

**Main points** ..... 180

**Introduction** ..... 181

**Audit conclusion and findings** ..... 181

    Information technology controls need improvement..... 181

    Periodic verification of physical assets required..... 183

    Reinforcing of appropriate staff conduct needed and criminal record checks  
        required..... 183

## **Main points**

The Saskatchewan Water Corporation (SaskWater) needs to protect its information technology (IT) systems and data. SaskWater needs to approve an adequate IT security policy, sign an IT service agreement with its IT service provider, and monitor the adequacy of the security controls used by its IT service provider.

SaskWater should periodically verify the existence and valuation of its physical assets. SaskWater should establish code of conduct policies and require criminal record checks for its employees in positions of trust.

## Introduction

The Saskatchewan Water Corporation (SaskWater) operates under *The Saskatchewan Water Corporation Act*. SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

At December 31, 2009, SaskWater held assets of \$95 million, had operating revenue of \$20.8 million, and had net income of \$0.5 million. Each year, SaskWater gives its annual report including its audited financial statements to the Legislative Assembly.<sup>1</sup>

## Audit conclusion and findings

Our Office worked with Deloitte & Touche LLP, the appointed auditor, to carry out the audit of SaskWater. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* ([www.auditor.sk.ca/rrd.html](http://www.auditor.sk.ca/rrd.html)). Deloitte & Touche LLP and our Office formed the following opinions.

### **In our opinion, for the year ended December 31, 2009:**

- ◆ **SaskWater had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- ◆ **SaskWater complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **SaskWater's financial statements are reliable**

## Information technology controls need improvement

SaskWater needs to protect its information technology (IT) systems and data. We found three areas where IT systems and data were not properly protected.

---

<sup>1</sup> See [www.saskwater.com](http://www.saskwater.com).

SaskWater needs to establish an adequate IT security policy. IT security policies help ensure the confidentiality, integrity, and availability of information systems and data. Without adequate IT security policies, SaskWater's systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

**1. We recommend that Saskatchewan Water Corporation establish an adequate information technology security policy.**

SaskWater does not have an IT service agreement with its IT service provider.

SaskWater needs a service agreement with the IT service provider setting out the roles and responsibilities of both the IT service provider and SaskWater. For example, the agreement would describe the services to be provided by the IT service provider (such as help desk services and application development), service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as time frames for setting up new email accounts), and the term of the agreement. The agreement should also identify security and disaster recovery requirements.

Without a signed service agreement, there is risk that SaskWater's needs may not be met. For example, the IT service provider had limited incident and problem management procedures and did not monitor the security logs of network equipment, such as firewalls, to help keep SaskWater's systems and data secure. Regular review of security logs ensure staff take corrective action on security incidents and reduce the risk of inappropriate access to systems and data. SaskWater should obtain adequate information about the security of its systems and data from its IT service provider.

The IT service provider did not implement adequate network password complexity requirements, did not control access authorization requests appropriately, and did not have adequate processes to monitor the appropriateness of user access within the IT systems. This increases the risk of inappropriate access to SaskWater's systems and data.

SaskWater informally approved system development changes. The IT service provider kept inadequate documentation to support the changes made in the IT system. To protect the integrity of data and maintain an audit trail, all changes to SaskWater IT systems need to be formally documented and approved prior to implementation.

- 2. We recommend that Saskatchewan Water Corporation have an adequate information technology service agreement with its information technology security service provider.**
- 3. We recommend that Saskatchewan Water Corporation monitor the adequacy of the security controls its information technology service provider uses to protect the Corporation's systems and data.**

### **Periodic verification of physical assets required**

SaskWater does not have adequate processes to periodically verify the existence and value of its physical assets. SaskWater is at risk that some physical assets may no longer exist or are not valued properly. At December 31, 2009, SaskWater held physical assets of \$86.9 million (net book value). SaskWater should periodically verify the existence and valuation of its physical assets.

- 4. We recommend that Saskatchewan Water Corporation periodically verify the existence and valuation of its physical assets.**

### **Reinforcing of appropriate staff conduct needed and criminal record checks required**

SaskWater needs to provide staff with written guidance to help ensure appropriate staff conduct (i.e., code of conduct). To protect the public interest and maintain a respectful workplace, staff must understand the conduct expected of them. Policies and supporting guidance help staff understand and avoid situations of conflict. They also help staff provide services with integrity and impartially at all times. Supervisors must be provided with guidance to use appropriate discipline procedures and staff must be provided with opportunities to communicate inappropriate behaviour to their supervisors when situations occur.

SaskWater also needs criminal record checks for employees in positions of trust (i.e., those responsible for the collection, receipt, disbursement, or expenditure of public money) to reduce the risk of loss of public money. Criminal record checks are part of a prudent employment process that would help SaskWater:

- ◆ maintain public confidence in the public service
  - ◆ keep its employees, clients, and stakeholders safe
  - ◆ administer public funds securely
- 5. We recommend that Saskatchewan Water Corporation establish code of conduct policies and communicate these policies to staff.**
  - 6. We recommend that Saskatchewan Water Corporation require criminal record checks for employees in positions of trust.**