

2010 Report – Volume 1

Opening statement by Brian Atkinson, Acting Provincial Auditor, for his meeting with members of the press regarding the 2010 Report – Volume 1.

Thank you for joining me this morning. With me are Bashar Ahmad, Judy Ferguson, Mike Heffernan, Ed Montgomery, Kelly Deis, and Candice Pattullo.

Bashar, Judy, Mike, Ed, and Kelly led most of the work that is included in the report we are discussing today. Candice ensures the results of our work are put together and published. She also coordinates my activities and this meeting.

Before I answer your questions, I will make a few opening comments.

The Government delivers its services through about 310 agencies. We are responsible to audit all of them. This report covers our work on about 131 of those agencies, mostly those with December 31st year-ends. Our report in the fall will cover the rest. In both of these reports, we focus on key risks the Government faces and on controls to manage those risks.

For the most part, the agencies covered by this report have adequate controls to manage the risks to public resources. But some agencies have issues they need to address.

I plan to talk about the report focusing on the following five areas:

- Management of human resources
- Management of infrastructure
- Security of information technology systems and data
- Protection of people
- Safeguarding public resources

Management of human resources

First, I want to talk about managing human resources for effective and efficient service delivery.

The Ministry of Corrections, Public Safety and Policing employs over 925 corrections workers who work in four large correctional centres located in Regina, Saskatoon, and Prince Albert. Safe, secure jails require a sufficient number of workers 24 hours a day, every day of the year. To have a sufficient number of workers, the Ministry must replace absent workers.

Finding replacements may mean paying overtime to workers, and paying overtime increases the Ministry's labour costs. For the nine month period ending December 31st 2009, the cost of overtime at the correctional centres was \$6.7 million. We needed to look at this.

We audited how the Ministry manages the correctional centres' labour costs related to absenteeism.

Our findings are disturbing.

We found that the Ministry had weak processes for scheduling staff to minimize labour costs. The Ministry did not always approve or monitor changes to staff work schedules. As a result, for the nine months ended December 31, 2009, the Ministry paid 237 corrections workers overtime of \$10,000 or more. For the year ended March 31, 2009, the Ministry paid 29 correctional workers more than double the average annual salary of about \$50,000.

The Ministry did not keep accurate records of time worked. Most correctional centres paid workers based on planned work schedules, not actual shifts worked. As a result, the Ministry overpaid some workers and underpaid others. The Ministry must pay workers accurately.

We found that part of the problem was that the Ministry did not adequately set out its expectations for work-related behaviour. These expectations should include personal accountability, thresholds for acceptable sick leave, and how much overtime workers can accept in each pay period.

The first step in solving a problem is understanding it. The Ministry did not adequately analyze labour costs including absenteeism patterns and related overtime costs. As a result, it could not report risk factors promptly to management or track progress in reducing these risks. As well, we found that the Ministry needs to establish adequate supervisory roles and responsibilities. This would help the Ministry start to take action on excessive absenteeism and overtime.

The regional health authorities face similar challenges to have a sufficient number of nurses on duty to provide proper patient care. According to the Sunrise Regional Health Authority, high overtime and sick leave contributed to its 2009 deficit. Sunrise employs about 1,500 nurses. We audited Sunrise's processes to schedule nursing staff and manage labour costs related to overtime.

In this case, our findings are encouraging.

We found Sunrise had adequate processes for scheduling. It also had adequate processes to set work expectations for nursing staff. It analyzed labour costs and identified patterns and causes of excessive labour costs. It also developed strategies to try to manage excessive costs, although it had not yet implemented them.

There were some issues, however. Supervisors need to properly approve timesheets. We also recommended that Sunrise should improve how it reports on overtime costs and Sunrise should implement the strategies it had developed to address overtime costs.

Management of infrastructure

The second area I want to talk about is the Ministry of Highways and Infrastructure and its management of the provincial highways.

Doing the right maintenance at the right time reduces long-term costs and minimizes the risk of pavement damage and failure of highways.

We audited the Ministry's processes to maintain the provincial highways.

Our findings here are encouraging.

The Ministry has adequate processes to obtain reliable information on the highways system. This includes information on highway condition and previous maintenance that was done.

The Ministry has adequate processes to develop a maintenance plan except in the area of long-term service-level objectives. The Ministry recognizes that setting long-term service-level objectives is key to selecting the right maintenance activities at the right time. The Ministry needs to set long-term service-level objectives and then use them.

To carry out maintenance effectively the Ministry must set priorities. The Ministry should use its service-level objectives to set its priorities.

The Ministry has adequate processes to monitor performance except it needs to do a better job of reporting the results of maintenance activities to management.

Security of information technology (IT) systems and data

The third area I want to talk about is security of information technology systems and data. IT continues to be an area that challenges government agencies. Agencies must keep their information secure, including IT systems and data. Keeping information secure means keeping it confidential, accurate, and available.

A security awareness program can be a cost-effective way of improving agencies' information security. The best security policies and procedures will be ineffective if employees are unaware of them and their purpose.

We audited the security awareness processes of the Ministry of Justice and Attorney General and the Saskatchewan Crop Insurance Corporation. Our findings were encouraging, but both agencies need to make some improvements.

The Ministry of Justice and Attorney General needs to assess its security awareness needs. It should update the plan for its security awareness program, and it should monitor the effectiveness of its program.

The Saskatchewan Crop Insurance Corporation's security policies need to include the requirement for an ongoing security awareness program and specify who is responsible for the program. SCIC needs a formal plan for security awareness and it needs to monitor the effectiveness of its program.

I also want to mention IT issues at the Saskatchewan Water Corporation and SaskEnergy.

The Saskatchewan Water Corporation needs adequate IT security policies to protect its IT systems and data. Without adequate IT security policies, SaskWater's systems and data are at risk of unauthorized access, inappropriate changes, and information not being available when needed.

SaskWater also needs an adequate service agreement with its IT service provider that sets out each of their roles and responsibilities. Without a service agreement, SaskWater's security needs may not be met.

Finally, SaskWater needs to monitor the security controls its IT service provider uses to protect SaskWater's systems and data.

For its part, SaskEnergy needs better IT processes for managing changes to its systems and data. SaskEnergy's processes allow some IT staff to develop and make system changes without authorization. This increases the risk of unauthorized and incorrect changes to systems and data and could result in errors in its accounting records and customer billings.

Protection of people

The fourth area I want to talk about is the Ministry of Education and its responsibilities for regulating child care. The Ministry is responsible to set standards for child care and to license and inspect child care facilities. In 2008-09, the Ministry licensed 449 child care facilities and spent over \$31 million for services related to child care. At March 31, 2009, there were 9,700 children in licensed child care spaces.

We audited the Ministry's processes to regulate child care facilities.

Our findings were very encouraging.

The Ministry communicates up-to-date standards for child safety and well-being to child caregivers. The Ministry also requires all child caregivers in licensed facilities to take appropriate training.

The Ministry has good processes to license eligible child care facilities. It verifies that applicants meet requirements, issues licenses promptly to qualified facilities, and has a dispute resolution process.

The Ministry has adequate processes to monitor child care facilities' compliance with standards except it needs to monitor key requirements during its unscheduled visits to child care facilities and document its findings. It also needs to report trends in child care facilities' compliance with standards to senior management and the public.

Safeguarding public resources

Finally, I want to talk about safeguarding public resources and in particular about SaskPower and the Ministry of Health.

SaskPower's wholly-owned subsidiary NorthPoint Energy Solutions Inc. participates in electricity trading markets operating in Canada and the United States. NorthPoint did not adequately train staff on market rules or supervise its staff. NorthPoint did not manage its regulatory monitoring processes separately from its market trading staff. As a result, on numerous occasions during 2008 and 2009, NorthPoint may have violated market rules and exposed itself to financial penalties. At December 31, 2009, the market regulator has not reviewed or reached a final decision on this matter.

Moving on to the Ministry of Health. The Ministry of Health manages the provincial IT network that links health care regions, facilities, and agencies. It leads the development of electronic health records.

The Ministry needs good processes to buy quality services at the best value. Those processes should be fair, transparent, and competitive. During 2009, the Ministry spent over \$20 million buying IT services from vendors.

We audited the Ministry's processes to buy IT services.

Our findings were not encouraging.

The Ministry did not have adequate processes to fairly select among shortlisted suppliers for specific services. The Ministry's requests for proposals for specific IT services did not include its complete criteria for awarding the work. And, the Ministry did not always document its evaluation for the proposals consistently.

In addition, the Ministry permits IT vendors to hire or assign staff to Ministry projects. These IT vendors may use Ministry employees or contract employees, as needed. The vendor managers often hired individuals from their own organizations for projects. The Ministry needs to ensure that its own employees are the ones making decisions to hire employees of IT vendors.

These vendor managers then supervised employees, assessed their performance, and recommended approval of payments for their services. Where an IT vendor recommends approval of payment for services, we expect the Ministry to independently verify the services received. However, we did not always find evidence that this was done. We recommend that the Ministry obtain periodic independent updates of projects that are staffed with vendor employees.

This ends my opening remarks. I would be pleased to answer your questions.