

Report of the Provincial Auditor

**to the Legislative Assembly
of Saskatchewan**

**2009 Report
Volume 3**



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.



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SASKATCHEWAN

November 30, 2009

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 *2009 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,

A handwritten signature in black ink, appearing to read 'Fred Wendel'.

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our 2009 Reports

In 2009, 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:

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Our Reports:

- ◆ *Report to the Legislative Assembly of Saskatchewan on the 2008 Financial Statements of CIC Crown Corporations and Related Entities: April 2009*
- ◆ *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2008 Calendar Year: April 2009*
- ◆ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2009 Report – Volume 1 (May 2009)*
- ◆ *Annual Report on Operations For the Year Ended March 31, 2009 (June 2009)*
- ◆ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2009 Report – Volume 2 (September 2009)*
- ◆ *Business and Financial Plan For the Year Ended March 31, 2011: As Presented to the Standing Committee on Public Accounts: November 2009*

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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

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:

Ahmad, Mobashar
Anderson, Mark
Aro, Robert
Atkinson, Brian
Bachelu, Gaylene
Bell, Kelli
Bhat, Venkatesh
Borys, Angèle
Brown, Rosanne
Clemett, Tara
Deis, Kelly
Dickin, Deann
Drotar, Charlene
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Ferguson, Judy
Grabarczyk, Rod
Griffiths, Clinton
Halladeen, Aaron
Hamilton, Scott
Hansen, Melissa
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Herauf, Jena
Hungle, Angie
Jensen, Rory
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Knox, Jane

Kress, Jeff
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Montgomery, Ed
Nyhus, Glen
Ochieng, Jennifer
O'Quinn, Carolyn
Osayande, Nicole
Pattullo, Candice
Reimer, Stephanie
Rybachuk, Corrine
Schwab, Victor
Shaw, Jason
Shorten, Karen
Slatnik, Jennifer
Sommerfeld, Regan
St. John, Trevor
Sych, Larissa
Tomlin, Heather
Volk, Rosemarie
Watkins, Dawn
Weyland, Grant
Yee, Ken
Zeng, Tiffany
Zerr, Jennifer

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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

Chapter 1B – Compilation of main points

- ◆ 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 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 confidentiality, 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.

Advanced Education, Employment and Labour

2

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Main points

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.

Introduction

The Ministry of Advanced Education, Employment and Labour’s (Ministry) mandate is to foster development of an educated, skilled, and productive workforce that meets the labour demands of a growing and innovative economy¹.

Its 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, 2009, the Ministry was responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
Saskatchewan Student Aid Fund	March 31
Training Completions Fund	March 31
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Great Plains College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland 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

Financial overview

As set out in the table below, the Ministry spent over \$893 million in 2008-09.

¹Ministry of Advanced Education, Employment and Labour, 2008-09 Annual Report, pg. 5.

Table 1

	Estimates 2008-09 ²	Actual 2008-09
	(in millions of \$)	
Central Management and Services	\$ 25.9	\$ 23.0
Student Support Programs	56.0	57.9
Post-Secondary Education	566.9	695.9
Immigration	9.9	7.6
Training Programs	38.0	42.0
Career and Employment Services	37.2	39.7
Graduate Retention Program	12.0	11.3
Worker's Advocate	0.6	0.6
Occupational Health and Safety	7.7	7.1
Labour Relations Board	0.9	1.0
Labour Relations and Mediation	0.7	0.7
Labour Standards	2.4	2.4
Status of Women Office	0.4	0.4
Major Capital Asset Acquisitions	3.2	3.2
Capital Asset Acquisitions	(3.2)	(4.1)
Capital Asset Amortization	2.4	4.6
	\$ 761.0	\$ 893.3

In 2008-09, the Ministry had revenues of \$81.3 million of which 84% came from the Federal Government primarily for Federal-Provincial cost sharing programs.

The Ministry's *2008-09 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (www.aeel.gov.sk.ca). (23 Oct 2009)

Audit conclusions and findings

This section reports the results of our 2009 audits of the Ministry, the Saskatchewan Student Aid Fund, the Training Completions Fund, three of seven regional colleges (Cumberland, Great Plains, and North West), SATCC, and SIAST.

² Saskatchewan Finance, *2008-2009 Saskatchewan Estimates*. The Estimates total does not include the additional \$132.7 million authorized through the *Saskatchewan Supplementary Estimates* for Advanced Education, Employment and Labour (Vote 37).

In our opinion, for the fiscal years ending on or before June 30, 2009:

- ◆ **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 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 four 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 of 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 four colleges did not report any new matters for the colleges they audited.

Exhibit 1

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP
Cumberland Regional College	NeuPath Group, PC Inc.
Great Plains College	Stark & Marsh
North West Regional College	Holm Svenkeson Raiche

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

Later in this chapter, we report the status of our previous recommendation about the Ministry's capital construction process 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 findings for the Ministry.

Information technology strategic plan needed

The Ministry has not prepared a multi-year information technology (IT) plan that links to strategic business objectives. An IT strategic plan can 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 needs an IT strategic plan to ensure its use of resources supports its strategic objectives. The Ministry did not prepare and approve an IT strategic plan for the year.

- 1. We recommend the Ministry of Advanced Education, Employment and Labour prepare an information technology strategic plan.**

Capital construction—follow-up

Background

In 2004, we assessed the Department of Learning's⁴ (Ministry) processes to ensure its partners⁵ meet the requirements for completing approved capital construction projects. Our 2004 Report – Volume 1, Chapter 13 (pp. 178-191) concluded that for the twelve-month period ending September 30, 2003, the Ministry had adequate processes to ensure its partners met requirements for completing approved capital construction projects with two exceptions. One of these exceptions relates to the Ministry of Advanced Education, Employment and Labour.

⁴ In 2004, the Department of Learning included both the Ministry of Education and the Ministry of Advanced Education, Employment and Labour.

⁵ Partners include the University of Regina, University of Saskatchewan, SIAST, and regional colleges.

In October 2005, we performed a follow-up of this audit and concluded that while the Ministry had taken steps to address our recommendation, more work remained.

The following section sets out the recommendation (in italics) and the Ministry's actions up to October 2009. We found that the Ministry still has work to do.

Risk identification and mitigation & progress

In 2004, we recommended that the Ministry 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.

In June 2004, PAC agreed with our recommendation.

At October 2005, the Ministry was developing a project checklist to help it standardize its risk assessment process among its partners. It expected the checklist to help it document the steps taken by each partner and the Ministry as well as documenting any corrective measures needed.

At October 2009, the Ministry has not yet fully developed the project checklist. Ministry staff told us it does consider risks in its capital construction projects and has plans for staffing a position that will focus on risk assessment and mitigation in capital construction projects. However, due to staff turnover within the unit, a standardized project checklist has not been developed. The Ministry also told us that it has plans to continue to improve its processes to address this recommendation.

We continue to recommend the Ministry 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.

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

Table 2

PAC REPORT YEAR ⁷	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Advanced Education, Employment and Labour		
2009	PAC concurs: 2-2 that the Ministry of Advanced Education, Employment and Labour develop a human resource plan.	Partially implemented (as at March 31, 2009). The Ministry developed the 2008-09 Human Resource Plan; however, it was never formally approved. The 2009-10 Human Resource Plan has been developed and is in the approval stages.
2009	PAC concurs: 2-3 that 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.	Partially implemented (as at March 31, 2009). Management told us that the Ministry is working with ITO with regard to disaster recovery and has completed a significant amount of work on disaster recovery as part of the Ministry's pandemic planning process.
2009	PAC concurs: 2-4 that 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.	Partially implemented (as at March 31, 2009). Management told us that the Ministry has worked with the ITO through the year on security controls/issues. Security and control issues have been a standing agenda item on the joint ITO/Ministry Information Technology Management Committee meetings. In addition, the ITO is working with the Ministry on the development of a security report that will meet all the Ministry's needs.

⁶ For the definitions of the key terms used in the table, see Chapter 20 – 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.

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 January 31, 2006). We plan to follow-up in 2010.
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 January 31, 2006). We plan to follow-up in 2010.
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 January 31, 2006). We plan to follow-up in 2010.
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 January 31, 2006). We plan to follow-up in 2010.
2009	PAC concurs: 2-5 that the Saskatchewan Institute of Applied Science and Technology's Board use more comprehensive risk management policies and procedures that: <ul style="list-style-type: none"> - 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 	Not implemented (as at June 30, 2008). We plan to follow-up in 2010.

Chapter 2 – Advanced Education, Employment and Labour

2009	PAC concurs: 2-6 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.	Not implemented (as at June 30, 2008). We plan to follow-up in 2010.
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). Relevant programs are now the responsibility of the Ministry of Advanced Education, Employment and Labour. We plan to follow-up in 2010.
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). Relevant programs are now the responsibility of the Ministry of Advanced Education, Employment and Labour. We plan to follow-up in 2010.
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). Relevant programs are now the responsibility of the Ministry of Advanced Education, Employment and Labour. We plan to follow-up in 2010.
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). Relevant programs are now the responsibility of the Ministry of Advanced Education, Employment and Labour. We plan to follow-up in 2010.
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). Relevant programs are now the responsibility of the Ministry of Advanced Education, Employment and Labour. We plan to follow-up in 2010.

2005	<p>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.</p>	<p>Not implemented (as at March 31, 2006). Relevant programs are now the responsibility of the Ministry of Advanced Education, Employment and Labour. We plan to follow-up in 2010.</p>
Saskatchewan Apprenticeship and Trade Certification Commission		
2007	<p>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.</p>	<p>Not implemented (as at June 30, 2009). No progress in year.</p>

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Agriculture

3

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Main points

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.

Introduction

The purpose of the Ministry of Agriculture (Agriculture) is to enable a prosperous market-driven agricultural industry through a supportive legislative framework, policies, and programs and services.¹

Special purpose funds and Crown agencies

At March 31, 2009, Agriculture was responsible for the following special purpose funds and Crown agencies (agencies). Each one has a March 31 year-end unless otherwise noted.

Agricultural Credit Corporation of Saskatchewan (ACS)
Agricultural Implements Board
Agri-Food Council
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)

Financial overview

For the year ended March 31, 2009, the Government's total agricultural expenses were \$727 million and its agricultural-related revenues were \$591 million. Exhibit 1 sets out expenses by program and revenues by source as reflected in the Government's 2008-09 summary financial statements.

¹ Government of Saskatchewan, *Ministry of Agriculture, Plan for 2009-10*, p. 1.

Exhibit 1:

	<u>2009</u>	<u>2008</u>
	(in millions of dollars)	
Agriculture expenses by program:		
Crop Insurance	\$ 346	\$ 243
Farm Stability	131	127
Other	<u>250</u>	<u>150</u>
	<u>\$ 727</u>	<u>\$ 520</u>
Agriculture revenue by source:		
Federal Government	\$ 195	\$ 138
Producers' Crop Insurance Premiums	188	117
Sales, Services, Fees and Other	<u>208</u>	<u>113</u>
	<u>\$ 591</u>	<u>\$ 368</u>

During 2008-09, Agriculture spent \$424 million (2008 - \$302 million) and had revenues of \$149 million (2008 - \$59 million). Agriculture's Annual Report provides further detail including reasons for differences from its approved budget.²

Audit conclusions and findings

This chapter contains the results of our audits of Agriculture and its agencies for the years ended March 31, 2009.

Chapter 2 of our 2009 Report – Volume 1 reported our interim audit findings for our audit of the Milk Control Board for the year ended December 31, 2008. This chapter sets out the results of our audits of the Milk Control Board's 2007 and 2008 financial statements.

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. 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 agencies, our Office and its appointed auditor formed the opinions below.

² The Ministry's annual report is available on its website at <http://www.agriculture.gov.sk.ca>.

In our opinion, for the year ended on or before March 31, 2009:

- ◆ **Agriculture and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- ◆ **Agriculture and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter**
- ◆ **The financial statements of the agencies are reliable**

Also, the chapter provides an update on recommendations from our 2007 examination of Saskatchewan Crop Insurance Corporation's processes to set premium rates and on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC).

Accounting estimates need strengthening

Agriculture did not consistently document assumptions used when making significant accounting estimates.

Preparing financial information consistent with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts recorded and reported. Accounting estimates and assumptions inherently involve significant judgments and uncertainties. Assumptions must reflect conditions management expects to exist and courses of actions it expects to take. Estimates routinely require revisions because of changes in circumstances or new information. Clear documentation (e.g., of method used, supporting data, key assumptions) is necessary to carry out an appropriate independent review of the estimate's reasonableness and facilitates efficient future revisions.

Agriculture makes significant accounting estimates each year. For example, it estimates the amount of receivables (including loans receivable) that it may not collect (i.e., \$9.2 million at March 31 2009) and

the cost of providing loans with concessionary terms.³ Also, because information on actual costs or revenues is not available until a later date (such as for its various business risk management programs where it shares costs with the Government of Canada), Agriculture estimates the amount it expects to receive from or pay to the Government of Canada (i.e., \$4 million receivable and \$140 million payable at March 31, 2009.) Also, for significant tangible capital assets (such as land), it estimates whether its recorded amounts are significantly and permanently less than the value of goods and services expected or other future economic benefits.

During the year, Agriculture reduced the recorded value of its land by \$8.1 million and was not able to provide us with sufficient evidence to support this reduction in value. Agriculture owns almost seven million acres of land (mostly pastures). Management based its reduction on the difference between its recorded value of land and its calculation of current fair market values.⁴ Management was unable to show us how its calculation of fair market value considered the following factors: public information about recent increases in farmland values⁵ and its recent history of financial gains on the sale of its land.⁶ Agriculture did not set out, in writing, its key assumptions (that is, conditions it expected to exist and the actions it expected to take) about these factors.

Without documenting key assumptions used in developing significant accounting estimates, there is an increased risk of making incorrect accounting entries. Recording incorrect accounting entries can lead to producing incorrect information for decision-making.

- 1. We recommend the Ministry of Agriculture consistently document key assumptions used when making significant accounting estimates.**

³ Concession terms include loans with interest rates significantly below the Government's average cost of borrowing and with no repayment terms.

⁴ The Ministry used calculated current fair market value with reference to market values from the Saskatchewan Assessment Management Agency.

⁵ Farm Credit Corporation reports that farmland values in Saskatchewan increased by 14.4% during 2008-09. See <http://www.fcc-fac.ca/en/Products/Property/FLV/Spring2009/index.asp#sk> (28 Jul 2009).

⁶ The Ministry recorded total gain on sale of land of \$3.5 million in 2008-09 and \$3.9 million in 2007-08.

Unauthorized transfer of the Provincial Dairy Laboratory

As previously reported, Agriculture transferred the responsibility to operate the Provincial Dairy Laboratory (Dairy Lab) from Agriculture to the Milk Control Board without proper legislative authority.⁷ Consequently, the Board spent about \$1 million from April 1, 2006 to March 31, 2009 on the Dairy Lab's activities without proper authority.

During 2008-09, Agriculture started to work on drafting changes to the related legislation. At June 30, 2009, the related legislation has not changed and although Agriculture has not reimbursed the Board for the Dairy Lab costs, it has reached agreement with the Board on the amount it expects to pay.

We continue to 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 Dairy Lab to another agency.

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

Saskatchewan Crop Insurance Corporation

Background

The Saskatchewan Crop Insurance Corporation (SCIC) is a Crown corporation established under *The Crop Insurance Act*. 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 both the Government of Saskatchewan (Saskatchewan) and the Government of Canada (Canada) pay for this program in accordance with the rules set out in the Canada-Saskatchewan Implementation Agreement (Agreement).

⁷ See Chapter 3 of our *2008 Report – Volume 3* and Chapter 2 of our *2009 Report – Volume 1*. These reports are available at www.auditor.sk.ca.

SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Fund). The Fund receives premiums from SCIC and pays SCIC based on formulas established under the Agreement.

SCIC's 2009 Annual Report⁸ includes its financial statements. Those financial statements report that SCIC had premium revenues of \$468 million and claim expenses of \$99 million for the year and held total assets of \$422 million at March 31, 2009.

In 2008, the Fund's financial statements report that the Fund had revenue of \$69 million and had an accumulated deficit of \$3 million at March 31, 2009. During 2009, the Fund did not pay SCIC.

Better processes required over computer systems

To improve its processes over its computer systems, in our 2008 Report – Volume 3, we recommended that the SCIC establish adequate processes:

- ◆ for making changes to its computer systems
- ◆ to grant and monitor employee access to its computer systems and data

On December 8, 2008, PAC agreed with our recommendations.

SCIC made some progress both in improving its procedures for making changes to computer systems and in ensuring employees follow the established procedures.

SCIC has not changed its computer systems to assign a unique identifier to all users. This would enable SCIC to track which user makes a change or accesses the computer systems and data.

Employees do not always follow existing documented procedures that require them to document computer systems changes, obtain approval for changes, and independently test changes to make sure they work properly before they are used. For example, during the year, SCIC did not regularly review changes to computer systems made by those employees with complete access to the computer systems and all data. Also, for

⁸ SCIC's Annual Report is available at www.saskcropinsurance.com.

those employees, SCIC does not monitor that they regularly change their passwords. Although SCIC requires employees 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, without properly secured data, there is an increased risk of loss of personal information.

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

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

Management told us it is improving its processes to ensure changes are properly documented, tested, and approved.

Premium rate setting process – follow-up

In this section, we provide, at March 2009, the status of our recommendations from our 2007 examination of SCIC's processes to set premium rates that comply with the Canada-Saskatchewan Implementation Agreement and *The Crop Insurance Act*. In our 2007 Report – Volume 3, we recommended that:

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

On June 16, 2008, PAC agreed with our recommendations.

As noted below, while SCIC has made some progress on each of these recommendations, more work remains.

Procedures for calculating premium rates

SCIC has established written procedures for calculating premium rates. These procedures include explaining significant changes in premium rates. However, management did not formally approve the procedures.

Procedures for data and formula accuracy

SCIC has established written procedures for checking the accuracy of data and formulas used to calculate premium rates. However, for some premium rates, the same person calculated the rate and checked it for accuracy. Also, there is not consistent evidence that the premium calculations were checked. To reduce the risk of incorrect premiums rates, someone independent of initially calculating the premium rates should verify them and document his/her review of the rates.

Management told us that it is developing further written procedures that require staff to document their checking of premium rate calculations.

Approval of internal audit plan

In June 2008, the Board of Directors approved the internal auditor's plan. The plan includes following up on the internal auditor's recommendations to verify that they have been properly addressed. The internal auditor told us follow up of recommendations is limited to a discussion of the action taken to address the recommendations. To make sure management appropriately addresses recommendations, the internal auditor's follow-up should include examining evidence that management has acted on the recommendations.

Saskatchewan Agricultural Stabilization Fund

Background

Agriculture administers the Saskatchewan Agricultural Stabilization Fund (SASF). The Government of Saskatchewan (Saskatchewan) administers all the following programs except AIDA and CFIP. The Government of Canada (Canada) administers those programs. Canada and Saskatchewan have agreed to share the costs of all of these programs.

Canada-Saskatchewan Assistance Program (CSAP)
Canada-Saskatchewan Specified Risk Material Management Program (SRM)
Farm and Ranch Water Infrastructure Program (FRWI)
The Canada-Saskatchewan Bovine Spongiform Encephalopathy Recovery Program (BSE)
The New Crops Insurance Program
The Wildlife Damage Compensation Program
The Agricultural Income Disaster Assistance Program (AIDA)
The Canadian Farm Income Program (CFIP)

The laws governing the above programs and the agreements between Canada and Saskatchewan require that Agriculture must use money paid into SASF only for the purposes of those programs. In addition, Agriculture must return to Canada and Saskatchewan (General Revenue Fund) at the end of the programs any money received and not used to pay for program costs. SASF operates on a break-even basis except for the interest income earned on advances, which SASF may keep.

SASF's financial statements include the financial activities of all of the programs. SASF's financial statements for the year ended March 31, 2009 report revenues of \$20.1 million and expenses of \$11.1 million. The financial statements also report net financial assets of \$23.5 million at March 31, 2009.

Employees need to follow established processes

Agriculture needs to ensure its employees follow established processes for preparing financial reports and the year-end financial statements for the Fund.

Agencies need accurate and timely financial reports to make informed decisions. They need to define the financial reports necessary to monitor operations and to establish processes to prepare those financial reports.

Agriculture has defined the financial reports it needs to monitor the operations of the Fund. It requires quarterly internal financial reports and annual financial statements. Agriculture has also established and communicated written guidance for employees to follow when preparing

the Fund’s financial reports and the year-end financial statements. However, employees did not always follow that guidance.

For example, during the year, employees did not record all of the assistance owing to others such as producers and operators of slaughter facilities, in the Fund’s internal financial reports. Also, the financial statements for the year ended March 31, 2009 provided for audit were inaccurate. These draft financial statements understated FWRI program expenses by \$0.7 million and overstated the SRM program expenses by \$2.6 million.

Agriculture corrected the year-end financial statements when informed of the errors. Inadequate and incomplete financial reports increase the risk of inappropriate or incorrect financial decisions.

2. **We recommend the Ministry of Agriculture follow its established processes for preparing accurate internal financial reports and year-end financial statements for the Saskatchewan Agricultural Stabilization Fund.**

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.⁹

PAC REPORT YEAR ¹⁰	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Agriculture – Milk Control Board		
2009	PAC concurs: 3-2 that the Milk Control Board provide its staff with support and training to increase their understanding of accounting standards.	Not implemented (as at March 31, 2009). We plan to assess status in conjunction with our 2009 audit of the Board.

⁹ For the definitions of the key terms used in this table, see Chapter 20 – 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

PAC REPORT YEAR ¹⁰	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Agriculture (Regulating Pesticides)		
2009	PAC concurs: 2-1 that the Ministry of Agriculture formally analyze the risks that licensees and exempt persons are not following pesticide control laws.	Partially implemented (as at March 31, 2009). We plan to do a second follow-up in 2010; the results of our first follow-up are in Chapter 3 of our 2008 Report – Volume 3.
2009	PAC concurs: 2-2 that the Ministry of Agriculture document its strategy to address identified risks associated with monitoring and enforcing compliance with pesticide control laws.	Partially implemented (as at March 31, 2009). We plan to do a second follow-up in 2010; the results of our first follow-up are in Chapter 3 of our 2008 Report – Volume 3.

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Education

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Main points

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.

Introduction

The Ministry of Education provides direction for Pre-Kindergarten to Grade 12 education. As well, the Ministry provides leadership to the early learning and child care, literacy, and library sectors¹.

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, 2009, the Ministry was responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
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 \$1.6 billion in 2008-09.

Table 1	Estimates	Actual
	<u>2008-09²</u>	<u>2008-09</u>
	(in millions of dollars)	
Central Management and Services	\$ 13.3	\$ 12.5
Pre-K -12 Education	757.8	896.1
Early Learning and Child Care	45.3	42.9
Curriculum and E-Learning	5.2	8.5
Literacy	2.6	2.5
Provincial Library	10.4	13.4
Education Property Tax Relief	156.6	197.9
Teachers' Pensions and Benefits	194.1	442.1 ³
Capital Asset Amortization	<u>1.0</u>	<u>1.6</u>
	<u>\$ 1,186.3</u>	<u>\$ 1,617.5</u>

¹ Ministry of Education, *2008-2009 Annual Report*, p. 5.

² Saskatchewan Finance, *2008-2009 Saskatchewan Estimates*. The Estimates total does not include the additional \$193.148 million authorized through the *Saskatchewan Supplementary Estimates* for Education (Vote 5).

³ Actual Teachers' pension and benefits number is restated to include \$310 million of unrecorded pension costs (see details later in this chapter).

In 2008-09, the Ministry had revenues of \$12.3 million of which 49% came from the Federal Government primarily for Federal-Provincial Cost Sharing programs.

The Ministry's *2008-09 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (www.education.gov.sk.ca).

Audit conclusions and findings

This chapter reports the results of our 2009 audits of the Ministry and the three special purpose funds (i.e., Technology Supported Learning Revolving Fund, School Division Tax Loss Compensation Fund, and Prince of Wales Scholarship Fund).

In our opinion, for the fiscal year ended on March 31, 2009:

- ◆ **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 2009 financial statements of the above-listed funds are reliable**

The results of the 2009 audit of the Teachers' Superannuation Commission (TSC) will be reported separately. We have not completed this audit because TSC has not yet finalized its financial statements.

Later in this chapter, we report the status of our previous recommendations about the Ministry's capital construction process. We also report the results of our audit of the Ministry's processes to achieve compliance by school divisions in delivering required instruction time to students.

The chapter also provides 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.

Library financial statements

The 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 has the Public Library System Financial Reporting Policy Manual that provides library boards and staff with a standard format for the financial statements based on GAAP. During the year, our office reviewed all libraries' audited financial statements. We found that the majority of the libraries do not follow GAAP when disclosing information on their capital assets. As a result, users do not receive the information necessary to assess the libraries' management of its capital assets.

- 1. We recommend the Ministry of Education require all public libraries to prepare their financial statements following the standards as recommended by The Canadian Institute of Chartered Accountants.**

Information technology strategic plan needed

The Ministry has not prepared a multi-year information technology (IT) plan that links to its strategic business objectives. An IT strategic plan can 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 needs an IT strategic plan to ensure its use of resources supports its strategic objectives. The Ministry did not prepare and approve an IT strategic plan for the year.

- 2. We recommend the Ministry of Education prepare an information technology strategic plan.**

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 2009 financial statements of the General Revenue Fund⁴, we continue to report that Treasury Board does not use Canadian generally accepted accounting policies for the public sector to account for pension costs.

As a result, for the year ended March 31, 2009, the Ministry understates the amount of teachers’ pension and benefit costs reported in its annual report by \$310 million (2008-understated by \$345 million) and understates the amount it owes for teachers’ pensions by \$3.50 billion (2008-\$3.19 billion). We also report this matter in our chapter on the Ministry of Finance.

Capital construction—follow-up

Background

In 2004, we assessed the Department of Learning’s⁵ (Ministry) processes to ensure its partners⁶ meet the requirements for completing approved capital construction projects. Our 2004 Report – Volume 1, Chapter 13 (pp. 178-191) concluded that for the twelve-month period ending September 30, 2003, the Ministry had adequate processes to ensure its partners met requirements for completing approved capital construction projects with two exceptions as reflected in the recommendations below.

In October 2005, we performed a follow-up of this audit and concluded that while the Ministry had taken steps to address our recommendations, more work remained.

⁴ *Public Accounts 2008-09: Volume 1: Main Financial Statements*, Auditor’s Report [on the General Revenue Fund]. pp. 47-48.

⁵ In 2004, the Department of Learning included both the Ministry of Education and the Ministry of Advanced Education, Employment and Labour.

⁶ Partners include school divisions.

The following section sets out the recommendations (in italics) and the Ministry's actions up to October 2009. We found that the Ministry has met our recommendations.

Comparisons of planned and actual costs and progress

In 2004, we recommended that the Ministry obtain from school divisions comparisons of planned and actual costs, and timing by key stage for each approved project.

In June 2004, PAC agreed with our recommendation.

In August 2005, the Ministry changed its approval process for K-12 capital projects to a two-stage process (planning & design and construction) where funding would be released at the planning and construction phases of the project based on actual costs incurred to date. This process enabled the Ministry and the school division to work together to more effectively define the scope and cost of a particular project.

In April 2008, the Ministry further enhanced this process by implementing a 4-stage approval process for capital funding (preliminary planning, approval in principle, detailed design, and construction). Through this process, the Ministry is more involved with the school divisions throughout all stages of the project and is able to better control the costs of the project. The Ministry receives information from the school division on actual costs incurred at each stage before it releases payments to the school division. The Ministry also reviews and updates its own cost estimates of the project and compares them to the planned budget throughout the project to ensure reasonability. The four-stage process also allows the Ministry to be aware of the expected timing of the project at each stage.

The Ministry has met our recommendation.

Risk identification and mitigation and progress

In 2004, we recommended that the Ministry 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.

In June 2004, PAC agreed with our recommendation.

Through the use of the 4-stage approval process, the Ministry is able to work more closely with school divisions to identify and mitigate potential risks at each stage (e.g., planning issues, design issues, cost overruns, etc). Before construction can begin, the Ministry approves the project. This minimizes the risk that significant dollars are spent on the project inappropriately. The Ministry also participates in meetings between school divisions and community-based partners. This provides the Ministry with a means of identifying risks through each stage of the project.

The Ministry has met our recommendation.

The Ministry told us it has plans over the next two years to further improve the documentation for each capital project. It plans to develop a new computer system to improve project tracking and reconciliation. Quarterly updates on the cost and timing of each project will also be received.

Achieving compliance in delivery of instruction time

Background

The Ministry provides direction for Pre-Kindergarten – Grade 12 education as set out in *The Education Act, 1995*. During the 2007-08 school year, there were 734 schools in 28 school divisions supporting 167,575 students.⁷

Under the Act, “the program of studies and the courses of study used in a school are to be consistent with the regulations and with any directives that the Minister may issue.”⁸ The Ministry sets the provincial core curriculum that provides guidance on what students are to learn and when they are to learn it. The core curriculum includes seven required areas of study. The Ministry sets a required time allocation for instruction for each of these areas of study in its document *Core Curriculum: Principles, Time Allocations, and Credit Policy*. For example, the time allocations in the subject of mathematics for grades 5 and 8 are 210 and 200 minutes per week respectively, while the time allocation for grade 11

⁷ 2007-08 Annual Report, Ministry of Education, p. 4.

⁸ *The Education Act, 1995*, subsection 176(1).

(Math 20) is 100 hours for the course. *The Education Regulations, 1986* states that school principals are to allocate instructional time to each course per 1,500-minute school week within the guidelines issued by the Minister (i.e., 25 hours per week).⁹

The Ministry has determined that students are not receiving actual instructional time in the amounts that it requires. For example, in the *2008 Saskatchewan Education Indicators Report*, the Ministry reports that the percentage of classrooms receiving the required time of instruction in the subject of mathematics for Grades 5, 8 and 11 (Math 20) were 46%, 63%, and 4.3% respectively.¹⁰

If the Ministry does not have adequate processes to achieve compliance by school divisions in delivering required student instruction time, students are less likely to receive the required number of instruction hours. It is also more likely that students in different school divisions will receive different amounts of instruction. These factors affect the quality of education students in Saskatchewan receive and may influence whether Saskatchewan students meet national and international performance standards. The *2008 Saskatchewan Education Indicators Report* states that Saskatchewan students are performing below the performance of many other Canadian provinces.¹¹

Audit objective and criteria

The objective of this audit was to assess whether the Ministry had adequate processes to achieve compliance by school divisions in delivering student instruction time as required by the Minister. We examined the Ministry's processes for the year ending September 30, 2009.

To conduct this audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. To evaluate the Ministry's processes, we used the criteria listed in the Exhibit. The Ministry's management agreed with the criteria.

⁹ *The Education Regulations, 1986*, section 24.

¹⁰ *2008 Saskatchewan Education Indicators Report*, p. 141. Note: we recommend further on that the Ministry define "instruction time" to set clear expectations.

¹¹ *2008 Saskatchewan Education Indicators Report*, p. 59.

Exhibit—Audit criteria for achieving compliance in delivery of instruction time

To achieve compliance by school divisions in delivering student instruction time as required by the Minister, the Ministry should:

1. Communicate requirements to school divisions
2. Monitor achievement of requirements
3. Take corrective action to improve school division compliance

Conclusion

We concluded that, for the year ending September 30, 2009, the Ministry of Education did not have adequate processes to achieve compliance by school divisions in delivering student instruction time as required by the Minister.

In the next section, we set out key findings and recommendations related to these criteria.

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and key findings for the three criteria together with our recommendations.

Communicate requirements

We expected the Ministry to communicate requirements to school divisions by:

- ◆ *setting out responsibilities*
- ◆ *evaluating whether planned information gathering processes will achieve purposes*
- ◆ *promoting awareness of requirements*

As noted in the background section above, *The Education Act, 1995* and Regulations set out the roles and responsibilities of the Ministry and of various positions within school divisions (i.e., directors, principals, and teachers).

The Ministry has published a policy document that sets out “time allocations” for each subject.¹² Other documents provided to school divisions refer to the policy requirements. For example, curriculum guides for each subject reiterate the time allocations from the policy document. These time allocations total 1,500 minutes per week.

School divisions are to follow the Ministry’s policy in allocating instruction time. However, the Ministry has not clearly defined “instruction time.” Without a clear definition of instruction time, the Ministry is not able to set out clear responsibilities. We note that teachers and students spend significant amounts of time in activities other than direct instruction and learning (e.g., assemblies, special events, and teachers’ professional development days). Time for these activities come out of the 1,500 weekly minutes available to principals for allocation. This leaves less than 1,500 minutes available for subject instruction, notwithstanding that the Ministry’s policy specifies this much time.

For the Ministry to be able to clearly communicate requirements, it should define “instruction time” to allow it to differentiate between actual time spent on direct instruction and time spent in other school activities.

3. We recommend the Ministry of Education define “instruction time” to set clear expectations for delivery of the core curriculum.

The Ministry does not require school divisions to report to the Ministry on whether schools are providing required instruction time in all subjects (we describe under the second criterion some limited information gathering that does occur).

The Ministry uses its “Continuous Improvement Framework.” It is a process for school division planning and reporting intended to help school divisions set and achieve objectives in line with Ministry priorities. School divisions are required to develop an annual plan that describes strategies to advance priorities and set out performance measures. School divisions then report on their results. Within these plans and reports, school divisions can choose to report on indicators as set out in the Ministry’s Education Indicators reports. While divisions could choose to report on

¹² Core Curriculum: Principles, Time Requirements, and Credit Policy.

instruction time, the majority of school divisions have chosen to not report on this indicator.

4. We recommend the Ministry of Education require school divisions to publicly report on their performance in meeting the Ministry’s instruction time requirements.

The Ministry promotes awareness of its time allocations for subjects to key groups. These groups include school division superintendents, directors of education, principals, and teachers. The methods do not focus exclusively on time allocations, but does include these expectations. The Ministry promotes awareness by:

- ◆ distributing its time allocation policy to school division directors of education and principals
- ◆ referring to time allocations within curriculum guides
- ◆ referring to the time allocation policy within its guide for school division funding
- ◆ raising the topic in meetings with school division officials
- ◆ for specific school divisions, discussion in Continuous Improvement Framework meetings.

The Ministry also prepared a discussion paper on the subject of hours of instruction for a group it established to study how to improve student achievement in Saskatchewan.

Monitor achievement of requirements

We expected the Ministry to monitor achievement of requirements by:

- ◆ *consistently gathering and recording timely information from school divisions*
- ◆ *identifying results*
- ◆ *analyzing results*

As noted earlier, the Ministry does not require school divisions to report whether schools are providing required instruction time in all subjects. However, the Ministry has two processes for gathering limited information on instruction time.

The Ministry's Continuous Improvement Framework provides one process for gathering this information. However, as noted, each school division has the flexibility to set its own priorities for reporting. Most school divisions have not selected this core indicator to report on.

The second process provided the information for the Ministry's indicator report on instruction time. The Ministry has a process for assessing curriculum implementation. Under this "Assessment for Learning" process, the Ministry collects information in four different subjects (reading, writing, science, and mathematics) at three grade levels. However, it is only in the subject of mathematics that the Ministry gathers and reports information on instruction time.

The Ministry's Education Indicators report and the Ministry's Assessment for Learning investigations clearly identify gaps. However, these are limited to the subject area of mathematics at three grade levels. The Ministry told us it is considering adapting its processes to more fully explore the issue. The Ministry has analyzed the issue of instruction time in its discussion paper on time and student achievement.

We note that it can be difficult to assess exactly how much instruction time is spent on a given subject. The Ministry encourages teachers to be flexible and to integrate subjects where possible. That is, a teacher may use a single activity to teach both science and math concepts.

We recommended earlier that the Ministry require school divisions to report on their performance in meeting the Ministry's instruction time requirements. The Ministry should use this information to undertake a more comprehensive examination of instruction time.

- 5. We recommend the Ministry of Education monitor for all core curriculum areas of study the extent to which school divisions meet the Ministry's requirements for instruction time.**

Take corrective action

We expected the Ministry to take corrective action to improve school division compliance by:

- ◆ *identifying priorities for change*

- ◆ *obtaining commitment for action from school divisions*
- ◆ *confirming that school divisions carry out remedial action when required*
- ◆ *reporting school division progress in delivering instruction time*
- ◆ *implementing a process for addressing persistent non-compliance*

The Ministry has created a discussion paper that proposes a number of possible actions for improving student achievement through more effective use of time. The Ministry has provided the paper to a group studying how to improve student achievement in Saskatchewan.

The Continuous Improvement Framework process provides an opportunity for the Ministry to seek commitment for action from school divisions. However, the majority of school divisions are currently not measuring and reporting on instruction time within their plans.

The Ministry meets with school division officials throughout the year to discuss various issues. The Ministry has used these meetings to communicate the results of the Education Indicators report including the instruction time results. The Ministry provides school divisions with their specific results for instruction time compared with the Ministry requirement (i.e., the policy) and the provincial average.

The Ministry told us that it is considering providing school divisions with additional comparative information on instruction time (i.e., information from other school divisions in addition to their own). The Ministry does not otherwise communicate to school divisions any remedial actions required to ensure school divisions comply with the Minister's instruction time policy. Nor does it confirm that school divisions took any remedial steps.

6. We recommend the Ministry of Education take corrective action where necessary to improve school division compliance with the Ministry's requirements for instruction time.

We earlier recommended that the Ministry of Education require school divisions to report publicly their performance in meeting the Ministry's instruction time requirements. This would encourage school divisions to take remedial steps where necessary.

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.¹³

Table 2

PAC REPORT YEAR ¹⁴	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Education		
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, 2009). The Ministry targeted August 31, 2009 for all school divisions to be in compliance with GAAP. This target will not be met.
2009	PAC concurs: 16-2 that the Ministry of Education follow its established procedures for user access to its systems and data.	Not implemented (as at March 31, 2009). During the audit, we reviewed access for all employees on the MIDAS HR system. One employee continues to have incompatible roles within the system. For the Student Data System, we found four employees where the Ministry had not removed access on a timely basis.
2009	PAC concurs: 5-2 that the Ministry of Education receive and review proper support for the payments made to the Teachers' Superannuation Commission.	Partially implemented (as at March 31, 2009). The Ministry received some additional support for the payments made to the Teachers' Superannuation Commission; however, more is still required.
2009	PAC concurs: 5-4 that the Ministry of Education monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.	Not implemented (as at March 31, 2009). Management told us that the Ministry is working with ITO to develop a security report that will meet all clients' needs.

¹³ For the definitions of the key terms used in the table, see Chapter 20 – Standing Committee on Public Accounts.

¹⁴ 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 ¹⁴	OUTSTANDING RECOMMENDATION	STATUS
2007	PAC concurs: 3-1 that the Department of Learning's human resource plan should: <ul style="list-style-type: none"> - 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, 2009). The Ministry's 2009-2010 Human Resource Plan still needs improvement.
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, 2009). No progress in the year.
Ministry of Education (Teachers' Superannuation Commission)		
2009	PAC concurs: 3-3 that the Teachers' Superannuation Commission comply with its governance manual.	Partially implemented (as at June 30, 2008). We have not yet completed the audit for June 30, 2009.
2009	PAC concurs: 3-4 that the Teachers' Superannuation Commission identify its human resource needs and develop strategies to address any identified competency gaps.	Partially implemented (as at June 30, 2008). We have not yet completed the audit for June 30, 2009.
2009	PAC concurs: 3-5 that the Teachers' Superannuation Commission: <ul style="list-style-type: none"> - maintain proper financial records - establish and communicate to staff policies and procedures to control public money relating to its benefit plans - obtain approval for bank overdrafts as required by <i>The Financial Administration Act, 1993</i> 	Partially implemented (as at June 30, 2008). We have not yet completed the audit for June 30, 2009.
2009	PAC concurs: 3-6 that the Teachers' Superannuation Commission establish complete and written guidance for preparing its interim and year-end financial reports.	Partially implemented (as at June 30, 2008). We have not yet completed the audit for June 30, 2009.

PAC REPORT YEAR¹⁴	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 3-7 that the Teachers' Superannuation Commission's annual report include a report on the activities and the financial statements for each benefit plan the Commission administers.	Partially implemented (as at June 30, 2008). We have not yet completed the audit for June 30, 2009.

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Enterprise and Innovation programs

5

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Main points

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.

Enterprise Saskatchewan provides the day-to-day administration of this program. It did not have adequate processes to make certain it issues provincial tax credits under this program only to eligible individuals.

Introduction

The Minister of Enterprise is responsible for the Small Business Loans Association program, Ethanol Fuel (grant) program, and Labour-sponsored Venture Capital Corporations program (Enterprise and Innovation programs). Prior to November 1, 2008, the former Ministry of Enterprise and Innovation was responsible for the delivery of these programs. The Government disestablished this Ministry effective October 31, 2008.

Since November 1, 2008, the Minister of Enterprise has entered into an Administrative Services Agreement with Enterprise Saskatchewan and the Ministry of Finance. Under this agreement, they become jointly responsible for the delivery of these programs on behalf of the Minister.

For each of these programs, Enterprise Saskatchewan provides the Minister with ongoing administration. Ongoing administration included the following:

- ◆ for the Small Business Loans Association program – processing new loans, collecting loan repayments, and monitoring existing loans
- ◆ for the Ethanol Fuel (grant) program – processing new grants.
- ◆ for the Labour-sponsored Venture Capital Corporations (LSVCC) program – processing new and recovering certain tax credit certificates and monitoring investments of LSVCC

For each of these programs, the Ministry of Finance authorized and disbursed the related payments from the General Revenue Fund (GRF) and recorded the receipt of cash, if any, into the GRF.

Financial overview

For the year ended March 31, 2009, Small Business Loans of \$11.6 million were outstanding with \$36 thousand disbursed (estimate-\$5.5 million) and \$56 thousand repaid and/or written off in 2008-09. Also, Enterprise Saskatchewan issued \$11.6 million of provincial income tax credits in 2008-09 under the LSVCC program. The following is a list of

Chapter 5 – Enterprise and Innovation programs

spending of the Enterprise and Innovation programs by program for the year ending March 31, 2009:

	<u>Original Estimates</u> ¹	<u>Actual</u>
	(in thousands of dollars at March 31)	
Small Business Loan Associations	\$ 1,133	\$ 397
Ethanol Fuel Tax Rebate (grants)	<u>21,000</u>	<u>19,281</u>
	<u>\$ 22,133</u>	<u>\$ 19,678</u>

Audit conclusions and findings

In our opinion, for the year ended March 31, 2009:

- ◆ **Enterprise Saskatchewan and the Ministry of Finance had adequate rules and procedures to safeguard public resources related to the Enterprise and Innovation programs except for the matter reported in this chapter**

- ◆ **Enterprise Saskatchewan and the Ministry of Finance complied with the authorities governing the Enterprise and Innovation programs' activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matter reported in this chapter**

Verifying compliance of LSVCC's investments

Enterprise Saskatchewan did not have adequate processes to make certain it issues provincial income tax credits under *The Labour Sponsored Venture Capital Corporations Act* only to eligible individuals.

The LSVCC program encourages individuals to invest in businesses that often have difficulty raising capital by other means. Under the LSVCC program, individuals investing in shares of a provincially-registered LSVCC or in a qualified federally-registered LSVCC are eligible for income tax credits (provincial and federal) up to a combined maximum credit of \$1,000 each year. To become provincially-registered and maintain this registration, Labour-sponsored venture capital corporations

¹ *Saskatchewan Provincial Budget 08-09—Ready for Growth Estimates*, Enterprise and Innovation, Vote 43, Investment programs (E103). p. 58.

must invest in Saskatchewan-based small and medium sized businesses that meet the conditions set out in *The Labour Sponsored Venture Capital Corporations Act* (Act) (e.g., employ no more than 500 employees and pay out a minimum of 25% of their salaries and wages to Saskatchewan residents).

Under the Agreement with the Minister of Enterprise, Enterprise Saskatchewan issues LSVCC tax credit certificates to individuals. It is also responsible for registering corporations provincially and determining whether these corporations continue to comply with the Act. The corporations must continue to comply to maintain their registration and so that their investors continue to be eligible for tax credits.

During 2008-09, Enterprise Saskatchewan's monitoring activities consisted of collecting and reviewing information from LSVCCs on an annual and ongoing basis and informally following up with corporations on information it found questionable. Other than the LSVCCs' audited financial statements, information that Enterprise Saskatchewan receives from LSVCCs is not audited.

In prior years, Enterprise Saskatchewan (or its predecessor) audited some corporations. In our review of these past audits, we noted that some LSVCCs operated for more than five years and had never been audited and that some other large and actively investing LSVCCs were last audited 9 years ago.

Enterprise Saskatchewan did not formally assess the risk of LSVCCs not complying with the Act and did not maintain an audit program that set out which corporations were selected for audit, when, and why.

Reliance on unaudited information submitted by LSVCCs is not sufficient to ascertain compliance with the law. To determine whether corporations complied with the law and to encourage their compliance, we expected Enterprise Saskatchewan to verify the accuracy of the unaudited information that the corporations provided through the use of periodic risk-based audits. To determine which corporations to audit and when, we expected Enterprise Saskatchewan would analyse the risk of corporations not complying with the Act and develop and carry out an audit program that would both deter and detect corporations' non-compliance with the

Act. The exhibit below provides further detail on documented risk analysis and audits.

Lack of a documented risk analysis and audit program increases the risk that Enterprise Saskatchewan may issue income tax credits to individuals for investments that do not meet the eligibility criteria set out in the Act.

- 1. We recommend that Enterprise Saskatchewan develop and carry out a risk-based audit program to verify labour-sponsored venture capital corporations' compliance with *The Labour Sponsored Venture Capital Corporations Act*.**

Exhibit:

A documented risk analysis:

- ◆ includes identifying and ranking areas of potential non-compliance. Factors affecting non-compliance may include size of the LSVCC, sudden change of its management, diversity of its investments, extent of audited information available, and results of past audits.
- ◆ enables organizations to develop an audit program that would allow them focus resources on areas where non-compliance is of greatest risk and impact (i.e., risk-based audit program).

The audit program would set out which corporations are selected for audit and when along with factors that may change the timing of the audit. Audits required by the audit program would:

- ◆ verify the accuracy of information provided by corporations
- ◆ determine corporations' compliance with the Act and in particular, if their investments meet the requirements of the Act
- ◆ recommend whether corporations' registration should continue, and if not, actions required (e.g., suspension of registration, recall of issued tax credits for ineligible investments).

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Environment

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Main points

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.

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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 generations¹. Information about the Ministry is available on its website (www.environment.gov.sk.ca).

For the year ended March 31, 2009, the Ministry's program costs were \$173 million (2008 – \$168 million) and its net capital acquisitions were \$18 million. Also, the Ministry had revenue of \$50 million (2008 – \$47 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 the Fish and Wildlife Development Fund.

Information about the Ministry's revenues and expenses appear in the Ministry's 2008-09 annual report, (see www.environment.gov.sk.ca). The Ministry's major programs and spending include:

	<u>Original Estimates</u>	<u>Actual</u>
	(Millions of dollars)	
Central Management and Services	\$ 17	\$ 17
Environmental Protection	29	28
Forest Services	15	14
Fire Management and Forest Protection	98	90
Fish, Wildlife and Biodiversity	10	10
Compliance and Field Services	16	16
Corporate Policy and Planning	21	17
Land	<u>3</u>	<u>3</u>
	<u>\$ 209</u>	<u>\$ 195</u>

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

Year ended March 31

Fish and Wildlife Development Fund
 Operator Certification Board
 Saskatchewan Watershed Authority
 Water Appeal Board

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

The Commercial Revolving Fund is now 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.

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, 2009:

- ◆ **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 fund and agencies are reliable**

In this chapter, we report on our audit of the Ministry's processes to regulate reforestation of the provincial forest on Crown land. We also report on the Ministry's progress on our recommendations relating to processes to regulate air emissions and contaminated sites.

The Ministry needs to do more to address our past recommendations so that it can properly protect public resources. The Ministry needs an adequate written analysis of its human resource needs (quantity and quality) and strategies to address those needs. The Ministry should obtain

any human resources needed, establish adequate processes, supervise staff, and comply with the law.

Better human resource plan

The Ministry needs to determine its human resource needs and develop strategies to address any competency gaps in its current resources.

The Ministry has a human resource plan, which links to its strategic plan. The plan outlines its priorities and human resource needs. The plan also identifies key human resource risks and some competency gaps in current resources as well as some strategies and implementation plans to bridge competency gaps.

The Ministry had identified in its human resource plan the importance of being accountable for the resources the Ministry manages. Accountability includes ensuring revenues are billed, recorded, and collected promptly; payments are properly supported and approved; and bank reconciliations are prepared and approved on a timely basis. The Ministry has determined some of its human resource needs and developed some strategies to address its needs. However, it needs to complete the determination of its current needs, determine its future human resource needs, and develop strategies to address any gaps between its current and future workforce.

During the audit, several items of documentation and comments from staff noted there were inadequate resources to achieve the Ministry's objectives. For example, the Ministry needs to determine its accounting human resource needs, the resources available, and how it will address any gaps. The Ministry can address these gaps by training or through recruitment. When employees do not have the needed competencies, they may hesitate to do the assigned tasks or do them incorrectly.

- 1. We recommend the Ministry of Environment complete the identification of its human resource needs and develop strategies to address any competency gaps.**

Management told us that it is conducting a gap analysis to determine the competencies required to support the Ministry's results-based regulatory reform; and, where needed, it will conduct competency assessments.

This information will then guide the Ministry's training and development plans, as well as a recruitment plan where it is not feasible to develop the required skills internally.

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.

Controlling 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.

In our 2008 Report – Volume 3, we recommended the Ministry 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. PAC considered this matter in December 2008 and agreed with our recommendation.

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 has a written policy to reconcile its recorded bank balances to the bank's records promptly. Its procedures require management to review and approve the reconciliations. During the year, the Ministry's main bank account was not reconciled promptly. For example, staff did not complete the October and November 2008 bank reconciliations until late March 2009. Annually, the main bank has about \$21 million in deposits and transfers. Staff also did not reconcile other bank accounts promptly. In addition, there were several bank accounts and months in which the supervisor did not promptly review the bank reconciliations.

We continue to 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.

Management told us it has since reviewed the bank reconciliations to ensure the Ministry has received and deposited all money in the correct bank account.

Following revenue guidance

In our 2008 Report – Volume 3, we recommended 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. PAC considered this matter in December 2008 and agreed with our recommendation.

Staff continue to ignore the Ministry's written guidance for recording revenue from land leases. Staff continue to record lease revenue that belongs to the Commercial Revolving Fund (CRF) and the Fish and Wildlife Development Fund (FWDF) as Ministry revenue. As a result, at March 31, 2009, the CRF's and the FWDF's annual financial statements presented for audit understated unearned revenue by \$287,000 and \$21,000, respectively. The error was corrected in the final CRF financial statements for the year ended March 31, 2009. The FWDF's financial statements were not corrected.

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 some of these agreements, the FWDF is entitled to its share of 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 could not provide us evidence to verify that this revenue is insignificant. The Ministry's processes require it to bill, record, and collect these revenues.

The Ministry has a computer system that records license revenue from fishing, hunting, and forest licenses. License revenue totalled approximately \$12 million for the year ended March 31, 2009. The Ministry has written guidance requiring staff to reconcile the license revenue in the license computer system to the Ministry's main financial record (MIDAS) monthly to ensure that the correct amount has been recorded in MIDAS. For several months, staff did not reconcile the license revenue in the license computer system to MIDAS.

Management told us that the reconciliation for March 31, 2009 between the license computer system and MIDAS was performed in September 2009. All revenues were properly recorded and the two systems agreed.

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. The companies do not remit any remaining fees owing until the Ministry verifies the annual returns. At March 31, 2009, the Ministry had not completed verifying the annual returns for all companies for March 31, 2008. Staff also had not completed the verification work of annual returns for some companies for years ending March 31, 2006 and March 31, 2007. The Ministry told us it has undertaken to improve its documentation of the process to verify returns and document its verification work, which it expects to complete in 2009/10.

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

We continue to 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 license revenue.

Management told us it amended agreements with agencies protecting wildlife habitat in the fall of 2009 to allow them to retain all revenue from jointly-owned lands.

Segregating 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 perpetrate and conceal errors and fraud. Segregation of duties is important to prevent the misuse of public money. In our 2005 Report – Volume 1, we reported that the Ministry lost about a half a million dollars in public money because of a lack of segregation of duties.

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. The following are examples of where segregation of duties was lacking.

The Ministry's internal auditor reported for quarter ending June 30, 2008 to senior management that employees do not always comply with the segregation of duties policies for processing payments. For example, staff approved purchase orders after the purchase instead of before hand. Also, unauthorized individuals approved payments. The internal auditor did not examine the other three quarters of 2008-09 due to the lack of resources. However, the internal auditor reported to senior management that there is a potential for increased non-compliance with established procedures because of insufficient staff to do all of the work properly.

Also, the computer system the Ministry uses to process payments allows the same employee to record and approve payments. Some of these

employees are also set up as valid vendors for the purposes of travel advances. Independent staff reviewed some of the payments made by staff who both entered and approved payments to determine that all payments were appropriate. A supervisor reviewed and approved the listing. Management told us it did not find any improper payments. Management told us it has worked with the Ministry of Finance to fix this segregation issue in July 2009.

During the year, we found that two staff at the Public Service Commission had the ability to set up and make changes to the Ministry's employee payroll records including pay rates as well as enter hours employees worked. The risk employees are paid the incorrect amount and fictitious employees may be paid increases when staff do both the task of making changes to employee records and recording time worked. When we informed management of this lack of segregation, they took steps to correct it.

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

Following payroll guidance

In our 2008 Report – Volume 3, we recommended 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. PAC considered this matter in December 2008 and agreed with our recommendation.

The Ministry's salaries and wages were approximately \$60 million for the year ended March 31, 2009.

Supervisors continued not to submit all staff termination notices to the payroll department prior to calculating final pay. As a result, the Ministry overpaid salary and vacation to terminated employees in the amount of \$17,000 for terminated employees of the Ministry and the Commercial Revolving Fund.

We continue to 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.

Following guidance for preparing financial records and financial reports

In our 2008 Report – Volume 3, we recommended 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.

PAC considered this matter in December 9, 2008 and agreed with our recommendation.

The Ministry is responsible for administration of the Fish and Wildlife Development Fund (FWDF) and the Commercial Revolving Fund (CRF). 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 CRF's and FWDF's financial statements presented for audit contained errors. As mentioned above, the Ministry did not record \$287,000 and \$21,000 in unearned revenue, belonging to CRF and FWDF respectively; it incorrectly recorded them in the Ministry's financial information. The Ministry corrected the CRF's financial statements for these amounts.

Staff overestimated license revenue for FWDF by \$27,000, that the Ministry did not correct in the financial statements. Staff also did not disclose over \$400,000 in commitments in the financial statements, which the Ministry did correct. In addition, staff did not prepare a complete and accurate listing of grants and contract payments to support the financial statements presented for audit. In late July 2009 it prepared a complete and accurate listing.

We continue to 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 statements for the Fish and Wildlife Development Fund and the Commercial Revolving Fund.

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.

Controls to count and value inventory

The Ministry does not have adequate processes to count and value its inventory.

The Ministry had inventory of about \$19.3 million at March 31, 2009. The Ministry's inventory includes airplane parts, fire fighting equipment, and tools. The Ministry also manages inventory for the Commercial Revolving Fund (CRF). At March 31, 2009, this inventory totalled about \$1.1 million and consisted of items such as firewood and maps for resale.

Well-managed agencies establish processes to control inventory. Those processes include clearly identifying where the inventory is stored, securing the storage against loss or theft, and periodic counts to ensure inventory exists. Agencies also establish processes to determine the value of the inventory and adjust their accounting records to agree with inventory on hand.

The Ministry has policies for recording, storing, counting, and valuing inventory. However, it does not have any written guidance for staff on how often to count the physical inventory and how to value the inventory. Because it does not have clear guidance for staff, staff did not properly value the inventory. At March 31, 2009, the inventory value lacked proper support and did not follow the established policy of using average cost to value the inventory. Also, there was no evidence of supervisory review of the support that staff had prepared. For example, management at one point noted that certain items were obsolete; later, management told us these items were not obsolete. Incorrect inventory value results in

incorrect financial statements. Incorrect financial statements could result in incorrect or inappropriate financial decisions.

For the CRF audited financial statements at March 31, 2009, management overstated the value of the inventory by approximately \$100,000. The Ministry's inventory was overstated by approximately \$200,000. Management did not determine the extent that inventory was incorrectly valued nor did it adjust CRF's financial statements.

2. We recommend the Ministry of Environment establish adequate processes to determine its inventory.

Processes for monitoring agreements

In our 2008 Report – Volume 3, we recommended the Ministry of Environment establish processes to monitor compliance with its agreements. PAC considered this matter in December 2008 and agreed with our recommendation

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, owed, 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 will pay the incorrect amount for the goods/services.

During the year, the Ministry did not have an adequate record of its agreements for FWDF. For example, the Ministry did not have a complete record of the agreements it administers including the amounts paid, owed, and amounts committed. Without such a record, it is difficult for staff to estimate the correct amount owed and committed. During 2008-09, the Ministry began enhancing its contract management policy to include written guidance on monitoring compliance with terms of agreements.

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

Management told us beginning in September 2009 it updates monthly its listing of agreements.

Adequacy of service level agreement

In our 2008 Report – Volume 3, we recommended the Ministry of Environment sign an adequate agreement with the Information Technology Office (ITO) for information services. PAC considered this matter in December 2008 and agreed with our recommendation.

The Ministry signed a service level agreement with ITO on April 1, 2008. 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. The Ministry made no progress in improving its agreement with ITO. ITO billed the Ministry \$4.7 million for the services it provided to the Ministry for the year ended March 31, 2009.

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

Management told us the Ministry is in discussions with the ITO to address disaster recovery within the scope of the agreement.

Multi-year plan for information technology

In our 2008 Report – Volume 3, we recommended the Ministry of Environment establish an adequate information technology (IT) plan. PAC considered this matter in December 2008 and agreed with our recommendation.

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.

The Ministry does not have a multi-year IT plan that links to its strategic objectives. Nor has it prepared an annual IT operational plan. 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. In 2008-09, the Ministry made no progress in developing an IT plan.

We continue to recommend the Ministry of Environment establish an adequate information technology plan.

Management told us it expects to develop this plan in 2009-10.

Establishing processes to secure data

In our 2008 Report – Volume 3, we recommended that the Ministry of Environment establish adequate processes to secure its systems and data. PAC considered this matter in December 2008 and agreed with our recommendation.

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 systems and data. An IT plan can help management do so. Below are examples where processes were not adequate.

The Ministry continues not to have 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's internal auditor examined employees' access to computer systems. The auditor found the access given to some employees was improper and lacked a written reason for the need for their access. The auditor also found there was a general lack of review of user access to ensure it remained appropriate and a review of some transactions by supervisors to ensure transactions were properly processed. For example, several staff no longer employed with the Ministry still had access to some computer systems.

The Ministry accepts credit card payment for some fees, such as the Big Game Draw. The Ministry 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.

To know that its computer systems and data are secure, the Ministry also needs to monitor whether the security ITO provides is adequate. The Ministry did not ask for or receive any information on the security or availability of its systems from ITO for the period April 1, 2008 to March 31, 2009. Also, 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 access. In addition, because of the lack of adequate communication about security, the Ministry was not aware of the risk.

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

Management told us it is in discussion with the ITO to address these security concerns within the scope of the agreement it has with ITO.

Completing a 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 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 made no progress on this matter in 2008-09. The Ministry does not have a complete and tested business continuity plan. In prior years, it ranked its critical services and began developing procedures for the recovery and restoration of these critical services. The Ministry has now contracted ITO to carry out its information technology services. It still needs 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.

Management told us the business continuity plan is being developed and tested in 2009-10.

Making changes to lease rates

In our 2008 Report – Volume 3, we recommended the Ministry of Environment establish processes for changing lease rates and customer information on its computer systems. PAC considered this matter in December 2009 and agreed with our recommendation.

The Ministry lacks written guidance for staff making changes to lease rates and customer information maintained on its computer systems. Some staff have the authority to make changes to lease rates and customer information as well as access to do billings in the computer system. This deficiency increases the risk that the Ministry incorrectly bills customers.

The Ministry has begun preparing written guidance for staff to follow for making changes to lease rates. The Ministry also assessed the access of staff to change lease rates, customer information, and bill customers.

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

Management told us ITO made changes to staff access in October 2009.

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.

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 defined compliance actions to reduce these risks. However, the Ministry has not yet documented all of its compliance reporting needs.

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

Internal audit needs strengthening

The Ministry needs to ensure that the internal auditor can provide it with information on the effectiveness of its controls to safeguard public resources and to ensure that its revenues and expenses comply with the law.

The internal auditor provides an annual work plan to the Ministry's senior management team for review and approval. However, this plan is incomplete. The plan does not outline the strategic and operating risks the Ministry faces and how the internal auditor's work would help to mitigate those risks. The plan also needs to include the resources required to complete the work plan and expected completion dates of work.

The senior management team needs to determine the frequency and the types of reports the internal auditor needs to provide it. In 2008-09, internal audit reported once in September 2008 to senior management on the work it had completed to June 2008. In April 2009, the internal auditor provided an update on its 2008-09 audit plan. This update indicated much of the planned work had not been completed due to a lack of resources. Also, in April 2009, the internal auditor provided senior management with the results of its work on reviewing employees' access to the Ministry's various computer systems. The internal auditor had completed this work

in September 2008 and noted several concerns with employees' access to computer systems.

In April 2009, senior management approved an Internal Audit Charter. The Charter requires the internal auditor to develop a financial risk-based plan for senior management's review and approval and seek approval for changes to the plan. The internal auditor is also required to provide senior management with quarterly reports on the work it has done.

3. We recommend the Ministry of Environment:

- ◆ **approve an adequate internal auditor work plan**
- ◆ **receive regular reports from the internal auditor and take action**

Regulating reforestation

Over half of Saskatchewan, approximately 34 million hectares^{2,3} is forest. This includes Crown land of approximately 32 million hectares⁴. Forests provide people with a multitude of benefits. Forests are an important part of the economy and landscape of many Saskatchewan communities⁵. Saskatchewan people use forests for many purposes (e.g., recreation and economics). Forests consume carbon, produce oxygen, protect watersheds, and provide habitat for wildlife. Managing forest ecosystems⁶ helps maintain their productivity and the diversity of life within them.

Under *The Forest Resources Management Act* (Act), the Ministry of Environment (Ministry) is responsible for the sustainable use of the forest for the benefit of current and future generations. It must balance the needs for economic, social, and cultural opportunities with the needs to maintain and enhance the health of forests. Under the Act, forests are Crown resource land designated by Cabinet as provincial forests and any Crown land outside the designated provincial forests described in forest management agreements, term supply licenses, or forest product permits.

² Report on Saskatchewan's Provincial Forests, March 2007, Department of Environment, pg.35.

³ Hectare is a metric measure of area and represents approximately 2.5 acres.

⁴ Ministry of Environment Geomatics Branch.

⁵ Report on Saskatchewan's Provincial Forests, March 2007, Department of Environment, pg. 1.

⁶ An ecosystem is a system involving interaction between organisms and the non-living environment.

The Saskatchewan forest commercially viable for harvesting is about 12 million hectares⁷. In 2007-08, forest operators harvested over 14,000 hectares of forest⁸. As at June 30, 2009, the Ministry had four forest management agreements and twenty-five term supply licenses.

Forest management agreements (FMAs) require operators to reforest harvested areas to maintain the long-term productive capacity of forests and the integrity of the ecosystem. Three FMA operators pay fees into a forest management fund for reforestation and one operator pays fees into a trust fund. Twenty-one of the term supply licenses are volume based licenses (VTSL) that do not require operators to reforest but they must pay fees into a forest management or trust fund. The other four area based term supply license (ATSL) operators are required to pay into and maintain a reforestation trust fund. At June 30, 2009, there were three forest management funds and eight reforestation trust funds holding amounts totalling approximately \$1.8 million and \$2.6 million, respectively.

Reforestation includes planting trees as well as allowing harvested areas to regenerate on their own. Annually, the forest industry plants about 16 million trees⁹. The Ministry must monitor forest operators' compliance with the FMAs and licenses relating to reforestation.

The Ministry is also responsible for reforestation of certain forest areas harvested prior to the current FMAs and ATSLs. In 2008-09, the Ministry spent over \$3 million reforesting these areas.

Why is reforestation necessary?

Prompt reforestation is necessary to maintain the long-term productivity of the forest and health of forest ecosystems. In 2008-09, the Ministry spent about \$4 million to regulate forest companies. Under the Act, the Ministry regulates how forest companies build roads in forests, harvest, process, and reforest the provincial forest. The Ministry does so by setting out terms and conditions including reforestation activities in agreements, licenses, and permits it signs with operators. Prompt reforestation is

⁷ Report on Saskatchewan's Provincial Forests December 2008, Ministry of Environment

⁸ Ministry of Environment Forest Service Branch

⁹ Ibid.

imperative to achieve a sustained flow of forest products and to maintain forest ecosystem health.^{10 11}

Sustainable use of natural resources contributes more than \$1 billion to the provincial economy. Forestry initiatives in northern Saskatchewan maintain thousands of jobs and opportunities to expand business. Nature-based tourism, i.e., hunting, fishing, and camping generate more than \$453 million of revenue annually for business in the regions and increases provincial GDP by about \$126 million and creates 3,591 full-time equivalent jobs¹².

Reforestation is a long-term process. It takes 80 years to grow a mature deciduous tree and 90 years for a coniferous tree¹³. Reforestation of a forest can occur naturally but this may not be with the original species of trees. Certain coniferous trees need help initially to grow, otherwise vegetation can make it difficult for them to grow. Some of the most economically valuable trees require such help to become established.

An adequate process to monitor reforestation helps ensure that the forest will regenerate with the right kind of trees that are not susceptible to higher risk of disease or produce less merchandisable forest products.

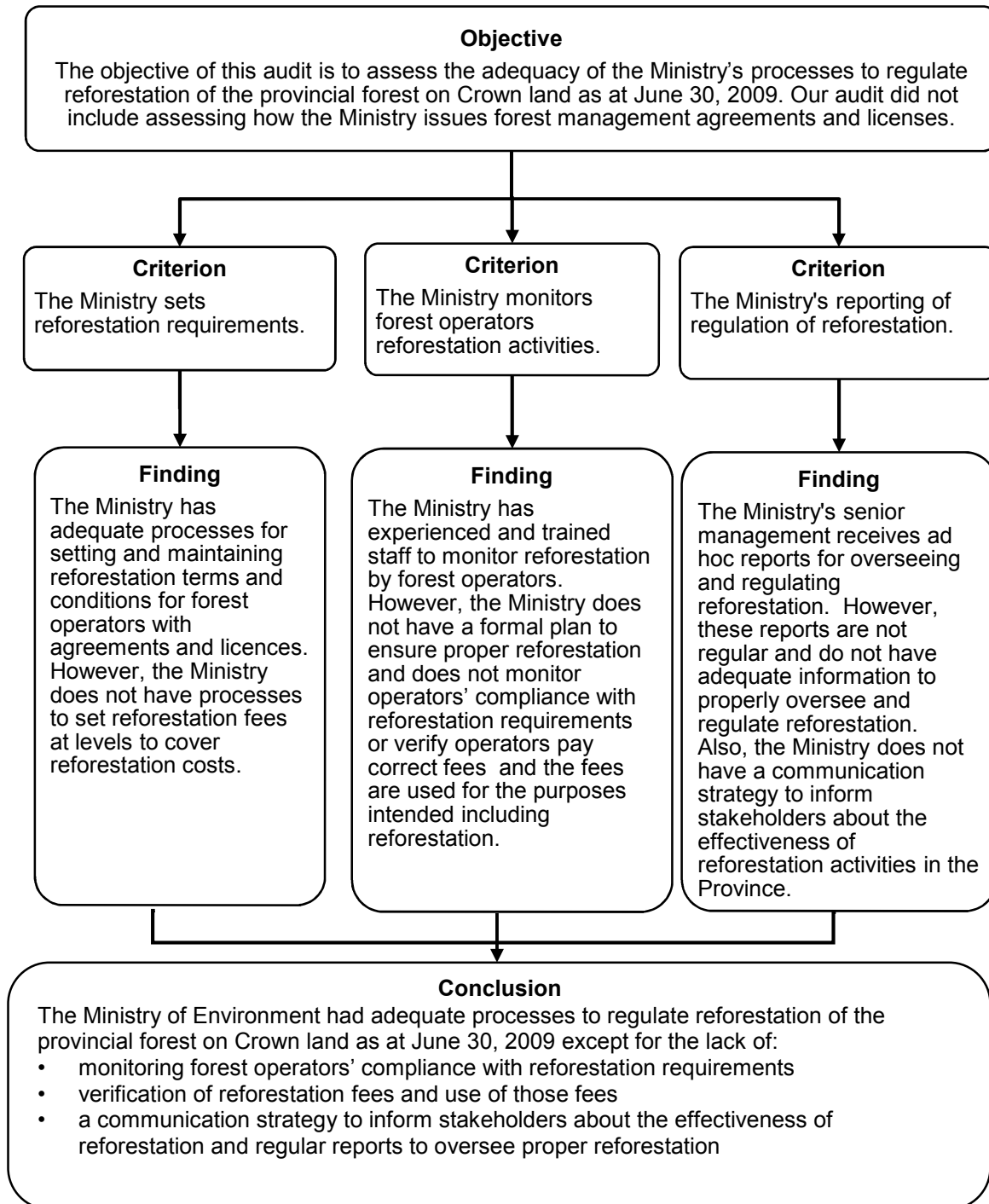
¹⁰ Regeneration Assessment – Forest Operations Manual, July 2008, Ministry of Environment, pg. 1.

¹¹ Criteria and Indicators of Sustainable Forest Management in Canada, National Status 2005, Canadian Council of Forest Ministers, pg. 6.

¹² Saskatchewan Environment 2006-2007 Annual Report, pg. 33.

¹³ Saskatchewan Environment - Forest Service Forest Management Planning- Forest Planning Manual August 2007, pg. 234.

Audit objective, criteria, findings and conclusion



Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

We used criteria, set out in the exhibit, to assess the Ministry's processes. We based the criteria on related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry agreed with the criteria.

Key findings by criterion

We provide below our expectations (in italics), detailed findings for each criterion, and our recommendations.

Setting out reforestation requirements

We expected that the Ministry would have processes to:

- ◆ *set out its reforestation requirements in licenses, permits, and forest management agreements*
- ◆ *maintain its reforestation requirements (i.e., in response to changes in science)*

To comply with the Act and regulations, the Ministry has established standards called Regeneration Assessment Standards¹⁴ (standards) for reforestation that operators must follow. These standards help ensure that Saskatchewan's forests regenerate promptly and effectively after harvesting. The standards address adequate distribution of trees, survival, and growth rates of reforested areas. Standards help regulatory agencies, the forest industry, and the public to assess the success of forest regeneration.

The Ministry has written reforestation requirements that forest operators must follow. The Forest Resource Management Regulations specify that forest operators shall ensure the renewal of harvested areas as required by the terms of the license, permit, or agreement.

Forest management agreements (FMAs) and area based term supply licenses (ATSLs) require forest operators to reforest as outlined in the

¹⁴ Regeneration Assessment Standards can be found on the Ministry's website at <http://www.environment.gov.sk.ca/Default.aspx?DN=c3d2f225-11df-4893-9684-fb3546bffeeb>

Ministry's standards. FMAs and ATSLs account for most of the commercially viable forest area. The Ministry has the authority to issue forest product permits (FPP) or volume based term supply licenses (VTSL) to operators to harvest trees on areas of forest allocated under FMAs or ATSLs. The Ministry uses regeneration assessment surveys to measure the achievement of these standards.

Operators with FPPs or VTSLs harvest trees on forest areas allocated to operators under an FMA or ATSL. Operators with FPPs and VTSLs must pay reforestation fees to the Ministry based on the volume and type of wood harvested. Operators must also comply with other terms and conditions of the FPPs or VTSLs.

The Ministry has some written guidance for issuing permits. It does not have complete written guidelines for setting conditions for reforestation and approving permits. The Ministry allows all staff to issue FPPs. FPPs allow operators to remove trees for harvest as well as for mineral, oil and gas exploration, developing a gravel pit, or road construction. In some cases, the Ministry issued FPPs without a requirement to pay the reforestation fees required under the regulations. Management could not tell us the nature and extent of FPPs lacking reforestation or fee requirements because the Ministry's central record of issued permits is not complete. In addition, the Ministry could not provide us evidence of analysis supporting withdrawal of land from the forest for other purposes such as building a road, a cabin, or a subdivision. Land withdrawn from the forest affects the ecosystem.

As stated earlier, the Ministry requires FMA and ATSL operators to maintain a forest management or trust fund for reforestation. Operators harvesting trees in the forest area covered by FMAs or ATSLs must pay reforestation fees into the related management or trust fund. Operators with trust funds account for about one-third of the commercially viable forest. Operators harvesting trees in an area outside the FMAs or ATSLs are required to pay reforestation fees to the Ministry. The Ministry establishes the reforestation fees after consulting with operators. However, the Ministry does not have a formal process to ensure the reforestation fees set in regulation for TSL and FPP operators are enough to pay for the desired reforestation. As a result, there is a risk the TSL and FPP operators do not pay their fair share of reforestation and FMA operators and the Ministry pay for this reforestation.

Some ATSL operators with trust funds are only required to undertake reforestation activities to the extent of the resources available in the trust funds. FMA and some ATSL operators with management funds or trust funds must meet the reforestation standards regardless of the amount of resources available in the management funds. This is the case even if another operator has harvested the forest and paid the required fees into the forest management fund or trust. The reforestation activities of other operators with VTSLs and FPPs are often limited to paying reforestation fees to the trust or management funds for the area in which they are harvesting.

To maintain the reforestation standards, Ministry staff work with their counterparts in other provinces and the forestry industry. Annually, the Ministry's staff meet with operators of FMAs to review the forestry management standards including reforestation and make changes as needed. Biannually, Ministry staff meet with all FMA, ATSL and some VTSL operators to discuss compliance with reforestation standards. The Ministry's forestry staff and all licensed operators receive revised standards.

- 4. We recommend the Ministry of Environment establish processes for setting reforestation terms and conditions and for approving forest product permits.**
- 5. We recommend the Ministry of Environment establish processes to set reforestation fees at a level to cover reforestation costs.**

Monitoring forest operators' reforestation activities

We expected that the Ministry would monitor forest operators' reforestation activities by:

- ◆ *assigning responsibility for evaluating reforestation (e.g., qualified staff with required expertise)*
- ◆ *maintaining guidance for evaluating reforestation*
- ◆ *regularly obtaining reforestation information from operators (e.g., annual operating plan, reforestation plans)*
- ◆ *assessing operators compliance with reforestation requirements (e.g., independent certified surveyor for performance survey,*

- reforestation plan approved and achieved, site inspections of reforestation, surveys, use of trust funds for reforestation)*
- ◆ *maintaining records of forest operators reforestation requirements, activities, and compliance*
 - ◆ *promptly following up on operators non compliance with reforestation requirements*

The Ministry has experienced and trained forestry staff. Forestry staff include Forestry officers and Area foresters with post-secondary education in forestry or resource management. Forestry staff hold certifications such as Registered Professional Foresters or Registered Forest Technologists. These Forestry Officers study the impact forestry activities have on the environment and forest management practices. Area foresters manage harvesting and reforestation of forests. Forestry Officers and Area Foresters monitor and approve the harvesting and reforestation of forests by industry. Forestry Officers and Area Foresters monitor forest operators' compliance with reforestation requirements. One employee is referred to as the "Forest Renewal Expert" and is responsible to keep abreast of changes in best practices for forest renewal, reforestation standards, and monitoring operators' compliance with those standards.

The Ministry established reforestation standards in April 2004. At June 2009, the Ministry is surveying the forest to assess the adequacy of reforestation completed prior to April 2004. Management notes that early results show that several thousands of hectares of forest are not properly reforested. The Ministry and industry have shared responsibility for reforesting these areas. The Ministry has begun developing a plan to reforest these areas. The Ministry needs to complete its plan setting out who will correct this condition, how, and when. It must do so to ensure proper reforestation of all forestlands.

The Ministry's reforestation monitoring processes do not set out what reforestation reports operators must provide and the monitoring procedures forestry staff must do. At June 2009, operators of FMAs and ATSLs provide the Ministry with annual operating plans including information about expected areas of harvest but little information on reforestation. Management told us it is developing guidance on the types and frequency of reports its wants operators to provide the Ministry. Also, operators with FPPs and VTSLs provide little or no information about

reforestation. The Ministry must establish a robust process to monitor the adequacy of reforestation. Absence of such a process increases the risk of deteriorating forest ecosystem health and less desirable species resulting in less merchandisable forest products.

The Ministry inspects and audits forest operators to determine their compliance with the reforestation standards. Inspections include site visits with a focus on tree harvesting. Compliance audits examine operators forest harvesting and reforestation practices along with its day-to-day operating practices. However, these procedures are not timely. We note the Ministry completed the most recent compliance audit in 2005. The Ministry does receive some information from audits conducted of FMA operators. However, the focus of these audits is forest harvesting.

The Ministry receives, analyzes, and stores information from forest operators manually. Forest operators and their regulators in many other jurisdictions in Canada use a computer-based geographical information system (GIS) to help them analyze forest data and readily retrieve it out of storage. For example, the landscape level impacts of regeneration and mining, and oil and gas developments are difficult to assess without such a system.

The Ministry must ensure all operators of FMAs and ATSLs pay the correct amount of fees into the relevant forest management fund or trust fund for reforestation and for other activities such as maintaining forest inventories. The Ministry must also ensure that managers of those funds spend money in those funds for intended purposes including reforestation. Since 2006, the Ministry has not carried out its processes to verify that the correct fees were paid into the funds and that the funds' managers spent the money for allowable purposes which include reforestation. The Ministry receives audited financial statements of the revenues and expenses of the management and trust funds. However, audited financial statements do not provide assurance that operators paid the correct fees into their related funds or that the funds' managers spent the money on allowable expenses.

6. We recommend the Ministry of Environment set a formal plan to ensure proper reforestation of the forest.

- 7. We recommend the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements.**
- 8. We recommend the Ministry of Environment establish processes to verify that:**
 - ◆ the operators paid the correct fees to the relevant forest management fund or forest trust fund**
 - ◆ the managers of these funds use the money collected for the purposes intended including reforestation.**

Report on reforestation activities

We expected that the Ministry would have processes to:

- ◆ regularly report to senior management the requirements and forest operators' success in meeting the requirements (e.g., summary of planned and actual harvest and reforestation, establishment and performance surveys, treatment activity)*
- ◆ recommend changes to the reforestation requirements to senior management and forestry operators*
- ◆ develop a communication strategy to inform the public about reforestation requirements and forest operators' compliance*

Senior management of the Ministry has not set out what information about reforestation activities it needs to receive, how often, and from whom. To properly oversee and regulate reforestation activities, management must receive regular information about the level of operators' compliance with reforestation requirements, how much operators paid into forest management and forest trust funds, what they spent out of those funds, and for what. Currently, senior management of the Ministry receive ad hoc reports on the regulation of reforestation. For example, in June 2009, senior management received an update on reforestation of forestlands which are the responsibility of the Ministry. The Ministry is responsible for reforestation of certain forest areas harvested prior to the current FMAs and TSLs.

The Ministry does not have a formal communication strategy to inform the public about reforestation requirements or operators' compliance with those requirements. The Ministry reports in its annual report the forest areas it regulates through forestry agreements and licenses.

Management told us that the Ministry plans to include in its *State of the Forest Report* more information about reforestation. *The Forest Resources Management Act* requires the Ministry to provide the Legislative Assembly the *State of the Forest Report* every ten years. Management told us that the Ministry has drafted this report and plans to release this report in late 2009.

- 9. We recommend senior management of the Ministry of Environment receive regular reports with adequate information to properly oversee and regulate reforestation.**
- 10. We recommend the Ministry of Environment develop a communication strategy to inform stakeholders about the effectiveness of reforestation activities in the Province.**

Management told us it is drafting guidance for staff as to the information about reforestation activities it needs to receive, how often, and from whom.

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Progress toward improving its regulation of air emissions

The Ministry is responsible to protect Saskatchewan’s air quality by regulating air pollutants that originate in the Province. The Ministry regulates air emissions from operators and monitors ambient (overall) air quality.

In 2003, we audited the Ministry’s process to regulate air emissions. In our 2004 Report –Volume 1, we reported the Ministry did not have adequate processes to regulate air emissions. We made seven recommendations to help the Ministry improve its practices. PAC considered these matters in December 2004 and agreed with our recommendations.

In 2006, we followed up on the Ministry’s progress in addressing our recommendations. In our 2006 Report – Volume 3, we concluded the Ministry had not adequately addressed our past recommendations relating to regulation of air emissions.

In September 2009, we completed our second follow-up to assess the Ministry’s progress towards addressing our past recommendations. The section below describes our past recommendations (*in italics*) and our findings.

Sound and consistent terms and conditions for permits

Recommendation 1: The Ministry should set sound and consistent terms and conditions for permits to regulate air emissions.

In 2008, the Ministry approved written guidance for staff to follow in setting terms and conditions. The Ministry’s *Clean Air Permitting Protocol* (Protocol) includes guidance on who is authorized to approve permits,

frequency of operators' inspections, reporting requirements of operators, and a template to help ensure consistent terms for similar operators. Some operators seek to have their permit terms and conditions waived. The guidance does not outline what these operators have to do while their request for waiving the permit is reviewed and approved. Management told us that to help them better understand the guidance in the Protocol, the Ministry plans to provide a training session to environmental project officers in the fall of 2009.

Some permits expired in 2006 and the Ministry records them as current. However, the Ministry has placed no terms and conditions on the operator. Management told us it is seeking approval to waive the permit for these operators as it views the air emission risk as low.

We continue to recommend the Ministry set sound and consistent terms and conditions for permits to regulate air emissions.

Prompt follow-up and approval of expired permits

Recommendation 2: The Ministry should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.

The Ministry has made progress in addressing this recommendation but more work remains.

The Ministry continues to maintain an inventory of permits and their expiry dates on a spreadsheet. Employees use the spreadsheet to identify permits that will soon expire and notify the operators to apply for renewal of those permits. However, the spreadsheet is not current. For example, some permits do not have their permit number, operator locations, and reasons why the identified permit is not renewable. Some permits that expired in 2006 remain on the spreadsheet as current permits. Management told us for some of the expired permits it is seeking a permit waiver. Under *The Clean Air Act*, the Minister can waive a permit for a minor source of air contaminants. The Ministry does not have a process to seek timely waiver of permits. Operators are required to apply for a clean air permit renewal sixty days prior to expiry. The Ministry is not monitoring to ensure operators do so.

Management told us that the Ministry still plans to track permits on a central database similar to how it tracks compliance of water and wastewater permits.

We continue to recommend the Ministry establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.

Monitoring compliance with permits

Recommendation 3: The Ministry should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.

The Ministry needs to do more to address this recommendation.

The Clean Air Permitting Protocol and the Air Monitoring Directive for Saskatchewan provide employees of the Ministry written guidance on what to monitor and when. The established guidance requires employees to review operators' annual compliance reports and prepare a summary report for management on non-compliance matters identified. Employees use a standardized form to monitor operators and take action on complaints. However, the Ministry still does not have comprehensive written guidance for employees to follow for inspecting operators for monitoring compliance with permits. As a result, inspection staff used different frequencies for inspecting operators without documenting the reasons. Management told us that the Ministry plans to develop written guidance for inspections in 2010-11.

The Ministry has processes to record, investigate, and document resolution of complaints. The Ministry needs to ensure employees follow those processes. Employees use a spreadsheet to track complaints. We noted that the spreadsheet does not always contain information about how employees resolved the complaints and when; and how they communicated the resolutions to the complainants, operators, management, and the public. Also, the spreadsheet does not contain all complaints because often employees record complaints about permitted operators in the operators' files.

We continue to recommend the Ministry should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.

Complete human resource plan

Recommendation 4: The Ministry should complete its human resource plan including a plan for employee training to regulate air emissions.

The Ministry has made progress towards addressing this recommendation but more work remains.

The Ministry has documented some of the competencies employees need to regulate air emissions. Management told us that in 2009/10 the Ministry plans to hire an air quality director to oversee the permitting and monitoring of air emissions and an air quality technician. Also, the Ministry has hired a chief engineer to help deal with air monitoring matters.

Employees attend air quality training and participate in air quality management and information exchanges with other provinces. Also, some employees are members of the Canadian Council of Ministers of the Environment's Air Management Committee. This Committee discusses how best to regulate air emissions.

The Ministry still does not have a human resources plan that includes a formal analysis of its competency needs, the competencies staff have, and strategies to address gaps such as planned hiring and training. It should do so.

Also, the Ministry does not document how many permits it expects to issue and monitor, how many inspections it may need to complete, and how many complaints it expects to investigate. Doing so will help the Ministry to determine its human resource needs and the required competencies.

We continue to recommend the Ministry complete its human resource plan including a plan for employee training to regulate air emissions.

Collecting and maintaining information to prepare reliable reports

Recommendation 5: The Ministry should establish systems to collect and maintain information to prepare reliable reports.

The Ministry needs to do more to address this recommendation.

The Ministry maintains manual records for each of its permit holders and uses a spreadsheet to collect and maintain centrally some information, such as number and the date of issued permits, and their expiry dates for each operator. However, as we reported earlier the spreadsheet is not always up-to-date. Also, it does not contain information about monitoring results. Management told us it did not design the spreadsheet to record monitoring results. We examined a sample of permit holder records to assess how the Ministry documents its monitoring of operators. The Ministry could not provide all the files we requested.

The Ministry collects and stores air quality data from five monitoring stations in the province. The Ministry plans to provide the public access to this data in the fall of 2009. The Ministry reports an Air Quality Health Index that is available to the public on the Ministry's website and on the Meteorological Services of Canada website. The Ministry has established the Southeast Saskatchewan Airshed Association which annually reports regional air quality results on its website.

Management told us that the Ministry continues to consider the merits of storing permit information on a central database. A database would allow quick access to information on any permit holder (i.e., compliance with terms and conditions, number of inspections, complaints received, past enforcements) to monitor operators and prepare reports.

We continue to recommend the Ministry establish systems to collect and maintain information to prepare reliable reports.

Progress on internal and external reporting on air emissions

Recommendation 6: The Ministry should improve its internal and external reporting on air emissions.

The Ministry has not fully addressed this recommendation.

The Ministry has not established and communicated to employees the operational reports management needs for regulating air pollutants and how often. Nor has the Ministry set out performance targets for regulating air emissions. The Ministry must establish processes to collect timely and relevant information for regulating air emissions.

Senior management receives some reports, such as a progress report on developing a public website to report the air quality daily and status of a joint project with the Government of Alberta to set up 2-3 interprovincial air sheds to enhance monitoring and reporting of air quality. It also receives updates on the Ministry's involvement on the Canadian Council of Ministers of the Environment Air Management Committee.

The Ministry monitors the air quality in Saskatchewan at five different sites and updates this information on its website. Management told us that in late 2009, the Ministry would begin to provide daily air quality information on its website. The Ministry must ensure it has adequate processes to collect timely information so that it can provide on its website the most current air quality reports to the public.

We continue to recommend the Ministry should improve its internal and external reporting on air emissions.

Regulating contaminated sites

Under *The Environmental Management and Protection Act, 2002* (the Act) and the related regulations, the Ministry has responsibility to control and direct how best to manage a contaminated site.

The Ministry recognizes that clean air to breath, clean water to drink, and clean land to support the people of Saskatchewan are the building blocks to a healthy Saskatchewan. Uncontaminated land is essential for human health, clean water, and safe food production. Controlling potential impacts of contaminated sites helps minimize their harmful effect.

Regulating contaminated sites is necessary to prevent, minimize, or mitigate damage to human or ecosystem¹⁵ health. The Ministry is responsible to identify contaminated sites, assess risks to human and ecosystem health, and determine who was responsible for contaminating the sites. It then must ensure appropriate remediation of the contaminated sites.

In 2007, we audited to assess whether the Ministry had adequate processes to regulate contaminated sites at August 31, 2007. In our 2008 Report – Volume 1, we made the following four recommendations to help the Ministry improve its processes. We recommended the Ministry:

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

The Standing Committee on Public Accounts considered these matters in June 2008 and agreed with these recommendations.

In August 2009, we completed our follow-up to assess the Ministry's progress towards addressing our past recommendations. The section below describes our past recommendations (*in italics*) and our findings.

Adequate system needed for tracking contaminated sites

Recommendation 1: The Ministry should establish an adequate system for tracking contaminated sites.

The Ministry needs accurate and up-to-date information about contaminated sites for effectively regulating them.

¹⁵ System involving interaction between organisms and the non-living environment.

In 2008, we reported that the Ministry used a computer system to manage some information about contaminated sites such as landfills and spills. However, employees did not always use or update the system appropriately. As a result, the system did not have accurate, up-to-date information. Also, the Ministry's manual records relating to contaminated sites were not adequate. Without a complete and accurate tracking system for contaminated sites, the Ministry cannot effectively manage such sites. At August 31, 2009 the Ministry continues to use this system and our concerns continue.

In 2008, the Ministry developed a business plan that defines its requirements for the development of a Contaminated Sites Information Management System (CSIMS). This information system is intended to contain such items as the condition of a contaminated site, the contaminants found at the site, their toxicity levels, health and human safety issues, and identify risks that require remedial action.

The Ministry has plans to implement the National Contaminated Sites Classification System as developed by the Canadian Council of Ministers of the Environment (CCME) for all impacted sites in Saskatchewan. The Ministry is implementing this system to facilitate tracking of contaminated sites using the National Contaminated Sites Classification System score and to prioritize actions at impacted sites.

We continue to recommend the Ministry should establish an adequate system for tracking contaminated sites.

Assessing the risks of contaminated sites

Recommendation 2: The Ministry should complete its risk assessments for identified contaminated sites and rank them in terms of priority.

Risk assessments document the condition of sites, contaminants found, toxicity levels, health and human safety issues, and identify risks that require remedial action. The Ministry evaluates risk assessments using guidelines established by the CCME.

To manage sites that pose the greatest risks, the Ministry needs a complete assessment of risks and ranking of sites in terms of priority. The Ministry has made some progress but needs to do more.

The Ministry has developed a draft 10-year work plan to complete the clean up of the 33 abandoned non-uranium mines identified within the province. This plan outlines the objectives, issues, remediation process, identifies stakeholders, estimated costs, and prioritizes the sites based on a high-level risk assessment. The plan also includes a communication process. The Ministry should formally approve the plan. Also, the Ministry needs to do a detailed risk assessment for the non-uranium abandoned mines.

In addition, the Ministry has not formally assessed and prioritized other potential contaminated sites. These sites are industrial and commercial operations, e.g., storage facilities of hazardous substances. To manage sites that pose the greatest risks, the Ministry should complete its assessment of the risks and then rank sites in terms of priority.

We continue to recommend the Ministry should complete its risk assessments for identified contaminated sites and rank them in terms of priority.

Monitoring and reporting on the status of sites

Recommendation 3: The Ministry should complete its written guidance for monitoring contaminated sites.

Written guidance for monitoring contaminated sites helps to prevent contamination of sites and properly monitor contamination risks.

The Ministry has developed written guidance for monitoring contaminated sites. This guidance includes using the National Contaminated Sites Classification System site description sheet, contaminant characteristics sheet, migration potential sheet, exposure sheet and the summary score sheet. The Ministry does not plan to complete this guidance until late 2009 after it completes its processes for assessing and prioritizing risks.

We continue to recommend the Ministry complete its written guidance for monitoring contaminated sites.

Recommendation 4: The Ministry of Environment should prepare a communication plan for internal and external reporting on the status of contaminated sites.

Communication plans help to ensure stakeholders are aware of contamination risks and their management.

In 2009, the Ministry created a Communication Strategy Contaminated Sites and Hazardous Materials Environment Emergencies Communication plan. This plan provides limited direction regarding communication. The plan sets out the type of communication that may be used, stakeholders involved, goals and objectives, and an action plan. However, the plan does not identify who is responsible for components of the plan, e.g., who is to do website updates, timeline expectations, and templates/guidance to help ensure consistency in communication. Also, without an adequate system to record relevant and up-to-date information about all contaminated sites, it is difficult for employees to evaluate and prioritize risks of all sites as well as monitor them. In addition, an adequate system would provide better information to management.

We continue to recommend the Ministry prepare a communication plan for internal and external reporting on the status of contaminated sites.

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.¹⁶

¹⁶ For the definitions of the key terms used in the table, see Chapter 20 – Standing Committee on Public Accounts.

Table 1

PAC REPORT YEAR ¹⁷	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.

¹⁷ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Finance

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Main points

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.

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Introduction

This chapter sets out the results of our audit of the financial statements of the Government of Saskatchewan along with the results of our audits of the Ministry of Finance (Finance) and its agencies for the year ended March 31, 2009. This includes the results of our audit of Finance's processes for oversight of its information technology.

Also, the chapter includes Finance's progress towards meeting the recommendations from our 2007 Report – Volume 3 relating to Finance's Provincial Sales Tax audit selection process.

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.

Also, 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 following¹:

- ◆ 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 General Revenue Fund (GRF)
- ◆ maintaining ministry-wide revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (called MIDAS Financials)

¹ Ministry of Finance. (2009). *2008-09 Annual Report*. Regina: Author

- ◆ 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 or 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 Growth and Financial Security Fund) provides the Legislative Assembly with audited financial statements; some also provide an annual report.

Year ended March 31

General Revenue Fund

Growth and Financial Security Fund²

Judges of the Provincial Court Superannuation Plan

Public Employees Benefits Agency Revolving Fund

Public Employees Pension Plan

Public Service Superannuation Plan

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

Municipal Financing Corporation of Saskatchewan

Public Employees Deferred Salary Leave Fund

Public Employees Dental Fund

Public Employees Disability Income Fund

² This Fund does not prepare financial statements; and is not required to do so.

Public Employees Group Life Insurance Fund
 Saskatchewan Government Insurance Service Recognition Plan
 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

Chapter 5 of our 2009 Report – Volume 1 contains the results of our audits of the agencies with years ended December 31, 2008.

Overview of the Ministry’s finances

For the year ended March 31, 2009, Finance administered revenues of \$7.6 billion and spent approximately \$0.9 billion. Major revenues include:

	<u>Original Estimates</u>	<u>Actual</u>
	(millions of dollars)	
Taxes	\$ 4,304.8	\$ 4,422.7
Transfers from the Federal Government	1,180.7	1,498.1
Transfers from government entities	956.3	837.1
Non-renewable resources	366.2	458.3
Other own-source revenue	<u>236.2</u>	<u>344.8</u>
Total	<u>\$ 7,044.2</u>	<u>\$ 7,561.0</u>

The following is a list of major programs and spending:

	<u>Original Estimates</u>	<u>Actual</u>
	(millions of dollars)	
Revenue	\$ 19.0	\$ 18.0
Provincial Comptroller	8.9	8.3
Central management and services	6.7	6.1
Budget analysis	5.0	4.5
Treasury and debt management	2.9	2.6
Other	1.8	1.3
Operations	<u>44.3</u>	<u>40.8</u>
Finance – servicing government debt	535.0	520.2
Public service pension and benefits ³	<u>254.3</u>	<u>294.1</u>
Total spending	<u>\$ 833.6</u>	<u>\$ 855.1</u>

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

Audit conclusions and findings

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*.⁴

In our opinion for the year ended March 31, 2009:

- ◆ **the Government's Summary Financial Statements included in the *Public Accounts 2008-2009 Volume 1* are reliable**
- ◆ **the General Revenue Fund's financial statements included in the *Public Accounts 2008-2009 Volume 1* are reliable except for not recording all amounts owed for pension liabilities and improper recording of transfers between the**

³ The estimates for public service pension and benefits are determined using the cash basis instead of the accrual basis of accounting. The actual public service pension and benefits expense of \$294.1 million is determined using the accrual basis of accounting. This amount is restated from \$250.0 million (the cash-based amount reported in Finance’s annual report) to include \$44.1 million of unrecorded pension costs.

⁴ This report is available on our website at www.auditor.sk.ca/rrd.html.

General Revenue Fund and the Growth and Financial Security 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, 2009, the Government approved, through Orders in Council, spending of \$240.2 million; the Assembly later approved these amounts through an appropriation act.

This chapter also provides an update on the status of recommendations from the Standing Committee on Public Accounts (PAC).

Better control over bank accounts needed

Finance did not follow its established rules and procedures to complete its bank reconciliations.

Finance's procedures require employees to reconcile the recorded bank balances to the bank's records each month. They also require management to review and approve those reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides an important check that all charges to the bank account are proper and all money is received and deposited into the correct account. It also provides a check on the accuracy and reliability of Finance's accounting records. Furthermore, timely bank reconciliations help detect errors or misuse of money quickly.

In 2008-09, Finance did not reconcile the GRF's bank account promptly. Bank reconciliations for June, July, and August were each completed three to four months after the end of the month.

- 1. We recommend the Ministry of Finance follow its established rules and procedures and reconcile recorded bank balances to the bank's records promptly.**

Finance told us the following. Staff reconcile amounts paid per its accounting records to bank records each day. Staff are required to complete GRF bank account reconciliations by the end of the following month (e.g., June 30th reconciliation is to be done by July 31st). The delays in completing the above-noted bank reconciliations were due to the absence of staff during summer holidays. In May 2009, Finance staffed the "Bank Services Supervisor" position to improve the timelines of its bank reconciliations.

Further action on past recommendations needed

In our 2009 Report – Volume 1, we made six recommendations relating to Finance's treasury management. During 2008-09, Finance implemented two of these recommendations and, as set out in Exhibit 1, took some action on the remaining four recommendations. However, more work remains.

Also, as noted in Exhibit 1, Finance took some action to address our previous recommendations on information technology and human resource plans but it has not fully implemented them.

PAC has agreed with each of the recommendations set out in Exhibit 1.

Exhibit 1 – Status and actions taken on previous outstanding recommendations

Recommendation (initial report of recommendation and PAC's review of recommendation)	Actions Finance took in 2008-09	Status of recommendation
Treasury management		
<p>We recommend the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance.</p> <p>(2009 Report – Volume 1 - Chapter 5; PAC agreed with recommendation on September 1, 2009)</p>	<p>Finance started to research and consider potential benchmarks to be used in performance measurement.</p>	Partially implemented
<p>We recommend the Ministry of Finance periodically carry out an internal audit to assess and report to senior management on compliance with its investment guidelines and expectations.</p> <p>(2009 Report – Volume 1 - Chapter 5; PAC agreed with recommendation on September 1, 2009)</p>	<p>Finance had preliminary discussions regarding who will perform the audit.</p>	Partially implemented
<p>We recommend the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds.</p> <p>(2009 Report – Volume 1 - Chapter 5; PAC agreed with recommendation on September 1, 2009)</p>	None	Not implemented
<p>We recommend the Ministry of Finance document its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover.</p> <p>(2009 Report – Volume 1 - Chapter 5; PAC agreed with recommendation on September 1, 2009)</p>	<p>Finance compiled some documentation on money market investing and debt issuance and noted that additional documentation is required.</p> <p>For example, during our 2008-09 audit, we noted staff turnover resulted in one treasury management individual preparing and approving journal entries for part of 2008-09. Finance does not have documented procedures around preparation and approval of treasury management journal entries.</p>	Partially implemented

Chapter 7 – Finance

Recommendation (initial report of recommendation and PAC’s review of recommendation)	Actions Finance took in 2008-09	Status of recommendation
Information technology		
We recommend that the Ministry of Finance complete its business continuity plan. (2005 Report – Volume 3 - Chapter 5; PAC agreed with recommendation on October 5, 2006)	Finance has a draft business continuity plan. The plan was not tested or approved at March 31, 2009. Finance expects to approve the plan during 2009-10.	Partially implemented
We recommend that the Ministry of Finance confirm, in writing, processes and policies that the Information Technology Office (ITO) uses to address its specific information and technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Ministry of Finance as necessary. (2006 Report Volume 3 – Chapter 15; PAC agreed with recommendation on March 13, 2007)	Finance was awaiting finalization of its business continuity plan before it addresses this recommendation. In 2009-10, Finance plans to use its approved plan to guide its work with the ITO.	Partially implemented
Human resources		
We recommend the Ministry of Finance complete its human resource plan. (2006 Report Volume 3 – Chapter 15; PAC agreed with recommendation on March 13, 2007)	Finance drafted a new human resource plan that outlines an executive sponsor and a timeline for each activity. The plan was not approved at March 31, 2009.	Partially implemented

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 and those otherwise specially disposed of by 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 a vote of the Assembly.

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

To understand and assess the Government’s overall financial performance, we encourage legislators and the public to use the Government’s Summary Financial Statements published in *Public Accounts 2008-09 Volume 1: Main Financial Statements*.⁵

***Continued use of inappropriate accounting policies –
General Revenue Fund***

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 Growth and Financial Security Fund in the GRF financial statements.

It is important that governments use GAAP to report their financial results. Use of 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. In addition, as 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.

Because the Government uses inappropriate accounting policies, the GRF financial statements report net debt and annual surplus inaccurately. If the Government had accounted for all transactions properly, the statements would have recorded net debt of \$8.07 billion instead of \$3.85 billion at March 31, 2009 and recorded a surplus of \$1.62 billion instead of \$2.39 billion for the year ended March 31, 2009.

⁵ This report is available at <http://www.finance.gov.sk.ca/public-accounts/>.

Exhibit 2 below sets out, by line item of the affected statement within the GRF financial statements, the amount reported in that statement, the amount that should have been reported in that statement, the difference between these two amounts, and the reason for that difference.

Exhibit 2

Line item on financial statements	Amount reported in financial statements	Amount that should be reported in financial statements	Difference Amount reported is: Overstated (too high) Understated (too low)	Reason for difference
Statement of Financial Position				
Total Financial Assets	\$3.20 billion	\$4.42 billion	\$1.22 billion (understated)	Unrecorded “Due from Growth and Financial Security Fund”
Total Liabilities	\$7.05 billion	\$12.49 billion	\$5.44 billion (understated)	Unrecorded pension debt
Net Debt	\$3.85 billion	\$ 8.07 billion	\$4.22 billion (understated)	Net impact of not recording the above amounts
Accumulated Deficit	\$971 million	\$5.19 billion	\$4.22 billion (understated)	Net impact of not recording the above amounts
Statement of Operations				
Total Expense	\$10.36 billion	\$10.72 billion	\$355 million (understated)	Unrecorded pension costs for current year
Transfer to/from the Growth and Financial Security Fund	\$419 million	\$ ---	\$419 million (overstated)	Inappropriately including net transfer as a revenue
Surplus	\$2.39 billion	\$1.62 billion	\$774 million (overstated)	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 2008-09 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.

PAC considered these matters in February 2002 and disagreed with our recommendation.

Public Employees Benefits Agency

Background

The Public Employees Benefits Agency (PEBA) is part of the Ministry of Finance. PEBA administers various government pension and benefit plans as described in its 2008-09 Annual Report. PEBA serves about 70,000 active and inactive (deferred) members, pensioners, surviving spouses and dependants of these plans.⁶

PEBA recovers its costs to administer the pension and benefit plans by charging the plans based on the costs incurred for each plan. For the year ended March 31, 2009, PEBA incurred \$11.4 million in administration costs and recovered those costs from the plans. At March 31, 2009, PEBA held assets of \$6.3 million. PEBA's 2008-09 Annual Report includes the PEBA Revolving Fund's audited financial statements.

Need adequate policies for bank reconciliations and journal entries

In our 2009 Report – Volume 1, we recommended that the Public Employees Benefits Agency implement adequate policies governing the preparation and approval of bank reconciliations and journal entries. We reported this matter in regards to six employee benefit plans that PEBA administers for the year ended December 31, 2008. PAC considered this matter in September 2009 and agreed with our recommendation. We continue to make this recommendation.

During the year, we identified instances where PEBA did not promptly review and approve bank reconciliations and journal entries. For example, PEBA did not perform the independent reviews and approvals of bank reconciliations from August 31, 2008 to January 31, 2009 and journal entries of two Plans (i.e., Judges of the Provincial Court Superannuation Plan and Public Service Superannuation Plan) until March 2009.

⁶ For facts about PEBA, see http://www.peba.gov.sk.ca/Agency/about_peba.html.

Management told us that it is in the process of amending its bank reconciliation and journal entry policies.

Business continuity plan needed

In our 2008 Report – Volume 3, we recommended that the Public Employees Benefits Agency complete a business continuity plan for the pension and benefit plans it administers. PAC considered this matter in December 2008 and agreed with our recommendation. We continue to make this recommendation.

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.

PEBA continues to work on developing a business continuity plan for its critical services. For example, in 2008-09, PEBA further developed documented procedures for backup and recovery of its critical services and tested the effectiveness of some of its back up and recovery procedures. Management told us it expects to complete its business continuity plan later in 2009.

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 2008-09 Annual Report included its audited financial statements. These financial statements report contributions of \$99 million from employees and \$106 million from employers, investment income of

\$160 million, and a decrease in market value of the investments of \$902 million. For the year, PEPP incurred administrative expenses of \$17 million and made transfers or payments out of PEPP of \$138 million. At March 31, 2009, PEPP held assets of \$3.6 billion.

Complete business continuity plan needed

In our 2006 Report – Volume 3, we recommended that the Public Employees Pension Plan complete its business continuity plan. PAC considered this matter in March 2007 and agreed with our recommendation. We continue to make this recommendation.

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

PEPP continues to work on developing a business continuity plan for its critical services. For example, in 2008-09, the Plan further developed documented procedures for backup and recovery of its critical services and tested the effectiveness of some of its backup and recovery procedures. Management told us it expects to complete its business continuity plan later in 2009.

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 superannuation allowances 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 2008-09, the Plan received contributions of \$3 million from employees and \$109 million from the General Revenue Fund. At March 31, 2009, the Plan held assets of \$10 million and had liabilities of \$1,883 million.

Complete business continuity plan needed

In our 2007 Report – Volume 3, we recommended that the Public Service Superannuation Board have a complete business continuity plan. PAC considered this matter in April 2008 and agreed with our recommendation. We continue to make this recommendation.

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.

The critical services the Board provides 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.

The Board continues to work on developing a business continuity plan for its critical services. For example, in 2008-09, the Board further developed documented procedures for backup and recovery of its critical services and tested the effectiveness of some of its back up and recovery procedures. Management told us it expects to complete its business continuity plan later in 2009.

Retired members' pensions

Since our 2001 Spring Report, we have recommended that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and return to work for the Government are paid in accordance with *The Superannuation (Supplementary Provisions) Act* (Act). Alternatively, the Board should seek changes to the Act. In November 2001, PAC considered this matter

and concurred with our recommendation. We continue to make this recommendation.

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.

Requirements for stopping the pensions of retired members who return to work for the Government are set out in section 27 of the Act. The Act allows retired members to work as temporary, casual, or provisional employees for up to six months in a fiscal year without a reduction in their pensions. However, the Act requires the Board to stop the pension of a retired member who works for the Government for more than six months in a fiscal year. The Act also 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. The Board relies on retired members notifying the Board upon re-employment with the Government. As a result, 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, Bill #9 (Bill) was introduced into the Legislative Assembly of Saskatchewan, to repeal section 27 of the Act. If the Bill were passed, it would allow all retired Government workers under the Plan to return to work without stopping their pensions. The Bill was not passed in the Second Session of the Twenty-Sixth Legislature that ended May 14, 2009.

Legislative requirements for annual reports are inconsistent

To be a good accountability document, an annual report should describe the Board's goals, objectives, how it manages its key risks, what it has done, where it is now, and what it plans to do. This information helps stakeholders assess the performance of an organization.

Section 69(1) of *The Public Service Superannuation Act*, requires the Board to submit a report to the minister showing: all the names of

employees who have retired, who have died during the last preceding fiscal year, the position and government agency they worked for, the amount of salary payable and age at retirement or death, the cause of early retirement, and the amount of superannuation allowances granted to each employee. Generally, pension plans do not provide this type of detailed information about their members in their annual reports. This type of detailed and personal information disclosure does not provide useful information to help make the annual report a good public accountability document.

In recent years, for some pension plans, legislative requirements to require disclosure of detailed personal information were removed. We are not aware of any reason for the different legislative requirements for the disclosure of information in the annual report for the Public Service Superannuation Plan versus other Saskatchewan public sector pension plans. We think that the detailed personal disclosure requirements are not useful to users in assessing the Plan's actual performance against its planned goals and objectives and it is inconsistent with other government pension plans' legislative requirements and annual report disclosures. Also, disclosure of the detailed personal information in the Board's annual report may be inconsistent with current privacy legislation.

In March 2008, Bill #9 (Bill) was reintroduced into the Legislative Assembly of Saskatchewan, to supersede section 69 (1) of *The Public Service Superannuation Act*. If the Bill were passed, it would not allow this type of personal information to be disclosed in the Board's annual report. The Bill was not passed in the Second Session of the Twenty-Sixth Legislature that ended on May 14, 2009.

- We recommend the Public Service Superannuation Board seek changes to its legislation to remove personal information disclosures required in its annual report by Section 69(1) of *The Public Service Superannuation Act*.**

Oversight of the Ministry's information technology

Background

In seeking to carry out its responsibilities, Finance makes extensive use of information technology (IT). Finance spent \$7.1 million in 2008-09 on

IT. Further, many of its systems are complex or involve management of significant amounts of money.

While Finance works with service providers including the Information Technology Office (ITO) to assist it in its use of IT, Finance remains responsible for its use of IT and for making decisions about how to use IT to achieve its strategic goals and objectives.

If Finance does not appropriately oversee IT, there is risk that its significant investment in IT will not be fully and effectively used to help fulfill its mandate and achieve its goals and objectives.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether Finance had adequate processes for oversight of its information technology for the 12-month period ending September 30, 2009. Although the Ministry is responsible for the Public Employees Benefit Agency, we did not examine oversight of its information technology in this audit.

To conduct this audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. To evaluate Finance's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Finance's management agreed with the criteria (see Exhibit 3).

Exhibit 3 — Audit criteria for oversight of information technology

To have adequate processes for oversight of its information technology (IT), Finance should:

- ◆ implement an IT governance framework
- ◆ monitor IT performance

We concluded that Finance had adequate processes for oversight of its information technology (IT) for the 12-month period ending September 30, 2009 except Finance needs to:

- ◆ develop an IT risk management plan based on an analysis of IT risks
- ◆ implement an IT strategic plan

In the next section, we set out key findings and recommendations related to the criteria. The related criteria are set out in italics under each subheading.

Key findings and recommendations

Implement an IT governance framework

We expected the following: Finance would implement appropriate IT governance structures and align its IT governance structures with overall Ministry governance. Finance would base its IT governance on a comprehensive governance model to provide for unambiguous accountability and to avoid a breakdown in IT oversight. Finance would establish a strategic direction for IT and monitor the results and performance of IT. Finance would understand the risks associated with IT and determine optimal resources to address these risks.

Finance has established an appropriate IT governance structure. Finance uses an IT committee to provide overall strategic direction for IT investment and initiatives and to approve significant IT spending. This committee has senior management representation including the Deputy Minister of Finance. This structure allows for direct communication of IT issues to the ministry's senior management. It uses another IT committee to review IT project proposals and monitor day-to-day IT performance. The presence of senior management on both committees indicates significant attention to IT.

Finance uses templates to help ensure that proposals for IT projects outline risks and priorities and strategically align with key government priorities. Management responsible for the projects receive regular updates. If progress slows on a project, Finance requires system developers to notify responsible staff and/or obtain further approval to

proceed. Finance also performs post-project evaluations with those involved in IT projects. These post-project evaluations identify levels of satisfaction with completed projects as well as efficiencies or areas of improvement for future projects.

Although Finance's process for individual projects involves risk identification and identifying whether projects align with government priorities, Finance has not prepared a comprehensive risk analysis for IT or an overall strategic plan for IT. Inadequate risk management could result in inadequate mitigation of IT risks and contribute to malfunctions or security weaknesses.

3. We recommend the Ministry of Finance develop an information technology risk management plan based on an analysis of information technology risks.

Finance is working with ITO to develop a strategic plan for IT including risk identification. As part of the process to develop an IT strategic plan, Finance has completed a project to catalogue all of its IT systems and has drafted expected components of an IT strategic plan. In the interim, without a complete IT strategic plan, Finance has compiled a prioritized list of IT projects to help guide IT investment. On a regular basis, management updates the prioritized list with branch directors.

Without an overall IT strategic plan, there is risk that the maximum benefit from IT investments will not be obtained and that certain IT projects could be initiated when other projects would better serve Finance's strategic objectives. Also, unless Finance links IT initiatives to its strategic business needs, it may miss opportunities to enhance its business operations through IT solutions.

4. We recommend the Ministry of Finance implement a strategic information technology plan that aligns with its strategic business objectives.

Management told us that they are working to complete an IT risk management plan and an IT strategic plan by March 31, 2010.

Monitor IT performance

We expected the following: Finance would measure and evaluate IT performance including problems and tracking of issues. Finance would monitor that progress toward IT goals met its expectations. Finance would have IT status reports that outlined if planned objectives were achieved, deliverables were obtained, performance targets met, and remedial actions undertaken to address problems. Finance would evaluate the appropriateness of remedial action and track problems and issues so that organizational or systemic causes could be addressed.

Finance tracks IT issues at the meetings of the IT committee that oversees its day-to-day IT operations. Finance also monitors project-related IT problems through post-project evaluations and identifies areas of improvement with project team members so that processes for future projects are modified. Managers responsible for IT projects receive IT status reports and hold regular meetings to discuss progress of projects. Project status reports include progress on project deliverables, updated budget and timetable targets, and any changes to the scope of the projects. The reports also describe major accomplishments and challenges encountered and any future challenges expected.

Finance also receives service delivery updates and discusses service issues with its IT service providers. For example, Finance meets monthly with the ITO. Finance and ITO review remedial action and outstanding service issues at their monthly meetings.

The IT committee that is responsible for setting IT strategic direction has not met since June 2008 but did receive a written status update on IT projects at December 2008. We anticipate that this committee would be fully engaged in developing an IT strategic plan and in subsequent monitoring of progress towards strategic objectives (see recommendation above).

Selected references

Auditor General Nova Scotia. (2008). “Government-wide: Governance of information technology operations” (Chapter 5). *Report of the Auditor General—February 2008*. Author: Halifax.

International Organization for Standardization. (2008). ISO/IEC 38500. *Corporate governance of information technology*. Geneva: Author.

The Information Systems Audit and Control Foundation. (2005). *CoBiT-governance, control and audit for information and related technology; 4th Edition*. Rolling Meadows, IL: Author.

Provincial sales tax audit selection—follow-up

Background

Provincial Sales Tax (PST) is a 5% tax on sales of certain purchases. In 2008-09, Finance collected over \$1.1 billion in PST revenues.⁷

Finance conducts routine audits of taxpayer records including those that remit Saskatchewan PST to determine if taxes have been correctly collected, reported, and paid. In 2007, we audited the adequacy of Finance’s PST audit selection process and in our 2007 Report – Volume 3 (Chapter 9) made the following five recommendations. Finance should:

- ◆ document its strategy to assess identified risks that businesses are not complying with PST laws
- ◆ set the desired outcomes of the PST selection audit process in measureable terms
- ◆ analyze the risks that businesses are not complying with PST laws and rank identified risks according to their potential significance
- ◆ direct its audit efforts based on an overall risk analysis of businesses not complying with PST laws
- ◆ require its senior management to receive reports on the effectiveness of the PST audit selection process

⁷ Ministry of Finance website. www.finance.gov.sk.ca. Accessed: September 18, 2009.

On March 25, 2009, PAC concurred with each of these recommendations.

Even though our audit focused only on the PST audit selection process, Finance, in response to our recommendations, revisited the process it uses to select taxpayer files for audits of Liquor Consumption Tax as well. Overall, at August 31, 2009, Finance has made considerable progress in implementing our recommendations. Management told us that it expects changes underway and planned will move it to full adoption of our recommendations by the fall of 2010.

In the section below, we set out key activities Finance has undertaken or plans to undertake to address our recommendations.

Detailed findings and progress noted

Finance documented its overall strategy and implementation plans in document called “Audit Branch – Implementation of the New Structure Project Charter (August 2009).” Senior management approved this Charter. The project’s purpose is to implement a “new branch structure to ensure the effective delivery of the audit program within Revenue Division.”

The Charter sets out its objectives, critical success factors, deliverables, project governance, and target dates. Finance expects to implement this plan by the fall of 2010. Once implemented, Finance should have a strategy to assess identified risks that businesses (i.e., taxpayers) are not complying with tax laws.

By August 2009, Finance set two overall desired outcomes for the audit selection process but had not yet set out how it plans to measure these outcomes. Its desired outcomes are:

- ◆ ensure that the highest risk files are audited
- ◆ reduce the percentage of nil audits and reduce the total and average audit hours spent on nil audits⁸

⁸ Progress Report. Ministry of Finance. 2009. A “nil audit” is where there is no difference between the amount of tax assessed per taxpayer and the amount of tax assessed per audit.

Finance summarized and analyzed audit statistics to identify and revise its process to assess and rate risks of taxpayers not complying with the tax laws. By August 2009, Finance identified and grouped major risks into ten risk areas. As set out in the Charter, it plans to identify and document project area populations and the risks associated with the each area.

Finance has numerous steps planned and underway to better direct its audit efforts based on an overall risk analysis of businesses not complying with PST laws. By August 2009, it explored related practices of other governments and changed how its audit function is organized. For example, it created a centralized work unit. The unit will be responsible for selecting high-risk of non-compliant taxpayers for audit to facilitate an efficient consistent risk-based approach to audit selection. Finance is revising its processes to a risk-based, weighted audit selection⁹ that promotes compliance with Saskatchewan's tax programs.

So that Audit Branch staff support and clearly understand the revised approach to audit selection, Finance developed a process that incorporates its desired outcomes for audit selection into the career plans of key audit staff (i.e., staff's use of Career Plan Template). Its other plans underway recognize the importance of monitoring and evaluating the use of a risk-based audit approach. Such an approach focuses audit efforts on areas where the risk of non-compliance is the greatest.

Furthermore, it plans to provide senior management with key reports on the effectiveness of the PST audit selection process. Once it has implemented the risk-based approach, it expects to report on the results of the risk-based process as compared to the results from the former selection method.

Overall, at August 31, 2009, while Finance has made considerable progress in implementing our recommendations, the recommendations are not met.

⁹ A risk-based, weighted audit selection process assigns numeric values (weights) based on risk factors. Risk factors can include statistics from past audit experience and risks or events specific to the related industry or business. Weighting is then used to help select which businesses for audit.

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

Exhibit 4 provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.

Exhibit 4 – Summary of outstanding PAC recommendations¹⁰

PAC REPORT YEAR ¹¹	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Finance (Pension Plans)		
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, 2005). We plan to follow up this recommendation during our 2010 audit.
2009	PAC concurs: 4-4 that the Municipal Employees' Pension Commission have a written, tested, and approved disaster recovery plan.	Partially implemented (as at December 31, 2008). We plan to follow up this recommendation during our 2009 audit.
2009	PAC concurs: 5-1 that the Saskatchewan Pension Plan approve information technology security policies and procedures that are based on a documented threat and risk assessment.	Partially implemented (as at December 31, 2008). We plan to follow up this recommendation during our 2009 audit.
2009	PAC concurs: 5-2 that the Public Employees Benefits Agency explain significant differences between expected and actual results for each specific service standard described in the service agreements.	Not implemented (as at December 31, 2007). We plan to follow up this recommendation during our 2009-10 audit.

¹⁰ For the definitions of the key terms used in the table, see Chapter 20 – 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

First Nations and Métis Relations

8

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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, 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.

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 2009 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. The Ministry 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

The Ministry has four divisions including First Nations and Métis Affairs Division, Northern Affairs Division, Communications, and Finance, Accountability and Corporate Services.

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.

¹ *Saskatchewan Provincial Budget 08-09 Estimates*, Government of Saskatchewan, Vote 25, p. 79.

Overview of the Ministry’s finances

For the year ended March 31, 2009, the Ministry had revenues of \$0.31 million (2008 - \$0.72 million). In addition, it spent \$86.5 million. The following lists its major programs and spending.

	<u>Original Estimates²</u>	<u>Actual</u>
	(in millions of dollars)	
Central management and services	\$ 2.9	\$ 2.9
Policy coordination and support for Aboriginal organizations	8.3	7.1
Gaming agreements	50.9	71.1
Treaty land entitlements	4.3	2.8
Northern economic programs and policies	2.7	1.7
Northern industry and resources development	<u>1.2</u>	<u>0.9</u>
	<u>\$ 70.3</u>	<u>\$ 86.5</u>

The Ministry’s 2008-09 annual report explains reasons for significant differences between its planned and actual revenues and expense. The Ministry makes this report available on its website (www.fnmr.gov.sk.ca).

Audit conclusion and findings

In our opinion, for the year ended March 31, 2009:

- ◆ **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 except for the matter reported in this chapter**

Also, the chapter provides an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC).

² *Ibid.*, p. 79

Better monitoring of spending by First Nations Trust needed

Since our 2007 Report – Volume 3, we have recommended that the Ministry require the First Nations Trust to submit, each year by an agreed upon date, an independent audit 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.

PAC considered this matter on December 4, 2008 and agreed with our recommendation.

Under the 2002 Gaming Framework Agreement (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. The purposes include: 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 2008-09, the Ministry provided \$51.5 million (2007-08 - \$35.5 million) to the Trust. Under the Agreement, the Trustees are required to provide the Ministry with certain information each year.³ The Ministry needs this information to determine whether the money it provided to the First Nations Trust is adequately safeguarded and spent for the purposes intended.

The Ministry receives an independent auditor's report from the Trust that the money expended was for the purposes set out in the Agreement. However, the Ministry has not received an independent auditor's report from the Trust on the adequacy of controls. That is, a 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

³ Required reports include: audited financial statements, audit report on adequacy of control processes and whether money is spent for required purposes, copy of the auditor's management letter along with the Trust's response, and the Trust's annual report.

an effective check on the receipt and allocation of money received by the Trust.

We continue to recommend that the Ministry of First Nations and Métis Relations 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.

Better monitoring of user access needed

The Ministry has procedures for ensuring only authorized employees have access to its computer systems and data. For the MIDAS HR system⁴, managers are required to inform system administrators to remove an employee's access upon termination of employment. We found instances where the Ministry had not removed the access of terminated employees in a timely manner. We were unable to verify that managers had communicated this information to the system administrators.

Unless it follows its established procedures for removing user access, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data. This deficiency exposes the Ministry to the risk of loss of public money and inappropriate access to confidential information.

- 1. We recommend the Ministry of First Nations and Métis Relations follow its established procedures for removing user access to its computer systems and data.**

Improvements to human resource plan needed

Since our 2007 Report – Volume 3, we have recommended 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

⁴ The government's centralized payroll system is called the MIDAS HR systems, which stands for Multi-informational Database Applications System – human resources and payroll.

in current resources and provide details on plans to implement strategies to meet human resource needs.

PAC considered this matter on December 4, 2008 and agreed with our recommendation.

The Ministry implemented its human resource plan in May 2009. The plan more clearly outlines gaps in human resources. However, the plan still lacks detail regarding the implementation of identified strategies.

We continue to recommend that the Ministry of First Nations and Métis Relations human resource plan 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 PAC that are not yet implemented and are not discussed earlier in this chapter.⁵

Table 1

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).

⁵ For the definitions of the key terms used in the table, see Chapter 20 – 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, 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

Introduction

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

In 2008-09, the Ministry had expenses of \$310 million. It recovered \$216 million of its costs from ministries and \$82 million from commercial activities.

The Ministry manages a significant amount of infrastructure and assets (e.g., buildings, vehicles) for the Government. At March 31, 2009, the Ministry held capital assets totalling \$437 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, 2009:

- ◆ **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**

In this chapter, we also provide an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

¹ *Ministry of Government Services 2008-2009 Annual Report*, p. 6.

Service level agreements required

In our 2008 Report – Volume 3, we recommended the Ministry sign a service level agreement with the Information Technology Office (ITO) for information technology services.

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

The 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 the signed service level agreement, there is a risk that the Ministry's needs may not be met.

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

Management told us that an agreement with ITO is substantially complete and pending approval.

Better monitoring of fuel expense needed

In our 2008 Report – Volume 3, we recommended the Ministry establish and use policies to monitor its fuel expenses made with its credit cards to ensure fuel purchases are for government purposes.

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

The Ministry has a fleet of approximately 5,500 vehicles. The cost of fuel is the largest operating expense for its fleet. The Ministry does not have policies to systematically monitor that fuel purchases were for government purposes. Without adequate systems and practices for

controlling fuel expenses, the Ministry is at risk of spending public money for unauthorized purchases.

During the year, the Ministry discovered \$37,000 in fraudulent use of two fuel credit cards.² The Ministry has cancelled the fuel credit cards and referred the matter to the police for investigation. The Ministry is also in the process of replacing its vehicle fleet management system to help better monitor fuel expenses.

We continue to 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.

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 IT will be used by the Ministry 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 significant threats and risks to its IT systems.

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

Management told us that the plan is complete and pending approval.

² Losses of Public Money, 2008-09 Fourth Quarter Report, Losses Reported by Ministries and Treasury Board Crowns for the Period January 1, 2009 to March 31, 2009.

Business continuity plan needed

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

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

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

The Ministry is in the process of developing its BCP. It has completed a business impact analysis and has prioritized its critical business functions. The Ministry has developed a BCP for its six most critical functions. So far, it has tested three of those plans.

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

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 including normal operation of computerized system.

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
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, 2009). 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.
2009	PAC concurs: 6-1 that the Ministry of Government Services establish processes to ensure its vehicle fleet meets the safety standards of <i>The Traffic Safety Act</i> .	Not implemented (as at March 31, 2008). Follow up planned for 2010.
2009	PAC concurs: 6-2 that the Ministry of Government Services keep reliable maintenance and repairs records for its vehicles.	Not implemented (as at March 31, 2008). Follow up planned for 2010.
2009	PAC concurs: 6-3 that the 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). Follow up planned for 2010.

⁴ For the definitions of the key terms used in the table, see Chapter 20 – 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.

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Health

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Main points

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.

Introduction

The Ministry of Health (Ministry) is responsible to support Saskatchewan residents in achieving their best possible health and well-being. To do this, 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 roles are to provide leadership in defining and implementing a vision for health and healthy living and to provide 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 such as nurses and doctors.¹

Government spending on health

For the year ended March 31, 2009, the Ministry received about \$4.0 billion from the General Revenue Fund and spent this money on its programs. The Ministry's annual report contains information about the Ministry's expenses (the annual report is available at www.health.gov.sk.ca/).

Table 1 shows total health sector revenues of \$4.4 billion by source for the year ended March 31, 2009. Table 2 shows total health sector costs of \$4.0 billion by program for the year ended March 31, 2009. 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.

¹ Obtained from the Ministry of Health 2008-09 Annual Report.

Chapter 10A – Health

Table 1

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Revenue Fund	\$ 3,976	\$ 3,504	\$ 3,203	\$ 2,991	\$ 2,774	\$ 2,516	\$ 2,343	\$ 2,200	\$ 2,076	\$ 1,956
Service fees revenue	172	160	143	136	126	121	113	110	109	99
Transfers from other governments ²	32	25	20	28	26	28	18	28	23	21
Ancillary revenue	21	18	19	19	17	26	22	20	18	17
Donations	38	23	17	19	16	15	18	15	17	12
Investment income	9	11	8	5	4	5	7	9	11	11
Other	<u>105</u>	<u>96</u>	<u>91</u>	<u>86</u>	<u>74</u>	<u>59</u>	<u>69</u>	<u>43</u>	<u>38</u>	<u>43</u>
Total revenues	<u>\$ 4,354</u>	<u>\$ 3,837</u>	<u>\$ 3,501</u>	<u>\$ 3,284</u>	<u>\$ 3,037</u>	<u>\$ 2,770</u>	<u>\$ 2,590</u>	<u>\$ 2,425</u>	<u>\$ 2,292</u>	<u>\$ 2,159</u>

Table 2

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Acute Services	\$ 1,527	\$ 1,460	\$ 1,293	\$ 1,259	\$ 1,169	\$ 1,063	\$ 963	\$ 900	\$ 824	\$ 797
Supportive care services	755	716	673	634	585	554	512	507	482	447
Medical services and education	639	590	585	533	496	455	446	421	401	384
Community care services	407	364	329	314	286	277	305	276	252	235
Prescription drugs	316	294	246	229	212	194	173	156	141	128
Provincial health services	272	234	205	190	175	162	144	136	122	102
Central Support Services	49	53	49	50	44	46	23	21	16	32
Other	37	37	31	30	26	34	44	60	43	38
Inter-entity expenses	<u>27</u>	<u>(97)</u>	<u>(66)</u>	<u>(17)</u>	<u>(49)</u>	<u>(40)</u>	<u>(52)</u>	<u>(53)</u>	<u>(58)</u>	<u>11</u>
Total costs	<u>\$ 4,029</u>	<u>\$ 3,651</u>	<u>\$ 3,345</u>	<u>\$ 3,222</u>	<u>\$ 2,944</u>	<u>\$ 2,745</u>	<u>\$ 2,558</u>	<u>\$ 2,424</u>	<u>\$ 2,223</u>	<u>\$ 2,174</u>

Source: *Public Accounts 2008-09: Volume 2: Details of Revenue and Expenditure* (see www.finance.gov.sk.ca/public-accounts) and March 31, 2009 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 agrees 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

Twelve Regional Health Authorities
 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

² Transfers from other governments do not include the Canada Health transfer from the Federal Government.

Year-end December 31

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

Audit conclusions and findings

We have completed the audits of the Ministry and its Crown agencies listed earlier for the year ended on or before March 31, 2009. Our audit opinions below exclude the results of our audits of the 12 regional health authorities. The results of those audits are reported in Chapter 10B.

In our opinion, for the year ended on or before March 31, 2009:

- ◆ **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**
- ◆ **the financial statements for the agencies listed earlier are reliable**

Later in this chapter, we report the result of our follow-up work to assess the progress of Health Information Solutions Centre, and SAHO to address our past recommendations. We also provide an update on the Standing Committee on Public Accounts' (PAC) past recommendations that the Ministry has not yet implemented.

Monitoring performance needs improvement

In our 2007 Report – Volume 3, we recommended that the Ministry obtain timely and complete performance information from health agencies and review the information to ensure that public money is used for the intended purposes.

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

The Ministry makes annual service agreements with health agencies to deliver health related services on its behalf. Those service agreements require agencies to provide the Ministry certain information (e.g., quarterly and annual financial reports comparing actual to budget and explanations of differences, quarterly operational performance reports) on specified dates. Without this information, the Ministry would not know if the health agencies used the money the Ministry gave them for the intended purposes. In 2008-09, the Ministry paid about \$207 million to such health agencies including the University of Saskatchewan.

During the year, most of the health 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.

The Ministry still does not have a process to ensure that all health agencies provide timely reports as the service agreements require. Nor does it have a process to ensure it reviews those reports in a timely manner.

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

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 still does not have a capital asset plan. 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. The Ministry uses over \$1 billion of capital assets (buildings and equipment) to deliver healthcare.

We note that the Ministry has identified the development of a 10-year capital plan as a key action in its plan for 2009-10.

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.

Service agreement required

In our 2008 Report – Volume 3, we recommended that the Ministry of Health make an agreement with the Public Service Commission for providing payroll services.

In December 2008, PAC considered this matter and agreed with our recommendation.

In October 2007, the Ministry transferred to the Public Service Commission (PSC) certain employees working in the Ministry's payroll and human resource branches. Since then, PSC has been providing payroll services to the Ministry. The Ministry has not made an agreement with PSC setting out the roles and responsibilities of both PSC and the Ministry. Lack of a formal service agreement increases the risk that the Ministry may not receive the services it needs.

We continue to 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 and RHAs began to collect the overpayments. However, a ruling in October 2006 from the Labour Relations Board disallowed the collection process and RHAs returned the overpayments to the employees.

Because the Ministry has not 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. As of August 2009, the Board has not considered this matter.

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.

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 has documented some parts of a business continuity plan (BCP).³ For example, the Ministry completed a business continuity threat and risk assessment during the year. Documenting risks and key services is needed to develop a complete BCP. The assessment identified key services that need to be provided during a disaster or emergency such as a pandemic. However, this assessment does not ensure that the Ministry would have the capacity or capability to deliver the necessary services in the time required.

The Ministry needs to prepare a complete BCP that sets out the services to be provided, the recovery time objectives, and staffing requirements to effectively respond to a crisis. Staff should be aware of their roles and responsibilities for carrying out the plan. Once the plan is complete, regular testing would be needed to ensure the plan would work when needed.

Management told us that after year-end the Ministry updated its BCP for the H1N1 pandemic. The Ministry plans to complete and test its BCP in 2010.

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

Human resource plan needs improvement

Since 2006, we have recommended that the Ministry of Health revise its human resource plan to quantify its human resources needs and to provide measurable indicators and targets for all strategies.

In June 2007, PAC considered this matter and agreed with our recommendation.

The Ministry has not revised its human resource plan to address our recommendation.

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.

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

Saskatchewan Cancer Agency

The Saskatchewan Cancer Agency (Agency) is responsible to conduct 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 2009, the Agency had operating revenues of \$93.9 million, operating expenses of \$ 93.0 million, and surplus of \$0.9 million. At March 31, 2009, it held assets of \$48.9 million. The Agency's financial statements are included in its 2009 Annual Report.

Better compliance with established processes needed

The Agency needs to follow its established processes for controlling its bank account when making payments to its employees.

The Agency has established appropriate processes to control its bank accounts. Those processes require approval of employee timecards. Hourly paid employees record hours worked on timecards. Timecards determine the amount an employee is paid. Timecards also update information such as vacation time used. If timecards are not accurate, employees may be paid inappropriately.

The Agency's policies require managers to approve all timecards. Managers, however, did not always approve employee timecards. Lack of approval of timecards increases the risk of inaccurate timecards and inappropriate payments to employees.

1. **We recommend the Saskatchewan Cancer Agency follow its processes to control its bank account when making payments to employees.**

Better information technology processes needed

In 2005, 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 assessment.

In March 2006, PAC considered this matter and agreed with our recommendation.

The Agency has made progress towards addressing the above recommendation but more work remains. Not all of the Agency's IT processes are based on a threat and risk assessment.

We continue to recommend 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 assessment.

Health Information Solution Centre information technology security—a follow-up

In 2007, we audited processes the Ministry of Health's Health Information Solutions Centre (HISC) used for the period from March 1, 2007 to August 31, 2007 to protect the confidentiality, integrity, and availability of client information technology systems and data.

HISC is a branch of the Ministry of Health. The role of HISC is to facilitate the development, coordination, and use of information and technology solutions to support continuing improvements in health care delivery in Saskatchewan. In addition to coordinating health sector information technology (IT) and information management (IM) standards and planning, HISC develops and integrates health care information systems, supports the use of information for health care planning and accountability, and manages the provincial network that links health regions, facilities and agencies.⁴

⁴ <http://www.health.gov.sk.ca/about-hisc>

HISC provides services to government agencies such as the regional health authorities, the Saskatchewan Association of Health Organizations, Saskatchewan Cancer Agency, as well as other health-related agencies in the province. HISC uses the Saskatchewan Health Information Network (SHIN), a Treasury Board Crown corporation that HISC manages, to help provide IT services. For example, most agreements with service providers are signed by SHIN. However, since SHIN has no employees, the IT work is managed by HISC staff at the Ministry of Health.

To protect the Ministry, clients' systems, and to support their effective use, HISC needs adequate controls for its data centre and network. Unauthorized disclosure, loss, or inappropriate modification of information could harm individuals and larger population groups and would result in loss of public confidence in the Ministry. Inaccurate or missing information would impede effective planning and decision making at the regional and provincial level. Inadequate controls to protect the availability of systems or information could interfere with providing much needed health services.

In our 2007 Report – Volume 3 (Chapter 11F), we reported results of our audit. We concluded that HISC did not have adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period March 1, 2007 to August 31, 2007. We made six recommendations.

On January 8, 2008, PAC agreed with our recommendations.

The following sections set out the recommendations (in italics) and HISC's actions up to September 30, 2009 to address those recommendations. HISC has made progress in responding to our recommendations. However, more work remains.

Security policies implemented

We recommended that HISC approve and implement its draft security policies and procedures.

HISC has met our recommendation. It has approved security policies. Now it is developing and implementing more detailed guidelines and

procedures. HISC has also undertaken education activities to raise awareness of its policies.

Security controls monitored

We recommended that HISC monitor the security of systems and data by reviewing regular reports on the adequacy of its controls.

HISC has met our recommendation. HISC now prepares regular reports for senior management on its security controls. Senior management uses these reports to help monitor security. In addition, HISC has done additional work and analysis on security, both on its own systems and to help assess the security of its clients. HISC has hired external resources to assist it in this work. The resulting reports assist in HISC's monitoring of security.

Need to meet service level commitments

We recommended that HISC meet its service level commitments to its clients related to firewall management and disaster recovery.

HISC uses service level agreements to manage client expectations. These agreements set out the responsibilities of HISC and its clients. HISC is now managing client firewalls as its agreements require. However, HISC is not yet monitoring client firewall logs to identify security threats as they occur. Also, HISC does not yet have an approved and tested disaster recovery plan as required in its service level commitments to clients (see discussion of disaster recovery plans below).

We continue to recommend that Health Information Solution Centre meet its service level commitments to its clients related to firewall log monitoring and disaster recovery.

Controlling user access

We recommended that HISC follow its procedures for controlling user access to systems and data.

HISC has taken steps to better control user access to systems. HISC should complete its work to ensure that its password and account

management policies are followed. For example, passwords must be changed regularly and accounts no longer needed must be removed on a timely basis.

We continue to recommend that Health Information Solution Centre follow its procedures for controlling user access to systems and data.

Protection from security threats required for systems and data

We recommended that HISC protect systems and data from security threats by adequately configuring, updating, and monitoring its computers and network equipment.

HISC has improved its protection of systems and data from security threats. It has improved its processes for configuring and updating its computers and network equipment. HISC implemented additional security measures and now collects additional information regarding security threats. HISC does not regularly review or analyze logs to identify security threats. HISC is in the process of installing equipment and software that will allow it to do so.

We continue to recommend that Health Information Solution Centre protect systems and data from security threats by adequately monitoring its computers and network equipment.

Approved and tested disaster recovery plan

We recommended that HISC have an approved and tested disaster recovery plan for systems and data.

HISC does not have a tested disaster recovery plan for its data centre. It has completed a business impact analysis and has carried out some work to help prepare for different types of workplace and human resource disruptions. Management told us that the Ministry is working to identify and remove single points of failure for critical systems while it examines options for addressing its full disaster recovery needs.

We continue to recommend that Health Information Solution Centre have an approved and tested disaster recovery plan for systems and data.

SAHO's controls to secure the payroll system—a follow-up

SAHO is responsible to provide leadership, support, and services to assist its members in effectively delivering a comprehensive range of health services to the people of Saskatchewan⁵. Services SAHO provides to its members include communications and advocacy, collective bargaining, human resources, administration, payroll, materials management, workplace, health and safety, and education. Its members are various healthcare providers within the province. The largest members are the regional health authorities (RHAs).

SAHO provides payroll services on a cost recovery basis. SAHO processes payroll for approximately 40,000 people. In 2009, the total payroll expenses (excluding benefits) from the payroll system exceeded \$1.67 billion. SAHO has a Human Resource Management Steering Committee (Committee) made up of members from the RHAs. The Committee makes recommendations to SAHO management about changes to the human resource and payroll system.

The payroll system is comprised of three separate computer systems known as Payroll Front End (PFE), Batch Calculations (BATCH), and Internet Personnel Front End (IPFE). PFE is a system some SAHO members still use to transfer payroll data to SAHO for processing. This system is several years old and is in the process of being replaced. BATCH does all payroll calculations. BATCH also maintains data such as sick day and vacation accruals. IPFE is designed to replace PFE. In addition to allowing SAHO members to transfer information to BATCH, IPFE also stores all payroll transactions processed. Therefore, SAHO members can use IPFE for reporting purposes.

In 2006, we audited SAHO's central controls to secure transactions on the payroll system. The central controls are SAHO's policies and procedures to ensure the confidentiality, availability, and integrity of the payroll system. We reported our audit results in Chapter 2E of our 2006 Report - Volume 3 and made four recommendations for SAHO to help improve its processes. PAC agreed with our recommendations in June 2007.

⁵ SAHO's Annual Report, 2008-2009.

In 2008, we completed our first follow-up to assess SAHO's progress towards addressing our recommendations. We concluded SAHO needed to do more work to fully address one of our recommendations. That recommendation required SAHO to monitor the security controls of its Internet Personnel Front End (IPFE) service provider to protect SAHO's systems and data.

The section below describes our second follow-up of SAHO's progress up to June 2009 towards the one outstanding recommendation.

Monitoring the IPFE service provider

In 2007, SAHO began receiving monthly security reports from the IPFE service provider. These reports include information on system availability, security breaches, and system vulnerability scans. However, these reports do not provide enough details to allow SAHO to assess whether security controls are working effectively. For example, SAHO should receive detailed findings of system vulnerability scans and review follow-up actions of the IPFE service provider. Management told us SAHO is making arrangements with its service provider to receive this information.

SAHO also needs to include monthly reporting requirements in its agreement with its IPFE service provider. Management told us that SAHO is drafting a new agreement with its IPFE service provider. Management also told us that the new agreement will include monthly reporting requirements.

We continue to recommend that Saskatchewan Association of Health Organizations monitor the security controls of its Internet Personnel Front End (IPFE) service provider to protect systems and data.

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, 2009). 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, 2009). The Ministry has increased its capacity to monitor and report on the achievement of its objectives.
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, 2009). The Ministry has identified the development of a ten-year comprehensive health human resource plan as a key action for its 2009-10 Plan. We plan to do a follow-up in the future.

⁶ For the definitions of the key terms used in the table, see Chapter 20 – 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.

PAC REPORT YEAR ⁷	OUTSTANDING RECOMMENDATION	STATUS
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, 2009). The Ministry has identified the development of a ten-year comprehensive health human resource plan as a key action in its 2009-10 Plan. We plan to do a follow-up in the future.
Ministry of Health (Reducing workplace injuries)		
2009	PAC concurs: 10C-7 that the Ministry of Health set long-term, provincial targets to reduce the rate and severity of health-sector workplace injuries.	Not implemented (as at September 30, 2008). We plan to do a follow-up in the future.
Métis Addictions Council of Saskatchewan Inc.		
2005	PAC concurs: 2E-3 that Board of Directors of the Métis Addictions Council of Saskatchewan Inc. should establish a long-term strategic plan and annual business and financial plans for the Métis Addictions Council of Saskatchewan Inc.	Partially implemented (as at March 31, 2009). MACSI prepared an annual business and financial plan. It has not yet prepared a strategic plan.
2005	PAC concurs: 2E-6 that Board of Directors of the Métis Addictions Council of Saskatchewan Inc. should periodically assess its own performance.	Not implemented (as at March 31, 2009). The permanent Board has not been in place long enough to assess its own performance yet.
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, 2009). The Ministry has implemented all recommendations except the two noted above.
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, 2009). The Ministry has not developed a plan but has procedures for monitoring drug use in the population.

PAC REPORT YEAR ⁷	OUTSTANDING RECOMMENDATION	STATUS
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, 2009). The Ministry has implemented a new system to collect statistical information on drug usage. We plan to do a follow-up on the Ministry's progress to set, evaluate and report on performance measures in 2009-10.
Saskatchewan Cancer Agency		
2009	PAC concurs: 10C-2 that the Saskatchewan Cancer Agency monitor its information technology service provider to ensure its systems and data are adequately protected.	Not implemented (as at March 31, 2009). We plan to do a follow-up in 2010.
2009	PAC concurs: 10C-3 that the Saskatchewan Cancer Agency follow its policies for accessing computer systems and data.	Not implemented (as at March 31, 2009). We plan to do a follow-up in 2010.
2009	PAC concurs: 10C-4 that the Saskatchewan Cancer Agency adequately protect its wireless computer systems against unauthorized access.	Not implemented (as at March 31, 2009). We plan to do a follow-up in 2010.
2009	PAC concurs: 10C-5 that the Saskatchewan Cancer Agency protect its computer systems and data by updating (patching) its computers against known security weaknesses.	Not implemented (as at March 31, 2009). We plan to do a follow-up in 2010.
2009	PAC concurs: 10C- 6 that the Saskatchewan Cancer Agency protect its information technology systems and data by adequately monitoring its systems and data for security threats.	Not implemented (as at March 31, 2009). We plan to do a follow-up in 2010.

PAC REPORT YEAR ⁷	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 10C-7 that the Saskatchewan Cancer Agency adequately test its disaster recovery plan.	Not implemented (as at March 31, 2009). We plan to do a follow-up in 2010.

Glossary

Account—A unique identity set up on a computer or network that allows access to specific systems and data.

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.

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.

Log—A record of computer, network, or application use.

Network—A group of computers that communicate with each other.

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.

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Main points

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.

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 2009, the RHAs had revenues totalling \$3.0 billion (\$2.7 billion from the Ministry of Health). They had a combined annual surplus of \$317.0 million (2008-\$1.7 million). At March 31, 2009, the RHAs held total assets of \$1.6 billion (2008-\$1.3 billion). Each RHA's annual report includes its financial statements.

Under the Act, RHAs have the authority to appoint 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).

The following lists the RHAs and their appointed auditors. We audit the Regina Qu'Appelle RHA directly.

<u>RHA</u>	<u>Appointed Auditor</u>
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 Oldershaw
Prince Albert Parkland	Meyers Norris Penny LLP
Saskatoon	KPMG LLP
Sun Country	Virtus Group LLP
Sunrise	Parker Quine LLP

This chapter reports the results of our annual audits of RHAs, our assessment of human resource plans of the two largest RHAs, the disaster recovery plans of six largest RHAs, and our follow-up work on:

- ◆ Sunrise's processes to control hospital-acquired infections

- ◆ Sun Country’s compliance with authorities governing inspection of public eating establishments
- ◆ Preparation of the Ministry of Health’s surgical wait time report for Regina Qu’Appelle

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.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2009:

- ◆ **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 except for the matters reported in this chapter**
- ◆ **the RHAs financial statements are reliable**

To complete our work, we relied on the work and reports of appointed auditors, except for the work and report of the appointed auditor of Sun Country. We did rely on the appointed auditor’s work and report because at the time of this Report the appointed auditor has not completed all the work relating to the adequacy of Sun Country’s information technology policies and procedures. We describe this matter later in this chapter under *Information technology policies and procedures*.

When we do not rely on the work and report of an appointed auditor, *The Provincial Auditor Act* requires us to do additional work and report the results of our work. We plan to do direct work to assess the adequacy of Sun Country’s information technology policies and procedures and report our findings in a future report.

Controlling bank accounts

In our 2007 Report – Volume 3 and 2008 Report – Volume 3, we recommended that Mamawetan Churchill River, Cypress, Kelsey Trail, and Prairie North follow their processes to control bank accounts when making payments to employees and vendors.

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

During 2008-09, employees and managers of Mamawetan Churchill River continued to ignore the established processes to control bank accounts. Employees did not always prepare and obtain approval of purchase orders before receipt of goods and services and managers did not always approve employee timecards on a timely basis. 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 timely 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 Prairie North did not always follow the established processes to ensure all purchase orders are properly authorized and did not always obtain evidence of receipt of goods or services before paying suppliers. Such processes help ensure the accuracy of the accounting records and reduce the risk of incorrect and unauthorized payments. The risk of such errors increases when employees have the ability to adjust accounting records (journal entries) without approval. We found that not all journal entries processed during the year had proper approval.

Employees of Kelsey Trail did not always follow the establish processes that require approval and retention of all requisitions for goods and services. We found that not all requisitions were properly approved and retained and several vendor invoices had no evidence of approval for

payment. Lack of approved requisitions and evidence of approval of vendor invoices increases the risk of errors and/or unauthorized payments.

- 1. We recommend that Prairie North Regional Health Authority follow its established processes to control its bank account when paying its suppliers.**
- 2. We recommend that Kelsey Trail Regional Health Authority follow its established processes to control its bank account when paying its suppliers.**

Employees of Cypress, and Prairie North did not follow the established processes to help ensure employees are paid only for work done.

Hourly-paid employees record hours worked on time sheets. Time sheets determine each employee's pay and update information such as vacations. If time sheets are inaccurate, employees' pay and other benefits may also be inaccurate.

These RHAs 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 Regional Health Authority and Prairie North Regional Health Authority follow their processes to control their bank accounts when making payments to employees.

Information technology (IT) policies and procedures

In our past Reports, we recommended that Kelsey Trail, Mamawetan Churchill River, 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.

RHAs continue to make progress but more work remains. For example, Kelsey Trail needs to establish IT policies for timely updates of users'

accounts, Mamawetan Churchill River needs to implement IT policies, and Saskatoon needs to improve processes for making changes to systems and data. Heartland did not have documented policies and procedures for removing access to its IT systems and data for those it no longer employs and the password requirements. Nor did it have adequate policies and procedures for physical and environmental protection of its IT equipment.

Regina Qu'Appelle has documented some IT security policies and procedures including controls for granting access and defining password requirements. However, it needs to follow its procedures for removing user accounts and for updating its systems against known security risks. Keewatin Yatthé has outsourced its IT services to Prairie North but does not have a formal service agreement with Prairie North. Such an agreement would set out roles and responsibilities of both parties, the services to be provided (including security and disaster recovery requirements), and service delivery targets (such as the percentage of time networks will be available).

In our 2008 Report –Volume 3, we reported that Cypress did not have adequate processes to protect its information technology systems and data and made recommendations. We will do a follow-up in the future to assess how well Cypress has addressed our recommendations and report our findings in a future report.

As at October 23, 2009, the appointed auditor for Sun Country has not completed all the IT related work for Sun Country. We plan to do this work directly and report our findings in a future report.

Without adequate IT processes, the RHAs risk 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, Saskatoon, and Sun Country Regional Health Authorities establish information technology policies and procedures based on a threat and risk analysis.

3. We recommend that Kelsey Trail Regional Health Authority adequately protect its information technology systems and data.

- 4. We recommend that Heartland Regional Health Authority adequately protect its information technology systems and data.**
- 5. We recommend that Regina Qu'Appelle Regional Health Authority adequately protect its information technology systems and data.**
- 6. We recommend that Keewatin Yatthé Regional Health Authority establish an adequate agreement with its information technology service provider.**

Later in this chapter, we report the results of our assessment of the disaster recovery plans of the six largest RHAs. We encourage other RHAs to use the elements of an adequate disaster recovery plan that we describe to assess the adequacy of their own disaster recovery plans.

Written policies and procedures

In our 2008 Report – Volume 3 and our past reports, we recommended that Regina Qu'Appelle and Cypress establish complete written financial management policies and procedures.

In June 2004 and December 2008, PAC agreed with our recommendation.

Both RHAs have made some progress but more work remains. Regina Qu'Appelle has not established policies for capital assets, contract management, and timely and reliable financial reports. Cypress still needs to finalize 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 and Cypress Regional Health Authority establish complete written financial management policies and procedures.

Internal audit function

In 2005, we recommended that Regina Qu'Appelle assess whether it needs an internal auditor.

In 2005-06, Regina Qu'Appelle determined that it needs an internal auditor based on its formal assessment. However, it has not hired an internal auditor.

In our 2008 Report – Volume 3, we recommended that Regina Qu'Appelle Board implement an internal auditor function. In December 2008, PAC considered this matter and agreed with our recommendation.

Recently, the Minister of Health changed the board of directors for Regina Qu'Appelle. We urge the new board to implement an internal auditor function.

Prairie North and Prince Albert Parkland have several operating centres (long term facilities) that receive money, buy goods, and approve invoices for payments. Often, those operating centres do not adequately segregate employees' duties i.e., some employees receive cash and record these amounts in the financial records, and do not always agree cash received to cash deposited in the bank.

Large, diverse organizations with complex management systems need to know if their systems are adequate to meet their objectives. An internal audit function can provide assurance to Boards 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.

We continue to recommend that Regina Qu'Appelle Regional Health Authority Board implement an internal audit function.

7. **We recommend that Prairie North Regional Health Authority assess the need for an internal audit function.**
8. **We recommend that Prince Albert Parkland Regional Health Authority assess the need for an internal audit function.**

Controlling capital assets

In our 2008 Report – Volume 3, we recommended that Keewatin Yatthé and Prairie North periodically count their capital assets and agree their capital asset records to their accounting records regularly.

In December 2008, PAC considered this matter and agreed with our recommendation.

To help ensure their capital assets exist and the capital asset records agree to the accounting records, the RHAs need to periodically count their capital assets and agree (reconcile) the counts to the capital asset records and the accounting records. Because Keewatin Yatthé and Prairie North did not do so, they did not know if the capital assets exist or their accounting records are accurate. Inaccurate capital asset records could cause the RHAs to make wrong decisions about equipment purchases and disposals.

These RHAs have made some progress to address our recommendation but more work remains. Both RHAs use equipment (capital assets) to provide health services to their residents. Prairie North and Keewatin Yatthé have invested about \$57.7 million and \$25.9 million respectively in all capital assets.

Heartland had a listing of its capital assets. However, Heartland did not regularly update the list. Nor did it ensure that the listed assets agree to the accounting records. Heartland has invested about \$37.0 million in all capital assets. (See Chapter 10E for Heartland's processes for equipment disposal).

We continue to 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.

Management of Prairie North told us that the RHA is working to implement an asset management system (including physical verification) that would link to the current financial system.

- 9. We recommend that Heartland Regional Health Authority maintain a current list of its capital assets.**

Improving oversight of affiliates

Regina Qu'Appelle needs to effectively monitor its affiliates' spending.

Regina Qu'Appelle paid \$46 million to its eight affiliates that provide health care services on its behalf. It has service agreements with each affiliate that set out the terms and conditions of the funding including reporting requirements for oversight purposes. The agreements require affiliates to provide quarterly expenditure reports, annual audited financial statements, and written explanation for differences between actual and budgeted spending. Regina Qu'Appelle also requires affiliates to provide annual audit opinions on the adequacy of internal controls and legislative compliance.

Regina Qu'Appelle should ensure all affiliates provide reports on a timely basis and should review the information received to determine if the affiliates spent money in accordance with the service agreements. During the year, five of the eight affiliates did not submit all required quarterly reports. Four affiliates did not submit written explanations for differences between actual and budgeted spending. One affiliate did not provide audit opinions on the adequacy of internal control and legislative compliance. Regina Qu'Appelle did not follow up on these matters.

Without proper oversight of affiliates, Regina Qu'Appelle's resources may not be used for the intended purposes.

- 10. We recommend that Regina Qu'Appelle Regional Health Authority obtain all the required reports from its affiliates in a timely manner and review those reports to monitor affiliates' spending.**

Adequacy of human resource planning

Well-managed agencies use human resource plans to help ensure they have the right numbers of people in the right jobs at the right time. A good human resources plan has four key elements. It should:

- ◆ identify risks and priorities
- ◆ analyze gaps in human resources
- ◆ set out strategies to address risks or gaps in human resources
- ◆ outline how to implement major strategies

In March 2009, we assessed the human resources plans of the two largest RHAs, that is, Regina Qu'Appelle and Saskatoon against the above elements. We expected these large RHAs to have strong human resources practices and be able to show leadership to smaller RHAs. Both these RHAs are among the largest employers in Saskatchewan.

Regina Qu'Appelle's human resource plan did not have some parts of every key element and Saskatoon's human resource plan was missing a part of one key element.

We describe below our key findings and recommendations for each element.

Identify human resources risks and priorities

As of March 2009, Regina Qu'Appelle had not identified overall human resources risks or priorities across the region. Its human resources plan was a collection of uncoordinated strategies (e.g., recruiting strategy). These strategies related to its overall strategic direction (e.g., quality services).

Regina Qu'Appelle has begun to identify key positions essential for service delivery. Identifying key positions highlights risks and helps analyze workforce gaps. It also enables better retention of employees with essential skills.

Saskatoon identified overall human resource priorities and risks across the region in its Organizational Workforce Action Plan 2008–11 (Action Plan). It organized its Action Plan around three key priorities: stabilizing

the workforce, relationship with key stakeholders, and safe and effective workplace. Saskatoon aligned its Action Plan with the Ministry of Health's Workforce Action Plan and its own strategic direction, including the priorities related to retaining staff and safety in the workplace. The Action Plan explained Saskatoon's human resources risks. Like others in the health sectors, it identified recruitment/retention of sufficient staff and workload as serious risk complicated by sick leave and absenteeism. A related risk was the wide span of control of managers, many of whom have limited time to guide or support front-line workers. The Action Plan prioritized the human resource risks based on feedback from employees, managers, and stakeholders.

Analyze gaps in human resources

Regina Qu'Appelle identified four occupational groups for which it could not recruit sufficient people to provide timely health services: registered nurses, pharmacists, physiotherapists, and respiratory therapists. It did not analyze the extent of the problem (e.g., duration of vacancies, trends) or the impact on service delivery of these workforce shortages. Regina Qu'Appelle had not projected its future workforce needs or the occupational groups expected to be in short supply in future. For example, it had not examined the impact of expected retirements on service delivery capacity. One of its strategic objectives was to "increase leadership capacity" but it had not analyzed current leadership gaps or future risks.

11. We recommend that Regina Qu'Appelle Regional Health Authority analyze the extent of its workforce gaps and estimate their future impact on service delivery.

Saskatoon identified occupational groups for which it could not recruit sufficient people to provide timely health services, particularly psychologists, registered nurses, licensed practical nurses, and care aides. It analyzed the extent of the problem (e.g., duration of vacancies, expected future needs). For example, 10% of psychologist positions have been vacant for longer than 6 months including the senior psychologist. The level of workforce gaps strains Saskatoon's ability to provide some services promptly.

Saskatoon projected occupational groups expected to be in greater demand in future. For example, it analyzed eligibility to retire by 2008, 2010, 2012 (e.g., using the years of service and age updated to 2013). It also analyzed retirement and turnover by occupational groups and location (rural and urban facilities). With this analysis, Saskatoon could evaluate the most serious risks to service delivery and take timely action.

Set out strategies to address risks or gaps in human resources

Regina Qu'Appelle had six human resources strategies: recruitment strategy, health and safety strategy, employee services strategy, learning and development strategy, representative workforce strategy, and the beginnings of a leadership strategy (i.e., competencies list and projects).

Without clearly identified risks, Regina Qu'Appelle does not know if these strategies will be adequate.

Saskatoon had 11 human resource strategies. For example, it had strategies for recruitment, health and safety, learning and leadership, and a representative workforce strategy. It also took action to avoid leadership gaps in future by identifying participants for leadership development programs. Along with six other regions, it also participated in a leadership program with entry points for senior and front-line managers. Those who completed the program have begun to fill vacancies in out-of-scope manager positions.

Outline how to implement major strategies

Regina Qu'Appelle had action plans for three of its six human resources strategies. The action plans seldom identified the resources needed, the time frame, or who was accountable for the work.

12. We recommend that Regina Qu'Appelle Regional Health Authority clarify the resources it needs to implement its human resources plan.

Regina Qu'Appelle gives a written report about human resources issues to its senior management and the Board about once a year. Annual reports are not frequent enough to monitor trends and take timely action

on human resources risks. Management told us that Regina Qu'Appelle plans to improve its ability to report by identifying key performance measures for human resources and by improving its information system's reporting capacity.

13. We recommend that Regina Qu'Appelle Regional Health Authority identify human resources risks and monitor them at least quarterly using key performance measures.

Saskatoon had detailed work plans for implementing its human resources strategies. All of its 11 human resources work plans identified the accountable work units and staff members, and set dates for completing action. The work plans did not identify what resources Saskatoon needed or allocated to achieve the required results.

Identifying the resources needed would help managers (and other users of the Organizational Workforce Action Plan) to provide the required support for major initiatives. It would also clarify those strategies less likely to be achieved due to inadequate resources. Knowing the resources required gives senior managers an opportunity to ask staff to identify alternative ways to achieve similar results.

14. We recommend that Saskatoon Regional Health Authority clarify the resources it needs to implement its human resources plan.

Saskatoon had 24 performance measures for human resources. It used targets to help it measure success for 17 of those measures. Data for the other measures was more difficult to obtain due to the capacity of its current information systems for human resources. Saskatoon identified its need for better information systems to improve its reporting capacity. A written progress report given to its senior management at year-end and periodic reports on specific topics (e.g., sick leave) helped Saskatoon to monitor trends.

Adequacy of disaster recovery plans

Since 2003, we have reported that most RHAs either do not have information Technology (IT) disaster recovery plans or they have not tested their plans to assess their effectiveness.

The primary function of a disaster recovery plan is to rebuild the IT resource to provide access to necessary information immediately after a major disaster or other interruption.

Besides IT systems and data for common business functions, RHAs' disaster recovery plans must also address resident patients and critical life support technology and structure associated with the care of the patients. Both the Ministry of Health (Health Information Solution Centre) and RHAs manage IT systems and data that support patient care and the delivery of health care services.

The Health Information Solution Centre (HISC) manages systems and data that support province-wide applications (e.g., the systems that the Ministry uses to develop electronic health records). While the patient electronic health record system is not complete, health care professionals across the province use some parts of this system to provide services.

Some RHAs have their own staff and manage their own IT services. Others have outsourced their IT services to either HISC or external service providers.

To protect systems and data that support patient care, both HISC and RHAs must have adequate disaster recovery plans. We assessed the adequacy of disaster recovery processes at HISC and concluded that HISC did not have adequate disaster recovery processes. We describe fully our work and findings on page 176 in Chapter 10A of this report.

The section below describes our assessment of the adequacy of disaster recovery plans of the six largest RHAs.

Work and conclusion

The purpose of our work was to assess whether RHAs had adequate information technology (IT) disaster recovery plans at March 31, 2009 to restore key IT systems and data. We did not assess the controls over electronic medical equipment (e.g., intravenous pumps) or life support technology.

To be adequate, a disaster recovery plan should:

- ◆ set out the responsibilities of those who are to implement the plan
- ◆ include emergency procedures while the system is unavailable
- ◆ include steps for the recovery and restoration of the system
- ◆ be regularly tested for effectiveness and updated

All the RHAs have done some work addressing disaster recovery issues. For example, some have identified the need for disaster recovery plans and set out staff roles and responsibilities for disaster recovery. Some RHAs have also defined the recovery time requirements for key systems and data. However, none of the RHAs except for Prince Albert Parkland and Five Hills have a complete disaster recovery plan for the systems and data they manage. When completed, RHAs must regularly test their disaster recovery plans to assess their effectiveness.

- 15. We recommend that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness.**

Findings

This section briefly describes our assessment of the disaster recovery plans at the following six largest RHAs

- ◆ Regina Qu'Appelle
- ◆ Saskatoon
- ◆ Prince Albert Parkland
- ◆ Prairie North
- ◆ Sunrise
- ◆ Five Hills

Regina Qu'Appelle has defined staff roles and responsibilities for disaster recovery. It has also documented recovery time requirements for key systems. However, it does not have a complete plan setting out how to restore its systems and data. It must also test its plan when completed to assess its effectiveness.

Saskatoon and Sunrise have done some preliminary work on disaster recovery planning but have not documented their plans. Their work is

limited to documenting processes to back up systems and data. These RHAs must complete and document their disaster recovery plans and test them regularly to ensure they would work when needed.

Prince Albert Parkland has contracted its IT services with an external service provider. Its contract with the service provider requires the service provider to establish and test a disaster recovery plan. During the year, the service provider prepared and tested the disaster recovery plan for the RHA.

Prairie North has prepared a disaster recovery plan. The plan, however, does not include all key requirements. For example, the plan does not identify recovery time requirements for key systems, document how to restore systems and data, or include all emergency procedures for use when the systems are unavailable.

Five Hills has an adequately documented and tested disaster recovery plan.

We encourage all RHAs to assess their own disaster recovery plans against the key elements of an adequate disaster recovery plan we describe earlier and make changes to improve those plans.

As we stated earlier all RHAs have close working relationship with HISC. To have robust disaster recovery plans, RHAs must ensure that their service provider, HISC, also has a robust disaster recovery plan. Accordingly, the adequacy of disaster recovery plans of RHAs very much depends on the adequacy of the disaster recovery plan of HISC.

Sunrise's processes to control hospital-acquired infection—a follow-up

In 2007, we assessed Sunrise's processes to manage hospital-acquired infections. We reported the results of our audit in our 2007 Report – Volume 3, Chapter 11D (pp. 217-231). We concluded that Sunrise had adequate processes to manage hospital-acquired infections except it needed to do more in three areas. We made three recommendations to help improve the infection control plan, guidance to staff, and monitoring.

On January 8, 2008, PAC agreed with our recommendations.

In 2009, we did follow-up work to assess Sunrise's progress toward addressing our recommendations. We concluded that Sunrise had implemented one recommendation and it has made progress toward the other two.

The following section sets out our past recommendations about processes to manage hospital-acquired infections (in italics) and our assessment of the Sunrise's progress as at August 31, 2009.

Infection control plan

We recommend that the Sunrise Regional Health Authority develop a regional infection control plan to guide the prevention of hospital-acquired infections.

Sunrise has implemented this recommendation. It has developed a regional infection control plan to guide the prevention and control of hospital-acquired infections. The plan applies to Sunrise's acute, long-term, and home care services. The plan sets out useful strategies to prevent or reduce the spread of specific types of infections. We encourage Sunrise to continue its efforts to keep its infection control plan current.

Guidance to staff

We recommend that Sunrise Regional Health Authority provide guidance to help staff fully identify, investigate, analyze, and report hospital-acquired infections.

To build its capacity for guiding staff, Sunrise now has a process to designate resource persons to guide staff about infection control. In 2009, it began training the designated resource persons and managers. Training the designated infection control staff across this rural region requires significant resources.

Infection control training continues and more is required. In 2009, Sunrise focused its infection control training on basic principles, i.e., hand hygiene, and the safe removal of contaminated masks, respirators,

gowns, and equipment. Guidance on hand hygiene and use of protective equipment is essential. However, it is not sufficient. Training should also include how to identify, investigate, analyze, and report infections of various kinds.

In 2009, Sunrise’s guidance for infection control was primarily about identifying and reporting infections that spread rapidly from one person to another—a good priority. Sunrise developed an *Illness Outbreak Response and Communication Plan*. It designed “case-list” forms that assist staff to consistently identify patients with symptoms that may imply a new illness outbreak (e.g., diarrhoea or influenza symptoms). Accurate communication and a complete list of infected persons could reduce the spread of infections.

Sunrise provided very limited guidance to its staff to investigate other types of infections (e.g., infections in surgical or other open wounds). Sunrise did not provide guidance to help staff analyze the reasons why patients acquire infections while receiving care in health facilities. Guidance on investigating and analyzing the factors associated with infections could significantly reduce hospital-acquired infections.

We continue to recommend that the Sunrise Regional Health Authority provide guidance to help its staff fully identify hospital-acquired infections, and also to investigate, analyze, and report them.

Reporting and monitoring

We recommend that the Sunrise Regional Health Authority focus its actions to prevent and manage hospital-acquired infections by reporting and monitoring: a) the rates and causes of hospital-acquired infections, and b) progress toward targets by type of infection

Sunrise’s health facilities prepared quarterly reports about a few types of infections for their infection control committees (e.g., urinary tract infections in long-term care). Sunrise also periodically gave senior management reports showing trends in the rate of certain infections (e.g., antibiotic resistant organism reports 2008-09, outbreak reports). Revisions to processes identifying patients with antibiotic resistant infections improved timely communication about serious infections.

Sunrise did not ask its staff to report the probable causes of hospital-acquired infections. The factors causing infections can be complex. Often, more than one factor causes infections (e.g., the patient's condition, the cleanliness of the environment and equipment, hand hygiene, the way procedures are performed). When staff do not identify the factors contributing to infections, Sunrise is less able to take timely action to prevent future infections.

In early 2009, Sunrise did not use targets to help explain the trends in hospital-acquired infections. Management told us that Sunrise plans to use national benchmarks and targets in the future. Targets will help Sunrise monitor its progress in reducing hospital-acquired infections.

Sunrise does not produce timely summary reports of all reported infections acquired in health facilities across the region. Summary reports of infection rates and trends would help the regional infection control committee focus Sunrise's efforts to prevent infections. Senior management and the Board need summary reports to set priorities and allocate resources.

We continue to recommend that Sunrise Regional Health Authority focus its actions to prevent and manage hospital-acquired infection by reporting and monitoring the rates and causes of hospital-acquired infections and its progress toward targets by type of infection.

Sun Country's compliance with authorities governing inspection of public eating establishments—a follow-up

Food safety is a significant issue for residents of Saskatchewan. People could contract food borne illnesses by eating at public eating establishments such as restaurants. Public health inspectors monitor public eating establishments to help ensure public safety.

In 2007, we audited whether Sun Country complied with the provisions of the following legislative and related authorities for the year ended March 31, 2007.

- ◆ *The Public Health Act, 1994* (Sections 16, 18 and 19)
- ◆ *The Public Eating Establishment Regulations*

- ◆ *The Public Health Officer Regulations*
- ◆ *Public Health Inspection Work Guide¹: Administrative Program Guideline No. 01 (Public eating establishment sections)*

We concluded that Sun Country complied with the above authorities except it did not meet the target timeframe for follow-up inspections.

We reported the results of our audit in our 2007 Report – Volume 3 and recommended that Sun Country comply with the timeframes required by the *Public Health Inspection Work Guide* for re-inspections of eating establishments.

On January 8, 2008, PAC agreed with our recommendation. In August 2009, we did follow-up work to assess how well Sun Country has addressed our recommendation.

Sun Country has adequately addressed our recommendation.

Sun Country no longer uses its own system to capture the timing and results of inspection of all public eating establishments (public eateries) within its jurisdiction. Instead, Sun Country relies on the system called Provincial Environment Health System (EHS) that the Ministry of Health established. EHS collects and tracks all RHAs' reports on inspection of food handling establishments including public eateries and allows the public to review online inspection results of public eateries. EHS became operational effective May 12, 2009.

In addition, since our audit, the *Food Safety Regulations* have replaced the *Public Eating Establishment Regulations*. However, the *Public Health Inspection Work Guide* continues to set out the requirements and timeframe for follow-up inspection of public eateries.

Sun Country now uses the information in EHS to monitor the target timeframe for follow-up inspections of public eateries. Sun Country carried out re-inspection of public eateries in accordance with the *Public Health Inspection Work Guide*.

¹ Prepared by the Ministry of Health and the regional health authorities

Surgical wait time report—a follow-up

Saskatchewan residents are concerned about the length of time they wait for necessary medical procedures such as surgery. One of the Ministry of Health's key actions for 2009–10 is to improve access to services including reduction of surgical wait times.² The Ministry publicly reports a trend line on the number of patients waiting longer than 12 months for surgery as a significant measure of health system performance.

In 2007, we audited whether the surgical wait times report at June 30, 2007 for the Regina Qu'Appelle was reliable, understandable, and consistent.

Our 2008 Report – Volume 1, Chapter 7 described our findings on the surgical wait times report. In our Report, we made three recommendations for the Ministry of Health and Regina Qu'Appelle. On June 16, 2008, PAC agreed with our recommendations.

In September 2009, we did our follow-up work to assess the progress Regina Qu'Appelle and the Ministry have made to address our recommendations. We describe below our recommendations (*in italics*) and the results of our follow-up work.

- 1 *We recommend that the Ministry of Health and Regina Qu'Appelle Regional Health Authority follow established processes to correct data errors in the Saskatchewan Surgical Care Network Registry.*
- 2 *We recommend that the Ministry of Health and Regina Qu'Appelle Regional Health Authority periodically monitor how well surgeons follow the established processes to book patients in the Saskatchewan Surgical Care Network Registry and encourage them to follow the processes.*
- 3 *We recommend that the Ministry of Health disclose sufficient information in the surgical wait times report so that readers can better understand the limitations of the information presented.*

² Ministry of Health Plan 2009-10

Regina Qu'Appelle and the Ministry have adequately addressed the above recommendations.

Regina Qu'Appelle now follows its processes to correct data errors that the Saskatchewan Surgical Care Network Registry's system identifies. The Ministry monitors to ensure that Regina Qu'Appelle corrects all identified data errors in a timely manner.

In June 2009, the Ministry, through the Saskatchewan Surgical Care Network, created a process for officials of each regional health authority to follow up with surgeons when surgeons submit their booking forms more than seven days after the surgery consent forms are signed. Completed booking forms are used to put patients on the wait list. Prompt submission of the booking forms help ensure patients are promptly included on the wait list. We note that, since the implementation of the new process, Regina Qu'Appelle had fewer cases of significant time lag between the date a patient is included on the wait list and the date of the patient's signed surgery consent form.

The Ministry now presents additional information in the surgical wait times report to inform readers of limitations in the information presented. The additional information advises readers that regions have different surgical practices and some procedures are performed in other hospital settings (other than hospital operating rooms). The report also advises readers that only procedures performed in hospital operating rooms are included in the data presented. In addition, when data includes those procedures that could be performed in either operating rooms or other hospital settings, a foot note explains that the data reported does not include procedures performed in other hospital settings.

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 chapter³.

³ For the definitions of the key terms used in the table, see Chapter 20 – Standing Committee on Public Accounts.

PAC REPORT YEAR ⁴	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, 2009). Capital equipment plans are improving but still do not contain all key elements of good plans.
2005	PAC concurs: 2-1 that the Boards of Governors of the Regina Qu'Appelle and Saskatoon Health Regions should commit to workplace safety as a priority and that the boards should: - set specific targets to reduce work-related injuries to care staff in the short term; - allocate resources to achieve the targets (e.g. staff or mechanical aids); - receive frequent reports about injury rates and actions to reduce injuries; and - hold senior managers accountable to reduce injuries.	Partially implemented (as at September 30, 2008) We plan to do a follow-up in the future.
2005	PAC concurs: 2-2 that the Regina Qu'Appelle and Saskatoon Health Regions should analyze the unit staffing patterns that are associated with high and low injury rates, and implement the lessons learned.	Partially implemented (as at September 30, 2008) We plan to do a follow-up in the future.
2005	PAC concurs: 2-3 that the occupational health committees of the Regina Qu'Appelle and Saskatoon Health Regions should: - monitor injury trends at least quarterly; - analyze the causes of injuries in areas with high injury rates at every meeting; and - make written recommendations to senior management and their board to fix unresolved causes of injuries.	Partially implemented (as at September 30, 2008) We plan to do a follow-up in the future.

⁴ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Chapter 10B – Regional Health Authorities

PAC REPORT YEAR ⁴	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Health (Building Capacity - Five Hills RHA)		
2009	PAC concurs: 6-12 that the Five Hills Health Region 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).	Partially implemented (as at August 31, 2008) We plan to do a follow-up in the future.
2009	PAC concurs: 6-13 that the Five Hills Health Region 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.	Partially implemented (as at August 31, 2008) We plan to do a follow-up in the future.
2009	PAC concurs: 6-14 that the Five Hills Health Region support its decisions to align resources to expected outcomes using reports that analyze progress toward planned priorities.	Partially implemented (as at August 31, 2008) We plan to do a follow-up in the future.
Ministry of Health (Immunization coverage)		
2009	PAC concurs: 2D-1 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.	Partially implemented (as at September 24, 2008) We plan to do a follow-up in the future.
2009	PAC concurs: 2D-2 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.	Partially implemented (as at September 24, 2008) We plan to do a follow-up in the future.

PAC REPORT YEAR⁴	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 2D-3 that the Prince Albert Parkland Regional Health Authority regularly report to its board an analysis of the causes of its low immunization coverage rate.	Partially implemented (as at September 24, 2008) We plan to do a follow-up in the future.
Cypress RHA – IT Security Audit		
2009	PAC concurs: 10D-1 that the Cypress Regional Health Authority formally assess the threats and risks to its information technology systems and data.	Not implemented (as at September 15, 2008) We plan to do a follow-up in the future.
2009	PAC concurs: 10D-2 that the Cypress Regional Health Authority monitor the security of its information technology systems and data.	Not implemented (as at September 15, 2008) We plan to do a follow-up in the future.
2009	PAC concurs: 10D-3 that the Cypress Regional Health Authority establish and follow its policies and procedures for granting and removing user access to computer systems and data.	Not implemented (as at September 15, 2008) We plan to do a follow-up in the future.
2009	PAC concurs: 10D-4 that the Cypress Regional Health Authority configure its computer systems and data to protect them from external threats including theft or loss.	Not implemented (as at September 15, 2008) We plan to do a follow-up in the future.
2009	PAC concurs: 10D-5 that the Cypress Regional Health Authority physically protect its computer systems and data from loss or damage.	Not implemented (as at September 15, 2008) We plan to do a follow-up in the future.
2009	PAC concurs: 10D-6 that the Cypress Regional Health Authority complete, approve, and test its disaster recovery plan.	Not implemented (as at September 15, 2008) We plan to do a follow-up in the future.

Chapter 10B – Regional Health Authorities

PAC REPORT YEAR ⁴	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 10D-7 that the Cypress Regional Health Authority implement adequate policies and procedures for managing changes to computer systems and data.	Not implemented (as at September 15, 2008) We plan to do a follow-up in the future.

Electronic health records

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Main points

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.

Introduction

This chapter describes the results of our audit of how the Ministry of Health guides, monitors, and reports on the implementation of its electronic health record system (EHR system) that meets the goals of a Canada-wide integrated EHR system.

Electronic health records

In Saskatchewan, there are thousands of interactions every day between citizens and the health system. Most of these interactions require information or generate information (e.g., prescriptions, lab test results, hospital charts).

Health care providers (such as doctors, pharmacists, hospital staff) collect and store this information in different locations and in different, non-compatible ways. Much of the information is stored in paper-based manual records. Storing information in this way causes many problems and inefficiencies.

An electronic health record (EHR) is a person's health record designed to be accessed online from many separate, compatible systems within a network.¹ (See exhibit 1-Example of an electronic health record). Records in electronic form are more likely to be legible, available when needed, and more easily and quickly retrieved no matter where an individual seeks medical attention. Other potential benefits of EHRs include the following:

- ◆ for patients—improved health care and decreased risks (such as fewer adverse drug reactions); lower chance of having duplicate, invasive and/or expensive tests; and shorter waiting lists
- ◆ for health care providers—an integrated view of patient and population data and information for making better decisions using accessible, up-to-date patient data
- ◆ for health administrators—reduced health care costs and improved care quality, as well as information for quality assurance

¹ Health Canada. (2001). *Toward Electronic Health Records*, p.9.

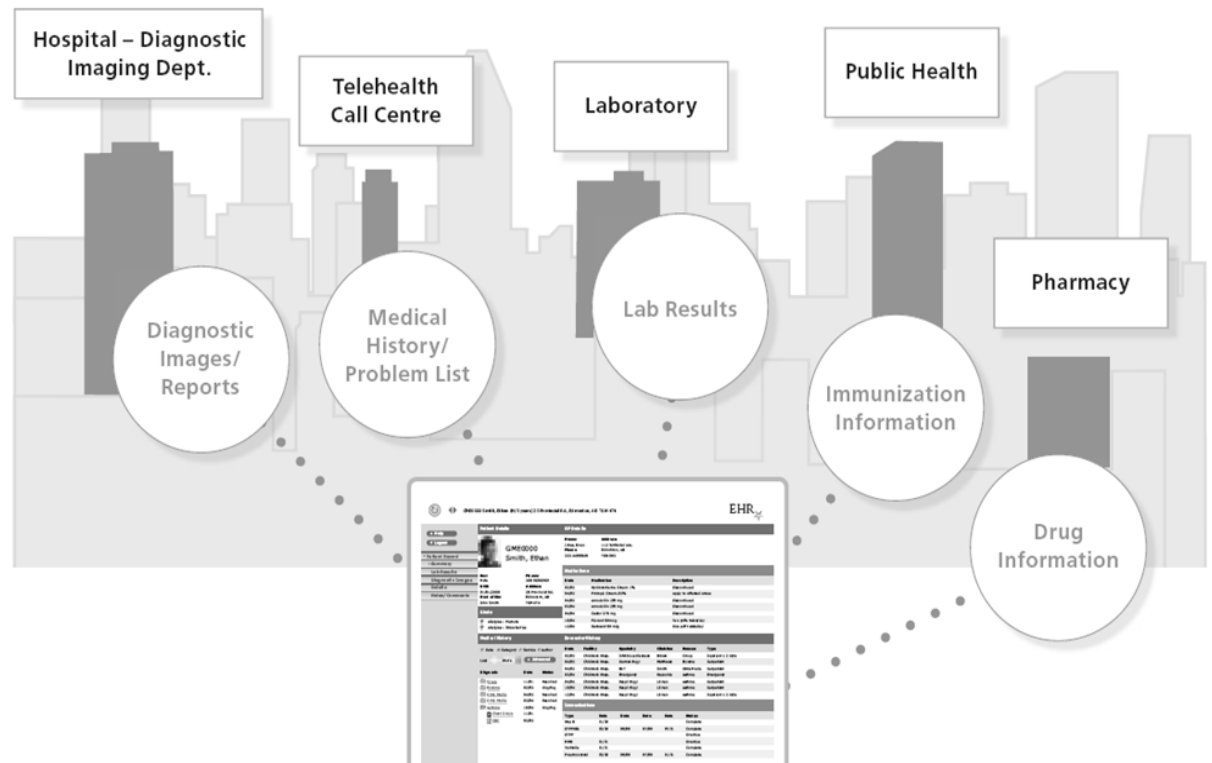
Chapter 10C – Electronic health records

- ◆ for governments—data to support long-term planning and health resource allocation²

EHRs would allow health care providers to electronically view and update a patient's health information. The EHR would include a person's:

- ◆ age, address, and other personal details
- ◆ medical history
- ◆ diagnostic imaging, drug, laboratory, hospital, and clinical reports
- ◆ infectious disease and immunization records
- ◆ other health information

Exhibit 1—Example of an electronic health record



Source: Canada Health Infoway

The EHR system that allows access to this information includes four major parts. These are:

- ◆ a secure network on which data travels

² Ibid., pp.19-20.

- ◆ applications that enable the system to function by permitting the recording, storage, and retrieval of patient data
- ◆ the patient data itself in electronic form, such as medical history, test results, diagnostic images, and prescriptions
- ◆ access points from which system users can view, input, and retrieve patient data³

National and provincial initiatives

There are initiatives to develop EHRs at both the provincial/territorial level and the national level. For EHRs to deliver their expected benefits—such as access by health care providers to up-to-date information no matter where a patient seeks treatment—EHRs should be compatible not just within a province or territory, but also nationally.

An EHR system is built on communication between many different information technology (IT) systems. This is a complicated task involving significant risks. Success will require sustained effort at all levels in the health sector including planning, coordination, and funding over many years.

To push for EHRs nationally, the Federal Government funds Canada Health Infoway Inc. (Infoway).⁴ Infoway is a not-for-profit corporation that works with provinces and territories to accelerate the development and use of compatible EHRs across Canada. Through collaboration (including funding) on specific projects with provincial and territorial health ministries, regional authorities, other health care organizations, and information systems vendors, Infoway is trying to develop a network of compatible electronic health record solutions across Canada.

Infoway's goal is to have EHRs available for 50% of the Canadian population by 2010, and for 100% by 2016.⁵ Generally, Infoway pays 75% of eligible costs for specified EHR projects and the province or territory pays the remainder. As a condition of funding, Infoway requires provincial or territorial projects to align with an overall design and to comply with

³ Auditor General of Ontario. (October 2009). Ontario's electronic health records initiative. Toronto: Author. p.5.

⁴ Infoway's membership includes the 14 deputy ministers of Health from the federal, provincial, and territorial governments.

⁵ Canada Health Infoway Inc., Business Plan 2008-09, p. 4.

design standards. Compliance with these requirements increases the likelihood of achieving EHRs that will be compatible across the country.

Infoway estimates the cost of implementing EHRs in Canada to be \$10.0-12.0 billion. This amount does not include additional estimates of \$3.0-4.0 billion to provide necessary electronic systems to health care providers and to the broader community care environment (such as long-term care facilities). Infoway suggests annual operating costs of \$1.5-1.7 billion and possible annual savings and efficiencies of \$6.0-7.6 billion.⁶

In Saskatchewan, the Minister of Health is responsible for the Saskatchewan Health Information Network (SHIN), which was created in 1997 as a Treasury Board Crown corporation. SHIN has been tasked with information technology (IT) support and service delivery for the health sector. SHIN is also tasked with developing an EHR system for Saskatchewan.

Since SHIN's inception, the Ministry (through SHIN) has undertaken projects that will support the creation of the EHR system. The EHR system is not one project, but it is the desired end result of many different individual projects. These projects include:

- ◆ provision of a health sector network and implementation of a data centre
- ◆ implementation of the underlying applications that will allow the EHR system to function
- ◆ creation of databases for storing information (e.g., laboratory results, drug and prescription information, and diagnostic images)
- ◆ development of systems to provide access to the information

The Ministry has worked or is planning to work with Infoway on several of these projects. Also, the Ministry has funded other projects and provides other services (such as health region admission/discharge systems) that address health system needs and will eventually assist it in providing an EHR system in Saskatchewan. The Ministry's goal is that EHRs will be available for all Saskatchewan residents by 2013-14.⁷

⁶ Canada Health Infoway Inc., *Advancing Canada's next generation of healthcare*, pp.18-20.

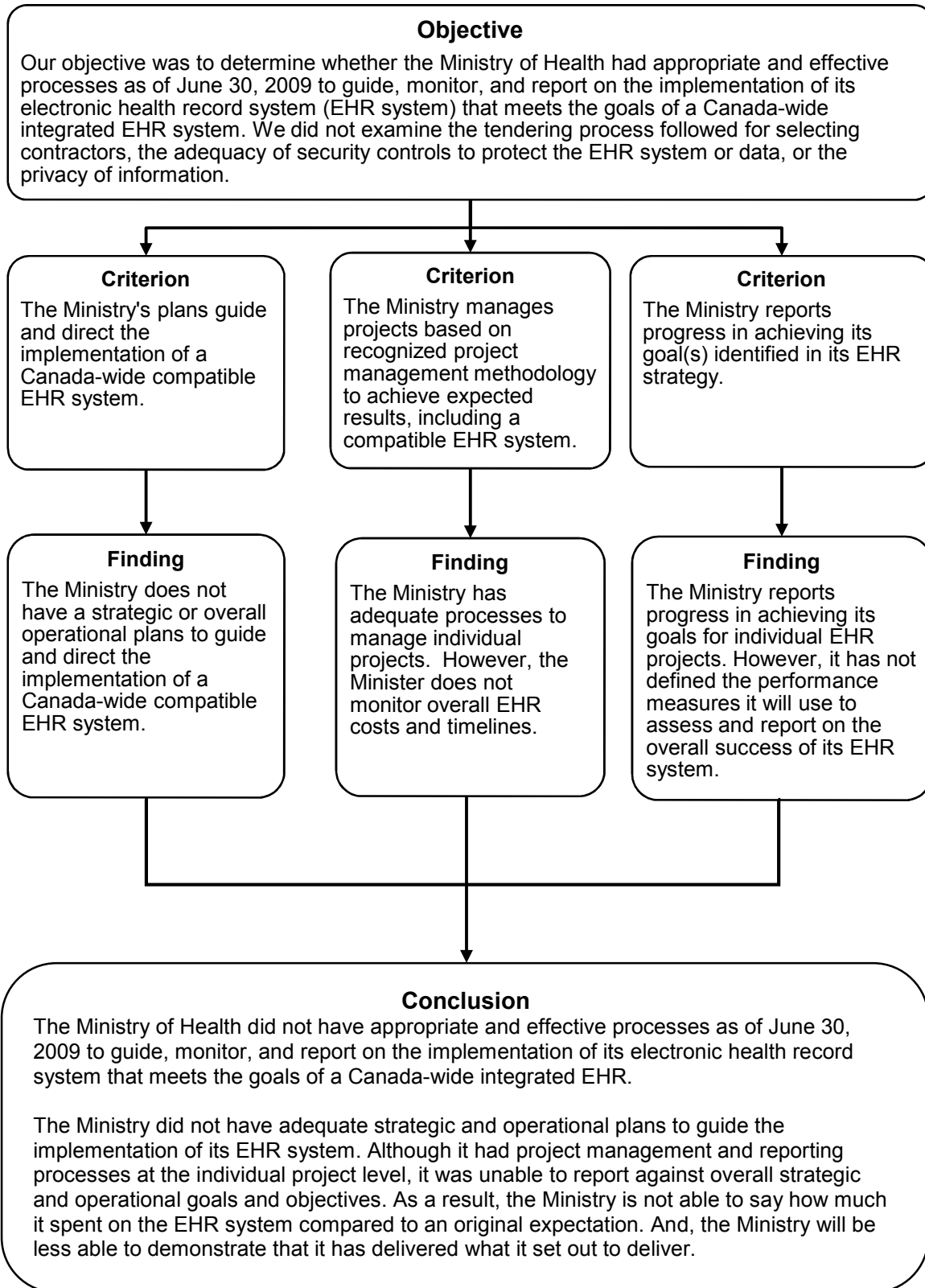
⁷ Ministry of Health, *Saskatchewan Health Information Network 2008-09 Annual Report*, p. 4. The Annual Report also outlines activities for the year on individual projects.

The Ministry told us that it (through SHIN) has spent \$235 million in March 31, 2009 and expects to spend over \$600 million on development (capital) and operating costs by 2014. Much of the spending has been for electronic systems and services that are currently operating but which will ultimately support the EHR system. However, the Ministry had not calculated a separate cost or budget for the overall EHR system. Nor had the Ministry prepared a business case that set out expected costs and overall benefits.

The Ministry has signed agreements with Infoway that commit Infoway to \$65 million in funding towards projects that support a compatible EHR.⁸ To March 31, 2009, the Ministry told us it has spent (through SHIN) \$46 million on these Infoway-funded projects and received \$37 million of that amount from Infoway.

⁸ Ministry of Health, Saskatchewan Health Information Network 2008-09 Annual Report, p. 17.

Audit objective, criteria, and conclusion



To conduct this audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. To evaluate the Ministry's processes, we used common criteria developed by the Canadian Council of Legislative Auditors (CCOLA) Health Study Group. The Ministry's management agreed with the criteria.

We did this audit in consultation with other provincial legislative audit offices that did similar audits in their jurisdictions. At the same time, the federal Auditor General has audited how Infoway manages money from the Federal Government to achieve its goal of making compatible EHRs available across Canada. The audit offices are planning to issue individual reports as well as a future joint report in 2010.

In the next section, we set out key findings and recommendations related to the criteria.

Key findings and recommendations

Plans guide and direct the implementation of a Canada-wide compatible EHR system

We expected the Ministry to have established a framework for EHR strategic planning. The Ministry would use that framework to create and maintain a comprehensive strategic plan for EHRs. We expected the Ministry to have agreements with Infoway for development and funding. We expected the Ministry to have a deployment plan (i.e., an operational plan) to guide implementation of the objectives of the strategic plan.

The Ministry began work on EHR projects with Infoway in 2002. At June 2009, the Ministry did not have an adequate framework for EHR strategic planning. However, the Ministry recently created a governance body called the eHealth Council. The role of the Council is to provide strategic advice on the implementation of EHRs. The Council includes representatives of the Ministry, regional health authorities, and service provider groups (such as the College of Physicians and Surgeons). The Council became active in 2009 and, at June 2009, had met once.

The Ministry worked with health regions to develop an overall IT strategic plan. The plan includes a general, long-term vision for EHRs. The Ministry

has not updated this plan since 2006. The Ministry has developed a one-page EHR blueprint that outlines the IT systems it must develop and integrate for its EHR system to be operational and compatible with other jurisdictions. However, the Ministry does not have a current and comprehensive strategic plan that includes its overall goals for EHRs. Without a strategic plan that includes EHRs, the Ministry and the public are unable to determine what is planned to be achieved by the EHR system or assess progress.

The Ministry told us that, through the eHealth Council, it is in the process of developing an EHR strategic plan.

1. We recommend the Ministry of Health’s strategic plan include its strategy for the electronic health record system.

The Ministry has a master agreement and separate project agreements with Infoway for the EHR projects that are co-funded by Infoway. Infoway requires provinces to follow certain IT design standards to help achieve EHRs that are compatible across the country. The Ministry’s EHR blueprint and its agreements with Infoway indicate Saskatchewan’s intention to comply with these Infoway standards. However, there are significant risks and work to do to achieve compatibility.

According to the master agreement, Infoway will reimburse the Ministry for eligible costs up to the maximums set in project agreements. The Ministry is required to develop, complete, and deliver work to Infoway outlined in each project agreement.

The Ministry has separate project agreements and statements of work that guide the implementation of specific EHR projects. The Ministry created a one-page document in fall 2008 that sets out annual spending needed for each EHR project to meet the 2014 goal. However, the Ministry does not have an overall operational plan that details how or when it will do the work necessary to deliver a functional EHR system by 2014. A multi-year operational plan for EHRs is needed to support the achievement of EHR-related strategic goals. An EHR operational plan would provide a priority roadmap to guide the Ministry’s investment on EHRs. Progress will largely depend on the Ministry obtaining adequate funding each year.

2. **We recommend the Ministry of Health develop an operational plan to guide the development and implementation of the electronic health record system.**

Manage projects based on recognized project management methodology to achieve expected results including a compatible EHR system

We expected that the Ministry would follow recognized project management methodology to implement EHRs. We expected that the Ministry would develop and approve detailed project plans. We expected the Ministry to monitor its work on EHRs to help it manage appropriately to achieve results.

The Ministry has plans for the individual EHR projects it undertakes. These project plans are broken down by project deliverables and include estimated dates of completion and anticipated costs. The project plans are approved by senior Ministry officials (and, for co-funded projects, by Infoway). The Ministry decides which work will be done based on the annual funding available to it. As noted above, though, the Ministry does not have an overall operational plan for EHRs to help ensure that completion of individual projects will result in achievement of a functional EHR system.

Ministry project managers prepare status reports for these individual projects on a monthly basis. The reports include information about project status and recent developments, costs incurred and forecast, and information about risks. Project managers provide these reports to committees that help oversee each project. The committees include representatives of the Ministry, Infoway, and other stakeholder organizations (such as regional health authorities and service provider groups).

However, the Ministry did not set out any original expectation for how much it would cost to develop the EHR system. Therefore, it cannot compare an original budget amount to its actual costs for its overall work on EHRs. There were no reports for management that described the planned timeline for completion of the EHR system compared to actual completion dates. Without this information, the Ministry and public are unable to assess whether the Ministry is on time or on budget.

- 3. We recommend the Ministry of Health monitor its overall costs and timelines, compared to its plans, for development and implementation of the electronic health record system.**

Report progress in achieving its goal(s) identified in its EHR strategy

We expected that the Ministry would produce information to allow it and Infoway to monitor progress and make decisions to help achieve objectives. The Ministry would be able to use baseline information and performance measures to show the extent to which it had achieved objectives and that planned benefits were realized. We expected the Ministry would report progress in achieving its goals to key stakeholders.

The Ministry has processes to monitor individual projects on a short-term basis. Reporting requirements for individual projects, both in terms of written reports and meetings, are set out in agreements between the Ministry and Infoway. The Ministry describes intended results in individual project plans and agreements. The intended results are often, but not always, readily measurable or observable.

The Ministry's monitoring specifies different reporting for various levels in its management structure, for Infoway, and for other stakeholders (such as stakeholder committees or other server provider groups). The reporting varies in detail and frequency depending on the recipient's needs.

In addition to scheduled reports and meetings, the Ministry provides additional reports and organizes additional meetings when warranted, for example at the request of Infoway. The Ministry also provides electronic access to its reports and related data to management, Infoway, and stakeholders.

The Ministry's reports describe progress in achieving individual project deliverables. However, as noted, the Ministry does not have a strategic or operational plan for the overall EHR system. Without these plans, the Ministry cannot set related performance measures and baselines to help it assess its progress. As a result, the Ministry will find it difficult to assess and report on whether it has achieved overall outcomes and benefits for the EHR system.

- 4. We recommend the Ministry of Health develop performance measures to allow it to assess and report its progress in achieving the electronic health record benefits.**

What's next

We plan to participate in the preparation of a joint report that summarizes the findings of provincial legislative audit offices as well as the federal audit of Infoway. We plan to post the joint report on our website at www.auditor.sk.ca in late April 2010. We also plan to include the joint report in our 2010 Report – Volume 1.

We also plan to do a future audit on the security of EHRs.

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Equipment disposal

10D

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Main points

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.

Introduction

This chapter provides the results of our audit of Heartland Regional Health Authority's (Heartland's) controls to secure electronic information during disposal of information technology and communications equipment.

The Regional Health Services Act makes regional health authorities responsible for the planning, organization, delivery, and evaluation of health services in their health regions. Heartland provides health care services to a population of approximately 44,000 people over an area of approximately 41,000 square kilometres in west-central Saskatchewan.¹

To carry out its role, Heartland must manage health care information. Heartland has a duty to protect personal health information (including confidentiality and destruction) as described in *The Health Information Protection Act*. One area of risk involves disposal of equipment that contains health information, including personal health information.

Ensuring security of health care information upon disposal of equipment is of particular importance to patients and regional health authorities. Unauthorized persons could access information if it is not properly erased from information technology or communications equipment prior to disposal.

Securing personal health information during disposal of equipment is vital to protecting the interests of patients. Inadequate controls could result in unauthorized disclosure of sensitive health information, breach of the statutory duty to safeguard information, harm to the affected individuals, and loss of public confidence for a regional health authority.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether 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 did not examine controls related to

¹ <http://www.hrha.sk.ca/> (August 13, 2009)

disposal of clinical equipment (i.e., equipment used for diagnosis and treatment).

To conduct this audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. To evaluate Heartland's controls, we used criteria based on the work of other auditors and current literature listed in the selected references. Heartland agreed with the criteria (see Exhibit 1).

Exhibit 1—Audit criteria

To have adequate controls to secure electronic information during disposal of information technology and communications equipment, we expected Heartland to:

1. Set policies and procedures for disposal of equipment storing electronic information
2. Identify relevant equipment prior to disposal
3. Ensure sensitive data is removed or securely overwritten prior to disposal

We concluded that, for the six month period ending August 31, 2009, Heartland Regional Health Authority's controls to secure electronic information during disposal of information technology and communications equipment were adequate except that it needs to:

- ◆ **document its procedures 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**

In the next section, we set out key findings and recommendations related to the criteria. Our expectations are set out in italics under each subheading.

Key findings and recommendations

Set policies and procedures

We expected Heartland to assign responsibility for handling the disposal of equipment and communicate this to all staff. The policy and procedures should specify what types of equipment are included under the policy and a desired end-state for the equipment. The policy and procedures should also specify disposal methods for different types of equipment. Also, Heartland should regularly review and update its policy and procedures.

Heartland has developed a policy and procedures for the disposal of equipment. The policy and procedures apply to specified “information technology hardware assets” (IT equipment) which includes computers, telecommunications equipment, photocopiers, and other devices managed by Heartland’s Information Technology group. The policy is applicable to all employees and specifically assigns the responsibility for disposal of these assets to the Information Technology group. This group is also responsible for acquisition and maintenance of all such assets.

The policy and procedures developed for the disposal of IT equipment were introduced in May 2009. Heartland has told us that its standard approach is to review and update policies and procedures every second year. Heartland communicated the policy and procedures—including the responsibility for disposal—through its updates of the policy and procedures manual. Copies of this manual are kept at Heartland’s facilities located in 16 different communities. Heartland also sent notification emails to staff when the policy and procedures were implemented.

The policy and procedures specify a desired end-state for IT equipment. The policy requires that confidential information remaining on the hardware be destroyed to make the data unrecoverable.

The Information Technology group uses several methods to remove information from IT equipment. These methods are not specified in Heartland’s policy and procedures, but have been selected by the Information Technology group.

There are risks related to relying on undocumented methods. The methods available for the different types of equipment can vary in their efficiency and effectiveness. If a method is ineffective, unauthorized individuals could access confidential information. Another risk would be that changing technology and options make choosing the appropriate destruction method difficult. As well, undocumented methods can result in inconsistency in application among employees. Turnover of key staff can result in lost knowledge regarding the detailed settings for tools used and processes for verification that data is unrecoverable.

- 1. We recommend that Heartland Regional Health Authority document its procedures to remove confidential information during disposal of information technology and communications equipment.**

Identify relevant equipment prior to disposal

We expected Heartland to identify the specific equipment that falls under the disposal of equipment policy and keep information regarding identified equipment current. Procedures for disposal should also link to Heartland's capital asset management procedures.

The Information Technology group is responsible for acquisition, maintenance, and disposal of IT equipment. The group maintains a list of IT equipment in service. IT equipment is identified by location, model, and other information such as employees assigned to the equipment. Updates of this information occur when there are service requests. Heartland developed the list in 2008 and management informed us that Heartland plans to do a full review of the list in the current year for updates and completeness. However, Heartland does not have a formal review and update process.

There are over 100 IT equipment items, costing more than \$600,000 that Heartland treats as capital assets. Given that there have been no capital asset counts performed in the past five years, this information is outdated. Outdated information increases the risk equipment with sensitive or confidential information will not be disposed of properly.

We have recommended that Heartland Regional Health Authority maintain a current list of capital assets in the Regional Health Authority chapter in this report.

Management has indicated that the Information Technology group plans to develop a new Information Technology asset tagging and numbering process. This process and log will supplement the information already maintained. Management states that this new process will allow the Information Technology group to better track IT equipment.

Ensure sensitive data is removed or securely overwritten prior to disposal

We expected Heartland to securely store IT equipment prior to disposal and follow policies and procedures for all specified equipment. We expected Heartland to verify the effectiveness of its procedures.

The Information Technology group is responsible for disposal of IT equipment. When an asset is identified for disposal, the Information Technology group retrieves the asset from its location and stores the equipment until disposal. This central storage of items allows the Information Technology group to track and control the asset in a secure manner.

Heartland does not document its disposal of IT equipment, for example in a log. Given the potential for sensitive information to remain on IT equipment, it is important to be able to verify that disposal occurred properly and that policies and procedures were followed, including: who disposed of IT equipment, when the equipment was disposed of, and how the equipment was disposed of. It is also important to document reasons for choosing the disposal method if there are alternatives. Due to deficiencies in the asset tracking and documentation process, we were unable to verify that Heartland followed its disposal policy and procedures for all IT equipment.

- 2. We recommend that Heartland Regional Health Authority document that it follows its approved policy and procedures when disposing of information technology and communications equipment.**

As technology changes, procedures for disposal of IT equipment can become less effective. It is important to regularly verify that procedures are effective in removing sensitive data. Heartland has not formally tested its procedures to ensure they are effective.

- 3. We recommend that Heartland Regional Health Authority regularly verify that its procedures to remove sensitive information from information technology and communications equipment are effective.**

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Patient safety

10E

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Main points

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.

Introduction

All health facilities are responsible to keep patients safe during the process of providing care. The mandate of the Regina Qu'Appelle Regional Health Authority (the RHA) is to provide safe, quality health care services, including specialty care, for people living in southern Saskatchewan.¹ The RHA provides hospital, rehabilitation, community and public health, long-term care, and home care services.

Processes to improve patient safety could prevent harm and loss of life. Patient safety processes can also reduce overall spending on health services. Better patient safety reduces complications, shortens the length of hospital stay, and supports clinical efficiencies including better use of skilled health care workers. Reducing risks to patient safety also builds the capacity of the health system to provide better care.

There are various ways of measuring patient safety. No single measure tells the whole story. *The Canadian Adverse Events Study* reviewed the charts of patients hospitalized in 2000 in 20 hospitals of various sizes. It reported that the health care system harmed 7.5% of patients admitted to these hospitals.² Many harmful events are preventable. The Study estimated that the health system could have prevented about 36% of the events causing harm in hospitals (including some deaths). Reviewing many patient charts is expensive and is not often done.

An alternate measure is the hospital standardized mortality ratio (HSMR) used by the Canadian Institute of Health Information (CIHI).³ The measure compares the actual number of in-hospital deaths to the expected number based on the types of patients treated.

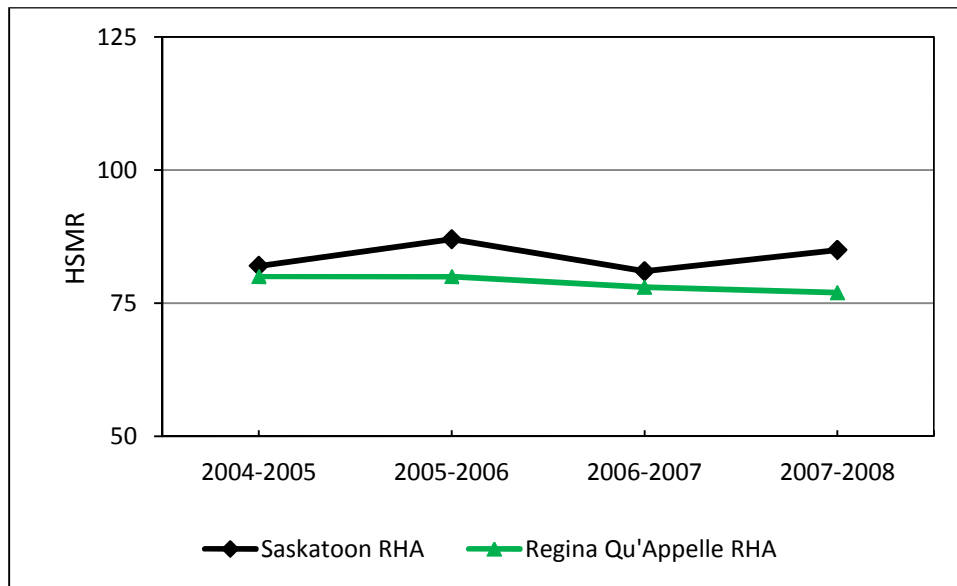
Exhibit 1 shows this HSMR mortality ratio for the Regina Qu'Appelle and Saskatoon regional health authorities for the past four years.

¹ *The Regional Health Services Act* makes regional health authorities responsible to provide, coordinate, and evaluate health services (s.27-2) and to comply with any prescribed standards applicable to those health services (s.11).

² Baker, G.R., Norton, P.G., Flintoft, V., et al. (2004). The Canadian adverse events study: The incidence of adverse events among hospital patients in Canada. *Canadian Medical Association Journal* 170 (11).

³ HSMR calculations focus on 65 diagnosis groups accounting for about 80% of in-hospital deaths in Canada, excluding patients identified as having received palliative care. The HSMR is adjusted for factors that may influence in-hospital mortality (e.g., demographics, diagnoses, how patient arrived at hospital).

Exhibit 1—Trends in patient safety measured by in-hospital mortality



Source: CIHI 2008 Hospital Standardized Mortality Ratio (HSMR all cases) http://www.cihi.ca/cihiweb/dispPage.jsp?cw_page=hsmr2008_canada_e (6 Nov 2009)

An HSMR of less than 100 suggests that local in-hospital mortality is lower than the average national experience, given the types of patients.⁴ A single measure such as the HSMR is a useful starting point for further analysis.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Regina Qu'Appelle Regional Health Authority had adequate processes, as at August 31, 2009, for patient safety in its health care facilities. We focused on risks to hospital patients and long-term care residents. In particular, we focused on adverse health events related to medications, surgical complications, and falls (e.g., due to equipment failure while lifting patients).

An “adverse health event” means a complication, unintended injury, or death caused by health care management rather than the patient’s underlying disease process.⁵ Health care management includes the

⁴ The CIHI uses a 2004-2005 baseline HSMR of 100 for comparisons.

⁵ Saskatchewan Critical Incident Reporting Guideline, 2004 at www.health.gov.sk.ca/critical-incident-guidelines.

systems and care processes that guide the actions of individual staff members, as well as specific actions taken at a point in time.

To conduct this audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. To evaluate the RHA's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, consultations with management, and the advice of an external expert that the Canadian Patient Safety Institute recommended. The RHA agreed with the criteria (see Exhibit 2).

Exhibit 2—Audit criteria: Processes for patient safety

To have adequate processes for patient safety in its healthcare facilities, the Regina Qu'Appelle Regional Health Authority should:

- 1. Clarify board and management expectations for patient safety**
 - 1.1 display commitment to patient safety
 - 1.2 assign responsibility for patient safety processes
 - 1.3 require reporting of adverse health events
 - 1.4 require reporting of patient safety trends regularly
- 2. Require the use of patient safety processes**
 - 2.1 communicate priority patient safety risks
 - 2.2 train to use patient safety processes
 - 2.3 supervise the use of patient safety processes
- 3. Monitor patient safety**
 - 3.1 analyze causes of safety concerns reported by patients
 - 3.2 analyze causes of adverse health events reported by staff and physicians
 - 3.3 report patient safety results to the board and management
- 4. Take corrective action**
 - 4.1 immediately reduce urgent risks to patient safety
 - 4.2 improve patient safety processes for priority patient safety risks

We concluded that, as of August 31, 2009, Regina Qu'Appelle Regional Health Authority had adequate processes for patient safety in its health care facilities except for regular analysis of patient safety reports to learn from its experience.

Key findings and recommendations

In this section, we describe our findings and recommendations by criteria.

Board sets expectations for patient safety

The RHA's Board and management displayed commitment to patient safety through their policies and actions. The Board's strategic plan and values statement included patient safety. Its safety philosophy – “We strive to deliver safe care to all patients, at all times” was evident on its website and in its “Patients First...Safety Always!” poster. The RHA also showed its commitment by allocating resources for a Patient Safety and Quality Support work unit that coordinated projects related to safe, quality patient care.

The Board's policies expected all staff and physicians to keep patients safe with the support of the RHA's established processes. The RHA assigned oversight of region-wide improvements in patient safety processes to a senior executive director.

Provincial legislation⁶ and RHA policies required staff to report adverse health events occurring in hospital or long-term care facilities. The RHA also encouraged staff to report “near miss” events that endanger but do not actually harm patients. Managers confirmed that staff reported adverse health events consistently and also reported near misses.⁷ In addition, the RHA encouraged comments from patients about their care.

As of August 31, 2009, the Board did not have a policy requiring regular reports about patient safety trends. Appointed in February 2009, the Board was considering what reports it would need regularly.

The RHA had adequate processes to clarify its expectations for patient safety but needed to determine what information was needed to monitor progress.

⁶ *The Regional Health Services Act*, section 58.

⁷ A “near miss” is an adverse health event that did not reach the patient because of timely intervention or good fortune.

Use of patient safety processes

To communicate priority risks requires identifying the risks, setting priorities, and telling those who need to know about the risks. The Ministry of Health identified serious risks reported to it and sent “safety alerts” to regional health authorities. The RHA’s work units posted the safety alerts and some units required staff to sign that they had read them.

The RHA identified that the most common adverse health events in its facilities involved patient falls and medications. However, the RHA did not explain to staff the factors contributing to these events. Contributing factors could include unclear drug labels or poor drug storage practices, lack of equipment to move patients safely, or the patient’s age (e.g., the elderly are at greater risk).

The RHA’s primary communication tool was its newsletter “Patients First...Safety Always!” Newsletters highlighted general risk areas and outlined solutions to some safety issues for the attention of all staff and physicians. For example, the newsletter explained the RHA’s policy to compare medications taken by the patient at home with medications the physician ordered when admitting the patient to hospital (i.e., medication reconciliation). However, the newsletter did not list the high-risk drugs that were commonly involved in adverse health events. In order to be alert to risks, staff and physicians need to better understand the highest risk situations and take precautions.

The RHA identified three types of drugs commonly involved in adverse health events but did not adequately tell staff about these high-risk drugs or the actions that would reduce the risks related to their use. Managers could not name all three types of drugs the RHA had identified as high risk (i.e., narcotics, anticoagulants, insulin-type drugs).

- 1. We recommend the Regina Qu’Appelle Regional Health Authority communicate to its staff and physicians the highest risks to patient safety, the factors contributing to them, and recommended action.**

The RHA provided training about patient safety processes to staff and managers. New staff and managers received an orientation on clinical

issues including patient safety. The extent of the orientation varied from one day to one week depending on the complexity of care and the expectations of unit managers. In addition, staff received training on the medication reconciliation process, reporting adverse health events, and safe methods for lifting patients to prevent falls.

The RHA provided a variety of learning opportunities about patient safety to staff and physicians. Multi-disciplinary groups held regular discussions about clinical practice issues that could affect patient safety (e.g., surgical team weekly meeting). The RHA offered physicians and staff opportunities to attend conferences related to patient safety.

The RHA also provided formal direction about safe patient care through its policies, care guidelines, and standing orders. For example, the RHA had a policy to restrain agitated patients as little as possible as restraints reduce mobility and increase the risk of damage to skin. The RHA had guidelines for providing safe and supportive care to patients who were less mobile due to excessive weight. In some areas, such as cardiac surgery, the RHA used routine physician standing orders to guide effective care.

Unit managers supervised the use of patient safety processes in various ways. Unit managers told us that they observed the quality of care and patient safety several times daily. The RHA provided training to all managers to analyze potential causes of adverse health events. Such training helped managers to identify patient safety concerns and explain them to staff (e.g., during shift-change reports). To help monitor the use of patient safety processes, some work units assigned a staff member to review charts and patient care using a checklist. Some unit managers discussed patient safety during performance reviews.

The RHA had adequate processes for requiring the use of patient safety processes except that it needed to communicate to staff and physicians the highest risks to patient safety, the factors contributing to those risks, and recommended action.

Monitoring patient safety needs strengthening

The RHA monitored patient safety primarily in two ways: patients reported their concerns to a client representative⁸ and staff reported adverse health events to the Risk Management Unit.

Twice yearly, client representatives reported to management, the Board, and the Ministry of Health about concerns expressed by patients. These reports focused on activities (i.e., number of concerns handled, time to resolve concerns), and the type of concern (e.g., access to care, nature of care, parking). Client representatives also reported to the Board details of concerns expressed by a few patients whose identity was kept confidential. However, the RHA did not have a process to analyze and document trends in the factors contributing to these concerns.

The RHA required staff to report adverse health events and near misses that did not actually harm patients. The RHA recognized that staff may be unaware of (and not report) some events that do not cause immediate harm or symptoms. The RHA urged its staff to report all identified adverse health events.

When staff reported adverse health events, the form requested information about the causes of patient falls and medication-related events. The RHA did not collect information about the causes of other types of adverse health events. Risk management staff reviewed the report of each adverse health event for correct coding, completeness, and the adequacy of action taken immediately or planned. In serious cases, a multi-disciplinary team also assessed the factors related to adverse health events and made recommendations for further action.

The RHA did not analyze (e.g., on a facility or region-wide basis) the information that staff reported about the causes of falls and medication-related events. In 2008, the RHA began using new software that could support this analysis but did not produce any reports about the causes of adverse health events in the region.

The RHA used international literature to identify potential factors contributing to adverse health events in the region and directed its

⁸ The RHA's client representatives act as a link between patients and the staff, physicians, and administration. They listen to, look into, and document patients' concerns.

solutions toward the most likely causes. Specific, local information about the factors contributing to adverse health events would help the RHA to focus its patient safety resources for more effective and timely results.

To learn more about the factors leading to adverse health events, the RHA periodically used committees (e.g., to develop a strategy about preventing patient falls). The RHA's senior management team also visited several work units annually to identify factors contributing to adverse health events and encourage staff to report these events (i.e., “safety walks”).⁹ After safety walks, management had processes to take follow up action in the unit and across the region when necessary.

2. We recommend the Regina Qu’Appelle Regional Health Authority analyze the factors contributing to reported events causing harm to patients and use that analysis to guide region-wide action.

The RHA reported, at least annually, on trends in the volume of adverse health events reported by staff. These reports showed trends over three years by type of event (e.g., falls, infections, medications). Other reports included the rate of reported adverse health events per 1,000 inpatients, the prevalence of falls in long-term care, and a hospital standardized mortality ratio. Neither management nor the Board received reports that compared its patient safety results to targets or described risks to patient safety that the RHA had not yet addressed.

The RHA stopped making these reports while the Board reconsidered the nature and timing of reports it needs for monitoring patient safety. Management told us it plans to begin providing information to the Board in late 2009.

3. We recommend the Regina Qu’Appelle Regional Health Authority receive, at least annually, a report of patient safety results including targets, outstanding patient safety concerns, and feasible options to resolve them.

The RHA had adequate processes to monitor patient safety except that it needed to analyze the factors contributing to common adverse health

⁹ Senior management conducted 14 safety walks in the region in 2008 and eight up to October 2009.

events to guide region-wide solutions and report patient safety results to the Board regularly.

Taking corrective actions

The RHA identified situations that require immediate attention through the staff's reports of adverse health events. The RHA required unit managers to report adverse health events and actions taken within 48 hours of the event. Risk management staff assessed if the actions taken were adequate to prevent future harm to patients on that unit and sometimes requested additional action to protect patients. The RHA did not have processes to decide if reported adverse health events that occurred on one unit might also occur on other units or to provide consistent feedback to staff and physicians. Earlier in this chapter, we recommend the RHA address these processes.

The RHA used the Ministry of Health's safety alerts to identify those risks that applied broadly across the region. The RHA monitored the action it took on recommendations related to these safety alerts.

To improve patient safety processes over the long term, the RHA used formal processes such as pre-surgery checklists recommended by the Canadian Patient Safety Institute and Accreditation Canada. The RHA also used 25 continuous quality improvement teams to build capacity for patient safety. Usually these teams identified the nature of the issue, measured the baseline status, planned an approach, and conducted pilot projects. Management then arranged to spread the new processes across the region and monitored whether staff used the new processes.

The RHA had adequate processes to take corrective action for individual patient safety concerns reported by staff. It needed to do more to apply the lessons it learned across the region promptly. The RHA monitored international literature and had processes to move toward better patient safety.

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Highways and Infrastructure

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Main points

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.

Introduction

The Ministry of Highways and Infrastructure (Highways) operates, preserves, and guides the development and enhancement of the provincial transportation system.¹

The provincial transportation system includes more than 26,000 km of highways, almost 800 bridges, 17 airports in northern Saskatchewan, 12 ferries, and a barge on Wollaston Lake. At March 31, 2009, this infrastructure has a net book value of about \$1.8 billion.

Highways is responsible for the Transportation Partnership Fund

Financial overview

The following is a list of major programs and spending for the year ended March 31, 2009:

	<u>Original Estimates²</u>	<u>Actual</u>
	(in millions of dollars)	
Central Management and Services	\$ 20.6	\$ 19.8
Operation of Transportation System	87.1	96.8
Preservation of Transportation System	138.8	140.2
Strategic Municipal Roads	27.9	139.2
Transportation Policy	4.1	3.9
Machinery and Equipment	9.0	8.8
Capital Asset Acquisition	(12.3)	(16.8)
Capital Asset Amortization	96.9	90.4
Infrastructure Rehabilitation	88.2	84.9
Infrastructure Enhancement	<u>137.5</u>	<u>130.0</u>
	<u>\$ 597.8</u>	<u>\$ 697.2</u>

For the year ended March 31, 2009, Highways had revenues of \$7 million (2008 - \$14.0 million) of which \$3 million (2008 - \$10.1 million) related to transfers from the Federal Government for cost-shared infrastructure programs.

¹ Government of Saskatchewan, *2008-2009 Annual Report*, Ministry of Highways and Infrastructure.

² *Saskatchewan Provincial Budget 08-09 Estimates* – Highways and Infrastructure Vote 16; Highways and Infrastructure Capital Vote 17, Government of Saskatchewan.

Highways' annual report sets out differences between actual and budgeted revenues and expenses and explains significant differences in expenses.³

Audit conclusions and findings

In our opinion, for the year ended March 31, 2009:

- ◆ **Highways had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- ◆ **Highways complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **The Fund's financial statements are reliable**

User access

Highways has adequate procedures for ensuring only authorized staff have access to its computer systems and data. However, during 2008-09, Highways did not follow its established procedures. During the audit, we found former employees with access to Highways' computer network. For the MIDAS HR system⁴ managers are required to state what access the employee had and inform the appropriate individual at time of termination. We were unable to verify that managers had communicated this information for former employees.

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

³ Highways annual report is available at <http://www.highways.gov.sk.ca/>.

⁴ The Government's centralized payroll system is called the Multi-informational Database Applications System – human resources and payroll.

1. **We recommend the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data.**

Business continuity plan required

Since our 2006 Report – Volume 3, we have reported that Highways needs a written, tested, and approved business continuity plan to help ensure it can continue to provide critical services in the event of a disaster.⁵ The Standing Committee on Public Accounts (PAC) considered this matter on January 8, 2008 and concurred with our recommendation.

Highways' critical services include highways 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.

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 plans

Highways has previously completed the first phase, and worked towards completing the second phase during the year.

We continue to recommend that the Ministry of Highways and Infrastructure prepare a complete business continuity plan.

Highways has informed us of the following. It finished the second phase in July 2009; approved the business continuity plan in September 2009; and completed the third phase in October 2009.

⁵ **Business continuity plan** – 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.

Adequate service level agreement needed

Since our 2006 Report – Volume 3, we have recommended that Highways complete a service agreement with the Information Technology Office (ITO). PAC agreed with this recommendation on January 8, 2008.

Highways has received certain information technology systems services from ITO since April 2005. ITO billed Highways \$4.8 million for the services it provided for the year ended March 31, 2009. These services include:

- ◆ acquiring and maintaining infrastructure
- ◆ client support
- ◆ applications development and project management services

In October 2008, Highways signed a service level agreement with ITO to provide information technology services. However, the agreement does not adequately address disaster recovery and Highways' ability to obtain assurance as to the security of its information systems. As a result, Highways does not know whether ITO can restore the systems and data when needed in the event of a disaster and that Highways' data is secure.⁶

2. **We recommend the Ministry of Highways and Infrastructure sign an adequate agreement with the Information Technology Office that addresses the Ministry's disaster recovery and security needs over its computer systems.**

⁶ Highways considers the highway hotline to be its most critical information system. Highways has informed us that it has a disaster recovery plan for this critical information system and its recently approved business continuity plan includes the highway hotline system.

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Main points

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.

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 2008-2009 Annual Report available on its website.

	<u>Estimates²</u>	<u>Actual</u>
	(in thousands of dollars)	
Central Management and Services	\$ 1,958	\$ 1,957
IT Coordination and Transformation Initiatives	3,367	3,365
Major Capital Asset Acquisitions	250	161
Inter-ministerial Services	---	(19)
	<u>\$ 5,575</u>	<u>\$ 5,464</u>

ITO provides IT services to clients on a cost recovery basis. The total billed to clients in 2008-09 for these services was approximately \$62.9 million.

Audit conclusions and findings

In our opinion for the year ended March 31, 2009:

- ◆ **ITO had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

¹ *The Information Technology Office Regulations, 2007*, s. 3(b).

² Saskatchewan Finance, *2008-2009 Saskatchewan Estimates*.

- ◆ **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 provide an update on recommendations previously made by PAC that are not yet implemented.

ITO security audit

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 information technology (IT) services to government agencies. ITO procures, distributes, and manages 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 24 government ministries and agencies (clients), including more than 12,000 government employees.⁴

The importance of IT 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.

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 security risks are managed at client locations and whether clients are meeting their security

³ The Information Technology Office Regulations, s. 3(c).

⁴ www.ito.gov.sk.ca/consolidation (Oct 16, 2009).

⁵ ITO has one main data centre and additional data centres that it uses for testing and backup purposes.

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 six-month period September 1, 2008 to February 28, 2009.

While this audit focused on ITO's controls, adequate security requires that both ITO and clients have strong security controls. 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.

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, 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.

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.

Audit conclusion

Since 2005, we have performed an annual audit of the 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. As we describe later in this chapter, weaknesses we have identified in prior years continue to exist. ITO needs to address its security weaknesses.

The Information Technology Office had adequate controls to protect the confidentiality, integrity, and availability of client information technology (IT) systems and data for the period September 1, 2008 to February 28, 2009, except 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**

In the sections below, we describe our expectations (in italics) and key findings.

Key findings by criterion

Show management commitment to security

We expected ITO to demonstrate commitment to security of client systems and data.

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. A steering committee ensures the IT division meets client needs. IT planning supports security and threat and risk assessments have been performed. The adequacy of security and availability controls is reported to clients on a timely basis. Commitment also includes implementing and monitoring compliance with security policies and procedures.

ITO has an appropriate 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. ITO meets regularly with its clients.

ITO has defined key goals and objectives related to security in its strategic plan. 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. Senior management receives information on quality assurance results. The assurance work performed by ITO confirms that security weaknesses exist.

Clients receive limited information on ITO weaknesses. ITO does not provide our audit report on security to clients nor does it explain the potential impact of its weaknesses on client systems and data. ITO could not tell clients when its security issues would be resolved.

1. We recommend the Information Technology Office provide relevant and timely security reports to its clients.

At February 2009, ITO has agreements with most, but not all, of its clients. The agreements 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 to clients on what security policies and procedures clients need to follow. Nor does ITO assess the adequacy of security policies and procedures currently used by clients. 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, systems and data are at risk.

We continue to recommend the Information Technology Office establish information technology security policies for its clients. Security policies would set a minimum standard clients must follow. If a client does not meet the minimum standard, all client systems and data managed by ITO could be at risk. We reported this matter in our 2008 Report – Volume 3. PAC considered this matter on December 10, 2008 and agreed with the recommendation.

Protect client systems and data from unauthorized access

We expected 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. A client determines who should have access to its systems and data. The client then relies on ITO to make user access changes that it requests.

We expected ITO to protect the data centre by configuring, updating, and monitoring its systems against security threats. We also expected ITO to secure 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 policies and procedures 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 it is 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). However, ITO employees did not consistently follow policies and procedures for removing user access. For example, former ITO and client employees continued to have access to systems and data during the audit period.

ITO has adequate policies and procedures for changing passwords and periodically reviewing access to systems and data. ITO evaluated its processes and found that its employees were not following the policies and procedures. ITO needs to ensure employees consistently follow procedures for responding to client requests. For example, employees did not consistently verify the identity of users who request password changes.

ITO has adequate policies and procedures for updating its computers. ITO uses a formal threat and risk assessment to evaluate and rank security updates. However, ITO did not consistently follow its policies and procedures. For example, ITO did not install all important updates (i.e., patches) for servers during the audit period. Management was aware that not all updates were installed.

2. We recommend the Information Technology Office supervise its employees to ensure they follow established security policies and procedures.

ITO and its clients must 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.⁶ 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.

ITO manages over 400 servers, 200 firewalls, and other computer equipment. ITO has two firewalls and an intrusion detection system at the data centre. In addition, ITO has firewalls at client locations. ITO monitors the intrusion detection system. This helps ITO detect inappropriate activity on its network on a timely basis. However, ITO does not monitor firewalls for security attacks. Also, ITO does not update firewalls at client locations.

We continue to recommend the Information Technology Office protect its systems and data from security threats. We first reported this matter in our 2006 Report – Volume 3. PAC considered this matter on April 3, 2007 and agreed with the recommendation.

Ensure client systems and data are available for operation

We expected ITO to have strong processes to ensure client systems and data are available for operation when needed.

Even with good backup and recovery procedures, an agency may not be able to continue its operations if a major problem occurs. 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 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.

⁶ CommunityNet is a data network provided by SaskTel.

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 their systems.

ITO performs daily data backups. ITO has procedures for identifying backup failures but needs to improve its monitoring to ensure all data is successfully backed up. ITO stores data backups off-site to help prevent data loss if the data centre is destroyed. ITO did not consistently transfer its backup data off-site on a daily basis.

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.

The ITO disaster recovery plan does not adequately address client requirements for recovery of their systems and data. 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.

ITO has never fully tested its disaster recovery plan. Testing has relied on assumptions, such as equipment being available, that may not be valid in a disaster. ITO needs to test its disaster recovery plan to ensure it will work in the event of a disaster.

We continue to recommend the Information Technology Office have a disaster recovery plan for its data centre and client systems. We first reported this matter in our 2006 Report – Volume 3. PAC considered this matter on April 3, 2007 and agreed with the recommendation.

Ensure the integrity of client systems and data

We expected 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.

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.

Computer operating processes help ensure that systems and data are secure, that only authorized users have access, and that computers are kept up to date. We describe our findings for these processes earlier in this chapter.

Selected references

Canadian Institute of Chartered Accountants (CICA). (2003). *Trust services principles and criteria*. Toronto: Author.

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IT Governance Institute. (2006). *IT Control Objectives for Sarbanes-Oxley: The role of IT in the design and implementation of internal control over financial reporting, 2nd Edition*. Rolling Meadows, IL: Author.

The Information Systems Audit and Control Foundation. (2005). *CoBiT4.0*. Rolling Meadows, IL: Author.

Status of outstanding recommendation 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.⁷

⁷ For the definitions of the key terms used in the table, see Chapter 20 – Standing Committee on Public Accounts.

PAC REPORT YEAR ⁸	OUTSTANDING RECOMMENDATION	STATUS
Information Technology Office		
2007	PAC concurs: 8-1 that the Information Technology Office should sign service level agreements with its clients prior to delivering information technology services.	Partially implemented (as at March 31, 2009). ITO has not signed service level agreements with four of its clients.
2007	PAC concurs: 8-2 that the Information Technology Office should sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements.	Partially implemented (as at March 31, 2009). ITO is in the process of drafting a new agreement template.
2009	PAC concurs: 12-1 that the Information Technology Office's human resource plan: - quantify its future human resource needs - 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	Partially implemented (as at March 31, 2009). ITO is in the process of developing a new human resource plan for 2010-11.

⁸ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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.

Intrusion detection system (IDS)—Software and/or hardware designed to detect a security breach by identifying inappropriate access or changes taking place within a computer or network.

IT infrastructure—An organization’s computer and network assets.

IT security framework—An overall approach to IT security that includes and organizes more specific policies and procedures.

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.

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.

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Main points

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.

Introduction

The Ministry of Justice and Attorney General (Justice) is responsible for providing legal services and justice policy advice to government in order to protect the legal rights of citizens and to promote social and economic order for Saskatchewan. The Ministry is also responsible for providing support for the courts, prosecutions, victims, civil law services and regulating the marketplace. The Ministry also provides services to resolve social and family conflict.¹

For the year ended March 31, 2009, Justice spent \$135.6 million on its programs and earned revenues of \$51.3 million. Information about Justice’s revenues and expenditures appears in Justice’s 2008-2009 annual report (see <http://www.justice.gov.sk.ca/AR-Justice-08-09.pdf>) (23 Oct 2009).

The following is a list of Justice’s major programs and spending:

	<u>Original Estimates²</u>	<u>Actual</u>
	(in millions of dollars)	
Courts and civil justice	\$ 43.6	\$ 47.9
Legal and policy services	25.4	26.1
Boards and commissions	23.8	24.8
Central management and services	20.0	20.8
Community justice	9.9	9.7
Marketplace regulation	<u>5.5</u>	<u>5.5</u>
	<u>\$ 128.2</u>	<u>\$ 134.8</u>

¹ Ministry of Justice and Attorney General, *08-09 Annual Report*, pg. 7.

² *Saskatchewan Provincial Budget 08-09 Estimates*. The Estimates’ total does not include the additional \$3.5 million authorized through the *Saskatchewan Provincial Budget 08-09 Supplementary Estimates November* or additional \$5.4 million authorized through the *Saskatchewan Provincial Budget 08-09 Supplementary Estimates March* for Justice (Vote 3).

Justice is responsible for the following trust and special purpose funds, boards, and commissions (agencies).

	<u>Year-end</u>
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 conclusions and findings

In our opinion, for the year ended March 31, 2009:

- ◆ **Justice and its agencies had adequate rules and procedures to safeguard public resources except for the matters described below**
- ◆ **Justice and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described below**
- ◆ **the financial statements for the agencies are reliable**

In this chapter, we also report the results of our follow-up work to assess the progress of the Saskatchewan Legal Aid Commission towards addressing our past recommendation to secure its information technology environment and provide an update on recommendations of the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Fines not in accordance with legislation

In our 2008 Report – Volume 3, we recommended that Justice work with the Ministry of Corrections, Public Safety and Policing to ensure the voluntary payment option on issued tickets is consistent with *The Summary Offences Procedure Regulations, 1991*.

In December 2008, PAC considered this matter and agreed with our recommendation.

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 if the offender chooses the voluntary payment option. The Ministry of Corrections, Public Safety and Policing is responsible for policing programs. Offenders pay the voluntary fines to Justice.

We tested a sample of tickets where offenders chose the voluntary payment option. We found the fines for 13% of the tickets we tested did not agree with the Regulations.

We continue to recommend that Justice work with the Ministry of Corrections, Public Safety and Policing to ensure the voluntary payment option on issued tickets is consistent with *The Summary Offences Procedure Regulations, 1991*.

Compliance with credit card security standards

In our 2008 Report – Volume 3, we recommended that Justice secure credit card information in accordance with the credit card industry's security standards.

In December 2008, PAC considered this matter and agreed with our recommendation.

Justice is working with a contractor and has made progress in identifying security gaps and establishing controls to address these gaps. However, all credit card information has not yet been properly secured at the Ministry.

Justice accepts credit card payments for some of its services (e.g., fines, annual returns, purchase of legislation). 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. 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.

We continue to recommend that Justice secure credit card information in accordance with the credit card industry's security standards.

Better information technology processes needed

In our 2008 Report – Volume 3, we recommended that Justice sign an adequate agreement on disaster recovery and security with the Information Technology Office (ITO).

In December 2008, PAC considered this matter and agreed with our recommendation.

Justice's agreement with ITO does not adequately address security requirements. For example, the agreement does not set out what security policies and procedures Justice's employees need to follow. Nor does it identify disaster recovery times for significant applications.

We continue to recommend Justice sign an adequate agreement on disaster recovery and security with the Information Technology Office.

Also, in our 2008 Report – Volume 3, we recommended that Justice adequately monitor the security and availability of its information technology systems and data.

In December 2008, PAC considered this matter and agreed with our recommendation.

Justice began to receive monthly reports from ITO starting May 2009. The reports include information on ITO activities such as service levels and costs but little information on the security or availability of its systems. Also, Justice does not receive any information about the adequacy of ITO

controls or how the weaknesses at ITO could impact Justice systems and data. Nor does it know if ITO could meet Justice's disaster recovery needs.

Justice has processes for removing user access for individuals who no longer work for the Ministry. However, the Ministry did not follow its processes for removing users on a timely basis. If access for former employees is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the Ministry's systems and data.

We continue to recommend that Justice adequately monitor the security and availability of its information technology systems and data.

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 has identified and developed plans for recovery of its critical services. Justice has approved its BCP but the approved BCP has not yet been updated to ensure continuity of services that ITO provides. As stated earlier, Justice does not know if ITO's disaster recovery processes meet the Ministry's needs.

Justice completed some BCP testing during the year. However, key elements of the plan still need to be tested.

We continue to recommend that the Ministry of Justice and Attorney General complete and implement its business continuity plan.

Saskatchewan Legal Aid Commission

The Saskatchewan Legal Aid Commission (Commission) was established on September 1, 1983 pursuant to *The Legal Aid Act*. The Commission provides legal advice and representation to individuals (clients) who meet

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 including normal operations of computerized systems.

the criteria defined in *The Legal Aid Regulations, 1995*. The Commission receives over 21,000 applications requesting legal services each year. Generally, any individual who receives social assistance is eligible to receive legal services.

The Commission's computer system stores privileged client information in each of its 14 area offices⁴. It uses a contractor to manage its computer network and deliver information technology (IT) services. For example, the contractor installs new equipment and updates computers against known security threats. While the contractor manages most IT controls, area offices carry out directly some IT controls (e.g., each area office has a staff member responsible for making secured copies (backups) of privileged client data).

To protect the Commission's system and support its effective use, the Commission must have adequate controls. Unauthorized disclosure, loss, or inappropriate modification of information could harm legal aid clients. In 2008, we assessed the adequacy of the Commission's processes to secure its computer network and data. This chapter describes management's actions on the recommendations we made in 2008.

Security audit—a follow-up

In our 2008 Report – Volume 1, Chapter 8 (pp. 95-105), we concluded that the Saskatchewan Legal Aid Commission had adequate processes to secure its information technology environment for the period November 1, 2007 to January 31, 2008 except for the matters described in the six recommendations set out below. On June 17, 2008, PAC agreed with these recommendations.

The following sections set out the recommendations (*in italics*) and the Commission's actions up to August 31, 2009. As described below, the Commission has met three of the six recommendations and has plans to address the remaining three recommendations.

⁴ The Commission has a central office and 14 area offices. Its central office includes the Commission's senior management team and manages human resources and financial administration. Its area offices provide legal services to clients.

Show management commitment to security

In 2008, we recommended that the Saskatchewan Legal Aid Commission update its information technology security policies and procedures based on a risk assessment.

The Commission performed a threat and risk assessment on its information technology assets. It used the assessment to update its information technology security policies and procedures. The revised policies and procedures adequately document the rules and processes that staff need to follow.

On June 16, 2009, the Commission communicated the updated policies and procedures to all employees. The Commission requires all employees, including new hires, to sign-off that they understand and will follow the policies and procedures.

The Commission has met our recommendation.

Protect systems and data from unauthorized access

In 2008, we recommended that the Saskatchewan Legal Aid Commission physically secure network computers (servers) located in its area offices.

The Commission physically secured some servers used to store legal information in locked rooms. Where locked rooms were not available, the Commission purchased locking cables to secure servers to fixed locations.

The Commission has met our recommendation.

In 2008, we recommended that the Saskatchewan Legal Aid Commission follow its password standards and monitor user access for its systems.

The Commission has adequate policies and procedures for granting and removing user access, and for setting password length, complexity, and change frequency. However, at August 2009, the Commission had not followed its password policy for administrator accounts at area offices (i.e., the administrator accounts were set not to expire and passwords were not changed.)

The Commission told us it plans to continue improving its processes to meet our recommendation.

We continue to recommend that the Saskatchewan Legal Aid Commission follow its password standards and monitor user access for its systems.

In 2008, we recommended that the Saskatchewan Legal Aid Commission adequately configure, update, and monitor its computers and network equipment.

The Commission has improved the security of its laptop computers by encrypting all data but has not yet improved the configuration and monitoring of firewalls (i.e., monitoring of firewall logs to detect potential security attacks or breaches.)

The Commission implemented processes for updating systems against known security risks and updates key systems on a timely basis.

The Commission told us it plans to continue improving its processes to meet our recommendation.

We continue to recommend that the Saskatchewan Legal Aid Commission adequately configure, update, and monitor its computers and network equipment.

Keep systems and data available for operation

In 2008, we recommended that the Saskatchewan Legal Aid Commission adequately store, secure, and test its backups of information stored on its computers.

The Commission has implemented backup policies and procedures that require secure storage of backups while the information is onsite. It also requires regular transfer of backups to a secure off-site location. Central and area office staff follow these policies and procedures. Testing of the backups occurs on an annual basis.

The Commission has met our recommendation.

In 2008, we recommended that the Saskatchewan Legal Aid Commission develop and test a disaster recovery plan for its information systems and data.

At August 2009, the Commission did not have an up-to-date disaster recovery plan. Without an approved and tested plan, the Commission does not know if it could restore all systems and data in the event of a disaster. This could result in systems, data, and services being unavailable when needed.

The Commission told us it plans to continue improving its processes to meet our recommendation.

We continue to recommend that the Saskatchewan Legal Aid Commission develop and test a disaster recovery plan for its information systems and data.

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.⁵

PAC REPORT YEAR ⁶	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Justice and Attorney General (Financial Security)		
2009	PAC concurs: 15-3 that the members of the Saskatchewan Financial Services Commission establish a formal system to focus investigative resources on timely attention to the most significant complaints.	Not implemented (as at March 31, 2007). We have a follow-up planned for 2010.

⁵ For the definitions of the key terms used in the table, see Chapter 20 – 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.

Chapter 13 – Justice and Attorney General

PAC REPORT YEAR⁶	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 15-4 that the members of the Saskatchewan Financial Services Commission establish standards for planning, conducting and reviewing investigations into complaints from the investing public.	Not implemented (as at March 31, 2007). We have a follow-up planned for 2010.
2009	PAC concurs: 15-5 that the members of the Saskatchewan Financial Services Commission monitor all investigations of complaints from the investing public including those referred to self-regulatory organizations.	Not implemented (as at March 31, 2007). We have a follow-up planned for 2010.
2009	PAC concurs: 15-6 that the members of the Saskatchewan Financial Services Commission require and review sufficient information about investigations of complaints from the investing public to carry out their responsibilities.	Not implemented (as at March 31, 2007). We have a follow-up planned for 2010.
2009	PAC concurs: 15-7 that the members of the Saskatchewan Financial Services Commission set performance targets to help measure progress towards objectives.	Not implemented (as at March 31, 2007). We have a follow-up planned for 2010.
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 September 2007). We have a follow-up planned for 2011.
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 September 2007). We have a follow-up planned for 2011.

Liquor and Gaming Authority

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Main points

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 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.

Introduction

The Liquor and Gaming Authority (Liquor & Gaming) is a Crown agency that 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's) 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 six 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 the policies and procedures that Liquor & Gaming approves for casino operations. 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 accepts as appropriate. Liquor & Gaming includes slot machine revenues and expenses in its financial statements.

In 2008-09, Liquor & Gaming had revenues of \$968 million, expenses of \$533 million, and net income of \$435 million. At March 31, 2009, Liquor & Gaming held total assets of \$161 million and had a deficit of \$13.8 million. Liquor & Gaming's Annual Report 2008-09 includes its financial statements.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2009:

- ◆ **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 except for the matters described in this chapter**
- ◆ **Liquor & Gaming’s financial statements are reliable**

We have not completed our assessment of Liquor & Gaming’s liability, if any, for the Western Canada Lottery Corporation—Saskatchewan Division’s defined benefit pension plan.

Continual monitoring of SIGA operations needed

Under the Casino Operating Agreement (Agreement), the revenues from the slot machines in SIGA’s casinos belong to Liquor & Gaming. SIGA’s expenses reduce Liquor & Gaming’s income from slot machine revenues. Accordingly, Liquor & Gaming is exposed to SIGA’s operating risks. The Agreement allows Liquor & Gaming to set SIGA’s operating policies to safeguard public money and to determine what expenses SIGA can deduct from slot machine revenues. If SIGA incurs improper expenses, Liquor & Gaming recovers the amount of the expenses from the First Nations Trust Fund. Inappropriate expenses are those that do not have adequate support, do not comply with approved policies, or are losses that result from SIGA not complying with approved policies.

Monitoring compliance with operating policies needed

Liquor & Gaming needs to better monitor SIGA’s compliance with approved operating policies.

Liquor & Gaming assessed SIGA’s compliance with its key operating policies such as payroll, marketing, and Board expenses from April 1, 2008 to September 30, 2008. However, at the time of our audit, Liquor & Gaming had not assessed SIGA’s compliance with these policies for the period from October 1, 2008 to March 31, 2009. As a result, Liquor & Gaming does not know if any of SIGA’s expenses were inappropriate for this period and if it needs to recover money from the First Nations Trust Fund.

In addition, Liquor & Gaming did not assess SIGA's compliance with approved operating policies on bank deposits and bank reconciliations. During the year, SIGA did not follow these policies. It did not reconcile bank accounts to bank deposits daily and it did not do its monthly bank reconciliations promptly. SIGA reconciled its bank accounts to deposits during its monthly bank reconciliations. SIGA reconciled the October bank records in late March and the February bank records in late April.

If SIGA had followed its policies on bank deposits and bank reconciliations, SIGA would have detected earlier the \$1.2 million loss of public money from automated teller machines (ATMs) and thereby reduced the loss. Chapter 14B describes the result of our investigation of SIGA's loss of public money from ATMs.

- 1. We recommend the Liquor and Gaming Authority establish a risk based process to assess Saskatchewan Indian Gaming Authority Inc.'s compliance with approved operating policies.**
- 2. We recommend the Liquor and Gaming Authority take steps to recover losses of public money from automated teller machines at Saskatchewan Indian Gaming Authority Inc.'s casinos.**

Liquor & Gaming told us that it had planned to rely on the work of SIGA's internal auditor in assessing compliance with payroll, marketing, and Board expense policies for the October 1, 2008 to March 31, 2009 period. However, SIGA's internal auditor did not do this work. Liquor & Gaming now plans to directly audit SIGA's compliance with these operating policies to determine if SIGA's expenses are appropriate and properly supported. This audit will cover the period October 1, 2008 to September 30, 2009.

Controls over slot revenues needed

Liquor & Gaming needs to promptly verify the completeness and accuracy of slot machine revenues remitted by SIGA.

Under the Casino Operating Agreement, SIGA is required to remit half of the weekly slot machine revenues to Liquor & Gaming within seven days and to remit the rest within 180 days.

Liquor & Gaming verifies the completeness and accuracy of these remittances annually, at March 31. This annual verification is not timely to prevent and detect errors in Liquor & Gaming's financial records. For example, our audit of Liquor & Gaming found that SIGA remitted \$1.2 million more in slot machine revenues for first part of the 2009-10 fiscal year. Liquor & Gaming's annual verification would not have detected this error until March 31, 2010.

- 3. We recommend the Liquor and Gaming Authority promptly verify Saskatchewan Indian Gaming Authority Inc.'s remittances of slot machine revenues.**

Regulating and monitoring provincial gaming activities

Liquor & Gaming is responsible for regulating all gaming activities in the Province. It also operates video lottery terminals and it owns and manages the slot machines in SIGA's casinos. Liquor & Gaming must have adequate monitoring controls to help ensure integrity (fairness and legality) of gaming activities throughout the Province.

Better monitoring of VLT's needed

Liquor & Gaming needs to implement processes for monitoring hold percentages¹ from video lottery terminals (VLTs).

Liquor & Gaming has developed and approved gaming integrity standards for the Province for both VLTs and slot machines. It has implemented adequate processes for verifying and monitoring hold percentages from slot machines in accordance with these standards. However, it does not verify and monitor VLT hold percentages. As a result, it does not know if the actual hold percentages for VLTs comply with its gaming integrity standards. The lack of adequate oversight increases the risk of patrons losing confidence in the integrity of gaming activities.

- 4. We recommend the Liquor and Gaming Authority establish adequate rules and procedures to verify that video lottery terminals (VLTs) hold percentages are in accordance with gaming integrity standards.**

¹ Hold percentage – is the portion of the money played that is kept by the gaming operator.

Liquor & Gaming told us that it is implementing controls to verify the hold percentages on VLTs.

Better monitoring of table games needed

Liquor & Gaming needs to improve its processes for monitoring hold percentages² from table games.

Liquor & Gaming approves all table games operating in the Province and the expected hold percentages for table games based on industry standards. It receives regular reports from the casinos on the actual hold percentages compared to the expected hold percentages for each table game. However, Liquor & Gaming does not require casino operators to provide written explanations when the actual hold percentages significantly differ from the expected hold percentages. In addition, Liquor & Gaming does not have policies requiring staff to document why table games do not fall within the expected hold percentages.

As a result, Liquor & Gaming can not demonstrate that actual hold percentages from table games comply with its gaming integrity standards.

- 5. We recommend the Liquor and Gaming Authority establish policies and procedures to document the reasons for differences between table game hold percentages and the expected limits.**

Registration of ATM suppliers needed

Liquor & Gaming needs to register casino ATM suppliers.

Liquor & Gaming regulates all gaming in the province. It also operates the VLTs and the slot machines in SIGA's casinos. As a regulator and as an operator, Liquor & Gaming needs to ensure that individuals and organizations that work and provide services to the industry are reputable.

Liquor & Gaming requires all persons who work in the industry to be registered. It also requires the registration of all suppliers of gaming services.

² Hold percentage – is the portion of the money played that is kept by the gaming operator.

Liquor & Gaming does not require the registration of casino ATM suppliers. Because casino operators put public money into the ATMs located at casinos, Liquor & Gaming should register these suppliers. Registration would help reduce the risk of loss of public money.

6. We recommend the Liquor and Gaming Authority register the casino automated teller machine (ATM) service providers.

Employees need better training and guidance

Since our 2007 Report – Volume 3, we have recommended that Liquor & Gaming needs to improve 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 79 liquor stores in 64 communities throughout the province. In 2008-2009, Liquor & Gaming had liquor store sales of \$477 million.³

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 stores to determine how well employees follow the established processes. It then makes recommendations for improvement.

During the year, Liquor & Gaming audited 25 liquor stores and found that employees at those stores did not always follow the established processes. The number of recommendations Liquor & Gaming made for the stores it audited is lower than previous years. Liquor & Gaming is making progress. Significant recommendations remain regarding cash handling and inventory procedures.

Employees do not follow established policies and procedures when they do not understand the reasons for them and/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.

³ \$477 million excludes liquor sales to franchisees.

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

Since our 2007 Report – Volume 3, we have recommended 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. We found that sensitive information that is collected from customers, such as credit card information, is not adequately secured. 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 for committing fraud. Liquor & Gaming continues to work on a project to strengthen the security of credit card information.

We noted that employees did not always follow the approved policies for removing user access privileges and monitoring network security. For example, some former employees and consultants had access privileges to certain Liquor & Gaming information technology systems. Liquor & Gaming also needs to monitor network security alerts. These alerts help agencies detect and react to security threats quickly.

Delays in updating user accounts and failure to monitor network security increase the risk of unauthorized data disclosure, modification, or loss.

We continue to recommend that the Liquor and Gaming Authority follow its approved information technology policies and procedures.

Business continuity plan needed

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 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.

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Main points

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

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 six casinos. These casinos are known as Northern Lights, Gold Eagle, Painted Hand, Bear Claw, Dakota Dunes, and Living Sky.

All casinos are located on First Nation reserves¹. 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, Dakota Dunes is located on the Whitecap First Nation, and Living Sky is located in Swift Current. These casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public.

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,² 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.

Table 1 summarizes the results of SIGA's casino operations. The casino operations include slot machines, table games, and ancillary (i.e., gift

¹ Living Sky Casino has applied to the Federal Government for urban reserve status.

² 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.

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	2009	2008	2007	2006	2005
Slot operations profit	\$ 78,685	\$ 68,355	\$ 52,695	\$ 43,653	\$ 36,641
Ancillary operations loss	(9,399)	(6,143)	(3,091)	(2,593)	(2,354)
Table operations loss	<u>(2,066)</u>	<u>(1,106)</u>	<u>(767)</u>	<u>(902)</u>	<u>(332)</u>
Distributable net profit	67,220	61,106	48,837	40,158	33,955
Unrealized loss on interest rate swaps	<u>(7,346)</u>	<u>(3,014)</u>	<u>---</u>	<u>---</u>	<u>---</u>
Net profit	<u>\$ 59,874</u>	<u>\$ 58,092</u>	<u>\$ 48,837</u>	<u>\$ 40,158</u>	<u>\$ 33,955</u>

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. The Agreement was amended in June 2007.

Liquor & Gaming and SIGA also signed the 1995 Casino Operating Agreement to implement the 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. The Agreement was amended in June 2007.

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 agencies funded by the First Nations Trust Fund bear the cost when SIGA incurs expenses that are not in accordance with approved policies and directives.

We audit SIGA for the Legislative Assembly because SIGA handles public money for Liquor & Gaming.

Audit conclusions and findings

To form our opinions, our Office worked with SIGA's appointed auditor, Deloitte & Touche LLP. 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, 2009:

- ◆ **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 financial statements are reliable**

We also report the results of our investigation into the loss of public money.

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

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. Below, we make some new recommendations and repeat some past recommendations to strengthen SIGA's processes.

Well-performing agencies do three things to have effective controls to safeguard public resources. First, their management provides effective guidance to its employees. Second, they require management to train and supervise employees' compliance with 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 2008 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. SIGA has documented and communicated policies for all areas except those noted below.

Information technology (IT) strategic plan needs improvement

In past reports, we recommended that management review and the Board approve an information technology (IT) strategic plan.

The Standing Committee on Public Accounts (PAC) considered this matter in 2006 and agreed with our recommendation.

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.

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.

We continue to recommend that SIGA's management review and the Board approve an information technology strategic plan.

Disaster recovery plan needed

In our 2008 Report – Volume 3, we recommended that SIGA prepare a complete disaster recovery plan and assess the need for a business continuity plan. SIGA needs a written, tested, and approved disaster recovery plan (DRP)⁴ to help ensure that it can continue to provide IT services in the event of a disaster.

PAC considered this matter in March 2009 and agreed with our recommendation.

SIGA places significant reliance on its IT systems to operate. One of SIGA's main gaming systems is operated by an outside service provider that does not have an adequate DRP. SIGA's reliance on IT systems for other critical functions is increasing. This makes the need for an adequate DRP more critical. 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 would help SIGA recover critical business functions in the event of a disaster.

We continue to recommend that SIGA prepare a complete disaster recovery plan and assess the need for a business continuity plan.

Training and supervision of employees

In our 2008 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 not made adequate progress towards ensuring that its employees follow its established

⁴ **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. A DRP is only one component of a business continuity plan.

policies. This contributed to a loss of \$1.2 million of public money during the year. We describe our investigation of this loss later in this chapter.

We describe below areas where SIGA needs to do more.

Compliance with policies needed

Since 2000, we have reported that SIGA's accounting records do not always reflect its business operations and lacked proper support for some transactions. Accordingly, we recommended that SIGA establish policies and procedures to ensure its books and records reflect its business operations and that 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.

Control over bank accounts needed

SIGA must supervise its employees' compliance with established processes used to control its bank accounts.

SIGA's processes require employees to agree (i.e., reconcile) its recorded bank balances to the bank's records each month so that all transactions are recorded properly and any errors or fraud are detected early on. For this process to work effectively, reconciliations must be timely and independently reviewed and approved.

During the year, employees were several months late in completing monthly bank reconciliations. For example, employees reconciled the October bank records in late March and the February bank records in late April.

To reduce the risk of loss of public money, SIGA has established processes requiring employees to verify daily that all money earned is received and recorded. These processes require employees at each casino to reconcile automated teller machine (ATM) transactions recorded by ATM suppliers to SIGA's bank records daily to ensure all transactions are properly recorded. During the year, employees did not always do timely ATM reconciliations. In some instances, it took

employees several months to explain and correct differences between ATM transactions and SIGA's bank records.

Casino employees provide central office with a report showing the amount ATM suppliers are to deposit into SIGA's bank account the following day. SIGA's processes require central office staff to reconcile daily to see that the ATM deposits are made correctly to SIGA's bank account.

Central office employees did not reconcile the ATM deposits daily. They checked these deposits when they completed the monthly bank reconciliations. As noted above, the monthly bank reconciliations were several months late. When central office employees finally checked the ATM deposits, they found significant shortages in the deposits for Bear Claw Casino and Living Sky Casino, resulting in a loss of \$1.2 million.

Marketing and promotion

In 2009, SIGA spent approximately \$23.2 million (2008 - \$14.2 million) for marketing and promotion. This includes spending on complimentary items.

SIGA requires employees to maintain adequate records of complimentary items they give to patrons (i.e., a record of who received the item and why). SIGA also requires management to periodically review and approve these records. However, 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 employees do not follow established policies to control its assets.

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 that there is support for all transactions.

We continue to recommend that SIGA establish rules and procedures to ensure that employees comply with established policies.

Complete and implement a human resource plan

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.

SIGA's long-term human resource plan includes the key elements of a sound human resource plan except that it does not include a projection of SIGA's future human resource needs (i.e., number, type, level, and location of employees). As a result, SIGA does not know its future human resource needs and how it will access those resources. SIGA needs this information to carry out its strategic plan.

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 implemented personal learning plans for all employees. Management told us SIGA will use these plans to develop organization-wide succession plans.

Management has begun to document SIGA's future human resource needs. SIGA's draft 2009-2014 human resource plan includes staffing demand projections for the information technology and human resource departments. Management told us that SIGA is working on completing projections for other areas within the organization.

A complete human resource plan would help to ensure that SIGA has staff with appropriate qualifications and experience. During our

investigation of the loss of public money as described below, we found that most senior accountants employed by SIGA did not have the qualifications set out in their job descriptions.

We continue to recommend SIGA complete and implement its human resource plan.

Investigation of loss of public money

In this section, we report the results of our investigation into the loss of public money at SIGA during the year.

What happened

SIGA has ATMs at each casino. The ATMs are owned by outside ATM service providers. SIGA initially supplies the money for the ATMs and refills them with cash as patrons take money out. Daily, ATM suppliers are to arrange a deposit into SIGA's bank account for the total amount of money dispensed from the ATMs the previous day.

From January 10, 2009 to April 15, 2009, the ATM supplier for two casinos did not fully deposit to SIGA's bank account the amount dispensed from the ATMs. The loss of public money amounted to approximately \$1.2 million.

Our objectives

We set two objectives for our investigation. First, we wanted to determine the amount of the loss of public money. Second, we wanted to determine the conditions that allowed the loss of public money to occur and remain undetected for three months.

We found that SIGA incurred a loss of public money of approximately \$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

Loss of public money

What we found

The loss of public money occurred in the Bear Claw Casino and the Living Sky Casino.

SIGA's ATM agreements are with its casino landlords (First Nation agencies⁵). The landlords of Bear Claw and Living Sky casinos made agreements with an ATM supplier to provide two ATMs for each casino. The agreements provide that the ATM supplier is to arrange for another corporation (a switch provider) to operate a network that obtains authorizations from banks prior to money being dispensed from the ATMs. The switch provider is to deposit the ATM withdrawals to SIGA's bank account the following day.

SIGA told us that a shareholder of the ATM supplier was able to get the switch provider to divert money due to SIGA to other bank accounts. From January 10, 2009 to April 15, 2009, the switch provider did not fully deposit to SIGA's bank account amounts dispensed from the ATMs.

SIGA detected the loss of public money on May 7, 2009. It shut down the ATMs at the two casinos on May 9, 2009 and contacted the Saskatoon Police Service.

Conditions that allowed the loss of public money

No system to safeguard public resources can prevent or detect all fraudulent acts because such acts are designed to conceal fraud and may involve collusion with others. A sound system to safeguard public resources creates an environment where errors or fraud are less likely to occur and if they occur, are more likely to be detected. Through diligent planning and oversight, an agency's senior management reduces the risk of errors and fraud.

Loss of public money is more likely to occur when the following conditions exist:

⁵ The landlord for the Living Sky Casino is an agency of the File Hills Qu'Appelle Tribal Council and the landlord for the Bear Claw Casino is an agency of the White Bear First Nation.

- ◆ ineffective direction to staff
- ◆ poor supervision of staff
- ◆ hiring of employees or contractors without due consideration for their qualifications and experience
- ◆ failure to mitigate the risk of loss of public resources

We describe below our findings for each of the above conditions.

Effective direction to employees

To safeguard public resources, agencies need to oversee operations and supervise employees to ensure they follow established processes and achieve the agency's objectives. SIGA did not properly supervise its employees.

SIGA has various operating policies and procedures (processes) that provide direction and guidance to employees. The processes include directions to employees on how to ensure all public money earned by SIGA is received, recorded, and deposited into its bank accounts.

SIGA's processes require its central office employees to reconcile bank accounts for deposits on a daily basis. However, SIGA's employees did not reconcile deposits daily. They reconciled deposits monthly during the monthly bank reconciliation process (described below). Daily checking of ATM deposits to the bank would have enabled employees to immediately detect the loss of public money and inform senior management. Monthly, the ATMs at Bear Claw and Living Sky casinos dispense approximately \$1.8 million.

As well, SIGA's processes require employees to agree (i.e., reconcile) recorded bank balances to the banks' records each month so that all transactions are recorded properly and that any errors or fraud are detected early on. For this process to work effectively, reconciliations must be timely and independently reviewed and approved.

During the year, reconciliations were not completed on a timely basis. For example, the October to December 2008 monthly bank reconciliations were not completed until late March 2009.

Employees must understand the importance of complying with established processes to prevent errors or fraud. They need to know that they are expected to bring any observed non-compliance to management's attention, and can do so safely. Fraud awareness training for employees can assist in this process. Such training would help SIGA establish a culture of fraud awareness. It would help employees in detecting and preventing internal and external frauds.

- 1. We recommend that Saskatchewan Indian Gaming Authority Inc. (SIGA) supervise its employees' compliance with SIGA's policies and procedures for bank reconciliations.**
- 2. We recommend that Saskatchewan Indian Gaming Authority Inc. train its employees to help establish a culture of fraud awareness.**

Hiring and retaining employees

To safeguard public resources, an agency needs processes to hire staff with appropriate qualifications and experience. It also needs to have processes to retain good employees.

SIGA operates a large complex business consisting of six casinos throughout Saskatchewan with over \$240 million in annual revenues and approximately 2,100 employees. In the past two years, SIGA has opened two new casinos. With new casino operations, the risk of employees not following established processes increases because many of the employees are new to SIGA.

To properly oversee the collection and management of public resources, SIGA needs sufficient numbers of qualified professional accountants with appropriate experience. Accountants without the necessary qualifications and experience may not understand the significance of, and the risks associated with, the activities they perform (e.g., bank reconciliations). SIGA was unable to show us a written assessment, based on a risk analysis, of the numbers, qualifications, and experience of professional accountants and supporting staff SIGA requires.

We have been recommending since 2003 that SIGA complete and implement its human resource plan which would include its needs for senior accounting staff.

SIGA's job descriptions require its three most senior accountants⁶ to have a professional accounting designation⁷ and two other senior accountants to have accounting degrees from a recognized institution. Of the five senior accountants, only the Senior Vice President, Finance and Administration had the required qualifications.

3. **We recommend that Saskatchewan Indian Gaming Authority Inc. prepare a written assessment of the required numbers, qualifications, and experience of professional accountants and supporting staff.**
4. **We recommend that Saskatchewan Indian Gaming Authority Inc. employ sufficient numbers of accountants with appropriate qualifications and experience.**

Mitigating the risk of loss of public resources

SIGA puts public money into the ATMs. Therefore, public money is at risk of loss. To safeguard public resources, agencies similar to SIGA assess and mitigate (reduce) the risk of loss of public resources.

Generally, agencies mitigate the risk of loss with the following:

- ◆ strong cash handling processes
- ◆ proper supervision of staff
- ◆ direct contracts with suppliers or service providers
- ◆ obtain insurance to cover any residual risks

SIGA had adequate cash handling processes, but staff did not always follow the established processes. As we described earlier in this chapter, staff did not reconcile bank accounts on a timely basis. SIGA needs to communicate to its staff the reasons for policies and the consequences of not following those policies. Supervisors must be trained to show zero

⁶ Senior VP of Finance & Administration, Controller, and Director of Finance.

⁷ Chartered Accountant, Certified Management Accountant, Certified General Accountant.

tolerance for non compliance with policies especially for those relating to cash handling processes.

SIGA did not do a risk analysis of its ATM operations. As a result, it did not identify the risks of not having a direct contract with the switch provider.

SIGA does not have agreements with the suppliers of ATMs at its casinos. Although SIGA put public money into the ATMs, it allowed its landlords to make agreements with the ATM suppliers. By doing so, SIGA lost the right of issuing directives to the switch providers⁸ who collect money from patrons' banks and deposit that money into designated bank accounts. Because SIGA did not have a direct agreement with the switch provider, SIGA was at risk that the ATM supplier could direct the switch provider to deposit money into a different bank.

SIGA has an insurance policy that provides coverage of \$1 million (\$25,000 deductible) for each of the following losses: employee dishonesty, loss inside the premises, loss outside the premises, money orders and counterfeit currency, and depositors forgery coverage. SIGA must ensure its insurance coverage fits with its risk management plan to mitigate the risk of loss to an acceptable level.

- 5. We recommend that Saskatchewan Indian Gaming Authority Inc. make agreements with suppliers and service providers (switch providers) of all automated teller machines at its casinos.**
- 6. We recommend that Saskatchewan Indian Gaming Authority Inc. formally assess the risk of loss from automated teller machines and prepare corresponding risk management plan to mitigate the risk to an acceptable level.**

Management's response to the loss of public money

Management told us that immediately following the discovery of the loss of public money, the ATM machines at Living Sky Casino and Bear Claw Casino were shut down. SIGA also contacted the Saskatoon Police

⁸ See page 304 for the function of the switch provider and the relationship between the ATM supplier and the switch provider.

Service. SIGA signed an agreement with a new ATM provider and switch provider for those casinos. SIGA staff now reconcile ATM amounts daily to ensure the proper deposits have been made into SIGA’s bank account. SIGA told us that it has hired five people with professional accounting designations to fill accounting positions in the Finance department.

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.⁹

PAC REPORT YEAR¹⁰	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Indian Gaming Authority Inc (Project Management Processes – Dakota Dunes Casino)		
	PAC concurs: 8-3 that the Saskatchewan Indian Gaming Authority have dispute resolution processes with its key partners before starting major construction projects	Not implemented (as at September 30, 2008).

⁹ For the definitions of the key terms used in the table, see Chapter 20 – 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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Municipal Affairs

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Main points

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.

Introduction

The Ministry of Municipal Affairs (Municipal Affairs) works closely with municipalities, their representative organizations, and other provincial ministries to help ensure effective local government and sustainable municipal infrastructure and services. Municipal Affairs also provides the legislative framework as well as some technical and policy support for cities, urban, rural and northern municipalities.¹

Special purpose funds and agencies

At March 31, 2009, Municipal Affairs was responsible for the following Crown agencies and special purpose funds (agencies):

	<u>Year-end</u>
Municipal Potash Tax Sharing Administration Board	December 31
Northern Revenue Sharing Trust Account	December 31

Each year, the Legislative Assembly (Assembly) receives the annual audited financial statements of each of the above agencies.²

Financial overview

For the year ended March 31, 2009, Municipal Affairs had revenues of \$47.6 million (2007-08 - \$38.6 million) including \$45.9 million from the Federal Government and had expenses of \$397.4 million (2007-08 - \$214.9 million). The following is a list of major programs and spending for the year ended March 31, 2009.

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Central Management and Services	\$ 4.4	\$ 4.3
Municipal Financial Assistance	206.5	336.6
Municipal Relations	6.6	6.6
Federal Municipal Assistance	32.4	48.7
Saskatchewan Municipal Board	1.3	1.2
Subtotal	251.2	397.4
Supplementary Estimates	145.4	---
	<u>\$ 396.6</u>	<u>\$ 397.4</u>

¹ Government of Saskatchewan, *Saskatchewan Provincial Budget 09-10; Saskatchewan: Strong and Steady; Estimates*, p. 119.

² Reports are available at <http://www.finance.gov.sk.ca/paccts/paccts09/compendium/compintro.htm>.

Municipal Affairs' 2008-09 Annual Report contains information about its revenues and expenses including reasons for significant differences between actual amounts and estimates.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2009:

- ◆ **Municipal Affairs had adequate rules and procedures to safeguard public resources**
- ◆ **Municipal Affairs complied with 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**

Approved appropriation exceeded

Municipal Affairs did not comply with the law when it incurred \$734 thousand of spending without proper authority.

The Legislative Assembly, through appropriation acts, provides authority for ministries to spend money out of the General Revenue Fund (appropriation). Cabinet can, through an order in council called a special warrant issued under *The Financial Administration Act, 1991* (section 14), provide authority for additional spending in certain circumstances. For example, it can provide authority for spending when the Assembly is not in session and the approved amount of money is already spent or insufficient. If Cabinet provides authority for spending through a special warrant, the special warrant must be submitted to the Assembly for approval as part of the next appropriation act.

Also, *The Financial Administration Act, 1991* (section 33) states that “no agreement or undertaking shall be entered into in a fiscal year that would result in a charge to an appropriation for that fiscal year in excess of the unencumbered balance of that appropriation” unless the excess is a result of reimbursement of services provided by another ministry.

For the year ending March 31, 2009, the Assembly gave Municipal Affairs the authority to spend up to \$396.6 million. Municipal Affairs spent \$397.4

million including about \$12,000 more than it expected to reimburse the Information Technology Office for information technology services. Municipal Affairs did not request or obtain a special warrant. As a result, Municipal Affairs spent \$734 thousand without proper authority.

Annual Report tabled late

Municipal Affairs did not comply with the law because it tabled its annual report late.

The Government Organization Act (section 21) requires Municipal Affairs to prepare an annual report and follow the reporting deadlines set out in *The Tabling of Documents Act, 1991 (Act)*. This Act requires Municipal Affairs to submit its annual report to the Minister by June 30th and the Minister to table the Report in the Legislative Assembly by July 29th.

The Minister tabled Municipal Affairs' 2008-09 Annual Report on September 17, 2009.

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Main points

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.

Introduction

Under *The Public Service Act, 1998*, the Public Service Commission (PSC) is the central human resources agency for staff employed primarily by government ministries. Government ministries comprise about 12,000 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. PSC 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 2008-09 Annual Report available on its website www.psc.gov.sk.ca.

	<u>Original Estimates</u>	<u>Actual</u>
	(in thousands of dollars)	
Human Resource Information Services	\$ 9,786	\$ 7,625
Central Management and Services	4,499	4,490
Employee Relations, Policy and Planning	3,088	3,138
Human Resource Client Services	17,998	18,661
Capital Asset Amortization	<u>1,250</u>	<u>1,268</u>
	<u>\$ 36.621</u>	<u>\$ 35.182</u>

Audit conclusion and findings

In our opinion, for the year ended March 31, 2009:

- ◆ PSC had adequate rules and procedures to safeguard public resources except for the matter reported in this chapter

¹ Public Service Commission. (2009). 2008-09 Annual Report. Regina: Author.

- ◆ **PSC complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

This chapter also includes the results of our audit of the adequacy of PSC's central controls over its human resources and payroll systems security.

Implementation of criminal record checks needed

In our 2005 Report – Volume 1, we recommended that the ministries (formerly departments) of Community Resources and Employment and of 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 providing insurance coverage or requiring criminal record checks).² The Standing Committee on Public Accounts (PAC) agreed with these recommendations in 2005.

Criminal record checks are part of a prudent employment process that helps the Government:

- ◆ maintain public confidence in the public service
- ◆ ensure the safety of its employees, clients, and stakeholders
- ◆ ensure that public funds are securely administered

In response to our recommendation, the Government announced, in September 2005, its policy on obtaining criminal record checks for certain ministry staff. It made PSC responsible for implementing this policy. Exhibit 1 provides a brief summary of the policy and PSC's related activities.

Under the policy, PSC requires 10,908 employees (i.e., the number of designated positions) to submit a satisfactory criminal record check by September 2010 and every five years thereafter. At September 24, 2009, 7,687 of these employees have submitted criminal record checks. PSC needs to complete criminal record checks to properly protect citizens from loss of public money.

² Our 2005 Report – Volume 1 (Chapter 6 – Community Resources and Employment, Chapter 7 – Environment) includes detailed audit findings.

Exhibit 1 – Criminal record check policy and PSC’s related activities

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 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 positions with responsibility to modify operating systems (e.g., ability to establish or re-route client payments)
- ◆ 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

Prior to posting new positions, PSC 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 ministries make an offer of employment.

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 updates the status of criminal record checks in its computer system which allows them to track and monitor compliance with the criminal record check policy.

MIDAS human resources/payroll security

Background

Since March 2006, PSC is responsible for the Multi-informational Database Applications System – human resources and payroll (MIDAS HR/payroll). MIDAS HR/payroll helps PSC and the ministries manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions.

Given PSC’s overall responsibility for MIDAS HR/payroll system, it must have adequate central controls to secure MIDAS HR/payroll and its information. Central controls are those controls that PSC must establish and carry out to protect the confidentiality, integrity, and availability of MIDAS HR/payroll transactions.

Audit objective and criteria

The objective of our audit was to assess whether PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/payroll for the twelve-month period ending December 31, 2008. This audit did not assess the adequacy of controls at the user agencies.³ Rather, it focused on central controls at PSC.

To make this assessment, we used criteria based upon the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. PSC has agreed with the criteria.

Our criteria, as set out in Exhibit 2 below, describe the key processes that we expect PSC to have.

Exhibit 2 – Audit criteria

Adequate central controls used to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/payroll should include control processes that:

1. Show management commitment to security (governance)

- 1.1. Responsibilities for security are clearly defined
- 1.2. Management identifies threats and risks
- 1.3. Management has approved security policies and procedures
- 1.4. Management monitors security

2. Protect systems and data from unauthorized access

- 2.1. User access controls protect the system and data from unauthorized access
- 2.2. Physical security controls protect the system and data from unauthorized access

3. Make systems and data available for operation

- 3.1. System and data backups occur and are tested
- 3.2. Disaster recovery plans are in place and tested

4. Maintain the integrity of systems and data

- 4.1. Management has policies and procedures for managing the system and data
- 4.2. Change management processes exist and are followed
- 4.3. Management monitors the system to ensure it is operating as planned

User agencies (primarily ministries) rely on PSC, as a service provider, to have adequate central controls, carry them out properly, and process data accurately.

³ In this section; we call the ministries that use MIDAS HR/payroll “user agencies.”

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Audit conclusion and findings

PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/payroll for the twelve-month period ended December 31, 2008 except PSC needs:

- ◆ **policies and procedures for monitoring user access to MIDAS HR/payroll**
- ◆ **to provide user agencies with updated written guidance over the approval of payroll payments in accordance with *The Financial Administration Act, 1993***

During 2008, PSC partially implemented two of the three recommendations reported in our 2008 Report – Volume 1 (Chapter 9) and fully implemented one recommendation. During 2008, it provided user agencies with adequate reports from MIDAS HR/Payroll that help them monitor the accuracy of payroll and approve payments in accordance with *The Financial Administration Act, 1993*.

Exhibit 3 explains the status of the partially implemented recommendations in more detail. It sets out the following information: our recommendation, report year of initial recommendation, results of the Standing Committee on Public Accounts' review of the recommendation, actions PSC did in 2008 to address the recommendations, and status of recommendation at December 2008.

Exhibit 3 – Previous recommendations

Recommendation (related report)	PAC conclusion	Actions PSC took in 2008	Status of recommendation at December 2008
<p>We recommend the Public Service Commission have policies and procedures for monitoring user access to MIDAS HR/payroll</p> <p>(2007 Report – Volume 3 (Chapter 20).)</p>	<p>PAC concurred with the recommendation on December 10, 2008</p>	<p>Starting October 2008, PSC improved its process by providing Ministries with user access information monthly. This information includes a listing of inactive user accounts and the last date a user accessed the system.</p> <p>However, there is no process to automatically cancel or require action from Ministries to continue access to these accounts. We found a number of instances where a Ministry did not remove a user's access in a timely manner.</p>	<p>Partially implemented</p>
<p>We recommend the Public Service Commission provide user agencies with written guidance on the processing and approval of payroll payments in accordance with <i>The Financial Administration Act, 1993</i>.</p> <p>(2008 Report – Volume 1 (Chapter 9).)</p>	<p>PAC concurred with the recommendation on December 10, 2008</p>	<p>Although PSC has developed policy and procedure manuals to help staff perform most of their MIDAS HR/payroll related responsibilities, it needs to keep these manuals up-to-date as processes change. This includes providing explicit guidance on processing and approving payroll payments to ensure compliance with <i>The Financial Administration Act, 1993</i>.</p> <p>In 2008, PSC hired a contractor to develop and document a process for communicating policies and procedures. It expects communication of the documented policies to occur in the fall of 2009.</p>	<p>Partially implemented</p>

Social Services

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Main points

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 confidentiality, integrity, and availability of its information systems and data.

Introduction

The mandate of the Ministry of Social Services (Ministry) is to support citizens at-risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. The Ministry assists these efforts through income support, child and family services, supports for persons with disabilities, efforts to develop affordable housing, and by building greater capacity in community-based organizations.¹

The Ministry received \$677 million from the General Revenue Fund to deliver its programs and had revenues of \$23 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	\$ 298	\$ 301
Community inclusion	105	109
Child and youth services	106	111
Supporting families and building economic independence	69	70
Central management and services	34	34
Housing	22	51
Other	1	1
Total	\$ 635	\$ 677

Special purpose funds and Crown agency

The Ministry is responsible for the following special purpose funds (funds) and Crown agency:

¹ Ministry of Social Services Annual Report, 2008-09.

² Saskatchewan Finance, *Saskatchewan Provincial Budget Estimates for the fiscal year ending March 31, 2009*.

	<u>Year-End</u>
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, 2008 in our 2009 Report – Volume 1.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2009:

- ◆ **the Ministry of Social Services had adequate rules and procedures to safeguard public resources except as described in this chapter**

- ◆ **the Ministry of Social Services complied with authorities governing its activities and activities of its funds relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter**

- ◆ **the financial statements of the funds are reliable**

The chapter also provides our final report on Oyate ataya WaKanyeja OwicaKiyapi Inc. and an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) 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

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, 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's service agreement still does not require ITO to regularly report that the Ministry's IT systems and data will be available when needed. However, during the year, ITO signed an agreement with an external contractor to supply computer equipment to the Ministry within 48 hours of an emergency or a disaster. Availability of computer equipment is only one component of a disaster recovery plan. An adequate disaster recovery plan should also include recovery of key applications and access to the network used to send and receive data.

ITO's managed service provider performs disaster recovery testing twice a year for major systems. However, the service provider does not test all of the Ministry's significant systems. Also, the disaster recovery plan 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 it can restore all systems and data 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.

We continue to recommend 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 required

In 2008, we recommended that the Ministry of Social Services monitor the effectiveness of the Information Technology Office's security to protect the Ministry's computer systems and data.

In December 2008, PAC considered this matter and agreed with our recommendation.

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 now receives monthly service and user access reports from ITO. The service reports include information on ITO activities such as service levels and costs. The user access reports identify who has access to specific applications. The Ministry has begun to use this information to manage user access. However, some individuals who no longer work for the Ministry continue to have access to systems and data. 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. Although the Ministry has taken some steps to address our recommendation, its systems and data remain at risk of inappropriate access.

We continue to 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

In 2008, we recommended that the Ministry of Social Services establish an adequate information technology plan.

In December 2008, PAC considered this matter and agreed with our recommendation.

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.

The Ministry prepared an IT operation plan for the year. The Ministry also prepares a business case for each IT project. The business case identifies Ministry needs and links to its strategies. However, the Ministry still does not have a multi-year 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.

We continue to recommend the Ministry of Social Services establish an adequate information technology plan.

Business continuity plan need testing

Since 2003, we have recommended that the Ministry of Social Services complete its business continuity planning by testing its business continuity plan (BCP).

In September 2004, PAC considered this matter and agreed with our recommendation.

The Ministry developed a BCP for its critical programs and services and prepared documentation to support BCP testing. The Ministry updated the plan during the year and performed limited testing. The Ministry needs to perform additional testing to ensure the effectiveness of the plan.

We continue to recommend 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 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 legal responsibility for wards and acts as parent with the rights and obligations 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.

In 2008, we recommended that 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.

In December 2008, PAC considered this matter and agreed with our recommendation.

The Ministry does not have a process to know how many wards the Minister cared for during the year. As in the past years, we asked the Ministry's officials to provide us information about the Minister's wards; i.e., how many they are, who they are, and where they live. We have not yet received a complete response from the Ministry on this matter.

In April 2008, management told us that the Ministry would use the funding it received for an electronic case management system to develop a system that both the Ministry and First Nation child and family agencies can use.

Management told us that, in January 2009, the Ministry issued a formal request for proposals for the system. Management also told us the project team evaluated the submitted proposals and invited short-listed vendors

to demonstrate their products. The Ministry expects that the first phase of the system will be completed in 2011.

We continue to 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.

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 wards of the Minister residing off reserves, the Ministry arranges for such children to either reside with foster care parents, alternate care providers³, or in group homes and other facilities. The Ministry is responsible to reimburse the care providers for expenses incurred for these children.

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.

³ 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.

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 the established processes.

Exhibit 1—Percentage of client files we sampled not complying with child protection policies

	2009	2008	2007	2006	2005
No criminal record check*	20%	17%	27%	13%	20%
Inadequate contact with children	53%	39%	35%	21%	35%
No agreement with foster care provider	6%	10%	0%	13%	13%

* Non-compliance generally relates to non-care providers in the home

The exhibit shows that the Ministry 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 a large number of the children received half or less than half of the required number of such visits.

We continue to recommend 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

In our 2008 Report – Volume 3, we recommended that the Ministry of Social Services follow its policies to review and approve foster homes when placing more than four children in the foster home.

In December 2008, PAC considered this matter and agreed with our recommendation.

The Ministry has policies to limit the number of children in the care of a foster parent. Generally, the policies allow placing more than four children in one foster home only under very strict conditions and with specific approvals. 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.

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

	2009	2008
More than four children were in care in a foster home	63%	52%
Bi-weekly review and re-approval not done	100%	67%

We found that 63% of the foster home files that we examined periodically had more than four children. None of such foster homes had evidence of senior managers’ regular bi-weekly review and re-approval allowing more than four children.

The Ministry must take immediate steps to ensure employees follow the established policies. 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.

We continue to 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 agencies⁴ (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

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.

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:

- ◆ 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 who are wards of the Minister and reside on reserves, the Ministry must have adequate processes to ensure those children receive appropriate care similar to those residing off reserves. In 2008, we examined the Ministry's processes to ensure the Minister's wards residing on reserves receive appropriate care similar to those residing off reserves. We made the following recommendations in our 2008 Report – Volume 3.

We recommended that 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

- ◆ adequately monitor the First Nations child and family services agencies' compliance with the Ministry's standards for approval of out-of-home care providers
- ◆ implement a process to ensure the adequacy of First Nations child and family services agencies' long-term case planning for children who are wards of the Minister
- ◆ 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

In December 2008, PAC considered these matters and agreed with our recommendations.

Management told us that the Ministry has developed a standardized process to monitor the care children residing on reserves receive. Management also told us that the Ministry has not yet implemented the new process with all First Nations agencies.

Newly established processes only achieve desired results if employees understand and rigorously follow those processes. The Ministry has not evaluated the adequacy of the new processes.

As we stated earlier, the Ministry is currently seeking proposals for an electronic case management system for child and family services. Management told us that the Ministry plans to provide access to the new system to the First Nation agencies as well.

In April 2009, we asked the Ministry officials how many children in care at year end resided on reserves (both in foster homes and group homes) and their names. The Ministry has not yet provided us complete information.

We continue to 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

- ◆ adequately monitor the First Nations child and family services agencies' compliance with the Ministry's standards for approval of out-of-home care providers
- ◆ implement a process to ensure the adequacy of First Nations child and family services agencies' long-term case planning for children who are wards of the Minister
- ◆ 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

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 2008-09, the Ministry made payments totalling \$214 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 processes. We are

pleased that the Ministry completed its 2009 annual reassessments for clients in a timely manner.

Exhibit 3—Percentage of client files we sampled where the annual reassessment was not completed within a year and/or was incomplete

	2009	2008	2007	2006	2005
Annual reassessment not timely and/or incomplete	0%	19%	8%	22%	30%

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 4 shows the results of our work.

Exhibit 4—Percentage of client files we sampled containing inadequate support for and/or payments not made in accordance with regulations

	2009	2008	2007	2006	2005
Needs and expenses	18%	16%	24%	30%	26%
Client identification	0%	0%	2%	0%	10%
Living arrangements	0%	0%	4%	13%	10%
Child support ⁵	8%	0%	0%	8%	29%

The exhibit shows that the Ministry's compliance with its processes declined from the prior year.

We continue to recommend 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.

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.

⁵ 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.

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. In 2008-09, the Ministry made payments totalling \$20.3 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 2008-09, the Ministry made payments totalling \$10.7 million under the SRHS program.

The Ministry has processes for making payments to clients under its SES and SRHS programs. It uses the same 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, and monthly thereafter. These factors affect the amount of assistance a client is eligible to receive.

The Ministry regularly monitors SES and SRHS payments by testing a number of clients. The Ministry puts the selected clients' accounts 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. The Ministry has set a target financial error rate of 4% of total SES and SRHS payments.

Exhibit 5—of client files the Ministry sampled

	2009	2008	2007	2006
Client did not respond and accounts closed for lack of support	10%	8%	16%	18%
Clients did respond and subsequent verification resulted in payments being assessed as incorrect	12%	14%	16%	15%

During the year ended March 31, 2009, the Ministry found that 10% of the 2,385 clients it tested did not respond or provide written evidence to support their reported income. As a result, the Ministry stopped further payments to those clients. Of those that responded, the Ministry determined that it had overpaid 12% of those clients. The Ministry has processes to collect the overpayments.

The above compliance errors represent about a 9% financial error for these programs. Because the 2009 error rate exceeds the Ministry’s target, the Ministry needs to do more to reduce the error rate for overpayments or revisit its acceptable error rate.

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 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.

Supervising community-based organizations

The Ministry needs to strengthen its supervision of community-based organizations (CBOs).

The Ministry paid \$113 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.

The Ministry has strengthened its agreements with CBOs setting out the Ministry's objectives for complying with the law and safeguarding resources.

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 did not address our recommendation during the year. It still 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 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 CBOs must provide these reports to the Ministry.

We examined how well the CBOs complied with the agreements. 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

	2009	2008	2007	2006
Prior year annual financial reports not received within three months of the fiscal year-end	30%	21%	50%	83%
Quarterly financial reports not received within 30 days of quarter end	25%	33%	49%	72%

The exhibit shows that majority of the CBOs do comply with the agreements to provide their annual financial report within 3 months of their year-end and timely quarterly financial reports.

We encourage the Ministry to continue to further improve CBOs compliance with the 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 7—Percentage of CBO files we examined that were not received within the required time

	2009	2008	2007	2006
Prior year annual operational report not received within three months of the fiscal year-end	40%	18%	50%	Not available

The Ministry needs to do more to ensure CBOs comply with reporting requirements. The CBOs compliance with providing operational reports declined significantly from the prior year.

We continue to recommend the Ministry of Social Services ensure all CBOs submit timely operational performance reports to it 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 continues to improve the 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 8 shows the Ministry's progress to review CBOs' performance reports within six months of the CBOs' fiscal year-end.

Exhibit 8—Percentage of CBO information received within the required time but not reviewed within six months of the fiscal year-end

	2009	2008	2007	2006
Financial information received but not reviewed	23%	59%	90%	100%
Operational information received but not reviewed	21%	48%	93%	50%

The Ministry has made good progress since 2006. We commend the Ministry for this improvement and expect it to continue with this work.

Final report on Oyate related recommendations

This section describes the actions taken by the Ministry of Social Services on the recommendations we made as a result of our audit of Oyate ataya WaKanyeya OwicaKiyapi Inc. (Oyate).

In June 2006, we reported to PAC the result of our special investigation of Oyate residential care home and made fifteen recommendations for Oyate and five recommendations for the Ministry.

In our 2008 Report – Volume 3, we said that Oyate had permanently closed effective April 13, 2006. As a result, the recommendations we made for Oyate are no longer relevant. We do not plan to do any future work on those recommendations.

In our 2008 Report – Volume 3, we also said that the Ministry has established processes to address the five recommendations we made for the Ministry related to its monitoring and supervision of community based organizations (CBOs). We assessed the adequacy of those procedures during the year and report our findings under “Supervising community based organizations.” We do not plan to do any future work on the recommendations we made for the Ministry in relation to its monitoring of Oyate.

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 Social Services		
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, 2009). The Ministry does not yet evaluate the effect of case planning.
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, 2009). In 2005, 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 fourth year of that five-year process. See Chapter 16.

⁶ For the definitions of the key terms used in the table, see Chapter 20 – 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.

PAC REPORT YEAR ⁷	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Social Services (Saskatchewan Housing)		
2005	PAC concurs: 15-1 that the Saskatchewan Housing Corporation's capital plan should show: <ul style="list-style-type: none"> - 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, 2009). We plan to do a follow-up in the future.

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Main points

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.

Introduction

The Ministry of Tourism, Parks, Culture and Sport (Ministry) is to support, celebrate and build pride in Saskatchewan. The Ministry's strategic focus is on tourism enhancement, quality of life, and economic growth.¹ The Ministry is also responsible for managing the provincial park system.²

Related special purpose funds and agencies

At March 31, 2009, the Ministry was responsible for the following special purpose funds and agencies:

	<u>Year-end</u>
Commercial Revolving Fund	March 31
Community Initiatives Fund (CIF)	March 31
Saskatchewan Archives Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Centre of the Arts	March 31
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund)	March 31
Saskatchewan Snowmobile Fund	March 31
Sask Sport Distributors Inc.	March 31
Western Canada Lottery Corporation	March 31
Western Canada Lottery – Sask Division Inc.	March 31
Western Development Museum	March 31

¹ *Saskatchewan Provincial Budget: 2009-10 Estimates*, www.finance.gov.sk.ca/budget2009-10/Budget200910Estimates.pdf.

² *Ministry of Tourism, Parks, Culture and Sport: 2008-09 Annual Report*, <http://www.tpcs.gov.sk.ca/tpcs-annual-report-2008-2009>

Financial overview

The following is a list of major programs and spending for the year ended March 31, 2009:

	<u>Original Estimates</u> (In millions of dollars)	<u>Actual</u>
Central Management and Services	\$ 9.9	\$ 9.5
Tourism	16.0	21.4
Capital City Commission	0.7	0.7
Parks	25.4	25.6
Building Communities	37.4	13.7
Culture	21.2	23.5
Heritage	12.5	15.2
Strategic Policy, Planning and Partnerships	2.5	7.9
Community Initiatives Fund	9.3	11.2
Saskatchewan Communications Network	<u>6.0</u>	<u>6.0</u>
	<u>\$ 140.9</u>	<u>\$ 134.7</u>

Audit conclusions and findings

Our Office worked with:

- ◆ KPMG LLP, appointed auditor for the Saskatchewan Communications Network Corporation
- ◆ Virtus Group LLP, appointed auditor for
 - Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation
 - Community Initiatives Fund

For Western Canada Lottery Corporation, Western Canada Lottery – Sask Division Inc., and Sask Sport Distributors Inc., we plan to audit these entities through their appointed auditors beginning for the year ending March 31, 2010. For more details, see Chapter 16 of our 2009 Report – Volume 1.

To complete our work on the above-listed 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). Our

Office and the appointed auditors of the related agencies formed the opinions below.

In our opinion, for the year ended March 31, 2009:

- ◆ **The Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in Table 1 of this chapter**
- ◆ **The Ministry and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in Table 1 of this chapter**
- ◆ **The financial statements of the Ministry’s agencies are reliable except for the matter reported for the Trust Fund and CIF as described in Appendix 2 of this report.**

In this chapter, we also report the results of our audit of the Ministry’s capital asset plan for the provincial parks system.

Provincial park system capital asset plan

The provincial park system contributes to quality of life, the economy, and to the preservation of Saskatchewan’s culture, heritage, and environment. The provincial park system includes 8 historic sites, 24 protected areas, 34 provincial parks, and 130 recreation sites covering a total of 1.4 million hectares of land.^{3, 4} Protected areas conserve important and often unique areas or historic sites.

The Ministry is responsible for the provincial park system including the “administration, management, planning, development, and maintenance of all park land.”⁵ This section describes our audit of the Ministry’s capital asset plan for the provincial park system.

³ A “provincial park” means an historic park, a recreation park, a natural environment park, or a wilderness park ... (*The Parks Act*, section 2(h)). Provincial parks are located on Crown land and their purpose is designated under section 4 of *The Parks Act*.

⁴ Ministry of *Tourism, Parks, Culture and Sport 2008-09: Annual Report*, p.5.

⁵ *The Parks Act*, section 13.

Background

Capital asset plans help the Government build its capacity to deliver efficient, economical, and timely services. Adequate capital asset plans help to reduce risks that capital assets are not in good working order when required. For example, capital asset plans reduce risks from deteriorating buildings, unsafe equipment, unforeseen breakdowns, and unplanned maintenance costs.

We define “capital assets” as the infrastructure, buildings, and equipment used to deliver public services. These include capital assets that the Government owns or leases from others.

In the provincial park system, widely varied capital assets help the parks to serve their intended purpose (e.g., as recreation areas or historic sites). The provincial park system infrastructure includes water, sewer, and garbage systems; campsites; beaches, pools, boat launches, docks, and marinas; water control structures such as dams or weirs; surfaced and gravel roads; and bridges. Park buildings include historic buildings, recreation halls, service centers with showers and/or washrooms, entry kiosks, administration offices, and maintenance shops. Park equipment includes playground structures, picnic tables, and heavy equipment for road work or clearing land.

Capital assets in the provincial park system are in over 170 locations. The Ministry estimates the replacement value of these capital assets is about \$350 million for 2008-09. During 2008-09, the Ministry spent \$7.6 million to upgrade capital assets in the provincial park system.⁶

Audit objective, criteria, and conclusion

The objective of this audit was to assess, as of July 31, 2009, whether the Ministry of Tourism, Parks, Culture and Sport had an adequate long-term capital asset plan for the provincial park system. The audit excluded capital planning for purchasing or maintaining natural resources such as forests. We focused primarily on key capital assets such as water and sewer systems, roadways, buildings, and campsites.

⁶ *Ministry of Tourism, Parks, Culture and Sport: 2008-09 Annual Report*, p. 19.

To conduct this audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. To evaluate the Ministry's capital asset plan for the provincial park system, we used criteria based on the work of other auditors and literature listed in the selected references. Management agreed with the criteria described in Exhibit 1.

Exhibit 1—Criteria for long-term capital asset plans

To have an adequate long-term capital asset plan for the provincial park system, the Ministry's plan should include:

- ◆ the capital assets required to support strategic objectives and programs
- ◆ the gap between required and existing capital assets
- ◆ the strategies to manage capital assets
- ◆ the justification for capital asset strategies
- ◆ the financial implications of capital asset strategies

We concluded that, as of July 31, 2009, the Ministry of Tourism, Parks, Culture and Sport 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**

Key findings and recommendations

In this section, we set out our findings and recommendations related to the criteria (in italics).

Capital assets required to support strategic direction

We expect a capital asset plan to give an overview of how the agency's strategic objectives influence its capital asset plans. The plan should include a summary of the capital assets required to support the strategic direction over the long term. It should clarify who is responsible for key capital assets and related activities including planning.

The Ministry recorded its capital asset plans for the provincial park system in several documents. The Ministry's public plan (*2009-10 Plan – Ministry of Tourism, Parks, Culture and Sport*) provided an overview of the Ministry's strategic direction and how it influenced capital assets in the provincial park system. For example, to promote tourism, the Ministry planned to improve hard surfaced park roadways. To improve the park experience, the Ministry planned to upgrade service centres, boat launches, and utilities and create an additional 1,000 electrified campsites in the provincial park system by 2011.

The Ministry listed the existing capital assets for which it is responsible in its 2008 State of the Infrastructure Assessment. This document also outlined the Ministry's future directions and emphasized retaining the existing capital assets in the provincial park system. Other planning documents set out the upgrades that significant capital assets would require to retain the same level of service for the next seven years.

Gap between required and existing capital assets

Capital asset capacity means the ability of capital assets to provide the expected volume and quality of services to achieve strategic objectives. Capacity reflects the size, condition, and life-span of capital assets. We expect a capital asset plan to summarize the existing capacity and identify any risks related to the condition of capital assets. The capital asset plan should describe the gap between the existing capital asset capacity and anticipated long-term needs.

The Ministry needs to know the condition of its capital assets in the parks system. If capital assets are not in good working order, injury to people or damage to property could result.

During 2004-2008, the Ministry assessed the capacity of key capital assets (i.e., water-sewer systems, buildings, campsite electricity, heavy equipment). The nature of the assessment varied with the type of capital asset. For example, management determined that water pipes had a useful life of over 30 years and were able to meet the required service capacity. The Ministry summarized the existing capacity of its buildings (e.g., recreation halls, service centres) by estimating their remaining useful life. It found over half its buildings were in poor condition and had exceeded or were near the end of their useful life. The Ministry also

examined the safety and electrical capacity of campsites and identified those not able to meet current and/or future needs. The Ministry summarized the gap between the existing condition and the capacity required of its buildings and campsites by 2015.

The Ministry continues to assess the condition and capacity of its capital assets. In 2009, it assessed the condition of boat launches across the provincial park system. In 2010, it plans to examine the condition of its bridges. Management told us it plans to continue assessing the condition and capacity of its capital assets as resources allow.

The Ministry highlighted risks related to regulatory requirements and basic safety for key capital assets in various documents. For example, the Ministry identified washrooms that were not wheelchair accessible and locations where staff worked in remote kiosks with no washroom facilities or security. It also identified safety risks related to boat launches. However, the Ministry had not summarized all risks related to its capital assets in its capital planning documents.

The Ministry estimated the capital assets it will require in the future based on trends in the number of park visitors since 2004. The Ministry did not record in its capital asset plan the factors related to the increased use of parks or its assumptions. Better information about projected future demand would help decision-makers assess the resources required to upgrade capital assets in the provincial park system. It would also help the Ministry to assess whether capital assets (such as docks and roadways) have adequate capacity for the long term.

- 1. We recommend the Ministry of Tourism, Parks, Culture and Sport include in its capital asset plan for the provincial park system the projected future use levels for key capital assets (including assumptions and factors influencing trends) and a summary of capital asset risks for the projected use levels.**

Strategies to manage capital assets

We expect a capital asset plan to set out strategies to manage capital assets including how to obtain, operate, maintain, and dispose of capital assets as necessary. Strategies should explain the method, timing, and cost of obtaining capital assets to support programs and achieve strategic

objectives. Strategies should include principles to operate and maintain capital assets at a reasonable cost and without unplanned service disruptions. Strategies should identify how the agency will dispose of capital assets that are no longer usable or required.

The Ministry's 2009 overall strategy to manage capital assets for the provincial park system was to fix its existing assets, beginning with those in the worst condition. The Ministry did not have principles or operating plans to guide its strategies to operate and maintain its capital assets.

In 2008, the Ministry estimated it needed \$21.7 million to maintain its existing capital assets for current operating requirements (deferred maintenance) and a further \$16.3 million for maintenance up to 2018. When an agency does not maintain its capital assets, it shortens the useful life of the capital assets, increases operating costs over the long term, and increases the risk of service disruption due to the sudden failure of the capital assets. Failure to maintain capital assets increases the risk of harm to visitors or staff (e.g., playgrounds, heavy equipment). The Ministry follows the policies of the Ministry of Government Services for obtaining and disposing of capital assets such as vehicles, equipment, and buildings. These policies include the tendering processes.

- 2. We recommend the Ministry of Tourism, Parks, Culture and Sport set out principles in its capital asset plan to guide how it operates and maintains key capital assets in the provincial park system.**

Justification of capital asset strategies

We expect a capital asset plan to justify the strategies selected (e.g., by stating the criteria used to make decisions) and explain how they reduce risks. A capital asset plan should outline the alternatives considered including possible non-capital alternatives to achieve strategic objectives.

The Ministry justified its capital asset strategy (fix the worst first) with the criteria it used to set priorities for some types of capital assets. For example, it asked staff to record the condition, safety, and useful life of boat launches and park-entry kiosks. Using the rated condition and its ability to get the work done, the Ministry set priorities to repair or replace boat launches in some locations and kiosks in other locations.

For some capital assets (e.g., buildings), the Ministry considered whether upgrading would improve the safety of visitors and the security of its staff. It also noted the impact of failure to comply with regulations for its sewer and water distribution systems.

The Ministry informally considered capital and non-capital alternatives. Staff discussed the cost and demand for each alternative. For example, the Ministry's staff discussed whether to electrify campsites with 50AMP or 30AMP capacity. In one case, it decided to close a specific campground rather than electrifying it.

Financial implications of capital asset strategies

We expect a capital asset plan to show the financial implications of the strategies selected. A capital asset plan should document the estimated life-cycle costs for capital assets over the long term (i.e., costs to obtain, operate, maintain, and dispose of the asset).

The Ministry's capital asset plans record the replacement or repair costs for its capital assets. For example, in its seven-year plans to upgrade boat launches and kiosks, it documents the cost of the upgrades to be completed in each budget year.

The Ministry does not calculate life-cycle costs for its capital asset strategies. For example, when the Ministry added significantly more electrified campsites, it did not document the additional revenues and electricity costs over the useful life of the electrical outlets.

- 3. We recommend the Ministry of Tourism, Parks, Culture and Sport include estimated life-cycle costs in its long-term capital asset plan for the provincial park system.**

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Status of previous recommendations

The table below provides a listing of the outstanding matters reported in Chapter 16 of our 2009 Report – Volume 1. The Standing Committee on Public Accounts discussed these recommendations on September 1, 2009 and agreed with them.

Table 1

Recommendations
We recommend that the Ministry of Tourism, Parks, Culture and Sport establish and implement written procedures for monitoring compliance with the lottery agreement by the Western Canada Lottery Corporation (WCLC), Western Canada Lottery – Saskatchewan Division Inc. (WCL-SK), and Sask Sport Distributors Inc. (SSDI).
We recommend that the Ministry establish written guidelines for its representatives on the board of directors of the WCLC to help achieve the Ministry’s lottery scheme objectives.
We recommend that the Ministry make agreements with the WCL-SK and SSDI to help achieve the Ministry’s lottery scheme objectives.
We recommend that the Ministry provide its senior management with regular reports on compliance with the lottery agreement by the WCLC, WCL-SK, and SSDI.

Recommendations
We recommend that the Ministry report publicly on compliance with the lottery agreement by the WCLC, WCL-SK, and SSDI.
We recommend that the Ministry make public a list of persons (i.e., employees, suppliers) who received public money from WCL-SK and SSDI.
We recommend that the Ministry give the Legislative Assembly the financial statements of WCL-SK and SSDI.

Management told us that it has begun to improve its procedures for monitoring compliance with the lottery agreement. Specifically, it has begun to update its written procedures, it has appointed a senior employee to the board of the Western Canada Lottery Corporation and it has signed a new lottery agreement that includes accountability and oversight measures. The Ministry also told us that it plans to report on compliance with the lottery agreement within its annual report.

We plan to follow up on these recommendations in 2010.

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Government accountability

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Main points

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.

Introduction

The public, as taxpayers, are interested in what governments do and whether governments use tax dollars wisely to get desired results.

The public expect elected legislators to hold the Government to account. They expect the Government to provide legislators with sufficient, accurate, and timely reports to facilitate informed debate on the Government's plans and its results.

This chapter compares the Government's accountability practices as of September 2009 to the key elements of accountability set out in our 2000 Spring Report (Chapter 1). Also, it explains the status of two recommendations about accountability that we made in our 2004 Report – Volume 1 (Chapter 9).

Key elements of sound accountability

We discuss the key elements of a sound accountability system for the public sector in our 2000 Spring Report (Chapter 1). In summary, both for the entire Government and for individual public agencies, strong public accountability requires the following elements:

1. public plans
2. public reports (performance reports)
3. review by the Legislative Assembly or its committees of the Government's performance

Exhibit 1 summarizes the key information and activities necessary for sound public accountability for each of the above elements.

Exhibit 1—Key elements of sound accountability

Public plans	Public annual performance reports	Legislative review of plans and annual reports
<p>Plans guide the decisions and actions of Government officials and the staff of individual public agencies both on a short and long-term basis.</p> <p>Sound plans</p> <ul style="list-style-type: none"> ◆ identify the Government's (or the individual public agency's) goals, and strategies that support the achievement of its vision ◆ set out what the Government or agency intends to achieve, by when (short-, mid-, long-term) ◆ set out cost of planned activities ◆ highlight major changes from prior years ◆ outline how much is to be achieved (e.g., activities or outcomes) within a specified time (i.e., targets)¹ ◆ explain risks that impede achievement ◆ explain how success will be measured (i.e., performance measures) <p>To maximize their benefit in the accountability cycle, the Government and its agencies must make public their plans before their fiscal year begins.</p> <p>Public long-term plans (e.g., three to five years) facilitate the Government working effectively with others. If plans are insufficient or incomplete, accountability falters, and the Government or its agencies may act in ways not intended or anticipated. Services may not be provided when or as expected or may cost more than intended.</p>	<p>Reports show the results of decisions and actions taken by the Government or individual public agencies.</p> <p>Sound annual reports:</p> <ul style="list-style-type: none"> ◆ focus on plans and results ◆ show how results were achieved (i.e., activities) ◆ set out the cost of results ◆ describe measures of significance to users ◆ provide such information within sufficient time to influence decisions <p>To be useful, the Government and its agencies must make public their reports shortly after their fiscal year-end. If the reports are late or incomplete, users² do not have sufficient information to assess the performance of the Government or individual public agency. Then users are unable to hold the Government or its agencies accountable for their actions.</p>	<p>The Legislative Assembly's primary role is to hold the Government accountable for how it uses the powers and resources entrusted to it.</p> <p>Rigorous review and informed debate about the Government's or individual public agency's plans and performance reports is the foundation for good accountability. Such review and debate shows the public that the Government and its agencies are being held to account. This helps build the public's confidence in Government.</p> <p>To accommodate the workload of the Assembly, the Assembly may assign the review or debate of these reports to a committee it deems appropriate. If assigned to a committee, the committee would report back to the Assembly on the results of its review.</p>

¹ How much will be achieved may be expressed as short-term targets for the activities to be completed or as longer-term targets for outcomes (e.g., public benefits such as living longer or education level achieved).

² Users of the Government's and individual public agency's annual reports include legislators, service delivery partners, and the public.

Accountability of Saskatchewan Government

In this section, we compare the Government's accountability practices as of September 2009, from an entire Government perspective, to the key elements of sound accountability set out above.

Background

A public overall plan for an entire government clarifies what that government expects. It identifies broad priorities and long-term targets. A public overall plan helps the Legislative Assembly to debate options.

A public overall plan also helps all types of government agencies to understand common goals. If all agencies across an entire government know what is expected of them, they can more effectively work together toward important common goals such as the Government's 2009-10 goal to "sustain economic growth for the benefit of Saskatchewan people."³

A public overall plan also prepares the way for an overall report of that government's achievements during a specific time period—an overall performance report. A public performance report for an entire government helps explain the risks that influenced what that government achieved. Explaining risks increases public understanding and helps keep public expectations realistic.

Need plan and performance report for entire Government

As of September 2009, the Government does not have a public overall plan for the entire Government. It does not publish a complete report, on an entire Government basis, on its performance for the year.

The Government makes its plans public in various ways and at varying times. For example, in October 2008, the *Speech from the Throne 2008* highlighted the Government's direction and priorities for the next session of the legislature. In March 2009, in conjunction with the release of the *Estimates*, the Government published two similar documents—one called *Government Direction for 2009-10* and a second called *Saskatchewan Provincial Budget 09-10, Saskatchewan: Strong and Steady, Budget*

³ Government of Saskatchewan, *Saskatchewan Provincial Budget 09-10, Government Direction for 2009-10*, Regina. p. 2.

Summary. Both documents set out the Government's vision, strategic goals, and key initiatives expected from Saskatchewan ministries and a few other agencies funded by the General Revenue Fund (GRF).⁴ These documents are not an overall plan for the entire Government because they exclude the results expected from many significant government agencies such as SaskPower, SaskTel, and the Workers' Compensation Board. As noted below, in February 2009, some significant agencies, such as CIC crowns, included their plans in their individual annual reports.

Without an overall plan, the Government can not, and did not, publish a complete report on its overall performance. For 2008-09, the Government's performance report on the entire Government was limited to financial information. The *2008-09 Public Accounts – Volume 1* contained the Government's overall financial results (i.e., summary financial statements) along with financial discussion and analysis.⁵

The Government's current reporting practices do not facilitate informed debate by Saskatchewan legislators on the entire Government's plans and its results.

Other western provinces publish overall plans and performance reports on their entire government. Two of the other three western provinces have strong overall plans and performance reports.

Accountability of Saskatchewan's public agencies

Background

The Government delivers its services through about 290 government agencies, boards, commissions, and special purpose funds (agencies). Many of these agencies are responsible for or oversee other agencies. For example, SaskPower is responsible for its subsidiaries (e.g., NorthPoint Energy Solutions Inc.) and the Ministry of Health is responsible for regional health authorities.

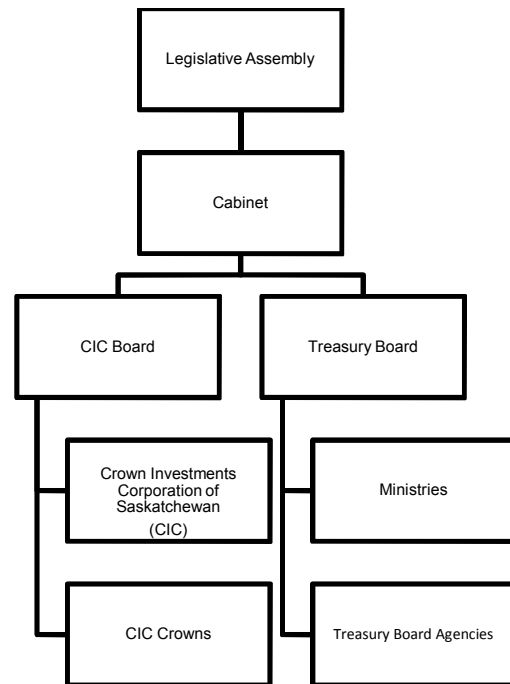
⁴ The second document included a financial plan. For further analysis of this financial plan see our 2009 Report – Volume 2 at www.auditor.sk.ca.

⁵ Our 2009 Report – Volume 2 discusses the quality of the Government's reporting of its financial practices as it relates to financial plan (budget) and reports throughout the year (interim reports).

The Government organizes its agencies into two main groups as shown in Exhibit 2. One group includes the agencies accountable to the Board of Crown Investments Corporation of Saskatchewan (CIC) (e.g., SaskPower, SaskTel, Saskatchewan Gaming Corporation). In this report, we refer to these agencies as “CIC crowns.”⁶ The other group includes ministries and related agencies accountable to Treasury Board for their financial control and reporting. In this report, we refer to agencies other than ministries and CIC crowns as “Treasury Board agencies.”

We expect public plans and reports from all CIC crowns, all ministries, and those Treasury Board agencies that provide important public services such as the twelve regional health authorities, Liquor and Gaming Authority, SIAST, and the Workers’ Compensation Board. Generally, the plans and reports of the remaining agencies would be incorporated into those of the agency (CIC crown, ministry) responsible for overseeing it. At September 2009, there were 12 CIC crowns and 19 ministries.

Exhibit 2—Accountability structure of the Government



The Government’s accountability expectations for both groups are results-based. Since 1999, the Board of CIC requires its CIC crowns to use a “balanced scorecard” approach to report their plans and results to

⁶ The CIC crowns manage almost 90 related entities (such as their subsidiaries, or related pension plans).

the public. Since 2002, Treasury Board requires ministries and a few other Treasury Board agencies to use results-based planning and reporting processes along with public plans and reports. Treasury Board assigned to the Ministry of Finance the responsibility to lead the implementation of these planning and reporting processes.

The Legislative Assembly has established Standing Committees of the Legislative Assembly, in part, to consider the work of various agencies across the Government. The Standing Committee on Public Accounts, a scrutiny committee, reviews and reports to the Assembly on the Public Accounts.^{7,8} Four policy field committees are to consider generally-defined subject areas as reflected in a portfolio of assigned agencies:⁹

- ◆ Standing Committee on Crown and Central Agencies relates to CIC, CIC crowns, and certain ministries and Treasury Board agencies including central government agencies, liquor, and all other revenue-related agencies and entities
- ◆ Standing Committee on the Economy relates to agriculture, economic development, environment, natural resources, rural issues, transportation, and infrastructure
- ◆ Standing Committee on Human Services relates to health, social services, education, labour, and public safety and security
- ◆ Standing Committee on Intergovernmental Affairs and Justice relates to justice, municipal, intergovernmental, inter-provincial, Aboriginal, and northern affairs, and tourism, parks, culture, and sport

Comparison of accountability practices to key elements

To gain insight into the Government's current accountability practices, we compared the content of the most recent public plans and annual reports of nine agencies to the key elements of sound accountability set out in Exhibit 1. The nine agencies included five large agencies (comprised of

⁷ Public Accounts include the financial statements for the Government of Saskatchewan (summary financial statements), and General Revenue Fund and details of revenue and expense for the General Revenue Fund.

⁸ Legislative Assembly of Saskatchewan, *Rules and Procedures of the Legislative Assembly of Saskatchewan*; Interim Printing: December 2007, Rule 141(2).

⁹ Legislative Assembly of Saskatchewan, *Rules and Procedures of the Legislative Assembly of Saskatchewan*; Interim Printing: December 2007, Rule 142.

one Crown agency related to the Crown Investments Corporation of Saskatchewan (CIC), three ministries, and one Treasury Board agency) and four Treasury Board agencies where we had assessed their plans and annual reports in 2007 (p.151, Chapter 9, 2007 Report – Volume 3). In 2007, these four agencies did not use the Ministry of Finance guidelines when preparing their public plans and reports.

In addition, we reviewed the activities of legislative committees to determine whether they review or use the information in these reports when carrying out their duties.

The sections below set out the results of this work.

Public plans improving gradually

As of September 2009, the public plans of CIC crowns are changing, but continue to provide key information. The public plans of ministries are improving with the addition of some targets but miss some key information such as an outline of key risks. The public plans vary for Treasury Board agencies.

Using a corporate balanced scorecard method, CIC crowns continue to publish high-level information about their plans and results in their annual reports.¹⁰ CIC crowns' annual reports set out their corporate objectives, performance measures, and targets. Their annual reports continue to provide future targets. Starting with 2008 annual reports, some of their reports provide targets for the next year whereas others provide targets for up to three future years. Their reports continue to explain (usually in a Management Discussion and Analysis section) the nature of significant risks that could prevent them from achieving their objectives.

CIC crowns typically publish their annual reports within 120 days of their fiscal year-end. As a result, they publish their plans after the beginning of their fiscal year. In addition to interim financial results, the CIC crowns publish quarterly reports that provide brief updates for legislators on their forecast results (i.e., outlook).

Using planning guidelines set by the Ministry of Finance, public plans of ministries are improving and becoming more succinct. Ministry plans for

¹⁰ CIC crowns have a December 31 fiscal year end.

2009-10 stated their overall mandate, broad goals, agency strategies or objectives, and performance measures. The plans clearly showed how their goals align with the Government's strategic goals; the plans highlighted major changes from the prior year's plan. Nevertheless, these plans continue to lack some critical aspects. Some ministries published targets for a few but not all performance measures. The plans did not explain risks that could influence whether the ministries achieve their objectives.

Ministries published their plans in conjunction with the release of the Budget Estimates for the General Revenue Fund. As a result, ministries published their plans before beginning their fiscal year.

The plans for other Treasury Board agencies showed improvements but varied in quality and timeliness. For the Treasury Board agencies we re-examined, the plans show the agencies now use an accountability framework to report their plans and results to the public. Unlike the CIC crowns, when these Treasury Board agencies include their plans in their annual report, they typically published the plans and targets of the past fiscal year.

For the few Treasury Board agencies that publish their plans separate from their annual reports, the plans become available near the beginning of their fiscal year (e.g., within 75 days). Others, that publish the past year's plan in their annual reports, provide their planning information about 120 days after their year-end.

Overall, the public plans of Government agencies are improving gradually.

Annual reports evolving

The annual reports of CIC crowns remain strong. The annual reports of ministries are improving. The annual reports of Treasury Board agencies vary.

Using a corporate balanced scorecard method, CIC crowns continued to report their results in their annual reports. CIC crowns used a performance indicator light (a coloured dot) to show if progress toward targets was acceptable in relation to previously published corporate

objectives.¹¹ Narratives described the nature of the progress and explained any major difference from corporate plans.

Ministries used the reporting guidelines set by the Ministry of Finance to prepare their annual reports. Ministry annual reports show improvements. For 2008-09, ministries' annual reports better reported progress toward the Government's goals and commitments made to the public (e.g., commitments in the *Speech from the Throne*, the mandate letter given to the responsible minister, or in other public plans). Because few planned targets were published for ministry performance measures, only some annual reports explained progress compared to planned targets (e.g., the number of immigrants). Also, most annual reports did not explain the risks or other factors that interfered with the achievement of their plans. Also in 2008-09, each ministry published annual report highlights in conjunction with the release of its annual report. This two-page document highlights key information included in its annual report.

The annual reports for other Treasury Board agencies showed improvements but continued to vary significantly in quality.

As required by *The Tabling of Documents Act*, CIC crowns, all but one ministry, and most Treasury Board agencies published their annual reports on a timely basis (i.e., within 120 days of their year-end).

Overall, the annual reports of Government agencies continue to improve.

Legislators' use of plans and reports unclear

In recent years, legislators are receiving better, and more timely, public information about plans and results from key agencies. However, as of September 2009, it is unclear if legislators have increased their use of this information during reviews of the activities of the Government and its agencies.

¹¹ CIC crown agencies' balanced scorecard reports use coloured dots to explain results (e.g., green-achieved target, red-below target).

Since 2007, the Legislative Assembly has permanently referred the annual reports of agencies to an appropriate policy field committee.¹² The referral does not specifically refer to plans of agencies. The Assembly has given these committees the responsibility to decide if a review of an agency's annual report is to take place. If so, the Assembly asks the committee to examine each annual report it considers and report to the Assembly on whether the report is satisfactory. The Committee may also investigate any lateness in the tabling of annual reports and consider the annual report in conjunction with its examination of Estimates.¹³

As of September 2009, only the Standing Committee on the Crown and Central Agencies (CCAC) has continued with its well-established process of reviewing annual reports of the CIC crowns. As noted in its January 19, 2009 verbatim, it concluded its review of the annual reports, financial statements, and related documents of these agencies up to their 2007 year end. As of September 2009, it has not yet started its review of the CIC crowns' 2008 annual reports.

The CCAC has not formally reviewed annual reports of any assigned ministries or Treasury Board agencies, such as the Ministry of Finance and the Public Service Commission. Other policy field committees have not formally reviewed any annual reports of their assigned agencies.

From our review of verbatim minutes from January 2008 to September 2009, all policy field committees recently focused their attention on assessing potential changes to legislation and budgetary estimates for agencies that receive money from the General Revenue Fund. It is unclear if committee members use agencies' plans and reports to help prepare for the discussion and questions they ask officials during committee meetings.

Rigorous review and informed debate about agencies' plans and performance reports is the foundation to good accountability. We encourage legislators to use these reports to carry out their duties.

¹² Each policy field committee is mandated to oversee a portfolio of ministries and agencies. This oversight is accomplished through the examination of legislative proposals, budgetary estimates, annual reports, regulations, and by conducting inquiries. Source: The Legislative Assembly of Saskatchewan: An Overview of Standing and Special Committees (December 2007, p. 2), Regina

¹³ Legislative Assembly of Saskatchewan, *Rules and Procedures of the Legislative Assembly of Saskatchewan*; Interim Printing: December 2007, Rule 143(2).

Accountability expected of Treasury Board agencies—a follow-up

Background

In our 2004 Report - Volume 1 (Chapter 9), we made the following two recommendations about accountability. We recommended that:

- ◆ the Government direct all Treasury Board agencies to use an accountability framework that focuses on results
- ◆ the Government require ministries (formerly departments) and Treasury Board agencies to publish their planned targets for major long-term results

On September 29, 2004, the Standing Committee on Public Accounts agreed with our recommendations.

As of September 30, 2009, the Government has made some progress but more work remains. The Government actively encourages but does not require Treasury Board agencies to use a results-based accountability framework. The Government allows but does not require ministries or Treasury Board agencies to make their targets public. We continue to make the above two recommendations.

The following sections set out, for each recommendation, our expectation of the recommendation (in italics) and the status of management's action taken on the recommendations up to September 30, 2009.

Use of accountability framework encouraged but not required

We expect the Government to direct all Treasury Board agencies to use an accountability framework that focuses on results. A results-based accountability framework would include requiring these agencies to plan, manage, and report their plans and results to the public. Due to wide variance in the size and nature of operations of Treasury Board agencies, we expect that the nature and level of detail included in the public reports may vary. We also expect that for some agencies the information may be

included in the reports of a related agency (e.g., related ministry or supervising agency).

Although the Government does not require Treasury Board agencies to use an accountability framework, through the Ministry of Finance (Finance), the Government actively encourages all Treasury Board agencies to use a results-based framework.

At the time of our 2004 recommendations, Finance focused its accountability efforts on ministries and two Treasury Board agencies.¹⁴ The number of these Treasury Board agencies has increased to six in 2009.¹⁵ As of September 2009, the Ministry of Finance continued to invite the remaining Treasury Board agencies to use its formal planning and reporting guidance but was not directly involved in assisting them.

Instead, the Ministry of Finance asked ministries to encourage their related agencies to improve their planning and reporting. With help from related ministries, some agencies developed approaches tailored to meet their needs rather than using a common approach. For example, the Government recognizes the following ministries worked with their related Treasury Board agencies to improve accountability:

- ◆ the Ministry of Education worked with school divisions using continuous improvement framework for planning and outcome measures
- ◆ the Ministry of Health worked with regional health authorities using an accountability document that required specific plans and reports
- ◆ the Ministry of Advanced Education, Employment and Labour worked with post-secondary education agencies to build public plans and reports that show progress toward specific objectives

¹⁴ Ministry of Finance website <http://www.finance.gov.sk.ca/PlanningAndReporting/reports/>. As evident from information on this website, consistent with the findings in our 2001 audit, the Ministry of Finance continues to require ministries to use its guidance and outlines for public plans and reports. This guidance establishes a basis for accountability.

¹⁵ The Ministry of Finance expects all ministries and a few Treasury Board agencies to use their planning and reporting guidance (e.g., the Saskatchewan Watershed Authority, Saskatchewan Liquor and Gaming). Finance also assists a few agencies to refine their plans to be suitable for their situation and demonstrate accountability to the public (e.g., Labour Relations Board, Student Aid Fund, Saskatchewan Health Information Network).

Targets for major long-term objectives evolving, not required

We expected the Government to require departments (now called ministries) and Treasury Board agencies to publish their planned targets for major long-term results. Due to wide variance in the size and nature of Treasury Board agencies, we expected the Government to focus on providing planned targets for major long-term initiatives such as building a skilled workforce.

Planned targets explain what an agency expects to achieve and by when. Without this essential information, legislators and the public cannot assess whether the agency's plans are realistic and meet the needs of the public. Furthermore, without planned targets, legislators and the public can not compare what the agency achieved (actual results) to what it planned to achieve (planned targets).

At the time of our 2004 recommendations and as of September 2009, CIC crowns continued to make public their planned targets, but the Government did not require ministries and Treasury Board agencies to do so.

Although not required, some ministries experimented with providing a few targets in their public plans for 2009-10. For example, the Ministry of Health disclosed its targets for surgical wait times and the Ministry of Advanced Education, Employment and Labour disclosed its immigration targets.

Also, ministries included trends in their public plans and annual reports. Providing trend information related to performance measures is useful. It helps to compare current performance to past performance. However, it is not a substitute for targets. The most useful plans show targets together with trends so that the public can appreciate what the agency is trying to achieve (targets) in the context of what the agency has achieved (trends).

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Standing Committee on Public Accounts

20

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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 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.

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 this 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 towards 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 about 290 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 other financial information. The second report contains details on revenues and expenditures (including a list of salaries and wages) of certain 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.¹ 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 government agencies (e.g., ministries, Crown corporations) included in the Public Accounts. It also reviews the issues raised in our reports based on 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 promotes 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 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 televised and 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

¹ Certain chapters within our reports are referred to the Standing Committee on Crown and Central Agencies.

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 October 2009, the members of the Committee were:

- ◆ Trent Wotherspoon, Chair
- ◆ Michael Chisholm, Deputy Chair
- ◆ Dan D'Autremont
- ◆ Warren Michelson
- ◆ Lyle Stewart
- ◆ Pat Atkinson
- ◆ Laura Ross

Committee accomplishments

Since the fall of 2008, the Committee met 10 times. During this time, the Committee continued its review of our reports on the results of our work at government agencies. These reports included our 2007 Report (Volume 3), 2008 Report (Volumes 1, 2, and 3), and 2009 Report (Volume 1).

The Committee has not yet completed its review of the following reports of the work of our Office:

- ◆ 2009 Report – Volume 1 (three chapters outstanding)
- ◆ 2009 Report – Volume 2

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's First Report to the 26th Legislature. The Committee presented this Report to the Assembly on March 25, 2009. The report contains over 300 recommendations. The Assembly concurred in the Report. The Government responded to the Report on June 8, 2009.²

² The Government response can be found at www.legassembly.sk.ca/committees/. (29 Oct 2009).

Status of recommendations of the Committee

The Committee's reports during the previous five years contain 583 recommendations. Some of these recommendations take a number of years to implement. As of October 2009, the Government has fully implemented 59% (October 2008–67%) of the Committee's recommendations. The Government has partially implemented 64% (October 2008–81%) of the remaining recommendations.³

The Committee has asked us to monitor compliance with its recommendations and to report on their status. This chapter along with each relevant chapter in our report provides an update on the status of the Committee's outstanding recommendations that the Government has not yet fully implemented.

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-

³ Calculations are based on the Committee's recommendations up to and including the First Report to the 26th Legislature at March 25, 2009.

bolded numbers reflect the chapter and recommendation number of our related report.

For each outstanding recommendation, our Office has assessed the status of the recommendation and the progress made since our 2008 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 ⁴	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (Pensions)		
1996	<p>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.</p> <p>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.</p>	<p>Partially implemented (as at March 31, 2009).</p> <p>Plans have consistent estimates of inflation except for the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board.</p>
Cross-Government (Managing for Results)		
2007	<p>PAC concurs:</p> <p>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.</p>	<p>Partially implemented (as at December 31, 2008).</p> <p>Highways has implemented this recommendation.</p> <p>For the Ministry of Corrections, Public Safety and Policing (formerly the Department of Corrections and Public Safety), no progress has been made. We plan to follow up in 2011.</p>
Ministry of Corrections, Public Safety and Policing		
2009	<p>PAC concurs:</p> <p>3-4 that the Ministry of Corrections, Public Safety and Policing complete, approve, and test its business continuity plan.</p>	<p>Partially Implemented (as at March 31, 2008).</p> <p>We plan to report our follow-up in our 2010 Report – Volume 1.</p>

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
Ministry of Corrections, Public Safety and Policing (Rehabilitate adult inmates)		
2009	PAC concurs: 2-3 that the Ministry of Corrections, Public Safety and Policing consistently comply with its policies to assess inmates' needs (primary and secondary) and plan relevant programs.	Not Implemented (as at January 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 2-4 that the Ministry of Corrections, Public Safety and Policing facilitate inmates' access to key programming related to their offence prior to their release into the community, particularly if the offence was related to assault or bodily harm.	Not Implemented (as at January 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 2-5 that the Ministry of Corrections, Public Safety and Policing monitor the proportion of inmates accessing planned rehabilitation programs before the inmates are released into the community and enhance access to rehabilitation if required.	Not Implemented (as at January 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 2-6 that the Ministry of Corrections, Public Safety and Policing monitor re-offending rates in relation to rehabilitation programs to better evaluate its rehabilitation of inmates.	Not Implemented (as at January 31, 2008). We plan to follow up in 2010.
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). We plan to follow up in 2010.

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PAC REPORT YEAR⁴	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). We plan to 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). We plan to 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). We plan to 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, 2009). No progress in year.
Saskatchewan Gaming Corporation		
2009	PAC concurs: 9-2 that the Saskatchewan Gaming Corporation 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.	Partially implemented (as at December 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 9-4 that the Saskatchewan Gaming Corporation provide complete and accurate reports on the project's progress to senior management and the Board of Directors.	Not implemented (as at December 31, 2008). We plan to follow up in 2010.

PAC REPORT YEAR ⁴	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 9-5 that the Saskatchewan Gaming Corporation establish a process to monitor and track how well it achieved the benefits it set out for the project.	Not implemented (as at December 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 9-6 that the Saskatchewan Gaming Corporation establish a process to document the results of testing of new systems and to track and document the follow up of all risks before systems become operational.	Not implemented (as at December 31, 2008). We plan to follow up in 2010.
Saskatchewan Research Council		
2009	PAC concurs: 11-1 that the Saskatchewan Research Council complete its central recording of all significant intellectual property.	Not implemented (as at November 30, 2007). We plan to follow up in 2010.
2009	PAC concurs: 11-2 that the Saskatchewan Research Council make an agreement with its wholly-owned company (subsidiary) for ownership and management of intellectual property.	Not implemented (as at November 30, 2007). We plan to follow up in 2010.
2009	PAC concurs: 11-3 that the Saskatchewan Research Council follow its policy to regularly verify that it complies with software licences.	Not implemented (as at November 30, 2007). We plan to follow up in 2010.
2009	PAC concurs: 11-4 that the Saskatchewan Research Council follow its policy to ensure employees obtain written approval before publicly releasing information that relates to intellectual property.	Not implemented (as at November 30, 2007). We plan to follow up in 2010.
2009	PAC concurs: 11-5 that the Saskatchewan Research Council implement performance measures to help it manage intellectual property.	Not implemented (as at November 30, 2007). We plan to follow up in 2010.

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PAC REPORT YEAR ⁴	OUTSTANDING RECOMMENDATION	STATUS
Workers' Compensation Board		
2009	PAC concurs: 19-1 that the Workers' Compensation Board formally communicate its information needs for the industrial safety program to the Ministry of Advanced Education, Employment and Labour.	Not implemented (as at December 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 19-2 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.	Not implemented (as at December 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 19-3 that the Workers' Compensation Board management report its assessment of the impact of the industrial safety program on the injury prevention and safety to the members of the Board.	Not implemented (as at December 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 19-4 that the Workers' Compensation Board ensure there is Order in Council approval for payment of the industrial safety program costs before paying those costs.	Not implemented (as at December 31, 2008). We plan to follow up in 2010.
2009	PAC concurs: 19-5 that the Workers' Compensation Board document its analysis of the effectiveness of its injury prevention and safety programs and document any changes required.	Not implemented (as at December 31, 2008). We plan to follow up in 2010.

PAC REPORT YEAR ⁴	OUTSTANDING RECOMMENDATION	STATUS
Understanding the Finances of the Government		
2009	PAC concurs: 1. that the Government publish financial statement discussion and analysis along with its audited Summary Financial Statements.	Partially implemented (as at September 10, 2009). The Public Accounts 2008-09 Volume 1 provides useful financial statement discussion and analysis information but does not yet include some key information (see page 22 of our 2009 Report – Volume 2 for an update).
2009	CR1. That the Ministry of Finance be directed to review the implications of reporting actual results with the projected results for the General Revenue Fund on a quarterly basis.	Not implemented (as at September 10, 2009). Ministry of Finance officials noted, at the November 26, 2008 PAC meeting, its plans to include actual results for the General Revenue Fund in the 2009-10 Mid-Year Report.

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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;

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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*.

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.

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.
2001, c.32, s.4.

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.

2001, c.32, s.9.

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.

2001, c.32, s.9.

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.

2001, c.32, s.9.

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.

2001, c.32, s.9.

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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

2001, c.32, s.9.

DUTIES AND POWERS

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.

1986-87-88, c.26, s.6.

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.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

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;

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- (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.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

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.

1983, c.P-30.01, s.13.

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.

2001, c.32, s.11.

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.

2001, c.32, s.11.

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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.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

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).
- 1983, c.P-30.01, s.19.

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.

2001, c.32, s.13; 2005, c.L-11.2, s.97.

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.

1983, c.P-30.01, s.32.

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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, 2009.

This Appendix includes the status of those audits at October 31, 2009. 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.

Appendix 2

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2009 Rpt V2
Ministries and Secretariats:			
Ministry of Advanced Education, Employment and Labour	March 31	Complete	Yes/2009 Rpt V3
Ministry of Agriculture	March 31	Complete	Yes/2009 Rpt V1 & V3
Ministry of Corrections, Public Safety and Policing	March 31	Delayed	Yes/2009 Rpt V1
Ministry of Education	March 31	Complete	Yes/2009 Rpt V1 & Rpt V3
Ministry of Energy and Resources	March 31	Complete	No
Ministry of Environment	March 31	Complete	Yes/2009 Rpt V3
Ministry of Finance	March 31	Complete	Yes/2009 Rpt V1 & V3
Ministry of First Nations and Métis Relations	March 31	Complete	Yes/2009 Rpt V3
Ministry of Government Services	March 31	Complete	Yes/2009 Rpt V1 & V3
Ministry of Health	March 31	Complete	Yes/2009 Rpt V3
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2009 Rpt V3
Ministry of Intergovernmental Affairs	March 31	Complete	No
Ministry of Justice and Attorney General	March 31	Complete	Yes/2009 Rpt V3
Ministry of Municipal Affairs	March 31	Complete	Yes/2009 Rpt V3
Ministry of Social Services	March 31	Complete	Yes/2009 Rpt V3
Ministry of Tourism, Parks, Culture, and Sport	March 31	Complete	Yes/2009 Rpt V1 & V3
Executive Council	March 31	Complete	Note 6
Information Technology Office	March 31	Complete	Yes/2009 Rpt V1 & V3
Provincial Secretary, Office of the Public Service Commission	March 31	Complete	No
	March 31	Complete	Yes/2009 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	
Abernethy Enterprises, Inc.	December 31	Note 1	

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
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	Delayed	
Carlton Trail Regional College	June 30	Rotational	
CIC Asset Management Inc.	December 31	Complete	No
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	Complete	No
Cypress Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
DirectWest Canada Inc.	December 31	Complete	No
DirectWest Corporation	December 31	Complete	No
Enterprise Saskatchewan	March 31	Complete	Yes/2009 Rpt V3
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	No
Global Transportation Hub Authority, The	March 31	Note 3	
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Complete	No
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 1	

Appendix 2

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
Hospitality Network Canada Inc.	December 31	Complete	No
Information Services Corporation of Saskatchewan	December 31	Complete	No
Innovation Saskatchewan	March 31	Note 3	
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
IS Belle Plaine Holdings Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2009 Rpt V1 & V3
Liquor and Gaming Authority Extended Health Care Plan	March 31	Delayed	
Liquor Board Superannuation Commission, The	December 31	Complete	Note 4
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	Yes/2009 Rpt V1
Municipal Employees' Pension Commission	December 31	Complete	Yes/2009 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	No
North West Regional College	June 30	Complete	No
Northlands College	June 30	Rotational	
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	Rotational	
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, 2009	Status at October 31, 2009	Significant issues reported ²
Prairie North Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2009 Rpt V3
Public Service Superannuation Board	March 31	Complete	Yes/2009 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2009 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	No
Saskatchewan Auto Fund	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Cancer Agency	March 31	Complete	Yes/2009 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/2009 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/2009 Rpt V1
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 Insurance	December 31	Complete	Yes 2009 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No

Appendix 2

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
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/2009 Rpt V1 & V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Labour Market Commission	March 31	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	Yes/2009 Rpt V3
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Note 2
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Power Corporation	December 31	Complete	No
Saskatchewan Research Council, The	March 31	Complete	Yes/2009 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2009 Rpt V1
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	Yes/2009 Rpt V1
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	Yes/2009 Rpt V1
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/2009 Rpt V3
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	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	

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
SGC Holdings Inc.	December 31	Complete	Yes/2009 Rpt V1
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Rotational	
Sun Country Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30, 2008	Complete	Yes/2009 Rpt V1
Teachers' Superannuation Commission	June 30, 2009	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	No
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	
Zenon Park 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
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	Yes/2009 Rpt V1
Extended Health Care Plan for Certain Other Employees	December 31	Complete	Yes/2009 Rpt V1
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	Yes/2009 Rpt V1

Appendix 2

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
Extended Health Care Plan for Retired Employees	December 31	Complete	Yes/2009 Rpt V1
Fish and Wildlife Development Fund	March 31	Complete	Yes/2009 Rpt V3
General Revenue Fund	March 31	Complete	Yes/2009 Rpt V3
Growth and Financial Security Fund	March 31	Note 8	No
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/2009 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	Complete	No
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/2009 Rpt 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	Yes/2009 Rpt V1
Public Employees Group Life Insurance Fund	December 31	Complete	Yes/2009 Rpt V1
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
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

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
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	Yes/2009 Rpt V3
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
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
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
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teacher's Dental Plan	December 31	Delayed	
Teacher's Disability Plan	June 30	Delayed	
Teacher's Group Life Plan	August 31	Delayed	
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

Appendix 2

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	No
Chief Electoral Office	March 31	Complete	No
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 <i>The Provincial Auditor Act</i>:			
Chinook School Division No. 211	August 31	Note 3	
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Note 3	
Conseil des Ecoles Fransaskoises School Division No. 310	August 31	Note 3	
Creighton School Division No. 111	August 31	Note 3	
Englefeld Protestant Separate School Division No. 132	August 31	Note 3	
Good Spirit School Division No. 204	August 31	Note 3	
Holy Family Roman Catholic Separate School Division No. 140	August 31	Note 3	
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Note 3	
Horizon School Division No. 205	August 31	Note 3	
Ile a la Crosse School Division No. 112	August 31	Note 3	
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Note 3	
Living Sky School Division No. 202	August 31	Note 3	
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Note 3	
Lloydminster Public School Division No. 99	August 31	Note 3	
North East School Division No. 200	August 31	Note 3	
North West School Division No. 203	August 31	Note 3	
Northern Lights School Division No. 113	August 31	Note 3	
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
Prairie South School Division No. 210	August 31	Note 3	
Prairie Spirit School Division No. 206	August 31	Note 3	
Prairie Valley School Division No. 208	August 31	Note 3	
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Note 3	
Regina Roman Catholic Separate School Division No. 81	August 31	Note 3	

Agency	Year end on or before July 31, 2009	Status at October 31, 2009	Significant issues reported ²
Regina School Division No. 4	August 31	Note 3	
Saskatchewan Rivers School Division No. 119	August 31	Note 3	
Saskatoon School Division No. 13	August 31	Note 3	
Sask Sport Distributors Inc.	March 31	Note 7	
South East Cornerstone School Division No. 209	August 31	Note 3	
St. Augustine Roman Catholic Separate School Division No. 220	August 31	Note 3	
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Note 3	
Sun West School Division No. 207	August 31	Note 3	
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 Long-term Disability Plan	April 30	Note 3	
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
Western Canada Lottery Corporation	March 31	Note 7	
Western Canada Lottery – Saskatchewan Division Inc.	March 31	Note 7	

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, 2008, 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. March 31, 2010, April 30, 2010 and August 31, 2010 will be the first period-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

Appendix 2

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.

Note 6: The agency does not have systems to measure work performed and results achieved for its key performance measures. Our 2005 Report – Volume 1 contains further information on this matter.

Note 7: In 2009, we determined that these entities handle public money. *The Provincial Auditor Act* requires our Office to audit all public money. Beginning for the year ending March 31, 2010, we plan to audit these entities through their appointed auditors.

Note 8: The Ministry of Finance does not prepare financial statements for this Fund.

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1. "Complete" – the audit was complete at October 31, 2009.
"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, 2009 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/2009 Rpt V1" – significant issues were reported in our 2009 Report – Volume 1.
"Yes/2009 Rpt V2" – significant issues were reported in our 2009 Report – Volume 2.
"Yes/2009 Rpt V3" – significant issues are reported in our 2009 Report – Volume 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.

Appendix 3

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 standards for assurance engagements established by The Canadian Institute of Chartered Accountants, 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. [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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