Key messages

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Observations

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Observations

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.

At March 31, 2009, the Government delivered its services through about 265 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 2009 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 that need prompt attention.

The Ministry of Social Services still does not have adequate processes to protect children in care. The Ministry could not tell us how many children are in care, who they are, and where they live.

The Public Service Commission has not obtained criminal record checks for all Ministry employees that are responsible for the collection, receipt, disbursement, or expenditure of public money. The Commission has obtained criminal record checks for about 70% of the positions.

A number of government agencies did not follow basic financial controls to safeguard public money such as segregating the duties of employees and reconciling bank accounts. Proper segregation of duties means that no one person or group of persons is in a position where their duties allow

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them to commit and conceal errors or fraud. Following are two of the more serious examples.

The Ministry of Environment continued not to segregate the duties of employees with the authority to disburse public money. The Ministry experienced a loss of public money of about $500,000 in 2005 from this same control deficiency.

The Saskatchewan Indian Gaming Authority (SIGA) continued not to reconcile promptly transactions with automated teller machines to its bank accounts. SIGA lost $1.2 million in 2009 because of this same control deficiency.

Nearly all of the chapters in this report contain some control deficiency with respect to the computer systems and networks government agencies use to provide their services. These government agencies did not make sure that:

- personal information is kept confidential
- disaster recovery plans are in place so that computer systems and networks are available so that government agencies can continue to operate in the event of a disaster
- information contained in computer systems is accurate
- access to computer systems and data is properly controlled

The Ministry of Health is in the process of developing an electronic health record for all citizens of the province. To date, the Ministry has spent $235 million and expects to spend about $600 million to complete this computer system by 2014. The Ministry did not have a strategic and operational plan to guide the development of this computer system. Such plans are necessary to manage overall costs, and to make sure that the computer system meets user needs, and is completed on time.

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:

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Compilation of main points

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Compilation of main points

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Chapter 2—Advanced Education, Employment and Labour

The Ministry of Advanced Education, Employment and Labour needs to prepare an information technology (IT) strategic plan to help management ensure IT initiatives are appropriate to meet the Ministry's direction. It would also help management determine if it has addressed all the threats and risks to the Ministry's security.

The Ministry has not yet fully addressed our 2004 recommendation about its capital construction processes. The Ministry needs to 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.

Chapter 3—Agriculture

The Ministry of Agriculture uses the Provincial Dairy Lab to carry out some of its regulatory responsibilities. In April 2006, Agriculture transferred responsibility to operate the Lab to the Milk Control Board without proper legislative authority. Agriculture needs to comply with the law or seek changes to allow the transfer of its regulatory responsibilities to another agency.

Agriculture needs to better document key assumptions used when making significant accounting estimates.

Also, Agriculture needs to follow its processes to prepare accurate financial reports and statements for the Saskatchewan Agricultural Stabilization Fund.

Saskatchewan Crop Insurance Corporation made some progress in better controlling its computer systems and in meeting our 2007 recommendations about its premium rate-setting processes. However, more work remains.

Chapter 4—Education

The Ministry of Education (Ministry) needs to require all public libraries to prepare financial statements in accordance with standards as

recommended by The Canadian Institute of Chartered Accountants (CICA) for the public sector (GAAP).

The Ministry needs to prepare an information technology (IT) strategic plan to help management ensure IT initiatives are appropriate to meet the Ministry's direction. An IT plan would also help management determine if it has addressed all the threats and risks to the Ministry's security.

The Ministry has fully addressed our 2004 recommendations about its capital construction processes.

The Ministry plays a critical role in educating Saskatchewan children. For the year ending September 30, 2009, the Ministry did not have adequate processes to achieve compliance by school divisions in delivering student instruction time as required by the Minister.

The Ministry needs to define "instruction time" to set clear expectations for delivery of the core curriculum. The Ministry should require school divisions to publicly report on their performance in meeting the Ministry's instruction time requirements. Also, the Ministry needs to monitor for all core curriculum areas of study the extent to which school divisions meet the Ministry's requirements for instruction time. It should also take corrective action where necessary to improve school division compliance with the Ministry's requirements for instruction time.

Chapter 5—Enterprise and Innovation programs

The Minister of Enterprise is responsible for three programs: Small Business Loans Association program, Ethanol Fuel (grant) program, and the Labour-sponsored Venture Capital Corporations program. In this chapter, we refer to them as the Enterprise and Innovation programs. Since November 1, 2008, the Ministry of Finance and Enterprise Saskatchewan jointly administer the Enterprise and Innovation programs.

The Labour-sponsored Venture Capital Corporations program is designed to encourage individuals to invest in businesses that often have difficulty raising capital by other means. It does this by providing eligible individuals with provincial income tax credits. These tax credits reduce the amount of provincial income taxes that these individuals would otherwise need to

pay. In 2008-09, Enterprise Saskatchewan issued provincial income tax credits totalling $11.6 million under this program.

Chapter 6—Environment

The Ministry of Environment has made little progress in addressing our past recommendations. The Ministry continues to need to establish adequate processes for staff to follow and supervise staff to ensure they follow the Ministry's policies and procedures. The Ministry also needs to determine its current and future human resource needs and develop strategies to address any gaps between its current and future workforce. The Ministry should approve an adequate internal audit plan and receive regular reports from the internal auditor and take action.

The Ministry's processes to regulate reforestation of the provincial forest on Crown land were adequate except the Ministry needs to:

♦   establish processes to set reforestation fees at levels to cover reforestation costs
♦   monitor forest operators' compliance with reforestation requirements
♦   verify reforestation fees and the use of those fees
♦   establish a communication strategy to inform stakeholders about the effectiveness of reforestation and receive regular reports to oversee proper reforestation

Also the Ministry has made little progress in addressing our past recommendations for regulating air emissions and contaminated sites.

Chapter 7—Finance

The 2009 financial statements of the General Revenue Fund (GRF) contain significant errors. Treasury Board continues to use inappropriate accounting policies to account for pension costs and to record transfers between the GRF and the Growth and Financial Security Fund. For example, the reported net debt of $3.85 billion should be $8.07 billion and the reported annual surplus of $2.39 billion should be $1.62 billion.

The Ministry of Finance (Finance) needs to follow its established procedures over bank reconciliations. Finance made some progress on

improving its processes related to its treasury management activities and developing its business continuity plan and human resource plan, but more work remains. It made considerable progress in improving its Provincial Sales Tax audit selection process and has plans for further improvements.

Finance had adequate oversight of its information technology except for two matters. It needs a risk management plan based on analysis of its information technology risks. It also needs to implement a strategic information technology plan.

The Public Employees Benefits Agency (PEBA), a branch of Finance, needs better policies for bank reconciliations and journal entries for the various pension and benefit plans it administers. Also, PEBA, the Public Employees Pension Plan, and the Public Service Superannuation Plan need to complete business continuity plans to ensure they can provide critical services in the event of a disaster.

Also, as required by law, the annual report of the Public Service Superannuation Board discloses detailed personal information. The requirement to report this information is inconsistent with those of other government pension plans and may be inconsistent with privacy legislation. The Board needs to seek changes to the law to remove the current requirement to disclose personal information.

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, 2009, the Ministry paid $51.5 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.

In addition, the Ministry needs to follow its procedures for ensuring only authorized employees have access to its computer systems and data.

Chapter 9—Government Services

For the year ended March 31, 2009, 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

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

♦ develop an information technology strategic plan to help management know if it has addressed all significant 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

The Ministry of Health (Ministry) has made progress to address our past recommendations but more work remains. The Ministry still needs:

♦ better reports from health agencies to monitor those agencies' progress towards achieving the Ministry's objectives

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

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

♦ a formal agreement with its payroll service provider—the Public Service Commission

♦ to revise its human resource plan to quantify its human resource needs and measurable indicators and targets for all strategies

Also, the Ministry must collect overpayments totalling about $4 million resulting from job evaluations of employees of regional health authorities.

The Ministry's Health Information Solutions Centre (HISC) has also made some progress to address our past recommendations to help improve integrity, confidentiality, and availability of its own systems and data and those that it maintains for other health agencies. However, it needs to do more to meet service level commitments to its clients for firewall management and disaster recovery, comply with its procedures for controlling user access to systems and data, protect systems and data from security threats, and have an approved and tested disaster recovery plan.

We also report that Saskatchewan Cancer Agency needs to follow its processes to control its bank account when making payments to employees.

Chapter 10B—Regional Health Authorities

As we reported in 2008, Regional Health Authorities (RHAs) need to improve how they safeguard public resources. Four RHAs still need to control bank accounts when making payments to their employees and vendors. Most RHAs do not have complete and tested disaster recovery plans. Also, some RHAs need to establish information technology processes based on a risk and threat analysis. They need to do so to ensure the security, integrity, and availability of their systems and data.

We also make recommendations for Regina Qu'Appelle RHA and Saskatoon RHA to help improve their human resource plans. Agencies

need good human resource plans to ensure they have the right numbers of people in the right jobs at the right time.

We followed up on our past recommendations relating to Sunrise RHA's processes to control hospital-acquired infections, Sun Country RHA's processes for inspection of public eating establishments, and adequacy of Regina Qu'Appelle RHA's surgical wait time report. We concluded that our past recommendations have been fully addressed except for the processes to control hospital-acquired infections. Sunrise RHA needs to do more to fully implement two of our three past recommendations.

Chapter 10C—Electronic health records

An electronic health record (EHR) is a person's health record designed to be accessed online from many separate, compatible systems within a network. In 2009, we did an audit to assess if the Ministry of Health had appropriate and effective processes to guide, monitor, and report on the implementation of its EHR system that meets the goals of a Canada-wide integrated EHR system. We did this audit in consultation with the Auditor General of Canada and other provincial audit offices that did similar audits in their jurisdictions.

The Ministry of Health did not have appropriate and effective processes to guide, monitor, and report on the implementation of its EHR system.

The Ministry told us that so far it has spent $235 million and expects to spend over $600 million on development and specialized costs by 2014. Saskatchewan's EHR system is not one project, but is the intended end result of many different individual projects. Although the Ministry had project management and reporting processes at the individual project level, it did not have a strategic and operational plan for the overall EHR system. Nor did the Ministry have a business case setting out expected costs and overall benefits. As a result, the Ministry cannot set related performance measures and baseline information to help it assess its progress and report whether it has achieved intended benefits.

We make four recommendations for the Ministry to help improve its processes.

Chapter 10D—Equipment disposal

Agencies have a duty to ensure that sensitive information is secure. One area of risk is when agencies dispose of information technology and communications equipment (such as computers, faxes, and photocopiers) that contain sensitive information.

We examined whether Heartland Regional Health Authority (Heartland) had adequate controls to secure electronic information during disposal of information technology and communications equipment for the six month period ending August 31, 2009. We found Heartland had adequate controls, except it needs to:

- ♦ document the procedures it uses to remove confidential information during disposal of information technology and communications equipment

- ♦ maintain a current list of capital assets

- ♦ document that it follows its approved policy and procedures when disposing of information technology and communications equipment

- ♦ regularly verify that its procedures for disposal of information technology and communications equipment are effective

We recommend that public agencies consider their processes to ensure that the equipment they dispose of does not contain sensitive information.

Chapter 10E—Patient safety

All health facilities are responsible to keep patients safe during the process of providing care. Keeping patients safe is complex. National studies show some patients are harmed while receiving care in the health system.

Regina Qu'Appelle Regional Health Authority (RHA) had adequate processes for patient safety in its health care facilities except for analyzing patient safety reports to learn from its experience.

We made three recommendations to help improve the RHA's processes for analyzing events causing harm to patients, communicating the highest patient safety risks, and reporting patient safety results.

Other regional health authorities should use the criteria described in this chapter to assess the adequacy of their own processes for patient safety in their health care facilities.

Chapter 11—Highways and Infrastructure

The Ministry of Highways and Infrastructure (Highways) needs to follow its established procedures to remove access of former employees to its computer network. Not removing access promptly exposes Highways to the risks of loss of public money and inappropriate access to confidential information.

Highways continued to make good progress in developing a business continuity plan. Management reports that it has completed its plan in October 2009. Our office has not yet assessed the adequacy of this plan and will do so in our next audit.

Highways needs a better service level agreement with the Information Technology Office (ITO). Its agreement with ITO does not adequately address disaster recovery or provide Highways with assurance as to the security of its information systems.

Chapter 12—Information Technology Office

As a service provider and custodian of client information systems and data, the Information Technology Office (ITO) must protect the confidentiality, integrity, and availability of client information technology (IT) systems and data.

Since 2005, we have performed an annual audit of ITO's data centre. Since our first audit, ITO has revised many of its processes and has made modifications to its data centre. However, ITO has not made sufficient progress in addressing security issues.

ITO has adequate controls to protect client IT systems and data except that it needs to:

♦ provide relevant and timely security reports to its clients

♦ establish policies that set a minimum IT security standard for clients

♦ supervise employees to ensure they follow established security policies and procedures

♦ protect systems and data from security threats

♦ have a disaster recovery plan for its data centre and client systems

Also, ITO should sign adequate agreements with clients before delivering services to them, have client agreements address security and disaster recovery requirements, and improve its human resource plan.

Chapter 13—Justice and Attorney General

The Ministry of Justice and Attorney General (Justice) needs to work with the Ministry of Corrections, Public Safety and Policing to ensure the fines levied for the voluntary payment option on issued tickets comply 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 and sign an adequate agreement on disaster recovery and security with the Information Technology Office. Also, Justice should monitor the security and availability of its IT systems and data and complete its business continuity plan.

The Saskatchewan Legal Aid Commission (Commission) made progress in addressing recommendations we made in 2008 for protecting its systems and data. The Commission has fully addressed three of our six recommendations. The Commission needs to do more to fully address the other three recommendations.

Chapter 14A—Liquor and Gaming Authority

Liquor and Gaming Authority (Liquor & Gaming) needs to improve its oversight of SIGA's operations. Without effective oversight, Liquor & Gaming does not know if SIGA is complying with agreed upon policies

and procedures to safeguard public money from loss due to errors or fraud.

At two casino's, SIGA lost $1.2 million in public money due to an alleged fraud by one of its service providers for automated teller machines (ATMs). SIGA did not detect this loss quickly because it did not follow agreed upon banking procedures. When SIGA does not follow agreed upon policies and procedures, Liquor & Gaming needs to recover losses from the First Nations Trust Fund.

Liquor & Gaming is responsible for regulating gaming activities in the Province. It must have adequate policies and procedures to help ensure the integrity (fairness and legality) of gaming activities. Liquor & Gaming needs to improve its monitoring of video lottery terminals and table games. It also needs to register the service providers of ATMs at casinos. Registration would to help ensure services are provided by reputable suppliers and thereby reduce the risk of loss of public money.

Liquor & Gaming has made good progress but more is needed on improving 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 training and supervision of its employees to protect public money from loss due to error or fraud. SIGA also needs to complete and implement its human resources plan to ensure its employees have the appropriate competencies.

SIGA needs to prepare an information technology strategic plan. SIGA also needs a complete 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.

In May 2009, we became aware of a possible loss of public money by an ATM supplier. We investigated this matter to determine the amount of the loss and identify the conditions that allowed the loss of public money to occur and remain undetected for three months.

SIGA incurred a loss of public money of about $1.2 million. SIGA needs to:

♦ provide effective direction to its employees
♦ use sound employee hiring and retention practices
♦ mitigate the risk of loss of public resources

Chapter 15—Municipal Affairs

The Ministry of Municipal Affairs did not comply with the law in two areas. First, it spent about $700,000 without proper authority because it exceeded its appropriation. Second, it tabled its 2009 Annual Report later than the law required.

Chapter 16—Public Service Commission

The Public Service Commission (PSC) is responsible for implementing the Government's 2005 policy requiring criminal record checks of certain ministry employees. It has designated 10,908 positions as requiring a criminal record check. By September 2009, 7,687 of these employees have submitted criminal record checks. PSC expects to fully implement this policy by September 2010. PSC needs to complete criminal record checks to properly protect citizens from loss of public money.

PSC is responsible for the computerized human resources and payroll system. PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on this system with two exceptions. First, it did not have adequate policies and procedures for monitoring user access to the system. Second, PSC did not provide user agencies with updated written guidance over the approval of payroll payments.

Chapter 17—Social Services

The Ministry of Social Services (Ministry) must improve its processes to ensure all children who are responsibility of the Minister receive proper

care in an affectionate environment. It must also take immediate steps to ensure staff follow the established policies to review and approve a foster home when placing more than four children in the foster home. Continued lack of compliance with established policies increases the risk that foster families may not receive the support they need and the wards of the Minister may not receive the care they need.

The Ministry has made progress towards better supervising community-based organizations (CBO) and managing social assistance programs. However, it must strengthen its information technology security processes to ensure confidentially, integrity, and availability of its information systems and data.

Chapter 18—Tourism, Parks, Culture and Sport

The Ministry of Tourism, Parks, Culture and Sport (Ministry) is responsible for the provincial park system. We assessed the adequacy of the Ministry's capital asset plan for the provincial park system.

The Ministry had an adequate long-term capital asset plan for the provincial park system except the capital asset plan did not include:

♦   projected use of key capital assets and related risks

♦   principles for operating and maintaining key capital assets

♦   estimated life-cycle costs for key capital assets

We made three recommendations to help the Ministry improve its capital asset plan for the provincial park system.

Chapter 19—Government accountability

Legislators require sufficient and timely information about the plans and results of the entire Government and its key agencies. They require this information to have informed debate and to hold the Government to account.

The Government's current practices on reporting on the activities of the entire Government do not facilitate informed debate by legislators. The Government does not have a public plan for the entire Government. Without such a plan, the Government cannot report publicly on its overall performance.

Legislators are receiving better, and more timely information from key government agencies. However, it is unclear if legislators have increased their use of this information.

Ministries are publishing better information in their public plans and annual reports. Areas for further improvement include inclusion of targets for all performance measures, discussion of risks that could influence achievement of their plans, and comparison of actual results to planned targets.

Crown corporations accountable to the Crown Investments Corporation of Saskatchewan continue to publish solid information. Their annual reports set out their results compared to previously published plans along with their future plans.

The content, quality and timeliness of performance information that Treasury Board agencies publish continues to vary significantly.

Chapter 20—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 government ministries, agencies, and Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. The Committee's discussions include 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 59% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 64% are partially implemented.