audits continue 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, managing infrastructure, pressures on the environment, population changes, and managing for and demonstrating results.

The Government delivers its services through about 270 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 our audits of about 130 agencies. The rest of the agencies were covered by our 2008 Report – Volume 1.

For the most part, the agencies covered by this report have adequate controls to manage risks to public resources. A few agencies, however, have serious control problems.

Under the headings of protecting people, protecting information, and protecting public money, this chapter highlights some of the more serious control problems. Some of these control problems have persisted for a number of years. Government agencies need to move more quickly to fix these problems.

Protecting people

The Government regulates activities to protect people. We looked at processes to protect children and workers.

Chapter 18—Social Services reports that the Ministry needs to do a much better job of ensuring children receive proper care when they are the responsibility of the Minister of Social Services as wards. The Ministry

lacks adequate processes to ensure that these children live in an abuse-free, affectionate, and healthy environment. The Ministry lacks timely information to know how many children are wards, who they are, and where they are.

Chapter 10—Health – Part E reports that the Parkland Regional Health Authority needs to immunize more children to protect them and the general public. It must find out why its residents do not immunize their children and change its practices to immunize more children. Immunization reduces the amount of disease in communities, lowers the severity of illnesses, and decreases health care costs.

Chapter 10—Health – Part F reports that the Ministry, the Regina Qu'Appelle Regional Health Authority, and the Saskatoon Regional Health Authority need to do much more to reduce workplace injuries to health care workers. They should bring their injury rates in line with the targets that two other government agencies mentioned below use for reducing injuries for Saskatchewan's entire work force. The Government should be a leader in protecting its own workers' health.

Chapter 19—Workers' Compensation Board reports that the Board and the Ministry of Advanced Education, Employment and Labour should work more closely to effectively reduce workplace injuries. Both these agencies have a mandate to reduce workers' injuries.

Protecting information

Computer systems and networks bring new risks to the security of information that government agencies use to provide services. That information can include citizens' personal information such as health and credit card information.

Government agencies must secure their systems and networks to make sure they are available to provide timely services. They must also secure their systems to ensure their information is accurate and complete and is kept confidential.

Managing the security of information stored in computer systems becomes increasingly complex when the systems are connected to the Internet. The

Government has many systems connected to the Internet that are critical to the operation of government agencies.

The Government has decided that a few government agencies (service providers), e.g., the Ministry of Health for health agencies and the Information Technology Office for ministries, will provide some computer services for other government agencies (service receivers). This arrangement causes confusion as to which agency is responsible for security.

Service receivers remain responsible to protect their systems and data. They must ensure their systems and data are not compromised in any way that affects their ability to operate effectively. As well, they must protect the public's personal information from unauthorized disclosure regardless of whether they directly hold the information or the service provider does.

Chapters 10 and 12 report that two service provider agencies, the Ministry of Health and the Information Technology Office, lack adequate controls to protect the systems and data they manage for their service receivers.

Chapter 10—Health – Part D reports that the Cypress Hills Regional Health Authority did not have adequate controls to protect its systems and data. It needs to assess the risks to its systems and data and act to reduce those risks. As well, it needs to monitor the Ministry of Health's practices to ensure the Ministry properly protects the Authority's systems and data.

Chapter 10—Health – Part C reports that the Saskatchewan Cancer Agency did not have adequate controls to protect its systems and data. The Agency needs to follow its established policies. As well, it needs to monitor the Ministry of Health's practices to ensure the Ministry properly protects the Agency's systems and data. To add to the complexity of controlling systems and data, the Agency also uses a wireless computer system that it needs to better control. Wireless systems increase the risk of unauthorized disclosure of information and the loss of data accuracy and completeness.

Chapters 13 and 6—Justice and Attorney General and *Environment* report that the ministries need better processes to protect the public's credit card information that is stored in the ministries' computer systems. They need to

improve their internal practices as well as monitor the Information Technology Office to ensure it properly protects their systems and data. Many other government agencies included in this report need to do more to ensure their computer systems and data are available to provide timely services to the public. They also need to do more to protect the public's personal information from unauthorized disclosure.

Protecting public money

Chapters 6 and 18—Environment and *Social Services* report that the ministries need to better to train staff and closely supervise them. In 2005, we reported losses of public money of about $1.5 million at the ministries and recommended practices to prevent and detect such losses in the future. While these ministries are making progress, the conditions that allowed the losses persist today.

Chapter 15—Public Service Commission reports on the Commission's actions on criminal record checks for the staff of all ministries. One of our recommendations to the ministries of Social Services and Environment in 2005 was that they should obtain criminal record checks from employees who collect, disburse, or spend public money. The Commission is undertaking this task for all ministries. We asked the Commission for information about how many criminal record checks it has received, but it has not provided that information. Accordingly, we are unable to assess whether the Commission is making satisfactory progress.

Chapter 14—Liquor and Gaming Authority reports that Liquor and Gaming's practices were not sufficient to ensure all public money was recorded and deposited in the bank. Liquor and Gaming is responsible for the slot machine revenue at Saskatchewan Indian Gaming Authority (SIGA) because that revenue is public money. Liquor and Gaming's practices were not adequate to control the slot machine revenue at SIGA's Dakota Dunes Casino. Accordingly, we do not know if any public money is missing.

Acknowledgement

The Office fulfills its responsibilities through the dedicated efforts of its staff. Their knowledge and commitment 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	Lindenbach, Michelle
Anderson, Mark	Lipoth, Becky
Atkinson, Brian	Lowe, Kim
Bachelu, Gaylene	Martens, Andrew
Bailey, Brendan	Mitchell, Heather
Bell, Kelli	Montgomery, Ed
Blelloch, Kevin	Nyhus, Glen
Bogdasavich, Michelle	Ochieng, Jennifer
Borys, Angèle	O'Quinn, Carolyn
Brown, Rosanne	Pattullo, Candice
Clemett, Tara	Reimer, Stephanie
Deis, Kelly	Rybchuk, Corrine
Dickin, Deann	Schwab, Victor
Drotar, Charlene	Shaw, Jason
Duran, Jason	Shorten, Karen
Ferguson, Judy	Sommerfeld, Regan
Grabarczyk, Rod	St. John, Trevor
Halladeen, Aaron	Sych, Larissa
Hamilton, Scott	Thorson, Angela
Hansen, Melissa	Tomlin, Heather
Harasymchuk, Bill	Toth, Stephanie
Heebner, Melanie	Volk, Rosemarie
Heffernan, Mike	Walker, Sandra
Herauf, Jena	Watkins, Dawn
Hungle, Angie	Wendel, Leslie
Jensen, Rory	Yee, Ken
Knox, Jane	Zeng, Tiffany
Kress, Jeff	Zerr, Jennifer

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Compilation of main points

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Compilation of main points

Chapter 2—Advanced Education, Employment and Labour

The Ministry of Advanced Education, Employment and Labour (Ministry) needs to sign a shared service agreement with the Ministry of Education so that both Ministries understand their respective roles and responsibilities.

The Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data. Also, the Ministry needs to sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office (ITO). In addition, the Ministry needs to monitor the effectiveness of the ITO's security controls to protect the Ministry's computer systems and data.

The Saskatchewan Institute of Applied Science and Technology (SIAST) plays a critical role in educating skilled workers for the province. As of June 30, 2008, our audit found the SIAST Board's risk management processes were not adequate.

SIAST needs to use more comprehensive risk management policies and procedures. Also, SIAST's Board should require written reports that include management's analysis of risks and outcomes of risk management.

Chapter 3—Agriculture

The Ministry of Agriculture transferred the responsibility to operate the Provincial Dairy Lab from the Ministry to the Milk Control Board without legislative authority. If the Ministry wants to transfer the Dairy Lab to another agency, it must seek changes to the applicable legislation. Otherwise, it should resume operating the Dairy Lab directly.

Milk Control Board staff need a better understanding of generally accepted accounting principles to ensure they prepare accurate and reliable financial statements.

Saskatchewan Crop Insurance Corporation needs to: document its procedures for calculating premium rates, establish procedures to check the accuracy of the data and formulas used to calculate premium rates, and improve its internal auditor plan. Also, it needs better controls over

access to its computer systems and data and over changes to computer systems used to calculate insurance premiums.

The Ministry needs to follow its established policies and procedures when it prepares the Pastures Revolving Fund's annual financial statements.

The Ministry has implemented our 2006 recommendation that it should analyze the impact of anticipated workforce competency gaps on its capacity to achieve its objectives.

The Ministry continues to need to complete a comprehensive identification of risks that could result from non-compliance with pesticide laws in each of the major categories that the Ministry regulates, i.e., sales, use, storage, transportation, and disposal. Also, it must adequately document its analysis of each of these risks.

Chapter 4—Board of Internal Economy

Unlike most other public agencies, the Board of Internal Economy does not provide the Legislative Assembly with an annual report on its performance. We think it should do so as the Board plays a key role in fostering public confidence in our parliamentary system of government. Also, during the year, the Board of Internal Economy did not do a timely review of its interim financial operations.

Chapter 5—Education

The Ministry of Education (Ministry) needs to properly segregate the duties of its employees for payments made to the Teachers' Superannuation Commission (Commission). Also, the Ministry needs to ensure that the payments made to the Commission are properly supported.

The Ministry should sign a shared service agreement with the Ministry of Advanced Education, Employment and Labour so that both Ministries understand their respective roles and responsibilities.

The Ministry should follow its procedures for ensuring only authorized staff have access to its computer systems and data. Also, the Ministry needs to monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.

We also report the results of our work on the Ministry's payment processes for Education Technology Consortium projects. The Ministry did not have proper authority to make payments of approximately $17 million for these projects. In addition, there was inadequate monitoring and reporting on these payment processes. The Ministry has revised its practices to ensure payments for these projects follow the Ministry's normal approval and payment processes.

Chapter 6—Environment

The Ministry of Environment needs to establish adequate processes and supervise staff. It should have adequate processes to:

- ♦   monitor agreements
- ♦   sign an adequate agreement with the Information Technology Office for information technology services
- ♦   develop an information technology plan
- ♦   secure its systems and data
- ♦   prepare a complete business continuity plan
- ♦   change lease rates and customer information
- ♦   define and document its compliance reporting needs

The Ministry also needs to supervise staff to ensure they follow the Ministry's policies and procedures for:

- ♦   billing, collecting, and recording lease, and forestry fees revenues promptly
- ♦   reviewing reconciliations of its bank recorded bank balances to the bank's records promptly
- ♦   segregating the duties of the employees responsible for disbursement or expenditure of public money
- ♦   preparing the amount owing to terminated employees
- ♦   preparing accurate and timely financial records and financial statements for the Fish and Wildlife Development Fund and the Commercial Revolving Fund

Chapter 7—Finance

The General Revenue Fund (GRF) 2008 financial statements continue to contain significant errors. For example, the reported net debt of $5.95 billion should be $9.41 billion and the reported annual surplus of $641 million should be $853 million. These errors occur because Treasury Board continues to use inappropriate accounting policies to account for pension costs and to record transfers between the GRF, Fiscal Stabilization Fund, and Saskatchewan Infrastructure Fund.

As part of its activities, the Ministry of Finance administers various pension and benefits plans. Finance continues to need complete business continuity plans for its various activities to ensure it can provide critical services in the event of a disaster.

Finance administers the disability benefit program for judges on behalf of the Ministry of Justice and Attorney General without proper legislative authority. It paid about $330,000 of disability payments in 2007-08 out of the Judges of the Provincial Court Superannuation Plan's bank account without legislative authority. Furthermore, Finance does not keep complete financial records for this program or prepare financial statements. Finance and the Ministry of Justice and Attorney General have not determined the amount owing for this disability benefit program.

The Public Employees Pension Plan and the Saskatchewan Pension Annuity Fund hire investment managers to provide direction to their custodians to buy or sell investments. To make sure its accounting for investments for these plans are complete and accurate, Finance needs to improve its processes to compare the amounts recorded in its records to those reported by its custodians and its investment managers, and follow up differences.

Chapter 8—First Nations and Métis Relations

The Ministry of First Nations and Métis Relations (Ministry) administers certain aspects of the Agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN) over Gaming (commonly referred to as the Gaming Framework Agreement). For the year ended March 31, 2008, the Ministry paid $35.5 million to the First Nation Trust (administered by FSIN). The Gaming

Framework Agreement requires this money to be spent for specific purposes. The Ministry is charged with making certain that the First Nations Trust (Trust) uses this money as the Agreement intends.

The Ministry needs to better monitor spending of the Trust. The Ministry has not received from the Trust the independent audit report required by the Agreement on whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust.

Chapter 9—Government Services

For the year ended March 31, 2008, we concluded the Ministry of Government Services had adequate processes to safeguard its public resources except it should:

♦   sign a service level agreement with Information Technology Office to ensure that the Ministry's needs are met

♦   properly segregate the duties of its employees so that employees cannot authorize payments to themselves

♦   establish and use policies to monitor fuel expenses made with fleet credit cards to ensure fuel purchases are for government purposes

♦   prepare, review, and approve all significant reconciliations promptly to reduce the risk that its accounting records and financial reports are not accurate and complete

♦   develop an information technology strategic plan to help management know if it has addressed all the threats and risks to the Ministry's information systems

♦   have a complete business continuity plan so it can continue to deliver its programs and services in the event of a disaster

Chapter 10A—Health

To improve safeguarding and management of public resources, the Ministry of Health needs to work to fully address our past recommendations. While the Ministry has made some progress, it needs to do more. The Ministry needs:

- ♦ better reports from health agencies it contracts to provide health services to help monitor those agencies' progress in achieving the Ministry's objectives
- ♦ a capital asset plan to help ensure it can carry out its strategic plan
- ♦ processes to verify that residents received prescription drugs that pharmacists claim for payments
- ♦ better security of its information technology systems and data to help ensure integrity, confidentiality, and availability of its own systems and data, and those that it maintains for other health agencies
- ♦ a written, tested and approved business continuity plan to help ensure it can continue to provide critical services in the event of a disaster

The Ministry must also collect the overpayments totalling about $4 million resulting from the job evaluation of employees of regional health authorities. It must also try to recover what is owed by the former executive members of the board of directors of Métis Addictions Council of Saskatchewan Inc.

Also, the Ministry needs to give the Legislative Assembly annual reports including financial statements of the Saskatchewan Health Employees' Pension Plan (SHEPP), and the Saskatchewan Association of Health Organizations (SAHO) and the benefit plans SAHO manages. The Ministry is responsible for SAHO and the Government is responsible for about half of any unfunded liability of SHEPP.

Furthermore, the Ministry must segregate duties of its employees responsible for disbursement or expenditure of public money to help prevent errors and frauds. The Ministry must also make a formal agreement with its payroll service provider - the Public Service Commission.

Chapter 10B—Regional Health Authorities

Regional Health Authorities (RHAs) need to improve how they safeguard public resources. Six RHAs need to control bank accounts when making payments to employees and vendors and establish information technology processes based on threat and risk analysis. Regina Qu'Appelle needs to implement an internal audit function and establish complete financial management policies.

We followed up on our past recommendation to improve processes to achieve planned results for Five Hills Regional Health Authority. We concluded Five Hills Regional Health Authority has made progress but needs to do more work to fully address our recommendations.

Chapter 10C—Saskatchewan Cancer Agency

Saskatchewan Cancer Agency (Agency) needs to improve its information technology (IT) policies and procedures. The Agency uses IT systems to support the delivery of patient care.

In 2008, we assessed the Agency's processes to secure its computers and data. We concluded the Agency did not have adequate processes to do so. Lack of adequate processes to secure (i.e., protect the confidentiality, integrity, and availability of) computer systems and data increase the risk of inappropriate disclosure of patients' information and inadequate patient care.

Also, the Agency needs to give its annual report to the Assembly by the date required by law.

Chapter 10D—Cypress Regional Health Authority IT security

Cypress Regional Health Authority (Cypress) needs to secure its information technology (IT) systems and data.

Cypress did not have adequate processes to secure (i.e., protect the confidentiality, integrity, and availability of) its IT systems and data. Lack of adequate processes to secure IT systems and data could result in loss,

inappropriate modification, or unauthorized disclosure of sensitive health information.

Chapter 10E—Immunization coverage

Immunization is a free health service that protects children and communities from disease. In 2006, we audited the immunization services to young children in Prince Albert Parkland Regional Health Authority (RHA).

The RHA needs to work with First Nations and Federal health agencies to increase access to immunization. The RHA needs to find out why parents do not immunize their children and develop a plan to overcome these causes.

In 2008, we assessed the progress the RHA has made to improve practices. The RHA has made progress but needs to do more.

Chapter 10F—Reducing workplace injuries

Since our 2003 audit, this is our third follow-up to assess the progress of two regional health authorities in addressing our recommendations to reduce injuries to health care staff. We found that while Saskatoon Regional Health Authority has addressed most of our recommendations, Regina Qu'Appelle Regional Health Authority has important work to do to prevent injuries to health care workers. In Regina Qu'Appelle, senior managers are still not held accountable for reducing injuries in the workplace.

Through their commitment and directions, Boards set the tone for safety in the workplace. In these two large regional health authorities, the Boards are not getting sufficient information about workplace injuries from senior management. Also, occupational health committees do not provide written recommendations to senior management and their Boards to fix unresolved causes of injuries. Analysis of the causes of workplace injuries is improving.

The frequency of injuries is slowly being reduced. However, in 2007-08, more than 7% of health care workers were injured at work. This injury rate

adds further risks to the long-term supply of health care workers. In addition, some injured workers have long-term pain and disability.

The Ministry of Health has an oversight role in reducing workplace injuries throughout the health sector. We recommend the Ministry of Health set a provincial, long-term target for reducing injuries in health sector workplaces. Such targets often help to determine priorities when allocating resources.

Chapter 11—Highways and Infrastructure

The Ministry of Highways and Infrastructure is making progress in developing a business continuity plan but more work remains. A complete business continuity plan is important so that Highways can provide its critical services in the event of a disaster. Its critical services include snow plowing, northern airport operations, and road information services.

Chapter 12—Information Technology Office

The Information Technology Office (ITO) provides information technology (IT) services to client ministries. ITO needs to improve its human resource plan to help ensure it has the right people, in the right jobs, at the right time.

As a service provider and custodian of client information systems and data, ITO must protect the confidentiality, integrity, and availability of client IT systems and data. ITO has adequate controls to protect client IT systems and data except ITO needs to:

- ◆ establish information security policies for its clients
- ◆ protect its systems and data from security threats
- ◆ implement a disaster recovery plan for its data centre and client systems

We also followed up our earlier audit of ITO's processes to manage the delivery of agreed-upon services to clients. We continue to recommend that ITO work with its clients to implement agreements that govern service delivery, security, and disaster recovery. We continue to recommend that ITO sign adequate agreements with its clients before delivering services to them.

Chapter 13—Justice and Attorney General

To help ensure that all fines and charges comply with laws, the Ministry of Justice and Attorney General (Justice) needs to improve its processes to track, enforce, and collect fines. Also, Justice needs to work with the Ministry of Corrections, Public Safety and Policing to ensure the fine for the voluntary payment option on issued tickets complies with the law.

Justice needs better information technology (IT) processes. It must secure credit card information in accordance with the credit card industry security standards. It needs to sign an adequate agreement on disaster recovery and security with the Information Technology Office. Also, Justice should prepare adequate IT plans, and monitor the security and availability of its IT systems and data.

We also report that Justice should improve segregation of duties of its employees responsible for expenditure of public money, determine and record the long-term liability to disabled judges, and complete its business continuity plan.

Chapter 14A—Liquor and Gaming Authority

The Liquor and Gaming Authority (Liquor & Gaming) owns and manages the slot machines at Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos. The revenues from these slot machines belong to Liquor & Gaming. SIGA opened the Dakota Dunes' Casino in August 2007. During the first few months of Dakota Dunes' operations, SIGA employees did not do certain revenue and cash handling procedures established by Liquor & Gaming to help ensure that no public money is lost. Because Liquor & Gaming did not have adequate monitoring processes to ensure SIGA followed the required procedures at the Dakota Dunes, Liquor & Gaming does not know if there was a loss of public money.

SIGA is opening a new casino in Swift Current in 2009. It is vital that Liquor & Gaming improve its monitoring processes over new casino operations to know that SIGA complies with established procedures to safeguard public money from loss due to errors or fraud.

Liquor & Gaming needs to improve its training and guidance to liquor store employees so they understand and follow established policies and

procedures. Liquor & Gaming needs to follow its information technology policies and procedures to protect its computer systems and data, especially its customers' credit card information. Liquor & Gaming also needs a complete and tested business continuity plan.

Chapter 14B—Saskatchewan Indian Gaming Authority Inc.

Saskatchewan Indian Gaming Authority Inc. (SIGA) needs to improve its supervision, training, and monitoring of its employees to ensure public resources are protected from loss due to error or fraud.

During the year, SIGA opened the Dakota Dunes Casino to the public. SIGA did not adequately train and supervise newly hired employees on how to perform established procedures over revenue from slots, table games, and ancillary operations. As a result, for several months employees did not perform established procedures to ensure that all revenue earned was received, recorded, and deposited. Because SIGA did not follow established processes to monitor revenues at the Dakota Dunes Casino, it does not know if it lost public money. Accordingly, we cannot determine if SIGA lost public money at Dakota Dunes.

SIGA needs to establish adequate processes to control its revenue in ancillary operations (i.e., gift shops, restaurants, and lounges).

SIGA also needs an improved written, tested, and approved disaster recovery plan to help ensure that it can continue to provide information technology services in the event of a disaster.

SIGA's management should review and the Board should approve an information technology strategic plan.

Chapter 15—Public Service Commission

The Public Service Commission (PSC) is the central human resource agency for staff employed primarily by Government ministries.

PSC is implementing a 2005 policy requiring criminal record checks. To September 30, 2008, PSC has evaluated about 63% of 15,300 Government positions to determine which ones it should designate as

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positions that require a check. Of the 9,600 positions evaluated, about 7,100 have been designated as requiring a criminal record check. We asked PSC for the number of criminal record checks that it has received for the 7,100 designated positions but we have not received that information. Accordingly, we are unable to assess whether PSC is making satisfactory progress.

In October 2007, PSC went through a significant reorganization that more than doubled its staff. Accordingly, PSC needs to update its human resource plan. A complete human resource plan will help it to have the right staff at the right time to meet its objectives.

Chapter 16—Saskatchewan Gaming Corporation

Saskatchewan Gaming Corporation (SGC) needs written procedures for its information technology (IT) security to help ensure the confidentiality, integrity, and availability of information systems and data.

SGC also needs an improved written, tested, and approved disaster recovery plan so it can continue to provide IT services in the event of a disaster.

SGC should improve its compliance with approved policies relating to marketing and promotion. As well, SGC needs to further improve its human resource plan.

Chapter 17—Saskatchewan Research Council

In this chapter, we report the results of our audit of the Saskatchewan Research Council (SRC). SRC needs to independently review and approve all journal entries to its records. If journal entries are not independently reviewed and approved, SRC is at risk that its accounting records and financial reports may not be accurate and complete or that a loss of resources due to fraud or error may be concealed.

Chapter 18—Social Services

The Ministry of Social Services (Ministry) needs to improve its processes to ensure that all children who are the responsibility of the Minister receive proper care in an abuse free, healthy, and affectionate environment. It must

implement a system to know how many children are in Minister's care, who they are, and where they reside.

The Ministry needs to test its business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. It must also strengthen its information technology security processes to ensure the confidentiality, integrity, and availability of its information systems and data.

In addition, the Ministry must ensure that it adequately segregates the duties of its employees responsible for the disbursement or expenditure of money and that only eligible clients receive assistance and that they receive the correct amount of assistance.

Chapter 19—Workers' Compensation Board

In this chapter, we concluded that the Workers' Compensation Board (WCB) had adequate processes to ensure that recipients of money for injury prevention and safety use the money for its intended purposes as at June 30, 2008 except WCB needs to:

♦ communicate to the Ministry of Advanced Education, Employment and Labour its requirements for the industrial safety program
♦ document its processes for monitoring and assessing the industrial safety program and other injury prevention and safety programs
♦ obtain Order in Council approval for payment of the industrial safety program costs
♦ document its analysis of the effectiveness of its injury prevention and safety programs

Chapter 20—Government accountability

The purpose of this chapter is to support legislators and the Government as they continue to improve the Government's accountability.

We suggest three ways to strengthen accountability. First, we encourage the Government to use an overall plan that highlights major strategies across all ministries and Crown agencies. Second, we encourage the Government to continue to compare actual results to the planned results.

Third, we encourage the Legislative Assembly's committees to review the plans and results of public agencies.

Chapter 21—Standing Committee on Public Accounts

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government ministries, agencies, and Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of public money and for its stewardship over public resources. The Government has fully implemented 67% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 81% are partially implemented.

Advanced Education, Employment and Labour

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Main points

The Ministry of Advanced Education, Employment and Labour (Ministry) needs to sign a shared service agreement with the Ministry of Education so that both Ministries understand their respective roles and responsibilities.

The Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data. Also, the Ministry needs to sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office (ITO). In addition, the Ministry needs to monitor the effectiveness of the ITO's security controls to protect the Ministry's computer systems and data.

The Saskatchewan Institute of Applied Science and Technology (SIAST) plays a critical role in educating skilled workers for the province. As of June 30, 2008, our audit found the SIAST Board's risk management processes were not adequate.

SIAST needs to use more comprehensive risk management policies and procedures. Also, SIAST's Board should require written reports that include management's analysis of risks and outcomes of risk management.

Introduction

In November 2007, the Government restructured the former Department of Advanced Education and Employment and the former Department of Labour into the Ministry of Advanced Education, Employment and Labour (Ministry).

The mandate of the Ministry is to foster development of an educated, skilled, productive and representative workforce that meets the labour demands of a growing and innovative economy[1].

The Ministry's responsibilities are set out primarily in *The Post-Secondary Education and Skills Training Act* and *The Labour Standards Act.*

Related special purpose funds and agencies

At March 31, 2008, the Ministry was responsible for the following special purpose funds and agencies:

	Year-end
Saskatchewan Student Aid Fund	March 31
Training Completions Fund	March 31
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Southeast Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Saskatchewan Labour Market Commission (SLMC)	March 31

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[1] *Ministry of Advanced Education, Employment and Labour, 2007-2008 Annual Report*, pg. 5.

Financial overview

As set out in the table below, the Ministry spent over $685 million in 2007-08.

Table 1

	Estimates 2007-08[2]		Actual 2007-08	
	(in millions of $)			
Central Management and Services	$	24.2	$	23.3
Student Support programs		75.3		67.9
Post-Secondary Education		491.9		503.0
Immigration		8.5		5.7
Training Programs		37.8		38.5
Career and Employment Services		35.5		33.4
Capital Asset Acquisitions		(1.2)		(4.8)
Capital Asset Amortization		2.4		2.3
Labour Relations Board		0.9		1.2
Labour Relations and Mediation		0.6		0.7
Labour Standards		2.3		2.4
Occupational Health and Safety		6.9		6.1
Status of Women Office		0.5		0.4
Worker's Advocate		0.6		0.5
Capital Asset Acquisitions		--		4.6
	$	686.2	$	685.2

In 2007-08, the Ministry had revenues of $64.8 million of which 84% came from the Federal Government primarily for Federal-Provincial cost sharing programs.

The Ministry's *2007-08 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (www.aeel.gov.sk.ca).

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[2] Saskatchewan Finance, *2006-2007 Saskatchewan Estimates* for the former Department of Advanced Education and Employment and the Department of Labour. The Estimates total does not include the additional $16.27 million authorized through the *Saskatchewan Supplementary Estimates* for Advanced Education, Employment and Labour (Vote 37).

Audit conclusions and findings

This section reports the results of our 2008 audits of the Ministry, the Training Completions Fund, three of eight regional colleges (Northlands, Parkland, and Southeast), SATCC, and SIAST.

The results of the 2008 audit of the SLMC are not included in this chapter. We have not completed this audit because SLMC has not yet finalized its financial statements.

In our opinion, for the fiscal years ending on or before June 30, 2008:

♦ **the Ministry and the above-listed agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦ **the Ministry and the above-listed agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **the financial statements of the above-listed funds and agencies are reliable**

We audit colleges on a cyclical basis. We work with the appointed auditor of each of these colleges to carry out the audits. We require the appointed auditors of the other five colleges that are not in rotation to provide us with reports that set out the results of their audits. We review these reports and have discussions with related ministry officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditor on these matters. For SIAST, we carry out the audit jointly with the appointed auditor.

Exhibit 1 sets out the appointed auditor for each agency. We use the framework recommended by the *Report of the Task Force on Roles,*

Responsibilities and Duties of Auditors.[3] The auditors of the other five colleges did not report any new matters for the colleges they audited.

Exhibit 1

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP, Chartered Accountants
Northlands College	Deloitte & Touche LLP, Chartered Accountants
Parkland Regional College	Skilnick Besler Miller Moar & Co., Chartered Accountants
Southeast Regional College	Cogent Business Consulting, Certified Management Accountants

Later in this chapter, we report the results of our audit of the adequacy of risk management processes that the SIAST's Board used and provide an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

The following sets out detailed audit findings for the Ministry.

Shared service agreement needed

The Ministry needs to sign a shared service agreement with the Ministry of Education.

The Ministry provides various services to the Ministry of Education. Such services include payment processing, revenue processing/cash handling, and support services.

The shared service agreement should be in place so that both Ministries understand their respective roles and responsibilities. Without this signed agreement, there is a risk that there may not be appropriate agreement on all matters and that specific needs may not be met.

1. **We recommend the Ministry of Advanced Education, Employment and Labour sign a shared service agreement with the Ministry of Education.**

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[3] To view this report, see our website at www.auditor.sk.ca/rrd.html

User access

The Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data.

The Ministry has adequate procedures for removing user access to its computer systems and data. However, the Ministry did not follow its established procedures. During the audit, we reviewed access for all employees on the MIDAS[4] HR system, the MIDAS financial system, and the One Client Service Model system[5]. We found three employees on the MIDAS HR system where the Ministry had not removed access on a timely basis. For the MIDAS financial system, we found one employee where the Ministry had not removed access on a timely basis. For the One Client Service Model system, we found 14 employees where the Ministry had not removed access on a timely basis.

Without following its established procedures for removing user access, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data. As a result, the Ministry is exposed to the risk of loss of public money and inappropriate access to confidential information.

2. **We recommend the Ministry of Advanced Education, Employment and Labour follow its established procedures for removing user access to its computer systems and data.**

Adequate agreement for disaster recovery required

The Ministry's service level agreements with the Information Technology Office (ITO) do not adequately address disaster recovery.

The Ministry uses ITO to provide it with information technology (IT) services. The Ministry and ITO have signed service level agreements regarding ITO's services.[6] Even though the Ministry uses ITO, the

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[4] The government's centralized payroll and payment system is called the Multi-informational Database Applications System (MIDAS).

[5] The One Client Service Model system is used by the Ministry to share program information with partners within the post-secondary education sector.

[6] The Ministry is made up of the former Department of Advanced Education and Employment and the former Department of Labour. ITO had service level agreements with both agencies. Elements of both of these agencies' service level agreements with ITO remain in place pending negotiation of a single agreement for the combined Ministry.

Ministry remains responsible to have adequate systems and practices to deliver its services.

The Ministry's agreements with ITO sets out the scope, level, and quality of services ITO provides. However, the agreements do not adequately provide for the on-going availability of key systems and data. The agreements do not adequately address disaster recovery processes, expectations, and reporting requirements. The agreements identify this as an area for future work. Moreover, the disaster recovery plan that ITO is developing for its data centre does not identify the priority or procedures required to restore applications at the Ministry. As a result, neither the Ministry nor ITO knows whether systems and data can be restored when needed in the event of a disaster. This could result in the Ministry not being able to provide timely services to the public.

3. **We recommend the Ministry of Advanced Education, Employment and Labour sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office.**

Monitoring of ITO security controls

ITO provides computers and network access to the Ministry. ITO is a custodian for the Ministry's computer systems and data. To know that its computer systems and data are secure, the Ministry needs to monitor and assess the security provided by ITO.

The Ministry did not ask for or receive adequate information about security from ITO. Moreover, we found ITO did not adequately configure, monitor, and update firewalls at the Ministry. Firewalls help to maintain security of Ministry systems and data.

As a result of these weaknesses, the Ministry's systems and data were at risk of inappropriate external access. In addition, because of the lack of adequate communication about security, the Ministry was not aware of the risk.

4. **We recommend the Ministry of Advanced Education, Employment and Labour monitor the effectiveness of the**

Information Technology Office's security controls to protect the Ministry's computer systems and data.

Human Resource Plan needed

In Chapter 2 of our 2007 Report – Volume 3, we recommended that the Ministry develop a human resource plan.

Effective human resource planning helps the Ministry to have the right people, in the right jobs, at the right time. A good human resource plan sets priorities and in line with the Ministry's strategic direction. It identifies key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

The Standing Committee on Public Accounts (PAC) considered this matter on January 8, 2008 and agreed with our recommendation.

We continue to recommend that the Ministry of Advanced Education, Employment and Labour develop a human resource plan.

In October 2008, management told us that the 2008-09 Human Resource Plan has been developed and is in the approval stages.

Saskatchewan Institute of Applied Science and Technology

The Saskatchewan Institute of Applied Science and Technology (SIAST) is a large post-secondary education institution under *The Saskatchewan Institute of Applied Science and Technology Act.* A government-appointed Board is responsible to set policies and align its strategic direction with the goals of the Ministry of Advanced Education, Employment and Labour.

SIAST's operations are decentralized with four campus locations (Prince Albert, Saskatoon, Regina, Moose Jaw). In 2007-08, SIAST spent $184.6 million to provide services to about 13,000 students. SIAST's financial statements are in the *SIAST 2007-2008 Annual Report* at www.siast.sk.ca.

SIAST prepares people to work in areas such as the trades, business, technology, health sciences, and community services. SIAST's vision is to be "a leader in superior education focused on students and lifelong learning—a catalyst for advancing the social and economic prosperity of Saskatchewan." [7] SIAST works to use innovative education methods to meet the needs of its students including those who have an Aboriginal heritage (19.2% of enrolment in 2006-07).[8]

SIAST's role is to prepare workers with skills training and technical education. Demand for skilled workers fluctuates with changes in the economy, creating risks for SIAST. Effective management of SIAST's risks and achievement of its objectives can positively influence Saskatchewan's economy and social prosperity.

We audited the SIAST Board's risk management processes to strengthen its ability to achieve its objectives and fulfill its important role.

Background—managing risk in a changing environment

Risk is the chance of something happening that will have an impact on objectives.[9] That is, risks are missed opportunities or adverse events that could influence an agency's ability to meet its strategic objectives.

Managing risk is complex. Changes in the global economy, technology, government policies, and decisions by independent businesses all influence the demand for skilled workers. Managing risks in this environment requires a rapid response to changes that could influence the ability to achieve strategic priorities such as those in Exhibit 1.

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[7] SIAST 2007-2008 Annual Report.
[8] SIAST statistics about students as of January 1, 2008 as reported on the *MySIAST* intranet.
[9] Australia/New Zealand Standards: *Risk Management 4360* (2004), definitions pages 4-5.

Exhibit 1—SIAST Board's strategic priorities 2007-2010

1. student centred learning environment that is increasingly responsive to student needs
2. develop partnerships that enhance the effectiveness of the training system
3. improve recruitment and retention of talented and diverse faculty, staff, and administrators to achieve excellence
4. develop and upgrade facilities, equipment, and technology essential to the effective delivery of programs and student support services that meet the changing needs of the labour market

Source: *SIAST Operations Forecast 2007-10*

For example, as part of its risk management, SIAST must predict rising or falling enrolments and respond rapidly. It is a challenge to keep program capacity balanced with enrolment demand. Also, attracting and retaining Aboriginal youth could influence SIAST's ability to achieve its vision as a catalyst for social and economic prosperity.

SIAST's changing environment requires timely, reliable information and prompt action. Rapid changes increase risks as SIAST adjusts to new circumstances. SIAST's Board needs strong risk management processes to ensure it takes full advantage of opportunities while reducing threats. Strong risk management processes help ensure resources are spent on the most significant risks and opportunities rather than less serious risks.

Audit objective, criteria, and conclusion

The objective of this audit is to assess whether the SIAST Board used adequate risk management processes as of June 30, 2008. We based the audit criteria primarily on Australia-New Zealand Standards' *Risk Management Standard* 4360 (2004). Many Canadian public and private sector agencies base their risk management processes on these standards. SIAST's management agreed with the criteria set out in Exhibit 2.

SIAST's Board and management told us that the Government of Saskatchewan has not required nor instituted the standards we used in this audit.

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Exhibit 2—Criteria for risk management processes

To have adequate processes for risk management, SIAST's Board should:
- ♦ identify risks
  - establish comprehensive list of risks for each objective
  - identify potential causes of risks or missed opportunities
  - build a common understanding (context) for risk management
- ♦ analyze risk likelihood and impact
  - identify likelihood each risk will occur in short, mid, or long-term
  - identify positive and negative impacts
  - list risks excluded from analysis due to low impact
- ♦ evaluate risk tolerance
  - communicate with partners about risk
  - decide criteria for risk tolerance
  - set priorities for risk treatment
- ♦ treat key risks
  - identify options for treating priority risks
  - assess cost and suitability of optional treatments
  - select risk treatment plans
  - discuss risk treatment plans with relevant partners
- ♦ monitor risks
  - report action taken on risk treatment plan
  - review risk process and outcomes of risk treatment
  - record residual risks and lessons learned

Source: Australia-New Zealand Standards: *Risk Management Standard 4360* (2004)

We concluded that the Saskatchewan Institute of Applied Science and Technology Board did not have adequate processes for risk management as of June 30, 2008.

5. **We recommend that the Saskatchewan Institute of Applied Science and Technology's Board use more comprehensive risk management policies and procedures that:**

   - ♦ **define key terms and processes**
   - ♦ **assign roles and responsibilities for risk management**
   - ♦ **require risks be identified in relation to strategic objectives**
   - ♦ **require analysis of risk likelihood and impact including timeframes**
   - ♦ **set criteria to evaluate risk tolerance**
   - ♦ **outline guidance to treat key risks**

6. **We recommend that the Saskatchewan Institute of Applied Science and Technology's Board require that the written risk management reports it receives include analysis of risks and outcomes of risk management.**

Management told us SIAST recognizes that improvements to its risk management processes are required. Also, management told us SIAST is in the process of phasing-in risk management linked processes such as completing the new strategic visioning project, developing an accountability framework, and developing its information databases and reporting tools.

Findings—risk management processes

We followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants in carrying out this audit. We highlight what we expected (our criteria) in italics below each heading, followed by our significant findings.

Identifying risks

We expect SIAST to identify risks based on processes to:
- ♦ *establish a comprehensive list of risks for each objective*
- ♦ *identify potential causes of risks or missed opportunities*
- ♦ *build a common understanding for risk management*

In 2002, SIAST's Board adopted enterprise risk management. In 2007-08, the Board ranked ten key risk areas as set out in Exhibit 3.

Exhibit 3—SIAST's key risk profile

1. student recruitment and retention
2. faculty and staff recruitment and retention
3. funding
4. political
5. facility development/government services
6. union relationships
7. increasing reliance on information and technology
8. governance
9. partnerships
10. student and employee safety

Source: *as presented to SIAST Board March 28, 2008*

The Board did not yet have processes linking its risks to its strategic objectives and did not identify potential causes of risks or missed opportunities. Identifying risks by objective helps to ensure the objectives

are met. Identifying potential causes of risks or missed opportunities would help the Board ensure management identifies all potential risks.

In March 2006, the Board approved a framework of risk management principles. The risk management framework stated that the Board expects risk management to be "…transparent, regular, standardized, consistently communicated, proactive, and value added." The framework should go beyond these principles to assign roles and responsibilities and define key terms. It should also outline key processes, such as analyzing the likelihood and severity of risks, and should require timely reports on new or emerging risks.

In March 2008, senior management began to communicate the framework and key risks to managers across SIAST. Senior management should also give managers key definitions, training, and regular reports to build a common understanding of risk. Managers need an agency-wide understanding of risks in addition to a local program perspective.

In September 2008, management told us that the Board plans to approve a policy assigning risk management roles. The policy will clarify who is accountable for what and when.

Analyzing the likelihood and impact of risks

We expect SIAST to analyze the likelihood and impact of risks by using processes to:
- ♦ *identify the likelihood each risk will occur in short, mid, or long-term*
- ♦ *identify positive and negative impacts*
- ♦ *list risks excluded from analysis due to low impact*

In 2005, the Board and senior management used a numerical system to decide which risks were most likely to occur and would have the most serious consequences (impact). The analysis did not identify if risks were likely in the short or long-term. SIAST used an electronic voting tool to record its 2005 analysis of risk likelihood and impact. It no longer uses this numerical system to analyze risks.

In 2007-08, SIAST's Board discussed action taken on its identified risks. It did not have a formal system to analyze and record the likelihood and

impact of potential events or opportunities (i.e., risks). Senior management did not record risks in a way that would allow it to compare the likelihood and severity of risks objectively and consistently.

The Board did not require written reports from management on the impacts of emerging risks. Managers sometimes recorded the potential impact of risks in their meeting minutes (e.g., the administrative services council, the dean's council). The Board did not receive reports about risk analysis or risks that managers think are unlikely to occur. The Board should require and review this analysis and decide whether it agrees with management's assessment.

Evaluating risk tolerance and appetite for opportunities

We expect SIAST to evaluate its tolerance for threats to its objectives and its appetite for opportunities with processes to:
♦   *communicate with its partners about risk*
♦   *decide criteria for risk tolerance*
♦   *set priorities for risk treatment*

SIAST's senior managers often discussed partners' concerns in the context of risks to SIAST. Senior managers did not record these risks or formally evaluate SIAST's tolerance for these risks.

SIAST's Board discussed risks informally. It did not set out criteria for evaluating risk tolerance. The Board's risk management framework did not refer to evaluating risk tolerance, but proposed that management develop risk mitigation indicators in the future. The Board ranked the perceived importance of its risks.

To compare the impact of risks across SIAST, managers need to evaluate risk tolerance consistently. Evaluating risks consistently would help managers to inform the Board and take timely action to reduce serious threats and seize opportunities. A consistent process to evaluate risks across SIAST would help the Board to monitor whether adequate attention and resources are given to major risks.

Treating key risks

We expect SIAST to treat key risks based on its processes to:
♦ *identify options for treating priority risks*
♦ *assess cost and suitability of optional treatments*
♦ *select risk treatment plans*
♦ *discuss risk treatment plans with relevant partners*

The Board did not provide policy guidance to senior management about treating risks. Management told us the Board gave verbal direction during meetings. The Board's risk management framework did not clarify how it expected staff to treat key risks (e.g., select priorities, look for partners to share risks, use common solutions across SIAST). SIAST's management groups had processes to decide how to treat risks.

For example, SIAST's program council recommended options for treating program risks. The program council recorded analysis of optional ways to treat risks in detailed minutes, including suitability and costs. SIAST's campus contingency-management teams treated safety risks (e.g., security cameras, public announcement system for use in emergencies). These teams did not routinely record the options they considered. Senior management prepared formal treatment plans for some major risks (e.g., capital plan, recruitment and retention plan for human resources).

The Board often used contracts or service agreements with its partners to share its risks. In addition, SIAST treated program risks by working with regulatory bodies to keep its training programs relevant. For example, provincial or national regulatory bodies accredit many of its programs (e.g., seven nursing division programs). The Board's policies required managers to review all programs every five years, often with input from partners.

The Board expected senior managers to interact with SIAST's partners in the community. For example, in their search for alternative solutions, senior managers discussed SIAST's risk of inadequate space for training with other educational institutions and employers. As part of the evolving trades and skills centres in Saskatoon and Regina, SIAST is working towards providing trades training and community service programs in some public high schools.

SIAST also used its many program advisory committees and steering committees for informal discussion with industry partners who may help to manage risks (e.g., veterinary technology, business certificate). In addition, SIAST used its special councils to help with particular issues. For example, the Aboriginal Council discussed ways to retain Aboriginal students and help them successfully complete SIAST programs.

While these processes helped to manage risks, the Board had no formal, written processes to guide senior management in treating key risks.

Monitoring risk

We expect SIAST to monitor risks using processes to:
♦   *report action taken on its risk treatment plan*
♦   *review its risk processes and outcomes of risk treatment*
♦   *record residual risks and lessons learned*

Risk reports to the SIAST Board during 2007-08 focused on actions taken. The Board received annual updates on risk treatment strategies (usually November) and during the mid-year performance report (usually March). In addition, the Board periodically received detailed reports on actions to treat major risks (e.g., the plan to recruit qualified instructors).

The Board's policies require a regular review of all management processes. Following approval of its risk management framework in 2006, the Board reviewed the framework during 2007. As stated above, this framework needs to be more comprehensive.

During 2008, risk management reports to the Board focused on activities, not outcomes. During 2007-08, SIAST purchased software to help access and analyze its internal information. This tool could help managers compare outcomes to plans and analyze trends in risk management outcomes.

Management told us that through its *strategic visioning* project in 2008, SIAST is revising its objectives. Clear, agency-wide objectives will help SIAST identify useful measures to monitor risks to its strategic objectives. SIAST management told us it plans to identify performance measures during 2008-09, including some measures to help it monitor risks to its

objectives. By 2009-10, SIAST expects it will be able to review information about risk outcomes.

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Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[10]

Table 2

PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Apprenticeship and Trade Certification Commission		
2007	PAC concurs: 3-3 that the Saskatchewan Apprenticeship and Trade Certification Commission should sign a service level agreement with the Information Technology Office for the delivery of information technology services.	**Not implemented** (as at June 30, 2008). No progress in year.
Saskatchewan Institute of Applied Science and Technology		
2007	PAC concurs: 3-4 that Saskatchewan Institute of Applied Science and Technology should analyze competency gaps for its entire workforce and provide periodic updates to the board.	**Partially implemented** (as at March 31 2008). SIAST has made some progress but further progress is required.
2007	PAC concurs: 3-5 that Saskatchewan Institute of Applied Science and Technology should identify barriers to its current and future human capacity and provide the board with a plan to address the significant barriers.	**Partially implemented** (as at March 31 2008). SIAST has made some progress but further progress is required.

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[10] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

[11] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
2007	PAC concurs: 3-6 that Saskatchewan Institute of Applied Science and Technology should regularly inform staff involved in the recruiting process about trends in workforce gaps across SIAST and effective strategies to overcome barriers to human capacity.	**Partially implemented** (as at March 31 2008). SIAST has made some progress but further progress is required.
2007	PAC concurs: 3-7 that Saskatchewan Institute of Applied Science and Technology's board should work with management to identify the content and frequency of reports necessary to monitor human resource risks and evaluate progress towards its human capacity objectives.	**Partially implemented** (as at March 31 2008). SIAST has made some progress but further progress is required.

Agriculture

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Main points

The Ministry of Agriculture transferred the responsibility to operate the Provincial Dairy Lab from the Ministry to the Milk Control Board without legislative authority. If the Ministry wants to transfer the Dairy Lab to another agency, it must seek changes to the applicable legislation. Otherwise, it should resume operating the Dairy Lab directly.

Milk Control Board staff need a better understanding of generally accepted accounting principles to ensure they prepare accurate and reliable financial statements.

Saskatchewan Crop Insurance Corporation needs to: document its procedures for calculating premium rates, establish procedures to check the accuracy of the data and formulas used to calculate premium rates, and improve its internal auditor plan. Also, it needs better controls over access to its computer systems and data and over changes to computer systems used to calculate insurance premiums.

The Ministry needs to follow its established policies and procedures when it prepares the Pastures Revolving Fund's annual financial statements.

The Ministry has implemented our 2006 recommendation that it should analyze the impact of anticipated workforce competency gaps on its capacity to achieve its objectives.

The Ministry continues to need to complete a comprehensive identification of risks that could result from non-compliance with pesticide laws in each of the major categories that the Ministry regulates, i.e., sales, use, storage, transportation, and disposal. Also, it must adequately document its analysis of each of these risks.

Introduction

The mandate of the Ministry of Agriculture (Ministry) is to foster a commercially viable, self-sufficient, and sustainable agriculture and food sector. Working with individuals, businesses, communities, and governments, the Ministry assists farmers, ranchers, suppliers, and processors to encourage higher value production and processing, and promotes sustainable economic development in rural Saskatchewan.[1]

This chapter contains the results of our audits of the Ministry and its special purpose funds and Crown agencies for the years ended December 31, 2007 and March 31, 2008. At the date of this report, we have not completed our audit of Milk Control Board's 2007 financial statements or Pasture Revolving Fund's 2008 financial statements. The chapter also contains the results of our follow-up of recommendations related to our past audits on the Ministry's succession planning and pesticide regulation.

The Ministry is responsible for the following agencies. Each one has a March 31 year-end unless noted.

Agricultural Credit Corporation of Saskatchewan (ACS)
Agricultural Implements Board
Agri-Food Council
Agri-Food Innovation Fund
Beef Development Board
Cattle Marketing Deductions Fund
Crop Reinsurance Fund of Saskatchewan
Horned Cattle Fund
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund
Livestock Services Revolving Fund
Milk Control Board (December 31)
Pastures Revolving Fund
Prairie Agricultural Machinery Institute
Saskatchewan Agricultural Stabilization Fund (SASF)
Saskatchewan Crop Insurance Corporation (SCIC)
Thomson Meats Ltd. (December 31)
Pension Plan for the Employees of Thomson Meats Ltd. (December 31)

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[1] Saskatchewan Department of Agriculture and Food. (2007). *2007-08: Saskatchewan Provincial Budget Performance Plan: Saskatchewan Agriculture and Food*. Regina: Author. p. 2.

The Ministry's 2007-2008 Annual Report contains information about the Ministry's revenues and expenses.[2] Each agency provides its financial statements to the Assembly each year. They are available in the Public Accounts 2007-08 compendium.[3]

Financial overview

The table sets out the Government's total agricultural expenses and revenues as reflected in the Government's summary financial statements.

	2008	2007
	(in millions of dollars)	
Agriculture expenses by program:		
Crop insurance	$ 243	$ 228
Farm stability	127	165
Other	150	144
	$ 520	$ 537
Agriculture revenue by source:		
Federal Government transfers	$ 138	$ 130
Producers' crop insurance premiums	117	85
Sales, services, fees, and other	113	57
	$ 368	$ 272

Audit conclusions and findings

Our Office worked with KPMG LLP, appointed auditor for SASF, SCIC, and Crop Reinsurance Fund of Saskatchewan and Meyers Norris Penny LLP, appointed auditor for ACS, Thomson Meats Ltd., and Pension Plan for the Employees of Thomson Meats Ltd. For these agencies, we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). For the related agency, our Office and its appointed auditor formed the opinions below.

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[2] See Ministry website at www.agriculture.gov.sk.ca (26 September 2008).
[3] http://finance.gov.sk.ca/paccts/paccts08/compendium/compintro.htm (26 September 2008).

In our opinion for the year ended on or before March 31, 2008:

♦ **the Ministry and its agencies had adequate rules and procedures to safeguard public resources except for matters reported in this chapter**

♦ **the Ministry 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 matters reported in this chapter**

♦ **the financial statements of the Ministry's agencies are reliable except we have not completed the audits of Milk Control Board's or Pastures Revolving Fund's financial statements**

Unauthorized transfer of the Provincial Dairy Laboratory

The Ministry of Agriculture transferred the responsibility to operate the Provincial Dairy Laboratory (Dairy Lab) from the Ministry to the Milk Control Board without legislative authority. The Board has operated the Dairy Lab without the necessary authority since the transfer.

Under *The Animal Products Act* and related regulations, the Ministry is responsible for public health related to animal products (e.g., quality of milk supply). The Ministry established the Dairy Lab to carry out this responsibility. The Dairy Lab provides regulatory inspection and licensing services, as well as administration and enforcement of dairy regulations.[4] It also provides milk quality testing for producers and processors and milk composition analysis for the Milk Control Board.

In April 2006, the Ministry transferred the Dairy Lab operations, together with all related assets and staff, to the Board. The Board does not have authority under *The Milk Control Act, 1992* to protect public health or to regulate milk quality. The Board advised the Ministry that it lacked the necessary authority to operate the Dairy Lab. But, the Ministry said that it

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[4] Relevant dairy regulations made under *The Animal Products Act* are *The Dairy Producer Regulations, 1995*; *The Dairy Manufacturing Plant Regulations*; *The Dairy Product Grading Regulations*; and *The Milk Transportation Regulations*. Relevant dairy regulations made under *The Public Health Act* are *The Milk Pasteurization Regulations*. The Minister of Health is assigned responsibility for this Act.

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would work with the Board and dairy industry to seek changes to the regulatory framework under which the Dairy Lab operates to provide the necessary authority. Based on this understanding, the Board operated the Lab.

At October 1, 2008, the related legislation has not changed. Consequently, the Board spent about $600,000 from April 1, 2006 to December 31, 2007 on the Dairy Lab's activities without authority.

Under the current legislation, the Ministry does not have the power to delegate or transfer its responsibilities related to the Dairy Lab. If the Ministry wants to transfer the Dairy Lab to another agency, it must seek changes to the applicable legislation. Otherwise, it should resume operating the Dairy Lab directly.

1.   **We recommend the Ministry of Agriculture comply with the law or seek changes to the law to allow the transfer of its regulatory responsibilities carried out by the Provincial Dairy Laboratory to another agency.**

Milk Control Board

Background

The Milk Control Board (Board) regulates the production, supply, pricing, and sale of milk. Working with producers, processors, consumers, and Government, the Board provides producers with the opportunity to obtain a fair return while providing consumers with an adequate supply of high quality dairy products at reasonable prices.[5]

As noted above, the Board has operated the Provincial Dairy Lab without the necessary authority since the transfer from the Ministry.

Better understanding of accounting standards required

Staff need a better understanding of generally accepted accounting principles (GAAP) to ensure they prepare accurate and reliable financial statements.

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[5] Government of Saskatchewan, 2006 Annual Report, Saskatchewan Milk Control Board, p. 3.

The Board must prepare financial statements in accordance with GAAP. Staff need sufficient knowledge and understanding of GAAP to prepare GAAP financial statements. Also, the Board needs a sufficient understanding of GAAP to oversee the preparation of accurate and reliable financial statements.

During the audit, we noted staff had difficulties preparing financial statements and addressing accounting issues.

2. **We recommend the Milk Control Board provide its staff with support and training to increase their understanding of accounting standards.**

Saskatchewan Crop Insurance Corporation

Background

The Saskatchewan Crop Insurance Corporation (SCIC) administers a crop insurance program for crop losses due to weather-related and other natural perils. The program guarantees a minimum crop yield and quality of grain to agricultural producers, subject to specific insurance decisions made by each producer. Crop producers and the Governments of Saskatchewan (Saskatchewan) and Canada (Canada) pay for this program in accordance with the Canada-Saskatchewan Implementation Agreement. In the 2007 crop year, SCIC insured 25.8 million seeded acres involving 27,146 contracts.[6]

SCIC's 2008 Annual Report includes its audited financial statements.[7] Those financial statements report that in 2007-08, SCIC had revenues of $210.2 million, expenses of $170.1 million and total assets of $275.2 million.

SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Fund). SCIC pays to the Fund a portion of its total premium revenue. In return, the Fund pays SCIC a certain percentage of the losses when SCIC losses exceed amounts described in the Agreement. In 2007-08,

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[6] Government of Saskatchewan, 07-08 Annual Report, Saskatchewan Crop Insurance Corporation, pp 3-5.
[7] Available at www.saskcropinsurance.com.

the Fund had revenue of $42.4 million and an accumulated deficit of $72.3 million.

Premium rate process needs strengthening

In our 2007 Report – Volume 3, we reported the results of our audit of SCIC's processes to set premium rates that comply with the *Canada-Saskatchewan Implementation Agreement* and *The Crop Insurance Act*. We recommended that:

♦   Saskatchewan Crop Insurance Corporation document and approve all its procedures for calculating premium rates
♦   Saskatchewan Crop Insurance Corporation establish and document procedures to check the accuracy of data and formulas used to calculate premium rates
♦   the Board of Directors of Saskatchewan Crop Insurance Corporation approve an internal auditor plan that includes follow-up of the internal auditor's recommendations

On June 16, 2008, the Standing Committee on Public Accounts agreed with our recommendation.

As part of our audit for the year ended March 31, 2008, we asked management for an explanation of significant changes in annual revenues and expenses. In analyzing the increase in premium revenue, management determined it had overbilled producers, the Ministry (General Revenue Fund), and Canada by $500,000. SCIC has corrected the rates and plans to refund the overbilled amount.

SCIC has not implemented the recommendations. Management told us it plans to document and approve all its procedures for calculating premium rates. Also, it plans to establish and document procedures to check the accuracy of data and formulas used to calculate premium rates. Management also told us that the Board of Directors, in June 2008, approved the internal auditor's plan which includes following up on the internal auditor's recommendations to verify that they have been properly addressed.

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Better processes required over its computer systems

SCIC needs better processes over making changes to its computer systems used to calculate insurance premiums and pay out insurance claims. SCIC also needs to control access to its computer systems and data.

To consistently make computer changes properly, agencies document, test, and approve changes before use. Agencies also determine the access staff require to computer systems and data and monitor that the access remains appropriate.

SCIC has documented some procedures for making changes to its computer systems. However, employees do not always follow these procedures. Employees do not always document the computer systems changes, obtain the approval for the change, and independently test the change to ensure it works properly before it is used.

SCIC has documented some procedures for assigning staff access to computer systems and data and for monitoring the access. However, SCIC does not perform a regular review of changes made by those employees who have complete access to the computer systems and all data. Also, for those employees, SCIC does not monitor that they regularly change their passwords. For some of its users, there is no unique identifier[8] to know which user made the change or accessed the computer systems and data. Also, even though SCIC requires its users to sign a security form indicating that they are aware of the security requirements and agree to follow them, not all employees have signed the forms.

Without adequate processes over changes and access to its computer systems, there is an increased risk of incorrect premiums and claim payments. Also, there is an increased risk that data is not properly secured and personal information may be lost.

3. **We recommend the Saskatchewan Crop Insurance Corporation establish adequate processes for making changes to its computer system.**

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[8] A unique identifier is usually a number that exists only once thus uniquely identifying an entry into the computer system.

> 4. **We recommend the Saskatchewan Crop Insurance Corporation establish adequate processes to grant and monitor employee access to its computer systems and data.**

Pastures Revolving Fund

Background

The Pastures Revolving Fund establishes, operates, manages, and maintains pastures, and provides programs and services related to pasture and livestock management and to developing, protecting, and promoting the environmental, social, and economic use of pastures.[9]

For the year ended March 31, 2008, the Fund had revenues of $7.6 million, expenses of $7.6 million and total assets of $4.1 million

Financial reporting needs improvement

The Ministry of Agriculture did not follow its established policies and procedures when it prepared the Pastures Revolving Fund's 2008 annual financial statements.

In 2008, the Ministry improved control with written policies and procedures for maintaining the Fund's accounting records and preparing annual financial statements. The process requires a review of the financial statements that is independent of their preparation. This step is essential as it helps to ensure that staff follow expected processes and allows management to take appropriate action before the statements are submitted for audit.

During the audit, we noted that the Ministry did not follow these procedures. For example, the Ministry maintains accurate records of the Fund's capital asset transactions and the supplies inventory held at each of the Fund's 56 pastures. However, management responsible for preparing the Fund's financial statements did not review this information or use it to prepare the annual financial statements. The financial statements submitted for audit contained several errors related to capital assets and supplies inventory.

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[9] Government of Saskatchewan, *Pastures Revolving Fund Financial Statements*.

Management needs to carefully review the Fund's accounts and supporting working papers when preparing the Fund's draft financial statements. When management identifies errors made or processes not followed, it should take corrective steps. Such steps may include providing staff with additional direction and training or support.

5. **We recommend the Ministry of Agriculture follow its established policies and procedures when preparing the Pastures Revolving Fund's financial statements.**

Succession management—a follow-up

Background

Succession management refers to processes that help agencies plan how to have enough of the right employees to achieve their objectives. It requires agencies to project the skills required and estimate the supply of such skills in the future. Sometimes agencies must find alternatives or risk not being able to meet their objectives.

The Ministry has about 600 employees.[10] The Ministry's main objectives relate to sustainable agriculture production and processing.[11] In general, its objectives include food safety, diversifying agricultural products, environmental stewardship, and increasing the total value of goods and services produced by the agriculture and food industries. To be effective, the Ministry needs employees with technical skills that will help to reduce risks for the agricultural industry.

In our 2006 Report – Volume 3 (Chapter 11), we concluded that at June 30, 2006, the Ministry of Agriculture had adequate systems for succession management except for the processes it used to analyze the impact of workforce gaps on its ability to achieve its objectives. We recommended that the Ministry analyze the impact of anticipated workforce competency gaps on its capacity to achieve its objectives. On May 8, 2007, the Standing Committee on Public Accounts agreed with our recommendation.

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[10] Based on February 2008 statistics of the Ministry of Agriculture and the Public Service Commission. Number includes full-time, part-time, labour-service, and term appointments.
[11] Government of Saskatchewan. *Agriculture Ministry Overview, Goals and Objectives*. www.agriculture.gov.sk.ca (09 October 2008).

As of September 30, 2008, the Ministry has implemented this audit recommendation. Below we set out the Ministry's key actions to implement this recommendation. Human resource processes used by the Ministry's management include working with the Public Service Commission (PSC) in key areas.[12]

Analyzing the impact of competency gaps on objectives

The Ministry now monitors the specific skills and occupational groups most closely related to its risks and its capacity to achieve its objectives.

PSC's 2007-08 *Human Resource Planning Guidelines* directs ministries to project the competencies they require over the next five years to achieve their objectives and mandate. Using information obtained from PSC, the Ministry projected its need for technical skills related to its risks and objectives.

The Ministry identified 21 occupational groups with skills important to achieving its objectives that are difficult to recruit and retain. The Ministry analyzed the proportion of employees projected to retire by work area. It found, for example, that 66% of its farm stress-line employees and 33% of its agri-business specialists could retire by 2010. By analyzing projected retirements by occupational groups, the Ministry projected the dates when shortages of critical technical skills would be most severe.

The Ministry found that three of its branches could face a serious shortage of technical skills by about 2010 (i.e., irrigation, crop and livestock development). It identified nine critical technical skills in short supply within the Ministry and in the agriculture and other sectors. Its most critical workforce shortages relate to civil engineering, insect and pest management, irrigation and water resource technology, and plant diseases. For example, the Ministry employs staff where there are as few as four similar specialists across Canada. With few potential replacements, the Ministry is considering alternative ways to achieve its strategic direction. Such analysis strengthens the Ministry's capacity to find solutions before workforce shortages prevent the Ministry from achieving its objectives.

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[12] In late 2007, the Government centralized human resource services for ministries (including responsibility for succession management) within the Public Service Commission.

Pesticide regulation—a follow-up

Background

The Ministry of Agriculture is responsible for regulating the sale, use, storage, transportation, and disposal of registered pesticides in both agricultural and non-agricultural settings.

In our 2007 Report – Volume 1 (Chapter 2), we concluded that for the 12-month period ending January 31, 2007, the Ministry had adequate pesticide regulation processes except it had 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. We made two recommendations set out in italics below. On June 16, 2008, the Standing Committee on Public Accounts agreed with our recommendations.

At September 30, 2008, the Ministry has made progress towards addressing these recommendations but more work remains.

The next section explains our recommendations and highlights the progress the Ministry has made towards implementing them.

Risk identification and analysis

In our 2007 audit, we noted that without assessing and documenting identified risks, the Ministry's inspection activities may not be sufficient to detect non-compliance with pesticide control laws and reduce the related risk of human or environmental harm. We said the Ministry needed to analyze the risks associated with monitoring and enforcing compliance with pesticide control laws, prioritize those risks, and document the strategy to address those risks.

We recommended that the Ministry:
♦ *formally analyze the risks that licensees and exempt persons are not following pesticide control laws*
♦ *document its strategy to address identified risks associated with monitoring and enforcing compliance with pesticide control laws*

In 2008, the Ministry's Regulatory Services Unit (Unit) took training related to enterprise risk management. This training covered the

principles of identifying risks, analyzing risks, and using assessments to design suitable action plans.

The Unit used this training to initiate a risk identification process during its strategic planning sessions as well as at its mid-year meeting. At these meetings, the Unit identified some risks, ranked them by probability of occurrence and severity of impact, and started to develop a preliminary plan to address these risks. However, more work is required. The Unit needs to complete a comprehensive identification of risks that may result from non-compliance with pesticide laws in each of the major categories that the Ministry regulates, i.e., sales, use, storage, transportation, and disposal. For each category, the Unit needs to identify the risks that are related to the particular products, locations, and circumstances involving pesticides that pose a threat to human health and the environment (i.e., land, air, and water). The Unit also needs to document the risks identified.

While the Unit has assigned a priority ranking to the risks it has identified so far, it has not documented an analysis of each risk assessment that supports the conclusions reached. An important part of the analysis of each risk is to retain sufficient documentation as a record of the reasons for each assessment. The Unit needs to prepare adequate documentation of the analysis of each risk.

As part of the Unit's risk identification process, the Unit started to note some potential actions to mitigate areas of risk and has acted on some of them. For example, it is reviewing the pesticide control regulations to improve the regulatory framework and bring it up to date. As the Unit's risk identification and analysis becomes more robust, so should its documentation of the strategies it is designing to reduce those risks.

Board of Internal Economy

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Main points

Unlike most other public agencies, the Board of Internal Economy does not provide the Legislative Assembly with an annual report on its performance. We think it should do so as the Board plays a key role in fostering public confidence in our parliamentary system of government. Also, during the year, the Board of Internal Economy did not do a timely review of its interim financial operations.

Introduction

Under The *Legislative Assembly and Executive Council Act, 2007*, the Board of Internal Economy (Board) is responsible for all matters of financial and administrative policy affecting the Legislative Assembly, its members, and Legislative Assembly Service (LAS).[1] The Act makes the Board responsible:

♦ to oversee generally the finances of the Legislative Assembly including its revenues, expenses, assets, and liabilities

♦ to review and approve the administrative, human resources, and management policies and systems of the LAS

♦ to advise on and give directions in relation to any matter that it considers necessary for the efficient and effective operation of the LAS

The Act also expects the Board to set out how and for what members are paid. It calls these directives.[2]

Through the LAS, the Board provides funding and support services to Members, the Legislative Assembly, and its committees.

Also, the LAS provides certain administrative services for the Offices of the Ombudsman, the Children's Advocate, the Information and Privacy Commissioner, the Conflict of Interest Commissioner, and the Office of the Chief Electoral Officer.

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[1] The Legislative Assembly Service is defined by section 70, The *Legislative Assembly and Executive Council Act, 2007.* This also is referred to as the "Office of the Legislative Assembly"
.[2] The Board's directives are publicly available at www.legassembly.sk.ca/legassembly/Docs/BOIE_Directives_04012008.pdf. (October 9, 2008)

Financial overview

The following is a list of major programs and spending of the Legislative Assembly:[3]

	Original Estimates	Actual
	(millions of dollars)	
Payments and Allowances to individual members	$ 11.6	$ 12.3
Legislative Assembly Services	4.1	3.8
Central Management and Services	3.3	3.2
Caucus Operations	1.7	1.8
Committees of the Assembly	0.4	0.3
	$ 21.1	$ 21.4

Audit conclusions and findings

In our opinion for the year ended March 31, 2008:

♦ **the Board had adequate rules and procedures to safeguard public resources except for matters reported in this chapter**

♦ **the Board complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for matters reported in this chapter**

Timely review of financial reports needed

The Board does not receive or review interim financial results on a timely basis.

During 2007-08, management prepared financial reports each quarter. These reports compared planned results with actual results and forecast to the end of the year, and they explained significant differences. The Board did not receive any of these reports until February 2008 (i.e., one

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[3] For further information, see Public Accounts 2007-08: Volume 2: Details of Revenue and Expenditure (www.gov.sk.ca/finance/paccts).

month before its year-end). Because it did not review its interim financial operations on a timely basis, the Board did not oversee the finances of the Assembly throughout the year.

1.   **We recommend that the Board of Internal Economy receive and review the Legislative Assembly's interim financial reports in a timely manner.**

Annual report needed

Since 1998, we have reported that the Board does not prepare an annual report on its performance for the Legislative Assembly.

Sound annual reports provide concise information about the performance of an agency. They include the following information:

♦   what the agency is all about

♦   how the agency is managing its key risks

♦   how successful the agency has been in achieving its goals and objectives (that is, what it has done and where it is now)

♦   what it plans to do

Annual reports should be written clearly and available promptly after an agency's year-end.

Starting in 2007-08, the LAS prepared mid-year and end-of-the-year progress reports on the priorities of the LAS for the Board's review and approval. These reports provide some of the information expected in an annual report. However, the Board does not submit these reports to the Assembly or make them publicly available.

Also, although not specifically required, we note that *The Legislative Assembly and Executive Council Act* encourages the Board to report to the Assembly on its responsibilities.[4] The Board plays a key role in fostering public confidence in our parliamentary system of government. An annual report would contribute to public confidence.

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[4] Section 68 of the Act sets out the Board's responsibilities. Subsection 68 (3) states "If the board considers it desirable, it may report to the Legislative Assembly on any of the matters mentioned in this section."

We continue to recommend that the Board of Internal Economy prepare an annual report on its performance and provide the report to the Legislative Assembly.

Business continuity plan needs improvement

Since 2005, we have reported that the Board needs to complete its business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster.

In prior years, the Board made some progress but more work remains. The Board has identified its vital services including operating the Legislative Assembly. However, the Board needs to clearly prioritize its services, test the plan, and improve documentation of its procedures for implementing, coordinating, and maintaining the plan. The Board has identified completion of its business continuity plan as a priority for the 2008-09 fiscal year.

We continue to recommend that the Board of Internal Economy complete and test its business continuity plan.

Education

Main points

The Ministry of Education (Ministry) needs to properly segregate the duties of its employees for payments made to the Teachers' Superannuation Commission (Commission). Also, the Ministry needs to ensure that the payments made to the Commission are properly supported.

The Ministry should sign a shared service agreement with the Ministry of Advanced Education, Employment and Labour so that both Ministries understand their respective roles and responsibilities.

The Ministry should follow its procedures for ensuring only authorized staff have access to its computer systems and data. Also, the Ministry needs to monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.

We also report the results of our work on the Ministry's payment processes for Education Technology Consortium projects. The Ministry did not have proper authority to make payments of approximately $17 million for these projects. In addition, there was inadequate monitoring and reporting on these payment processes. The Ministry has revised its practices to ensure payments for these projects follow the Ministry's normal approval and payment processes.

Introduction

In November 2007, the Government restructured the former Department of Learning into the Ministry of Education (Ministry).

The Ministry provides direction for Prekindergarten – Grade 12 education. As well, the Ministry is to provide leadership to the early learning and child care, literacy, and library sectors. These supports are intended to be an investment in student achievement and the well-being of all Saskatchewan children and youth, and the enhancement of literacy for all Saskatchewan people[1].

The Ministry's responsibilities are set out primarily in *The Education Act, 1995, The Child Care Act*, and *The Public Libraries Act*, *1996*.

Related special purpose funds and agencies

At March 31, 2008, the Ministry was responsible for the following special purpose funds and agencies:

	Year-end
Technology Supported Learning Revolving Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
Teachers' Superannuation Commission	June 30

Financial overview

As set out in the table below, the Ministry spent over $1.3 billion in 2007-08.

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[1] *Ministry of Education, 2007-2008 Annual Report*, pg. 4.

Table 1

	Estimates 2007-08[2]	Actual 2007-08
	(in millions of dollars)	
Central Management and Services	$ 13.4	$ 13.6
Pre-K -12 Education	626.9	649.4
Early Learning and Child Care	41.3	43.0
Curriculum and E-Learning	5.9	6.0
Literacy	3.1	3.1
Provincial Library	9.6	9.8
Education Property Tax Relief	107.9	122.5
Teachers' Pensions and Benefits	135.8	456.5[3]
Capital Asset Amortization	1.1	1.1
	$ 945.0	$ 1,305.0

In 2007-08, the Ministry had revenues of $10.5 million of which 90% came from the Federal Government primarily for Federal-Provincial Cost Sharing programs.

The Ministry's *2007-08 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (www.learning.gov.sk.ca).

Audit conclusions and findings

Chapter 16 of our 2007 Report – Volume 3 reported our interim audit findings for our audit of the Ministry for the year ended March 31, 2007. At the date of that report, we were still examining the payment processes for the Education Technology Consortium projects. Our work on those projects is now complete. We provide the results of our work on these projects under the heading "Management of grants to school divisions."

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[2] Saskatchewan Finance, *2007-2008 Saskatchewan Estimates.* The Estimates total does not include the additional $50 million authorized through the *Saskatchewan Supplementary Estimates* for Education (Vote 5).
[3] Actual Teachers' pensions and benefits number is restated to include $345 million of unrecorded pension costs (see details later in this chapter).

In our opinion, for the fiscal year ended on March 31, 2008:

♦   **the Ministry and the above-listed funds had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦   **the Ministry complied with authorities governing its and the above listed funds activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦   **the 2008 financial statements of the above listed funds are reliable**

The results of the 2008 audit of the Teachers' Superannuation Commission (Commission) are not included in the chapter. We have not completed this audit because the Commission has not yet finalized its financial statements.

The chapter also provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Management of grants to school divisions

This section reports the background and results of our work on the Ministry's payment processes for the Education Technology Consortium (Consortium) projects.

The Consortium was a partnership among Saskatchewan educational organizations to lead the use of technology to achieve the goals of K-12 public education in Saskatchewan. The partners included the Saskatchewan Association of School Business Officials, Saskatchewan League of Educational Administrators, Directors and Superintendents of school divisions, the Department of Learning, Saskatchewan School Boards Association, and the Saskatchewan Teachers Federation. The Consortium provided advice to the Ministry regarding policy for e-learning and technology in K-12 education.

The Consortium was comprised of one representative of each of the partner organizations. The Ministry provided staff to the Consortium for administration of the Consortium projects.

Beginning in fiscal year 2000-01, the Ministry paid certain school divisions for Education Technology Consortium (ETC) projects to help foster electronic learning in schools. The Ministry made these payments through the appropriation for school operating grants to the school divisions. Although school operating grants to school divisions are unconditional, a portion of the school operating grant was to be used for ETC projects. In effect, the money received by school divisions for ETC projects was to be held "in trust" for the Consortium projects.

School divisions selected for managing the money for Consortium projects received a letter informing them when they would receive the money and the amount they could recoup for administration and overhead costs. An attached letter of understanding set out the responsibilities of the school division and the Consortium. Consortium staff were to approve all orders and invoices for Consortium projects and to direct the school division to make the payment out of ETC money held "in trust".

From 2000-01 to 2006-07, the Ministry made "in trust" ETC payments to school divisions of approximately $17 million or about $2.4 million per year.

In 2005, because of staff changes, the Ministry became aware of inappropriate management of ETC payments and began an investigation into the practices for managing these funds. The ETC projects were managed separately from the Ministry's normal approval and payment procedures. The Ministry records transactions using the MIDAS system. The Consortium staff generally recorded transactions using QuickBooks accounting software.

The Ministry also hired an accounting firm to examine its records for evidence of misappropriation of funds. The accounting firm examined over 1,000 transactions and reported that the records of the Consortium were not organized and there was no consistent system of filing. There were a few transactions for which it was unable to find support, but the firm did not find any evidence of misappropriation in the records it

examined at the Ministry. However, the accounting firm was unable to determine if any money had been misappropriated because it did not examine any of the documentation maintained by the school divisions that made the actual payments to suppliers.

The Ministry of Finance (Finance) reviewed the work carried out by the Ministry to investigate the management of ETC projects from 2000 to 2007 and the reports of the accounting firm hired by the Ministry to examine its records for misappropriation of funds. Finance did not examine any of the documentation maintained by school divisions.

Both the Ministry and Finance provided the results of their investigation and review to our Office.

We reviewed the results of the work carried out by the Ministry and Finance and the reports of the accounting firm. However, we have not carried out a direct examination of the records because we have no authority to examine records of school divisions.

The results of the work carried out are as follows:

♦ there was no legislative authority under *The Education Act , 1995* for the Ministry of Education to make the "in trust" payments to school divisions
♦ project payments over $50,000 were not authorized by an Order in Council as required by *The Government Organization Act*
♦ there was inadequate monitoring and reporting for the Consortium projects
♦ there was inadequate segregation of duties of Consortium staff and inadequate support for expense claims
♦ some payments for Consortium projects were made in advance of services received
♦ we are unable to determine if any money had been misappropriated because we have no authority to examine records of school divisions

Beginning in 2005-06, the Ministry revised its practices to ensure payments for ETC projects follow its normal approval and payment procedures.

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Adequate segregation of duties needed

The Ministry needs to ensure there is adequate segregation of duties for its employees for payments made to the Teachers' Superannuation Commission.

Proper segregation of duties ensures that no one employee or group of employees is in a position to commit and conceal errors or fraud. A lack of segregation of duties increases the risk of loss of public money without ready detection.

During the audit, we found instances where employees used their authority to make requests for payments and approved the same payment. The Ministry needs to segregate these duties to reduce the risk of improper use of money.

1. **We recommend the Ministry of Education properly segregate the duties of its employees so that the same employees are not requesting and making payments to the Teachers' Superannuation Commission.**

Proper support for payments needed

The Ministry needs to ensure that the payments made to the Teachers' Superannuation Commission are properly supported.

The Ministry makes payments to the Commission to pay for the benefit plans the Commission administers. During the year, the Ministry paid the Commission $68 million for those benefit plans.

The Ministry made these payments without adequate support. The only support was the request for payment from the Commission. Support should include documentation supporting the calculation of amounts included on the request for payment. Lack of adequate support increases the risk that public money could be lost or misapplied without ready detection.

2. **We recommend the Ministry of Education receive and review proper support for the payments made to the Teachers' Superannuation Commission.**

Shared service agreement needed

The Ministry needs to sign a shared service agreement with the Ministry of Advanced Education, Employment and Labour.

The Ministry of Advanced Education, Employment and Labour provides various services to the Ministry. Such services include payment processing, revenue processing/cash handling, and support services.

The shared service agreement should be in place so that both Ministries understand their respective roles and responsibilities. Without this signed agreement, there is a risk that there may not be appropriate agreement on all matters and that specific needs may not be met.

3.   **We recommend the Ministry of Education sign a shared service agreement with the Ministry of Advanced Education, Employment and Labour.**

Monitoring of ITO security controls

The Information Technology Office (ITO) provides computers and network access to the Ministry. ITO is a custodian for the Ministry's computer systems and data. To know that its computer systems and data are secure, the Ministry needs to monitor and assess the security provided by ITO.

The Ministry did not ask for or receive adequate information about security from ITO. Moreover, we found ITO did not adequately configure, monitor, and update firewalls at the Ministry. Firewalls help to maintain security of the Ministry's systems and data.

As a result of these weaknesses, the Ministry's systems and data were at risk of inappropriate external access. In addition, because of the lack of adequate communication about security, the Ministry was not aware of the risk.

4.   **We recommend the Ministry of Education monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.**

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User access

In our 2007 Report – Volume 3, we recommended the Ministry follow its established procedures for managing user access to its computer systems and data. The Standing Committee on Public Accounts considered this matter in January 2008 and agreed with our recommendation.

The Ministry has adequate procedures for reviewing and removing user access to its computer systems and data. However, the Ministry did not follow its established procedures. During the audit, we reviewed access for all employees on the MIDAS[4] HR system. We found two employees where the Ministry had not removed access on a timely basis. We also found one employee had incompatible roles within the system. For the Student Data System[5], we found one employee where the Ministry had not removed access on a timely basis. For the Grants system[6], we found one employee had inappropriate access to the system.

We continue to recommend the Ministry of Education follow its established procedures for user access to its computer systems and data.

Reporting of incorrect pension costs

With the continued use of Treasury Board's accounting policies, the Ministry has not reported its costs of teachers' pensions properly.

The Ministry follows policies set by Treasury Board to prepare its financial plan (Estimates) and to account for its activities. In our audit report on the 2008 financial statements of the General Revenue Fund[7], we continue to report that Treasury Board does not use Canadian generally accepted accounting policies for the public sector to account for pension costs.

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[4] The government's centralized payroll and payment system is called the Multi-informational Database Applications System (MIDAS).
[5] The Student Data System allows the Ministry to monitor the enrolment and movement of students from kindergarten to Grade 12 across the province.
[6] The Grants system is used by the Ministry to calculate the school operating grants that are paid to school divisions.
[7] *Public Accounts 2007-08: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund]. pp. 33-34.

As a result, for the year ended March 31, 2008 the Ministry understates the amount of teachers' pension and benefit costs reported in its annual report by $345 million (2007 - understated by $235 million) and understates the amount it owes for teachers' pensions by $3.19 billion (2007 - $2.84 billion). We report this concern in our report on the Ministry of Finance.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter. [8]

Table 2

PAC REPORT YEAR[9]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Education (formerly the Department of Learning)		
1999	**CR60.** The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Canadian Institute of Chartered Accountants] CICA.	**Not implemented** (as at March 31, 2008). The Ministry is taking the lead on the project to have all school divisions comply with GAAP. The Ministry is targeting August 31, 2009 for all school divisions to be in compliance with GAAP. It continues to work with the school divisions to meet this target.
2005	PAC concurs: 13-1 that the Department of Learning should obtain from school divisions comparisons of planned and actual costs and timing by key stage for each approved project.	**Partially implemented** (as at October 31, 2005). We followed up this work in October 2005. We plan to do a second follow-up in 2009-10.

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[8] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

[9] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[9]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 13-2 that the Department of Learning should document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risks on approved capital projects.	**Partially implemented** (as at October 31, 2005). We followed up on this work in October 2005. We plan to do a second follow-up in 2009-10.
2007	PAC concurs: 3-1 that the Department of Learning's human resource plan should: - Quantify its human resource needs; - Provide details on human resource gap between actual and required resources; - Provide details on plans to implement the major strategies.	**Not implemented** (as at March 31, 2008). Management informed us that the 2008-2009 Human Resource Plan has been developed and is in the approval stages. Therefore, our office was unable to assess if improvements have been made to the plan.
2007	PAC concurs: 3-2 that the Department of Learning should sign a service level agreement with the Information Technology Office.	**Not implemented** (as at March 31, 2008). The Ministry continues to work with the Information Technology Office to establish a service level agreement.

Environment

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Main points

The Ministry of Environment needs to establish adequate processes and supervise staff. It should have adequate processes to:

♦ monitor agreements
♦ sign an adequate agreement with the Information Technology Office for information technology services
♦ develop an information technology plan
♦ secure its systems and data
♦ prepare a complete business continuity plan
♦ change lease rates and customer information
♦ define and document its compliance reporting needs

The Ministry also needs to supervise staff to ensure they follow the Ministry's policies and procedures for:

♦ billing, collecting, and recording lease, and forestry fees revenues promptly
♦ reviewing reconciliations of its bank recorded bank balances to the bank's records promptly
♦ segregating the duties of the employees responsible for disbursement or expenditure of public money
♦ preparing the amount owing to terminated employees
♦ preparing accurate and timely financial records and financial statements for the Fish and Wildlife Development Fund and the Commercial Revolving Fund

Introduction

The Ministry of Environment (Ministry) is responsible for managing, enhancing, and protecting the Province's natural and environmental resources and sustaining them for future generations.[1] Information about the Ministry is available on its website (www.environment.gov.sk.ca/).

For the year ended March 31, 2008, the Ministry's program costs were $168 million (2007 – $194 million) and its net capital acquisitions were $9 million. Also, the Ministry had revenue of $47 million (2007 – $52 million) from licences and permit fees for fishing, hunting, and forestry. It also collects non-refundable deposits on beverage containers. In addition, the Ministry raises revenue and incurs expenses through its funds listed on the next page.

Information about the Ministry's revenues and expenses appear in the Ministry's 2007-08 annual report, (see www.environment.gov.sk.ca). The Ministry's major programs and spending include:

	Original Estimates	Actual
	(Millions of dollars)	
Central Management and Services	$ 17	$ 16
Environmental Protection and Water Management	26	54
Forest Services	14	13
Fire Management and Forest Protection	84	58
Fish, Wildlife and Biodiversity	10	10
Compliance and Field Services	15	15
Planning and Risk Analysis	12	9
Other	5	6
	$ 183	$ 181

The Ministry is responsible for managing the following special purpose and revolving funds (funds) and Crown agencies:

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[1] Section 3 of *The Environmental Management and Protection Act, 2002.*

Year ended March 31
Commercial Revolving Fund (until November 21, 2007)
Fish and Wildlife Development Fund
Resource Protection and Development Revolving Fund
Operator Certification Board
Saskatchewan Watershed Authority
Water Appeal Board

After November 21, 2007, the Commercial Revolving Fund became the responsibility of the Ministry of Tourism, Parks, Culture, and Sport. However, the Ministry of Environment continues to provide day-to-day administration of the Commercial Revolving Fund.

On April 1, 2007, the assets and liabilities of the Resource Protection and Development Revolving Fund became the responsibility of the Ministry. On May 14, 2008, *The Natural Resources Act* wound up the Revolving Fund.

Audit conclusions and findings

We worked with Deloitte & Touche LLP, the appointed auditor for the Saskatchewan Watershed Authority, and Mintz & Wallace, the appointed auditor for the Operator Certification Board, to form our opinions. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the following opinions.

In our opinion, for the year ended March 31, 2008:

♦ **the Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **the Ministry 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 described in this chapter**

♦ **the financial statements of the Ministry's agencies are reliable**

The Ministry needs to do more to supervise staff and establish adequate processes to safeguard public resources.

Supervision of staff needed

Since our 2005 Report – Volume 1, we have recommended that the Ministry clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies. The Standing Committee on Public Accounts (PAC) considered this matter in June 2005 and agreed with our recommendation.

The Ministry has various operating policies and procedures manuals that provide guidance to its employees. The manuals include direction to employees for initiating and processing payments and reconciling revenue billings and payment records to the accounting records. The Ministry also provides training to employees on the importance of following established policies and procedures. However, employees did not always follow those policies and procedures. It is important that supervisors ensure employees follow policies and procedures. The following are instances where supervision was lacking.

Need to follow revenue guidance

The Ministry has written guidance for billing, collecting, and recording revenue from land leases, and forestry fees.

The Ministry generally bills customers for leases between May and August. However, in 2007-08 it did not bill customers until March 2008. Many of the customers are long standing customers that made payments during the year based on their own estimates of lease fees. The Ministry did not record the customers' payments received to the customers' accounts, it instead recorded the payments as unearned revenue. When the Ministry finally did bill customers, it did so correctly. However, the customers' accounts were overstated because the customers' accounts did not show the amounts that customers already paid in advance for their leases. At March 31, 2008, the Commercial Revolving Fund's and the Fish and Wildlife Development Fund's (FWDF) annual financial

statements presented for audit overstated amounts owed by customers by $350,000 and $16,000, respectively.

Through the FWDF, the Ministry has made agreements with agencies that have similar objectives of protecting wildlife habitat. The Ministry buys land and land easements with these agencies for protecting wildlife habitat. Within these agreements, the FWDF is entitled to its share in any revenue collected from jointly owned land in proportion to its ownership. Revenue could come from leasing the land for grazing and haying. The Ministry told us the revenue earned on jointly owned land is insignificant. However, it also told us it does not know the extent of revenue earned on jointly owned land nor has it received any revenue from joint owned lands. The Ministry's processes require it to bill, record, and collect these revenues.

The Ministry requires forestry companies to submit monthly returns and pay forestry fees based on an estimated volume of trees delivered. It also requires the companies to submit an annual return reconciling the estimated volume to the actual volume of trees delivered. This annual return helps determine the total fees for the year. However, the companies do not remit any remaining fees owing until the Ministry verifies the annual returns. The Ministry has not verified the annual returns for all the companies for the year ended March 31, 2007.

When staff do not follow the Ministry's revenue procedures, the Ministry is at risk of a loss of public money.

1. **We recommend the Ministry of Environment supervise its employees to ensure they follow the Ministry's policies and procedures for billing, collecting, and recording lease and forestry fee revenues promptly.**

Management told us it has signed new agreements with agencies that have similar objectives of protecting wildlife habitat, which include a provision of tracking and reporting revenues. Management also told us it was unable to ensure the receipt and verification of all forestry returns because of staff turnover.

Segregation of duties

Since our 2005 Report – Volume 1, we have recommended that the Ministry properly segregate the duties of the employees responsible for disbursement or expenditure of public money. PAC considered this matter in June 2005 and agreed with our recommendation.

Proper segregation of duties ensures that no one employee or group of employees is in a position to commit and conceal errors and fraud. Segregation of duties is important to prevent the misuse of public money.

The Ministry has established policies setting out proper segregation of duties for processing payments. It has also provided training to its employees about its policies. However, employees did not always follow the policies resulting in a lack of segregation of duties.

During the year, the Ministry's internal auditor reported to senior management that employees do not always comply with the segregation of duties policies for processing payments. For example, employees did not always obtain approved purchase orders before the purchase of goods/services and some payments lacked proper approval.

Also, the computer system the Ministry uses allows the same employee to enter and approve payments. Some of these employees are also set up as valid vendors for the purposes of travel advances. Management told us in October 2008 that it is now working with the Ministry of Finance to fix this segregation of duties concern.

We continue to recommend the Ministry of Environment properly segregate the duties of the employees responsible for disbursement or expenditure of public money.

Need to supervise reconciliations of bank accounts

Since our 2004 Report – Volume 3, we have recommended that the Ministry follow its rules and procedures to reconcile (agree) its recorded bank balances to the bank's records promptly. In January 2005, PAC considered this matter and agreed with our recommendation.

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Regular reconciliation and review of recorded bank balances to bank records provides a check that all charges to the bank accounts are proper, the Ministry receives all the money, and deposits it in the right bank account.

The Ministry established a policy to reconcile its recorded bank balances to the bank's records promptly. The Ministry is reconciling its bank balances to the bank records promptly. The policy also requires a review and approval of completed bank reconciliations independent of their preparation. However, there were some instances where there was a lack of evidence of a supervisor's review and approval of the Ministry's bank reconciliations.

2.   **We recommend the Ministry of Environment supervise its employees to ensure they follow the Ministry's policies and procedures for reviewing the reconciliation of its recorded bank balances to the bank's records promptly.**

Need to follow payroll guidance

The Ministry has established written guidance for reviewing and approving payroll for new hires and for terminations of staff. However, staff are not following this guidance.

During the year, the supervisors did not always submit staff termination notices to the payroll department prior to calculating final pay. As a result, the Ministry overpaid terminated employees $16,000. These overpayments resulted from terminated staff owing amounts to the Ministry for such items as outstanding travel advances.

3.   **We recommend the Ministry of Environment supervise its employees to ensure they follow the Ministry's policies and procedures for preparing the amount owing to terminated employees.**

Need to follow guidance for preparing financial records and financial reports

The Ministry is responsible for administration of the Fish and Wildlife Development Fund (FWDF) and the Commercial Revolving Fund (CRF).

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It needs prompt and accurate financial reports. It needs to provide staff with adequate written guidance and direction for preparing financial records and financial reports promptly and accurately. The Ministry also needs to supervise staff to ensure they complete their duties.

The financial records and financial statements of the FWDF contained several errors. Many of the errors occurred because staff did not follow established guidance and because of a lack of supervision. For example, the Ministry provides guidance to staff on how to record capital asset purchases in the financial records. Staff did not follow this guidance. Both staff purchasing land and those recording the land purchases in the financial records did not effectively communicate with each other to ensure the proper recording of land purchases for FWDF. Supervisors did not review the work of staff to ensure the proper recording of land purchases. As result, FWDF's financial statements presented for audit understated capital assets including land by about $400,000. The Ministry corrected the financial statements for these amounts. The errors in the FWDF financial statements delayed their completion.

Due to the several errors in the financial records of the FWDF, the Ministry prepared inaccurate interim financial statements for the FWDF. Incorrect financial statements can result in inappropriate decisions by management.

The CRF's financial statements presented for audit contained errors. For example, the Ministry recorded $167,000 in capital asset purchases in the CRF, which belonged to the Ministry, not the CRF. The Ministry corrected the financial statements for these amounts.

4.   **We recommend the Ministry of Environment supervise its employees to ensure they follow the Ministry's policies and procedures for preparing accurate and timely financial records and financial statements for the Fish and Wildlife Development Fund and the Commercial Revolving Fund.**

Management told us preparation of accurate financial records and financial statements for the Fish and Wildlife Development Fund did not occur because of staff turnover.

Established processes needed

The Ministry needs to establish processes to guide staff.

Written guidance helps staff to do those activities required to meet the Ministry's goals and objectives. The following are some examples where the Ministry needs to establish processes.

Processes required for monitoring agreements

The Ministry does not have adequate processes for monitoring its agreements.

Agencies need written guidance to monitor their agreements. Guidance helps agencies ensure that the terms and conditions of the agreements are complied with. Guidance should include maintaining records of the agreements, amounts paid, owing, and committed. Without adequate written guidance there is a risk agencies will not receive what they are entitled to, will fail to do what they have agreed to do, and pay the incorrect amount for the goods/services.

During the year, the Ministry did not have an adequate record of its agreements. For example, the Ministry did not have a complete record of the agreements it administers including the amounts paid, owing, and amounts committed. Without such a record, it is difficult for staff to ensure correct amounts are paid. For the FWDF, it was not until July 2008 that staff prepared a complete record of FWDF's agreements. Also, staff did not monitor compliance with agreements. As a result, the Ministry staff prepared, reviewed, and approved a duplicate payment of $42,200 for the purchase of land easements. The Ministry's processes did not detect this overpayment. In the month following the second payment, the vendor notified the Ministry and refunded the second payment.

5.   **We recommend the Ministry of Environment establish processes to monitor compliance with its agreements.**

Adequate service level agreement needed

Beginning in 2006, the Information Technology Office (ITO) began providing information technology (IT) services that the Ministry's own

employees provided in the past. ITO billed the Ministry $4.6 million for the services it provided to the Ministry for the year ended March 31, 2008.

The Ministry operated throughout the year without a service level agreement. The Ministry did have a service charter that identified generally the services and service levels it was to receive from ITO. On April 1, 2008, it signed a service level agreement with ITO. The agreement, however, does not adequately address disaster recovery and the Ministry's ability to obtain assurance as to security of its information systems. As a result, the Ministry does not know whether ITO can restore the systems and data when needed in the event of a disaster and that the Ministry's data is secure. During the year, the Ministry did make a request and receive from ITO evidence that ITO had backed up three of the Ministry's financial systems and data.

6. **We recommend the Ministry of Environment sign an adequate agreement with the Information Technology Office for information technology services.**

Management told us it plans to develop an adequate disaster recovery plan with ITO.

Information technology processes needed

The Ministry needs to ensure it has strong security to protect its information technology (IT) systems and data. Without strong security processes, the Ministry cannot ensure the confidentiality, integrity, and availability of its systems and data. Also, management may not know if it has addressed all the threats and risks to the Ministry's security. An IT plan can help management do so.

The Ministry does not have a multi-year information technology (IT) plan that links to its strategic objectives. Nor has it prepared an annual IT operational plan. An operational plan would set out the Ministry's objectives and how it plans to meet its objectives. The Ministry needs these plans to ensure it has the resources it needs to address its objectives.

During the year, the Ministry agreed to have ITO provide information technology services. However, the Ministry remains responsible for its

systems and data. The Ministry did not obtain independent assurance regarding the security of its information. The Ministry received some reports from ITO. However, these reports provided limited information on availability of systems and about the confidentiality and integrity of the Ministry's information.

The Ministry also has not required adequate security measures over some data. The Ministry uses laptop computers that contain sensitive data. It has not adequately secured all laptops through measures such as encryption. The Ministry also accepts credit card payment for some fees, such as the Big Game Draw. It is required to comply with industry standards for credit cards as part of its agreement with its credit card service provider. The Ministry does not have processes to determine if it complies with these standards. A lack of compliance with the industry security standards increases the risk of unauthorized access to credit card information by others without ready detection. This could lead to a loss of public money, loss of reputation, and loss of the ability to process payments by credit card.

The Ministry should establish an IT plan and IT policies and procedures. Then it should communicate the approved IT plan, policies, and procedures to all employees.

7.   **We recommend the Ministry of Environment establish an adequate information technology plan.**

8.   **We recommend the Ministry of Environment establish adequate processes to secure its systems and data.**

Management told us that it is engaging a consultant to review its processes to ensure compliance with industry standards for credit cards in 2008-09.

Complete business continuity plan

In our 2006 Report – Volume 3, we recommended that the Ministry prepare a complete business continuity plan. PAC considered this matter in March 2007 and agreed with our recommendation.

The Ministry needs a written, tested, and approved business continuity plan to help ensure that it can deliver its programs and services in the event of a disaster.

The Ministry provides a number of environmental programs and services to the residents of Saskatchewan as part of its mandate. It must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Ministry is at risk of not being able to deliver its programs and services in a timely manner.

The Ministry does not have a complete and tested business continuity plan. However, it has ranked its critical services and begun developing procedures for the recovery and restoration of these critical services. The Ministry has contracted ITO to carry out its information technology services. It will need to ensure that its agreement with ITO supports its business continuity plan once completed.

We continue to recommend the Ministry of Environment prepare a complete business continuity plan.

Making changes to lease rates

The Ministry lacks guidance for staff making changes to lease rates and customer information maintained on its computer systems. There is no independent check that changes to the lease rates and customer information are correct. Also, the staff that make changes to lease rates and customer information also have access in the computer system to do billings. This deficiency increases the risk that the Ministry incorrectly bills customers.

9.   **We recommend the Ministry of Environment establish processes for changing lease rates and customer information on its computer systems.**

Improving compliance reporting

Since our 1998 Fall Report - Volume 2, we have recommended the Ministry define and document its compliance reporting needs for compliance with governing authorities.

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PAC considered this matter in January 1999 and agreed with our recommendation.

The Ministry has developed a compliance plan. It has prioritized its risks and has defined compliance actions to reduce these risks. However, the Ministry has not yet documented all of its compliance reporting needs. Management told us the Ministry continues to review all of its legislation to assess the risk of non-compliance and the Ministry's reporting needs.

We continue to recommend the Ministry define and document its compliance reporting needs.

Timely audited financial statements needed

The Ministry did not provide the Legislative Assembly the FWDF's audited financial statements in accordance with *The Tabling of Documents Act, 1991*.

The Natural Resources Act requires the Ministry to provide the Legislative Assembly a report on the business activities of the FWDF and its audited financial statements for the year ended March 31, 2008 by July 29, 2008. The Ministry provided the Legislative Assembly FWDF's March 31, 2008 audited financial statements on August 18, 2008.

10.   **We recommend the Ministry of Environment provide the Legislative Assembly with the Fish and Wildlife Development Fund's audited financial statements in accordance with the law.**

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and not reported elsewhere in this chapter. [2]

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[2] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

PAC REPORT YEAR[3]	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Watershed Authority (Cross-Government Infrastructure)		
2005	PAC concurs: 3-1 that the Saskatchewan Watershed Authority should obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years.	**Partially implemented** (as at September 30, 2007). We plan a follow-up for 2010.
2005	PAC concurs: 3-2 that the Saskatchewan Watershed Authority should have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner).	**Partially implemented** (as at September 30, 2007). We plan a follow-up for 2010.
2005	PAC concurs: 3-3 that the Saskatchewan Watershed Authority should set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.	**Partially implemented** (as at September 30, 2007). We plan a follow-up for 2010.
Ministry of Environment		
2005	PAC concurs: 7-5 that the Department of Environment should assess the risk of loss of public money by employees in positions of trust (responsible for collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).	**Partially implemented** (as at March 31, 2008). The Ministry and PSC have identified job positions that would need criminal record checks with the objective to receive all such checks over the next two years. We plan to report our assessment of their progress in a future report.

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[3] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[3]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Environment (Air Quality)		
2005	PAC concurs: 10-2 that the Department of Environment should set sound and consistent terms and conditions for permits to regulate air emissions.	**Partially implemented** (as at March 31, 2006). We plan to follow-up in 2009.
2005	PAC concurs: 10-3 that the Department of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.	**Partially implemented** (as at March 31, 2006). We plan to follow-up in 2009.
2005	PAC concurs: 10-4 that the Department of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.	**Partially implemented** (as at March 31, 2006). We plan to follow-up in 2009.
2005	PAC concurs: 10-5 that the Department of Environment should complete its human resource plan including a plan for employee training to regulate air emissions.	Partially Implemented (as at March 31, 2006) We plan to follow-up in 2009.
2005	PAC concurs: 10-6 that the Department of Environment should establish systems to collect and maintain information to prepare reliable reports.	**Not implemented** (as at March 31, 2006). We plan to follow-up in 2009.
2005	PAC concurs: 10-7 that the Department of Environment should improve its internal and external reporting on air emissions.	**Partially implemented** (as at March 31, 2006). We plan to follow-up in 2009.

Finance

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Finance

Main points

The General Revenue Fund (GRF) 2008 financial statements continue to contain significant errors. For example, the reported net debt of $5.95 billion should be $9.41 billion and the reported annual surplus of $641 million should be $853 million. These errors occur because Treasury Board continues to use inappropriate accounting policies to account for pension costs and to record transfers between the GRF, Fiscal Stabilization Fund, and Saskatchewan Infrastructure Fund.

As part of its activities, the Ministry of Finance administers various pension and benefits plans. Finance continues to need complete business continuity plans for its various activities to ensure it can provide critical services in the event of a disaster.

Finance administers the disability benefit program for judges on behalf of the Ministry of Justice and Attorney General without proper legislative authority. It paid about $330,000 of disability payments in 2007-08 out of the Judges of the Provincial Court Superannuation Plan's bank account without legislative authority. Furthermore, Finance does not keep complete financial records for this program or prepare financial statements. Finance and the Ministry of Justice and Attorney General have not determined the amount owing for this disability benefit program.

The Public Employees Pension Plan and the Saskatchewan Pension Annuity Fund hire investment managers to provide direction to their custodians to buy or sell investments. To make sure its accounting for investments for these plans are complete and accurate, Finance needs to improve its processes to compare the amounts recorded in its records to those reported by its custodians and its investment managers, and follow up differences.

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Introduction

This chapter provides an overview of the responsibilities of the Ministry of Finance (Finance). Also, it sets out:

♦ the results of our audit of the financial statements of the Government of Saskatchewan

♦ the results of our audits of Finance and its agencies for the year ended March 31, 2008

This chapter also provides an update on the status of recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Background

Treasury Board is responsible for setting accounting policies and approving the Summary Financial Statements and the General Revenue Fund (GRF) financial statements prior to their publication in the Public Accounts – Volume 1. Finance is responsible for the preparation of these statements in accordance with accounting policies set by Treasury Board. In addition, Finance is responsible for setting and using effective controls to permit the preparation of these financial statements.

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

♦ administering and collecting provincial taxes
♦ arranging government financing, banking, investing, and borrowing
♦ administering certain public sector pension and benefit plans
♦ receiving revenues from taxation and transfers
♦ controlling spending from the GRF
♦ maintaining ministry-wide revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (MIDAS Financials)

♦ providing information, advice, and analysis on:

– government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions relating to the GRF
– strategic policy development and analysis on matters related to public sector compensation and management of collective bargaining
– financial management and accounting
– annual performance planning, measuring, and reporting processes

Special purpose funds and Crown agencies

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the Fiscal Stabilization Fund and Saskatchewan Infrastructure Fund) provide the Legislative Assembly with audited financial statements; some also provide an annual report.[1]

Year ended March 31
Fiscal Stabilization Fund
General Revenue Fund (GRF)
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Infrastructure Fund
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

Year ended December 31
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission

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[1] Public Accounts – Volume 1 includes unaudited schedules of transfers and accumulated balances for the Fiscal Stabilization Fund and Saskatchewan Infrastructure Fund. These Funds are not required to prepare financial statements. In May 2008, *The Growth and Financial Security Act* disestablished these Funds and created the Growth and Financial Security Fund.

Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Supplementary Superannuation Plan
SGI Service Recognition Plan

Chapter 5 of our 2008 Report – Volume 1 contains the results of our audits of the agencies with years ended December 31, 2007.

Overview of the Ministry's finances

For the year ended March 31, 2008, Finance had revenues of $7.0 billion and spent about $0.9 billion. Major revenues are as follows.

	Original Estimates	Actual
	(millions of dollars)	
Taxes	$ 4,096.9	$ 4,725.3
Transfers from the Federal Government	1,100.8	1,397.3
Other own-source revenue	214.1	247.6
Transfers from government entities	583.2	641.8
	$ 5,995.0	$ 7,012.0

The following is a list of major programs and spending:

	Original Estimates	Actual
	(millions of dollars)	
Operations		
Revenue	$ 17.9	$ 18.0
Provincial Comptroller	9.1	7.6
Central management and services	7.1	6.6
Budget analysis	4.9	5.0
Treasury and debt management	2.9	2.5
Other	1.6	1.7
	43.5	41.4
Finance – servicing government debt	560.0	528.2
Public service pension and benefits[2]	243.8	327.9
Total spending	$ 847.3	$ 897.5

Finance's annual report sets out differences between actual and budgeted revenues and expenses and explains significant differences in expenses.

Audit conclusions and findings

We have not completed our audit work on Finance's treasury function; we will include the results of this work in a future report.

To form our opinion on the Public Employees Pension Plan, our Office worked with Meyers Norris Penny LLP, its appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[3]

In our opinion for the year ended March 31, 2008:

♦ **the Government's Summary Financial Statements included in the *Public Accounts, 2007-2008 Volume 1* are reliable**

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[2] Public service pension and benefits are estimated on a cash basis. Actual public service pension and benefits expense is restated from recorded balance $242.9 million to include $85.5 million of unrecorded pension costs (see details later in this chapter).
[3] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

- ♦ **the General Revenue Fund's financial statements included in the *Public Accounts, 2007-2008 Volume 1* are reliable except for not recording amounts owed for pensions and improper recording of transfers between the GRF and the Fiscal Stabilization Fund and the Saskatchewan Infrastructure Fund**

- ♦ **the financial statements of the other above-listed agencies with a March year-end are reliable**

- ♦ **Finance and its agencies with a March year-end had adequate rules and procedures to safeguard public resources except for matters reported in this chapter**

- ♦ **Finance and its agencies with a March year-end complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for matters reported in this chapter**

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2008, the Government approved, through orders in council, spending of $142 million; the Assembly later approved these amounts through an appropriation act.

Business continuity plan required

Finance needs to complete a business continuity plan. Since our 2005 Report – Volume 3, we have reported that Finance needs a written, tested, and approved business continuity plan to help ensure it can continue to provide services in the event of a disaster. The Standing Committee on Public Accounts (PAC) considered this matter on October 5, 2006 and concurred with our related recommendation. Exhibit 1 sets out the content of a sound business continuity plan.

Exhibit 1 – Content of a good business continuity plan

A good business continuity plan must:

♦ have management support including making the required resources available to create and maintain the business continuity plan

♦ be based on a threat and risk assessment including identifying and ranking PEBA's critical functions

♦ set out the 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 key programs and services

♦ be documented, approved by management, and easily accessible when the plan needs activation

♦ be tested initially and on an ongoing basis

♦ set out policies for ongoing maintenance and updating of the plan

Finance provides critical government services. These include controlling spending from GRF, managing the Government's debt, and collecting all revenues due to the GRF.

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

Finance assembled a business continuity team and analyzed its business functions. The analysis included a threat and risk assessment and identified its critical services and a vital records inventory. As well, Finance documented and tested a disaster recovery plan for its central payment system.

Finance has not completed its plan. It needs to document the steps for recovery and restoration of critical services and test the plan.

We continue to recommend that the Ministry of Finance complete its business continuity plan.

Control over disaster recovery of IT systems

Finance's service level agreement with the Information Technology Office continues not to adequately address the area of disaster recovery.

Since September 2005, Finance has used ITO to provide information technology (IT) services. Even though Finance uses ITO, Finance remains responsible to have adequate policies to support its IT requirements. PAC considered this matter on March 13, 2007 and concurred with our recommendation.

Finance's agreement with ITO sets out the scope, level, and quality of services ITO must provide. However, the agreement does not adequately address disaster recovery provisions for the on-going availability of key information technology services or Finance's disaster recovery processes, expectations, and reporting requirements.

In the case of a disaster, Finance does not know if ITO could restore its IT systems within the required timeframe.

We continue to recommend that the Ministry of Finance confirm in writing the processes and policies that the Information Technology Office uses to address its specific disaster recovery requirements and then identify and set up additional policies unique to the Ministry of Finance as necessary.

Human resource plan needs improvement

Since our 2006 Report – Volume 3, we have reported that Finance's human resources plan document does not have all the key components that comprise a comprehensive human resource plan. PAC considered this matter on March 13, 2007 and concurred with our recommendation.

Finance has identified its key risks and included a projection of future human resource needs for new and ongoing activities. However, the plan does not yet set out the financial resources Finance will need and when. Also, the Plan does not identify who is responsible to implement planned strategies.

We continue to recommend that the Ministry of Finance complete its human resource plan.

Annual pension costs not included in Estimates

Using the accrual method of accounting for pension costs is important so that reported expenses reflect the full cost of the Government's pension promises.

Since 1998, we have recommended that Finance include total estimated pension costs in the Estimates. In February 2002, PAC considered this matter and disagreed with our recommendation.

The effects of not including the GRF's total pension costs in the estimates are significant. In the 2007-2008 Estimates:

♦ the planned operating expenses of $7.8 billion and the planned surplus of $75.0 million are understated by estimated expenses of $380.0 million[4]

♦ the planned accumulated deficit of $4.2 billion is understated by $5.1 billion

Finance did not provide legislators with the effects on the 2008-2009 Estimates of accounting for pension costs on an accrual basis. It has disclosed that it expects its expenses for the year to increase by an additional $281.4 million to account for pension costs related to the GRF.[5]

We continue to recommend that the Estimates include the full cost of pensions.

General Revenue Fund

Background

The General Revenue Fund (GRF) was established under *The Financial Administration Act, 1993*. The Act sets out the scope of the financial activities of the GRF. The Government must deposit into the GRF all public money other than those over which the Legislative Assembly has no power of appropriation[6] and those otherwise specially disposed of by

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[4] *2007-2008 Saskatchewan Provincial Budget-Budget and Performance Plan Summary*, p.56.

[5] *2008-2009 Saskatchewan Provincial Budget-Budget and Performance Plan Summary*, p. 80.

[6] *The Financial Administration Act, 1993* (Act) defines appropriation to mean amounts: set out in an Appropriation Act, permitted or directed to be paid from GRF by this or any other Act, or approved through special warrants.

the Legislative Assembly (e.g., revenues of Crown corporations and agencies, special purpose funds, revolving funds). The Government must pay out of the GRF expenses and any loans, advances, or investments as permitted or required by law or by the vote of the Assembly.

Continued use of inappropriate accounting policies

Treasury Board does not use Canadian generally accepted accounting principles for the public sector (GAAP) to account for pension costs or to record transfers to and from the Fiscal Stabilization Fund and the Saskatchewan Infrastructure Fund when preparing the GRF financial statements.

It is important that governments use GAAP to prepare their financial statements. Using GAAP helps ensure the financial results are presented fairly and free from bias. It is not appropriate for governments to set accounting policies based on their own preferences.

Financial statements should reflect the costs of decisions made during the year. Because the Government uses inappropriate accounting policies, the GRF financial statements report net debt and annual surplus inaccurately. As exhibit 2 shows, if the Government had accounted for all transactions properly, the statements would have recorded net debt of $9.41 billion instead of $5.95 billion at March 31, 2008 and a surplus of $853 million instead of $641 million for the year ended March 31, 2008. Also, because the Government uses the GRF's annual surplus as one of its key performance indicators, users should consider the impact of the errors in the GRF financial statements.

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Exhibit 2

Line item on financial statements	Amount reported in statements	Amount that should be reported in statements	Difference Amount reported is: Overstated (too high) Understated (too low)	Reason for difference
Statement of Financial Position				
Total Financial Assets	$6.38 billion	$8.01 billion	$1.63 billion (understated)	Unrecorded "Due from Fiscal Stabilization Fund and Saskatchewan Infrastructure Fund"
Total Liabilities	$12.33 billion	$17.42 billion	$5.09 billion (understated)	Unrecorded pension debt
Net Debt	$5.95 billion	$9.41 billion	$3.46 billion (understated)	Net impact of not recording the above amounts
Accumulated Deficit	$3.36 billion	$6.82 billion	$3.46 billion (understated)	Net impact of not recording the above amounts
Statement of Operations				
Total Operating expense	$8.04 billion	$8.47 billion	$429 million (understated)	Unrecorded pension costs for current year
Transfer to the Fiscal Stabilization Fund expense	$641 million	$ ---	$641 million (overstated)	Inappropriately including transfer as an expense
Surplus	$641 million	$853 million	$212 million (understated)	Net impact of above errors on current year surplus

Because the errors significantly impair the usefulness of these financial statements, we have qualified our auditor's report on the GRF financial statements published in *Public Accounts 2007-2008 Volume 1*. "Qualified" audit reports are not normal and should cause concern for legislators and the public. Our audit report advises readers of the errors in the financial statements.

We continue to recommend that the General Revenue Fund's financial statements record pension costs and transfers in accordance with Canadian generally accepted accounting principles for the public sector. The Standing Committee on Public Accounts considered these matters in February 2002 and disagreed with our recommendation.

The following explains the errors in more detail.

Pension debts unrecorded

The Government, through the GRF, sponsors several large pension funds (e.g., Public Service Superannuation Plan, Teachers' Superannuation Plan). As the Government acknowledges in note 1 to the 2008 GRF

financial statements, Treasury Board has decided not to follow GAAP to account for its pension costs.

Rather, Treasury Board accounts for its pension costs in the GRF on a cash basis (i.e., only records amounts paid to retired members or contributed to a pension fund during the year).

The use of this inappropriate accounting policy results in inaccurate GRF financial statements because the Government fails to record the amounts it owes for pensions (debt) and the total annual costs of these pensions as required by GAAP. These statements do not record the total 2008 pension costs of $429 million and pension amounts owed at March 31, 2008 of $5.09 billion. As a result, the 2008 GRF financial statements overstate the annual surplus by $429 million and understate the accumulated deficit by $5.09 billion.

This inappropriate accounting policy also affects the accuracy of information reported in the annual reports of the two ministries that sponsor certain pension plans. The 2007-2008 annual report of the Ministry of Education will understate its actual expenses by $345 million and the 2007-2008 annual report of the Ministry of Finance will understate actual expenses by $85 million. The annual reports will not disclose the related pension debt of $3.19 billion for teacher's pensions and benefits (i.e., Education) or of $1.9 billion for primarily Ministry employees' pensions and benefits (i.e., Finance).

Inappropriate recording of transfers

The Government records transfers between the GRF and the Fiscal Stabilization Fund[7] and the Saskatchewan Infrastructure Fund[8] inappropriately. As the Government acknowledges in note 1 to the GRF's financial statements, Treasury Board has decided not to follow GAAP to account for its transfers between the GRF and these Funds.

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[7] *The Fiscal Stabilization Fund Act* established the Fiscal Stabilization Fund effective April 1, 2000. On May 14, 2008, *The Fiscal Stabilization Fund Act* was repealed by *The Growth and Financial Security Act* and the balance of the Fiscal Stabilization Fund was transferred to the Growth and Financial Security Fund.

[8] *The Infrastructure Fund Act* established the Saskatchewan Infrastructure Fund effective December 6, 2006. On May 14, 2008, *The Infrastructure Fund Act* was repealed by *The Growth and Financial Security Act* and the balance of the Saskatchewan Infrastructure Fund was transferred to the Growth and Financial Security Fund.

Treasury Board records transactions between the GRF and the Funds as revenue or expense of the GRF. Use of this policy enables the Government to change the GRF's annual surplus to another amount by recording transfers between the GRF and the Funds. The Government decides both the amount and timing of the transfers between the GRF and the Funds. Transfers between the GRF and these Funds have no impact on the overall finances of the Government.

The substance of the transactions between the GRF and these Funds is that the amounts that the GRF has paid or owes to the Funds must be repaid to the GRF. GAAP does not allow governments to record changes in the amounts owed from/due to or collected from/paid to the Funds as revenue or expense of the GRF.

The 2008 GRF financial statements inappropriately include a transfer to the Fiscal Stabilization Fund as an expense of $641 million. As a result, the 2008 GRF financial statements overstate the accumulated deficit by $1.6 billion and understate the annual surplus by $641 million.

Judges of the Provincial Court Superannuation Plan

Background

The Judges of the Provincial Court Superannuation Plan (Plan) was established under *The Provincial Court Act* and continues under *The Provincial Court Act, 1998*. Finance is responsible for the administration of the Plan.

The primary objective of the Plan is to provide pensions to judges who retire (superannuates) and to the dependants of deceased superannuates and judges in accordance with governing legislation. The Plan is a defined benefit final average pension plan.

In 2007-2008, the Plan had employee contributions of $0.4 million and $2.7 million in deficiency recoveries from the GRF. At March 31, 2008, the Plan held net assets of $19.2 million and had liabilities of $93.9 million, resulting in an unfunded liability of $74.7 million.

Finance also administers the disability benefits program for the judges on behalf of the Ministry of Justice and Attorney General.

Payments made without proper authority

Section 20 of *The Provincial Court Act, 1998* authorizes the disability benefit program and payments to be made out of the GRF. During 2007-08, Finance made disability payments of $331,198 out of the Judges of the Provincial Court Superannuation Plan's bank account without legislative authority.

The Judges of the Provincial Court Superannuation Plan's bank account is solely for holding money in trust for the registered pension plan. Section 32 of *The Provincial Court Act, 1998* specifically outlines the amounts that can be charged and paid out of the Plan. It does not include disability benefit payments for the disability benefit program.

At year-end, Finance had collected all the amounts owed to the Plan from the GRF to cover the disability benefit payments made from the Plan's bank account. However, Finance continues to make disability payments from the Plan's bank account and has the GRF reimburse the Plan for these payments.

1.   **We recommend the Ministry of Finance make payments from the Judges of the Provincial Court Superannuation Plan in accordance with the law.**

Administering the disability benefit program without proper authority

Finance is administering the Judges Disability Benefit Program (Program) without proper legislative authority.[9]

Section 64(1) of *The Financial Administration Act, 1993* (Act) requires Finance to receive Lieutenant Governor in Council authority to administer this Program. Since 1998, Finance has administered the Program on behalf of the Ministry of Justice and Attorney General without receiving the required Lieutenant Governor in Council approval.

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[9] Finance's administration of this program does not include the adjudication process for disabled judges; rather appointed judges that make up a Judicial Council perform the adjudication.

Finance does not keep complete financial records for the Program. In addition, Finance and the Ministry of Justice and Attorney General have not determined the amount owing for this Program.

Without complete financial records or determination of the amount owing, the Ministry of Justice and Attorney General does not know the complete cost of the Program. Also, legislators do not receive information about the cost of this Program.

Furthermore, for benefit programs that the Lieutenant Governor in Council approves for Finance's administration, the Act (i.e., section 64(11)) requires Finance to prepare and submit their annual financial statements to the Legislative Assembly. This process ensures legislators are aware of the cost of benefit programs. Because this Program has not received such approval, Finance has not prepared or submitted financial statements to the Ministry of Justice and Attorney General or the Legislative Assembly for the Program.

2. **We recommend the Ministry of Finance seek legislative authority to administer the Judges' Disability Benefit Program.**

3. **We recommend the Ministry of Finance prepare audited financial statements for the Judges Disability Benefit Program and submit them to the Legislative Assembly.**

Public Employees Benefit Agency

Background

The Public Employee Benefit Agency (a branch of the Ministry) administers the various pension and benefit plans as set out in exhibit 3.

Exhibit 3 – Pension and benefit plans administered by PEBA

Pension plans:
Anti-TB League Superannuation Plan
Judges of the Provincial Court Superannuation Plan
Liquor Board Superannuation Plan
Municipal Employees' Pension Plan
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund

Benefit plans:
Extended Health Care Plan
Extended Health Care for Certain Other Employees
Public Employees Deferred Salary Leave Plan
Public Employees Dental Plan
Public Employees Group Life Insurance
Public Employees Disability Income Plan
Judges Disability Benefit Program

Business continuity plan needed

Public Employee Benefit Agency (PEBA) needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster. Exhibit 1 sets out the content of a sound business continuity plan.

We previously reported this matter for certain pension plans PEBA administers (i.e., Public Employees Pension Plan first reported in 2006 Report – Volume 3, Public Service Superannuation Board first reported in our 2007 Report – Volume 3, and Municipal Employees Pension Plan first reported in our 2007 Report – Volume 1). The Standing Committee on Public Accounts (PAC) considered these matters and agreed with our recommendations in 2007 and 2008.

PEBA provides critical services to the pension and benefit plans it administers. These services include receiving and recording contributions from employers and employees, handling transfers, and providing benefits to members of the plans. PEBA must be able to provide these services even if a disaster disrupts its operations and services. Without an adequate business continuity plan, PEBA may not be able to provide its critical services.

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PEBA needs to identify and rank its critical services, document the steps for restoring its critical services, determine recovery time, and document processes to recover or restore each service. PEBA also needs to periodically update and test its business continuity plan.

4. **We recommend the Public Employees Benefits Agency complete a business continuity plan for the pension and benefit plans it administers.**

Public Employees Pension Plan

Background

The Public Employees Pension Board (Board) is responsible for *The Public Employees Pension Plan Act*. The Board manages the Public Employees Pension Plan (PEPP), a defined contribution pension plan. The Board's primary objective is to provide retirement benefits to PEPP members in accordance with the law. The Public Employees Benefits Agency (PEBA) provides day-to-day administration of PEPP.

PEPP's 2007-08 Annual Report included its audited financial statements. These financial statements report contributions of $101 million from employees and $95 million from employers, investment income of $197 million, and a decrease in market value of the investments of $279 million. For the year, PEPP incurred administrative expenses of $16 million and made transfers or payments out of PEPP of $147 million. At March 31, 2008, PEPP held assets of $4.2 billion.

Better monitoring of investments needed

PEPP needs to improve its procedures for monitoring investments.

As trustees of PEPP, the Board is responsible for safeguarding and investing members' money. PEPP retains a custodian for safekeeping investments, collecting investment income, and completing and recording investment transactions. PEPP has delegated day-to-day responsibilities for managing its investments to professional investment managers. These investment managers provide direction to the custodian to buy or sell investments.

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To ensure the custodian accurately accounts for all transactions investment managers initiate, agencies must regularly reconcile the custodian's investment holdings to those the investment managers' report.

PEPP offers members a choice of investment funds. The custodian reports investment holdings by manager daily. PEPP uses this information to determine the daily holdings and valuation of the investment funds.

PEPP's processes to monitor investments include daily reviews of the investment rate of return for each class of investments and for each fund to the expected rate of return. Also, PEPP requires an external consultant to analyze and report on the quarterly rate of return by investment manager for each fund.

PEPP provides staff with written guidance on reconciling its investments each quarter. The guidance requires staff to compare the investments recorded in its financial records to amounts reported by its custodian and investment managers, and to follow up and document reasons for differences. It also requires staff, independent of preparing the reconciliation, to review and approve the reconciliations. Staff did not complete any of its quarterly reconciliations until after its year-end (May 2008) nor investigate or document reasons for all differences. For example, the Plan's holdings as reported in its annual financial statements are understated by over $4 million.

Without preparing timely investment holding reconciliations to the custodian, investment managers, and the Plan's financial records including reasons for differences investigated and documented, increases the risk that the recorded investments may be incomplete.

5.   **We recommend the Public Employees Pension Plan reconcile investments recorded in its financial records to those reported by the investment managers and the custodian, and document the resolution of significant differences.**

Complete business continuity plan needed

PEPP needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster. Exhibit 1 sets out the content of a sound business continuity plan.

Since our 2006 Report – Volume 3, we have recommended that the Public Employees Pension Plan complete its business continuity plan. The Standing Committee on Public Accounts (PAC) considered this matter in March 2007 and agreed with our recommendation.

PEPP's critical services include receiving and recording contributions from employers and employees, handling transfers, and providing termination benefits, death benefits, and retirement benefits to members.

PEPP has made some progress in documenting its business continuity plan. It has prepared additional documentation of its backup and offsite storage procedures. As at March 31, 2008, PEPP still needs to rank its critical services, document the steps for restoring its critical services, determine recovery time, and document processes to recover or restore each service. PEPP also needs to periodically update and test its business continuity plan.

Management told us it has dedicated more time to document, test, and train staff on business continuity procedures.

Public Service Superannuation Plan

Background

The Public Service Superannuation Board (Board) is responsible for the administration of *The Public Service Superannuation Act* and other relevant legislation. The primary objective of the Board is to provide pensions to employees who retire and to the dependants of deceased superannuates and employees in accordance with governing legislation.

The Board manages the Public Service Superannuation Plan (Plan), which consists of the Public Service Superannuation Fund, the Anti-Tuberculosis League Employees Superannuation Fund, and the

Saskatchewan Transportation Company Employees Superannuation Fund. The Plan is a defined benefit final average pension plan.

In 2007-2008, the Plan received contributions of $3.8 million from employees and $103.7 million from the GRF. At March 31, 2008, the Plan held assets of $13.1 million and had liabilities of $1,941 million.

Complete business continuity plan needed

The Board needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster. Exhibit 1 sets out the content of a sound business continuity plan.

In our 2007 Report-Volume 3, we recommended that the Public Service Superannuation Board have a complete business continuity plan. The Standing Committee on Public Accounts (PAC) considered this matter in April 2008 and agreed with our recommendation.

The Board's critical services include receiving and recording contributions, handling transfers, and providing termination benefits, death benefits, and retirement benefits to members. The Board must provide these services even if a disaster disrupts its ability to operate in a normal manner. Without an adequate business continuity plan, the Board is at risk of not being able to provide critical services in a timely manner.

In 2007-2008, the Board made some progress in documenting its business continuity plan. It has prepared additional documentation of its backup and offsite storage procedures. However, as at March 31, 2008, the Board still needs to rank its critical services, document the steps for restoring its critical services, determine recovery time, and document processes to recover or restore each service. The Board also needs to periodically update and test its business continuity plan.

Management told us it has dedicated more time to document, test, and train staff on business continuity procedures.

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Retired members' pensions

The Board needs information about retired members of the Plan who are receiving a pension and have returned to work for the Government. The Board needs this information to ensure it pays pensions in accordance with the law.

We have reported this matter since our 2001 Spring Report. In November 2001, PAC considered this matter and concurred with our recommendation.

Section 27 of *The Superannuation (Supplementary Provisions) Act* (Act) sets out requirements for stopping the pensions of retired members who return to work for the Government. The Act:

♦   allows retired members to work for up to six months in a fiscal year without a reduction in their pensions

♦   requires the Board to stop the pension of a retired member who works for the Government as temporary, casual, or provisional employees for more than six months in a fiscal year

♦   requires the Board to stop the pension of a retired member that the Government re-hires as a permanent employee when that member starts work

The Board does not have rules and procedures to know if retired members are working for the Government. Rather, the Board relies on retired members to notify the Board upon their re-employment with the Government. Without rules and procedures, the Board cannot ensure that all pensions it paid comply with the law. Accordingly, we cannot determine if the Board complied with section 27 of the Act.

In March 2008, the Government introduced Bill #9 (Bill) in the Legislative Assembly of Saskatchewan. This Bill, if enacted, would repeal section 27 of the Act and allow all retired members of the Plan to return to work without impacting their pensions. At September 30, 2008, the Bill had received first reading and therefore was not yet approved.

Saskatchewan Pension Annuity Fund

Background

The Saskatchewan Pension Annuity Fund (Fund) operates under *The Saskatchewan Pension Annuity Fund Act.* The Fund's purpose is to provide annuities to retiring members of designated pension plans including the Public Employees Pension Plan (PEPP). Members of the plans may choose to purchase an annuity from the Fund.

The Saskatchewan Pension Annuity Fund Board (Board) administers the Fund. Finance provides day-to-day management through PEBA.

The Fund's *2007-08 Annual Report* includes its audited financial statements. The Fund had revenue of $16.8 million (including $6.0 million in transfers from PEPP) and expenses of $20.0 million (including $14.2 million for annuities). At March 31, 2008, the Fund held assets of $175.2 million and estimated annuities payable of $176.5 million.

Better monitoring of investments needed

The Board needs to improve its procedures for monitoring investments.

As trustees of the Fund, the Board is responsible for safeguarding and investing members' money. The Board retains a custodian for safekeeping investments, collecting investment income, and completing and recording investment transactions. The Board has delegated day-to-day responsibilities for managing its investments to a professional investment manager. The investment manager provides direction to the custodian to buy or sell investments. Also, the Board has delegated day-to-day management to PEBA.

To ensure the custodian accurately accounts for all transactions that the investment manager initiated, PEBA must regularly reconcile the custodian's investment holdings to those reported by the investment managers.

The Board's processes to monitor investments include quarterly reviews of the investment rate of return of investments compared to the expected rate of return. Also, it requires an external consultant to analyze and

report on the quarterly rate of return. However, the Board does not require management to reconcile regularly the investments its custodian reports to the investments its investment manager reports. Management told us it reconciled monthly the par value of bonds reported by the custodian to that reported by its investment manager. We found no evidence of such reconciliations.

6. **We recommend the Saskatchewan Pension Annuity Fund Board establish processes to regularly reconcile the investments reported by the investment manager to the investments reported by the custodian and investigate significant differences.**

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[10]

PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Finance (Pension Plans)		
2007	PAC concurs: 5-3 that the Public Employees Pension Plan should document and approve all future changes to the computerized pension administration system.	**Not implemented** (as at March 31, 2007). A follow-up will be done when the Plan makes significant changes to its computerized pension administration system.
2007	PAC concurs: 5-4 that the Public Employees Pension Plan should document its risk assessments and action plans to reduce the risks to an acceptable level for the computerized pension administration system.	**Not implemented** (as at March 31, 2007). A follow-up will be done when the Plan makes significant changes to its computerized pension administration system.

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[10] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

[11] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Finance		
2005	PAC concurs: 9-3 that the Government should require departments and Treasury Board agencies to publish their planned targets for major long-term results.	**Partially implemented** (as at March 31, 2008). For further detail, see Chapter 20 – Government accountability.

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First Nations and Métis Relations

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Main points

The Ministry of First Nations and Métis Relations (Ministry) administers certain aspects of the Agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN) over Gaming (commonly referred to as the Gaming Framework Agreement). For the year ended March 31, 2008, the Ministry paid $35.5 million to the First Nation Trust (administered by FSIN). The Gaming Framework Agreement requires this money to be spent for specific purposes. The Ministry is charged with making certain that the First Nations Trust (Trust) uses this money as the Agreement intends.

The Ministry needs to better monitor spending of the Trust. The Ministry has not received from the Trust the independent audit report required by the Agreement on whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust.

Introduction

In this chapter, we provide a brief overview of the mandate and spending of the Ministry of First Nations and Métis Relations (Ministry) and set out the results of our 2008 audit of the Ministry.

Background

The mandate of the Ministry is to strengthen relationships between First Nations and non-First Nations peoples in the spirit of the Treaties and ensure that First Nations and Métis peoples are consulted on provincial legislation and policies that may impact their legal rights and interests. According to the Ministry, it works with and beside First Nations, Métis and northern peoples, other provincial ministries, the Federal Government, local governments, and businesses to ensure that Saskatchewan's Aboriginal people and northerners have opportunities to participate in and benefit from economic and social development.[1]

As part of the Government reorganization in November 2007, the Ministry became responsible for the functions of the former Department of Northern Affairs.

The Ministry's website contains its annual reports, other key publications, agreements and further information about its programs. It is located at www.fnmr.gov.sk.ca.

Related special purpose fund

The Ministry is also responsible for the Métis Development Fund (also called the Clarence Campeau Development Fund). Each year, the Métis Development Fund gives the Legislative Assembly its annual audited financial statements. These are publicly available at www.finance.gov.sk.ca/public-accounts.

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[1] *Saskatchewan Provincial Budget 08-09 Estimates*, Government of Saskatchewan, p. 79.

Overview of the Ministry's finances

For the year ended March 31, 2008, the Ministry had revenues of $0.72 million (2007 - $0.25 million). In addition, it spent $70.9 million. The following lists its major programs and spending.

	Original Estimates[2]	Actual
	(in millions of dollars)	
Central management and services	$ 3.8	$ 3.2
Policy coordination and		
Support for Aboriginal organizations	8.1	7.5
Policy planning and research	0.9	0.7
Gaming agreements	36.9	49.4
Treaty land entitlements	4.7	2.9
Regional operations and financial programs	2.9	6.9
Northern mines monitoring secretariat	0.4	0.3
	$ 57.7	$ 70.9

The Ministry's 2007-08 annual report explains reasons for significant differences between its planned and actual revenues and expense. The Ministry makes this report available on its website.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

♦ **the Ministry had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported in this chapter**

♦ **the Ministry complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending borrowing, and investing except for the matter reported in this chapter**

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[2] *2007-2008 Saskatchewan Provincial Budget Estimates* – First Nations and Métis Relations Vote 25, Northern Affairs Vote 75, Government of Saskatchewan

This chapter also provides an update on recommendations previously made by the Standing Committee on Public Accounts that are not yet implemented.

Complete processes for loan and grant programs needed

The Ministry manages The Northern Development Fund (NDF) Loan Program. Under this program, the Ministry approves grants and fixed-term loans to persons in northern Saskatchewan for economic development. The Ministry is also responsible to monitor the loans and collect the amounts due.

In our 2007 Report – Volume 3, we recommended that the Ministry document and communicate to employees its processes to administer its loan and grant programs. We made this recommendation because the Ministry did not have documented and approved policies for:

♦   follow-up of outstanding loan agreements
♦   documenting the follow-up performed for outstanding accounts
♦   classifying accounts as active or inactive
♦   loan write-offs
♦   analysis of overall loan performance

During the year, management developed draft processes based on recommendations of a consulting firm that it hired to recommend improvements to its processes. The Ministry has not yet finalized these processes and distributed them to employees.

The Standing Committee on Public Accounts (PAC) considered this matter on January 8, 2008 and agreed with our recommendation.

We continue to recommend that the Ministry of First Nations and Métis Relations document and communicate to employees its processes to administer its loan and grant programs.

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Better monitoring of First Nations Trust spending needed

The Ministry needs to better monitor spending by the First Nations Trust[3] (Trust) to ensure money the Ministry provides is spent as required by law.

Under the 2002 Gaming Framework Agreement between the Government and the Federation of Saskatchewan Indian Nations, the Ministry provides the First Nations Trust with money that must be spent only for the following purposes for First Nations and First Nations people: economic development, social programs, justice initiatives, education and education facilities, senior and youth programs, cultural and spiritual development, the development and maintenance of community infrastructure, health initiatives, governance activities, Treaty protection, and any other charitable purpose.

In 2007-08, the Ministry provided $35.5 million (2006-07 - $28.3 million) to the Trust. Under the 2002 Gaming Framework Agreement, the Trustees are required to provide the Ministry with certain information each year.[4] The Ministry needs this information to determine whether the money it provided to the First Nations Trust is spent for the purposes intended.

In Chapter 10 of our 2007 Report – Volume 3, we recommended that the Ministry:

♦ require the First Nations Trust to submit, each year by an agreed upon date, an independent audit report on the following:

   − whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust

   − whether the money expended by the Trust was for the purposes required by the applicable Agreement

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[3] The Federation of Saskatchewan Indian Nations set up the First Nations Trust in July 2003 and as a result its first year-end was March 31, 2004. The Trust is not subject to audit by the Provincial Auditor.
[4] Required reports include: audited financial statements, audit report on adequacy of processes and whether money is spent for required purposes, copies of management letters issued by the auditor of the First Nations Trust along with the Trust's response, and the Trust's annual report.

♦ withhold (in whole or in part) money due to the Trust until the Ministry receives required audit reports or, where an audit report notes matters of non-compliance, until the Trust takes appropriate corrective action

PAC considered this matter on January 8, 2008 and agreed with our recommendation.

The Ministry has not received an independent auditor's report from the Trust on whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust.

The Ministry has received an independent auditor's report from the Trust on whether the money expended by the Trust was for the purposes required by the applicable Agreement. The audit report describes how 17 of the Trust's 75 beneficiaries did not submit the required audit reports. The audit report also notes that three of the 58 beneficiaries that submitted audit reports to the Trust reported matters of non-compliance. Management told us the Trust subsequently worked with these three beneficiaries to bring them into compliance.

The audit report also noted that the Trust withheld further money from the beneficiaries that did not provide the required audit reports or whose audit reports noted matters of non-compliance.

The Trust subsequently pursued and received the 17 missing audit reports. The Trust's auditor prepared a supplementary report confirming that the 17 beneficiaries are now in compliance with the applicable agreement.

We continue to recommend that the Ministry require the First Nations Trust to submit each year by an agreed upon date, an independent auditor's report on whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust.

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Improvements to human resource plan needed

In Chapter 10 of our 2007 Report – Volume 3, we reported that the Ministry of First Nations and Métis Relations needs to improve its human resource plan and recommended that the plan more clearly outline gaps in current resources and provide details on plans to implement strategies to meet human resource needs.

PAC considered this matter on January 8, 2008 and agreed with our recommendation.

The Ministry told us that due to the Government reorganization in November 2007, the Ministry was unable to develop a revised human resource plan during the year.

We continue to recommend that the Ministry of First Nations and Métis Relations' human resource plan more clearly outline gaps in current resources (e.g. number and types of positions) and provide details on plans to implement strategies to meet human resource needs (including timeframes, responsibilities, and financial resources).

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[5]

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of First Nations and Métis Relations		
2007	PAC concurs: 19-1 that the Department of First Nations and Métis Relations should complete the development of its performance plan including the identification of measures and selection of performance targets related to its goals and objectives.	**Partially implemented** (as at March 31, 2007).

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[5] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Government Services

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Main points

For the year ended March 31, 2008, we concluded the Ministry of Government Services had adequate processes to safeguard its public resources except it should:

♦ sign a service level agreement with Information Technology Office to ensure that the Ministry's needs are met

♦ properly segregate the duties of its employees so that employees cannot authorize payments to themselves

♦ establish and use policies to monitor fuel expenses made with fleet credit cards to ensure fuel purchases are for government purposes

♦ prepare, review, and approve all significant reconciliations promptly to reduce the risk that its accounting records and financial reports are not accurate and complete

♦ develop an information technology strategic plan to help management know if it has addressed all the threats and risks to the Ministry's information systems

♦ have a complete business continuity plan so it can continue to deliver its programs and services in the event of a disaster

Introduction

The mandate of the Ministry of Government Services (Ministry) is to support government program delivery by providing central support services of accommodation and property management, furnishings and supplies, transportation, purchasing, risk management, records management, telecommunications, and mail distribution.[1]

In 2007-08, the Ministry had expenses of $321 million. It recovered $210 million of its costs from ministries and $72 million from commercial activities.

The Ministry also manages a significant amount of infrastructure and assets (e.g., building, vehicles) for the Government. At March 31, 2008, the Ministry held capital assets totalling $390 million.

Information about the Ministry's revenues and expenses appears in its annual report (www.gs.gov.sk.ca).

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

♦ **the Ministry had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦ **the Ministry complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Service level agreements required

The Ministry does not have a service level agreement with the Information Technology Office (ITO).

Commencing March 16, 2008, ITO delivers information technology services that the Ministry previously delivered itself. Therefore, the

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[1] *Ministry of Government Services 2007-2008 Annual Report*, pp. 3

Ministry needs to sign a service level agreement with ITO setting out the roles and responsibilities of both ITO and the Ministry. For example, the agreement would describe the services to be provided by ITO (such as help desk services and application development), service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as time frames for setting up new email accounts), and the term of the agreement. The agreement should also identify security and disaster recovery requirements. Without a signed service level agreement, there is a risk that the Ministry's needs may not be met.

1.   **We recommend the Ministry of Government Services sign a service level agreement with the Information Technology Office for information technology services.**

Segregation of duties needed

The Ministry needs to properly segregate the duties of employees to ensure that the same employee cannot initiate payments and approve the same payments.

Segregation of employees' duties is important to prevent the misuse of public money. Segregation of duties is not adequate when an employee or group of employees can commit and conceal errors or fraud. Inadequate segregation of duties increases the risk that public money may be misused without ready detection.

The Ministry uses the Government's centralized payment system called Multi-informational Database Applications System (MIDAS). MIDAS does not adequately segregate functions for processing payments. MIDAS allows certain employees to enter vendors' invoices in the system and then approve them for payment. Ministry employees are approved vendors in the MIDAS system if they have received travel or medical expense reimbursements. This deficiency allows employees to authorize payments to themselves.

2.   **We recommend the Ministry of Government Services properly segregate duties of its employees to ensure the same employee cannot initiate payments and approve the same payments.**

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Better monitoring of fuel expense needed

The Ministry needs to monitor fuel purchases made with its credit cards.

The Ministry maintains a fleet of approximately 5,500 vehicles. Its vehicles consume 11.3 million litres of fuel per year. The cost of fuel is the largest operating expense for its fleet. Without adequate systems and practices for controlling fuel expenses, the Ministry is at risk of spending public money for unauthorized purchases.

The Ministry uses credit cards to purchase fuel for its fleet vehicles. It has policies for the use of these credit cards. The policies limit the use of these cards and the dollar amount. However, the Ministry does not have policies to monitor fuel purchases. During the year, the Ministry did not monitor whether fuel purchases were for government purposes.

The Ministry should do regular comparisons of kilometres driven to fuel purchased, perform random audits of fuel expenses, establish fuel consumption standards, and compare actual expenses to these standards.

3.   **We recommend the Ministry of Government Services establish and use policies to monitor its fuel expenses made with its credit cards to ensure fuel purchases are for government purposes.**

Improving the reconciliation process

In our 2006 Report – Volume 3, we recommended the Ministry prepare and independently review and approve all significant reconciliations promptly.

In June 2007, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

During 2007-08, we continued to find that the Ministry did not prepare timely daily reconciliations for its car rentals. Also, all car rental billing reconciliations still lack evidence of reviews independent of preparation.

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If reconciliations are not promptly prepared and reviewed and approved by someone independent of preparation, the Ministry is at risk that its accounting records and financial reports may not be accurate and complete. This could result in the Ministry not collecting enough money to cover its related costs, or over charging government agencies.

We continue to recommend the Ministry of Government Services prepare and independently review and approve all significant reconciliations promptly.

Information technology strategic plan needed

In our 2007 Report – Volume 3, we recommended the Ministry have an information technology strategic plan.

PAC considered this matter in June 2008 and agreed with our recommendation.

An information technology (IT) strategic plan sets out how the Ministry will use IT to deliver its programs and services. An IT strategic plan can help management ensure IT initiatives are appropriate to meet the Ministry's direction. Also, it will help to ensure that the Ministry has addressed all the threats and risks to the Ministry's IT systems.

We continue to recommend the Ministry of Government Services have an information technology strategic plan.

Business continuity plan needed

In our 2007 Report – Volume 3, we recommended the Ministry have a complete business continuity plan[2] (BCP).

PAC considered this matter in June 2008 and agreed with our recommendation.

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[2] A business continuity plan is a plan 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 including normal operation of computerized system (also known as a contingency plan or disaster recovery plan). A contingency plan is only one component of the business continuity plan.

The Ministry must carry out its mandate even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Ministry is at risk of not being able to deliver its programs and services in a timely manner. The BCP needs to be written, tested, and approved to help ensure that the Ministry can continue to deliver its programs and services in the event of a disaster.

The Ministry is in the process of developing its BCP. It has completed threat and risk assessments for its service lines and developed BCPs for three critical functions. However, it has not yet tested those plans.

We continue to recommend the Ministry of Government Services have a complete business continuity plan.

Processes to purchase supplies valued at over $25,000 – a follow-up

Each year, the Ministry purchases or helps purchase over $125 million of supplies and services. *The Purchasing Act, 2004* requires the Ministry to obtain supplies centrally for government ministries, boards, commissions, and Crown corporations.[3] In 2005, we examined whether the Ministry had adequate processes to purchase supplies valued at over $25,000. We reported the results of the audit in our 2006 Report – Volume 1, Chapter 4 and made recommendations for the Ministry to help improve its processes.

We recommended the Ministry:

♦ get prompt feedback from user agencies to monitor the quality of supplies and the performance of suppliers

♦ monitor compliance with *The Purchasing Act, 2004* whether it purchases the supplies directly or delegates the purchase to public agencies

PAC considered these matters in October 2006 and agreed with our recommendations.

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[3] *The Purchasing Act, 2004* section 2*.*

In September 2008, we assessed the Ministry's progress towards addressing our recommendations. We are satisfied that the Ministry has complied with the recommendations. We set out the results of our work below by recommendation.

Prompt feedback from user agencies

The Ministry surveys both its suppliers and user agencies (i.e., public agencies) on a recurring two year basis. The Ministry is also in regular contact with the various ministries and supplier performance issues are discussed. This ongoing communication is part of the feedback that goes into determining the appropriate purchasing method to ensure supplies continue to meet the needs of user agencies. Also, a formal feedback process to follow up on each purchase over $25,000 has been implemented.

Monitor compliance with The Purchasing Act, 2004

The Ministry is the Government's central agency for purchasing. For purchases in excess of $5,000, the Ministry uses its buyers. The buyers ensure compliance with *The Purchasing Act, 2004.* The Ministry has delegated some purchasing authority to user agencies for purchases under $5,000. The Ministry has implemented a post audit process for items that are purchased by user agencies.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[4]

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[4] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

PAC REPORT YEAR[5]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 12-3 that the Saskatchewan Property Management Corporation should provide the public with additional information about the extent to which the use of its key infrastructure (i.e. facilities, vehicles, and aircraft) achieved its operational and financial plans, and explain significant differences between actual and planned results.	Partially implemented (as at March 31, 2008). The Ministry does not publish its targets. The Ministry of Government Services (formerly Saskatchewan Property Management Corporation) continues to follow the Accountability Framework which does not require targets at this time.
2008	PAC concurs: the Ministry of Government Services establish processes to ensure its vehicle fleet meets the safety standards of *The Traffic Safety Act.*	**Not implemented** (as at March 31, 2008). A follow-up is planned for 2010.
2008	PAC concurs: the Ministry of Government Services keep reliable maintenance and repairs records for its vehicles.	**Not implemented** (as at March 31, 2008). A follow-up is planned for 2010.
2008	PAC concurs: that senior management of the Ministry of Government Services receive reports to verify that vehicles are maintained in a safe condition and in an economical manner.	**Not implemented** (as at March 31, 2008). A follow-up is planned for 2010.

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[5] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Health

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Health

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Main points

To improve safeguarding and management of public resources, the Ministry of Health needs to work to fully address our past recommendations. While the Ministry has made some progress, it needs to do more. The Ministry needs:

♦   better reports from health agencies it contracts to provide health services to help monitor those agencies' progress in achieving the Ministry's objectives

♦   a capital asset plan to help ensure it can carry out its strategic plan

♦   processes to verify that residents received prescription drugs that pharmacists claim for payments

♦   better security of its information technology systems and data to help ensure integrity, confidentiality, and availability of its own systems and data, and those that it maintains for other health agencies

♦   a written, tested and approved business continuity plan to help ensure it can continue to provide critical services in the event of a disaster

The Ministry must also collect the overpayments totalling about $4 million resulting from the job evaluation of employees of regional health authorities. It must also try to recover what is owed by the former executive members of the board of directors of Métis Addictions Council of Saskatchewan Inc.

Also, the Ministry needs to give the Legislative Assembly annual reports including financial statements of the Saskatchewan Health Employees' Pension Plan (SHEPP), and the Saskatchewan Association of Health Organizations (SAHO) and the benefit plans SAHO manages. The Ministry is responsible for SAHO and the Government is responsible for about half of any unfunded liability of SHEPP.

Furthermore, the Ministry must segregate duties of its employees responsible for disbursement or expenditure of public money to help prevent errors and frauds. The Ministry must also make a formal agreement with its payroll service provider - the Public Service Commission.

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Introduction

The Ministry of Health (Ministry) has a mandate to support Saskatchewan residents in achieving their best possible health and well-being. To fulfill this mandate, the Ministry works with many partners including regional health authorities and the Saskatchewan Cancer Agency. The Ministry establishes policy direction, sets and monitors standards, and provides funding. The Ministry's primary role is to provide leadership in defining and implementing a vision for health and healthy living and provision of essential and appropriate services to residents. The Ministry also works with other stakeholders to help ensure adequate recruitment, retention, and regulation of health care providers including nurses and doctors.[1]

Government spending on health

For the year ended March 31, 2008, the Ministry received $3.5 billion from the General Revenue Fund and spent this money on its programs. The Ministry's annual report contains information about the Ministry's revenues and expenses (annual report is available at www.health.gov.sk.ca/).

Table 1 shows total health sector revenues of $3.8 billion by source for the year ended March 31, 2008. Table 2 shows total health sector costs of $3.6 billion by program for the year ended March 31, 2008. The costs in Table 2 do not include health services paid directly by the Government of Canada, nor the costs that individuals and private sector organizations pay directly for health services.

Table 1

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Revenue Fund	$ 3,504	$ 3,203	$ 2,991	$ 2,774	$ 2,516	$ 2,343	$2,200	$ 2,076	$ 1,956	$1,789
Service fees revenue	160	143	136	126	121	113	110	109	99	97
Transfers from other governments	25	20	28	26	28	18	28	23	21	21
Ancillary revenue	18	19	19	17	26	22	20	18	17	16
Donations	23	17	19	16	15	18	15	17	12	16
Investment income	11	8	5	4	5	7	9	11	11	9
Other	96	91	86	74	59	69	43	38	43	55
Total revenues	$ 3,837	$ 3,501	$ 3,284	$ 3,037	$ 2,770	$2,590	$2,425	$ 2,292	$ 2,159	$2,003

[1] Ministry of Health 2007-08 Annual Report.

Table 2

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Acute Services	$ 1,460	$ 1,293	$ 1,259	$ 1,169	$1,063	$ 963	$ 900	$ 824	$ 797	$ 683
Supportive care services	716	673	634	585	554	512	507	482	447	417
Medical services and education	590	585	533	496	455	446	421	401	384	392
Community care services	364	329	314	286	277	305	276	252	235	218
Prescription drugs	294	246	229	212	194	173	156	141	128	115
Provincial health services	234	205	190	175	162	144	136	122	102	97
Central Support Services	53	49	50	44	46	23	21	16	32	22
Other	37	31	30	26	34	44	60	43	38	39
Inter-entity expenses	(97)	(66)	(17)	(49)	(40)	(52)	(53)	(58)	11	(52)
Total costs	$ 3,651	$ 3,345	$ 3,222	$ 2,944	$ 2,745	$ 2,558	$ 2,424	$2,223	$2,174	$1,931

Source: *Public Accounts 2007-08: Volume 2: Details of Revenue and Expenditure* (see www.finance.gov.sk.ca/public-accounts) and March 31, 2008 financial statements of the RHAs and other Crown agencies.

Total health sector costs by program have been reclassified and restated to conform with the Ministry of Health's current expense categories. The total cost equals to the Government's summary financial statements for each year.

Crown agencies

The Ministry is responsible for the following Crown agencies.

Year-end March 31, 2008
Twelve Regional Health Authorities
Board of Governors, Uranium City Hospital
Health Quality Council
North Sask. Laundry & Support Services Ltd.
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Agency
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
Saskatchewan Impaired Driver Treatment Centre Board of Governors

Year-end December 31, 2007
SAHO Disability Income Plan – C.U.P.E.
SAHO Disability Income Plan – S.E.I.U.
SAHO Disability Income Plan – S.U.N.
SAHO Disability Income Plan – General
SAHO Core Dental Plan
SAHO In-Scope Extended Health/Enhanced Dental Plan
SAHO Out-of-Scope Extended Health/Enhanced Dental Plan
SAHO Group Life Insurance Plan
SAHO Master Trust Combined Investment Fund

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Audit conclusions and findings

We have completed the audits of the Ministry for the year ended March 31, 2008 and its Crown agencies listed earlier. Our audit opinions below exclude the results of our audits of the 12 regional health authorities and the Saskatchewan Cancer Agency. The results of these audits are reported in Chapter 10B and 10C respectively.

In our opinion, for the year ended on or before March 31, 2008:

♦ **the Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦ **the Ministry 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**

To complete our audit of North Sask. Laundry & Support Services Ltd., we worked with its appointed auditor Meyers Norris Penny LLP (MNP). We followed the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[2]

The following section sets out our detailed findings. Later in this chapter, we describe how we plan to assess the effectiveness of health spending in the province, and provide an update on the Standing Committee of Public Accounts' (PAC) past recommendations that the Ministry has not yet implemented.

The following sections set out our detailed findings.

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[2] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html

Findings – Ministry

Public accountability needed

The Ministry is responsible for the Saskatchewan Association of Health Organizations (SAHO). SAHO provides leadership, support, and services to assist its member healthcare providers within the province to deliver a comprehensive range of health services to Saskatchewan residents. Only Cabinet appointed members of regional health authorities and Saskatchewan Cancer Agency are eligible for election to 13 of SAHO's 14 member Board of Directors. SAHO administers employees benefit programs[3] for over 37,000 employees[4] of its member healthcare providers. Most of these employees belong to the regional health authorities.

The Saskatchewan Health Employees Pension Plan (SHEPP) collects contributions from member employees and employers to pay retirement pensions to healthcare employees. The Government of Saskatchewan is responsible for about half of any unfunded liabilities of SHEPP. At December 31, 2007, SHEPP had assets of $3.1 billion and pension liabilities of $2.9 billion.

To ensure Members of the Legislative Assembly have information to assess the performance of these agencies, the Ministry should give the Assembly annual reports including audited financial statements of SAHO, its administered benefit plans, and SHEPP consistent with other government agencies.

1. **We recommend that the Ministry of Health give the Legislative Assembly annual reports including audited financial statements for the Saskatchewan Health**

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[3] SAHO Disability Income Plan – C.U.P.E.
SAHO Disability Income Plan – S.E.I.U.
SAHO Disability Income Plan – S.U.N.
SAHO Disability Income Plan – General
SAHO Core Dental Plan
SAHO In-Scope Extended Health/Enhanced Dental Plan
SAHO Out-of-Scope Extended Health/Enhanced Dental Plan
SAHO Group Life Insurance Plan
[4] SAHO 2007-2008 Annual Report

Employees Pension Plan and the Saskatchewan Association of Health Organizations and its administered benefit plans.

Segregation of duties needed

The Ministry needs to properly segregate the duties of its employees responsible for the disbursement or expenditure of public money.

Segregation of employees' duties is important to prevent the misuse of public money. Segregation of duties is not adequate when an employee or group of employees can commit and conceal errors or fraud. Inadequate segregation of duties increases the risk that public money may be misused without ready detection.

The Ministry uses the government's centralized payment system called Multi-informational Database Applications System (MIDAS). MIDAS does not adequately segregate functions for processing payments. MIDAS allows employees to enter vendors' invoices in the system and then approve them for payment. Ministry employees are approved vendors in the MIDAS system if they have received travel or medical expense reimbursements. This deficiency allows employees to authorize payments to themselves. The Ministry has not established any other controls for this deficiency in MIDAS.

2. **We recommend that the Ministry of Health properly segregate duties of its employees responsible for the disbursement or expenditure of public money to help prevent errors or fraud.**

Monitoring performance needs improvement

In our 2007 Report – Volume 3, we recommended that the Ministry:

♦   obtain timely and complete performance information from health agencies
♦   review the information to ensure that public money is used for the intended purposes

PAC considered this matter in January 2008 and agreed with our recommendation.

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The Ministry of Health paid about $154 million to contracted health agencies and the University of Saskatchewan for health-related services. These services include medical education, northern health services, and addictions counselling.

The Ministry makes annual service agreements with the agencies to deliver services on its behalf. Service agreements require the agencies to provide the Ministry certain information (e.g., quarterly and annual financial reports comparing actual to budget and an explanation of differences, quarterly operational performance reports). The service agreements also specify dates when agencies must provide those reports.

During the year, most of the agencies that provided information did not do so on time. Delays in receiving the required reports increase the risk that the Ministry may not be able to take timely corrective action when needed. Nor would the Ministry know if the health agencies use the money the Ministry gave them for the intended purposes.

For example, in 2004, we reported that the executive committee members of the Métis Addictions Council of Saskatchewan Inc. (MACSI) had misused public money and the Ministry's processes were not adequate to oversee MACSI. We made recommendations to improve practices and recover amounts that the executive committee members of MACSI misused.

In 2005, PAC considered this matter and agreed with our recommendation.

The Ministry has determined the amount the executive committee members of MACSI owe, but has not yet decided how to recover that money. It should do so.

We continue to recommend that the Ministry of Health work with the Métis Addictions Council of Saskatchewan Inc. (MACSI) to determine the amount that the former executive committee members of the board of directors of MACSI owe and try to recover the money.

We continue to recommend that the Ministry of Health:

♦ obtain timely and complete performance information from health agencies
♦ review the information to ensure that public money is used for the intended purposes

On September 25, 2008, management told us that the RCMP has concluded its investigation of MACSI and given its findings to the Crown Prosecutor.

Control of capital assets needs improvement

Since 2002, we have recommended that the Ministry of Health develop a capital asset plan to help ensure it can carry out its strategic plan.

In June 2004, PAC considered this matter and agreed with our recommendation.

The Ministry uses over $1 billion of capital assets to deliver healthcare. Capital assets include buildings and equipment. A capital asset plan would help ensure that the Ministry has the capital assets required to deliver its services. A capital asset plan would also help the Ministry to acquire capital assets that have the best value and keep them in good working order. Lack of a capital asset plan increases the risk that the Ministry may not have the capital assets it needs to deliver the services citizens require or have idle capital assets that it could use at some other location.

During 2007-08, the Ministry received an inventory of regional health authorities' capital assets including an assessment of their condition to determine the appropriate level of investment and reinvestment in health facilities. Management told us that the information will be used to further the capital planning discussions.

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

Capital construction process needed

In our 2007 Report – Volume 3, we recommended that the Ministry of Health establish processes to monitor capital construction grants provided to private sector agencies.

In January 2008, PAC considered this matter and agreed with our recommendation.

Although the Ministry has adequate processes for managing government owned construction projects, it has not established similar processes for monitoring capital construction grants it gives to private sector agencies for privately-owned facilities. Lack of a formal process to monitor grants to private sector agencies increases the risk that the facility constructed may not meet design or quality requirements.

We noted that, through the Prince Albert Parkland Regional Health Authority, the Ministry gave $3.3 million to a private sector agency for an addictions care centre in Prince Albert. The Ministry has not established a process to monitor the construction to ensure the money is used as intended.

We continue to recommend that the Ministry of Health establish processes to monitor capital construction grants provided to private sector agencies.

Verification of pharmacist services not performed

Since 2006, we have recommended that the Ministry of Health implement a process to verify that residents received the prescription drugs the pharmacists claimed for payment.

In June 2007, PAC considered this matter and agreed with our recommendation.

The Ministry pays $246 million a year to pharmacists to subsidize residents with low incomes, high drug costs, or with special needs for prescription drugs. The Ministry, however, does not have a process to verify that residents received the prescriptions that pharmacists claim they provided.

During the year, the Ministry has not made any significant progress to address this matter.

We continue to recommend that the Ministry of Health implement a process to verify that residents received the prescription drugs the pharmacists claimed for payment.

Service agreement required

The Ministry does not have a service agreement with the Public Service Commission (PSC).

In October 2007, the Ministry transferred to PSC certain employees working in the Ministry's payroll and human resource branches. PSC now provides payroll services to the Ministry. The Ministry needs to make an agreement with PSC setting out the roles and responsibilities of both PSC and the Ministry. For example, the agreement would describe the services PSC would provide, service delivery targets, and processes for monitoring. Lack of a formal service agreement increases the risk that the Ministry may not receive the services it needs.

3. **We recommend that the Ministry of Health make an agreement with the Public Service Commission for providing payroll services.**

Collection of overpaid salary needed

Since 2006, we have recommended that the Ministry of Health and Regional Health Authorities collect the overpayments resulting from the reconsideration of joint job evaluations.

In June 2007, PAC considered this matter and agreed with our recommendation.

At March 31, 2006, the Regional Health Authorities (RHAs) had overpaid about $4 million for wages because of the average downward impact of the reconsideration appeal process on job evaluations. The Ministry did not have an agreed-upon process to collect back overpaid wages when it made the decision to pay employees before the appeal process was finished.

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The Ministry and RHAs began to collect the overpayments. However, a Labour Relations Board ruling in October 2006 disallowed the collection process and the RHAs returned the overpayments to the employees.

Because the Ministry has not yet established an agreed-upon collection process, it and RHAs may not be able to collect all the overpayments. This may result in a loss of about $4 million of public money.

Management told us the Ministry is awaiting a further ruling from the Labour Relations Board on how RHAs can collect this money. Management also told us that the Board plans to consider this matter in October 2008.

We continue to recommend that the Ministry of Health and the Regional Health Authorities collect the overpayments resulting from the reconsideration of joint job evaluations.

Information technology security needs strengthening

In our 2007 Report – Volume 3, we recommended that Health Information Solution Centre of the Ministry of Health:

♦   approve and implement its draft security policies and procedures
♦   monitor the security of systems and data by reviewing regular reports on the adequacy of its controls
♦   meet its service level commitment to its clients related to firewall management and disaster recovery
♦   follow its procedures for controlling user access to systems and data
♦   protect systems and data from security threats by adequately configuring, updating, and monitoring its computers and network equipment
♦   have an approved and tested disaster recovery plan for system and data

In January 2008, PAC considered this matter and agreed with our recommendations.

Lack of strong IT security policies increases the risk that confidential information may be lost or stolen without detection.

The Ministry is amalgamating all of its IT services into its Health Information Solutions Centre (HISC). In 2009, we plan to assess what progress HISC has made to implement our recommendations. Management told us that the Ministry continues to work towards addressing our recommendations.

Complete business continuity plan needed

Since our 2005 Report – Volume 3, we have recommended that the Ministry of Health prepare a complete business continuity plan.

In March 2006, PAC considered this matter and agreed with our recommendation.

The Ministry does not have a written, tested, and approved business continuity plan[5] (BCP) to help ensure it can continue to provide critical services in the event of a disaster.

The Ministry has documented some parts of a BCP. It has an approved business continuity planning policy, and it has assessed and prioritized its critical business functions. It has also set up a process to ensure that the BCP covers all the key components including emergency procedures, coordination with other agencies, communication, training, and testing. Management has also approved a governance structure to specify the branches and agencies that will be involved in the Ministry's business continuity planning processes. The governance structure sets out the accountability and communication relationships.

The Ministry, however, has not yet developed or documented all of the key components of a business continuity plan. It needs to do so.

We continue to recommend that the Ministry of Health prepare a complete business continuity plan.

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[5]**Business Continuity Plan** (BCP)—Plan 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.

Human resource plan needs improvement

Since our 2006 Report – Volume 3, we have recommended that the Ministry of Health revise its human resource plan to:

♦ quantify its human resources needs
♦ provide measurable indicators and targets for all strategies

In June 2007, PAC considered this matter and agreed with our recommendation.

We assessed the Ministry's 2007-08 human resource plan against the key elements of a human resource plan. The plan sets priorities, identifies key human resource risks, and provides details of existing gaps between required and actual resources. However, it does not quantify future human resource needs. Nor does it set out deadlines for meeting strategies and broad action plans. In addition, only half of identified strategies have measurable indicators and targets.

We continue to recommend that the Ministry of Health revise its human resource plan to:

♦ quantify its human resources needs
♦ provide measurable indicators and targets for all strategies

Findings – North Sask. Laundry & Support Services Ltd.

North Sask. Laundry & Support Services Ltd. (Laundry Services) is a wholly owned subsidiary of four Regional Health Authorities (Prince Albert Parkland, Prairie North, Kelsey Trail, and Mamawetan Churchill River). It provides laundry services to various health authorities in northern Saskatchewan.

For the year ended March 31, 2008, the Laundry Services had revenue of $6.04 million, expenses of $4.4 million, and operating surplus of $1.6 million. At year-end, the Laundry Services held assets of $5 million.

Controls over payments needed

Laundry Services needs to strengthen its processes for making payments to vendors.

Laundry Services paid more than $2 million to vendors during the year. Laundry Services does not require approval of purchase orders or invoices for all purchases. As a result, Laundry Services does not know if all purchases and payments are properly authorized.

4. **We recommend that the management of North Sask. Laundry & Support Services Ltd. approve all payments to vendors.**

Assessing effectiveness of health spending

The Legislative Assembly and the public often ask about the state of the health care system's finances. They want to know whether the health care system's financial condition is growing stronger or weaker, and why. Also, many want to know where they can obtain the information required to help them make their own assessment.

A sound understanding of the health system's finances is important to an informed debate about the issues facing the health care system. One of those issues is the affordability of programs and services. Another issue is whether the healthcare system is effective and efficient.

Effectiveness is the relationship between the level of resources invested and the level of results, or improvements in health. Assessing effectiveness makes it possible to determine the medical practices and techniques that improve health and therefore make good use of resources.

Efficiency is the relationship between the level of resources invested in the health care system and the volume of services or improvements in health achieved. Assessing the efficiency makes it possible to set priorities when allocating resources.

To assess effectiveness and efficiency, the Ministry must gather base line information about health care status in Saskatchewan, set out in clear terms, what it wants to achieve, and by when. To help monitor how well it

is moving towards meeting its targets, the Ministry must establish processes to gather information regularly to measure results and compare to the planned results.

In the past, we provided the following information focused on the health system's finances:

◆ provincial health spending as percentage of provincial gross domestic product (GDP)

◆ health spending as a percentage of the government's total spending

◆ change in health spending compared to change in the consumer price index (CPI) and the province's GDP

◆ Regional Health Authorities' (RHAs) operating surplus or deficit as a percentage of total RHAs' spending

◆ RHAs' working capital ratio

◆ change in the RHAs' capital assets

Below, we briefly update the above information for the year ended March 31, 2008. In our future Reports, we plan to provide information about the Ministry's planned health care targets and how well it succeeded in achieving those targets or its progress towards those targets. We expect the new information will be useful in promoting discussion and debate on the overall performance of our health care system rather than relating to its finances only.

	2008	2007	10 year trend*
Government's total health spending	$3.6 billion	$3.3 billion	↑
Total health spending as a % of GDP	7.2%	7.3%	-
Total health spending as a % of the Government's total spending	37%	36%	↑
Change in health spending compared to CPI and GDP (% increase from 1999 – 2008; prior year 1998-2007)	Health – 89.1% CPI – 24.1% GDP – 72.4%	Health – 89.9% CPI – 22.4% GDP – 56.0%	↑ ↑ ↑
RHAs' operating surpluses and deficits as a % of RHAs' expenses	0.1	0.7	-
RHAs' working capital ratio	0.9	0.8	-
RHAs' capital assets	$933 million	$912 million	-

* 10 year trend: ↑Increasing ↓Decreasing - Stable trend

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Our 2008 Report – Volume 2 also provides history of the Government's health costs as a percentage of the Government's total expense from 1994 to 2008.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[6]

PAC REPORT YEAR[7]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Health		
2002	**CR5.** The Standing Committee on Public Accounts recommends that the Department of Health continue to develop, as one component of resource allocation, processes that involve stakeholders and experts to identify and communicate priority health needs for the province, and health status objectives for the long term (e.g. 10 years or more) for the highest provincial health needs.	**Partially implemented** (as at March 31, 2008). The Ministry has determined priority health needs but needs to set specific health status objectives.
2002	PAC concurs: 1E-2 that the Department of Health should monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status.	**Partially implemented** (as at March 31, 2008). The Ministry has increased its capacity to monitor and report on the achievement of its objectives.

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[6] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

[7] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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PAC REPORT YEAR[7]	OUTSTANDING RECOMMENDATION	STATUS
Health Sector Human Resources		
2007	PAC concurs: 2-1 that the Department of Health should present information on significant shortfalls or surpluses in human resources in its health sector human resource plan.	**Not implemented** (as at March 31, 2007). The Ministry is planning a system to enable them to determine the human resource gaps. We plan to follow up in the future.
2007	PAC concurs: 2-2 that the Department of Health should present information on succession planning and development strategies for its current workforce in its health sector human resource plan.	**Not implemented** (as at March 31, 2007). Public information has not yet been presented. We plan to do a follow up in the future.
Métis Additions Council of Saskatchewan Inc.		
2005	PAC concurs: 2E-3 that Board of Directors of the Métis Additions Council of Saskatchewan Inc. should establish a long-term strategic plan and annual business and financial plans for the Métis Additions Council of Saskatchewan Inc.	**Partially implemented** (as at March 31, 2006). MACSI prepared an annual business and financial plan. It has not yet prepared a strategic plan. We do not plan to do any follow up at this time.
2005	PAC concurs: 2E-5 that Board of Directors of the Métis Additions Council of Saskatchewan Inc. should provide governance training for its members.	**Partially implemented** (as at March 31, 2006). The Ministry told us Board members will receive governance training when the new permanent Board is established.
2005	PAC concurs: 2E-6 that Board of Directors of the Métis Additions Council of Saskatchewan Inc. should periodically assess its own performance.	**Not implemented** (as at March 31, 2006). The Ministry told us this will be done when a permanent Board is established.

PAC REPORT YEAR[7]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 2E-13 that Department of Health should ensure the Métis Addictions Council of Saskatchewan Inc. (MACSI) implements recommendations 1-8 of 2004 Report – Volume 3.	**Partially implemented** (as at March 31, 2006). The Ministry continues to make progress.
Saskatchewan Prescription Drug Plan		
2005	PAC concurs: 4-1 that the Department of Health should develop a plan to monitor and evaluate drug use in the population.	**Not implemented** (as at March 31, 2006). Plan not yet developed.
2005	PAC concurs: 4-2 that the Department of Health should set, evaluate, and report on performance measures for the Saskatchewan Prescription Drug Plan.	**Partially implemented** (as at March 31, 2008). The Ministry has implemented a new system to collect statistical information on the drug usage.

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Regional Health Authorities

10B

Main points

Regional Health Authorities (RHAs) need to improve how they safeguard public resources. Six RHAs need to control bank accounts when making payments to employees and vendors and establish information technology processes based on threat and risk analysis. Regina Qu'Appelle needs to implement an internal audit function and establish complete financial management policies.

We followed up on our past recommendation to improve processes to achieve planned results for Five Hills Regional Health Authority. We concluded Five Hills Regional Health Authority has made progress but needs to do more work to fully address our recommendations.

Introduction

The Regional Health Services Act (the Act) makes the 12 Regional Health Authorities (RHAs) responsible for the planning, organization, delivery, and evaluation of health services in their health regions.

In 2008, the RHAs had revenues totalling $2.4 billion ($2.2 billion from the Ministry of Health). They had a combined annual surplus of $1.7 million. At March 31, 2008, the RHAs held total assets of $1.3 billion. Each RHA's annual report includes its financial statements.

Under the Act, RHAs have the authority to appoint auditors. Where RHAs have appointed auditors, we work with appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). We audit the Regina Qu'Appelle directly.

The following lists the other RHAs and their appointed auditors.

RHA	Appointed Auditor
Cypress	Stark & Marsh
Five Hills	Virtus Group LLP
Heartland	KPMG LLP
Kelsey Trail	Neupath Group, PC Inc.
Keewatin Yatthé	Meyers Norris Penny LLP
Mamawetan Churchill River	Deloitte & Touche LLP
Prairie North	Menssa Baert Cameron
Prince Albert Parkland	Meyers Norris Penny LLP
Saskatoon	KPMG LLP
Sun Country	Virtus Group LLP
Sunrise	Parker Quine LLP

Audit conclusions and findings

In our opinion for the year ended March 31, 2008:

♦ **the RHAs had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

◆ **the RHAs complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

◆ **financial statements for the RHAs are reliable**

We relied on the reports and work of RHAs' appointed auditors except for the report and work of the appointed auditor of Sun Country. We did not rely on that work and report because the appointed auditor did not report the lack of adequate information technology (IT) policies and procedures and the need for testing of the disaster recovery plan for Sun Country. We describe this matter later in this chapter under *Information technology policies and procedures needed*.

When we are unable to rely on the work and reports of appointed auditors, *The Provincial Auditor Act* requires us to do additional audit work. Our additional work consisted of reviewing IT documentation and discussion with management.

We also report in this chapter other matters relating to the loss or improper use of public money and results of our follow-up work on our past recommendations for certain RHAs.

In addition, we provide an update on the status of the recommendations that the Standing Committee on Public Accounts (PAC) made in the past that the RHAs have not yet implemented.

Bank accounts need controlling

Mamawetan Churchill River, Cypress, Kelsey Trail, Prince Albert Parkland, and Prairie North need to follow their processes to control bank accounts when making payments to employees and vendors.

In our 2007 Report – Volume 3, we recommended that Mamawetan Churchill River follow its processes to control bank accounts when making payments to employees and vendors.

PAC considered this matter in January 2008 and agreed with our recommendation.

During 2007-08, employees and managers of Mamawetan Churchill River continued to ignore the established processes to control bank accounts. Managers did not always approve employee timecards on a timely basis. Also, employees did not consistently prepare and obtain approval of purchase orders until after the receipt of goods or services.

Employees usually learn how to complete assigned tasks from their managers. When managers do not do their jobs according to the established processes, employees get the message that non-compliance with established processes is acceptable.

Lack of approval of employee timecards and purchase orders could result in loss or misuse of public money.

We continue to recommend that Mamawetan Churchill River Regional Health Authority follow its processes to control its bank accounts when making payments to employees and vendors.

Employees of Cypress, Prairie North, and Kelsey Trail did not follow the established processes to help ensure employees are paid only for work done.

In our past Report, we recommended that Cypress follow its processes to control bank accounts when making payments to employees.

PAC considered this matter in January 2008 and agreed with our recommendation.

Hourly-paid employees record hours worked on time sheets. Time sheets determine the employee's pay and update information such as vacations. If time sheets are inaccurate, employees' pay and other benefits may also be inaccurate.

All three of these health authorities require supervisors to approve all time sheets. However, supervisors did not consistently approve time sheets during the year. Lack of approval of time sheets increases the risk of incorrect payments and benefits.

We continue to recommend that Cypress follow its processes to control its bank accounts when making payments to employees.

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1. **We recommend that Prairie North Regional Health Authority and Kelsey Trail Regional Health Authority follow their processes to control bank accounts when making payments to employees.**

Prince Albert Parkland's processes require employees to agree (reconcile) its recorded bank balance (i.e., general ledger) to the bank's records each month. Such reconciliations help ensure the accuracy of the accounting records. Staff did not always reconcile the bank accounts to monthly bank statements. Nor did management always approve the monthly bank reconciliations that staff prepared.

2. **We recommend that Prince Albert Parkland Regional Health Authority follow its processes for reconciling its recorded bank balances to the bank's records promptly.**

Information technology policies and procedures needed

In our past Reports, we recommended that Kelsey Trail, Mamawetan Churchill River, Prince Albert Parkland, Saskatoon, and Sun Country establish IT policies and procedures based on a threat and risk analysis.

In October 2005, June 2007, and January 2008, PAC considered and agreed with our recommendations.

Kelsey Trail worked diligently to establish adequate IT policies and procedures. However, Mamawetan Churchill River, Prince Albert Parkland, Saskatoon, and Sun Country have not yet completed this work.

Mamawetan Churchill River has not established processes to monitor employee compliance with established IT policies. Nor has it performed a threat and risk analysis to ensure its processes are adequate to protect systems and data.

Prince Albert Parkland has developed some IT policies, but the policies have not been approved or communicated to its employees.

Saskatoon still needs to establish and implement a security policy for key applications and monitor user access. It also needs to follow its processes by approving user access to systems and data.

During the year, Sun Country completed a threat and risk analysis of its IT systems to assess the confidentiality, integrity, and availability of its systems and data. The analysis identified serious risks to the IT systems. For example, the analysis identified that the infrastructure is not reliable or stable, employees do not have the necessary skills to support the current IT systems or any future IT initiatives. Sun Country has developed a plan to address these risks. However, the RHA has not yet implemented the plan.

Without complete IT processes, the RHAs risk the unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and the loss of vital information.

We continue to recommend that Mamawetan Churchill River, Prince Albert Parkland, Saskatoon, and Sun Country Regional Health Authorities establish information technology policies and procedures based on a threat and risk analysis.

In 2008, we decided to assess if Cypress had adequate controls to secure (i.e., protect the confidentiality, integrity, and availability of) its IT systems and data. We concluded that Cypress did not have adequate processes to do so. Chapter 10E reports what we did and our recommendations to help improve security of IT systems and data at Cypress. We encourage other RHAs to use the criteria we described in the Chapter to assess the adequacy of security of their own IT systems and data.

Written policies and procedures required

Regina Qu'Appelle and Cypress do not have written policies and procedures for financial management and safeguarding public resources.

Since 2003, we have reported this matter for Regina Qu'Appelle.

In June 2004, PAC agreed with our recommendation.

Regina Qu'Appelle has documented some, but not all, of its policies and procedures. For example, it does not have written policies for capital assets, investments, contract management, and timely and reliable financial reports.

Cypress also did not have complete and documented policies and procedures. For example, Cypress did not have written policies for delegation of authority, capital assets, investments, and contract management.

Written policies and procedures provide for the orderly and efficient conduct of business, reinforce the Board's delegation of authority, and document the responsibilities of staff. Written policies and procedures help reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

We continue to recommend that Regina Qu'Appelle Regional Health Authority establish complete written financial management policies to cover budgeting, reporting, projections, and revisions to plans as well as general accounting procedures.

3. **We recommend that Cypress Regional Health Authority establish complete written financial management policies and procedures.**

Internal audit function needed

Regina Qu'Appelle needs an internal audit function to provide assurance to the Board and senior management on the adequacy of controls and staff compliance.

Large, diverse organizations with complex management systems, such as Regina Qu'Appelle, need to know if their systems are adequate to meet their objectives. An internal audit function can provide assurance to the Authority's Board and management on the reliability of financial reports, the effectiveness of controls to safeguard public resources, and staff compliance with controls. An internal auditor can also provide assurance that revenues and expenses are authorized and public money is used for intended purposes.

In our 2005 Report – Volume 3, we recommended that Regina Qu'Appelle assess whether it needed an internal auditor. In April 2006, PAC considered this matter and agreed with our recommendation.

Regina Qu'Appelle has concluded that it needs an internal auditor based on its formal assessment of 2005-06. However, it has not hired an internal auditor.

Regina Qu'Appelle has several operating centres that receive money, buy goods, and approve invoices for payment. Some operating centres do not adequately segregate duties. At some operating centres, certain employees receive cash and also record these amounts in the financial records. This lack of segregation of duties increases the risk of fraud and error. As we report on page 175, Regina Qu'Appelle lost about $1,000 in 2007-08 because an employee processed improper petty cash transactions at a long-term care home.

Regina Qu'Appelle needs an internal audit function to provide assurance to the Board and senior management on the adequacy of management processes and staff compliance with these processes.

4.   **We recommend that Regina Qu'Appelle Regional Health Authority Board implement an internal audit function.**

Capital assets need controlling

Prairie North and Keewatin Yatthé need better processes to safeguard their capital assets.

Both RHAs use various equipment (capital assets) to provide health services to their residents. Prairie North and Keewatin Yatthé have invested about $10.8 million and $1.4 million respectively in capital assets.

The RHAs record their capital asset purchases and disposals in their capital assets records. To help ensure their capital assets exist and capital asset records agree to the accounting records, the RHAs need to periodically count their capital assets and agree the counts to the capital asset records and the accounting records. The RHAs did not count and agree the capital assets to their accounting records. As a result, they did not know if the capital assets exist or their accounting records are accurate.

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Inaccurate equipment records could cause the RHAs to make wrong decisions about equipment purchases and disposals.

5. **We recommend that Keewatin Yatthé Regional Health Authority and Prairie North Regional Health Authority periodically count their capital assets and agree their capital asset records to their accounting records regularly.**

Disaster recovery plans need testing

In our 2007 Report – Volume 3 and past reports, we recommended that Keewatin Yatthé test its established disaster recovery plans to assess their effectiveness. We also recommended that Mamawetan Churchill River, Prince Albert Parkland, and Sun Country Regional Health Authorities prepare information technology disaster recovery plans.

PAC considered this matter and agreed with our recommendations in June 2004 and June 2007.

During the year, Mamawetan Churchill River, Prince Albert Parkland, and Sun Country created disaster recovery plans, but they have not yet tested those plans to assess their effectiveness. Also, Keewatin Yatthé has not yet tested the disaster recovery plan it established last year. An outdated and untested disaster plan increases the risk that the plan may not work when needed.

We continue to recommend that Keewatin Yatthé Regional Health Authority, Mamawetan Churchill River Regional Health Authority, Prince Albert Parkland Regional Health Authority, and Sun Country Regional Health Authority prepare and test their information technology disaster recovery plans.

Affiliate reporting required

In our 2007 Report – Volume 3 and past reports, we recommended that Saskatoon obtain auditor's report on internal control and legislative compliance from its affiliates as required by its operating agreements.

In June 2007, PAC considered this matter and agreed with our recommendation.

Saskatoon and Prince Albert Parkland carry out some of their services through affiliates. Operating agreements between the RHAs and affiliates set out what periodic reports affiliates must provide. These reports include auditor's reports on internal control, legislative compliance and periodic financial reports. Without those reports, RHAs cannot ensure that their affiliates are safeguarding public resources.

Saskatoon and Prince Albert Parkland need to obtain timely information to ensure their affiliates' (i.e., privately owned hospitals and nursing homes) safeguard public resources properly. Some of these RHAs' affiliates provide periodic financial reports and auditor's reports on internal controls and legislative compliance as the operating agreement requires. However, not all affiliates of Saskatoon and Prince Albert Parkland provided those reports in a timely manner.

We continue to recommend that Saskatoon Regional Health Authority obtain required reports (auditor's report on internal control and legislative compliance) from its affiliates in a timely manner.

6. **We recommend that Prince Albert Parkland Regional Health Authority obtain all the required reports from its affiliates in a timely manner.**

Other matters

Regina Qu'Appelle

During the year, Regina Health Authority received a complaint about improprieties at a long-term care home. Management investigated cash handling processes at that location and found that an employee processed improper petty cash transactions resulting in cash shortage of about $1,000. The Regina Health Authority dismissed the employee and reported the matter to the police.

Keewatin Yatthé

During the year, Keewatin Yatthé lost $700 of public money. Management found that one bank deposit totalling $700 did not reach Keewatin Yatthé's bank account. Management did no investigation to determine

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who may have caused this loss and what it must do to help improve its processes to safeguard public money.

Five Hills Regional Health Authority—achieving planned outcomes

The Five Hills Regional Health Authority (Five Hills) is responsible for preventative, acute, and long-term healthcare services for about 55,000 people in south-central Saskatchewan. In 2007-08, Five Hills spent about $108 million and carried out its services through 1,700 employees and several affiliated agencies.

Providing regional health services is complex. To get reasonable results, the health service agencies must use clinical practices proven effective, efficient service-delivery processes, and focus its management on planned outcomes.[1]

In our 2007 Report – Volume 1 (Chapter 6, pages 75-88), we concluded that at December 31, 2006, Five Hills had adequate processes to achieve planned outcomes except for analyzing results (i.e., activities completed and outcomes achieved) and using that analysis to support its decisions. Also, it did not provide its managers with learning opportunities about outcome-oriented management. We made three recommendations. Those recommendations appear in the next section in italics. On June 25, 2007, PAC agreed with the recommendations.

We describe below key actions that management has taken up to August 31, 2008 on each recommendation. While Five Hills has made some progress on each recommendation, further action is needed.

Opportunities to learn new management skills

We recommend that Five Hills Regional Health Authority routinely provide its managers with opportunities to learn about outcome-oriented management (i.e., about selecting useful targets, analyzing results in the short, medium, and long term and using performance information).

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[1] Outcomes are the consequence of activities; they describe the public benefit achieved through services.

Five Hills now provides managers with more opportunities to learn about some aspects of outcome-oriented management. Five Hills has made funding available each year for interested managers to access leadership training. This training may include aspects of outcome-based management. Also, management involved in certain quality projects receive training on process and quality improvement. This training provides managers with a disciplined, data-driven approach and methodology to address identified problems and is intended to change how they think and behave. Related training includes techniques and tools on ways to identify the cause of the problem, consider potential solutions, and analyze results. At the time of our follow-up, about 11 managers were trained in this process and Five Hills had about 50 separate quality projects either underway or completed. These opportunities should help its managers better understand some aspects of outcome-based management.

However, at August 31, 2008, Five Hills did not routinely provide managers with opportunities on other key aspects of outcome-based management such as selecting useful targets and ways to monitor longer term results. Also, Five Hills' orientation for new managers continued to omit training on outcome-oriented management and it had not developed a management training plan.

Written progress reports and annual analysis of results

We recommend that Five Hills Regional Health Authority prepare, at least annually, written progress reports for its strategic priorities that include analysis of results (i.e., activities and outcomes). Analysis should compare actual results to baselines and planned targets, include forecasts, and explain why the results vary from the plan.

Five Hills has updated its strategic plan. Since 2007, Five Hills prepared written reports about actions taken on its strategic priorities. Management provides the Board with quarterly updates on the progress of its strategic priorities. These reports focus on the activities completed or underway and include cross references to related reports or materials previously made available to the Board. At August 31, 2008, these reports to the Board did not compare actual results to baselines or planned targets with explanations as to why the results vary from the plan.

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In conjunction with its quality projects, management received progress charts for each project. These charts compared planned targets to actual activities for each project and forecasted completion dates for activities. Up to August 31, 2008, these projects have focused on addressing identified service-delivery processes (e.g., reduce wait-list times, bathroom cleaning standards, supply storage). The alignment between these projects and Five Hills' strategic priorities was not always evident and is not made explicit in the related reports.

Align resources to expected outcomes

We recommend that Five Hills Regional Health Authority support its decisions to align resources to expected outcomes using reports that analyze progress toward planned priorities.

Five Hills has more closely linked the allocation of certain resources to its planned outcomes (as reflected either in its strategic priorities or the provincial priorities set by the Ministry of Health). Some of Five Hill's initiatives require reports on progress towards planned outcomes (e.g., Pursuing Excellence initiatives). This form of reporting provides additional information to help make resource allocation decisions.

Senior management gave the Board reports that analyzed progress on strategic priorities. For example, reducing the wait for health services was a priority. When wait-time reports showed a two to four day wait for some, and a 14 to 24 day wait for other diagnostic imaging tests, managers reallocated staff resources for better service.

Also, the Ministry of Health aligned and allocated new resources to Five Hills based on progress towards provincial priorities such as recruitment and retention, safety, and quality improvement.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter[2].

PAC REPORT YEAR[3]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Health (Regional Health Authorities)		
2002	PAC concurs: 6D-1 that all RHAs should prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector.	**Partially implemented** (as at March 31, 2007). Capital equipment plans are improving but still do not contain all key elements of good plans.

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[2] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.
[3] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Saskatchewan Cancer Agency

10C

Main points

Saskatchewan Cancer Agency (Agency) needs to improve its information technology (IT) policies and procedures. The Agency uses IT systems to support the delivery of patient care.

In 2008, we assessed the Agency's processes to secure its computers and data. We concluded the Agency did not have adequate processes to do so. Lack of adequate processes to secure (i.e., protect the confidentiality, integrity, and availability of) computer systems and data increase the risk of inappropriate disclosure of patients' information and inadequate patient care.

Also, the Agency needs to give its annual report to the Assembly by the date required by law.

Introduction

The Saskatchewan Cancer Agency (Agency) (formerly the Saskatchewan Cancer Foundation) conducts treatment, supportive care, research, education, prevention, and early detection programs for the control of cancer in Saskatchewan. The Agency operates cancer treatment centres in Regina and Saskatoon.

In 2008, the Agency had operating revenues of $81.0 million, operating expenses of $80.7 million, and surplus of $0.3 million. At March 31, 2008, it held assets of $49.0 million. The Agency's financial statements are included in its 2008 Annual Report.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

♦ **the Agency had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦ **the Agency complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**

♦ **the Agency's financial statements are reliable**

In this chapter, we also report the results of our audit of the Agency's processes to secure its information technology date centre, data network, and clinical management system.

Better information technology processes needed

In our 2007 Report – Volume 3 and prior reports, we recommended that the Saskatchewan Cancer Agency strengthen the preparation, approval, and implementation of information technology (IT) processes for its information systems that are based on a formal threat and risk analysis.

In March 2006, the Standing Committee on Public Accounts considered this matter and agreed with our recommendation.

We continue to recommend that the Saskatchewan Cancer Agency strengthen the preparation, approval, and implementation of information technology processes for its information systems that are based on a formal threat and risk analysis.

During the year, we did an audit of the Agency's IT security. We concluded that the Agency did not have adequate security policies and procedures. We report the results of that audit together with our recommendations later in this chapter.

Timely annual report needed

The Cancer Agency Act requires the Agency to give an annual report including financial statements to the Assembly according to *The Tabling of Documents Act, 1991.*

Under *The Tabling of Documents Act, 1991,* the Agency should have given its annual report to the Assembly on or before July 29, 2008. However, it has not yet done so. Accordingly, the Agency did not comply with *The Tabling of Documents Act 1991.*

1.   **We recommend that the Saskatchewan Cancer Agency give its annual report to the Legislative Assembly by the date required by *The Tabling of Documents Act, 1991.***

Security of information technology data and system

The Agency uses information technology (IT) systems to support the delivery of patient care. The Agency stores confidential patient data on its systems. The Agency plans to store additional electronic patient information by implementing a Clinical Management System (CMS). CMS has the ability for physicians to dictate and store notes in electronic format, integrate laboratory results, and store additional patient data including treatment information. When CMS is implemented, all data will be stored in one central location. CMS should help make patient information more accessible to staff, which could enhance the effectiveness of health care service delivery.

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The Agency must protect the confidentiality and integrity of patient data. A loss of data could lead to inappropriate disclosure of a patient's medical records. Missing or inaccurate data could lead to inadequate patient care. The Agency uses its IT systems and data to provide patient services. Patient care could suffer if information in its systems is not available when needed.

Objective and criteria

The objective of our audit was to assess whether the Agency has adequate processes to secure its information technology data centre, data network, and clinical management system for the period from March 1, 2008 to August 31, 2008.

We used criteria to assess the Agency's processes. The criteria are based on the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants and on international standards, literature, and reports of other legislative auditors. The Agency's management agrees with the criteria.

The criteria, set out in the exhibit below, describe the key processes that we expected the Agency to use to secure its systems and data.

Exhibit 1 — Audit criteria

To secure its information technology data centre, data network, and clinical management system for the period from March 1, 2008 to August 31, 2008, the Agency should:

1. **Show management commitment to security**

   Responsibility for security is clearly defined
   Threat and risk assessments are performed
   IT planning supports security
   Management has approved security policies and procedures
   Management monitors security

2. **Protect systems and data from unauthorized access**

   User access controls protect its systems and data from unauthorized access
   Physical security controls protect its offices from unauthorized access

3. **Keep systems and data available for operation**

   System and data backups occur and are tested
   Disaster recovery plans are in place and are tested

4. **Maintain the integrity of systems and data**

   Change management processes exist and are followed
   Computer operation processes exist and are followed

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Audit conclusion

The Saskatchewan Cancer Agency did not have adequate processes to secure its information technology data centre, data network, and clinical management system for the period from March 1, 2008 to August 31, 2008.

We describe our expectations for each criterion and recommendations in the following section.

Key findings by criterion

We describe below what we expected (in italics) and key findings for each criterion.

Show management commitment to security

Management commitment includes setting up an organizational structure that clearly defines who is responsible for security. We expected a member of the Agency's senior management would lead an information technology (IT) group. Management should effectively monitor contractors who perform work on its behalf. Commitment also includes implementing and monitoring compliance with security policies and procedures.

The Agency has an organizational structure that defines who is responsible for the security of information. A senior manager leads the IT division. The Agency has a team of eight IT staff who manage, maintain, and monitor its systems and data.

The Agency prepared an IT operational plan for 2008-09. The plan identifies its strategic themes and priorities and sets out objectives and initiatives for each priority.

The Agency has developed policies based on a risk assessment. The Agency's senior management has approved some of the IT policies. Management told us the Agency plans to approve all IT policies by December 31, 2008.

The Agency has not implemented all of its new policies. Nor has it established procedures for all policies. For example, the Agency has developed a backup policy, but has not documented its backup and recovery procedures. Also, implementation generally includes providing awareness training to all staff. The Agency needs to do so. The Agency also needs processes to monitor and enforce compliance with policies and procedures.

The Agency uses the IT unit of the Ministry of Health as a service provider to provide network management, security, and data transmission controls. The Agency met with the service provider monthly and received some information on planned changes and work plans. However, the Agency did not know if the service provider's security controls were adequate. Weaknesses at the service provider could adversely affect the security of the Agency systems and data.

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The service provider did not provide all security services that the Agency had expected. For example, the service provider did not monitor firewalls on the Agency's behalf. The Agency did not monitor the service provider to ensure it received all required services. As a result, the Agency did not know if its systems are protected from unauthorized users. Nor did it know if data transmitted on the service provider's network was secure.

2.   **We recommend the Saskatchewan Cancer Agency monitor its information technology service provider to ensure its systems and data are adequately protected.**

Management has advised that the service provider is working on addressing the need for providing assurance information for all of its clients. Management has also advised that the Agency began directly monitoring its firewalls in September 2008 and the service provider is in the process of installing a new intrusion detection system (IDS).

Protect systems and data from unauthorized access

We expected the Agency to have adequate physical access and user access processes to protect the systems and data from unauthorized access.

Good physical control means protecting IT infrastructure from harm. Physical access controls protect all computers and network devices from unauthorized access. For example, security controls should physically prevent unauthorized users from entering a data centre.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access.

Protecting systems from unauthorized access is more critical with the increased use of the Internet, automated processes, and multiple offices. The Agency should protect its data by configuring, updating, and monitoring its systems against security threats.

The Agency uses locked rooms to protect its computers and related computer equipment that run the network and store patient data. The

rooms are alarmed and monitored 24 hours daily. Batteries provide backup power and generators are available if needed.

The Agency has documented processes for granting and removing user access to its IT systems and data. However, the Agency did not adequately comply with its processes during the audit period. Staff no longer employed by the Agency continued to have access to systems and data. Also, the Agency did not remove or disable administrator access privileges for consultants who had not recently used their accounts for accessing the Agency's network. The Agency should perform regular tests to check that only valid users have access to its systems and data. Management informed us that the Agency has now strengthened its processes for granting and removing user access.

The Agency needs to consistently follow its password standards. For example, over 100 network accounts did not have passwords set to expire. Also, some administrator passwords were over 2 years old. Management informed us that the Agency has rectified the situation.

3. **We recommend the Saskatchewan Cancer Agency follow its policies for accessing computer systems and data.**

The Agency uses a wireless network at its cancer centres in Regina and Saskatoon. Medical staff access and modify patient information using the wireless network.

The Agency did not adequately configure its wireless networks. The Agency did not restrict wireless access to specific computers. Nor did it monitor attempts to access its wireless network. As a result, attempted or successful security breaches would not be detected. The Agency did not implement firewalls between the wireless access points and its network.

The Agency used encryption to protect the wireless data. However, the wireless encryption used is now several years old and is vulnerable to attack because its shortcomings are well known on the internet.

We tested the wireless network in Regina. The wireless signal is accessible from outside the cancer centre and in public areas such as a coffee shop. During our audit, we successfully broke the Agency's encryption key. The Agency was immediately informed that its wireless

system is vulnerable to outside attack. An inappropriate user could breach the Agency's wireless systems using a laptop and software tools freely available on the internet.

Knowing the encryption key would not immediately grant access to the Agency's systems and data. Access to the network requires a user to enter a valid username and password. However, the Agency did not lock user accounts after a specified number of failed logon attempts. Also, the Agency did not monitor failed access attempts to its network. As a result, a potential intruder could run automated tools to obtain a valid network username and password. These tools are widely available on the internet. The Agency would not know if an intruder attempted or successfully breached its network.

4.   **We recommend the Saskatchewan Cancer Agency adequately protect its wireless computer systems against unauthorized access.**

Management told us that on October 8, 2008 the replacement of the Agency's wireless system had been completed. Management told us that the Agency has enforced account locking after a specified number of failed password attempts and now monitors failed access attempts to the network.

Computer vulnerabilities are often detected after a system is in use. The process of updating computers for known weaknesses is referred to as patching. Patching computers regularly prevents unauthorized users from exploiting known vulnerabilities.

The Agency has patched most of its computers. However, the Agency did not adequately patch all computers used to protect its network and access patient data. The Agency needs to patch its computers on a timely basis to protect itself from security threats.

5.   **We recommend the Saskatchewan Cancer Agency protect its computer systems and data by updating (patching) its computers against known security weaknesses.**

The Agency used some strong configuration settings on its computers. For example, password complexity and minimum password length were

enforced for all users. Also, the Agency did log some security events such as application errors. However, some configuration settings were weak or not enforced. For example, many passwords were not set to expire and user accounts do not lock after a specified number of failed logon attempts.

As we stated earlier, the Agency used a service provider to monitor its firewalls. The Agency knew before the start of the audit period, that the service provider was not monitoring the firewalls. However, the Agency did not monitor the firewall logs itself.

The Agency did not log or monitor access attempts to its network. The Agency did not have a process to detect potential inappropriate activity on its key servers or network. Timely review of logs would help identify potential or successful security attacks.

6. **We recommend the Saskatchewan Cancer Agency protect its information technology systems and data by adequately monitoring its systems and data for security threats.**

Keep systems and data available for operation

We expected the Agency *to have adequate processes to ensure its systems and data are available for operation when needed.*

Even with good backup and recovery procedures, the Agency may not be able to continue its operations if a major problem occurs. Therefore, the Agency should have a contingency plan to recover operations in the event of a disaster like a fire or flood. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

The Agency needs to document backup and recovery procedures for its systems and data. The backup and recovery procedures should define data requirements, frequency, offsite storage needs, and recovery processes.

The Agency developed a disaster recovery plan. The disaster recovery plan outlines roles and responsibilities of staff, scope and objective of the

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plan, site information, recovery requirements, and detailed recovery procedures for significant servers.

The Agency tested some of its disaster recovery procedures in June 2007. The Agency was not able to recover its systems in the time required. Management told us that the Agency has retested the disaster recovery procedures. However, we did not see evidence of such test or its results.

The Agency did not test whether its data would be available to meet its recovery point objectives. For example, the Agency required restoration of some systems and data in 24 hours. The recovery time objective of 24 hours would require the Agency to store backup tapes offsite daily. The Agency stored backup tapes offsite weekly. If a disaster had occurred and the on-site backup tapes were destroyed, the data restored could be up to seven days old and the Agency would not be able to meet its data recovery requirements.

Management told us that while not all of the planned recovery point objectives were met, the Agency's most critical system, CMS, is backed up on an hourly basis.

The Agency successfully restored individual systems and data upon request (for example, when files were lost or computers replaced). However, without an adequately tested plan, the Agency does not know if it could restore all systems and data in the event of a disaster.

7. **We recommend the Saskatchewan Cancer Agency adequately test its disaster recovery plan.**

Management told us that the Agency plans to perform a disaster recovery test in October 2008.

Maintain the integrity of systems and data

We expected the Agency *to have processes for maintaining the integrity of client systems and data by implementing adequate configuration, update, monitoring, and IT operation processes. Adequate processes require approving and testing system changes before implementation.*

The Agency should ensure that it has adequate processes for running and maintaining its computers.

The Agency needs to strengthen its processes for configuring, updating (patching), and monitoring its computers. The Agency needs adequate computer operating processes to keep its computers secure. We describe these findings and recommendations earlier under the heading "Protect systems and data from unauthorized access."

The Agency has adequate processes for managing changes to its CMS. The Agency documented, approved, and tested changes to the CMS application prior to implementation.

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Glossary

Account—A unique identity set up on a computer or network that allows access to specific systems and data.

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Backup (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Firewall—A piece of hardware or software intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

Intrusion detection system (IDS)—software and/or hardware designed to detect a security breach by identifying inappropriate access or changes taking place within a network or computer.

IT infrastructure—An organization's computer and network assets.

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

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Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Recovery point objective—In disaster recovery, the intended point in time before an emergency or disaster to which systems and data can be restored. For example, if backups of data are done every 4 hours, and an emergency or disaster occurs 3 hours after the last backup, then 3 hours of data may not be recoverable. The recovery point objective in this case is 4 hours, and represents the maximum amount of data that management is prepared to lose because of a disaster.

Recovery time objective—In disaster recovery, the point in time after an emergency or disaster by which management plans to have systems and data available. If the recovery time objective for a system is 24 hours, management plans to have that system operational within 24 hours after an emergency.

Server—A computer that hosts systems or data for use by other computers on a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

Cypress Regional Health Authority IT security

10D

Main points

Cypress Regional Health Authority (Cypress) needs to secure its information technology (IT) systems and data.

Cypress did not have adequate processes to secure (i.e., protect the confidentiality, integrity, and availability of) its IT systems and data. Lack of adequate processes to secure IT systems and data could result in loss, inappropriate modification, or unauthorized disclosure of sensitive health information.

Introduction

The Regional Health Services Act makes Cypress Regional Health Authority (Cypress) responsible for the planning, organization, delivery, and evaluation of health services in the Cypress Health Region. To carry out this role, Cypress must manage information.

Cypress uses information technology (IT) systems to provide health services and store health care information. Securing health care information (ensuring its confidentiality, integrity, and availability) is vital to fulfilling Cypress's objectives including delivering health services and protecting the interests of patients. When Cypress uses a contractor to help manage its IT services, it must oversee the security provided by the contractor.

Inadequate security could result in loss, inappropriate modification, and unauthorized disclosure of health information. It could also impede effective planning and decision making at regional, provincial, and inter-provincial levels.

This chapter reports the results of our audit of Cypress's IT security. Chapter 10B reports the results of our other audit work at Cypress for the year ended March 31, 2008.

Audit objective and conclusion

The objective of our audit was to assess whether Cypress had adequate controls to secure (i.e., protect the confidentiality, integrity, and availability of) its information technology systems and data for the period from March 15, 2008 to September 15, 2008.

Throughout our audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

We used the criteria set out in the exhibit below to assess Cypress's processes. The criteria are based on the *Trust Services Criteria and Principles* authored by both The Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants

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and on international standards, literature, and reports of other legislative auditors. Cypress agreed with the criteria.

Exhibit—Audit criteria

To secure (i.e., protect the confidentiality, integrity, and availability of) its information technology systems and data, Cypress should:

1. **Show management commitment to security**

   Responsibility for security is clearly defined
   IT planning supports security
   Management has approved security policies and procedures
   Management monitors security

2. **Protect systems and data from unauthorized access**

   User access controls protect the systems and data from unauthorized access
   Physical security controls protect against unauthorized access

3. **Keep systems and data available for operation**

   System and data backups occur and are tested
   Disaster recovery plans are in place and are tested

4. **Maintain the integrity of systems and data**

   Change management processes exist and are followed
   Computer operation processes exist and are followed

We concluded that Cypress Regional Health Authority did not have adequate processes to secure its information technology systems and data for the period from March 15, 2008 to September 15, 2008.

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and our key findings for each criterion together with our recommendations.

Show management commitment to security

Management commitment includes setting up an organizational structure that clearly defines who is responsible for security. We expected Cypress would have a member of senior management who leads an information technology division. Management should effectively monitor service providers who perform work on its behalf. Commitment also includes implementing and monitoring compliance with security policies and procedures.

Cypress's organizational structure defined responsibility for security. Cypress also had an IT strategic plan. However, Cypress did not do a formal threat and risk assessment to support the development of the plan. Therefore, it did not know if the plan addressed all significant threats and risks.

Cypress had IT security policies. Cypress recently reviewed and modified its policies. New employees received training on the security policies as part of their orientation process. Management carried out security reviews to help ensure compliance with *The Health Information Protection Act.* These reviews also monitored compliance with security policies. Cypress did not have a policy setting out how to respond to and report IT security incidents. However, it did take action when such incidents became known, and it documented these actions.

Cypress used the IT unit of the Ministry of Health for specific IT and security services (e.g., firewall management, disaster recovery for some applications). Cypress had signed agreements with the Ministry regarding these services. Under these agreements, most of Cypress's medical information systems and data are located with the Ministry and are subject to Ministry controls.

To know that its computer systems and data are secure, Cypress needs to monitor the adequacy of the security provided by the Ministry. However, Cypress did not seek assurance or other information to make this assessment.

The Ministry did not provide all services Cypress expected during the audit period. For example, the Ministry did not maintain and monitor firewalls. Accordingly, Cypress's systems and data were at risk of inappropriate access and not being available when needed. Because Cypress did not know the firewalls were not maintained, Cypress was not aware of the risks.

1.   **We recommend the Cypress Regional Health Authority formally assess the threats and risks to its information technology systems and data.**

> **2.** **We recommend the Cypress Regional Health Authority monitor the security of its information technology systems and data.**

Protect systems and data from unauthorized access

We expected Cypress to have adequate physical access and user access processes to protect its systems and data from unauthorized access.

Good physical control means protecting IT infrastructure from harm. Physical access controls protect all computers and network devices from unauthorized access. For example, a locked door could physically prevent unauthorized users from accessing a server room.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access.

Protecting systems from unauthorized access is more critical with the increased use of the Internet, automated processes, and multiple offices. Cypress should protect its data by configuring, updating, and monitoring its systems against security threats.

Cypress had procedures for granting users access to its computer network. However, it had not fully documented those procedures. Documenting the procedures could help ensure that employees responsible for approving access do so consistently.

Cypress had a policy for removing user access when a user's employment ends. However, Cypress did not consistently follow its policy. We found examples of staff who no longer worked for Cypress whose accounts were not terminated. Cypress also did not have a process to verify a user's identity before IT employees reset the password for a user. Inappropriate user access could result in unauthorized disclosure, loss, and modification of information.

Cypress had not appropriately configured all of its systems to protect them from risks of unauthorized access. Certain computers and network

devices were not set to help prevent unauthorized access or track unsuccessful attempts at gaining access.

Also, IT employees did not set all password requirements appropriately to maintain security. Cypress's policy requires passwords to be changed every 180 days. However, over 300 network accounts did not have passwords set to expire.

Cypress did not have processes to encrypt computer drives and portable media. When important and confidential data is carried on computers and on portable media, it is necessary to take precautions such as encryption to protect the data in case of theft or loss.

Cypress had devices and processes to guard against email-borne viruses. It kept its computer systems up-to-date to protect against new threats. Cypress also educated users regarding appropriate user security.

As noted above, Cypress used the IT unit of the Ministry of Health to manage some of its security processes, including firewalls. In our 2007 Report—Volume 3, we reported that the Ministry did not adequately protect its clients' systems and data from security threats. The Ministry continued to have full access to Cypress's systems and data. This exposed Cypress to any security risks that may have continued to exist at the Ministry.

While Cypress had some physical access controls, it did not equip its server rooms with standard environmental controls. Access to one of Cypress's two server rooms was not appropriately restricted, and one server room did not have a fire suppression system.

3.   **We recommend the Cypress Regional Health Authority establish and follow its policies and procedures for granting and removing user access to computer systems and data.**

4.   **We recommend the Cypress Regional Health Authority configure its computer systems and data to protect them from external threats including theft or loss.**

> 5. **We recommend the Cypress Regional Health Authority physically protect its computer systems and data from loss or damage.**

Keep systems and data available for operation

We expected Cypress to have adequate processes to ensure its systems and data are available for operation when needed.

Even with good backup and recovery procedures, Cypress may not be able to continue its operations if a major problem occurred. Therefore, it should have a contingency plan to recover operations in the event of a disaster like a fire or flood. This includes building capacity into systems, when cost effective, so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

Cypress needs to improve and document its processes for backing up systems and data. For example, Cypress did not store its backups offsite. As a result, a disaster could destroy the backups along with the servers that hold Cypress's current information. The backup procedures should define data requirements, frequency, security, and offsite needs.

Cypress identified the need for a disaster recovery plan and began developing a plan. Cypress had not completed or tested its disaster recovery plan. Cypress, however, was able to restore specific data when requested. Lack of an approved and tested plan increases the risk that Cypress could not restore systems and data in the event of a disaster.

Cypress made an agreement with the Ministry for backup and disaster recovery of systems and data that the Ministry manages for Cypress. Cypress did not have processes to monitor whether the Ministry was meeting agreed obligations. As a result, Cypress did not know whether systems and data that the Ministry manages would be available when needed.

> 6. **We recommend the Cypress Regional Health Authority complete, approve, and test its disaster recovery plan.**

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Maintain the integrity of systems and data

We expected Cypress to have processes for maintaining the integrity of its systems and data by implementing adequate configuration, update, monitoring, and IT operation processes. Adequate processes require approving and testing system changes before implementation. Cypress must also ensure that it has adequate processes for running and maintaining its computers.

Cypress needs documented processes for making changes to its systems and data. Good change management processes help reduce unintended consequences arising from changes. Cypress should document its approval and testing of changes prior to making them.

The Ministry made some IT changes for Cypress. The Ministry had processes for making these changes. These included informing Cypress of planned changes and receiving Cypress approval before implementing the changes.

Cypress should also have strong processes for maintaining and monitoring systems and data. We describe our findings earlier under the heading "Protect systems and data from unauthorized access."

7.   **We recommend the Cypress Regional Health Authority implement adequate policies and procedures for managing changes to computer systems and data.**

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Glossary

Account—A unique identity set up on a computer or network that allows access to specific systems and data.

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Backup (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Change management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Environmental controls—The controls in place at an organization to manage risks posed by the physical location of computers or network equipment. Examples include fire suppression systems, moisture detectors, and uninterruptable power supplies.

Firewall—A piece of hardware or software intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

IT infrastructure—An organization's computer and network assets.

IT strategic plan—A plan indicating how an organization intends to use IT to further its business goals and objectives.

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Network—A group of computers that communicate with each other.

Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Server—A computer that hosts systems or data for use by other computers on a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

Immunization coverage

10E

Main points

Immunization is a free health service that protects children and communities from disease. In 2006, we audited the immunization services to young children in Prince Albert Parkland Regional Health Authority (RHA).

The RHA needs to work with First Nations and Federal health agencies to increase access to immunization. The RHA needs to find out why parents do not immunize their children and develop a plan to overcome these causes.

In 2008, we assessed the progress the RHA has made to improve practices. The RHA has made progress but needs to do more.

Introduction

Immunization is an essential primary health service that reduces the amount of disease in communities, lowers the severity of illness and the frequency of hospitalization, and decreases health care costs. Governments monitor immunization coverage rates to assess if they have adequately protected the public from communicable diseases. Immunizing young children also introduces young families to free health services that will prevent illness and support positive parenting.

In 2004, the Prince Albert Parkland Regional Health Authority was one of four regional health authorities with low immunization rates. The immunization rates fell below 70% for two-year-old children who received immunization from these authorities. To protect the public, the Public Health Agency of Canada recommends 95% immunization coverage for children by age two.

In 2006, we audited the immunization services to young children in Prince Albert Parkland Regional Health Authority's (Prince Albert Parkland). In our 2006 Report – Volume 3 (Chapter 2D, pp. 91-100), we concluded that at June 30, 2006, Prince Albert Parkland had adequate systems to achieve recommended immunization rates for two-year-old children, except for its processes to create opportunities to immunize by working with others and its processes to monitor immunization coverage. We made three recommendations to Prince Albert Parkland to improve its processes and one recommendation to the Ministry of Health. On June 25, 2007, the Standing Committee on Public Accounts agreed with our recommendations.

We describe below Prince Albert Parkland's progress up to September 24, 2008 towards addressing our recommendations. It needs to do more to improve the rate of immunization coverage for all children in the region.

Immunization rates are improving in the region. These rates reflect only those children registered in Saskatchewan's centralized, internet-based Immunization Management System (SIMS). In 2006-07, Prince Albert Parkland gave at least one vaccine to 74% of the region's children by age two (compared to about 50% in 2004). More specifically, Prince Albert Parkland's immunization rate for diphtheria was 69.8% in 2006-07 compared to 61.4% in 2004. This is good progress.

Maximizing access to immunization

In 2006, we recommended that the Prince Albert Parkland Regional Health Authority work with First Nations and Federal health agencies to maximize access to immunization for children in the region.

Prince Albert Parkland provides health services to about 77,000 people including 1,082 children aged two (2006-07).[1] Prince Albert Parkland and various federal and First Nations health agencies share responsibility to immunize the region's children. For example, First Nations children living on reserves most often receive health services funded by Tribal Councils, First Nations communities, or the Federal Government.

In 2007, Prince Albert Parkland began to meet with other agencies that immunize children. It now meets regularly with representatives of:

- ♦ the Northern Intertribal Health Authority
- ♦ the Saskatoon Tribal Council
- ♦ the Ahtahkakoop First Nation
- ♦ the First Nations and Inuit Health Branch of Health Canada

In working with these partners, Prince Albert Parkland formally shares information including immunization rates and strategies to encourage parents to have their children immunized. These partners also held a joint workshop for field staff who help parents by organizing transportation or caring for other children while an infant is immunized.[2]

To maximize access to immunization, Prince Albert Parkland should also discuss with its partners the cause of low immunization rates. The partners have not formally identified the factors that cause lower immunization coverage and how they can influence those factors. The partners do not have a plan to work together to provide this essential health service to children.

We continue to recommend that the Prince Albert Parkland Regional Health Authority work with First Nations and Federal health agencies to maximize access to immunization for children in the region.

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[1] 2006 Census community profile for Prince Albert Parkland describes the population by age group (www12.statcan.ca/english/census06/data/profiles/community) (01 Oct 2008).
[2] Field staff refers to community health representatives and public health assistants.

Reporting analysis of immunization rates to the Board

In 2006, we recommended that the Prince Albert Parkland Regional Health Authority regularly report to its Board an analysis of the causes of its low immunization coverage rates.

Immunization coverage is a performance measure the Ministry of Health monitors. As a result, Prince Albert Parkland's Board annually receives a report that includes the rate of immunization coverage for two-year-old children registered in SIMS with an address in the region. The report compares Prince Albert Parkland's immunization rate to the provincial immunization rate for children registered in SIMS. The report does not explain the causes of the low immunization rate.

Senior management makes periodic immunization related reports to the Board. In January 2008, senior management gave the Board a Health Status Report for the region. The report describes socio-economic factors that may influence immunization rates (e.g., 25% of the region's children live in low-income households, transportation may be an issue, up to 40% of all households with children do not have sufficient access to food). In March 2008, senior management updated the Board on immunization rates, targets, and planned strategies.

Because the immunization rate is not sufficient to protect the community effectively, management should inform the Board what influences the low immunization rate in the region. Management told us it has not yet analyzed all the factors causing the low immunization rates.

To analyze the causes of its low immunization rates for young children, management needs to know why parents do not have their children immunized. Management told us that in future it hopes to survey its residents, jointly with the Ministry of Health and the Northern Intertribal Health Authority. It plans to ask families with unimmunized children about the reasons why.

Management also needs to analyze and inform the Board about causes of low immunization rates related to how it organizes service providers and service locations. Without this information, the Board cannot assess if it allocates sufficient resources to preventing communicable diseases in the region.

We continue to recommend that the Prince Albert Parkland Regional Health Authority regularly report to its Board an analysis of the causes of its low immunization coverage rates.

Setting target rates for immunization coverage

In 2006, we recommended that the Prince Albert Parkland Regional Health Authority set target immunization coverage rates for children in the region and develop plans to achieve those targets.

In 2007, Prince Albert Parkland set a target to increase its immunization rates by 1% per year for five years—up to 74% coverage by 2012, using diphtheria as a benchmark. The target applies only to children in the SIMS register and does not relate to all children in the region. Management views this target as achievable with its present resources.

In March 2008, Prince Albert Parkland approved its strategic plan for 2008-2012. The strategic plan set out actions to strengthen Prince Albert Parkland's immunization coverage rates. Those actions include promoting immunization, developing an outreach strategy, and working with First Nations health agencies to increase immunization coverage, as well as improving immunization rates among Prince Albert Parkland's employees.

In March 2008, a report to the Board outlined five strategies to overcome low immunization rates including: access (e.g., clinic hours and drop-in service), publicity, reminders, partnerships with other service providers, and incentives (e.g., food). As of September 2008, management had not expanded these strategies into a formal plan to achieve immunization rates that are sufficiently high to protect the community. Management should base the strategies in its formal plan on the analyzed causes of Prince Albert Parkland's low immunization rates.

A formal plan would help Prince Albert Parkland assess what resources it requires to improve its immunization coverage. A formal plan would help partner agencies more easily identify the extent of effort required to immunize all children. In addition, a formal plan would help management to evaluate whether it has considered all options, efficiencies, and partners.

We continue to recommend that the Prince Albert Parkland Regional Health Authority develop formal plans to achieve its targets for immunization coverage.

Measuring immunization rates

In 2006, we recommended that the Ministry of Health adjust its immunization performance measure so that it calculates the measure it has defined.

The Ministry of Health re-defined its immunization measure in 2007. It now makes clear that the immunization rates reported are only for children registered in SIMS. Regional health authorities use SIMS to record immunization. The health agencies serving First Nations people on reserves do not use SIMS.

The Ministry now uses clear labels in its reports, showing that the immunization rate is for only part of the total population of two-year-old children. In its own reports about immunization, Prince Albert Parkland also uses labels that recognize the rate applies only to children registered in SIMS.

The Ministry has met our recommendation to define (and label) the measure for immunization rates in a way that reflects how it is calculated.

Next step

Today, the people of Saskatchewan are highly mobile within the province and often travel to other parts of the world as well. Under these circumstances, communicable diseases can spread rapidly. A strong immunization program protects the whole population from disease. In addition, it introduces new parents to preventive health services that can support the well-being of the family and reduce health costs.

We will continue to monitor Prince Albert Parkland's progress towards addressing our recommendations.

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Reducing workplace injuries

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Main points

Since our 2003 audit, this is our third follow-up to assess the progress of two regional health authorities in addressing our recommendations to reduce injuries to health care staff. We found that while Saskatoon Regional Health Authority has addressed most of our recommendations, Regina Qu'Appelle Regional Health Authority has important work to do to prevent injuries to health care workers. In Regina Qu'Appelle, senior managers are still not held accountable for reducing injuries in the workplace.

Through their commitment and directions, Boards set the tone for safety in the workplace. In these two large regional health authorities, the Boards are not getting sufficient information about workplace injuries from senior management. Also, occupational health committees do not provide written recommendations to senior management and their Boards to fix unresolved causes of injuries. Analysis of the causes of workplace injuries is improving.

The frequency of injuries is slowly being reduced. However, in 2007-08, more than 7% of health care workers were injured at work. This injury rate adds further risks to the long-term supply of health care workers. In addition, some injured workers have long-term pain and disability.

The Ministry of Health has an oversight role in reducing workplace injuries throughout the health sector. We recommend the Ministry of Health set a provincial, long-term target for reducing injuries in health sector workplaces. Such targets often help to determine priorities when allocating resources.

Introduction

Workplace safety is the shared responsibility of all workers, managers, and governing boards. With health care workers in short supply, governing boards should be particularly vigilant to prevent injuries to the people they employ. The Government should be a leader in protecting its workers' health.

In Saskatchewan, many health care workers are injured at work. The Ministry of Health's annual reports show regional health authorities, on average, had injury rates of 7.62 in 2003-04 and 7.12 in 2007-08 for every 100 workers. As measured by the number of paid days off work due to injury, the average severity of injuries increased from 438.11 days in 2003-04 to 451.26 days in 2007-08 for every 100 workers.[1]

In our 2003 Report – Volume 1 (pages 30-47), our audit concluded that the Regina Qu'Appelle and the Saskatoon Regional Health Authorities (Authorities) did not adequately use best practices to reduce injuries to care staff. We recommended these Authorities take steps to reduce work-related injuries. The recommendations appear in italics throughout this report. The Standing Committee on Public Accounts agreed with our recommendations in June 2004.

This chapter describes the results of our third follow-up of progress Authorities made in addressing our recommendations. Exhibit 1 summarizes actions up to September 30, 2008 by the province's two largest regional health authorities to address the recommendations we made in 2003.

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[1] Definitions: Rate = Rate of lost-time injury claims accepted by WCB per 100 full-time-equivalent workers. Severity = WCB paid days away from work (beyond the day of injury) per 100 full-time-equivalent workers.

Exhibit 1—Status of recommendations up to September 30, 2008

Recommendations – 2003 Report – Volume 1, Ch.2	Saskatoon	Regina Qu'Appelle
1. Board commits to workplace safety as a priority		
a) *set specific targets*	Yes	No
b) *allocate resources to achieve the targets*	Yes	Partial
c) *receive frequent reports about injury rates and actions to reduce injuries*	Partial	Partial
d) *hold senior managers accountable to reduce injury rates*	Yes	No
2. Staffing patterns		
a) *analyze the unit staffing patterns that are associated with high and low injury rates*	Yes	Partial
b) *implement the lessons learned*	Yes	No
3. Occupational health committees		
a) *monitor injury trends at least quarterly*	Yes	Yes
b) *analyze the causes of injuries in areas with high injury rates at every meeting*	Partial	Partial
c) *make written recommendations to senior management and their board to fix unresolved causes of injuries*	No	No

Reducing injuries is difficult. Allocating resources for a safe environment and safety training will help. Most important is the commitment of all to a culture of safety. Changing the workplace culture takes time and requires strong board commitment supported by senior management leadership.

Board commitment to reduce injuries

We recommend that Boards of the Regina Qu'Appelle and Saskatoon Regional Health Authorities commit to workplace safety as a priority and:

♦ *set specific targets to reduce work-related injuries to care staff in the short term*

♦ *allocate resources to achieve the targets*

♦ *receive frequent reports about injury rates and actions to reduce injuries*

♦ *hold senior managers accountable to reduce injury rates*

The Saskatoon Regional Health Authority (Saskatoon) has addressed this recommendation except for reporting to the Board about actions to

reduce injuries. The Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) has much more work to do.

Saskatoon's Board includes an injury reduction objective and target in its strategic plan. It aims to reduce injuries annually by 10% below the prior year's results. The Board of Regina Qu'Appelle had not approved an injury reduction target for 2008-09 as of September 30, 2008.

Both Authorities received resources from the Ministry of Health for safety initiatives including the purchase of equipment to lift patients safely. Saskatoon received $2.75 million and Regina Qu'Appelle received $2.27 million for 2007-08. Both Authorities had a process to direct these resources to the work units with the highest injury rates (e.g., committee structure, criteria to allocate resources). Saskatoon also directed surplus operational resources to safety training, equipment, and safety consultants.

In 2008, the Boards of both Authorities had access to quarterly "dashboard" reports produced by the Ministry of Health that include the regional rate for lost-time injuries. During 2006 to 2008, neither Board routinely received information explaining actions not yet taken and the estimated cost to do so, compared to the cost of high injury rates.

To hold senior managers accountable, Saskatoon expected managers to take action on eight specific items related to staff safety. Reducing injury rates is one of the items set out in its accountability agreement with out-of-scope managers. When workers report an injury, Saskatoon expected unit supervisors to take action within 24 hours to prevent similar injuries. Regina Qu'Appelle required managers to have a "regard" for safety, (i.e., to consider safety).[2]

We continue to recommend the Board of Regina Qu'Appelle Regional Health Authority commit to workplace safety as a priority and set specific targets to reduce work-related injuries to care staff in the short-term, allocate resources to achieve the targets, receive frequent reports about injury rates and related actions, and hold senior managers accountable to reduce injuries.

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[2] Regina Qu'Appelle performance management system for out-of-scope employees.

We continue to recommend the Board of Saskatoon Regional Health Authority receive frequent reports about injury rates and actions to reduce injuries.

Staffing to reduce injuries

We recommend the Regina Qu'Appelle and Saskatoon Regional Health Authorities analyze the unit staffing patterns that are associated with high and low injury rates and implement the lessons learned.

Saskatoon has fully addressed this recommendation; Regina Qu'Appelle needs to do more work.

Management told us that being short-staffed is the norm for both Authorities due to a national shortage of care staff. We looked for evidence that these two large Authorities analyzed factors related to staffing and implemented solutions to reduce injuries to care staff.

Training staff to work safely is a critical factor that influences the number and severity of workplace injuries. Both Authorities conducted safety training for staff. Saskatoon actively monitored attendance and by March 2009 plans to ensure that, in spite of staff shortages, every new staff member attends safety training within the first two weeks of employment. As of September 2008, Regina Qu'Appelle's occupational health nurses outline safety practices as part of their interview with new employees when they are first hired.

Provincial laws require employers to educate on-site supervisors about safe work practices including the prevention of workplace injuries.[3] During 2006 to 2008, both Authorities trained supervisors to take action to reduce injuries. Saskatoon trained 1,930 supervisors and Regina Qu'Appelle trained 463 supervisors about their role in safety. As of September 30, 2008, this was about 60% and 35 % respectively of the supervisors requiring safety training in these Authorities.

In Saskatoon, one safety strategy was to create a culture that urged staff to work safely regardless of the number of staff available. Managers and committees in Saskatoon discussed staffing factors related to injuries and

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[3] Saskatchewan Occupational Health and Safety Regulations, section 469.1

took action. For example, when the Authority identified that work units with high injury rates often had high manager turnover and gaps in supervision, it expanded advice on safety in the guidebook for new managers. In Regina Qu'Appelle, the Chief Executive Officer visited several work units to help build a safety culture.

Many injuries happen to staff that have weak muscles because of prior injuries. Both Authorities used return-to-work programs to help injured workers get back to work safely and as quickly as possible. As of September 2008, Saskatoon had seven return-to-work consultants to help supervisors assign work that injured staff can do safely. Regina Qu'Appelle had three return-to-work consultants. Both Authorities assigned a similar number of other specialized staff to help reduce injuries (e.g., safety consultants, occupational health nurses).

Saskatoon continued to take part in national surveys and conducted its own research about staffing issues related to safety. In 2008, the Authority conducted a survey to explore factors related to injuries and the need for ceiling lifts, including staffing levels, time of day, staff age and experience, and the number of hours staff spend daily to reposition or transfer patients with and without mechanical aids. Regina Qu'Appelle had not researched staffing factors related to safety.

We continue to recommend the Regina Qu'Appelle Regional Health Authority analyze the unit staffing patterns that are associated with high and low injury rates and implement the lessons learned.

Active occupational health committees

We recommend the occupational health committees of the Regina Qu'Appelle and Saskatoon Regional Health Authorities:

♦ *monitor injury trends at least quarterly*

♦ *analyze the causes of injuries in areas with high injury rates at every meeting*

♦ *make written recommendations to senior management and their board to fix unresolved causes of injuries*

Both Saskatoon and Regina Qu'Appelle have addressed this recommendation except that their occupational health committees did not

make written recommendations to senior management and their Boards to fix unresolved causes of injuries.

Both Authorities had processes to monitor injury trends quarterly. In both Authorities, occupational health committees in each facility received quarterly reports about injuries. Minutes showed the committees reviewed the reports. A committee member or safety consultant routinely discussed injury trends with supervisors on units with high injury rates.

Both Authorities had processes to identify common causes of injuries in areas with high injury rates. Saskatoon's occupational health committees received quarterly injury reports that did not identify causes of injuries. Instead, the Authority annually summarized common causes of injuries by work unit without showing trends. In Regina-Qu'Appelle, occupational health committees received detailed reports stating the probable root cause for each injury. Regina Qu'Appelle did not analyze the most common causes of injuries or trends (e.g., by work unit or facility).

Both Authorities had regional occupational health committees to oversee safety and follow up on serious problems. During 2006-08, these regional committees did not make written reports to senior management and their Boards recommending how to fix unresolved causes of injuries. Occupational health committees should make formal reports at least annually to their senior management and boards. Such reports should highlight the most serious unresolved safety issues, work units where the risk of injury is the highest, actions taken, and actions recommended.

We continue to recommend the occupational health committees of the Saskatoon and the Regina Qu'Appelle Regional Health Authorities fully analyze the causes of injuries and make written recommendations to senior management and their Boards to fix unresolved causes of injuries.

Steps toward more rapid progress

Other large health authorities in Canada also are working to reduce injuries to health workers. For 2006, Edmonton's Capital Health Region reported a rate of 3.21 lost-time injury claims for every 100 workers

(target 2.66)[4] and Vancouver's Coastal Health Authority reported 6.7 lost-time injury claims for every 100 workers (target 5.0).[5] During 2006-07, the Regina Qu'Appelle and Saskatoon Regional Health Authorities reported 8.05 and 8.25 lost-time injury claims for every 100 workers.

Exhibits 2 and 3 show progress since 2004 in reducing injuries to health care workers in Saskatchewan regional health authorities. Progress in reducing the rate of injuries is generally steady but slow. Progress in reducing the severity of injuries is more challenging.

Exhibit 2—Rate of lost-time injuries in large health authorities ranked by frequency of injuries in 2007-08[6]

	2004-05	2005-06	2006-07	2007-08
RHA	Rate	Rate	Rate	Rate
Prince Albert Parkland	11.38	10.57	8.58	9.02
Sunrise	8.32	8.65	7.93	8.10
Regina Qu'Appelle	9.75	9.10	8.05	7.67
Saskatoon	9.88	8.61	8.25	7.13
Average Sask. RHAs	8.94	8.07	7.67	7.12

Source: RHA's Annual Reports (2004-05 rates as corrected in 2006-07)

Exhibit 3—Severity of lost-time injuries in large health authorities ranked by severity of injuries in 2007-08[6]

	2004-05	2005-06	2006-07	2007-08
RHA	Days	Days	Days	Days
Sunrise	508.43	594.27	766.40	677.35
Regina Qu'Appelle	518.71	618.66	655.51	644.34
Prince Albert Parkland	516.54	588.63	383.54	411.24
Saskatoon	381.89	361.07	321.62	346.19
Average Sask. RHAs	345.86	447.10	468.45	451.26

Source: RHA's Annual Reports (2004-05 rates as corrected in 2006-07).

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[4] Capital Health Region 2006-07 Annual Report, Edmonton, Alberta (p.40 - for calendar year 2006).
[5] Vancouver Coastal Health Authority, Worksafe and Wellness Regional Director.
[6] Definitions: Rate = Rate of lost-time injury claims accepted by WCB per 100 full-time-equivalent workers. Severity = WCB paid days away from work (beyond the day of injury) per 100 full-time-equivalent workers.

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Reducing injury rates is possible. However, it is not an easy task. Governing boards and management need to focus on achieving and sustaining lower injury rates in regional health authorities and other health agencies. Failure to achieve fewer injuries will increase long-term health-workforce shortages as many injured workers seek positions with fewer physical risks.

Three government agencies have important roles with respect to workplace injuries in the health sector. The ministry responsible for labour sets and enforces occupational safety regulations. In 2004, the ministry responsible for labour set a target to reduce injuries by 20% in all workplaces by 2008. The Workers Compensation Board (WCB) pays injured workers while they are unable to work. It also fines employers with high injury rates and rewards employers who reduce injuries to workers. The WCB set a target to reduce workplace injuries to 3.5 injuries for every 100 workers by 2010.

The Government should be a leader in the protection of its workers' safety. The Ministry of Health has an oversight role in reducing injuries to those employed in the health sector. It has working groups and strategies to help reduce injuries to health care workers. The Ministry decides what resources regional health authorities need to reduce injuries to workers. Targets help agencies decide the level of resources required.

1.   **We recommend the Ministry of Health set long-term, provincial targets to reduce the rate and severity of health-sector workplace injuries.**

The Ministry of Health, all regional health authorities, and senior management in all parts of the health sector may wish to consider the best practices set out in Exhibit 4. These practices will help to create a culture of safety.

We urge all board members to ask questions about the injury rate in the health care agencies they oversee. Board members can monitor whether management has adequate resources to take action to reduce injuries.

We will continue to monitor progress in reducing injuries to health care workers.

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Exhibit 4—Best practices to reduce injuries to health care workers

To demonstrate adequate use of best practices to reduce the prevalence of work-related back and shoulder injuries to care staff, health regions should:

1. Provide a work environment that fosters safety and health
   - provide a written program of procedures for moving patients
   - provide mechanical aids to reduce the risk of injury
   - provide staffing patterns that support injury reduction
   - redesign hazardous tasks and work-areas

2. Educate care staff to reduce risk of injury
   - inform staff of risks and signs and symptoms of injury
   - teach staff to eliminate hazards or avoid unnecessary risk
   - promote actions that minimize risk of back and shoulder injury

3. Show commitment to reduce the prevalence of injuries
   - emphasize safety and injury prevention in the workplace
   - support injured care staff for a safe, early return to work
   - monitor compliance with established policies
   - monitor agency-wide trends of hazards, incidents, and injuries

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Highways and Infrastructure

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Main points

The Ministry of Highways and Infrastructure is making progress in developing a business continuity plan but more work remains. A complete business continuity plan is important so that Highways can provide its critical services in the event of a disaster. Its critical services include snow plowing, northern airport operations, and road information services.

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Introduction

The Ministry of Highways and Infrastructure (Highways) operates, preserves, and guides the development of the provincial transportation system and enhances provincial transportation system assets.[1]

The provincial transportation system includes more than 26,000 km of highways, more than 800 bridges, 17 airports in northern Saskatchewan, 12 ferries, and a barge on Wollaston Lake. At March 31, 2008, this infrastructure had a net book value of about $1.6 billion.

Highways is responsible for the Transportation Partnership Fund (Fund).

Financial overview

The following is a list of major programs and spending for the year ended March 31, 2008:

	Original Estimates[2]	Actual
	(millions of dollars)	
Central Management and Services	$ 19.5	$ 16.9
Preservation of Transportation System	117.7	137.5
Strategic Municipal Roads	15.9	12.0
Municipal Financial Assistance	13.9	11.2
Operation of Transportation System	84.4	90.7
Transportation Policy	2.3	1.5
Machinery and Equipment	8.5	8.4
Capital Asset Acquisition	(11.1)	(11.3)
Capital Asset Amortization	97.6	86.7
Infrastructure Rehabilitation	62.5	46.8
Infrastructure Enhancement	122.7	123.2
	$ 533.9	$ 528.1

For the year ended March 31, 2008, Highways had revenues of $14.0 million of which $10.1 million related to transfers from the Federal Government for cost-shared infrastructure programs.

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[1] Government of Saskatchewan, 2007-2008 Annual Report, Ministry of Highways and Infrastructure.
[2] *2007-2008 Saskatchewan Provincial Budget Estimates* – Highways and Infrastructure Vote 16, Highways and Infrastructure Capital, Government of Saskatchewan.

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For the year ended March 31, 2008, the Fund had revenues of $6.7 million, expenses of $5.6 million, and held net assets of $12.2 million.

Audit conclusion and findings

In our opinion, for the year ended March 31, 2008:

♦ **Highways had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported in this chapter**

♦ **Highways complied with authorities governing its and the Fund's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **the Fund's financial statements are reliable**

Information technology agreement required

Since our 2006 Report – Volume 3, we have reported that Highways needs a written agreement with the Information Technology Office (ITO) for services provided by ITO. The Standing Committee on Public Accounts (PAC) considered this matter on January 8, 2008 and concurred with our recommendation.

Highways has received certain information systems services from ITO since April 2005 without having a written agreement. These services include:

♦ acquiring and maintaining infrastructure
♦ client support
♦ applications development and project management services

Highways remains responsible for the accuracy and completeness of its information systems and for the security and ongoing availability of these systems.

A written agreement is essential so Highways can effectively monitor the services ITO provides and take corrective or follow-up action as necessary.

In January 2008, the Ministry advised PAC it expected to conclude an agreement with ITO shortly and was working with ITO to customize the agreement to meet the Ministry's needs. Highways signed an agreement with ITO on October 20, 2008. We will assess its adequacy in our next audit.

Business continuity plan required

Since our 2006 Report – Volume 3, we have reported that Highways needs a written, tested, and approved business continuity plan[3] to help ensure it can continue to provide critical services in the event of a disaster. PAC considered this matter on January 8, 2008 and concurred with our recommendation.

Highways critical services include highway maintenance such as snow plowing, airport operations for the 17 northern airports, and road information services. Without an adequate business continuity plan, Highways risks not being able to provide its critical services in a timely manner.

During the year, Highways identified the need for a formal business continuity plan using the following three-phase approach:
1. conduct a business impact analysis including a risk assessment
2. development of business continuity plan(s)
3. testing and implementation of the plan(s)

Highways completed the first phase and expects to complete the second phase by April of 2009.

We continue to recommend that the Ministry of Highways and Infrastructure prepare a complete business continuity plan.

Loss of public money

During the winter of 2007, Highways incurred a loss of public money totalling more than $13,000 over a two-month period. Two fuel purchase

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[3] **Business continuity plan** – Plan 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.

cards along with their PIN[4] numbers were stolen from two Highways vehicles that were used occasionally at that time. The cards were used to purchase gas over a two-month period. Highways has forwarded this matter to the Regina Police.

The Ministry has reviewed its fuel card procedures and practices. It has directed staff to store fuel purchase cards separate from their PIN numbers and has implemented additional procedures to further reduce the risk of loss resulting from inappropriate use of fuel cards.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and not discussed elsewhere in this chapter.[5]

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Highways and Infrastructure (Cross-Government Infrastructure)		
2005	PAC concurs: 2-2 that the Department of Highways and Transportation should give the public additional information on its key plans related to highway condition, safety, and reliability, as well as comparisons of plans to actual results with any differences explained.	**Partially implemented** (as at March 31, 2008). The Ministry uses the government's Accountability Framework to guide its public reports. At March 31, 2008, the Ministry, consistent with other ministries, does not publish its planned targets.

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[4] A PIN (personal identification number) is a number used to confirm electronically the identity of the card user.
[5] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.
[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Information Technology Office

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Main points

The Information Technology Office (ITO) provides information technology (IT) services to client ministries. ITO needs to improve its human resource plan to help ensure it has the right people, in the right jobs, at the right time.

As a service provider and custodian of client information systems and data, ITO must protect the confidentiality, integrity, and availability of client IT systems and data. ITO has adequate controls to protect client IT systems and data except ITO needs to:

♦   establish information security policies for its clients
♦   protect its systems and data from security threats
♦   implement a disaster recovery plan for its data centre and client systems

We also followed up our earlier audit of ITO's processes to manage the delivery of agreed-upon services to clients. We continue to recommend that ITO work with its clients to implement agreements that govern service delivery, security, and disaster recovery. We continue to recommend that ITO sign adequate agreements with its clients before delivering services to them.

Introduction

The Information Technology Office Regulations established the Information Technology Office (ITO) as a ministry. The mandate of ITO includes: "to develop, promote, and implement policies and programs of the Government of Saskatchewan relating to information technology and information management."[1]

For further details regarding ITO's mandate and operations, consult its publications at its website at www.ito.gov.sk.ca/.

Financial overview

The following is a list of ITO's major programs and spending including capital acquisitions. For further detail, see ITO's 2007-2008 Annual Report available on its website.

	Estimates[2]	Actual
	(in thousands of dollars)	
Central Management and Services	$ 1,925	$ 1,771
IT Coordination and Transformation Initiatives	3,113	3,574
Major Capital Asset Acquisitions	250	0
Inter-ministerial Services	0	44
	$ 5,288	$ 5,389

ITO provides IT services to client ministries on a cost recovery basis. The total billed to client ministries for 2007-08 was approximately $55.6 million.

Audit conclusions and findings

In our opinion for the year ended March 31, 2008:

♦ **ITO had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

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[1] *The Information Technology Office Regulations, 2007*, s. 3(b).
[2] Saskatchewan Finance, *2007-2008 Saskatchewan Estimates*. The Estimates total does not include the additional $240,000 authorized through the *Saskatchewan Supplementary Estimates* for ITO (Vote 74).

- ♦ **ITO complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

In this chapter, we also report the results of our ITO security audit and follow up on our past recommendations related to managing IT service delivery.

Improvements to human resource plan needed

ITO needs to improve its human resource plan to ensure it has the right people, in the right jobs, at the right time.

In 2007-08, ITO developed its *Information Technology Office HR Plan 2008-09.* We assessed this plan against the key elements of a human resource plan.

A good human resource plan needs to set priorities and link to the agency's overall strategic direction. It should also identify key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

We found that ITO's human resource plan sets priorities and identifies key human resource risks. The plan sets out its current supply of human resources but does not provide any information on the future supply of human resource needs. Therefore, the plan does not describe the gap that exists between required and actual human resources.

The plan sets out strategies and broad action plans to address the human resource risks identified. However, it does not provide completion dates or assign responsibility for carrying out the action. The plan should also describe how ITO would monitor the implementation of the major strategies and achievement of planned results. Measurable indicators and targets were not set out in the plan for its key strategies to help ITO monitor its progress.

1. **We recommend the Information Technology Office's human resource plan:**
   - ♦ **quantify its future human resource needs**

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- ♦ **provide details on the human resource gap between actual and required resources**
- ♦ **provide measurable indicators and targets for its key strategies**
- ♦ **provide details on plans to implement the major strategies**

Management told us that ITO has had significant growth and changes in staff due to the consolidation of government information technology (IT) services and that it is working on addressing its human resource needs.

ITO security audit

Providing information technology services to clients

The mandate of ITO includes "to develop, procure and provide goods and services related to information technology and information management on behalf of the Government of Saskatchewan and to charge ministries for those goods and services."[3]

ITO delivers IT services to government agencies (clients). ITO manages, procures, and distributes IT hardware and software. ITO also develops IT applications, based on client requests, and provides project management services on IT projects.

ITO states that it provides IT services to 20 government ministries and agencies, including more than 9,000 government employees.[4]

The importance of security

Information technology is an integral part of delivering many government programs and services. To deliver services effectively and achieve objectives, government agencies need to know that their IT systems and data are secure. That is, they need to know that processes are in place and are operating effectively to protect the confidentiality, integrity, and availability of their systems and data.

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[3] *The Information Technology Office Regulations, 2007*, s. 3(c).
[4] www.ito.gov.sk.ca/consolidation (April 17, 2008).

ITO stores client data as well as hardware and software necessary to run client systems in a data centre.[5] ITO also manages network equipment at client locations. ITO must manage the security risks associated with the data centre and network. It must also know whether risks are managed at client locations and whether clients are meeting their security responsibilities. This is because a weakness at a client location poses risks to all users of ITO's services.

Audit objective and criteria

The objective of our audit was to assess whether ITO had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period September 1, 2007 to February 29, 2008.[6]

We used criteria to assess ITO's processes. The criteria are based on the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants and on international standards, literature, and reports of other legislative auditors. ITO agreed with the criteria.

The criteria, set out in the exhibit below, describe the key processes that we expected ITO to use to secure client systems and data.

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[5] Our work focused on ITO's main data centre. ITO has additional data centres that it uses for testing and backup purposes.
[6] Our Office performed similar audits for earlier periods. These are reported in Chapter 6 of our 2006 Report—Volume 3, and Chapter 14 of our 2007 Report—Volume 3.

Exhibit—Audit Criteria

To have adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data, ITO should:

1. **Show management commitment to security**

    Responsibility for security is clearly defined
    Threat and risk assessments have been performed
    IT planning supports security
    Management has approved security policies and procedures
    Management monitors security for the data centre and clients

2. **Protect client systems and data from unauthorized access**

    User access controls protect the client systems from unauthorized access
    Physical security controls protect the data centre from unauthorized access

3. **Ensure client systems and data centre are available for operation**

    System and data backups occur and are tested
    Disaster recovery and business continuity plans are in place

4. **Ensure the integrity of client systems and data**

    Change management processes exist and are followed
    Computer operation processes exist and are followed

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

While this audit focused on ITO's controls, adequate security requires that clients also have strong security controls. For example, clients need good physical security processes to ensure only authorized users have access to their systems and data. We did not include client security controls in the scope of this audit. However, we are aware of security weaknesses at some clients. For example, not all clients inform ITO to remove access to individuals who are no longer employed. Unless both ITO and its clients have strong security processes, client systems and data are at risk.

Audit conclusion

The Information Technology Office had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period September 1, 2007 to February 29, 2008 except it needs to:

♦ **establish information technology security policies for its clients**

♦ **protect its systems and data from security threats**

♦ **have a disaster recovery plan for its data centre and client systems**

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Key findings by criterion

Show management commitment to security

Commitment includes setting up a strong organizational structure that clearly defines who is responsible for security. A member of senior management leads a strong IT division. It has a steering committee to ensure the IT division meets client needs. Commitment also includes implementing and monitoring compliance with security policies and procedures.

ITO has an effective IT organizational structure for securing its data centre. A member of senior management leads IT operations. Senior management meets regularly to discuss IT operations and client issues. ITO has set up processes for integrating new clients that join it. ITO meets regularly with its clients.

ITO uses an IT security framework based on international standards to protect its data centre. It continues to implement policies and procedures within this framework. ITO did risk assessments and received security reports from independent reviews. It also did quality assurance tests internally. For example, ITO tested user access processes during the audit period. Senior management receives information on quality assurance results.

ITO does not have agreements that address security requirements with all of its clients. Where agreements exist, they require ITO and clients to jointly protect assets according to ITO's security framework. However, the security framework is focused on ITO and its data centre and not on what clients need to do. ITO does not provide specific guidance for clients. Therefore, it is not clear what security policies and procedures clients need to follow. Nor does ITO monitor clients to ensure that security policies and procedures currently used by clients are adequate. This has resulted in security weaknesses that could impact all clients. For example, some clients installed software that increased the risk of inappropriate access to systems and data. Until both ITO and clients have strong security processes, client systems and data are at risk.

2. **We recommend the Information Technology Office establish information technology security policies for its clients.**

Protect client systems and data from unauthorized access

We expect ITO to have adequate physical access and user access controls to protect client systems and data from unauthorized access.

Good physical access controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, ITO should physically prevent unauthorized persons from entering its data centre.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access. The clients determine who should have access to their systems and data. The client then relies on ITO to make user access changes that it requests. User access controls have become more critical with the increased use of the Internet, online approvals, automated processes, and multiple clients using one data centre.

We expect ITO protects the data centre by configuring, updating, and monitoring its systems against security threats. We also expect ITO secures data communications to and from the data centre.

ITO has good physical access controls for protecting its IT infrastructure. It has several layers of physical access controls designed to prevent unauthorized persons from accessing its data centre. ITO also has video surveillance processes for monitoring high security areas.

ITO has adequate controls for granting and removing user access when requested by clients. ITO has a process for identifying stale user accounts and reporting these accounts to clients. A user account is stale if not used for a certain period (e.g., 45 days). Timely review of stale user accounts helps identify inappropriate user accounts (e.g., if a user is no longer employed).

ITO implemented processes during the year to help prevent unauthorized persons from accessing the data centre remotely. ITO is also implementing processes for detecting inappropriate or suspicious activity that would affect the data centre. ITO plans to make further improvements

to its monitoring processes to identify attempted security attacks before a breach occurs.

ITO manages over 400 servers, 200 firewalls, and other computer equipment on behalf of clients. ITO uses two firewalls and an intrusion detection system to protect the data centre. The other firewalls protect client locations. To protect client systems and data, ITO needs to configure, monitor, and update the firewalls protecting client locations. However, ITO monitors the client firewalls for availability only. ITO does not have processes to update or monitor client firewalls against security attacks. ITO also needs to consistently update its servers on a timely basis for known security risks.

ITO and its clients need to protect the security of data transmitted between client locations and the data centre. One method used to transmit information is CommunityNet, a high-speed, province-wide data communication network.[7] Private and confidential government information travels over CommunityNet.

To protect data transmissions requires either a separate secure communications network or strong encryption processes. Highly confidential data may require both. A secure network has security controls that are tested and monitored for effectiveness. Neither ITO nor its clients know whether the security controls in CommunityNet are adequate to meet their needs. Nor do they always encrypt confidential data.

We continue to recommend the Information Technology Office protect its systems and data from security threats. We reported this matter in our 2006 Report—Volume 3. The Standing Committee on Public Accounts considered this matter on April 3, 2007 and agreed with the recommendation.

Ensure client systems and data are available for operation

We expect ITO to have strong processes to ensure client systems and data are available for operation when needed.

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[7] CommunityNet is a data network provided by SaskTel.

Even with good backup and recovery procedures, an agency may not be able to continue its operations if a major problem occurred. Therefore, agencies should have strong contingency plans to recover operations in the event of a disaster like a fire or flood. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

The availability of client systems and data requires strong processes at both ITO and clients. ITO needs to have processes to ensure it can restore its data centre. Clients need to identify their disaster recovery requirements to ensure ITO can develop adequate plans to restore its systems.

ITO has backup procedures and does backups daily. To help ensure the backups will be available in the event of a disaster, ITO stores the backups offsite.

ITO has developed and approved a disaster recovery plan for its data centre. The plan defines who can activate the plan, identifies staff roles and responsibilities, and includes documentation on systems and recovery processes. ITO has not adequately tested its disaster recovery plan. For example, testing has relied on assumptions, such as equipment being available, that may not be valid in disaster scenarios. ITO needs to do further testing and training to ensure the plan will work as required.

Furthermore, the ITO disaster recovery plan focuses on recovery of the data centre. It does not address client requirements for recovery of their systems and data. Most ITO clients have not yet identified their recovery requirements for key systems and data. Therefore, neither ITO nor clients know whether systems and data can be restored when needed in the event of a disaster. This could result in systems, data, and services being unavailable to the Government and the people of Saskatchewan.

We continue to recommend the Information Technology Office have a disaster recovery plan for its data centre and client systems. We reported this matter in our 2006 Report—Volume 3. The Standing Committee on Public Accounts considered this matter on April 3, 2007 and agreed with the recommendation.

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Ensure the integrity of the client systems and data

We expect ITO to have processes for maintaining the integrity of client systems and data by implementing strong change management and IT operation processes. The processes should include approval and testing of changes before implementation. We also expect ITO has strong processes for running and maintaining its data centre.

ITO has adequate change management policies and procedures. These include documenting, testing, approving, and moving changes from the test environment to operations. ITO has a change management committee that meets regularly to review and approve all changes.

Selected references

International Organization for Standardization. (2005). ISO/IEC 27002:2005(E). *Information technology – Code of practice for information security management; 2nd Edition*. Geneva: Author.

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Managing IT service delivery—a follow-up

Background

In 2005, we audited ITO's processes to manage the delivery of agreed-upon information technology services to clients. In Chapter 8 of our 2005 Report – Volume 3, we concluded that ITO had adequate processes to manage the agreed-upon delivery of IT services to clients except for two areas. We found that ITO was delivering IT services without signed service level agreements. We also found that, where there were agreements, they did not include adequate security and disaster recovery requirements.

We recommended that ITO sign service level agreements with its clients prior to delivering information technology services. We also recommended that ITO sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements. The Standing Committee on Public Accounts considered these matters in May 2006 and agreed with our recommendations.

In 2006, we followed up on our report by reviewing ITO's actions on our recommendations. We found that ITO and ministry processes had not changed. ITO had continued to provide and ministries continued to obtain services pending negotiation and signing of service level agreements. We also found ITO continued to provide services to clients who had not yet signed security agreements. In addition, the security agreements were not complete. The agreements did not adequately set out security processes, expectations, and reporting requirements for the services provided by ITO to its clients. Nor did the security agreements adequately address disaster recovery processes, expectations, and reporting requirements for services to clients.

In 2008, we again followed up on our report by reviewing ITO's actions on our recommendations. We set out the results of this review in this section.

Signed service level agreements required

We recommended ITO sign service level agreements with its clients prior to delivering information technology services.

Service level agreements set out the roles and responsibilities of both ITO and the client for delivery of IT services. The agreements describe the services to be provided by ITO, service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as establishing new email accounts within five days), and the term of the agreement.

Service level agreements should be in place before ITO provides services to clients so that ITO and its clients understand their respective roles and responsibilities. Without signed service level agreements, there is risk that there may not be appropriate agreement on all matters and that client needs may not be met.

ITO now provides IT services to all government ministries with the exception of Health. ITO has also significantly progressed in signing service level agreements with its clients. At October 20, 2008, ITO had signed service level agreements with all but two ministries that receive IT services. ITO continues to work with these ministries to negotiate service level agreements.

We continue to recommend that ITO sign service level agreements with its clients prior to delivering information technology services.

Security and disaster recovery agreements needed

We recommended that ITO sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements.

ITO needs to have agreements with its clients on security and disaster recovery. This is necessary to help ensure the confidentiality, integrity, and availability of systems and data. The agreements could be part of the service level agreements or could be reflected in other documents.

ITO has significantly progressed in signing agreements with clients that specifically relate to security. ITO advises that at October 20, 2008 it had signed security agreements with all but seven ministry clients. In addition, ITO had modified its service level agreements to include additional provisions regarding security. However, ITO's agreements with its clients regarding security do not adequately address reporting on security.

Ministries should request, and ITO should furnish, adequate information regarding security.

The agreements between ITO and its clients regarding disaster recovery have improved. Service level agreements describe general disaster recovery responsibilities and expectations. Ministries have begun to prioritize their recovery requirements, for example, by specifying their most critical applications. However, agreements with ITO still refer to "best effort" for recovery time objective and a maximum seven day recovery point objective (which could put up to a week's data at risk). This is unlikely to meet some clients' needs, particularly for critical applications.

ITO's clients are responsible to require adequate reporting on security and to identify disaster recovery requirements to support their business continuity plans. Until clients clearly identify and communicate their security and disaster recovery requirements, these needs cannot be adequately reflected in the agreements.

We continue to recommend that ITO sign agreements with its clients that address security and disaster recovery processes, expectations, and reporting requirements. We will continue to monitor actions by ITO and ministries in this area.

Glossary

Account—A unique identity set up on a computer or network that allows access to specific systems and data.

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Backup (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Business continuity plan—A plan for an organization to carry on providing key programs and services after a serious disruption or emergency. The part of a business continuity plan that relates to restoring IT systems and data is often called a disaster recovery plan.

Change management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Firewall—software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

IT infrastructure—An organization's computer and network assets.

Network—A group of computers that communicate with each other.

Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Recovery point objective—In disaster recovery, the intended point in time before an emergency or disaster to which systems and data can be restored. For example, if backups of data are done every 4 hours, and an emergency or disaster occurs 3 hours after the last backup, then 3 hours of data may not be recoverable. The recovery point objective in this case is 4 hours, and represents the maximum amount of data that management is prepared to lose because of a disaster.

Recovery time objective—In disaster recovery, the point in time after an emergency or disaster by which management plans to have systems and data available. If the recovery time objective for a system is 24 hours, management plans to have that system operational within 24 hours after an emergency.

Service level agreement—An agreement of one agency to provide IT services to another agency. Agreements usually specify the extent and quality of services to be provided.

Server—A computer that hosts systems or data for use by other computers on a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

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Justice and Attorney General

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Main points

To help ensure that all fines and charges comply with laws, the Ministry of Justice and Attorney General (Justice) needs to improve its processes to track, enforce, and collect fines. Also, Justice needs to work with the Ministry of Corrections, Public Safety and Policing to ensure the fine for the voluntary payment option on issued tickets complies with the law.

Justice needs better information technology (IT) processes. It must secure credit card information in accordance with the credit card industry security standards. It needs to sign an adequate agreement on disaster recovery and security with the Information Technology Office. Also, Justice should prepare adequate IT plans, and monitor the security and availability of its IT systems and data.

We also report that Justice should improve segregation of duties of its employees responsible for expenditure of public money, determine and record the long-term liability to disabled judges, and complete its business continuity plan.

Introduction

The mandate of the Ministry of Justice and Attorney General (Justice) is to uphold the rule of law, protect basic legal rights of citizens, and ensure proper administration of justice.[1]

Justice provides legal services for the Government as well as justice services for the people of Saskatchewan. Justice also administers registry systems for corporations and local registrars (including trust accounts) and regulates pensions, credit unions, and businesses. In November 2007, the Government transferred the responsibility for most of the policing programs from Justice to the Ministry of Corrections, Public Safety and Policing.

For the year ended March 31, 2008, Justice spent $129.2 million on its programs and earned revenues of $48.8 million.

The following is a list of Justice's major programs and spending:

	Original Estimates [2]		Actual
	(in millions of dollars)		
Community Justice	$ 129	$	9
Courts and civil justice	43		45
Boards and commissions	24		24
Legal and policy services	23		24
Central management and services	22		22
Marketplace regulation	5		5
	$ 246	$	129

Information about Justice's revenues and expenses and reasons for differences between planned and actual spending appear in its 2007-2008 annual report, (see www.justice.gov.sk.ca/JAG-07-08.pdf).

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[1] Ministry of Justice and Attorney General, 07-08 Annual Report, pg. 5.
[2] Ministry of Finance, *2007-08 Saskatchewan Provincial Budget Estimates*. The Estimates' total was changed to $127 million. This revised total does not include the additional $3 million authorized through the *2007-08 Saskatchewan Provincial Budget – Supplementary Estimates – December* or the additional $1 million authorized through the *2007-08 Saskatchewan Provincial Budget – Supplementary Estimates – March* for Justice (Vote 3).

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Justice is responsible for the following trust and special purpose funds, boards, and commissions (agencies).

	Year-end
Law Reform Commission of Saskatchewan	March 31
Office of Residential Tenancies – Director's Trust Account	March 31
Provincial Mediation Board Trust Accounts	March 31
Public Guardian and Trustee of Saskatchewan	March 31
Queen's Printer Revolving Fund	March 31
Saskatchewan Legal Aid Commission	March 31
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31
Trust Accounts at Court Houses, Local Registrars, and Sheriff's Offices	March 31
Victims' Fund	March 31

Audit conclusion and findings

In our opinion, for the year ended on or before March 31, 2008:

♦ **Justice and its agencies had adequate rules and procedures to safeguard public resources except as described in this chapter**

♦ **Justice and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter**

♦ **the financial statements for the agencies are reliable**

Later in this chapter, we also provide information relating to our advice on the Bills 31 and 32.

System to enforce and collect fines needs improvement

Justice is responsible to track, enforce, and collect fines for offences under various provincial and federal laws. Some laws allow law enforcement agencies to fine (i.e., issue tickets) offenders of these laws.

The purpose of a deterrent such as a fine or jail is to discourage the public from violating the law. If deterrents are not enforced, they will not be effective. Without effective deterrents, our communities will be less safe.

Justice's processes for administering fines include:

♦ controlling the distribution and receipt of tickets to and from law enforcement agencies
♦ ensuring the accurate and complete recording, tracking, and enforcement of tickets
♦ controlling the recording and receipt of fine payments
♦ collecting unpaid fines

Justice told us that Saskatchewan law enforcement agencies issue between 130,000 and 150,000 tickets each year.

We describe below weaknesses in Justice's processes to record issued tickets and collect unpaid fines.

Recording, tracking, and enforcement of tickets

Since 2001, we have recommended that Justice strengthen its procedures to ensure that it records the tickets issued by law enforcement agencies.

In February 2002, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

Justice must improve its processes for the receipt of tickets and informations. Informations are charges or complaints made under *The Criminal Code of Canada*. Improvements in processes are necessary so that Justice can properly enforce fines and criminal charges. Several provincial government agencies, as well as other levels of government (i.e., federal and municipal), rely on Justice to enforce fines and charges issued under various provincial and federal laws.

For purposes of this chapter, we refer to tickets and informations as tickets. Tickets may result in either fines or criminal charges. We

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expected Justice to have processes to know the tickets law enforcement agencies issued and the unissued tickets.

We also expected Justice to have cost-effective processes to track tickets directly or require law enforcement agencies to provide it with periodic reports on their tracking of tickets.

Justice has a policy requiring law enforcement agencies to return all issued, spoiled, or voided tickets. Justice has not implemented a process to verify that law enforcement agencies return all tickets. As a result, Justice does not know if it has enforced all fines and criminal charges. This lack of processes could result in communities being less safe or the rule of law not being upheld.

We continue to recommend that Justice strengthen its procedures to ensure that Justice records the tickets issued by law enforcement agencies.

Fines not in accordance with legislation

Justice needs to work with other agencies to ensure that fines imposed are in accordance with applicable legislation. In particular, it needs to work with the Ministry of Corrections, Public Safety and Policing because policing programs have now been transferred to that Ministry.

The Summary Offences Procedure Act, 1990 allows peace officers to issue tickets with voluntary payment options (i.e., offenders can plead guilty and pay a fine without attending court). *The Summary Offences Procedure Regulations, 1991* (Regulations) sets out the amount of the fine for offenders who may choose the voluntary payment option. Offenders pay the voluntary fines to Justice.

We tested a sample of tickets where offenders chose the voluntary payment option. We found that 65% of the tickets we tested had the correct fine and the fines on the other 12% did not comply with the Regulations. For the remaining 23% of our sample, we could not determine the accuracy of the fine because Justice did not have sufficient information to determine the amount of the fine.

1. **We recommend the Ministry of Justice and Attorney General work with the Ministry of Corrections, Public Safety and Policing to ensure the fine for the voluntary payment option on issued tickets complies with the law.**

Compliance with credit card security standards

Justice needs processes to comply with the credit card industry's security standards.

Justice accepts on-line credit card payments for some of its services. Its credit card service provider requires it to follow specific credit card industry security standards. Justice does not have processes to comply with these security standards.

Justice processes about 50 thousand credit card payments each year. Lack of compliance with the industry's security standards increases the risk of unauthorized access to private information without ready detection. This could lead to a significant loss of public money, reputation, and the ability to process payments by credit card.

2. **We recommend the Ministry of Justice and Attorney General secure credit card information in accordance with the credit card industry's security standards.**

Management told us that Justice was aware of this matter and had begun to work with an external security contractor to implement the required changes to meet the industry standards.

Segregation of duties needed

Justice needs to properly segregate the duties of employees to ensure that the same employee cannot initiate payments and approve those payments.

Segregation of employees' duties is important to prevent the misuse of public money. Segregation of duties is not adequate when an employee or group of employees can commit and conceal errors or fraud. Inadequate segregation of duties increases the risk that public money may be misused without ready detection.

Justice uses the government's centralized payment system called Multi-informational Database Applications System (MIDAS). MIDAS does not adequately segregate functions for processing payments. MIDAS allows certain employees to enter vendor invoices in the system and then approve them for payment. Justice employees are approved vendors in the MIDAS system if they have received travel or medical expense reimbursements. This deficiency allows employees to authorize payments to themselves.

3.   **We recommend the Ministry of Justice and Attorney General properly segregate the duties of its employees to ensure they cannot authorize payments to themselves.**

Judges' disability program needs proper accounting

Justice created a Judges' disability benefit program under *The Provincial Court Act, 1998*. Justice records the payments to disabled judges in its accounting records as expenses. However, Justice does not determine and record the estimated long-term liability for disabled judges and the related expenses.

Without complete financial information, Justice does not know the total cost of the Judges' disability benefit program.

For further information on this issue, see Chapter 7 – Finance in this Report.

4.   **We recommend the Ministry of Justice and Attorney General determine and record in its accounting records the long-term disability benefit liability and the related expense for disabled judges.**

Better information technology processes needed

Since April 2007, the Information Technology Office (ITO) has delivered information technology services that Justice previously supplied itself. ITO and Justice signed a service level agreement on August 29, 2008. The agreement sets out roles and responsibilities of both ITO and Justice. The agreement also identifies some security and availability requirements. However, the agreement does not identify all of the security requirements.

For example, the agreement does not set out what security policies and procedures Justice's employees need to follow. Justice has identified disaster recovery times for significant applications. However, the agreement does not set out the timeframe for the recovery completion. As a result, Justice does not know if ITO's disaster recovery processes meet Justice's needs.

5. **We recommend the Ministry of Justice and Attorney General sign an adequate agreement on disaster recovery and security with the Information Technology Office.**

Justice has not prepared multi-year information technology (IT) plans that link to its strategic business objectives. Nor has it prepared an annual IT operational plan. An IT operational plan would identify priorities and set objectives and initiatives for each priority. Justice needs adequate IT plans to ensure its use of resources supports its strategic objectives.

6. **We recommend the Ministry of Justice and Attorney General prepare strategic and operational information technology plans.**

Justice did not have adequate processes to monitor the availability and security of its IT systems.

Justice has an Information Technology Management Council (ITMC) responsible for Justice's IT governance. Under its terms of reference, ITMC provides guidance on all IT investments, approves all IT standards, monitors IT performance, and ensures IT initiatives align with strategic business objectives.

The ITMC did not meet regularly from July 2007 to March 31, 2008. The ITMC needs to meet regularly to monitor IT performance, including services provided by ITO, and ensure IT initiatives align with strategic objectives.

To know that its computer systems and data are secure, Justice also needs to monitor whether the security ITO provides is adequate. Justice did not ask for or receive any information on the security or availability of its systems from ITO for the period April 2007 to March 31, 2008. Also, ITO did not adequately configure, monitor, and update firewalls at Justice.

Firewalls help to maintain security of Justice's systems and data. As a result of these weaknesses, Justice's systems and data were at risk of inappropriate access. In addition, because of the lack of adequate communication about security, Justice was not aware of the risk.

7. **We recommend the Ministry of Justice and Attorney General adequately monitor the security and availability of its information technology systems and data.**

Management told us that after the year-end Justice began to receive reports with availability information and some security information (e.g., stale account report).

Business continuity plan needed

In our 2005 Report – Volume 3, we recommended Justice complete and implement its business continuity plan (BCP)[3]. In February 2006, PAC considered this matter and agreed with our recommendation.

Justice needs to test its BCP to help ensure that it can continue to deliver its critical services in the event of a disaster.

Justice identified its critical services and developed plans for them. Justice has approved its BCP. Starting April 2007, Justice began to use ITO for its IT service delivery. Justice has not yet updated its plan to incorporate the delivery of IT services through ITO. As stated earlier, Justice does not know if ITO's disaster recovery processes meet Justice's needs. Justice also has not tested its plan.

Justice told us that it plans to test its BCP in November 2008.

We continue to recommend the Ministry of Justice and Attorney General complete and implement its business continuity plan.

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

Bills 31 and 32

On April 17, 2008, the Minister of Justice and Attorney General introduced in the Legislative Assembly Bill 31 (The Executive Government Administration Act) and Bill 32 (The Executive Government Administration Consequential Amendment Act). On May 8, 2008, the Minister sought our Office's advice on spending thresholds and proper accountability and the Government postponed enacting those Bills until it received our advice. We accepted the Minister's request.

On August 26, 2008, we completed our work and provided the Minister our Memorandum of Advice setting out our analysis, conclusions, and recommendations. A copy of that Memorandum of Advice is included in this Report at Appendix 4.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter. [4]

PAC REPORT YEAR[5]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Justice and Attorney General (Superintendent of Pensions)		
2005	PAC concurs: 5-1 that the Superintendent of Pensions should expand its analysis of pension plan risks to include the key risks faced by all pension plans.	**Partially implemented** (as at March 31, 2007). We have a follow-up planned for 2009.

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[4] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

[5] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[5]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 5-2 that the Superintendent of Pensions should prepare a risk-based work plan to supervise pension plans.	**Partially implemented** (as at March 31, 2007). We have a follow-up planned for 2009.

Liquor and Gaming Authority

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Liquor and Gaming Authority

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Main points

The Liquor and Gaming Authority (Liquor & Gaming) owns and manages the slot machines at Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos. The revenues from these slot machines belong to Liquor & Gaming. SIGA opened the Dakota Dunes' Casino in August 2007. During the first few months of Dakota Dunes' operations, SIGA employees did not do certain revenue and cash handling procedures established by Liquor & Gaming to help ensure that no public money is lost. Because Liquor & Gaming did not have adequate monitoring processes to ensure SIGA followed the required procedures at the Dakota Dunes, Liquor & Gaming does not know if there was a loss of public money.

SIGA is opening a new casino in Swift Current in 2009. It is vital that Liquor & Gaming improve its monitoring processes over new casino operations to know that SIGA complies with established procedures to safeguard public money from loss due to errors or fraud.

Liquor & Gaming needs to improve its training and guidance to liquor store employees so they understand and follow established policies and procedures. Liquor & Gaming needs to follow its information technology policies and procedures to protect its computer systems and data, especially its customers' credit card information. Liquor & Gaming also needs a complete and tested business continuity plan.

Introduction

The Liquor and Gaming Authority (Liquor & Gaming) operates under *The Alcohol and Gaming Regulation Act, 1997*. The mandate of Liquor & Gaming is to develop, support, operate, and regulate the beverage alcohol and gaming industries in the Province.

Liquor & Gaming operates retail liquor stores and video lottery terminals. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos.

Under *The Criminal Code of Canada*, only governments can own and manage slot machines. The Government uses SIGA to operate the slot machines at five casinos throughout Saskatchewan under Liquor & Gaming's direction. Liquor & Gaming signed a Casino Operating Agreement with SIGA. Under the Casino Operating Agreement, the revenues from the slot machines belong to Liquor & Gaming. The Casino Operating Agreement expires on June 11, 2027.

SIGA must also follow policies that Liquor & Gaming approves for incurring casino operating expenses. Liquor & Gaming allows SIGA to deduct properly supported expenses that comply with the approved policies from the slot machine revenues. Accordingly, Liquor & Gaming is accountable for SIGA's expenses that it considers as appropriate. Liquor & Gaming includes the slot machine revenues and expenses in its financial statements.

In 2007-08, Liquor & Gaming had revenues of $899 million, expenses of $499 million, and net income of $400 million. At year-end, Liquor & Gaming held total assets of $179 million and a surplus of $61,000. Liquor & Gaming's *Annual Report 2007-08* includes its financial statements.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

♦ **Liquor & Gaming had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

> ♦ **Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

> ♦ **Liquor & Gaming's financial statements are reliable**

Continual monitoring of SIGA operations needed

Under the Casino Operating Agreement (Agreement), the revenues from the slot machines in SIGA casinos belong to Liquor & Gaming. The Agreement allows Liquor & Gaming to set SIGA's operating policies and determine what expenses SIGA can deduct from slot machine revenues. Liquor & Gaming is accountable for SIGA's expenses that it accepts as appropriate.

Liquor & Gaming audits SIGA's compliance with the approved operating policies and directives on an ongoing basis. Liquor & Gaming also audits SIGA's expenses regularly and recovers those expenses that it considers inappropriate (expenses that do not have adequate support and/or do not comply with approved policies) from future payments to the First Nations Trust Fund.

In August 2007, SIGA opened the Dakota Dunes Casino to the public. With new casino operations, there is always a risk of employees not following established processes to safeguard public money because employees are new to the agency and may not understand the importance of these policies. The risk of loss of public money is higher in the gaming industry because the majority of transactions are in cash. Failure to follow proper processes puts public money at risk.

To reduce the risk of loss of public money, Liquor & Gaming has established processes for SIGA's staff to independently verify daily that all money is received, recorded, and deposited. During the first few months of Dakota Dunes operations, SIGA employees responsible for performing this function did not carry out these required procedures. Staff did not complete certain daily revenue and cash verification procedures for several months and once the reconciliations were done, they did not adequately follow-up on the discrepancies found. For example, SIGA staff did not always reconcile the Dakota Dune casino's cash transactions from

slot machines, table games, automated teller machines, ticket redemption terminals, and employee float machines to SIGA's records. These reconciliations help detect system malfunctions, tampering, or theft on a timely basis.

We expected Liquor & Gaming to have monitoring processes to ensure that Dakota Dunes staff followed the required revenue and cash reconciliation procedures to ensure all cash made it to the bank account. However, Liquor & Gaming did not have adequate monitoring processes. Because SIGA staff did not follow the required procedures, Liquor & Gaming does not know if public money went missing. As a result, we cannot determine if there was a loss of public money at Dakota Dunes Casino.

SIGA is opening a new Casino in 2009 in Swift Current. It is vital that Liquor & Gaming establish adequate processes to monitor new casino operations.

1.   **We recommend that the Liquor and Gaming Authority establish adequate processes to monitor Saskatchewan Indian Gaming Authority Inc.'s compliance with casino revenue and cash reconciliation procedures to safeguard public money at new casinos.**

Employees need better training and guidance

In our 2007 Report – Volume 3, we reported that Liquor & Gaming needed to improve its employee training so that employees understand and follow approved policies and procedures. In January 2008, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

Liquor & Gaming operates 80 liquor stores in 64 communities throughout the province. In 2007-2008, Liquor & Gaming had liquor store sales of $434 million.[1]

Liquor & Gaming has developed a detailed policy and procedures manual. The manual sets out detailed processes that employees must follow when doing their assigned tasks. Liquor & Gaming audits liquor

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[1] $434 million excludes liquor sales to franchisees.

stores to determine how well employees follow the established processes.

During the year, Liquor & Gaming's internal auditor audited 35 liquor stores and found that employees at those stores did not always follow the established processes. There were significant recommendations made in cash handling and inventory procedures.

Employees may not follow established policies and procedures if they do not understand the reasons for them or do not have adequate training to follow the policies. The risk of loss of public money increases when employees do not follow the approved policies and procedures.

Liquor & Gaming has begun developing processes to follow-up on the internal auditor's recommendations. For example, Liquor & Gaming's Internal Audit Committee requested that store managers with numerous recommendations attend the Committee meeting and present their action plans to address the audit recommendations related to their stores.

We continue to recommend that the Liquor and Gaming Authority improve employee training so that employees understand and follow approved policies and procedures.

Compliance with approved information technology (IT) policies needed

In our 2007 Report – Volume 3, we reported that Liquor & Gaming needs to follow its approved information technology (IT) policies and procedures. In January 2008, PAC agreed with our recommendation.

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. Liquor & Gaming's information system contains sensitive data including credit card information.

Liquor & Gaming receives millions of dollars in credit card sales from its liquor stores. Liquor & Gaming collects sensitive information from its customers such as credit card information but it does not adequately secure this information. For example, credit card data is not encrypted as recommended by payment card industry security standards. This lack of

security could result in unauthorized access to credit card information and increase the risk of misuse, including fraud. Liquor & Gaming is working to strengthen the security of credit card information.

We noted that employees did not always follow approved policies for removing user accounts and monitoring network security. For example, we found some former employees had access privileges to certain Liquor & Gaming information systems. When we informed Liquor & Gaming, it immediately removed this access. Delays in updating user accounts and network security increase the risk of unauthorized data disclosure, modification, or loss. Liquor & Gaming told us it has revised its processes to ensure all system access privileges are promptly removed when employees leave the organization.

Liquor & Gaming also needs to monitor network security alerts. These alerts help agencies detect and react to security threats quickly.

We continue to recommend that the Liquor and Gaming Authority follow its approved information technology policies and procedures.

Business continuity plan needed

Liquor & Gaming needs a written, tested, and approved business continuity plan[2] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

Since our Spring Report 1997, we have recommended that Liquor & Gaming prepare and the Board approve a complete business continuity plan. In January 1999 and again in May 2006, PAC agreed with our recommendation.

Liquor & Gaming delivers a number of programs and services to the residents of Saskatchewan as part of its mission and mandate. It is required to carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services. Without an adequate business

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[2] **Business Continuity Plan** is a plan 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 including normal operation of a computerized system (also known as Contingency Plan or Disaster Recovery Plan). A contingency plan is only one component of the Business Continuity plan.

continuity plan, Liquor & Gaming is at risk of not being able to deliver its programs and services in a timely manner.

Liquor & Gaming does not yet have a complete and tested business continuity plan.

We continue to recommend that the Liquor and Gaming Authority prepare and the Board approve a complete business continuity plan.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter. [3]

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
Liquor and Gaming Authority		
2007	PAC concurs: 7-1 that the Liquor and Gaming Authority should formally assign responsibility for encouraging responsible use of beverage alcohol.	**Not implemented** (as at December 31, 2005). We plan to follow-up in 2009.
2007	PAC concurs: 7-2 that the Liquor and Gaming Authority should prepare a complete plan for encouraging responsible use of beverage alcohol.	**Not implemented** (as at December 31, 2005). We plan to follow-up in 2009.

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[3] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.
[4] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
2007	PAC concurs: 7-3 that the Liquor and Gaming Authority should continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol.	**Not implemented** (as at December 31, 2005). We plan to follow-up in 2009.

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Saskatchewan Indian Gaming Authority Inc.

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Main points

Saskatchewan Indian Gaming Authority Inc. (SIGA) needs to improve its supervision, training, and monitoring of its employees to ensure public resources are protected from loss due to error or fraud.

During the year, SIGA opened the Dakota Dunes Casino to the public. SIGA did not adequately train and supervise newly hired employees on how to perform established procedures over revenue from slots, table games, and ancillary operations. As a result, for several months employees did not perform established procedures to ensure that all revenue earned was received, recorded, and deposited. Because SIGA did not follow established processes to monitor revenues at the Dakota Dunes Casino, it does not know if it lost public money. Accordingly, we cannot determine if SIGA lost public money at Dakota Dunes.

SIGA needs to establish adequate processes to control its revenue in ancillary operations (i.e., gift shops, restaurants, and lounges).

SIGA also needs an improved written, tested, and approved disaster recovery plan to help ensure that it can continue to provide information technology services in the event of a disaster.

SIGA's management should review and the Board should approve an information technology strategic plan.

Introduction

The Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) has licensed SIGA to operate five casinos. These casinos are known as Northern Lights, Gold Eagle, Painted Hand, Bear Claw, and Dakota Dunes.

All casinos are located on First Nation reserves. Northern Lights Casino is located in Prince Albert, Gold Eagle Casino is located in North Battleford, Painted Hand Casino is located in Yorkton, Bear Claw Casino is located on the White Bear First Nation, and Dakota Dunes is located on the Whitecap First Nation. These casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public.

Liquor & Gaming has licensed SIGA to conduct and manage table games. Under the licenses, SIGA is required to use the net profits from the operations of licensed table games for First Nations' charitable or religious purposes.

As required by section 207 of *The Criminal Code of Canada*, Liquor & Gaming owns the slot machines located in SIGA's casinos. Under *The Criminal Code of Canada,* Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos. The revenue from the slot machines belongs to Liquor & Gaming and is, therefore, public money.

Under the 2002 Casino Operating Agreement,[1] Liquor & Gaming has allowed SIGA to deduct from the slot machine revenues reasonable costs, as determined by Liquor & Gaming, for operating casinos. SIGA must remit the remainder to Liquor & Gaming. Also, the 2002 Casino Operating Agreement allows SIGA to recover, in any year, any net loss from the operation of licensed table games and ancillary operations from the net income earned from the operation of slot machines.

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[1] The 2002 Casino Operating Agreement is an agreement between Liquor & Gaming and SIGA setting out terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027.

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Table 1 below summarizes results of SIGA's casino operations. The casino operations include slot machines, table games, and ancillary (i.e., gift shops, restaurants, and lounges). The Table shows the net casino profits that SIGA made for Liquor & Gaming during the last five years.

Table 1 – Net profits (in $000) from SIGA operated casinos

Segment	2008	2007	2006	2005	2004
Slot operations profit	$ 67,520	$ 52,695	$ 43,653	$ 36,641	$ 35,843
Ancillary operations loss	(6,143)	(3,091)	(2,593)	(2,354)	(1,976)
Table operations loss	(1,106)	(767)	(902)	(332)	(687)
Net profit	$ 60,271	$ 48,837	$ 40,158	$ 33,955	$ 33,180

Background

In February 1995, the Government of Saskatchewan and the FSIN signed the 1995 Framework Agreement. The Agreement permitted the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The Agreement expired, and on June 11, 2002, the Government of Saskatchewan and the FSIN signed a new Framework Agreement (2002 Framework Agreement) effective from June 11, 2002 to June 11, 2027.

Liquor & Gaming and SIGA also signed the 1995 Casino Operating Agreement to implement 1995 Framework Agreement. The 1995 Casino Operating Agreement expired with the 1995 Framework Agreement. On June 11, 2002, Liquor & Gaming and SIGA signed a new Casino Operating Agreement (2002 Casino Operating Agreement) effective from June 11, 2002 to June 11, 2027.

Under the 2002 Casino Operating Agreement, SIGA can deduct the casinos' operating expenses, incurred in accordance with the operating policies and directives approved by Liquor & Gaming, from slot machine revenues. SIGA must deposit the remainder into a trust account for Liquor & Gaming in accordance with the process specified in the 2002 Casino Operating Agreement.

If Liquor & Gaming determines that any expenses that SIGA has incurred did not follow the approved policies and directives, it may recover such expenses from future amounts due to the First Nations Trust Fund

because SIGA has no money of its own. SIGA has no money of its own because revenues from the slot machines belong to Liquor & Gaming and SIGA must use any net income from the licensed table games for charitable or religious purposes. As a result, First Nations people bear the cost when SIGA incurs expenses that are not in accordance with approved policies and directives because SIGA belongs to them.

We audit SIGA for the Legislative Assembly because SIGA handles public money for Liquor & Gaming. In addition, SIGA's members have appointed the Provincial Auditor as SIGA's auditor.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

♦ **SIGA had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **SIGA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter**

♦ **SIGA's consolidated financial statements are reliable**

Controls to safeguard public resources

In our past reports to the Legislative Assembly of Saskatchewan, we made several recommendations to strengthen SIGA's processes to safeguard public resources. SIGA accepted our recommendations. We also noted that SIGA had made significant progress towards implementing those recommendations. Below, we make some new recommendations and repeat some past recommendations to strengthen SIGA's processes.

Well-performing agencies do three things to help ensure they have effective controls to safeguard public resources. First, they ensure management provides adequate guidance to its employees. Second, they require management to train and supervise employees to ensure they follow the established guidance. Third, they monitor how well they are

progressing towards achieving their established goals. We provide our findings in these three areas below.

Effective guidance to employees

In our 2007 Report – Volume 3 and our past reports, we said SIGA needed to document and communicate all policies to its employees. Documented policies provide employees ready guidance to understand and follow the policies. SIGA has documented and communicated policies for all areas except those noted below.

Processes need improvement for ancillary operations

SIGA needs to establish adequate processes to control its ancillary operations (i.e., gift shops, restaurants, and lounges).

SIGA's losses from ancillary operations have been steadily increasing. These losses have increased from $2 million in 2004 (revenues of $6 million and expenses of $8 million) to $6.1 million in 2008 (revenues of $13.1 million and expenses of $19.2 million). Therefore, it is critical that SIGA closely monitor these operations to ensure it receives and properly records all revenues and that it adequately safeguards public resources.

SIGA does not have documented processes to set selling prices for ancillary items. Like other casino operators, for marketing purposes, SIGA sometimes sets selling prices for ancillary items that result in a loss. In those cases, SIGA must document the support for setting the sales prices and management's approval. We found SIGA employees set sales prices without supporting documentation or evidence of management approval.

1.   **We recommend that the Saskatchewan Indian Gaming Authority Inc. establish adequate processes to control its ancillary operations.**

Information technology (IT) strategic plan needs improvement

In past reports, we recommended that management review and the Board approve an information technology strategic plan.

In February 2008, SIGA's Board approved an IT strategic plan. However, that plan does not have all of the key elements of a good IT strategic plan.

An adequate IT strategic plan includes:

♦   an analysis of the current IT environment including external forces, trends, strengths, weaknesses, etc.

♦   an assessment of its key threats and risks

♦   goals, objectives, action plans, and targets

♦   long-term planning including significant projects and expected use of technology

♦   estimated resources required to carry-out the plan including financial resources and human resources.

SIGA's approved IT strategic plan does not contain an analysis of its current environment, an assessment of its key threats and risks, long-term planning, and estimated resources required to carry out the plan.

The Standing Committee on Public Accounts (PAC) considered this matter in 2006 and agreed with our recommendation.

We continue to recommend that SIGA's management review and the Board approve an information technology strategic plan.

Disaster recovery plan needed

SIGA needs a written, tested, and approved disaster recovery plan (DRP)[2] to help ensure that it can continue to provide IT services in the event of a disaster.

SIGA places significant reliance on its IT systems to operate. Without an adequate DRP, SIGA is at risk of not being able to provide its IT services in a timely manner. Therefore, it may be at risk of being unable to operate its casinos. SIGA also needs to assess the requirement for a business continuity plan (BCP) by completing a threat and risk assessment. A BCP

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[2] **Business Continuity Plan** (BCP) - Plan by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions.
Disaster Recovery Plan (DRP) - Plan by an organization to respond to unforeseen incidents, accidents or 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 a Business Continuity Plan.

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would help SIGA recover critical business functions in the event of a disaster.

A good business continuity plan must:

♦ have management support including making the required resources available to create and maintain the business continuity plan

♦ be based on a threat and risk assessment including identifying and ranking SIGA's critical functions

♦ set out the 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 key programs and services

♦ be documented, approved by management, and easily accessible when the plan needs activation

♦ be tested initially and on an ongoing basis

♦ set out policies for ongoing maintenance and updating of the plan

SIGA does not have a complete and tested DRP or a BCP. One of SIGA's main gaming systems is operated by an outside service provider that does have an adequate DRP. SIGA's reliance on IT systems for other critical functions is increasing. This makes the need for an adequate DRP and BCP more critical.

2. **We recommend that the Saskatchewan Indian Gaming Authority Inc. prepare a complete disaster recovery plan and assess the need for a business continuity plan.**

Training and supervision of employees

In our 2007 Report – Volume 3 and our prior reports, we said SIGA must train and supervise its employees so that they follow SIGA's established processes to safeguard public resources. SIGA has made progress towards ensuring that its employees follow its established policies. However, it needs to do more in the areas described below.

New casino operations

SIGA needs to provide adequate guidance to employees about performing their duties. When employees do not have adequate training

and clear, documented guidance, there is a risk that they may not do their tasks as expected or may not do them at all. With new casino operations, the risk of employees not following established processes increases because many of the employees are new to the agency. Therefore, SIGA needs to provide adequate training and closely supervises new employees to ensure they follow SIGA's established processes.

In August 2007, the Dakota Dunes Casino opened to the public. SIGA hired employees prior to the opening of the casino. SIGA provided some training to those employees on SIGA's established processes. However, the training and ongoing supervision were not adequate. Employees did not follow the established processes and did not clearly understand the reasons for them. Failure to follow proper processes put SIGA at risk of loss of public money. The risk of loss is higher in the gaming industry because the majority of transactions are in cash.

To reduce the risk of loss of public money, SIGA has established processes requiring certain employees who do not have duties related to the casino operations to verify daily that all money is received, recorded, and deposited. The employees responsible to do this function did not carry out the required procedures. Also, management did not provide adequate supervision to ensure that employees were doing the required procedures.

For example, employees did not complete certain daily revenue verification procedures for several months. Also, after the employees completed the procedures, they either did not or were unable to adequately follow up on discrepancies found. In some cases, they were unable to complete the verification procedures because other employees in the ancillary operations area did not provide complete and accurate documentation of transactions.

As well, employees did not adequately complete other revenue verification procedures. For example, they did not always agree (reconcile) transactions from the automated teller machines, ticket redemption terminals,[3] and the employees' cash floats to SIGA's records. These reconciliations help identify system malfunctions, tampering, or potential theft quickly.

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[3] Ticket redemption terminals are machines that allow patrons to receive cash for their slot machine winnings.

Because SIGA did not follow established processes to monitor revenues at the Dakota Dunes Casino, it does not know if it lost public money. As a result, we cannot determine if SIGA lost public money at Dakota Dunes.

3.   **We recommend that the Saskatchewan Indian Gaming Authority Inc. provide adequate training and supervision to employees at new casinos on established processes to safeguard public money.**

Compliance with policies needed

In the past, we observed that SIGA's accounting records did not reflect its business operations and lacked proper support for all transactions. Accordingly, we recommended that SIGA establish policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions. We also recommended that SIGA establish rules and procedures to ensure that employees comply with established policies. PAC considered these matters in 2003 and agreed with the recommendations. SIGA has made progress towards implementing those recommendations.

We describe below the areas where SIGA's accounting records did not reflect its business operations, transactions lacked proper support, and employees did not comply with approved policies.

Marketing and promotion

In 2008, SIGA spent approximately $14.2 million (2007 - $7.3 million) for marketing and promotion.

SIGA requires employees to maintain adequate records of complimentary items they give to patrons (who received the item and why). SIGA also requires management to periodically review and approve these records. SIGA casinos did not maintain adequate records of these items. Also, there was no evidence that management approved the records as required by the policies.

Accounting

SIGA has established policies to control its bank accounts and other assets. However, employees did not comply with these policies.

Hospitality organizations including casinos often encounter differences between the cash recorded in their accounting records and the actual cash on hand. Such differences (commonly known as cash overages/shortages) often arise from unintentional human errors and/or machine errors. To ensure employees properly monitor, follow up, and resolve all cash overages/shortages, such organizations establish processes to ensure overages/shortages are not intentional.

SIGA requires its department managers to monitor cash overages/shortages. SIGA has improved its monitoring of overages/shortages in certain departments. However, it needs to improve its processes relating to its ancillary operations. For example, SIGA does not have documented thresholds setting out which overages/shortages need explanation. We found that employees did not always fully explain the cash overages/shortages. Also, there was no evidence that department managers were monitoring the overages/shortages on a regular basis and taking appropriate action where required to reduce employee theft.

SIGA requires employees to periodically count its capital assets and compare the counts to the accounting records. However, employees have not yet done a complete count of the capital assets. Therefore, SIGA cannot be sure that all capital assets recorded in its accounting records exist.

We continue to recommend that SIGA establish policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.

We continue to recommend that SIGA establish rules and procedures to ensure that employees comply with established policies.

Building human resource capacity

In our 2003 Report – Volume 3, we examined SIGA's processes to build human resource capacity. PAC considered these matters in 2004 and agreed with our recommendations. In our 2006 Report – Volume 3, we followed up on our recommendations in this area and reported that two recommendations were not fully addressed.

Below, we describe the progress that SIGA has made in addressing those recommendations.

Complete and implement a human resource plan

In 2006 and 2007, we reported that SIGA's long-term human resource plan included the key elements of a sound human resource plan except that it did not include a projection of SIGA's future human resource needs (i.e., number, type, level, and location of employees). As a result, SIGA did not know its future human resource needs and how to access those resources. SIGA needs this information to carry out its strategic direction.

SIGA regularly analyzes turnover within each of its departments to project future human resource needs. In 2007, SIGA surveyed its employees to identify employees interested in relocating to new casino sites. SIGA plans to use the results of this survey to help identify future staffing requirements at new and existing casinos. Also, SIGA has developed partnerships with other agencies to help provide training to its current and future employees.

SIGA has also begun to implement personal learning plans for all employees. Management told us SIGA will use these plans to develop organization-wide succession plans.

While SIGA continues to gather information, it has not yet completely documented its future human resource needs. It should do so.

We continue to recommend SIGA complete and implement its human resource plan.

Effectiveness of training activities

In 2006 and 2007, we reported that SIGA had an adequate learning strategy and training plans. We also reported that the Board regularly received some information on employee training activities. However, the Board reports did not include information on the actual costs of the training or the effectiveness of these training activities.

Currently, the Board receives information on planned and actual training activities throughout the year. It also receives information that provides

some indication of the effectiveness of the training activities. This information includes reports on compliance with policies, employee turnover, and employee satisfaction.

We continue to recommend that management prepare and provide to the Board more information on the effectiveness of SIGA's training activities.

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Public Service Commission

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Main points

The Public Service Commission (PSC) is the central human resource agency for staff employed primarily by Government ministries.

PSC is implementing a 2005 policy requiring criminal record checks. To September 30, 2008, PSC has evaluated about 63% of 15,300 Government positions to determine which ones it should designate as positions that require a check. Of the 9,600 positions evaluated, about 7,100 have been designated as requiring a criminal record check. We asked PSC for the number of criminal record checks that it has received for the 7,100 designated positions but we have not received that information. Accordingly, we are unable to assess whether PSC is making satisfactory progress.

In October 2007, PSC went through a significant reorganization that more than doubled its staff. Accordingly, PSC needs to update its human resource plan. A complete human resource plan will help it to have the right staff at the right time to meet its objectives.

Introduction

Under *The Public Service Act, 1998*, the Public Service Commission (PSC) is the central human resource agency for staff employed primarily by Government ministries. Government ministries comprise about 15,300 staff positions.

PSC provides the human resource policy framework in which Government ministries must operate. It is the employer representative for all Government ministries in labour negotiations. The quality and strength of PSC's policies and corresponding human resource strategies are important to the success of PSC and Government ministries. PSC also provides human resource services, including staffing, payroll processing, classification of positions, and labour relations and works with Government ministries in the delivery of human resource services.[1]

Financial overview

The following is a list of PSC's major programs and spending. For further details and variance explanations, see PSC's 2007-2008 Annual Report available on its website www.psc.gov.sk.ca/.

	Original Estimates	Actual
	(in thousands of dollars)	
Human Resource Information Services	$ 6,331	$ 5,453
Central Management and Services	2,478	3,037
Aboriginal Career Connections Program	541	426
Employee Relations, Policy and Planning	2,187	17,576
Human Resource Client Services	3,844	11,115
Capital Asset Amortization	1,360	1,627
	16,741	39,234
Supplementary funding approved	24,234	---
	$ 40,975	$ 39,234

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[1] Public Service Commission. (2008). 2007-08 Annual Report. Regina: Author.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

♦ **PSC had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦ **PSC complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Complete human resource plan needed

In Chapter 7 of our 2007 Report – Volume 3, we reported that PSC needed to improve its human resource plan. By August 2007, PSC had developed a revised draft plan. However, in October 2007, PSC went through a significant reorganization that increased its staff from 142 to 374. Accordingly, PSC is in the process of changing its plan. We will assess this revised plan, after it is approved, in a future audit.

We continue to recommend that Public Service Commission revise its human resource plan to include the following:

♦ a prioritized listing of human resource risks specific to PSC
♦ detailed strategies to bridge identified gaps in human resource needs specific to PSC
♦ assignments of responsibility and deadlines for implementing major strategies[2]

The Standing Committee on Public Accounts (PAC) considered this matter on April 17, 2007 and agreed with our recommendation.

Implementation of criminal record checks

Criminal record checks are part of a prudent employment process that helps the Government:

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[2] PSC's human resource guidelines do not require ministries to include assignments of responsibility and deadlines for implementing major strategies.

♦ maintain public confidence in the public service

♦ ensure the safety of its employees, clients, and stakeholders

♦ ensure that public funds are securely administered

In our 2005 Report – Volume 1, we recommended that the Departments of Community Resources and Employment and Environment assess the risk of loss of public money by employees in positions of trust (i.e., those responsible for the collection, receipt, disbursement, or expenditure of public money) and reduce this risk to an acceptable level (e.g., by increasing insurance coverage or requiring criminal record checks [3]). PAC agreed with these recommendations in 2005.

In September 2005, the Government announced, in response to these recommendations, that "all positions in the Saskatchewan public service that are responsible for public money and all positions with the ability to modify information technology systems will now require criminal record checks."[4] Prior to this, Government ministries did checks on a less extensive basis, primarily related to positions in the first three of the categories listed below. Effective September 2005, PSC adopted a policy that requires employees in designated positions hired under *The Public Service Act, 1998* to provide a satisfactory criminal record check on initial employment and periodically thereafter. Designated positions requiring criminal record checks now include:

♦ positions entrusted with the care of, or intervention with, vulnerable clients

♦ positions involved in law enforcement/security

♦ positions involved in the administration of the criminal justice system

♦ positions responsible for the collection, receipt, disbursement, or expenditure of public money

♦ information technology (IT) positions with responsibility to modify operating systems (e.g., ability to establish or re-route client payments)

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[3] Our 2005 Report – Volume 1 (Chapter 6 - Community Resources and Employment, Chapter 7 - Environment) includes detailed audit findings.
[4] Government of Saskatchewan, News Release – September 7, 2005 Saskatchewan Public Service Strengthens Criminal Record Checks (www.gov.sk.ca/news/). Accessed October 6, 2008.

- ♦ positions that are required to deal with third party service delivery systems where the third party requires criminal record checks
- ♦ such other positions that are identified by government ministries and approved by the PSC

We agree that the above criteria are appropriate for determining if a position should be designated as requiring a criminal record check.

Incumbents in designated positions are required to submit a satisfactory criminal record check within five years from the date the policy was implemented (i.e., by September 2010) and every five years thereafter. A satisfactory check is either a police report that there are no charges or convictions, or a determination by PSC that any reported charges or convictions are not relevant to the employee's position. Also, employees in designated positions must report any criminal charges or convictions as they occur. When these reports are relevant to an employee's position, PSC works with the ministry where the employee works to amend the job duties so that conflicts are eliminated.

PSC adopted the following top-down process to evaluate all public service positions to determine whether sufficient risk exists to require a criminal record check for individuals who occupy or wish to occupy the position. PSC started with the evaluation of senior out-of-scope positions, followed by the evaluation of all remaining out-of-scope positions, then all IT related positions, and then all in-scope positions by ministry. PSC has strategically selected the order in which to evaluate ministries when performing the assessment of in-scope positions. It consults with the related ministry before designating positions in that ministry as requiring a criminal record check. PSC records in the computerized MIDAS system whether a position has been evaluated and if it has been designated as requiring a criminal record check.

Furthermore, prior to posting job openings, PSC checks whether the position has been evaluated for requiring a criminal record check. If not, it completes an evaluation of the position before posting the job. For positions requiring a criminal record check, PSC includes this requirement in the job posting. Successful applicants must provide a satisfactory criminal record check before PSC makes an offer of employment.

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As of September 30, 2008, PSC has evaluated all out-of-scope positions, all IT positions, and about 60% of the in-scope positions. This represents about 63% of the 15,300 public service positions. Of the 9,600 positions evaluated to date, about 7,100 have been designated as requiring a criminal record check. Management told us that it expects to complete its evaluation of the remaining positions by September 2010 (within its target of five years after adopting the criminal record check policy).

We asked PSC for the number of criminal record checks that it has received for the 7,100 designated positions but we have not received that information. Accordingly, we are unable to assess whether PSC is making satisfactory progress.

We encourage Public Service Commission to complete its implementation of this policy within the planned time period.

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Saskatchewan Gaming Corporation

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Main points

Saskatchewan Gaming Corporation (SGC) needs written procedures for its information technology (IT) security to help ensure the confidentiality, integrity, and availability of information systems and data.

SGC also needs an improved written, tested, and approved disaster recovery plan so it can continue to provide IT services in the event of a disaster.

SGC should improve its compliance with approved policies relating to marketing and promotion. As well, SGC needs to further improve its human resource plan.

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Introduction

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority. *The Saskatchewan Gaming Corporation Act, 1994* established SGC*.*

Casino Regina is a full-service casino and entertainment centre. Casino Regina has slot machines, table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has slot machines and table games. SGC has a total of 995 slot machines and 42 table games in its casinos.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is a corporation registered under *The Business Corporations Act (Saskatchewan)*. SGC Holdings purchases capital assets and leases them to SGC for the operation of the above casinos. SGC's financial statements include the financial results of SGC Holdings.

SGC's consolidated financial statements for the year ended March 31, 2008 report net revenues of $119.4 million, expenses of $75.7 million, net income of $43.7 million, and assets of $70.4 million. *Saskatchewan Gaming Corporation Annual Report 2007-2008* includes SGC's consolidated financial statements.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

♦ **SGC had adequate rules and procedures to safeguard its public resources and those of SGC Holdings except for the matters described in this chapter**

♦ **SGC complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **the consolidated financial statements for SGC and the financial statements for SGC Holdings are reliable**

Controls to safeguard public resources

Well-performing agencies do three things to help ensure they have effective controls to safeguard public resources. First, they ensure management provides adequate guidance to its employees. Second, they require management to establish processes to ensure employees follow the established guidance. Third, they monitor how well they are progressing towards achieving their established goals. We provide our findings in these areas below.

Effective guidance to employees

Agencies should document their policies to provide employees ready guidance to understand and follow the policies. SGC has documented and communicated policies for all areas except those noted below.

Better disaster recovery plan needed

SGC needs an improved written, tested, and approved disaster recovery plan (DRP)[1] to help ensure that it can continue to provide information technology (IT) services in the event of a disaster.

SGC places significant reliance on its IT systems to operate. Without an adequate DRP, SGC is at risk of not being able to provide its IT services in a timely manner. Therefore, it may be at risk of not being able to operate its casinos. SGC also needs to assess the requirement for a business continuity plan (BCP) by completing a threat and risk assessment. A BCP would help SGC recover critical business functions in the event of a disaster.

A good business continuity plan must:
♦ have management support including making the required resources available to create and maintain the business continuity plan

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

♦ be based on a threat and risk assessment including identifying and ranking SGC's critical functions

♦ set out the 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 key programs and services

♦ be documented, approved by management, and easily accessible when the plan needs activation

♦ be tested initially and on an ongoing basis

♦ set out policies for ongoing maintenance and updating of the plan

SGC does not have a complete and tested DRP or BCP. Its DRP has not been reviewed and approved by management and has not been tested. SGC has an alternate processing site in the event of a disaster and its DRP includes its backup procedures. However, its DRP does not contain all the key elements of a good DRP, such as a threat and risk assessment, a ranking of SGC's critical applications, and documented recovery and restoration steps.

Management told us SGC has some components of business continuity planning including an influenza pandemic plan, an emergency response plan, and business interruption insurance.

1. **We recommend that the Saskatchewan Gaming Corporation prepare a complete disaster recovery plan.**

2. **We recommend that the Saskatchewan Gaming Corporation assess the need for a business continuity plan.**

Better information technology security policies and procedures needed

SGC needs to fully document its information technology (IT) security procedures. IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. For example, good security helps ensure that only authorized people can access an IT system that may contain sensitive data such as personnel information and payroll rates.

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SGC also needs to ensure that its staff follow IT policies and procedures. Without adequate monitoring of compliance with IT policies and procedures, SGC's data is at risk of disclosure, modification, or loss.

SGC has some IT security policies that define staff roles and responsibilities. The policies identify processes needed for good security including user access, physical security, and virus protection. However, SGC does not have written procedures on how to monitor compliance with those policies.

Also, SGC needs to improve its processes for protecting its network. For example, we found SGC does not always document its monitoring of server log files, firewall logs, security patches, and hardware and software maintenance. As a result, SGC may not identify attempted or successful security breaches or may have a disruption of service due to inadequate maintenance.

3.   **We recommend that the Saskatchewan Gaming Corporation fully document its procedures for the security of its information technology systems and ensure that these procedures are being followed.**

Compliance with policies and procedures needs improvement

SGC must improve its training and supervision of employees so that they follow SGC's established processes to safeguard public resources. SGC has made progress towards ensuring that its employees follow the established policies. However, it needs to do more. We describe below the areas where employees did not always comply with the established policies and procedures.

We have reported this matter since 2005. We recommended that SGC comply with approved policies relating to coupons and marketing promotions. The Standing Committee on Public Accounts (PAC) considered this matter in June 2007 and agreed with our recommendations.

Coupons

SGC provides coupons (e.g., free slot play, food and beverage discounts, gift certificates, etc.) to its patrons for marketing and promotion purposes. SGC requires its employees to maintain adequate records (log books) of authorized coupons printed, issued, and returned. In 2008, SGC issued approximately $3.9 million of coupons to patrons.

Employees did not properly maintain the log books. As a result, the log books did not always agree to the actual number of coupons on hand. Inadequate controls over coupons could result in unauthorized or inappropriate use of coupons without ready detection.

Redemption terminals

SGC has established procedures to help ensure the integrity of games and safeguard public resources.

SGC uses ticket redemption terminals to allow patrons to receive cash for their slot machine winnings or to allow patrons to exchange large denomination bills for smaller denominations. SGC has established adequate processes to ensure it receives and records all slot machine revenues and cash transactions. However, employees did not always agree (reconcile) transactions from the ticket redemption terminals to SGC's records on a timely basis and did not follow up on discrepancies. Such reconciliations help identify system malfunctions, tampering, or potential theft on a timely basis.

We continue to recommend that SGC comply with approved policies relating to coupons and redemption terminals.

Better human resource plan needed

SGC needs to improve its human resource plan. Rigorous human resource plans help ensure agencies have the right number of employees, with the right competencies, at the right time.

We also reported this matter in our 2007 Report – Volume 3. We recommended that SGC improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and

setting out plans to address human resource gaps. PAC considered this matter in 2007 and agreed with our recommendation.

SGC has prepared a human resource plan. The plan includes some discussion about SGC's key human resource risks, but it does not prioritize the identified risks (i.e., by considering the likelihood and nature of consequences or risks). SGC has identified general strategies to address its human resource risks. SGC continues to work on detailed action plans to implement the strategies identified.

Also, the human resource plan does not identify SGC's future human resource needs to meet its goals and objectives and it does not identify and analyze anticipated shortfalls or surpluses (gaps).

We continue to recommend that the Saskatchewan Gaming Corporation improve its human resource plan by prioritizing its key human resource risks and analyzing human resource gaps.

Saskatchewan Research Council

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Main points

In this chapter, we report the results of our audit of the Saskatchewan Research Council (SRC). SRC needs to independently review and approve all journal entries to its records. If journal entries are not independently reviewed and approved, SRC is at risk that its accounting records and financial reports may not be accurate and complete or that a loss of resources due to fraud or error may be concealed.

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Introduction

The mission of the Saskatchewan Research Council (SRC) is to "help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment.[1]" It seeks to do this through "research, development, and the transfer of innovative scientific and technological solutions, applications and services.[1]" It is also empowered to conduct research under contract for others.

In 2007-08, SRC had revenue of $41.2 million and expenses of $36.4 million. At March 31, 2008, SRC held assets of $32.2 million.

SRC also manages the Saskatchewan Research Council Employees' Pension Plan. At December 31, 2007, the Plan held assets of $21.3 million and had a surplus of $42,000.

Audit conclusions and findings

In our opinion for the year ended March 31, 2008:

♦ **SRC had adequate rules and procedures to safeguard public resources except for the matter reported below**

♦ **SRC complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **SRC's financial statements are reliable**

Approval of journal entries

SRC has established a practice that requires independent review and approval of all changes to the accounting records (i.e., journal entries). We found that some of the journal entries lacked evidence of independent review and approval.

If journal entries are not reviewed and approved independent of preparation, SRC is at risk that its accounting records and financial

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[1] *Saskatchewan Research Council 2007/2008 Annual Report*, page 1.

reports may not be accurate and complete or that a loss of resources due to fraud or error may be concealed.

1.   **We recommend Saskatchewan Research Council independently review and approve all journal entries.**

Management has told us it agrees with the recommendation and intends to formalize its existing practice of independent review and approval into policy and enhance the monthly procedures check list.

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Social Services

Main points

The Ministry of Social Services (Ministry) needs to improve its processes to ensure that all children who are the responsibility of the Minister receive proper care in an abuse free, healthy, and affectionate environment. It must implement a system to know how many children are in Minister's care, who they are, and where they reside.

The Ministry needs to test its business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. It must also strengthen its information technology security processes to ensure the confidentiality, integrity, and availability of its information systems and data.

In addition, the Ministry must ensure that it adequately segregates the duties of its employees responsible for the disbursement or expenditure of money and that only eligible clients receive assistance and that they receive the correct amount of assistance.

Introduction

The mandate of the Ministry of Social Services (Ministry) is to work with citizens as they build better lives for themselves through economic independence, strong families, and active involvement in the labour market and community. The Ministry invests in positive outcomes for people in the areas of income support, child and family services, support for persons with disabilities and affordable housing.[1]

The Ministry received $615 million from the General Revenue Fund to deliver its programs and had revenues of $21 million. Information about the Ministry's revenues and expenses appears in its annual report (see www.socialservices.gov.sk.ca/).

The following is a list of the Ministry's major programs and spending:

	Original Estimates[2]	Actual
	(in millions of dollars)	
Employment support and income assistance	$ 311	$ 294
Community inclusion	99	100
Child and youth services	88	94
Supporting families and building economic independence	64	65
Central management and services	35	33
Housing	27	27
Other	1	2
Total	$ 625	$ 615

Special purpose funds and Crown agency

The Ministry is responsible for the following special purpose funds (funds) and Crown agency:

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[1] Saskatchewan Finance, *Saskatchewan Provincial Budget Estimates for the fiscal year ending March 31, 2008.*
[2] Ibid.

	Year-End
Social Services Central Trust Account	March 31
Valley View Trust Accounts and Fund	March 31
Saskatchewan Housing Corporation	December 31

We reported the results of our audit of the Saskatchewan Housing Corporation for the year ended December 31, 2007 in our 2008 Report – Volume 1.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

♦ **the Ministry of Social Services had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **the Ministry of Social Services complied with the authorities governing its activities and activities of its funds relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter**

♦ **the financial statements of the funds are reliable**

The chapter also provides an update on recommendations previously made by the Standing Committee on Public Accounts that are not yet implemented.

We report our findings under four headings: general administration, protecting children in care, providing social assistance, and supervising community based organizations.

General administration

Segregation of employees' duties

The Ministry needs to properly segregate the duties of its employees responsible for the disbursement or expenditure of public money. Segregation of employees' duties is important to prevent the misuse of

public money. Segregation of duties is not adequate when an employee or group of employees can commit and conceal errors or fraud. Inadequate segregation of duties increases the risk that public money may be misused without ready detection.

The Ministry uses the government's centralized payment system called Multi-informational Database Applications System (MIDAS). MIDAS does not adequately segregate functions for processing payments. MIDAS allows employees to enter vendors' invoices in the system and then approve them for payment. Ministry employees are approved vendors in the MIDAS system if they have received travel or medical expense reimbursements. This deficiency allows employees to authorize payments to themselves.

1.   **We recommend the Ministry of Social Services properly segregate duties of its employees responsible for the disbursement or expenditure of public money to help prevent errors or fraud.**

Adequate agreement for disaster recovery required

In 2007, we recommended that the Ministry of Social Services sign an adequate agreement with the Information Technology Office that includes network security and disaster recovery requirements.

In January 2008, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

The Ministry's service agreements with the Information Technology Office (ITO) do not adequately address disaster recovery.

The Ministry uses ITO to provide information technology (IT) services. ITO also manages another IT service provider on behalf of the Ministry. Even though the Ministry uses ITO, the Ministry remains responsible to have adequate policies to support its IT requirements.

The Ministry needs a service agreement that requires ITO to regularly report that the Ministry's IT systems and data will be available when needed. This includes key applications, computers, and the network used to send and receive data. ITO's managed service provider performs

disaster recovery testing twice per year for major systems. However, not all significant systems are tested. Also, the disaster recovery plan that ITO is developing for its data centre does not identify the priority or procedures required to restore applications at the Ministry.

As a result, neither the Ministry nor ITO knows whether systems and data can be restored in the event of a disaster. Lack of an adequate disaster recovery plan could result in systems, data, and services not being available to the Ministry and people of Saskatchewan.

We continue to recommend that the Ministry of Social Services sign an adequate agreement with the Information Technology Office that includes network security and disaster recovery requirements

Monitoring of ITO security

ITO provides network access to the Ministry. ITO became the custodian for the Ministry's computer systems and data in 2008. To know that its computer systems and data are secure, the Ministry needs to monitor whether ITO provides adequate security.

The Ministry did not receive adequate information about security from ITO. Moreover, we found ITO did not have processes to adequately configure, monitor, and update firewalls at the Ministry. Firewalls help to maintain security of Ministry systems and data.

As a result of these weaknesses, the Ministry's systems and data are at risk of inappropriate access. Also, because of the lack of adequate communication about security, the Ministry was not aware of the risk.

2.   **We recommend the Ministry of Social Services monitor the effectiveness of the Information Technology Office's security to protect the Ministry's computer systems and data.**

Multi-year information technology plan required

The Ministry needs an adequate IT plan to ensure its use of resources supports its strategic objectives. An IT plan can also help management to address threats and risks to the Ministry's security.

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The Ministry prepared an IT operation plan for the year. However, the Ministry did not have a multi-year information technology (IT) plan that links to its strategic business objectives. The Ministry should have a multi-year IT plan to ensure it has the resources it needs to address its objectives.

3.   **We recommend the Ministry of Social Services establish an adequate information technology plan.**

Management told us the Ministry developed a multi-year IT plan after year-end.

Business continuity plan need testing

The Ministry needs a written, tested, and approved business continuity plan[3] (BCP) to help ensure that it can continue to deliver its critical programs and services in the event of a disaster.

Since 2003, we have recommended that the Ministry of Social Services complete its business continuity planning by testing its BCP.

In September 2004, PAC considered this matter and agreed with our recommendation.

The Ministry has developed a BCP for its critical programs and services. The Ministry prepared documentation to support BCP testing. The Ministry also performed some testing during the year. However, the Ministry has not tested all parts of the plan. The Ministry needs to perform additional testing to ensure the plan will work as required.

We continue to recommend that the Ministry of Social Services complete its business continuity planning by testing its BCP.

Protecting children in care

The Child and Family Services Act requires the Minister of Social Services to intervene on a child's behalf when the child is in need of

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[3] **Business Continuity Plan** - Plan by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions.

protection due to physical, sexual, or emotional abuse, or neglect. The Ministry has services designed to protect children from abuse or neglect, support families and communities in caring for children, assist people facing family violence, and assist families to adopt children under *The Adoption Act*.

The Ministry provides care for children requiring protection and out-of-home care. Children placed in out-of-home care can be either wards or non-wards. The Minister assumes the legal responsibility for wards and acts as parent with the rights and obligation of a parent. Non-wards are those children that the Minister helps to support without having legal custody of the child.

A non–ward is a child that the courts may place in the custody of a person of sufficient interest rather than with the Minister. A person of sufficient interest is a person who is not a parent of the child but who, in the opinion of the court, has a close connection with the child. A person of sufficient interest may be an extended family member, or, in the case of a status Indian child, the chief of the Indian Band or the chief's designate.

The Ministry told us that at March 31, 2008 it was responsible for 5,677 children. This included 4,529 children who were wards of the Minister and 1,148 children who were non-wards. About 84% of all children in care were children of Aboriginal background (status and non-status First Nations, Métis, or Inuit).

The Ministry's officials told us that at year-end 1,193 of the Minister's wards resided on First Nations reserves. We cannot verify this number because the Ministry does not have a process to know how many wards the Minister has, who they are, and where they live. The Ministry cannot ensure all wards of the Minister receive proper care if it does not have this information.

4. **We recommend the Ministry of Social Services implement a system to know how many children are the Minister's responsibility, who they are, and where they live.**

Management told us the Ministry will use the funding it received for an automated Case Management System to develop a new system to support child welfare work in the province. The Ministry also told us that

its goal is to develop a system that would be used by staff and management of both the Ministry and First Nations Child and Family agencies.

Caring for children residing off reserves

A child can be placed in the care of the Minister on a temporary or permanent basis through a court order or a voluntary agreement with the parent(s). The Minister places those children in the care of foster families, alternate care providers (e.g., extended family members), a residential group home, or other facilities. Care providers must meet the child's basic developmental and special needs.

To provide care for the 3,336 wards of the Minster residing off reserves, the Ministry has arranged for 1,948 of those children to reside with foster care providers and 505 to reside with alternate care providers. The remaining children reside in group homes and other facilities. The Ministry is responsible to reimburse the care providers (custodians) for expenses incurred for these children.

Foster care providers usually do not have any prior relationship with the child. Alternate care providers are extended family members or other persons who have a close connection to the child.

The Ministry has policies, standards, and procedures (processes) to ensure it places children requiring care with appropriate caregivers. It also has processes to transfer a First Nations child apprehended off reserve to a First Nations Child and Family Services Agency. The agency places the child with a caregiver on reserve.

The Ministry has established adequate processes for placing and protecting children. However, employees do not always follow those processes. Because employees do not always follow those processes, the Ministry does not know if children in care are safe and receiving proper care.

Since 2003, we have recommended that the Ministry of Social Services follow its rules and procedures to ensure children in care are protected and the payments to custodians are authorized.

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In September 2004, PAC considered this matter and agreed with our recommendation.

The exhibit below shows the results of our work on how well employees of the Ministry followed its established processes.

Exhibit 1—Percentage of client files we sampled not complying with child protection policies

	2008	2007	2006	2005	2004
No criminal record check*	17%	27%	13%	20%	31%
Inadequate contact with children	39%	35%	21%	35%	54%
No agreement with foster care provider	10%	0%	13%	13%	33%
Inadequate home study	0%	0%	0%	13%	31%

* Non-compliance generally relates to non-care providers in the home

The exhibit shows that the Ministry continues to make progress, but it needs to do more work to ensure children in care are safe. For example, one of the Ministry's policies regarding social worker contact (visits) with children in care requires that, if the child is 5 years or older, the social worker should meet alone (separate from the caregiver) with the child once every six months. We found that 33% of the children received half or less than half of the required number of such visits.

We continue to recommend that the Ministry of Social Services follow its processes to ensure that children in care are protected and the payments to custodians are authorized.

Foster care providers

The Ministry has policies to limit the number of children in the care of a foster parent. Generally, the policies do not allow placing more than four children in one foster home. The policies only allow placing more than four children with one foster parent if:

♦   it prevents siblings from being separated
♦   the child/children have previously lived with that foster parent

♦ emergency short-term care is required until more permanent placement arrangements can be made

♦ short-term respite is required.

Under the established policies, senior managers are required to review and approve the placement of more than four children in a foster home. Senior managers are also required to review and re-approve the placement every two weeks. The review and re-approval help ensure compliance with policy conditions, proper assessments of the situation, safety and proper care of children, and adequate support for the foster family.

We found that more than half of the foster home files that we examined had periodically more than four children. Of those homes with more than four children, we found that 67% did not have evidence of review and re-approval from senior managers allowing more than four children.

5. **We recommend the Ministry of Social Services follow its policies to review and approve foster homes when placing more than four children in the foster home.**

Caring for children residing on reserves

The Ministry makes agreements with First Nations Child and Family Services Agencies[4] (First Nations agencies) to provide child welfare services on the Ministry's behalf for First Nations children residing on reserves. Section 61 of *The Child and Family Services Act* allows the Minister to make such agreements allowing the First Nations agencies to exercise the powers of the Minister specified in the agreement. The Ministry has such agreements with 17 First Nations agencies. These First Nations agencies report to their boards. The Government of Canada pays most of the operating costs for on-reserve services provided by the First Nations agencies.

Under the law, First Nations agencies can obtain custody of a child on behalf of the Minister in one of the following ways:

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[4] First Nation agencies are not-for-profit community based organizations that individual First Nations established to carry out child and family service programs on related First Nation reserves.

♦   using the Minister's powers specified in the agreements, obtain either a court order for a child apprehended on reserve or accept a child whose parent(s) voluntarily place the child in the First Nations agency's care

♦   accept transfer of First Nations children from the Ministry that it apprehended off reserve when the Ministry considers the transfer is desirable

To obtain custody of a child in need of protection, First Nations agencies use the Minister's powers specified in the agreement to approach a court of law to seek custody of the child. When the court is satisfied that the child needs protection and there is no person of sufficient interest, it grants custody to the Minister and the child becomes a ward.

For children residing on reserves that are wards of the Minister, the Ministry must have adequate processes to ensure those children receive appropriate care similar to those residing off reserves. To ensure the proper care of children, we expected the Ministry would:

♦   make adequate agreements with those First Nations agencies that the Ministry authorized to act on the Minister's behalf
♦   establish processes to receive timely information about children who become wards of the Minister and any conditions of court orders
♦   communicate standards that the First Nations agencies must follow to care for the Minister's wards residing on reserves (foster care, alternate care, and residential care standards)
♦   assess adequacy of those First Nations agencies' processes for approving foster parents, alternate caregivers, and group homes to provide child welfare
♦   monitor the First Nations agencies' on-going compliance with approved child welfare standards and take action including periodic personal contact with children

We provide our findings for each of these five expectations.

Adequate agreement

As stated earlier, the Ministry has made agreements with 17 First Nations agencies to administer child welfare services on their respective reserves. At March 31, 2008, eight of the First Nations agencies had signed new standardized agreements. The new standardized agreements are more comprehensive than the old agreements, but the new agreements are not adequate for the reasons described below.

The agreements require the First Nations agency to provide certain information about children in care as at March 31 of each year. Under this reporting, the Ministry does not receive timely information about children that become wards of the Minister during the year.

The agreements do not ask First Nations agencies to provide the Ministry with any regular information about the well-being of the Minister's wards, or the case plans for reunification with the child's family or permanent placement. Nor do the agreements allow the Ministry's staff to have personal contacts with the children in care.

Also, under the agreements, First Nations agencies are required to provide the Ministry with a copy of any evaluation of its programs and operations that the First Nations agencies might complete with funding from the Government of Canada. However, the Ministry does not have a process to determine when and how often it must require an evaluation of the First Nations agencies' operations.

Timely information

The Ministry's agreements require First Nations agencies to provide certain information in annual reports as at March 31 each year including:

♦   the names of children in care as at March 31, how long they have been in care, and a description of the order or agreement in place regarding the child
♦   a summary of the services provided by the First Nations agency during the year
♦   a list of approved foster homes, persons of sufficient interest, and alternative care homes at March 31

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Neither the information requested nor the frequency of the requested information is adequate. The Ministry does not know who and how many wards of the Minister a First Nations agency cared for during the year. It does not know when and why a First Nations agency took custody of a child and any conditions of court orders that made the child a ward of the Minister. Also, it does not know who provides care to the child or where the child lives.

Accordingly, the Ministry does not know who or how many wards of the Minister the First Nations agencies had under their care on an ongoing basis. Nor does the Ministry know whether all wards of the Minister received proper care in an abuse free, healthy, and affectionate environment. An abuse free, healthy, and affectionate environment is essential for children's emotional and behavioural development, and self-care skills. This is particularly important for those children with special needs.

Communicating standards

The Ministry's agreements require the First Nations agencies to use the Ministry's Family Centred Case Management Policy manual and the Children's Services Policy manual or equivalent approved standards to guide the First Nations agency in the delivery of out-of-home care. These standards include principles and practice guidelines for delivering care in a safe and nurturing environment with adequate food, clothing, and shelter.

Adequacy of the First Nations agencies' processes

The Ministry has established standards to approve foster parents, alternate care providers, and group homes to provide out-of-home care off reserves. It also requires the First Nations agencies to follow those standards when approving foster parents, alternate care providers, or group homes on reserves. The Ministry needs to ensure that First Nations agencies do their utmost to choose appropriate caregivers, because caregivers interact and nurture children under difficult circumstances. It must also establish an adequate process to help ensure that the First Nations agencies comply with those standards. Without this information, the Ministry does not know if the Minister's wards on reserves receive proper care.

Monitoring compliance

The agreements between the First Nations agencies and the Ministry allow for periodic review of the First Nations agencies' child protection files.[5] The agreements also allow for a review if a complaint is received.

A standard review ensures adequate documentation of the mandate (reason for seeking custody), legal status, and risk assessment for the child that support the custody of the child. A standard review also includes reviewing the child planning, resource file (placement with caregiver), service provision, and evidence of supervision of the caseworker. The review may result in recommendations for First Nations agencies to improve processes.

The Ministry has not established a plan for the frequency of reviews. Without regular reviews, the Ministry cannot know if First Nations agencies meet established standards.

The agreement with the First Nations agencies also requires that Ministry staff and employees of the First Nations agencies must meet when required to discuss issues relating to the provision of child services and long-term case planning for First Nations children the Ministry apprehended off reserve and subsequently placed on reserve. The Ministry does not require the First Nations agencies to discuss long-term case planning for the Minister's wards the First Nations agencies apprehended on reserve. Also, the Ministry does not have a process to ensure that the First Nations Agencies have adequate long-term case planning for all wards residing on reserve. The Ministry must do so.

Also, to help determine the well-being of children under care of the First Nations agencies, the Ministry must seek periodic personal contacts with children under the First Nations agencies' care.

To help ensure children under the First Nations agencies' care receive abuse-free, affectionate, and need-based care, the Ministry must oversee the First Nations agencies' operations relating to childcare. It must establish processes to help ensure First Nations agencies comply with

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[5] Child protection files include the child's case file, case planning, family history, and related caregiver's file.

childcare standards and communicate zero tolerance for non-compliance with approved standards.

6.   **We recommend the Ministry of Social Services make agreements with First Nations Child and Family Services agencies to require timely and relevant information to ensure proper care for children who are wards of the Minister.**

7.   **We recommend the Ministry of Social Services adequately monitor the First Nations Child and Family Services agencies' compliance with the Ministry's standards for approval of out-of-home care providers.**

8.   **We recommend the Ministry of Social Services implement a process to ensure the adequacy of First Nations Child and Family agencies' long-term case planning for children who are wards of the Minister.**

9.   **We recommend the Ministry of Social Services seek regular personal contact with children who are wards of the Minister and regularly review the First Nations Child and Family Services agencies' child protection files.**

Management told us the Ministry has been entering into agreements with First Nations agencies over a period of 14 years and that the Ministry is working on increasing accountability provisions to ensure quality care is provided to First Nations children on reserves.

Providing social assistance

Social assistance payments

Since 2000, we have recommended that the Ministry of Social Services follow its established processes to ensure that only eligible persons receive social assistance and that they receive the correct amount of assistance.

In June 2001, PAC considered this matter and agreed with our recommendation.

In 2007-08, the Ministry made payments totalling $210 million for social assistance. The Ministry must make many of these payments quickly. A client's need for food, clothing, and shelter often requires payment that day, or within a few days. In such cases, the Ministry must later verify the client's eligibility for assistance and the amount that was required.

Also, a client's eligibility for assistance (i.e., living arrangements, levels of income) often changes, which may affect the amount of required assistance. If the client does not promptly inform the Ministry of such changes, the Ministry may make incorrect payments until it re-assesses the client's needs. The Ministry's processes require this re-assessment of every client at least once each year.

The exhibit below shows the results of our work on how well employees of the Ministry followed the Ministry's established process.

Exhibit 2—Percentage of client files we sampled where the annual reassessment was not completed within a year and/or was incomplete

	2008	2007	2006	2005	2004
Annual reassessment not timely and/or incomplete	19%	8%	22%	30%	43%

The Ministry needs strong processes to identify incorrect payments after they have been made and to recover any overpayments. We assessed the Ministry's compliance with the established processes to identify incorrect payments. Exhibit 3 shows the results of our work.

Exhibit 3—Percentage of client files we sampled containing inadequate support for and/or payments not made in accordance with regulations

	2008	2007	2006	2005	2004
Needs and expenses	16%	24%	30%	26%	29%
Client identification	0%	2%	0%	10%	18%
Living arrangements	0%	4%	13%	10%	16%
Child support[6]	0%	0%	8%	29%	33%

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[6] Clients must pursue other means of support before being eligible for assistance. A custodial parent receiving assistance is required to pursue child support from the other parent if obtaining such support is possible.

The exhibit shows that the Ministry has significantly improved compliance with its processes.

We continue to recommend that the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.

Transitional employment allowance payments

Since 2007, we have recommended that the Ministry of Social Services follow its processes to ensure that only eligible persons receive Transitional Employment Allowance (TEA) assistance and that they receive the correct amount of assistance.

In January 2008, PAC considered this matter and agreed with our recommendation.

In 2005, the Government passed the *Transitional Employment Regulations, 2005.* The program helps move employable people from the social assistance system into the workforce. Under the program, qualifying individuals receive assistance while they participate or are eligible to participate in pre-employment programs and services. In 2007-08, the Ministry made payments totalling $29 million for transitional employment assistance.

The Ministry has processes for paying TEA clients. Clients give the Ministry information such as family composition and changes in employment. This information affects the amount of assistance clients are eligible to receive.

The processes to ensure clients submit proper documentation help the Ministry to determine eligibility for payments. The processes also help ensure that the Ministry pays correct assistance in accordance with the TEA regulations and policy manual. The Ministry uses documentation on board and room information, utilities costs, assets, and income to verify claims.

We assessed the Ministry's compliance with the established processes. The exhibit below shows the results of our work.

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Exhibit 4—Percentage of client files we sampled containing inadequate support for payments

	2008	2007	2006
Inadequate documentation of eligibility	0%	21%	33%
Inadequate documentation for rates paid	11%	21%	16%

The exhibit shows that the Ministry has significantly improved compliance with established processes for documenting eligibility and making payments.

We continue to recommend that the Ministry of Social Services follow its processes to ensure that only eligible clients receive Transition Employment assistance and that they receive the correct amount of Transition Employment assistance.

Employment and rental housing supplement payments

Since 2005, we have recommended that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Employment Supplement assistance and that they receive the correct amount of Saskatchewan Employment Supplement assistance.

In October 2006, PAC considered this matter and agreed with our recommendation.

Also, since 2007, we have recommended that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Rental Housing Supplement assistance and that they receive the correct amount of Saskatchewan Rental Housing Supplement assistance.

In January 2008, PAC considered this matter and agreed with our recommendation.

Under the Saskatchewan Employment Supplement (SES) program, the Ministry gives money to low-income working parents. The purpose of the program is to help ensure that low-income parents (clients) are better off

working than on social assistance. In 2007-08, the Ministry made payments totalling $17.4 million under the SES program.

Under the Saskatchewan Rental Housing Supplement (SRHS) program, the Ministry gives money to low-income tenant families and people with disabilities to help them obtain accessible, affordable, and quality housing. In 2007-08, the Ministry made payments totalling $5.6 million under the SRHS program.

The Ministry has processes for making payment to clients under its SES and SRHS programs. It uses one system to pay assistance under these two programs. Clients tell the Ministry their employment income, family composition, and rental information when they apply for assistance under SES and SRHS. Clients provide this information monthly and after that if there are any changes to their eligibility. These factors affect the amount of assistance a client is eligible to receive.

The Ministry regularly monitors SES and SRHS payments by testing a sample of clients. Selected clients' accounts are put on hold (i.e., no further payments are made) until they submit documents to support their claim. If a client does not submit the required documents, the Ministry closes the account.

Every year the Ministry tests about one-quarter of clients receiving SES and SRHS assistance. In 2007–08, the Ministry found that 14% of the 2,397 clients tested did not respond or provide written evidence to support their reported income. As a result, the Ministry stopped paying those clients. Of those that responded, the Ministry determined that it had overpaid 8% of those clients. The Ministry has processes to collect the overpayments.

The Ministry has set a target error rate of 4% of total SES and SRHS payments. As the actual error rate exceeded the Ministry's target, the Ministry needs to strengthen its processes to reduce the error rate for overpayments to below 4%.

We continue to recommend that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Employment Supplement assistance and that they receive

the correct amount of Saskatchewan Employment Supplement assistance.

We continue to recommend that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Rental Housing Supplement assistance and that they receive the correct amount of Saskatchewan Rental Housing Supplement assistance.

Management told us that the higher than target error rate reflects those clients who were receiving assistance prior to the pre-screening process the Ministry implemented in April 2007. Management also told us that the Ministry expects to have lower error rates as more clients are pre-screened.

Supervising community-based organizations

The Ministry needs to strengthen its supervision of community-based organizations (CBOs).

The Ministry paid $95 million to over 300 CBOs that provide services on its behalf. CBOs provide programs including income assistance, group homes, services to enable people to live in their own homes (who otherwise could not), and youth-at-risk intervention programs.

We organize our findings on CBOs into three sections:

- ♦ agreements with CBOs
- ♦ financial performance reports
- ♦ operational performance reports

Agreements with community-based organizations

Since 2002, we have recommended that the Ministry of Social Services strengthen its agreements with CBOs by clearly setting out the CBOs' operating objectives.

In September 2004, PAC considered this matter and agreed with our recommendations.

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The Ministry makes annual agreements with all CBOs setting out the Ministry's objectives for complying with the law and safeguarding resources. The agreements also give the Ministry the right to verify the CBOs' reports. However, the agreements do not clearly set out the CBOs' operating objectives (i.e., what CBOs intend to achieve with the money they receive from the Ministry).

We continue to recommend that the Ministry strengthen its agreements with CBOs by clearly setting out the CBOs' operating objectives.

In 2007, we also recommended that the Ministry of Social Services work with CBOs to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving the Ministry's operational objectives.

In January 2008, PAC considered this matter and agreed with our recommendations.

The Ministry does not require the CBOs to set performance measures and targets to enable them to report their progress in meeting the Ministry's objectives. As a result, it does not know if CBOs are achieving the Ministry's operational objectives.

We continue to recommend the Ministry of Social Services work with community-based organizations (CBOs) to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving the Ministry's operational objectives.

Financial reports

Since 1998, we have recommended that the Ministry of Social Services ensure all CBOs submit timely financial performance reports to it as required by agreements.

In January 1999, PAC considered this matter and agreed with our recommendation.

Service agreements require the CBOs receiving more than $100,000 to provide to the Ministry quarterly and annual financial reports and explain in writing the reasons for differences between actual and budgeted

spending. The service agreements also set out the dates by when the CBOs must provide these reports to the Ministry.

We examined how well the CBOs were complying with the agreements. The exhibit below shows the results of our work for the past four years.

Exhibit 5—Percentage of CBO files we examined that were not received within the required time

	2008	2007	2006	2005
Prior year annual financial reports not received within 3 months of the fiscal year-end	21%	50%	83%	46%
Quarterly financial reports not received within 30 days of quarter end	33%	49%	72%	55%

The exhibit shows that the Ministry has significantly improved compliance for timely financial reporting.

We continue to recommend that the Ministry of Social Services ensure all CBOs submit timely financial performance reports to it as required by agreements.

Operational reports

Since 1998, we have recommended that the Ministry of Social Services ensure all CBOs submit timely operational performance reports to it as required by agreements.

In January 1999, PAC considered this matter and agreed with our recommendations.

The Ministry requires CBOs to submit annual operational performance reports describing their services and activities. The exhibit below shows the results of our work for the past four years.

Exhibit 6—Percentage of CBO files we examined that were not received within the required time

	2008	2007	2006	2005
Prior year annual operational report not received within 3 months of the fiscal year-end	18%	50%	Not available	Not available

The exhibit shows that the Ministry has significantly improved compliance for timely operational reporting.

We continue to recommend that the Ministry ensure all CBOs submit timely operational performance reports as required by agreements.

In 2007, we recommended that the Ministry of Social Services perform timely review on all the performance information submitted by the CBOs.

In January 2008, PAC considered this matter and agreed with our recommendations.

The Ministry did not do timely reviews of those CBOs' financial or operational performance reports that it received on time. Lack of timely reviews of performance reports increases the risk that the Ministry may not take corrective actions when needed.

Exhibit 7 shows the Ministry's progress to review CBOs' performance reports within six months of the CBOs' fiscal year-end.

Exhibit 7—Percentage of CBO information received within the required time but not reviewed within 6 months of the fiscal year-end

	2008	2007	2006	2005
Financial information received but not reviewed	59%	90%	100%	Not available
Operational information received but not reviewed	48%	93%	50%	Not available

The Ministry has made good progress since 2005. It needs to continue to make improvements in this area.

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We continue to recommend the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations.

Oyate follow-up

This section describes the actions taken by the Ministry of Social Services on recommendations made as a result of our audit of Oyate ataya WaKanyeja OwicaKiyapi Inc. (Oyate).

In June 2006, we reported to PAC the result of our special investigation of Oyate residential care home. Oyate stopped operating as a residential care home on April 13, 2006.

In our report, we made 20 recommendations to help improve processes to safeguard and control public money related to the operations of residential care facilities. In January 2008, PAC considered and agreed with our recommendations.

Fifteen of those recommendations related to Oyate's processes for governance, service delivery, human resource management, control of public money, and compliance with the service agreement. Oyate is now permanently closed.

We made five recommendations for the Ministry for monitoring and overseeing community-based organizations (CBOs) that deliver child and family services for the Ministry.

In September 2007, we assessed the progress the Ministry had made to address our recommendations. In our 2007 Report - Volume 3, we reported that the Ministry had:

♦ developed and approved the Children's Services Residential Policy Manual as guidance to CBOs
♦ approved the Procedural Manual for Monitoring CBO Accountability Standards for the Ministry's employees to use for monitoring CBOs' service delivery
♦ formed a risk assessment committee to assess the risk that CBOs may not be delivering services as the agreements specify

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However, we cannot assess the adequacy of these processes as at March 31, 2008 because the Ministry has not used these processes for a sufficient period. We plan to assess adequacy of these processes in 2009 and report our findings in a future report.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[7]

PAC REPORT YEAR[8]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Social Services (formerly the Department of Community Resources)		
1997	PAC concurs: O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department of Community Resources and Employment should evaluate the effects of case planning.	**Partially implemented** (as at March 31, 2008). The Ministry does not yet evaluate the effect of case planning. No progress made in current year.
2005	PAC concurs: 6-5 that the Department of Community Resources and Employment should assess the risk of loss of public money by employees in positions of trust (i.e. responsible for collection, receipt, disbursement or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).	**Partially implemented** (as at March 31, 2008). In 2005, the Public Service Commission (PSC) began the process of identifying positions of trust and ensuring incumbents in those positions provide a criminal record check. PSC is in the 3rd year of the five year process. See our assessment of PSC's progress in Chapter 15.

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[7] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

[8] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[8]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Social Services (Saskatchewan Housing)		
2005	PAC concurs: 15-1 that the Saskatchewan Housing Corporation's capital plan should show: - the specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e. performance measures); - the starting point of each measure (i.e. baseline); and - what the Corporation expects to achieve with the housing portfolio and by when (i.e. targets).	**Partially implemented** (as at March 31, 2007). We have not done a follow-up on this recommendation.
Ministry of Social Services (Welfare to Work)		
2005	PAC concurs: 4-2 that the Department of Community Resources and Employment should select additional performance measures that directly assess its progress in moving people from welfare to work.	**Partially implemented** (as at March 31, 2006). The 2006 government reorganization created the Department of Advanced Education and Employment (now the Ministry of Advanced Education, Employment and Labour). Within the Ministry of Social Services, work has continued on the development of a draft strategic plan that better reflects the mandate of income assistance programs. We plan a follow-up of the Ministry's progress in 2009.
2005	PAC concurs: 4-3 that the Department of Community Resources and Employment should establish baseline results and targets for each measure.	**Partially implemented** (as at March 31, 2006). The Ministries of Social Services and Advanced Education, Employment and Labour continue to refine the service catalogue, services standards, and performance measures. We plan a follow-up of the Ministry's progress in 2009.

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PAC REPORT YEAR[8]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 4-4 that the Department of Community Resources and Employment should communicate to employees its measures, baseline results, and targets.	**Partially implemented** (as at March 31, 2006). The strategic plan and service catalogue are being developed with active participation from staff and management. We plan a follow-up of the Ministry's progress in 2009.
2005	PAC concurs: 4-5 that the Department of Community Resources and Employment should collect relevant and reliable information related to its performance measures.	**Partially implemented** (as at March 31, 2006). The Ministry of Social Services continues to collect data related to service indicators while work on 4-2 and 4-3 progress. In addition, client surveys have been undertaken to gather outcome information. Service agreements with CBOs (since transferred to the Ministry of Advanced Education, Employment and Labour) require detailed client outcomes. We plan a follow-up of the Ministry's progress in 2009.
2005	PAC concurs: 4-6 that the Department of Community Resources and Employment should establish policies and procedures for evaluating data to assess its progress in moving people from welfare to work.	**Partially implemented** (as at March 31, 2006). The Ministry has introduced analysis into management reports but has not yet set policies and procedures for data evaluation and analysis. We plan a follow-up of the Ministry's progress in 2009.
2005	PAC concurs: 4-7 that the Department of Community Resources and Employment should prepare reports that show its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work.	**Not implemented** (as at March 31, 2006). Creation of reports is dependent upon the choice of performance measures. We plan a follow-up of the Ministry's progress in 2009.

Workers' Compensation Board

Main points

In this chapter, we concluded that the Workers' Compensation Board (WCB) had adequate processes to ensure that recipients of money for injury prevention and safety use the money for its intended purposes as at June 30, 2008 except WCB needs to:

♦ communicate to the Ministry of Advanced Education, Employment and Labour its requirements for the industrial safety program

♦ document its processes for monitoring and assessing the industrial safety program and other injury prevention and safety programs

♦ obtain Order in Council approval for payment of the industrial safety program costs

♦ document its analysis of the effectiveness of its injury prevention and safety programs

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Introduction

The Saskatchewan Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979* (Act). The Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for administration of the Act.

Our 2008 Report – Volume 1 includes the results of our other audit work at WCB. This chapter reports the results of our audit of WCB's processes to ensure that recipients of money for injury prevention and safety use the money for its intended purposes.

The chapter also provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Injury prevention and safety

Helping the Saskatchewan public to understand that workplace injuries are foreseeable and preventable is a responsibility that WCB shares with others.[1] In 2002, the injury rate (time loss claim rate per 100 workers) was 4.95%, the second highest in the country. A higher injury rate results in higher premium rates. Because of the high injury rate, WCB revised its strategic plan to make workplace injury prevention and safety its number one priority.[2] The plan included strategies to work with stakeholders towards reducing the injury rate to 4% by 2007. The actual injury rate for 2007 was 3.8% and a new target rate has been set at 3.5% by 2010.

A reduction of the injury rate from 5% in 2002 to 3.8% in 2007 resulted in about 1,300 fewer time loss claims. WCB estimates that each claim costs about $10,000 on average; this reduction reduces WCB's claim costs by about $13 million each year.[3] Lower claim reduction costs result in lower premium rates. In 2007, the total annual payroll of all employees covered by WCB was about $12.8 billion and the total actual premium rate was $1.84 per $100 of insurable earnings (payroll) resulting in premiums of $236 million. Assuming no changes to payroll and other costs, a reduction

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[1] Standing Committee on Public Accounts, Hansard Verbatim Report No.2 – January 7, 2008, page 17.
[2] 2006 Annual Report page 4.
[3] Standing Committee on Public Accounts, Hansard Verbatim Report No.2 – January 7, 2008, page 21.

of $13 million in premium revenue would result in an average premium rate of $1.74, or a 5% reduction in premium rates.

The reduction in human suffering of injured workers and their families is priceless. A healthy workforce means less training and replacement costs, lower WCB premiums, and better productivity for employers resulting in improved business results. In essence, workplace injuries and deaths bring suffering and a financial burden that no one needs.[4]

WCB's annual report states one of its key messages, is "Safety is everybody's business".[5] Under the Act, WCB works with others such as the Ministry of Advanced Education, Employment and Labour (Ministry), and employers to assess and develop programs to prevent injuries. The Ministry, industrial safety associations[6], and other organizations receive money from WCB for injury prevention and safety.

The Act requires WCB to pay an amount, as directed by Cabinet each year, for the administration of the industrial safety program established under *The Occupational Health and Safety Act, 1993*. In 2007, WCB paid $8.0 million to the Ministry for the industrial safety program.

WCB also provides money to industrial safety associations established for injury prevention and safety. In 2007, WCB paid $3.9 million to safety associations.

WCB charges employers for the annual cost of the industrial safety program and payments to safety associations. Payments to a safety association increases the costs of only those employers represented by that safety association. All employers share the cost of the industrial safety program.

WCB partners with the private and public sector to offer *Safe Saskatchewan.* The *Safe Saskatchewan* program focuses on the prevention of accidental injuries such as farm accidents and senior citizens' falls. Also, WCB partners with the Ministry to jointly offer *WorkSafe Saskatchewan,* which is a program to assist in the prevention of injuries in the workplace. In addition, WCB provides the Saskatchewan

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[4] 2006 Annual Report page 5.
[5] 2006 Annual report page 8.
[6] Industrial safety associations are groups of employers formed to address safety concerns.

Federation of Labour approximately $95,000 annually for *Ready for Work*. The *Ready for Work* program assists high school students become aware of the labour standards and health and safety resources available to them.

In 2006, the Committee of Review[7] received diverse representations on the effectiveness of the industry prevention and safety associations and their education and training programs. WCB can address some of these concerns by ensuring that recipients use the money WCB gives for injury prevention and safety for the intended purposes. To do this, WCB needs processes to set out its expectations, monitor how the money is used, and monitor the success of organizations in achieving WCB's expectations.

For the industrial safety program, it is important that WCB know the Ministry's objectives, goals, targets, and measures. It is also important that WCB knows the Ministry's progress towards achieving the industrial safety program objectives because this information allows WCB to ensure that its own injury prevention and safety programs address any gaps and avoid any unnecessary duplication. Also, it helps to provide the most effective injury prevention and safety programs at the least possible cost to employers and the public.

If it does not have adequate processes, WCB may not achieve its goals and objectives for injury prevention and safety. Also, it may not obtain the information needed to set premium rates.

Audit objective and criteria

The objective of our audit was to assess the adequacy of WCB's processes as at June 30, 2008 to ensure that recipients of money for injury prevention and safety use the money for its intended purposes.

We used the criteria set out in the exhibit to assess WCB's processes. We based our criteria on related work, reviews of literature including reports of other auditors, and consultations with management. WCB agreed with the criteria.

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[7] Section 162 of the Act requires the appointment by Order in Council of a Committee of Review, at least once every four years. The Committee of Review is to review and report on all matters concerning the Act and regulations, and administration of the Act and regulations.

Throughout the audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Exhibit—Audit criteria

To ensure recipients of money for injury prevention and safety use it for that purpose, WCB needs processes to:

For the Ministry's industrial safety program

1. communicate information required from the Ministry

2. evaluate information received from the Ministry

3. report on the impact of the industrial safety program

For the other program recipients

1. set clear expectations for recipients

2. monitor progress of recipients

3. report results of effectiveness of injury prevention and safety programs

Conclusion and recommendations

Workers' Compensation Board had adequate processes for ensuring recipients of money for injury prevention and safety use it for that purpose as at June 30, 2008 except for the matters covered by our recommendations below.

1.   We recommend that the Workers' Compensation Board formally communicate its information needs for the industrial safety program to the Ministry of Advanced Education, Employment and Labour.

2.   We recommend that the Workers' Compensation Board establish processes for assessing the costs and impact of the industrial safety program on the Workers' Compensation Board's injury prevention and safety programs.

3.   We recommend that the Workers' Compensation Board management report its assessment of the impact of the

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industrial safety program on the injury prevention and safety to the members of the Board.

4. We recommend that the Workers' Compensation Board ensure there is Order in Council approval for payment of the industrial safety program costs before paying those costs.

5. We recommend that the Workers' Compensation Board document its analysis of the effectiveness of its injury prevention and safety programs and document any changes required.

Key findings by criterion

The following describes for each criterion, our expectations (in italics), and detailed findings.

For the Ministry's industrial safety program

The Ministry of Advanced Education, Employment and Labour administers the industrial safety program established under *The Occupational Health and Safety Act, 1993*. WCB pays for the costs associated with the industrial safety program.

Communicate information required for the industrial safety program

We expected WCB to communicate the information required from the Ministry about the program including:

- *the Ministry's objectives and goals for the industrial safety program*
- *the Ministry's targets and measures the Ministry will use to assess the program*
- *estimated and actual costs for the program*
- *the Ministry's financial and operational reports for assessing the program*
- *periodic verification obtained by the Ministry of its financial and operational reports*

It is important that WCB know the Ministry's objectives, goals, targets, and measures for the industrial safety program. It is also important that

WCB knows the Ministry's progress toward achieving the industrial safety program objectives. This information allows WCB to ensure that its own injury prevention and safety programs address any gaps in injury prevention and safety and avoid any unnecessary duplication. Also, it helps to provide the most effective injury prevention and safety programs at the least possible cost to employers and the public.

We found WCB had not made a written request to the Ministry for information about the industrial safety program's goals and objectives. Nor did it ask the Ministry to provide a progress report on achieving those goals and objectives. As a result, WCB did not know the Ministry's goals and objectives for the industrial safety program and the Ministry's progress towards those goals and objectives. The Ministry provided some information about the industrial safety program through its *2007/08 Action Plan for Healthy and Safe Workplaces*.

The Ministry provides WCB with its estimated costs and actual costs for the program. The estimated cost information consists of the total annual estimated costs. The Ministry does not provide any details of the estimated costs. WCB has not requested, in writing, more detailed information. Detailed estimated costs would help WCB assess how the Ministry's program impacts WCB's own injury prevention programs. Detailed information would also help WCB to assess the actual costs of the program.

WCB should formally request information from the Ministry about the industrial safety program's goals and objectives, detailed estimated costs, and financial and operational reports to assess the success of the program.

In July 2008, WCB signed a memorandum of understanding with the Ministry. The objective of the memorandum is for the Ministry and WCB to develop an effective provincial injury prevention and safety strategy. To do so, the Ministry and WCB agree to jointly develop a strategic and operational plan and an annual budget, and annually report on their success in achieving the goals and objectives of the provincial injury prevention and safety strategy.

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Evaluate information received from the Ministry

We expected WCB to evaluate the information received from the Ministry by:
♦   *assigning responsibility for evaluating the information*
♦   *maintaining guidance for evaluating the information*
♦   *determining how and when WCB will provide money to the Ministry*
♦   *assessing the impact of program costs on premium rates*
♦   *assessing the impact of the industrial safety program on WCB's injury prevention and safety programs*

WCB has not assigned responsibility to staff for requesting information from the Ministry except for obtaining an update of the estimated program costs. WCB uses these costs to charge employers. WCB also has not established guidance for evaluating information about the industrial safety program.

Section 82 *of The Occupational Health and Safety Act, 1993* requires WCB to pay to the General Revenue Fund by January 31 the costs that Cabinet (Order in Council) may direct, not exceeding the actual costs of the industrial safety program. WCB paid the actual costs requested by the Ministry for 2007 on January 30, 2008. WCB did not have Order in Council approval for the costs paid as required by *The Occupational Health and Safety Act, 1993*.

WCB receives annually from the Ministry a listing of actual industrial safety program costs. We found no written evidence of how WCB obtains assurance as to the accuracy of the actual industrial safety program costs it pays.

As stated earlier, WCB has not requested in writing nor received from the Ministry information about the industrial safety program. Without adequate information, WCB cannot assess the impact on its injury prevention and safety programs. Also, WCB cannot explain to its stakeholders the impact the industrial safety program has on its injury prevention and safety programs. Currently, the Ministry provides limited information on this program publicly.

Report on the impact of the industrial safety program

We expected WCB to:

♦ *regularly report results to the senior management and WCB's Board of Directors*

♦ *provide feedback to the Ministry on the industrial safety program*

♦ *recommend changes to WCB's programs to senior management and the Board of Directors*

WCB has not formally communicated what information it must receive from the Ministry relating to the industrial safety program. As a result, WCB's senior management and the members of the Board receive only the estimated total cost of the industrial safety program and the amounts WCB paid.

For the other program recipients

WCB pays for various injury prevention and safety programs including *WorkSafe Saskatchewan*, *Safe Saskatchewan*, *Ready for Work*, and industry specific safety associations.

Set clear expectations for recipients

We expected WCB to:

♦ *establish program objectives (consistent with WCB's goals and objectives and legislative requirements, if any)*

♦ *set out how progress towards program objectives will be assessed (e.g., targets and measures)*

♦ *communicate to recipients the authority and responsibility of each party*

♦ *estimate costs for safety and injury prevention programs*

♦ *describe how and when WCB will provide money to recipients*

♦ *set out reports recipients must submit (e.g., nature, extent, and timing of financial and performance reports)*

♦ *set out actions WCB would take if the recipient agency does not spend money as expected*

WCB's strategic plan highlights injury prevention programs as a key part of its strategies. WCB has agreements with recipients of money for injury prevention and safety. These agreements outline the responsibilities of

each party including the reports that each party must submit to WCB. WCB budgets for the costs of these programs. WCB's safety association funding policy describes how and when it provides money. It also sets out actions WCB would take if the recipient agency does not spend money as expected.

Safety associations set their targets and measures for injury prevention and safety programs. WCB reviews the targets and measures for consistency with the safety association's goals and objectives.

Monitor progress of recipients

We expected WCB to:
♦ *assign responsibility for monitoring in writing*
♦ *maintain current written guidance for monitoring recipient agencies*
♦ *assess compliance of each recipient agency with expectations*
♦ *assess periodically the impact of recipient agencies' use of program money on WCB's progress toward reducing injury rates*
♦ *analyze periodically the performance of the injury prevention and safety initiatives (e.g., impact of costs on premium rates)*
♦ *obtain periodic verification of recipient agencies' reports*

WCB's agreements with the safety associations require them to submit a plan and budget, provide prevention and safety programs to its members, and report periodically to WCB on the status of its safety and prevention programs. The agreements also specify verification requirements for the reports. WCB receives the required information from the safety associations.

Management told us that WCB monitors the activities and progress of the safety and prevention programs to ensure that the money provided is used effectively for workplace safety and injury prevention. WCB noted it does this through review of reports, meetings with the recipients of the money, and e-mail communications.

WCB provides guidance to staff for monitoring recipient progress through policies and procedures. For example, the safety associations are required to provide quarterly operational reports to WCB management. However, WCB needs to document the steps staff should complete to

analyze the impact of the program on other safety and prevention programs.

Report results of effectiveness of injury prevention and safety programs

We expected WCB to:

♦ *report program and recipient agencies results regularly to senior management and WCB's Board of Directors*
♦ *provide feedback to the recipient agencies on their performance*
♦ *report results of programs publicly*
♦ *recommend changes to programs to senior management and the Board of Directors*

On an overall basis, WCB reports publicly on the progress towards achieving its goal of reducing the injury rate. Its 2007 annual report states that the number of time loss injuries per 100 workers continues to drop.[8] WCB has set targets and continually reports on the status of achieving those targets. WCB also has its own initiatives for injury prevention and safety. WCB has outlined a number of initiatives in its strategic plan relating to injury prevention and safety. For example, WCB has a goal of increasing the number of industrial safety associations in the province.

WCB management provides its Board of Directors a summary of annual reports and presentations from safety associations. The summary annual reports show the progress toward targeted rate reductions by safety association. Minutes of meetings of the members of the Board and senior management show their review of these reports.

WCB management provides feedback to safety associations about their performance. WCB also uses information safety associations provide to assess the impact on WCB's programs. However, WCB has not documented the impact of any required changes to its programs as result of the safety association performance. Accordingly, we do not know if WCB has fully assessed the effectiveness of those programs and what changes, if any, it required to make them better.

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[8] 2007 annual report, page 21.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and not included elsewhere in this chapter.[9]

PAC REPORT YEAR[10]	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (Pensions)		
1996	**CR9.** The Government should use consistent estimates for COLA (Cost of Living Adjustments) increases and inflation to calculate the pension liability for its defined benefit pension plans. On March 31, 2000, during review of Chapter 8 of our Spring 2000 Report, PAC considered and agreed that the Government should work towards using consistent estimates for inflation for all of its defined benefit plans.	**Partially implemented** (as at March 31, 2008). Plans have consistent estimates of inflation except for the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board.

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[9] For the definitions of the key terms used in the table, see Chapter 21 – Standing Committee on Public Accounts.

[10] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Selected references

Provincial Auditor of Ontario (2001). Chapter 3.05 - Reports on Value-for-money (VFM) Audits. Community and Social Services. *Violence Against Women Program*. Toronto: Author.

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Government accountability

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Main points

The purpose of this chapter is to support legislators and the Government as they continue to improve the Government's accountability.

We suggest three ways to strengthen accountability. First, we encourage the Government to use an overall plan that highlights major strategies across all ministries and Crown agencies. Second, we encourage the Government to continue to compare actual results to the planned results. Third, we encourage the Legislative Assembly's committees to review the plans and results of public agencies.

Introduction

The purpose of this chapter is to support legislators as they continue to improve the Government's accountability. The new Government is taking time to refine its approach to accountability. It may find this chapter useful to focus efforts towards more accountable and transparent government.

Specifically, this chapter:

♦ outlines the benefits of accountability and what it requires

♦ provides an update to March 31, 2008 of accountability through public reports in Saskatchewan's public sector

♦ recognizes key challenges for public sector reporting

♦ identifies opportunities to improve accountability

We also update the status of prior recommendations we made about accountability.

The primary role of the Legislative Assembly is to hold the Government accountable for how it uses the powers and resources entrusted to it. To hold the Government accountable, the Legislative Assembly needs to review the Government's plans, actions, and results.

In a democracy, citizens also expect to know what services the Government intends to provide (plans), what it will cost, and how well the Government achieves its plans (results). Citizens expect legislators to review accurate reports of results before deciding what to do next.

The benefits of accountability

Accountability leads to better management of public money and effective public services. Public plans and reports encourage honesty and help democracy work. Transparent plans, actions, and results increase the public's confidence in governments.

Useful information is the foundation of effective accountability. Useful information supports stronger, more consistent management of public services and better service delivery at a reasonable cost. It helps legislators assess what public services the Government should provide.

Useful information also helps legislators decide priority uses for public money.

When legislators ask for useful information for accountability, managers also get better information to help them make decisions and better manage public services. Collecting information can be expensive, but making decisions without it can result in costly mistakes. The extra time required to get useful information helps to avoid poor decisions based on poor information.

Useful information compares results from one year to the next and from one agency to other similar agencies. Comparing progress over time is essential to evaluate results. Comparing the progress of various agencies on common objectives (e.g., reducing workplace injuries, employing Aboriginal people) is one of the benefits of public reports. Useful information helps legislators to identify problem areas, measure progress, and make new plans.

Making plans and results public, gives management an opportunity to explain the reasons why results are different from plans. Circumstances change. Decision-makers need to know what happened and the public should understand when and why governments change direction. Public plans and reports also make accountability to the public possible. Accountability improves public confidence.

Accountability means public plans, results, and reviews

Accountability occurs when there is a review of reports explaining actions and progress toward planned results. In the public sector, effective accountability requires:

♦   **Public plans.** Public plans should explain the results expected and the resources needed in the context of responsibility and authority. For key areas of responsibility, the plan should contain objectives, targets for expected results by a specific date, resources required, and indicators of success.

♦   **Public reports about actual results.** Public reports should explain the extent to which the Government achieved its objectives, the resources used, and the reasons for the extent of

its success including the risks faced. To be useful, the reports should be accurate, complete, and understandable.

♦   **Public review of results.** A timely, reasonable review of previous results by the Legislative Assembly or its committees helps legislators plan. The review should inform and support decisions about public services in the future.

Public sector accountability in Saskatchewan

Accountability is expected for public agencies

Legislators need to direct the Government to provide them with useful accountability information. In Saskatchewan, laws require provincial government agencies to make public their financial results, usually in an annual report. Laws do not require public agencies to disclose their plans or non-financial results.

The Legislative Assembly has two main boards that direct the accountability practices of the over 270 agencies that handle public money and provide various services to the public.

♦   The Board of the Crown Investments Corporation (CIC) is responsible for CIC, its related corporations, and their pension plans.

♦   Treasury Board is responsible for ministries and their related agencies (e.g., post-secondary educational institutions, regional health authorities, legal aid and other commissions, crop insurance).

Cabinet usually delegates to these two boards the responsibility to instruct public agencies about what to make public. Disclosing plans and results helps the Government achieve accountability and transparency.

In 1998, CIC directed CIC Crown agencies to use, by 2000, a balanced-scorecard format to explain their plans and report results. CIC's policies require CIC Crown agencies to make summary plans public at year-end

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in their annual reports showing goals, objectives, targets, and results.[1] In 2008, this CIC guidance continued to be in use.

In 2000, Treasury Board directed ministries to use a performance management format to explain their plans and report results. On behalf of Treasury Board, by 2003, the Ministry of Finance (Finance) provided detailed guidelines about ministries' public plans and reports. Three other Treasury Board agencies also began to use this system.[2]

In 2008, the Finance guidance to ministries changed. As part of the post-election transition, the new Government did not require ministries to make their 2008-09 plans public. It takes time to develop plans for the direction of a new government. Finance's guidelines for 2007-08 annual reports still require a public report of results compared to the prior year's public plan; guidelines for 2008-09 are not yet available.

Finance guidance does not include a road map showing how the Government expects reporting to improve over time so that ministries can prepare information.[3] For example, Finance has not informed ministries and other Treasury Board agencies when they should be ready to disclose targets for their objectives.

Some government agencies receive direction about their annual reports from supervising agencies. For example, the Ministry of Health gives regional health authorities guidelines on developing their annual reports.

Some government agencies have never been directed (by a central or supervising agency) to make public their plans and reports of results.[4] The progress of these agencies toward full public accountability is slower than it is for agencies getting direction from a central agency. Public accountability has not evolved consistently across government agencies.

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[1] CIC's Performance Disclosure and Reporting policy applies to CIC and all CIC Crown agencies except those that are in the process of winding up.
[2] Saskatchewan Watershed Authority, Saskatchewan Communications Network, and the Saskatchewan Liquor and Gaming Authority.
[3] Finance guidance is located at http://www.finance.gov.sk.ca/performance-planning/ (28 Oct 2008).
[4] Provincial Auditor's 2007 Report - Volume 3 p.151 identifies agencies without public plans.

Plans and reports are usually public

In 2008, CIC Crown agencies followed the CIC guidelines and continued to make their summary plans public through their balanced scorecards. CIC Crown agencies annually reported their results compared to their planned objectives and specific targets.

Until March 2008, most ministries and related agencies made their annual plans and results public in a timely way. When significant agencies do not report their results to the public, we advise the Legislative Assembly of this loss of public accountability (e.g., our 2007 Report - Volume 3 p.151).

In accordance with the guidance they received, the ministries did not have public plans for 2008-09. However, in November 2007, the Government disclosed on websites its "mandate letters" to each Minister, setting out priorities for four years. The Government told us it is incorporating these priorities into a strategic plan for the whole Government. Also, in March 2008, the Government made public a *Budget Summary* for ministries.[5] Annual public plans inform the Legislative Assembly about the direction of government agencies and make accountability stronger.

Most ministries follow the Finance guidelines and use their annual reports to explain their results compared to their objectives. Some other Treasury Board agencies highlight their successes but do not report their results in relation to their plans. If Treasury Board agencies do not compare their results to planned objectives and targets, legislators cannot tell if the Government achieved its plans or not.

Assembly's committee reviews annual reports

The Legislative Assembly uses four committees to help it hold the Government accountable for its use of public resources. The committees are responsible to consider estimates and review results regarding the economy, intergovernmental affairs, human services, and the Government's Crown corporations and central agencies. These committees have members from all political parties and contribute to the public's confidence in our system of government.

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[5] *Budget Summary* is located at http://www.finance.gov.sk.ca/budget/2008-09/ (30 Oct 2008).

The Standing Committee on Crown and Central Agencies (CCAC) was the first in Canada to review annual reports in 1946. During its review, CCAC members can inquire about past results, future plans, and matters of current interest. The CCAC may also review significant transactions, strategic plans, key risks, and results. During 2007-08, the CCAC reviewed some annual reports, although the reviews were not timely.

The three other committees also have the power to review government agencies' plans and reports. However, during 2006 to 2008, these committees did not review the plans and reports of government agencies.

The Legislative Assembly gave its committees several tasks and set priorities to complete essential business. Generally, during sittings of the Assembly, consideration of draft legislation and estimates takes priority.[6] This may be why the committees do not review all agencies' results to hold the Government accountable.

Challenges for public sector reporting

One challenge for public agencies is to present their plans and results in the context of the overall direction of the Government. All public agencies could better explain how their plans and results contribute to progress if the Government made public its government-wide objectives and targets. Legislators and the public could then see if the Government is achieving its plans.

Another challenge is meeting the needs of the various groups that use public reports. For example, legislators may want more detail than the public. Sometimes legislators wish to compare results across several provinces. Such comparisons require governments to agree on what to measure and how to calculate the measures. Although this is difficult to achieve, some agencies now use several nationally-agreed measures.

Measuring results can be costly due to the expense of collecting and analyzing the information. It is critical that governments choose a few key results to measure. Agreeing on which measures are most useful can be difficult. Even with agreement on the measures, making these reports

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[6] Excerpt from the Legislative Assembly website (http://www.legassembly.sk.ca/committees/Archive/25L) and its *Guide to Committees* (28 Oct 2008).

timely requires a high degree of co-operation and focused efforts from all government agencies.

Good public reporting systems take time to evolve. International experts estimate it takes five to ten years to achieve a mature reporting system for a government. Making public reports more useful requires the attention of legislators, knowledge experts, and government employees.

Opportunities to improve accountability

As public agencies get more experience with reporting results, management considers how to make reports more useful and accessible. We look for three main improvements to gain more transparent and accountable government.

Overall plan to guide the government as a whole

An overall plan would help legislators and the public debate how to use available public resources. This overall plan should summarize the major strategies of large government agencies. A summary plan makes it easier for government agencies to align their work in a common direction.

The Government makes its financial position public in its summary financial statements. In our 2008 Report – Volume 2 (page 22), we explain that the Government does not publish an adequate overall financial plan. We think it should. The issues and decisions faced by Saskatchewan are far too important and complex to consider without an overall plan.

Providing an overall plan (including an adequate summary financial plan) for the entire Government will help generate an informed debate among legislators and the public about future directions. It will help legislators judge the benefits and affordability of new proposals compared to existing public services in view of the level of taxation.

Public plans and reports of results compared to plans

Citizens expect that when they pay taxes to the Government to support public services, the Government will tell them about these services.

Citizens also expect the Government to tell them what it actually achieved compared to what it planned.

To know if services are effective, legislators and the public need to know the planned and actual results of all public agencies. Plans should be made public in the context of the prior year's results and before the actions are undertaken. Legislators also need to know the planned and actual costs of government services. Knowing the cost of planned services helps legislators judge the value of those services to the public.

Reporting results is simpler if the Government selects key measures and reports them consistently. Short and long-term targets help explain the Government's priorities and make it possible to evaluate whether progress is sufficient.

Public review of reported results compared to plans

The purpose of public reports of agencies' results, both financial and operational, is to inform the public and legislators. These reports also help the Government make decisions about its future direction. Legislators gain this important benefit when they formally review agencies' reports in time for this work to contribute to decisions about future plans.

Legislators have many demands on their time, but opportunity to discuss the agencies' results could be an efficient way to evaluate the benefits of varied services across the Government. If the reports also contained information about costs, they would be even more useful for this purpose.

Prior recommendations on accountability

To encourage meaningful public reports, we sometimes recommend actions to improve reporting across Government. The Standing Committee on Public Accounts (PAC) agreed with the four recommendations in Exhibit 1. We follow up on recommendations to advise PAC and the Assembly whether the Government has taken the expected action. Exhibit 1 highlights the status of these recommendations to improve reports to the public.

Exhibit 1—Status of recommendations for more meaningful reports

Provincial Audit Report	Recommendation	Recommended action's status
2002 Spring Report Ch 10 p.104	We recommend that Finance give ministries a **multi-year timetable** with targets for incremental improvement in performance plans and reports of results.	Timetable established and later withdrawn
2002 Spring Report Ch 10 p.104	We recommend that Finance be proactive to establish a website or intranet among ministries to **communicate best practices** from research and innovations for improved performance management and reporting	Finance website gives a link to one best practice website
2004 Report Volume 1 Ch 9 p.127	We recommend that the Government direct all **Treasury Board agencies to use an accountability framework** that focuses on results.	Guidance for ministries, not other agencies
2004 Report Volume 1 Ch 9 p.132	We recommend that the Government require ministries and Treasury Board agencies to **publish their planned targets for major long-term results.**	Not yet acted upon; agencies experimenting

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Standing Committee on Public Accounts

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Main points

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government ministries, agencies, and Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of public money and for its stewardship over public resources. The Government has fully implemented 67% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 81% are partially implemented.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee or PAC). It briefly describes what the Committee does, how it is structured, and how it works.

We discuss the importance of the Committee's deliberations and recommendations and highlight some of its recent accomplishments. Also, in the exhibit, we set out the status of the Committee's outstanding recommendations for agencies not discussed elsewhere in the report. The remaining outstanding recommendations are included in the relevant chapters throughout our report. Reviewing these outstanding recommendations provides the Committee with an opportunity to ask Government officials how they are progressing toward meeting the Committee's expectations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly (Assembly) appoints members to the Committee. The Committee helps the Assembly hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Assembly and thus, for the public.

The management of public resources begins and ends in the Assembly. The Government manages Saskatchewan's public resources through a complex structure of over 270 agencies including ministries, boards, and Crown corporations (see Appendix 2 to this Report for a list of these agencies). It seeks approval for the use of these resources through laws and the Assembly's approval of the Estimates.

Each year, the Government prepares the Public Accounts. The Public Accounts consist of two reports. The first report contains the Summary Financial Statements of the Government, the financial statements of the General Revenue Fund (GRF), and some other financial information. The second report contains details on revenues and expenditures (including a listing of salaries and wages) of some agencies who receive money from the GRF, details on capital asset acquisitions of those agencies, key financial information of some pension plans and trust funds administered

by the Government, and a listing of taxes and fees. The reports are available at www.finance.gov.sk.ca/.

The Assembly refers the Public Accounts and the reports of our Office to the Committee. The Committee uses these reports to review the Government's management of public resources.

The Committee's main objective is to discuss and recommend actions on issues that Committee members and our Office raise. To meet its responsibilities, the Committee examines and evaluates the activities of all government agencies (e.g., ministries, Crown corporations) included in the Public Accounts. It also reviews the issues raised in our reports on the results of our work at these agencies.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

Government officials attend the Committee meetings and answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee formally reports its findings and recommendations to the Assembly in written reports.

The Committee's discussions and recommendations to the Assembly result in a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee also acts as an agent of change in the management practices of government. The Committee's work is crucial in a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and contributes to the public's confidence in our system of government.

The Committee's meetings are open to the public. Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) is available to the public on the Committee's website www.legassembly.sk.ca/committees/.

The members of the Standing Committee on Public Accounts

As of September 2008, the members of the Committee were:

♦ Harry Van Mulligen, Chair
♦ Warren Michelson, Deputy Chair
♦ Fred Bradshaw
♦ Michael Chisholm
♦ Jeremy Harrison
♦ John Nilson
♦ Jim Reiter

Committee accomplishments

Since the fall of 2007, the Committee met 8 times. During this time, the Committee continued its review of our reports on the results of our work at government agencies. These reports include our 2006 Report (Volume 3), 2007 Report (Volumes 1, 2, and 3), and 2008 Report (Volume 1).

The Committee has not yet completed its review of the following reports of the work of our Office:

♦ 2007 Report – Volume 3 (two chapters outstanding)
♦ 2008 Report – Volume 1 (two chapters outstanding)
♦ 2008 Report – Volume 2

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Second Report to the 25th Legislature. The Committee presented this Report to the Assembly on May 16, 2007. The report contains over 98 recommendations. The Assembly concurred in the Report. The Government responded to the Report on September 7, 2007.

Status of recommendations of the Committee

The Committee's reports during the previous five years contain 282 recommendations. Some of these recommendations take a number of years to implement. As of March 2008, the Government has fully

implemented 67% (March 2007 – 65%) of the Committee's recommendations. The Government has partially implemented 81% (March 2007 – 67%) of the remaining recommendations.[1]

The Committee has asked us to monitor compliance with its recommendations and to report on their status. Each relevant chapter in our report provides an update on the status of the Committee's outstanding recommendations. The exhibit in this chapter lists all of the Committee's recommendations that the Government has not yet fully implemented that are not already discussed in another chapter.

Key terms used

Each recommendation in the exhibit here or in another chapter includes a reference to a "PAC Report Year." This refers to the year that the Committee first made the recommendation in its report to the Assembly. The "Outstanding Recommendation" column sets out those recommendations that the Government has not yet fully implemented. The Committee's reports contain two types of recommendations. They are:

1. **Committee recommendations** on which the Committee expects an official response from the Government. These recommendations are set out in bold type and are preceded by **CR** (e.g., **CR3**).

2. **Committee concurs with recommendations** of our Office. These are our Office's recommendations that the Committee supports and agrees with but on which it **does not expect a formal response** from the Government. Because these recommendations are a matter of ongoing record, the Committee expects the Government to follow up on progress in complying with the recommendations. These recommendations are identified by a non-bolded number (e.g., 10-1) preceding them. The non-bolded numbers reflect the chapter and recommendation number of our related report.

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[1] Calculations are based on the Committee's recommendations up to and including the Second Report to the 25th Legislature as at May 16, 2007.

For each outstanding recommendation, our Office has assessed the status of the recommendation and the progress made since our 2007 Report – Volume 3. We list the status of each recommendation as either not implemented or partially implemented. We do not list recommendations that are implemented. We indicate the date of our assessment in parentheses following the status. Generally, the date of our last assessment is based on the timing of our most recent audit work.

Not implemented – Based on the last assessment, the Government has not taken action on this recommendation.

Partially implemented – Based on the last assessment, the Government has taken some action on this recommendation.

When the Committee recommends that the Government examine, consider, study, or review an issue, the Committee needs to know what the Government decided and why the decision was taken. The Committee expects the Government's response to:

♦ clearly define the issue
♦ set out the sources of supporting information gathered by surveys, interviews, or literature searches
♦ outline the major factors involved—the pros and cons
♦ describe the action it proposes to take

Summary

In the last few years, the Committee has discussed broader issues including strategic planning, key risks to achieving goals and objectives, and performance measurement. Through these discussions, the Committee fosters a more open and accountable government and better management of government operations.

Our Office will continue helping the Committee carry out its important responsibilities. To encourage the implementation of the Committee's recommendations, our Office will continue to monitor the status of the Committee's recommendations.

Exhibit—Status of outstanding Committee recommendations

The exhibit lists all of the Committee's recommendations that the Government has not fully implemented and are not already discussed in another chapter.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (Pensions)		
1999	PAC concurs: 10.67 The Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.	**Not implemented** (as at March 31, 2008). The Government has not yet done a study to decide what type of information pension plan's annual reports should provide. Pension plans still need to improve their annual reports.
Cross-Government (Managing for Results)		
2007	PAC concurs: 10-1 that the Department of Corrections and Public Safety (CPS) and the Department of Highways and Transportation (Highways) should analyze and report quarterly to executive managers the departments' progress toward planned outcomes.	**Partially implemented** (as at March 31, 2008). Highways has implemented this recommendation. For the Ministry of Corrections, Public Safety and Policing (formerly the Department of Corrections and Public Safety), a follow-up is planned to be reported in our 2009 Report – Volume 1.
Ministry of Energy and Resources (formerly the Department of Industry and Resources)		
2005	PAC concurs: 4-1 that the Department of Industry and Resources should prepare an overall audit plan that ensures the accurate assessment and collection of all royalties and taxes due the Department.	**Partially implemented** (as at March 31, 2007). Significant progress has been made. We plan to do a follow-up in 2010.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 4-3 that the Department of Industry and Resources should improve its supervisory practices to ensure that audits are approved and carried out as planned.	**Partially implemented** (as at March 31, 2007). Significant progress has been made. We plan to do a follow-up in 2010.
2005	PAC concurs: 10-1 that the Department of Industry and Resources should use systematic processes to detect risks to all its objectives.	**Partially implemented** (as at March 31, 2007). Good progress has been made. We plan to do a follow-up in 2010.
2005	PAC concurs: 10-2 that the Department of Industry and Resources should quantify the likelihood and impact to strategic risks to identify priorities.	**Partially implemented** (as at March 31, 2007). Good progress has been made. We plan to do a follow-up in 2010.
Executive Council		
2007	PAC concurs: 18-2 that the Office of the Executive Council should complete the development of systems to measure work performed and results achieved for its key performances measures.	**Not implemented** (as at March 31, 2008). No progress in year.

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Appendix

1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1　This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2　In this Act:

(a)　**"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1)　**"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b)　**"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c)　**"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d)　**"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i)　are appointed by an Act or by the Lieutenant Governor in Council; or

(ii)　are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e)   **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f)   **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g)   **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h)   **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i)   belong to the Government of Saskatchewan; or

(ii)   are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i)   **"public property"** means property held or administered by the Crown;

(j)   **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2007.*

<div align="right">1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4;
2001, c.32, s.3; 2005, L-11.2, s.97; 2007,
c.6, s.2.</div>

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan
3(1) The office of Provincial Auditor for Saskatchewan is established.

(2)   The provincial auditor is an officer of the Legislative Assembly.

<div align="right">2001, c.32, s.4.</div>

Appointment of provincial auditor
3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2)   The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a)   resigns or is suspended or removed from office pursuant to section 3.2; or

(b)   attains the normal date of retirement for employees of the public service of Saskatchewan.

(3)   The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1)   The provincial auditor may resign the office at any time by giving written notice:

(a)   to the Speaker; or

(b)   if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2)   The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1)   Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2)   Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3)   Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4)   The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5)   The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1)   The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2)   Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

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(3)   Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor
6   No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.
7   For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor
8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2)   Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3)   The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4)   *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5)   The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality
9   The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10   The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a)   an annual report on operations pursuant to section 10.4;

(b)   a business and financial plan pursuant to section 10.5;

(c)   an annual report pursuant to section 12; or

(d)   a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2)   On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a)   shall review the estimates; and

(b)   may make any alterations to the estimates that the public accounts committee considers appropriate.

(3)   After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4)   After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5)   The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6)   Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7)   The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8)   Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

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(9)   *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

<div align="right">2001, c.32, s.9.</div>

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

   (a)   is prorogued; or

   (b)   is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2)   If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

   (a)   a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

   (b)   the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3)   On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

   (a)   shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

   (b)   may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4)   On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5)   On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6)   For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7)   Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a)   a public accounts committee has not been appointed; and

(b)   the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

<div align="right">2001, c.32, s.9.</div>

Expenses limited to appropriation
10.3(1) In this section, **"appropriation"** means:

(a)   an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b)   an appropriation by special warrant issued pursuant to section 10.2; and

(c)   any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2)   The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3)   The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4)   Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

<div align="right">2001, c.32, s.9.</div>

Annual report on operations
10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a)   a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b)   the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2)   The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

<div align="right">2001, c.32, s.9.</div>

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Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

<div align="right">2001, c.32, s.9.</div>

<div align="center">DUTIES AND POWERS</div>

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a)   the accounts have been faithfully and properly kept;

(b)   public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c)   public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d)   essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2)   An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3)   For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

<div align="right">1986-87-88, c.26, s.6.</div>

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2)   The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a)   is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b)   is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3)   Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4)   Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a)   the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b)   the nature of the additional audit work the provincial auditor conducted; and

(c)   the results of the additional audit work.

<div align="right">1986-87-88, c.26, s.6; 2001, c.32, s.10.</div>

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a)   any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b)   any public money was not duly accounted for and paid into the appropriate fund;

(c)   any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d)   an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e)   there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f)   a special warrant authorized the payment of public money; or

(g)   essential records were not maintained or the rules and procedures applied were not sufficient:

(i)   to safeguard and control public money;

(ii)   to effectively check the assessment, collection and proper allocation of public money; or

(iii)   to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2)   In the annual return made pursuant to subsection (1), the provincial auditor may:

(a)   report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b)   comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3)   Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

<div align="right">1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.</div>

Special report
13   The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

<div align="right">1983, c.P-30.01, s.13.</div>

Submission of provincial auditor's reports
14   Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a)   the annual report prepared pursuant to section 12; and

(b)   any special report that is prepared by the provincial auditor pursuant to section 13.

<div align="right">2001, c.32, s.11.</div>

Tabling of reports
14.1(1) In this section, **"report"** means:

(a)   an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b)   a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c)   an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d)   any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e)   a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2)   The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3)   If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4)   When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a)   subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b)   make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5)   The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a)   commences on the day a Legislative Assembly is dissolved; and

(b)   ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6)   If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7)   Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8)   Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

<div align="center">2001, c.32, s.11.</div>

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Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

    (a)   any funds that he is required to audit pursuant to subsection 11(1);

    (b)   Crown agencies;

    (c)   Crown-controlled corporations; and

    (d)   accounts not related to public money that are, by an Act, required to be examined by him.

(2)   Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

<div align="right">1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.</div>

Special assignments

16(1) Where:

    (a)   the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

        (i)   requests the provincial auditor to perform a special assignment; and

        (ii)   causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

    (b)   in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2)   Notwithstanding *The Tabling of Documents Act*:

    (a)   the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

    (b)   the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3)   The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4)   Where:

    (a)   the Lieutenant Governor in Council:

(i)   requests the provincial auditor to perform a special assignment; and

(ii)   causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b)   in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5)   The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17   Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18   The provincial auditor shall:

(a)   cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b)   assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c)   at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d)   at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19   On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

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(a)   in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b)   during its review of the the items described in clause (a).

<div align="right">1983, c.P-30.01, s.19.</div>

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2)   An audit committee is established.

(3)   The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4)   A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5)   The following persons are not eligible to be a member of the audit committee:

(a)   a Member of the Legislative Assembly;

(b)   an appointed auditor;

(c)   an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6)   The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7)   The audit committee may determine its rules of procedure.

(8)   All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

<div align="right">2001, c.32, s.13; 2005, c.L-11.2, s.97.</div>

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a)   the recommending of a provincial auditor;

(b)   the review of the estimates of the provincial auditor;

(c)   the review of the annual report on operations of the provincial auditor;

(d)   the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e)   any other matters that the public accounts committee may request.

(2)   The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2)   The audit committee and each member of the audit committee:

(a)   shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b)   shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2)   The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a)   to free access, at all convenient times, to:

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(i)   all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii)   all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b)   to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2)   The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries
25   The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers
26   Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor
26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office
27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2)   For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a)   must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b)   must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3)   The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4)   The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees
28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2)   All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability
29   The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential
30   The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a)   shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b)   shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i)   the administration of this Act;

(ii)   any proceedings under this Act; or

(iii)   any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

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Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2)   On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

<div align="right">1983, c.P-30.01, s.32.</div>

<div align="center">

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Appendix

2

List and status of agencies subject to examination under
The Provincial Auditor Act

Appendix 2 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies that were subject to audit examination under *The Provincial Auditor Act* at July 31, 2008.

This Appendix includes the status of those audits at October 31, 2008. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2008 Rpt V2
Ministries and Secretariats:			
Ministry of Advanced Education, Employment and Labour	March 31	Complete	Yes/2008 Rpt V3
Ministry of Agriculture	March 31	Complete	Yes/2008 Rpt V3
Ministry of Corrections, Public Safety and Policing	March 31	Delayed	Yes/2008 Rpt V1
Ministry of Education	March 31	Complete	Yes/2008 Rpt V1 & V3
Ministry of Energy and Resources	March 31	Complete	No
Ministry of Enterprise and Innovation	March 31	Delayed	
Ministry of Environment	March 31	Complete	Yes/2008 Rpt V1 & V3
Ministry of Finance	March 31	Complete	Yes/2008 Rpt V1 & V3
Ministry of First Nations and Métis Relations	March 31	Complete	Yes/2008 Rpt V3
Ministry of Government Services	March 31	Complete	Yes/2008 Rpt V1 & V3
Ministry of Health	March 31	Complete	Yes/2008 Rpt V1 & V3
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2008 Rpt V3
Ministry of Intergovernmental Affairs	March 31	Delayed	
Ministry of Justice and Attorney General	March 31	Complete	Yes/2008 Rpt V1 & V3
Ministry of Municipal Affairs	March 31	Complete	No
Ministry of Social Services	March 31	Complete	Yes/2008 Rpt V3
Ministry of Tourism, Parks, Culture, and Sport	March 31	Complete	No
Executive Council	March 31	Complete	No
Information Technology Office	March 31	Complete	Yes/2008 Rpt V3
Provincial Secretary, Office of the	March 31	Complete	No
Public Service Commission	March 31	Complete	Yes/2008 Rpt V1 & V3
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Note 1	
101039181 Saskatchewan Ltd.	December 31	Note 1	
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Note 1	
617275 Saskatchewan Ltd.	December 31	Note 1	

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Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
675161 British Columbia Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Big Sky Farms Inc.	June 28	Complete	No
Board of Governors, Uranium City Hospital	March 31	Complete	No
Carlton Trail Regional College	June 30	Rotational	
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC APEX Equity Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	Note 2
Craik Enterprises Inc.	December 31	Note 1	
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
DirectWest Canada Inc.	December 31	Complete	No
DirectWest Corporation	December 31	Complete	No
Enterprise Saskatchewan	March 31	Note 3	
Esterhazy Holding, Inc.	December 31	Note 1	
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Gradworks Inc.	December 31	Complete	No
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	No
Heritage Gas Limited	December 31	Complete	No

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Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
Hollywood At Home Inc.	December 31	Note 1	
Hospitality Network Canada Inc.	December 31	Complete	No
Information Services Corporation of Saskatchewan	December 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	Yes/2008 Rpt V1
Investment Saskatchewan Holdings Inc. (formerly CIC Swine Genetics Holdings Inc.)	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
IS Belle Plaine Holdings Inc.	December 31	Note 3	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2008 Rpt V3
Liquor Board Superannuation Commission, The	December 31	Complete	Note 4
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Delayed	Yes/2008 Rpt V3
Municipal Employees' Pension Commission	December 31	Complete	Yes/2008 Rpt V1
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Ltd.	December 31	Note 1	
Nokomis Holding, Inc.	December 31	Note 1	
North Sask. Laundry & Support Services Ltd.	March 31	Complete	Yes/2008 Rpt V3
North West Regional College	June 30	Rotational	
Northlands College	June 30	Complete	No
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland Regional College	June 30	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No

Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
Prairie North Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Prairie West Regional College	June 30	Rotational	
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2008 Rpt V3
Public Service Superannuation Board	March 31	Complete	Yes/2008 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2008 Rpt V1 & V3
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2008 Rpt V3
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	Yes/2008 Rpt V1
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	December 31	Complete	Yes/2008 Rpt V3
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	No
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No

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Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	No
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2008 Rpt V1 & V3
Saskatchewan Labour Market Commission	March 31	Delayed	
Saskatchewan Legal Aid Commission	March 31	Complete	Yes/2008 Rpt V1
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Yes/2008 Rpt V3 & Note 2
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Pension Plan	December 31	Complete	Yes/2008 Rpt V1
Saskatchewan Power Corporation	December 31	Complete	Yes/2008 Rpt V1
Saskatchewan Research Council, The	March 31	Complete	Yes/2008 Rpt V1 & V3
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	No
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	No
Saskatchewan Watershed Authority	March 31	Complete	No
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	No

Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPower International Inc.	December 31	Complete	No
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SecurTek Partnership No. 8	December 31	Note 1	
SecurTek Partnership No. 9	December 31	Note 1	
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Complete	No
Sun Country Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	No
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Delayed	
TecMark International Commercialization Inc.	March 31	Complete	No
Thomson Meats Ltd.	December 31	Complete	No
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Wild River Resources Ltd.	December 31	Note 1	
Workers' Compensation Board	December 31	Complete	Yes/2008 Rpt V3
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Xavier Holding, Inc.	December 31	Note 1	
Yellowgrass Holding, Inc.	December 31	Note 1	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No

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Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Delayed	
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fiscal Stabilization Fund	March 31	Note 5	
Fish and Wildlife Development Fund	March 31	Complete	Yes/2008 Rpt V3
General Revenue Fund	March 31	Complete	Yes/2008 Rpt V3
Growth and Financial Security Fund	March 31	Note 3	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2008 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Complete	No
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Delayed	Yes/2008 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2008 Rpt V1 & V3
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No

Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
Resource Protection and Development Revolving Fund	March 31	Complete	No
SAHO Core Dental Plan	December 31	Complete	No
SAHO Disability Income Plan – CUPE	December 31	Complete	No
SAHO Disability Income Plan – SEIU	December 31	Complete	No
SAHO Disability Income Plan – General	December 31	Complete	No
SAHO Disability Income Plan – SUN	December 31	Complete	No
SAHO Group Life Insurance Plan	December 31	Complete	No
SAHO In-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
SAHO Master Trust Combined Investment Fund	December 31	Complete	No
SAHO Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Infrastructure Fund	March 31	Note 5	
Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts	March 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No

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Agency	Year end on or before July 31, 2008	Status at October 31, 2008	Significant issues reported[2]
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teacher's Dental Plan	December 31	Note 3	
Teacher's Disability Plan	June 30	Note 3	
Teacher's Group Life Plan	August 31	Note 3	
Technology Supported Learning Revolving Fund	March 31	Complete	No
Thomson Meats Pension Plan	December 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2008 Rpt V3
Chief Electoral Office	March 31	Delayed	
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
University of Regina Academic and Administrative Employees Pension Plan	December 31	Complete	No
University of Regina Master Trust	December 31	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Complete	No

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2007, these subsidiary corporations did not carry out active operations.

Note 2: We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

Note 3: These agencies were recently created or became Crown agencies. December 31, 2008, March 31, 2009, June 30, 2009, and August 31, 2009 will be the first period-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

Note 4: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the Superannuation (Supplementary Provisions) Act. Our 2001 Spring Report contains further information on this matter.

Note 5: These agencies are included in the summary financial statements and did not carry out active operations during their fiscal year.

_____

1. "Complete" – the audit was complete at October 31, 2008.
   "Delayed" – the audit was delayed.
   "Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at October 31, 2008 as "Complete". We list the other entities as "Rotational".
   "Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

2. "No" - no significant issues were reported.
   "Yes/2008 Rpt V1" – significant issues were reported in our 2008 Report – Volume 1.
   "Yes/2008 Rpt V2" – significant issues were reported in our 2008 Report – Volume 2.
   "Yes/2008 Rpt V3" – significant issues are reported in our 2008 Report – Volume 3.

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Appendix

3

Samples of opinions we form on ministries, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

♦   the adequacy of the Government's management of public resources

♦   the Government's compliance with legislative authorities

♦   the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1.   **The adequacy of the Government's management of public resources.**

I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

• To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
• To prepare reliable financial statements.
• To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

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I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown Agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

2.   The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3.   The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Appendix

4

THE EXECUTIVE GOVERNMENT ADMINISTRATION ACT (BILL 31)
AND
*THE EXECUTIVE GOVERNMENT ADMINISTRATION CONSEQUENTIAL
AMENDMENTS ACT* (BILL 32)

MEMORANDUM OF ADVICE
August 2008

PROVINCIAL AUDITOR SASKATCHEWAN

4-1

Provincial Auditor Saskatchewan

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Vision
We envision effective, open, and accountable government.

Mission
We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence
in public sector management and accountability.

Bills 31 and 32

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Introduction

The Minister of Justice and Attorney General introduced Bills 31 and 32 in the Legislative Assembly (Assembly) on April 17, 2008. Bill 31 is *The Executive Government Administration Act.* Bill 32 is *The Executive Government Administration Consequential Amendments Act*.

Bill 31 proposes to consolidate and amend certain legislation into a single Act, *The Executive Government Administration Act*. This legislation includes:

♦ Part V, Executive Council, sections 85 to 95 of *The Legislative Assembly and Executive Council Act, 2007*
♦ *The Government Organization Act*
♦ *The Tabling of Documents Act*
♦ *The Federal-Provincial Agreements Act*

As well, Bills 31 and 32 (Bills) include consequential amendments for several other Acts.

The Government Organization Act requires a minister to receive Cabinet approval (i.e., Order in Council) before making contracts or grants that exceed $50,000. Regulations under this Act provide that the Order in Council (OC) requirement does not apply to contracts for the provision of goods and services that are routinely required for normal operations of a ministry. As a result, many contracts over $50,000 made by ministries do not require OC approval. Examples of contracts over $50,000 that require OC approval include contracts for reforestation, contracts for construction projects in provincial parks, and contracts for provision of tourism services.

Bill 31 increases the contract threshold requiring an OC to over $350,000 (with a few exceptions noted below). As well, Bills 31 and 32 remove the requirement to obtain OCs for grants for most agencies. Exhibit 1 provides more detail on the changes to thresholds requiring OC approval.

The Bills do not affect many laws governing individual agencies that require prior OC approval for transactions such as purchasing real property, making investments or loans, borrowing money, forgiving debts owed to the Government, etc. However, some of the laws governing

individual agencies will be changed as a result of the Bills. For example, where an Act allows the establishment of out-of-province offices, the threshold has changed from $50,000 to $150,000.

Opposition Members of the Legislative Assembly (MLAs) expressed concerns in the Assembly[1] that the Bills would reduce the Government's public accountability. Accountability would be reduced because contracts under $350,000 and grants would no longer be made public at the time the payments are made. These payments would not be made public until the payee lists (i.e., listing of payments for salaries, supplies, and grants) are published, which could be as long as 18 months after the agency made the payment.

Government MLAs responded that the proposed legislative changes are meant to improve the Government's efficiency and are not intended to reduce the Government's accountability. The estimates process will remain the same and payments no longer requiring OC approval will continue to require Ministerial approval[2].

After continued debate in the Assembly, the Government stated that it would postpone enacting Bills 31 and 32 until it has received advice from our Office on spending thresholds and proper accountability. On May 8, 2008, the Minister of Justice and Attorney General wrote our Office to seek this advice. We accepted the Minister's request on May 13, 2008.

The remainder of this memorandum contains our analysis, conclusions, and recommendations to the Minister of Justice and Attorney General.

Our approach

To prepare this memorandum, we did the following:

♦ reviewed Bills 31 and 32 to determine what changes are proposed compared to current legislation

♦ obtained an understanding of the process followed by the Government in developing the Bills by reviewing key documents and meeting with government officials

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[1] Legislative Assembly of Saskatchewan, Debates and Proceedings (Hansard), April 23, 2008, p. 1067.
[2] Legislative Assembly of Saskatchewan, Debates and Proceedings (Hansard), April 24, 2008, p.1094.

♦ obtained an understanding of the Cabinet approval spending limits and public accountability in certain other jurisdictions

♦ confirmed our conclusions and key findings with the Government

We also enquired about whether Cabinet carried out a risk analysis to determine the proposed approval limits in the Bills. The Government remains accountable for all spending regardless of delegation. The Government makes millions of payments each year. Cabinet cannot possibly examine and approve all payments. Accordingly, Cabinet needs to do a risk assessment to determine which payments are significant enough that it needs to review and approve. No one else, including our Office, can decide what is significant to Cabinet.

Findings and conclusions

Spending thresholds

In our parliamentary system of government, governments are expected to be open and accountable to the citizens they serve. Part of being open and accountable is ensuring appropriate limits are in place to monitor and control government spending and there is timely public disclosure of key government decisions and spending.

Governing bodies, such as Cabinet, oversee the organizations they manage by setting direction (i.e., financial and operating plans) and regularly reviewing reports showing planned and actual results and explanations of differences between results and plans.

In addition to reviewing plans and reports that summarize many transactions, governing bodies need to review and approve large, complex, or sensitive transactions before they occur. Governing bodies cannot examine all transactions.

Well-functioning governing bodies decide the nature and extent (thresholds) of transactions (e.g., purchases, borrowing, investments) that they want to give prior approval. Cabinet uses Orders in Council to give its prior approval for such transactions.

For other transactions, Cabinet delegates the review and approval primarily to two Cabinet committees as well as boards of directors and

managers of individual agencies. The Cabinet committees are Treasury Board and the Board of Directors of the Crown Investments Corporation of Saskatchewan (CIC). Treasury Board oversees most government agencies. CIC oversees its subsidiary Crown corporations such as SaskPower. Legislation delegates the oversight of certain agencies to a Minister. For example, the Minister of Health is responsible for regional health authorities.

Well-functioning governing bodies determine their thresholds based on a risk assessment of the significance of transactions. Significance is determined based on the magnitude, impact, and sensitivity[3] of the transaction.

- ♦ **Magnitude**: large expenditures carry the risk of large losses/waste of public money if the transaction does not achieve the intended result
- ♦ **Impact**: transactions relating to, for example, construction projects, information technology projects, or equity investments are often complex, difficult to manage successfully, and affect Government's operations, positively or negatively, for many years
- ♦ **Sensitivity**: certain payments are unusual or may be viewed negatively by the public if not handled appropriately (e.g., land expropriations, grants, untendered contracts, forgiveness of public debt, and dispositions of public assets)

The Government could not provide us with a complete and documented risk assessment supporting the payment thresholds set out in Bills 31 and 32. As a result, if these Bills become law, Cabinet may be at risk of ministers or government agencies making payments that Cabinet considers significant without its prior knowledge or approval.

1.   **We recommend that the Government do a formal risk assessment to set the thresholds for Order in Council approval for payments.**

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[3] Based on The Canadian Institute of Chartered Accountant's Handbook section PS 6410.

Public accountability

As noted earlier, governments are expected to be accountable to the Assembly and the public for their key decisions and spending. Governments should promptly make the decisions and spending public.

In Saskatchewan, there are numerous ways the Government makes key decisions and spending public. As noted earlier, certain decisions must be authorized by Cabinet. These decisions are made public in an OC. OCs are public documents. The Ministry of the Executive Council's website at www.gov.sk.ca/Default.aspx?DN=fc23b48d-655a-4659-924e-2227b70a86e0 describes how to view or obtain copies of OCs, which are available within a week after approval. CIC subsidiary Crown corporations must publicly report all significant transactions (e.g., acquisition of a major investment or asset, assumption of a major liability, material change in the terms and conditions governing an existing investment or asset, or divestiture of a major investment or asset) within 90 days of the transaction.

Quarterly, the Government publicly reports all financial losses of public money greater than $500. Annually, the Government publishes payee lists for most of its spending. Generally, these payee lists disclose payments made by the Government to employees and suppliers where total payments exceed $50,000. For General Revenue Fund payments, the payee list is included in *Public Accounts – Volume 2* (www.finance.gov.sk.ca). For CIC and its subsidiary Crown corporations, the payee list is included in the *Payee Disclosure Report* (www.cicorp.sk.ca.)

We reviewed what governments in certain other jurisdictions do to set spending thresholds for Cabinet approval and to achieve proper accountability. We gathered this information on the governments of Ontario, Manitoba, Alberta and British Columbia. We found that the Government of Saskatchewan currently does as well or better than these jurisdictions in both approvals by Cabinet and accountability. See details in Exhibit 2.

As noted earlier, raising the OC threshold for contracts and eliminating OCs for grants will result in reduced accountability because less information will be public at the time Cabinet makes spending decisions.

The Minister of Justice stated in the Assembly[4] that the expenditures no longer requiring OC approval will still require ministerial approval. This means that while Cabinet (i.e., the Premier and all ministers) will no longer collectively approve payments exceeding $50,000 (but under $350,000), the Minister responsible will approve the payments. However, this does not resolve the issue of fewer spending decisions being made public at the time the spending decisions are made. The Government should replace the current public document (OC), no longer required for payments over $50,000, with another public document (Minister's Order). A Minister's Order would have two effects. First, it would demonstrate the Minister's approval and accountability. Second, it would maintain the current level of public accountability for the Government.

The Government should revise Bills 31 and 32 to require a Minister's Order for contracts and grants exceeding $50,000 (but under $350,000). The Government should make the Minister's Order public promptly by, for example, publishing them in the Saskatchewan Gazette (www.qp.gov.sk.ca) or making them available to the public at the Ministry of the Executive Council, similar to the current process for OCs.

2. **We recommend that the Government amend Bills 31 and 32 to require a Minister's Order for all payments related to contracts and grants that currently require Order in Council (OC) approval (i.e., payments between $50,000 and $350,000).**

3. **We recommend that the Government make Minister's Orders for contracts and grants public promptly by, for example, publishing them in the Saskatchewan Gazette or making them available to the public at the Ministry of the Executive Council, similar to the current process for OCs.**

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[4] Legislative Assembly of Saskatchewan, Debates and Proceedings (Hansard), April 24, 2008, p.1094.

Exhibit 1 – Summary of threshold changes

Current requirements	Proposed amendment (Bills 31 and 32)	Acts impacted
Grants		
-Requires Order in Council approval for grants greater than $100,000 in any fiscal year	-Remove requirement to obtain Order in Council approval for grants	*The Saskatchewan Water Corporation Act*
-Requires Order in Council approval for grants greater than $100,000 in any fiscal year	-Change threshold for Order in Council approval to $150,000	*The Irrigation Act, 1996*
-Requires Order in Council approval for grants greater than $50,000 in any fiscal year	-Remove requirement to obtain Order in Council approval for grants	*The Government Organization Act*
		The Legislative Assembly and Executive Council Act, 2007
		The Archives Act, 2004
		The Assessment Management Agency Act
		The Correctional Services Act
		The Department of Justice Act
		The Department of Rural Development Act
		The Department of Social Services Act
		The Economic and Co-operative Development Act
		The Energy and Mines Act
		The Public Service Act, 1998
		The Public Works and Services Act
		The Residential Services Act
		The Telephone Department Act
		The Alcohol and Gaming Regulation Act, 1997
-Requires Order in Council approval for grants greater than $50,000 in any fiscal year	-Change threshold for Order in Council approval to $150,000	*The Crown Corporations Act, 1993*
		The Saskatchewan Heritage Foundation Act

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Current requirements	Proposed amendment (Bills 31 and 32)	Acts impacted
-Requires Order in Council approval for grants greater than $10,000 in any fiscal year	-Remove requirement to obtain Order in Council approval for grants	*The Legal Aid Act*
Agreements		
-Requires Order in Council approval of agreements where expenditures exceed $100,000 in any fiscal year	-Change threshold for Order in Council approval to $150,000	*The Irrigation Act, 1996*
-Requires Order in Council approval of agreements where expenditures exceed $50,000 in any fiscal year	-Change threshold for Order in Council approval to $350,000	*The Government Organization Act*
		The Federal-Provincial Agreements Act
		The Correctional Services Act
		The Department of Justice Act
		The Economic and Co-operative Development Act
		The Public Service Act, 1998
		The Telephone Department Act
		The Traffic Safety Act
-Requires Order in Council approval of agreements where expenditures exceed $50,000 in any fiscal year	-Change threshold for Order in Council approval to $250,000	*The Parks Act*
-Requires Order in Council approval of agreements where expenditures exceed $50,000 in any fiscal year	-Change threshold for Order in Council approval to $150,000	*The Forest Resources Management Act*
		The Natural Resources Act
		The Saskatchewan Heritage Foundation Act
Loans		
-Requires Order in Council approval of loans where expenditures exceed $100,000 in any fiscal year	-Change threshold for Order in Council approval to $150,000	*The Irrigation Act, 1996*

Current requirements	Proposed amendment (Bills 31 and 32)	Acts impacted
-Requires Order in Council approval of loans where expenditures exceed $50,000 in any fiscal year	-Change threshold for Order in Council approval to $350,000	*The Assessment Management Agency Act*
-Requires Order in Council approval of loans where expenditures exceed $50,000 in any fiscal year	-Change threshold for Order in Council approval to $150,000	*The Saskatchewan Heritage Foundation Act*
<u>Out-of-province offices</u>		
-Requires Order in Council approval for any acquisition or disposition of property for out-of-province offices if the value of the property exceeds $50,000	-Change threshold for Order in Council approval to $150,000	*The Legislative Assembly and Executive Council Act, 2007*
-Requires Order in Council approval for any acquisition or disposition of property for out-of-province offices if the value of the property exceeds $10,000	-Change threshold for Order in Council approval to $150,000	*The Economic and Co-operative Development Act*

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Exhibit 2 – Summary of other jurisdictions

Saskatchewan - current requirement	British Columbia	Alberta	Manitoba	Ontario
Cabinet approval of grants greater than a specified threshold (prior to payment)	No such requirement	No such requirement	No such requirement	No such requirement
Cabinet approval of non-routine contracts greater than a specified threshold (prior to payment)	No such requirement	No such requirement	No such requirement	No such requirement
Cabinet approval of specified payments (e.g. purchase of real property, borrowing, loan forgiveness, etc)	No such requirement	Yes	Yes	Yes
Public disclosure of Cabinet decisions for items noted above	No such requirement	Yes	Yes	Yes
Public disclosure of payments greater than a certain threshold (payee lists)	Yes	Yes	Yes	Yes