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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 providing effective government services and paying 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 280 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 136 agencies. We will report on the rest of the agencies in our 2009 Report – Volume 3.

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 employee capacity, protecting people, protecting information, and protecting public resources, this chapter highlights some of the more serious control problems. Government agencies need to move quickly to fix these problems.

### **Protecting employee capacity**

The Government's ability to manage the risks that affect its services and its ability to pay for those services is determined in large part by the capacity of its employees. Government agencies need sound human resource plans and practices that result in sufficient employees with the competencies to carry out their responsibilities.

*Chapter 9—Public Service Commission* reports that the Commission needs better processes to develop employees with the skills to lead ministries. Strong senior management is essential for providing effective services and effective management of public money. The Commission needs to provide potential senior managers with developmental work experiences and mentoring opportunities. The Commission also needs to monitor its progress in building senior management capacity.

*Chapter 4—Education, Chapter 8—Liquor and Gaming Authority, and Chapter 10—Saskatchewan Gaming Corporation* report that these agencies need to improve their human resource plans. They need to identify the competencies they will require of their employees, determine the competencies of their existing employees, and develop plans and practices to eliminate any gaps.

### **Protecting people**

We looked at the Government's processes for providing policing services to protect the public.

*Chapter 3—Corrections, Public Safety and Policing* reports that the Ministry did not have adequate processes to monitor provincial policing services provided by the Royal Canadian Mounted Police (RCMP). The Ministry must ensure effective law enforcement for public safety. The Ministry has not adequately identified all significant risks to policing services and communicated its service level objectives and priorities to the RCMP. The Ministry's contract for RCMP policing services is not adequate to ensure effective law enforcement. The contract does not include performance targets for services, allow for verification of RCMP costs, and require written explanations from the RCMP for differences between planned and actual results.

### **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. Government agencies must also secure their systems to ensure information is accurate, complete, and kept confidential.

Managing the security of information stored in computer systems becomes more 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.

*Chapter 13—Saskatchewan Telecommunications Holding Corporation* reports that SaskTel did not have adequate controls to protect its computer systems and data. SaskTel needs to secure its wireless computer network. Without adequate controls, the accuracy and completeness of SaskTel's data is at risk and there is a risk of unauthorized disclosure of information. SaskTel also needs better security over customer credit card information.

*Chapter 3—Corrections, Public Safety and Policing, Chapter 5—Finance, and Chapter 10—Saskatchewan Gaming Corporation* report agencies that need to prepare complete disaster recovery plans for their information technology systems. These agencies are at risk of losing their data or systems in the event of a disaster. These systems and data are essential for them to provide timely services to the public.

## **Protecting public resources**

Government agencies must adequately protect public money. They must ensure that the Government receives all revenues it is entitled to and no more. They must ensure public money is protected from unauthorized use or loss and that it is spent prudently and for the intended purposes.

### ***Protecting public money***

*Chapter 3—Corrections, Public Safety and Policing and Chapter 4—Education* report that the ministries need to better control public money. The ministries have not acted promptly to fix their controls over public money. As a result, they are at risk of losing public money.

*Chapter 5—Finance* reports that the Ministry needs to improve its treasury function. The Ministry manages investments of about \$4.8 billion and bond and debenture debt of about \$11.6 billion for the Government. The Ministry needs to set investment performance expectations in sufficient detail to make possible an evaluation of investment performance. It also needs to report publicly on its actual investment performance compared to expectations. This information would help legislators and the public to assess the Government's debt strategy of setting aside money in sinking funds for investment as opposed to paying down its debts.

The Ministry also needs to document its processes for managing investments and debt. Written procedures would help it to continue to operate effectively after staff turnover.

*Chapter 16—Tourism, Parks, Culture and Sport* reports that the Ministry did not have adequate processes to supervise Western Canada Lottery Corporation and Saskatchewan Lotteries. These organizations operate Saskatchewan's lottery schemes as agents of the Government. The monies raised and spent as part of these schemes belong to the Government and are public money. The Ministry needs to do more to know that it is receiving the correct amount of revenue and that public money is protected and is spent prudently and for the intended purpose. The Ministry also needs to do more to know that the lotteries are operated honestly, fairly, and in compliance with the law.

Legislators and the public also need to receive more information from the Government to help hold the Government accountable for the management of this public money.

*Chapter 13—Saskatchewan Telecommunications Holding Corporation* reports that SaskTel recorded a loss of \$6.4 million because its prepaid cellular card distributor did not submit all of the proceeds from the sale of these cards. SaskTel did not have adequate controls to protect itself from this loss.



## ***Protecting public infrastructure***

Government agencies must properly manage the Government's valuable infrastructure. They must have good processes for buying, building, operating, maintaining, and disposing of infrastructure.

Infrastructure includes information technology (IT) systems. When government agencies embark on major IT projects, we expect them to have good project management practices. One of those practices requires agencies to clearly identify benefits they expect to achieve. Agencies then need to develop systems and records that allow them to demonstrate that they achieved the benefits. This information is necessary so legislators and the public can assess whether a project was worthwhile.

*Chapter 6—Government Services* reports that the Ministry does not have adequate processes to maintain government buildings. The Ministry is responsible to operate and maintain almost 500 buildings. The Ministry did not have accurate and complete information about the state of repair of its buildings. It also did not have adequate maintenance plans or processes to ensure maintenance is effectively carried out. The Government is at risk of loss of asset value, health and safety problems for employees, and higher future repair costs.

*Chapter 7—Information Technology Office* reports that we are unable to determine whether the Information Technology Office (ITO) obtained the benefits the Government expected from consolidating ministries' IT processes within the ITO. The Government expected the consolidation to reduce IT costs for ministries and help them provide better service to the public. The ITO did not have reliable information to permit an evaluation of the consolidation. As a result, the ITO cannot demonstrate to legislators and the public that the consolidation was worthwhile. Also, the ITO should focus on providing better services to ministries to help them in turn provide better service to the public.

## **Acknowledgement**

My 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:

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## Compilation of main points

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## **Chapter 2—Agriculture**

In our 2008 Report - Volume 3, we reported that the Ministry of Agriculture had transferred the responsibility to operate the Provincial Dairy Lab (Dairy Lab) to the Milk Control Board (Board) without proper legislative authority. The Board has spent about \$850 thousand to December 31, 2008 on operating the Dairy Lab since the transfer.

At March 2009, the related legislation remained unchanged and the Board and the Ministry have not yet determined who will be responsible for the costs of operating the Dairy Lab. Because of these issues, the Board's financial statements for the years ending December 31, 2007 and December 31, 2008 are not finalized. The Legislative Assembly and the public have not received the Board's annual report and financial statements for these years as required by law.

The Board needs to assign responsibilities to its staff so that accounting functions are appropriately separated. Its staff need a better understanding of generally accepted accounting principles to ensure they prepare accurate and reliable financial statements. Also, the Board must take steps to make sure employment contracts are filed with the Clerk of Executive Council as required by law.

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

To meet its policing objectives, the Ministry of Corrections, Public Safety and Policing (Ministry) contracts with the Government of Canada for the services of the Royal Canadian Mounted Police (RCMP). The total provincial budgeted cost for RCMP services for Saskatchewan for 2008-09 was \$118 million. We audited how well the Ministry monitors provincial policing services delivered by the RCMP.

We concluded that for the twelve-month period ended January 31, 2009 the Ministry did not have adequate processes to monitor provincial policing services delivered by the RCMP.

The Ministry needs to establish an adequate provincial policing services agreement with the RCMP. The Ministry needs to ensure it communicates its objectives and priorities to the RCMP. The Ministry also needs to obtain regular reports from the RCMP on whether its objectives and

priorities are being met. The reports should include explanations of differences between actual and planned results. The Ministry needs to verify that costs charged by the RCMP for provincial policing are accurate. The Ministry needs to identify and treat all significant risks to police service delivery by the RCMP.

The Ministry also needs to work with law enforcement agencies to ensure the voluntary payment option on issued tickets is consistent with the law.

We also report that the Ministry needs to protect its information technology systems and data. The Ministry should improve segregation of duties of its employees responsible for spending public money, follow its policy for internal audit to focus on activities where the Ministry is at greatest risk, complete its business continuity plan, and make an agreement with the Public Service Commission for providing payroll services.

We continue to recommend the Ministry of Corrections, Public Safety and Policing properly reconcile its recorded bank balances to the bank's records.

## **Chapter 4—Education**

The Ministry of Education is responsible for the Teachers' Superannuation Commission (Commission). We make several recommendations to help the Commission establish adequate processes to safeguard public resources and comply with authorities governing its activities. Many of our recommendations have been previously reported. The Commission has made little progress in addressing our previous recommendations.

During the year, the Commission lacked an adequate governance process, an adequate written analysis of its human resource needs and strategies to address those needs, adequate written guidance for staff to follow, staff compliance with written guidance, and supervision of staff. We make several recommendations to help the Commission establish adequate processes.

## **Chapter 5—Finance**

The Ministry of Finance manages almost \$5 billion of investments for the General Revenue Fund, the Growth and Financial Security Fund, and several other agencies. Finance sets aside a significant amount of money in investments to repay the Government's debt. The success of its investing activities can have a significant impact on the Government's financial position.

Finance has not sufficiently set out its investing expectations to enable it to evaluate its performance in managing investments. While it has investment guidelines, it does not report on its compliance with those guidelines. Also, the public does not receive reports on the performance of Finance's investing activities.

Where Finance carries out investing activities for others, it has not agreed with them, in writing, on their roles and responsibilities. Also, because of low turnover of staff who carry out investing and borrowing activities, Finance has not sufficiently documented its procedures. To protect itself from a possible disruption of investing and debt management services in the event of staff turnover, it should document these procedures.

Finance is responsible for 25 special purpose funds and agencies. This report covers 17 of those funds and agencies with a December year-end. These agencies have reliable financial statements, have complied with the law, and have adequate rules and procedures with the following exceptions.

For six employee benefit plans, the Public Employees Benefit Agency did not review or approve monthly bank reconciliations and journal entries on a timely basis. The Agency needs to set policies for the preparation and approval of bank reconciliations and journal entries.

## **Chapter 6—Government Services**

The Ministry of Government Services (Ministry) is responsible for all matters relating to public works including the responsibility to maintain buildings. The Ministry owns approximately 800,000 square metres of space in 476 buildings. The buildings the Ministry owns include provincial office buildings, highway storage and repair buildings, health-care

facilities, technical schools, museums and art galleries, correctional centres, laboratories, courthouses, and historic properties.

The value and condition of buildings change over time due to physical deterioration. The consequences of not carrying out adequate building maintenance and repairs are loss of asset value, poor quality of working space, potential health and safety problems, and the probability of higher repair costs in the future.

The Ministry did not have adequate processes to maintain its buildings for the twelve-month period ended December 31, 2008. The Ministry needs to:

- ◆ ensure the information on its buildings is accurate, complete, and available
- ◆ approve adequate maintenance plans for all the buildings it owns
- ◆ sign adequate agreements with its clients that describe each of the parties' responsibilities
- ◆ ensure maintenance is effectively carried out on all of its buildings
- ◆ provide senior management adequate reports to monitor the process to maintain its buildings

## **Chapter 7—Information Technology Office**

In 2004, the Government directed the Information Technology Office (ITO) to begin delivering information technology (IT) services to ministries. Ministries previously provided these services for themselves. The consolidation was intended to improve IT services and save money. The consolidation involved significant risks because IT is an integral part of delivering many government programs and services and because the consolidation required significant organizational change.

At March 31, 2008, the consolidation of IT services into ITO was largely complete. Our audit objective was to assess whether, by that date, ITO delivered intended service improvements through IT consolidation and provided those services at a lower cost. We intended to examine



evidence comparing changes in services and costs to a baseline or starting point. However, the evidence was incomplete and not verifiable, and we were not able to conclude on the objective.

The Government should have set out an overall business plan for the consolidation, with an estimate of total costs, together with a method for measuring progress against the plan. This would have provided a basis for the Government to evaluate the success of consolidation. We make recommendations for improvements in the areas of client satisfaction, applications and application support, and responding to service requests.

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

Liquor and Gaming Authority (Liquor & Gaming) is responsible for Saskatchewan Indian Gaming Authority Inc.'s (SIGA) spending. It approved the construction of SIGA casinos at Swift Current and Yorkton.

SIGA had adequate project management processes for the construction of the Living Sky Casino and the Painted Hand Casino except SIGA needs to:

- ◆ approve construction capital management policies for major construction projects
- ◆ develop and approve risk plans before starting major construction projects
- ◆ establish dispute resolution processes with its key partners before starting major construction projects

Liquor & Gaming continues to make progress in implementing our 2006 Report – Volume 1 recommendations to strengthen its processes to encourage responsible use of beverage alcohol but needs to do more. It needs to prepare a complete plan, including performance measures and targets, to evaluate its performance in encouraging the responsible use of beverage alcohol.

Liquor & Gaming has made progress in implementing our 2006 Report – Volume 3 recommendations to improve its succession planning processes. However, it still needs to document and communicate

potential competency gaps and document and monitor the progress of its succession strategies.

## **Chapter 9—Public Service Commission**

Government ministries are facing a potential leadership challenge. About one-half of senior management of government ministries could retire by 2013 and nearly one-half of the managers who would usually replace them could also retire by then. It is important that the Public Service Commission (PSC) and ministries have a sufficient supply of potential leaders.

PSC, as the central human resource agency for government ministries, is responsible for providing ministries with leadership and policy direction for developing a professional public service. This includes having solid processes to develop leaders for senior management positions in government ministries.

At December 31, 2008, these processes needed improvement in two key areas. First, PSC needed better processes to provide potential leaders with developmental work experiences (for example, assignments to positions that expand their knowledge and skills) and mentoring opportunities. Second, PSC needed processes to monitor and report on the readiness of ministries to meet their future leadership needs.

## **Chapter 10—Saskatchewan Gaming Corporation**

Effective April 1, 2008, Saskatchewan Gaming Corporation (SGC) operates under the direction of the Crown Investments Corporation of Saskatchewan. SGC's fiscal year has changed from March 31 to December 31.

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

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

As well, SGC needs to further improve its human resource plan.

For the nine months ended December 31, 2008, SGC's financial statements are reliable. SGC had adequate processes to safeguard public resources and it complied with authorities governing its activities.

## **Chapter 11—Saskatchewan Government Insurance**

Saskatchewan Government Insurance (SGI) has implemented our 2007 recommendations from our 2007 audit to strengthen its project management processes for the Saskatchewan Auto Fund Redevelopment Project.

SGI's 2008 financial statements are reliable. It had adequate processes to safeguard public resources and it complied with governing authorities.

## **Chapter 12—Saskatchewan Research Council**

The Saskatchewan Research Council's (SRC) purpose is to assist Saskatchewan industries to be globally competitive through the responsible application of science and technology. SRC, by effectively managing its risks and achieving its objectives, can positively influence Saskatchewan's economy and social prosperity.

Risk management can be challenging. SRC is establishing strong risk management processes that other agencies may find useful.

This chapter reports the results of how SRC's Board used risk management processes. SRC's Board had adequate risk management processes except for monitoring both the causes of risks and risk management outcomes.

## **Chapter 13—Saskatchewan Telecommunications Holding Corporation**

Saskatchewan Telecommunications Holding Corporation (SaskTel) markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems and services.

SaskTel needs better controls to protect itself against losses from the sales of prepaid cellular service cards to distributors. It also needs to improve security over customer credit card information.

Many of SaskTel's activities and services involve the use of intellectual property. We followed up on our 2007 audit of SaskTel's processes to manage intellectual property. We found that SaskTel had complied with our recommendations.

SaskTel makes extensive use of information technology (IT) to deliver its products and services. SaskTel's IT environment includes a large, system-wide network that provides most of SaskTel's personnel with access to email and significant amounts of information. We audited the security of wireless access to these resources, focusing on the wireless security controls at SaskTel's head office and Regina data centre (wireless access is where computers communicate with each other without being physically connected by a wire or cable). We found that SaskTel did not have adequate wireless network security controls for the period August 1, 2008 – January 31, 2009. We make seven recommendations.

SaskTel, the companies it owns, and its pension plan had reliable financial statements; complied with the law; and had adequate rules and procedures to safeguard their public resources, except for the matters described above.

## **Chapter 14—Saskatchewan Transportation Company**

Saskatchewan Transportation Company (STC) uses a method called "Balanced Scorecard" to measure and report on its performance. Its annual reports include these reports.

STC has implemented the two recommendations we made in our 2007 Report – Volume 1 in our audit of the reliability, understandability, and consistency of information presented in its 2006 balanced scorecard. By implementing these recommendations, STC has improved its processes to produce reliable balanced scorecard reports.

STC's 2008 financial statements are reliable; it had adequate rules and procedures to safeguard its public resources; and it complied with authorities governing its activities.

## **Chapter 15—Saskatchewan Water Corporation**

Saskatchewan Water Corporation (SaskWater) has made some progress in addressing the recommendations we made in 2006 on processes to maintain its water treatment and transmission infrastructure. However, much more work is needed. Accordingly, we continue to recommend that SaskWater compile detailed information about its infrastructure to identify maintenance needs. We also continue to recommend that SaskWater use a maintenance plan to improve infrastructure efficiency and reliability for the lowest possible long-term cost.

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

## **Chapter 16—Tourism, Parks, Culture and Sport**

To support sport, culture, and recreation activities throughout the Province, the Ministry of Tourism, Parks, Culture and Sport (Ministry) raises money through lottery schemes.

The Ministry, through an agreement (lottery agreement), uses the Western Canada Lottery Corporation (WCLC) and Western Canada Lotteries – Saskatchewan Division Inc. and Sask Sport Distributors Inc. as its agents to operate lottery schemes. The Ministry must have processes to supervise these entities' compliance with the lottery agreement. Compliance would help ensure that 1) the Government receives the correct amount of lottery revenues and that public money is properly protected, spent prudently, and spent for intended purposes, and 2) that lottery schemes are operated with integrity (i.e., in a fair manner and in accordance with the law).

The Ministry did not have adequate processes to supervise compliance with the lottery agreement by WCLC, Western Canada Lotteries – Saskatchewan Division Inc. and Sask Sport Distributors Inc. As a result, the Ministry did not know whether the Government received the correct amount of lottery revenues and lottery schemes were operated with integrity. Also, the Ministry did not know that public money was properly protected, spent prudently, and spent for intended purposes.

We make several recommendations to strengthen the Ministry's processes to supervise compliance with the lottery agreement.

## **Chapter 17—Standing Committee on Crown and Central Agencies**

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

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

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. At December 2008, the Government has implemented most of the Committee's recommendations. This chapter sets out the status of outstanding recommendations for agencies not discussed elsewhere in this report.